

The swot analysis of malaysia economics essay

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INTRODUCTION

The electronics industry emerged in the twentieth century and has now become a global industry worth billions of dollars. Modern society uses all manner of electronic devices built in automated or semi-automated factories operated by the industry. The size of the industry and the use of poisonous materials, as well as the difficulty of recycling has led to a series of problems with electronic waste items. International regulation and environmental legislation has been developed in an attempt to address the issues. This includes Electronic components like semiconductor devices, Industrial electronics like multimedia and information technology, Consumer electronics like computing devices, mobile handsets and Electrical sector like household appliances, electrical fixtures, wires and cables.

SWOT ANALYSIS OF MALAYSIA

Strengths:-

Support of Government

The production and export performance of the Malaysian electronics, and in exacting the semiconductor industry, has been remarkable since the early 1990s and its growth has been supported by government policy such as tax incentives under the Pioneer Status and Investment Tax Allowance schemes, which are accessible to projects under the "promoted product" or "promoted activity" categories

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The Government is also promoting the establishment of international procurement centers (IPCs), which are locally incorporated companies of

local or foreign owners, through which the Government will intends to make Malaysia a major distribution centre. Incentives include the consent of expatriate posts needed for the IPCs; exemption from the requirements of guidelines on foreign equity ownership of wholesale and retail trade; duty-free imports of raw materials, components, or finished products into free industrial zones or licensed manufacturing warehouses for repackaging, cargo consolidation, and integration before distribution. There is also a wide range of export incentives in Malaysia. The sector has enjoyed relatively reserved levels of tariff protection and has expanded rapidly and become a main impetus of Malaysian growth. While liberal entry to foreign markets is necessary, the openness of the Malaysian electronics market has provided a strong competitive stimulus to the development of this export industry. Data provided by the authorities indicate that duty-free imports comprised over 98% of total Malaysian imports of electronic products during the period 2009-11. Malaysia has also reduced tariffs under its ITA commitments since 2005. Malaysia was granted flexibility in cutting its tariffs to zero by 2011

Contribution to GDP

The GDP (billion RM) of 2009 is 679. 94, of 2010 is 765. 97 and of 2011 is 829. 34. The GDP . i. e. the real growth rate in 2010 is 7. 2%, in 2011 is 4. 0% and 2012 is 5. 0% (est.)¹⁰. The Exchange rates is 1 EURO = RM4. 3 and 1 US\$ = RM3. 2 (17. 11. 2011). As announced in the 2011 budget speech, the Malaysian Government is functioning to accelerate the transition towards a higher value-added and knowledge-based country. Priority is being given to promoting investments and developing products in new areas of growth in selected and strategic economic sectors in agriculture,

manufacturing (Electronics included), and services. The electronics and electrical industry is the largest contributor to Malaysia's manufacturing output, employment, value added, and exports. The electronics components sub-sector includes semiconductors, passive components, relays, printed circuit boards, cathode ray tubes, transformers and coils are its parts. The other major subsectors are consumer electronics which includes audio-video components, industrial electronics, which include computer, office equipment and telecommunication equipment, automotive and medical equipment.

Share of Exports:

The contribution of exports is about RM513.59 billion (billion RM). Its share in exports is 34.5% which is highest in comparison to petroleum & products 9.9%; palm oil 9.3%; chemical products 6.9%; machinery 3.4%; manufactures of metal 3.0%; rubber products 2.6.

Subsector

Share of exports

Share of exports

Share of total output

Share of added value

Growth of added value 2002/03(%)

Electrical and electronics 66.031.042.93712.1
 Food products 1.67.710.77.210
 Textiles 2.73.41.51.63.8
 Apparel-

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4. 71. 01. 33. 0Transport equipment1. 05. 25. 27. 3-6. 6

Unique Products

The electronics industry in Malaysia can be categorized into three sub-sectors:

