

The manufacturing sector in malaysia



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1. INTRODUCTION

Manufacturing sector in Malaysia began to grow rapidly since the early 1980s when the country witnessed the transition from an agricultural economy to one based on industry. In addition, Malaysia began to implement a strategy to diversify its economy with the goal of becoming the country focused on economic activities with higher added value, and also reduce excessive focus on commodity upstream, namely tin and rubber. From that Malaysian government launch industrial policy in 1980s there are National Industrial Policy and Industrial Master Plan and has achieved remarkable growth. This major shift happen when the country realize that they needs to reduce dependence on imports, and the need to create technology-based sectors to ensure the success of the national economy. Today, the manufacturing industry is the fastest growing industry and become one of the country's economic development factors.

In the past, economic development in Malaysia is moving up from light industries to more capital and knowledge-intensive industries. Today, the challenge is to move from low-value-added to high value-added activities within or across industries. The high value added activities is to improves the value of products or services to customers. For examples, high value added activities include designing products, delivering products, processing customer orders and improving product quality.

1. BACKGROUND OF MANUFACTURING SECTOR

The manufacturing sector has existed from the colonial era, but its contribution is small at the time, which is about 8% of national income. The

economy at that time was dependent on the production of raw materials, especially tin and rubber for export. The industrial sector is only focused on the processing of ore into ingots, tin, and it is dominated by companies belonging to the British. Until 1929, Malaya was producing 50 % of world production of tin ingots. In addition, there is also evidence that before the year 1940, manufacturing activities involving other products were also carried out on a small scale. These activities are confined to areas like Penang British administration, Province Wellesley and Malacca.

Export industry for 1940 only amounted to a total of 450, 000 tin, but tin was increased to 1, 800, 000 in 1959. During the colonial period, without any government intervention to promote the development of the manufacturing sector. But in the late 1960s, the importance of process outputs estate industry has been steadily decreasing since his place was taken by the food processing industry. There are other industries that began to grow, involving goods, non-durable consumer goods, consumer durables, capital goods such as electrical and non-electrical machinery and transport equipment. During this period, a policy known as import substitution policies have been introduced. The aim of import substitution policy was introduced in order to reduce the outflow of money, to meet domestic demand. Goods previously imported are now encouraged to produce their own in states. Thus, the focus is on light industry produce soaps, beverages, footwear, clothing and rubber products. In the late 1960s, import substitution industries switch from consumer goods to the production of capital goods and intermediate goods.

From 1963 to 1968, its importance in terms of contribution to value added and employment in the manufacturing sector, which is very different variety.

Product groups of food, rubber and wood still maintain their dominant position in terms of their contribution to the manufacturing sector. The basic metals, textiles and electrical machinery set the fastest growing, with an annual growth rate of over 30% per annum. Most of this increase is due to the substitution of imports and domestic market development. Resource-based manufacturing activities such as timber and rubber increased only modestly.

In 1970s, the ratio of the value of manufacturing goods exported to manufacturing goods imported has increased from 29.4% to 47.1% over the decade. Since the 70s, the government as well as economic diversification has emphasized a more rapid growth of the industry to meet the requirements of the job and the New Economic Policy (NEP). In this case, the focus has been on industries and export-oriented industries that employ large numbers of workers.

Start 80s, the program suffered another country's industrial development through the promotion of heavy industry. It aims to strengthen the country's industrial base and increase people's skills in the field of higher technology. It also aims to speed up the process of industrialization. Government plays a direct role in designing, implementing, funding and managing heavy industries as the private sector is not able to bear the expense or risk in handling projects involves not only capital, but also only be able to return in time long.

Although overall industrial development of the country in the years of the 60s, 70s and early 80s is satisfactory but a lot of problems and weaknesses

still exist in this sector. For example, the growth of the export sector is not very satisfactory when compared with the domestic sector. Exports of manufactured goods that Malaysia too dependent on only a few industries such as electrical and electronics and textiles. Product quality as well as a whole is not very satisfactory and cannot compete with the products of foreign countries. This is due to the low level of technology and lack of skills of local people to improve or renew technology received from outside. The established industries are also less value added as much devoted to assembly activities only. Therefore, if the industrial sector is expected to continue to play a key role in national development, it is necessary to set up long-term goals supported by development policies and strategies that are new.

3. 1 IMPORTANT OF MANUFACTURING SECTOR

3. 11 Economic Growth and Increase Gross Domestic Product (GDP)

The manufacturing sector plays important role in economic growth and increase our gross domestic product. It is because the majority of these projects are in high value and high-growth industries. The proof is, for the first five month of 2013, MIDA had approved a total of 17 automotive projects with investments of RM0. 6 Billion. Many global automotive companies and international component manufacturers have established their operation in Malaysia, including Toyota, Honda, Nissan, Mercedes Benz, Volvo, BMW, Peugeot, Volkswagen, Denso and Bosch. Those investment in our country will increase our national income and also our economic growth.

Other than that, Malaysia also sets a new record of RM216.5 billion for approved direct investment in 2013. Foreign and domestic direct investment continue to increase and 192,000 new jobs with higher income employment opportunities for Malaysians were approved. Malaysia again had a new record breaking year of investments in the manufacturing, services and primary sectors in 2013 with total approved investments of RM216.5 billion, a very commendable achievement amidst a challenging external environment. In 2012, the country attracted a total of RM167.8 billion in direct investments, which was the highest amount ever recorded. These approved investments were in 5,669 projects comprising 14 megaprojects worth more than RM1 billion each and 82 large projects worth more than RM100 million each. The majority of these projects are in high-value and high-growth industries. From all these achievements, we can see that the manufacturing sector was important in economic growth and increasing our national income.

