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Go for value-added products, SMIs told

Leong Shen-li

KUALA LUMPUR, Mon. - Malaysian small- and medium-sized industries must graduate from producing lower-end components to becoming global suppliers of higher value-added intermediate products, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister said the transformation should be achieved as a matter of logical progression.

"SMIs should strive to acquire new technologies and upgrade skills in core competencies critical to achieving manufacturing excellence.

"SMIs also need to acquire new capabilities and skills to be able to produce essential parts and components to compete with the best in the market," he said when launching the Small- and Medium-Sized Development Corporation Annual SMI Showcase '99 at the Mines International Exhibition Centre.

Organised by the corporation, the exhibition is supported by Bank Industri Bhd and Malaysia External Trade Development Corporation. The Business Times is the official newspaper.

Dr Mahathir said the fundamental factor in achieving market acceptance was quality and competitiveness, and the products would have to meet the rapidly changing international standards in terms of price, quality, delivery and costs at the very outset.

"Products today must not only meet the needs and taste of the domestic market but should also adapt to the needs of consumers in different markets. What this implies is that SMIs need to shift their focus from being production-orientated to market-orientated," he said.

Dr Mahathir said the Malaysian economy was gradually transforming itself into a knowledge-based economy or k-economy, where brain power rather than brawn would be the determining competitive advantage.

He said Malaysian SMIs should consider going into more knowledge-intensive business activities where start-up costs were low.

"In a k-economy where the main activities are focused on high value- and knowledge-added activities, such as product and process designing, product or process development and improvement, innovation and other research and development activities, size and scale of operation does not matter as much as before," he said.

Both large and small companies, he said, stood almost equal chance of achieving success and many breakthroughs in technology, software designs and development were made by companies which started very humbly and small.

"With the extensive application of information and communication technology by our own companies, the outreach of Malaysian-made products and services can be extended to the global market, even though they were intended initially to serve the domestic market," he said.

He added that through e-commerce, products of SMIs could reach foreign markets faster and at a lower cost.

Dr Mahathir said confidence from the private sector, including foreign direct investors, remained high while the economy was put to the test during the economic turmoil.

"This was evidenced by the continued inflow of foreign direct investments into the country's manufacturing sector even at the time when the country was registering negative growth," he said.

He said these were real investors who knew the actual situation in the

country. He also said these types of FDIs were the ones Malaysia was interested in attracting to the main economic sectors.

"These are the investors whom we would like to work with in advancing our industrialisation programme," he said.

Earlier, International Trade and Industry Minister Datuk Seri Rafidah Aziz said the enhanced capacity of Malaysia-based companies, including SMIs, had resulted in an increase in the exports of electronic components and parts.

"Exports for the first eight months of this year amounted to RM49.291 billion, compared with RM65.157 billion the whole of last year, and RM46.767 billion in 1997," she said.

However, to cater to the domestic industrial sector requirements, imports of such components had also increased, with imports for the first eight months amounting to RM53.468 billion.

She said last year, the figure was RM74.710 billion, while in 1997, it stood at RM53,737 billion. In 1996, it was RM49.810 billion.

As for the automotive industry, Rafidah said exports of automotive components amounted to RM963 million from January to August this year.

Last year, the figure was RM1.363 billion while in 1997, the figure was RM898 million.

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