Consumer Electronics

This sub-sector includes the manufacture of color television receivers, audio diagram products such as digital versatile disc (DVD) players/recorders, home theater systems, blue-ray, mini disc, electronics games consoles and digital cameras. The leading companies are now undertaking R&D activities in the country to support their Asia Pacific markets. Exports of customer electronic products in 2011 amounted to RM21. 5 billion (USD6. 9 billion)

Electronic Components

Products which fall under this sub-sector include semiconductor devices, passive components, on paper circuits and other electronic components such as media, substrates and connectors. The electronics workings are the most important sub-sector and accounted for 58. 7 per cent of the total venture approved in the electronics sector in 2011. Majority of the investments were from foreign sources. The sub-sector is controlled by the semiconductor players that undertake packaging, assembly and test. The industry is very volatile and is affected by the global economic slowdown. It constituted 91. 5 per cent of the total export of electronic parts or 38. 4 per cent of the total electronics export for 2011.

Weakness:-

Lack of initiatives and limited skills development as the workforce comprises of diploma holders or certified technicians so this industry is losing its competitive edge in labor intensive assembly, packaging, and testing operations. The domestic electronic industry foundation is still fairly weak, in terms of market shares, dynamism, technological innovativeness, value-added activities, quality improvements, industrial diversity. The support in infrastructure for innovative and productive industrial development is fairly weak. Therefore, the Malaysian E&E industry will continue to face growing innovation and quality improvement deficits in the global market which will strongly affect its performance. The decrease in the exports from resulting in a decline in its share of exports from 59 percent in 2009 to 41 percent in 2011 due to the free trade zones. The E&E industry is losing its competitive edge in labor intensive assembly, packaging, and testing operations.

Opportunities:-

Industrial Electronics like semi conductors, Solar and Light Diodes are in high demand so business opportunities are concentrating on strengthening the supply chain and the Original Design Manufacturers in Malaysia, especially for the RFID sector. The leading companies are now responsible for R&D activities in the country to support their Asia Pacific markets. With many important solar cell manufacturers locating their operations in Malaysia in the past three years, the country is positioned to be a favorable destination among the ASEAN countries, laying the foundation for Malaysia to become a hub for solar cell manufacturing and attract more companies to invest in the future. In terms of definite segments of growth, in Asia-Pacific the demand is

likely to come from PCs, mobile handsets, smart phones, wireless devices, digital cameras, HDTVs and flat panel TVs. The growing demands of these products are seen like:-Semiconductors, Solar and Light Emitting DiodesIndustrial ElectronicsBusiness opportunities in industrial electronics will concentrate on strengthening the supply chain and the Original Design Manufacturers in Malaysia, particularly for the RFID sector. consumer electronics devicesMalaysia's consumer electronics devices market, defined as the necessary market for computing devices, mobile handsets and AV devices, was expected at about US\$14. 4mn in 2012. This is expected to rise to US\$18. 7bn by 2016, led by rising incomes and growing affordability of key products. Demand will raise at a CAGR of about 7%, as Malaysian consumers regain confidence. InnovationInventories across the semiconductor industry have been building up and hence production has slowed in many parts of Asia. Output from Malaysia E&E sector is also witnessing a similar tendency, he added. With many leading solar cell manufacturers locating their operations in Malaysia in the past three years, the country is positioned to be a positive destination among the ASEAN countries, lay the foundation for Malaysia to become a hub for solar cell manufacturing and attract more companies to invest in future. Opportunities for the Malaysian E&E sector look promising with the introduction of the Economic Transformation Programme. In the past few months the nation has signed deals which help in furthering the country's position in the global semiconductor value chain. The year 2011 is generally positive for the electronics industry to a great extent. Chip makers in Taiwan and Asia will experience slower growth rates after the sharp increase in 2010 after the recession. Still, the viewpoint for the semiconductor industry leftovers

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positive with the world semiconductor industry likely to experience growth of five to seven percent in 2011.

