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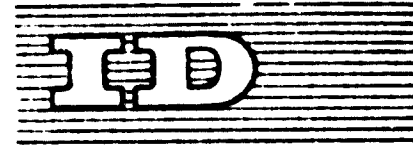
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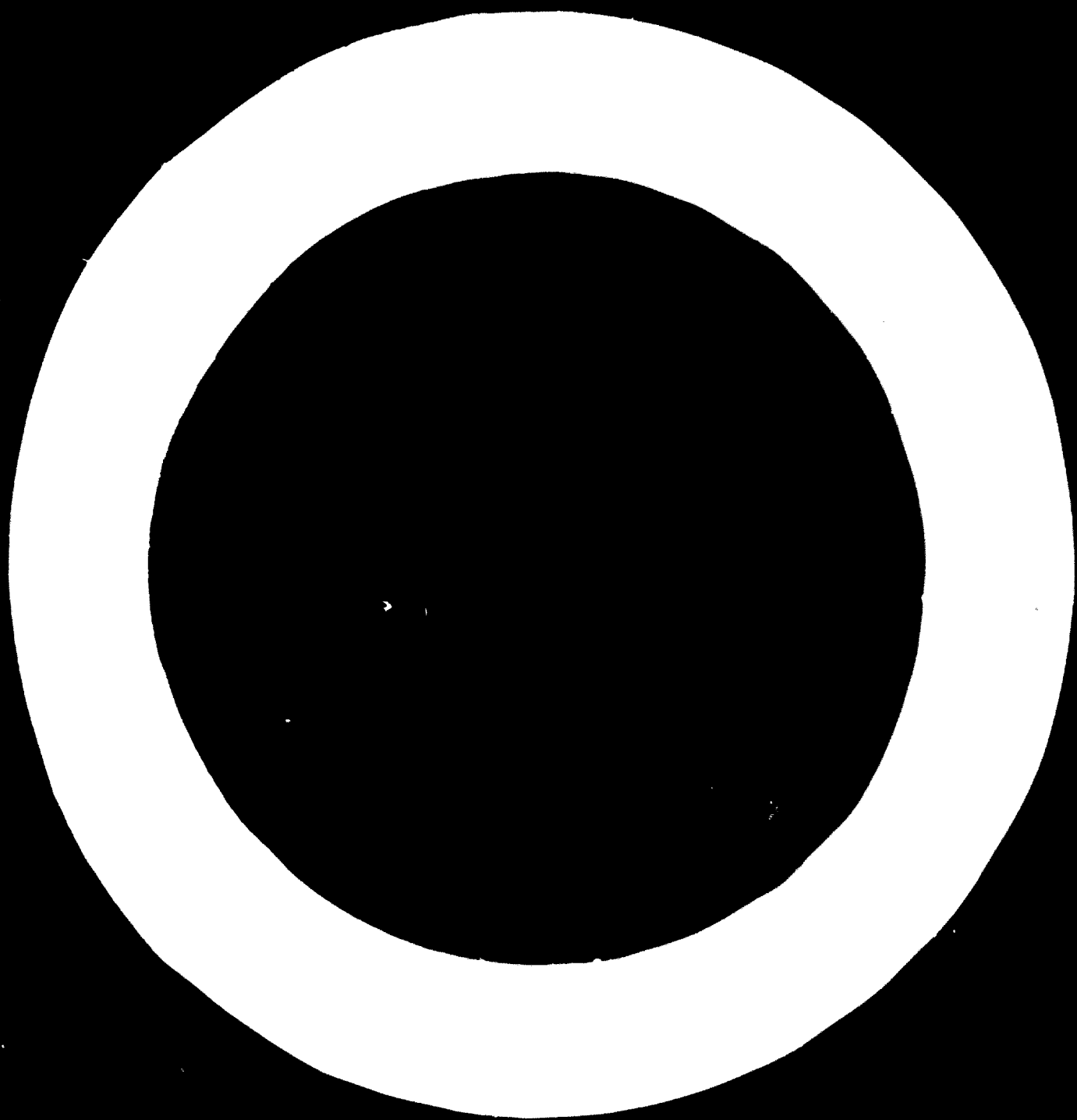
