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'Cut-cost approach may not be good for bosses, workers in the long run'

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MEASURES taken by industries to cut cost across the board in response to the economic downturn may place employers and workers on the losing end in the long run.

Prime Minister Datuk Seri Dr Mahathir Mohamad said the measures are a defensive approach adopted by most industries against the economic crisis.

"The approach will bring a loss in the long run as it will discourage industries to respond effectively to the changes resulted from the economic crisis," he said in his address at the Industrial Excellence Award presentation ceremony in Kuala Lumpur yesterday.

Also present were International Trade and Industry Minister Datuk Seri Rafidah Aziz and Arab Malaysia Merchant Bank chairman Tan Sri Azman Hashim, who is the deputy chairman of the Industrial Excellence Award Council.

Dr Mahathir also said that the duration of the economic recovery process depends on the action taken by the private sector and the industries.

He said the long-term and profitable approach that should have been adopted by industries is to increase the productivity, reduce the processing cost, develop more processed materials and ensure continuous quality of the products.

With the growth in efficiency of all aspects of production and marketing, the products will be more competitive and of good quality, he added.

Dr Mahathir, who is also First Finance Minister, said the Government has taken several measures that are necessary and appropriate to create a conducive environment to stimulate the economic activities and growth.

He said the positive results from such measures have begun to show, such as the fall in interest rate and the lifting up of the pressure on liquidity in the banking system.

The share market has begun to show an improvement and sectors most affected by the financial crisis, such as automotive and finance, have regained their momentum, he added.

"The Government is confident that this economic recovery process can be expanded and strengthened.

"At this level, it is important for industries to adopt positive attitude and take appropriate and effective actions in spearheading the recovery process.

"Whether the recovery will be sooner or later depends on how soon the private sector and industries can take action," he said.

The Prime Minister advised the industries to equip themselves in facing the challenges of globalisation and trade liberalisation, which will continue to be emphasised by the advanced countries in various forums.

He said tariff protection is only temporary and the most effective way to face the challenge is by practising global orientation in producing goods and providing services.

He noted that the influence and effect from the globalisation process will penetrate into all aspects of trading and even local industries are not spared from the process. This is because the opening up of markets will involve tariff reduction and non-tariff elimination in local market.

"Local producers should intensify their ability and production capacity to face the open competition.

"If the size is an obstacle to boost their competitiveness, industries

should take steps towards merger, joint venture or smart partnership to strengthen their competitive capacity," he said.

Dr Mahathir also urged local industries to emphasise on total factor productivity that can be achieved through restructuring and reconstruction of management system, enhancement of skill and efficiency, adoption of good management techniques, specialisation, acquisition of new technology and the use of information technology (IT).

"The ability to secure business opportunities through technology is the main factor to maintain Malaysia's competitiveness. The Multimedia Super Corridor will support local companies in the use of IT in all aspects of operations," he said.

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