Threats:-

Malaysia's E&E sector is facing growing competition. China, which has emerge as the world's factory is a strong threat. A World Bank study shows the raise in export competition between Malaysia and China. 1 In 2011, 59 percent of Malaysia's exports to EU were under threat from China compared to only about 31 percent in 2000. Other promising Asian economies such as Vietnam are fast becoming low-cost companies in the E&E industry; while at the high-end, Singapore and Taiwan compete for investments in higher-value activity. Concentration in assembly results in lower value additional While Malaysia has built up significant cluster in E&E, much of the activity is in relatively low value-added assembly rather than higher value-added activities such as component manufacturing or R&D. Malaysia's capabilities in E&E are relatively unfocused across a range of sectors. Like we have a number of firms in so-called screwdriver PC and passive component assembly. Going onward, Malaysia should focus on sectors that are high-value and high-growth and in which it has obtainable strengths.

SWOT ANALYSIS OF INDIAN ELECTRONIC INDUSTRY

Strengths:-

1. Presence of established distribution networks in both urban and rural areas

2. Presence of well-known brands: A large no. of well known brands like Samsung, LG, Sony, Hitachi, Videocon etc, are present in the Indian market.

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Thus making the market highly latent for customers. In recognition of India's domestic market potential, Samsung has selected India as one of the top six strategic markets in the world beside with the US, China, Russia, Germany and Thailand.

3. In current years, organized sector has increased its share in the market Vis a Vis the unorganized sector.

4. Abundant Availability of Man Power: India produces over 600 PhDs, 300, 000 engineers, 300, 000 non-engineering postgraduates and 2, 100, 000 other graduates each year. India's capabilities in IT and engineering make it an attractive location for sourcing engineering services such as Research & Development (R&D) and design. 5. Competitive Labour Costs: India's cost of skilled labour is among the lowest in the world. For example, average labour rate per worker in the electronics division is about \$3, 000 per year. Labour cost as a percentage of value added is only 21 per cent in India as compared to 23 per cent in China and 30 per cent in Taiwan. Attractive advantage of this many MNCshave set up manufacturing bases in India for domestic consumption as well as exports.

Weaknesses

1. Demand is seasonal and is high during festive season

2. Low purchasing power of consumers

3. Lack of clear-cut government policy for the industry.

4. Very little expenditure in Research and Development area: The Indian companies do not spend more on the R&D area, thus making the market obsolete. 5. Heavy Taxation: Heavy taxation in the country is one of the

hurdles for the players. At its nearby structure the total tax incidence in India even now stands at around 25-30 per cent, whereas the parallel tariffs in other Asian countries are between 7 and 17 per cent. 6. Poor Infrastructure: Poor infrastructure is another reason that seems to have held back the industry. Regular power supply is urgent for any consumer electronics product. But that remains a major interruption in India. The Indian companies do not spend more on the R&D area, thus making the market obsolete. 7. Power of Marketing not harnessed to the maximum⁸. Major challenges facing the Indian electronic manufacturing market are an infrastructure that needs to be improved at the earliest possibility, easing of foreign investment procedures, which is underway, and a modernized government tariff that now makes domestically manufactured goods more expensive than imported goods with zero tariff.

Opportunities:-

1. Penetration Level: In India, the penetration level of white goods is lower as compared to other developing countries. For example, in 2011, only 66 percent of middle-income households had a TV set, only 28 per cent of the city households possessed a refrigerator, while just a little over 15 per cent owned an air cooler. 2. Rise in disposable income: The demand for consumer electronics has been rising with the increase in disposable income coupled with more and more consumers falling under the double income families. The rising Indian middle class is an attraction for companies who are out there to woo them. 3. Availability of newer variants of a product: Consumers are spoilt for choice when it comes to selecting products. Newer variants of a product will help a company in getting the attention of consumers who look

for innovation in products. 4. Potential markets remaining yet untapped: A large segment of the domestic market, mostly the rural market is yet to be tapped. Tapping this yet unused and unorganized market is a main opportunity for the Indian consumer durables sector. 5. Availability of financing schemes: Availability of credit and the structure of the loan determine the affordability of the product. Sale of a exacting product is determined by the cost of credit as much as the flexibility of the scheme. 6. Rise in the share of organized retail: Rise in organized retail will set the growth pace of the Indian consumer durables business. According to a working paper released by the Indian Council for Research on International Economic Relations (ICRIER), organized retail which constituted a mere four percent of the retail sector in FY07 is likely to grow at 45-50% per annum and quadruple its share in the total retail pie to 16% by 2011-2012. The share will grow with superior players entering the market