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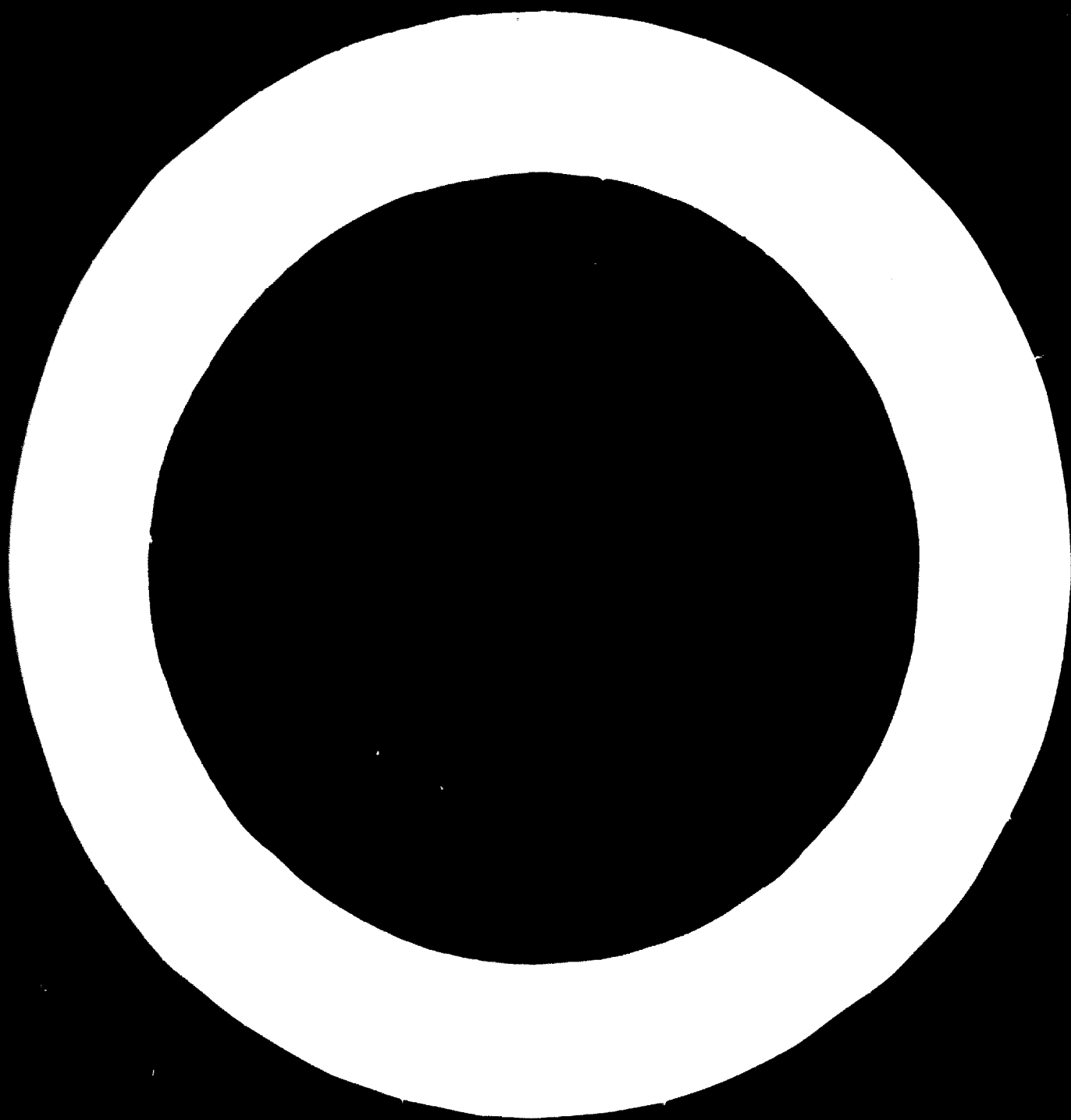
**MALAYSIA'S EXPERIENCE IN THE ORGANIZATION AND
ADMINISTRATION OF SOME OF THE MORE IMPORTANT
INDUSTRIAL SERVICES INSTITUTIONS ^{1/}**