3.1.2 The Goal into Higher Value-added Activities in the New Economic Model (NEM)

Malaysia launched the New Economic Model (NEM), which aims for the country to reach high income status by 2020 while ensuring that growth is also sustainable and inclusive. The NEM includes a number of reforms to achieve economic growth that is primarily driven by the private sector and moves the Malaysian economy into higher value-added activities in both industry and services. Our exports are still strong but not generating enough added value. Malaysia wants to achieve high value added activities because of a shortage of skilled manpower and high technology. This causes

Malaysia lags behind developed countries to another. In the desire to become a developed country, Malaysia should concentrate importance of the manufacturing sector. This is because, the manufacturing sector is an important factor in the economic development of the country. Compared with the past, Malaysia have to move forward as an example in the field of automotive and electronics. Manufacturing sector brings many benefits to the economy of our country.

3. 1. 3 Knowledge and Innovation Intensive Economic Activity

The transformation of the economy will be characterised by economic sectors moving to higher value-added economic activities, where knowledge, innovation and productivity are central to value creation. For Malaysia, given the existing strong manufacturing and services base, movement towards higher value-added activity will be driven by the existing and new industries migrating up the value chain, such as in the areas of advanced electronics as well as green and resource-based industries. This will be strongly complemented by the development of knowledge-intensive services, including computing, information and communication technology (ICT), research and development (R&D), health and education, as well as manufacturing-related support services such as logistics, marketing and branding. The significance, while multinational and large domestic corporations will remain important, small and medium enterprises (SMEs) will be central to the economy. A broad base of highly dynamic, innovative and competitive SMEs will be a critical and prominent feature of a high value-added, high-income Malaysian economy.

3. 1. 4 The Positive Rate of Trade Balance

Since Malaysia want to be a country that is based on the manufacturing sector, our country less importing goods from abroad and has become one of the country's largest exporter. Since the activities of importing goods from foreign countries has been reduced, therefore, the less the rate of money flowing abroad to pay for imported goods. The money can be used for the development of other sectors. So, excessive state financial resources that can be used to raise the living standards of the people. Strictly speaking, the progress in the industrial sector managed to reduce imports formerly state our country is too dependent on the import of goods.

When the policy of industrial made our country export goods to overseas are higher than the import of goods from outside. This will lead to a positive value of trading revenue exceeds expenses. We can see that the manufacturing sector is one of the most important sectors of the economy. Although there are some obstacles, but the manufacturing sector remains important in driving the developed countries.

3. 1. 5 Increase the Demand for Raw Materials in the Country

The reduction of the import of certain goods may increase the demand for raw materials in the country. The rapid growth in the manufacturing sector certainly lead to an increase in demand for raw materials. There are, to be between industrial essence to produce various products according to the demands of society worldwide. As an analogy that is common knowledge, our country never conquered by foreign powers to dominate the country's supply of raw materials because of the high prices and widespread demand

in the international market. According to the latest statistics, sources of raw materials such as rubber, oil palm and still have broad market at the level of globalization.

Besides that, by Malaysia External Trade Statistics in 2012, found that the production of palm oil increased by 7.9% to RM4.5 billion. This situation certainly contributed to the improvement of the national economy as a country exporting these resources abroad. In addition, the supply of raw materials such as petroleum is needed in the process of canning food and petrol for the industrial sector in our country. In fact, cooking oil and soap produced also using palm oil as a source of raw materials. Indirectly, commodity prices have certainly risen sharply and benefit the country. Izhar, momentum in the industrial sector has been able to significantly increase the demand for raw material resources of the country.

3. 1. 6 Manufacturing Sector Provide Many Job Opportunities

We can see that many factory were built whether in rural or urban, this shows that many job opportunities that the manufacturing sector provided. Moreover, the manufacturing sector provides benefits to people in terms of employment opportunities are vast. Factories were built in remote areas are able to provide employment opportunities to the people. For examples, occupations that normally offered to residents nearby as operator of the plant, the plant engineers, plant managers and so on. Job creation is supposed to be used by people to meet their needs.

The industrial sector is able to offer a wide variety of employment opportunities at various levels. Among them are the stages of production,

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processing, assembly, packaging, marketing. In 2001 alone, 2.2 million people are involved in the industrial sector which is equivalent to 22% of the total workforce in Malaysia. This phenomenon can definitely reduce the rate of unemployment among people. When the rate of unemployment among people were reduce it also mean that we were close to full rate employment. Can be seen here that the industrial sector is able to offer a wide range of employment opportunities to the people especially in manufacturing.

3. 1. 7 The Leading Sector in the Malaysian Economy

The share of Gross Domestic Product (GDP) increased over time from 27.8% in 1996 to 31.4% in 2004 surpassing that of the agricultural sector since 1987. As a result of its rapid and sustained industrial growth by the mid of 1990s Malaysia had one of the largest productivity income.

Besides that, The electrical & electronics (E&E) industry is the leading sector in Malaysia's manufacturing sector, contributing significantly to the country's exports (32.8 per cent) and employment (27.2 per cent) in 2013. The E&E industry in Malaysia is focused on deepening and strengthening the three major ecosystems of semiconductors, solar and LED technologies. The growth of semiconductor will continue to spearhead the growth of the E&E industry in Malaysia and has benefited from the global demand in the usage of mobile devices (smartphones, tablets), storage devices (cloud computing, data centres), optoelectronics (photonics, fibre optics, LEDs) and embedded technology (integrated circuits, PCBs, LEDs). The E&E manufacturers in the country have continued to move-up the value chain to produce higher value-

added products. These include intensification of research and development efforts and outsource non-core activities domestically.

CONCLUSION

For the conclusion, manufacturing sector is an important sector in driving structural transformation into high value added activities in Malaysia. The manufacturing sector has been the engine of economic growth in Malaysia since its embarked to be an industrialization country.