Threats:-

1. Threat from new entrants, especially global companies: The domestic consumer durables sector faces threat from newer companies, particularly from global ones who have technologically superior products to offer. 2. Rivalry and competition: Presence of a large number of players in the domestic consumer durables industry leads to competition and rivalry among companies. Threat from contention and competition poses a threat to domestic companies. 3. Threat from substitute products/services: The domestic consumer durables industry is plagued by threats from substitute products. Easy accessibility to theatres/multiplexes, particularly in urban areas has turned off the viewership from TV to a large degree. With the start

of a gang of FM radio stations, radio sets have now substituted TVs. Cheap imports from Singapore, China and other Asian countries⁴. Customer power among respect to availability of choice: The availability of a wide product line on account of most products being identical poses a threat for companies operating in the customer durables sector. Customers have the choice of both locally produced and imported goods with similar features.

GUJARAT ELECTRONIC INDUSTRY

INTRODUCTION

Gujarat has emerged as the epicenter of economic activities in the country. The state has time after time recorded higher growth rates than the national average. Factors such as labour harmony, infrastructure development, social sector reforms, an investor friendly climate, clear policies, entrepreneurial skills and careful fiscal managing have contributed to the growth of the state's economy. Gujarat is mainly a consumer electronics items and devices and its contribution to manufacturing of electronic items is very low as compared to other states like Delhi, Pune, Bengaluru and Chennai. Among the exports in India, this industry contributes 13 per cent. With 5 per cent of India's population, Gujarat contribution is about 6 per cent. It had an annual average of 9 per cent in the last 3 years and an average industrial growth of 15 per cent. The incentives provided are as follows: Capital subsidies and sales tax incentive for electronics industry. Capital investment subsidy of between 15 per cent and 20 per cent (up to 1000000) for small-scale units. Special incentives for obtaining of environment- friendly plant and machinery. 7-year sales tax relief of up to 100% of fixed capital for Category 1, 5 years (80%) for category 2. Sales tax incentive for up to 17 years for

leader units. Incentives on 50 % of the total expenditure on social infrastructure. The following are the opportunities which can be availed: Ease in import of apparatus via several ports in Gujarat. Biggest IP based E-governance in Asia. Idea from the government and the availability of necessary manpower, infrastructure and entrepreneurial state of mind are likely to promise well for attract investment in this field to Gujarat. In a recent development, foundation stone of Info city has been laid at Gandhi agar. The project is expected to give a boost to Electronic Industries in general. Gujarat has a low cost road and rail network compare to other states of India. It has the second lowest real land rates in India, which has made it an attractive objective for many big companies to set of connections their units. Gujarat invests in growth of solar power in the state and has had India's major solar power plant as of January 2012. It has selected 716 MW of solar power capability to 34 nationals and international solar project developers in 2009 against the designed 500 MW capacity under its solar power rule. Thos is expected to bring in investments of INR 12000 crore and generate employment for 5000 people

EXPANDING TRADE RELATIONS:-

India has skillful labour force and at low rate which can be beneficial to Malaysia for starting outsourcing activities. Through this Malaysia can use the skills and knowledge of Indian people which can help develop this industry in a better way. Indian companies can also start industries in Malaysia as there is a support of government through the taxation policies. The government has provided two schemes Pension scheme and Investment allowance scheme. Malaysia is thinking to use solar energy to move towards

saving the environment. India can help develop this technology by providing the necessary help. Gujarat is already using solar energy. So they can use this technology and guidance. In Gujarat there are also several ports through which imports and exports can be carried out easily with Malaysia as it also has ports. In a recent development, foundation stone of Info city has been laid at Gandhinagar. The project is expected to give a boost to Electronic Industries in general. This project if developed can help in importing and exporting items.

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