by

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MALAYSIA'S EXPERIENCE IN THE ORGANIZATION AND
ADMINISTRATION OF SOME OF THE MORE IMPORTANT
INDUSTRIAL SERVICES INSTITUTIONS

Industrial development - a background

Malaysia has been traditionally an agricultural economy concentrating on its primary produce sector of rubber, palm oil, timber and tin. A cursory examination of the contribution of these sectors to the gross domestic product proves the point. With independence however, in 1957, the Government, aware of the needs for diversifying the economy, embarked on a conscious policy of industrial development with the objectives of creating employment opportunities for the increasing number of entrants to the labour force. Being basically a free enterprise economy, it extended the same philosophy to the field of industrial development. A Pioneer Industries Ordinance, offering tax exemption to approved industrial establishments, was introduced in 1958 as a stimulus to this effect. The periods of tax exemption varied between two to five years depending on the quantum of investment in fixed assets. Simultaneous with the introduction of this Act, the Government set about providing various industrial services such as loan financing, tariff protection, etc., all of which resulted in the establishment of a host of front-line imported substituting consumer industries servicing domestic markets. These industries were financed both by domestic and foreign capital especially on the basis of imported technology.

This policy of import substitution continued through 1965 when the Government became increasingly aware of the needs of further accelerating industrial development. The Government was also conscious of the need to review its incentives programme after the initial experience of seven years and consequently appointed a Review Committee on Investment Incentives to review, examine and make recommendations for fresh industrial investment incentives. The Review Committee submitted a report which was accepted by the Government and introduced in the form of the Investment Incentives Act 1968. The Investment Incentives Act made a host of changes to the incentives package and incorporated the majority of industrial incentives into a single Act.

Basically the Investment Incentives Act offered two forms of primary incentives. The Pioneer Status incentives was retained with a modification providing for an additional three-year tax relief period, if companies comply with the requirements of local content, location in a development area or an approved priority product. The second primary incentive was the granting of an investment tax credit of a minimum of 25 per cent of capital expenditure incurred on factory, plant or machinery, for an approved project. This tax credit is offset against chargeable income.

In addition to the above primary incentives, a host of export incentives including double deduction for promotion overseas, accelerated depreciation allowance and export allowances are made available to all qualifying companies.

The policy of the Government providing the necessary incentives and infrastructure facilities and leaving the initiative of implementation to the private sector had paid handsome rewards to Malaysia over the last twelve years. To date, 168 pioneer companies have been approved with a total paid-up and loan capital of US\$435.4 million, all of which provided employment opportunities for 28,165 Malaysians. In addition to this, 292 companies have been granted approval in principle with an approximate total investment of US\$512 million. These projects, when in full operation are expected to provide employment opportunities to 57,000 Malaysians. The investments in the industrial sector, as quoted above, has largely been on a joint venture basis between foreign and Malaysian counterparts. Reputable companies from over 18 countries have invested in Malaysia and have consequently discovered that Malaysia is the profit centre for industrial development in Southeast Asia.

Industrial services

The above achievement was not realized purely through the incentives and infrastructure programme. Side-by-side, through the years of the last decade, the Government has introduced a host of industrial services through the establishment of institutions specially designed for this purpose. Some of the more important of these have been the Federal Industrial Development Authority (FIDA), the National Productivity Centre (NPS), the Standards Institute of Malaysia (SIN), the Malaysian Industrial Development Finance Ltd. (MIDF) and a host of other institutions with the objective of providing industrial services. It would be interesting and informative to examine the structure and functions of some of these organizations in brief.

A. Federal Industrial Development Authority

The Malaysian Government fully aware of the needs of industrial development especially in the second phase of the country's economic Development Programme and on the recommendations of a World Bank Mission, established a Federal Industrial Development Authority in 1967 by an Act of Parliament. The Authority's main function was to promote and co-ordinate industrial development in Malaysia and to advise the Minister of Commerce and Industry on the formulation of the policies in respect thereof. In achieving this objective, the Authority's main tasks were as follows:

- (i) To undertake economic feasibility studies of industrial possibilities.
- (ii) To undertake industrial promotion work both in Malaysia and abroad.
- (iii) To facilitate exchange of information and co-ordination among institutions engaged in industrial development.
- (iv) To recommend policy on industrial site development and undertake the development of such sites if it deems fit.
- (v) To evaluate applications for incentives and for the establishment of industries.

The Authority consisted of a Council of 15 members with representatives from various related Ministries, representatives of Institutions of Commerce, manufacturing industries, industrial financing and industrial development. The Executive Personnel was headed by a Director with the establishment of 8 separate Units based on a functional classification. The respective Units were as follows:

Planning and Research
Feasibility Studies and Surveys
Promotions and Public Relations
Project Evaluation
Technical Services
Automotive Unit
Tariff Unit
Administration

The Planning and Research Unit is concerned with the long-term aspects of industrial development. It works in co-ordination with related bodies such as the Economic Planning Unit, the Tariff Advisory Board, MARA and other institutions of industrial development. It carries out a continuous review of Government incentives for the growth of the industrial sector as well as other seeing questions on the implementation of these incentives. The Unit is now planning the systematizing and collation of statistical data on the industrial sector. In this regard it works closely with the Department of Statistics.

The Industrial Studies and Surveys Unit undertakes market studies, pre-investment, feasibility and possibility studies and provides market and technical information to intending investors. It also advises on the viability of proposals for setting-up manufacturing ventures. These pre-investment studies are meant to be promotional materials to invite interest from potential investors.

The Project Evaluation Unit deals with the evaluation of applications for Government incentives. It provides project studies and advisory services to industrialists in the selection and acquisition of land as well as assisting in the speeding-up of water, power and telephone facilities to industrialists whose projects have been approved by the Government.

The Promotions and Public Relations Unit deals with both general investment promotion as well as specific industry promotion. Under general industrial promotion various pamphlets and newsletters are published and circulated both in and outside of Malaysia. This Unit has established a Registry of Potential Investors with the object of registering all available information on local and foreign investors so as to facilitate contact among them for the purpose of bringing together technical know-how from abroad and domestic capital. The Unit had established information displays which are available in the Authority's Operation Room which is the centre for up-to-date industrial information in Malaysia. This Unit is also responsible for co-ordinating the efforts of the Federal Government and the Governments of the various States in industrial development.

The Technical Services Unit is concerned with the examining of technical problems within industries with a view to assisting them in resolving these problems. The emphasis is towards small and medium-scale industrial units. Advice is given on the spot and assistance of a continuing nature in follow-up exercise is also given through visits to factory units.

The Tariff Unit which was hitherto a separate organization known as the Tariff Advisory Board had recently been brought within the purview of the Authority and is responsible for the evaluation and recommendation on applications for tariff protection, quota restrictions and other forms of assistance.

The Automotive Unit was specially designed to service the requirements of the motor vehicle assemblers with a view to supervising the gradual implementation of a programme to encourage and establish ancillary/the component parts industry. The Unit is presently engaged in making recommendations in respect of an assembly tax bill, the intention of which is to encourage the progressive increase in local content and the development of the component parts industry.

The Authority, within a short span of 3 years of existence, has established itself firmly in the Malaysian industrial sea. Staffed by highly qualified economists and technical personnel and including advisers on various fields provided by the Colombo Plan and UNIDO, it is the foremost advisory to the Ministry of Commerce and Industry and the Government on the industrial policies and problems.

B. National Productivity Centre

The National Productivity Centre had its beginnings, thanks to the International Labour Organisation, which sent a team on the invitation of the Malaysian Government in 1958 to perform a practical demonstration of the benefits that could result from long-term productivity projects designed to suit the particular needs of the country. The Mission's recommendations for the establishment of a permanent institution to provide training in modern methods of productivity were accepted by the Government. An application was made to the United Nations Special Fund for assistance and consequently in December 1961 an agreement was signed and the ILO was appointed the executing agency.

The original plans of operations extended over a period of 5 years and local staff was recruited to study the international advisory recruited by ILO. The beginnings of the NPC were in the form of a Government Department attached to the Industrial Development Division of the Ministry of Commerce and Industry. However, after the initial 5 years of operation, the NPC Advisory Council made recommendations in 1966 to incorporate the Council as an autonomous Body. The NPC Act was subsequently passed and the Council became autonomous under the Ministry of Commerce and Industry

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with the membership of 17 members consisting of representatives from related Ministries, Institutions of Commerce, manufacturing industries, etc. Under the Executive Director, 5 sections have been established as follows:

- (i) Supervisory and General Management,
- (ii) Industrial Engineering,
- (iii) Sales and Marketing,
- (iv) Industrial Relations,
- (v) Management Accounting,
- (vi) A Light Industry Consultancy Service is expected to commence in the near future.

The above sections provided a variety of courses as follows:

The Supervisory and General Management section provides courses of leadership and human relations, group work and discussion leading, managerial functions and principles of modern management.

The Industrial Engineering section provides courses from work study, preventive and production maintenance and management, quality and production control.

The Sales and Marketing section has appropriate courses in salesmanship, sales management, marketing and export promotion.

The Industrial Relations section had conducted courses in labour management relations for top, manager, supervisor and trade union executives.

C. Standards Institute of Malaysia

With the rapid progress of the industrial development programme there was an urgent need to standardize local manufacture with a view to ensuring that local manufactures were up to international standards specifications. Accordingly, the Government initiated action to establish the Standards Institute of Malaysia as the national body for the promotion and preparation of standards in relation to commodities, processes and practices in the country. A Statutory Body was established by an Act of Parliament (Standards Act 1966). The Institute operates entirely on a non-profit basis receiving finance aid from the Government, from membership subscriptions and from proceeds from the sale of publications.

The main functions of the Institute are:

- (a) To promote standardization in industry and commerce;
- (b) To develop and prepare national standards in relation to commodities and practices;
- (c) To promote industrial efficiency and development;
- (d) To promote research in relation to national standards specifications and provide for the examination and testing of commodities;
- (e) To make provision for the registration and regulate the use of standards certification market for quality control.

The Institute has already been firmly established and 11 Standards Committees have been appointed to advise the Standards Council on questions of standardization. In 1969, over 125 Technical Committees were appointed to work on the priority items drawn up by the Industry Standard Committee. One Malaysian Standard has already been published and 29 draft Standards have been prepared and circulated for public comment.

In addition to the above, the Standards Institute had a collection in the end of 1969 of approximately 29,000 overseas Standards in its Standard library. The Institute has also taken steps to apply for membership in the International Organization for Standardization and the International Electro Technical Commission.

D. The National Institute of Scientific and Industrial Research

The Government fully aware of the urgent need for scientific and industrial research in the Government's industrial development programme, introduced an Act of Parliament No. 44 of 1970 which established a national institute to promote, co-ordinate and undertake scientific and industrial research in Malaysia. The organisation called the National Institute of Scientific and Industrial Research was introduced and its powers and duties are vested in a Council which is the body corporate.

The Council consists of 17 members and includes the Director of Institute and representatives from various Ministries, manufacturing sectors, Chambers of Commerce, etc. The industrial sector is represented by 7 members, the field of science by 4 members. The Chairman and all members of the Council, other than the Director, are appointed by the Minister of Commerce and Industry.

Funds for the Institute are to be appropriated by Parliament and the Institute is empowered to charge fees for its services.

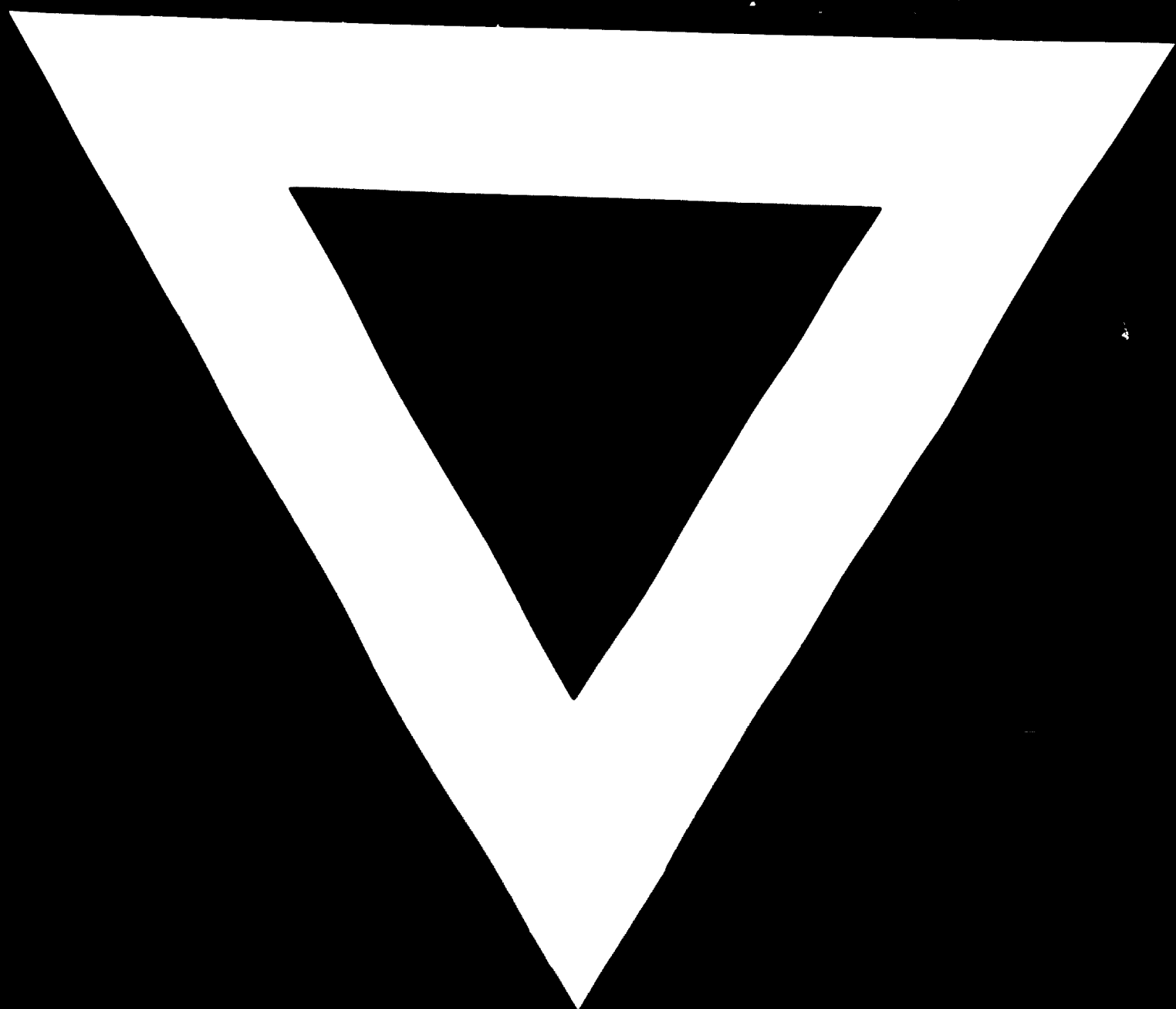
The main functions of the Institute are:

- To undertake applied research in industry in order to develop new technologies for better utilization of indigenous raw materials;
- To aid or modify imported technology to suit domestic requirements and skills available in Malaysia; and
- To carry out the whole process to industrial practice through pilot plant studies, consultative engineering services, double and production counselling.

The Malaysian Government is being assisted by the United Nations Development Programme in establishing the Institute. A Special Fund Project has been established with UNIDO as the executing agency, and is expected to become operational in the next few months. The Project Manager of the United Nations team has arrived in Malaysia and is taking the preliminary steps towards the establishment of the Institute.

The above are but a few of the Institutes providing industrial services to the industrial sector in Malaysia. Other minor services will no doubt be discussed during the course of the Seminar and the Malaysian representatives to the Seminar will be available for further discussions and comment.





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