



**UNIVERSITY MALAYA
FACULTY OF BUSINESS AND ACCOUNTANCY**

**MASTER IN BUSINESS ADMINISTRATION
SEMESTER 2 - 2001/2002
CBGB 6181 – RESEARCH PROJECT**

Dear Sir/Madam,

I am a part-time student of finalizing my research project as part of the requirement for Master in Business Administration and this questionnaire serves as part of my analysis of my research project titled 'The Implications of China's Entry to World Trade Organization (WTO) : Perceptions of Malaysia Managers in Electronic Industry'.

This research project aims to examine what are the driving forces behind globalization and its impact and challenge to Malaysia's manufacturing industry especially after China's entry to the Word Trade Organization (WTO). Besides, this research would like to contribute to the Malaysia's manufacturing competitiveness by recommending the necessary steps to be taken in order to compete and survive against the globalization phenomena.

Therefore, I will be most grateful if you could complete the questionnaire by end of this week on behalf of your organization and personal experience. All information provided will be treated with strict confidentiality.

I am looking forward to your kind understanding to spare a few minutes to complete the attached questionnaire.

Thank you and best regards.

Christopher Gan Hong Nian.

Research Project Questionnaire

Section I : Corporate Info & Job Function

Please select one that best describe your organization ! Please tick the boxes provided below by :

Q1 : Which of the following category matches your organization ?

- 1 European based
- 2 American based
- 3 Japanese based
- 4 Korean based
- 5 Taiwanese based
- 6 Locally (Malaysian) based
- 7 Others (Please specify)

Q2 : How long was your organization established in Malaysia ?

- 1 Less than 2 years
- 2 3 years to 5 years
- 3 6 years to 10 years
- 4 11 years to 20 years
- 5 More than 20 years

Q3 : What is the total estimated investment (RM) for this organization in Malaysia ?

- 1 Below 5 million
- 2 Between 5 ~ 10 million
- 3 Between 10 ~ 50 million
- 4 Between 50 ~ 100 million
- 5 Above 100 million

Q4 : What is the estimated turnover (RM) for the previous three years ?

- 1 Below 10 million
- 2 Between 10 ~ 25 million
- 3 Between 25 ~ 50 million
- 4 Between 50 ~ 75 million
- 5 75 million and above

Q5 : What is the best way to describe the nature business activity of your organization ?

- 1 Audio-Hifi products
- 2 Video related products (TV/VCR/CD/VCD/DVD~)
- 3 Home Appliances (Refrigerator/Washing m/c~)
- 4 Telecommunication products (Handphones/Fax/Copier~)
- 5 Computer & related peripheral products
- 6 Others electronic manufacturing
- 7 Others non-electronic manufacturing (Moulding/Furniture~)

Please specify : _____

Q6 : What is the estimated average localization ratio* for most of your company products ?

*Refers to the locally sourced/purchased material %

- 1 Below 10%
- 2 11% ~ 25%
- 3 26% ~ 50%
- 4 51% ~ 75%
- 5 Above 75%

M'sia
Asean
Japan
China
US

? Percent

What is the estimated average material ratio* of most of your company products ?
*Refers to the % of total material cost against total cost used in making one finish-product

- 1 Below 50%
- 2 51% ~ 60%
- 3 61% ~ 70%
- 4 71% ~ 80%
- 5 81% ~ 90%
- 6 91% ~ 100%

How many people are employ in your organization ?

- 1 1 ~ 50
- 2 51 ~ 250
- 3 251 ~ 500
- 4 501 ~ 1,000
- 5 Above 1,000

What is the percentage of foreign worker currently attached to your organization ?

- 1 Nil
- 2 1% ~ 25%
- 3 26% ~ 50%
- 4 51% ~ 75%
- 5 Above 75%

What is your organization's main market for sales ? Please prioritize/rank them in alphabetical order A~E

- 1 United States
- 2 Europe
- 3 Japan
- 4 Local & Asean region
- 5 Others

Which area that best describe your current job scope ?

- 1 Purchasing/Material Control
- 2 Production/Manufacturing
- 3 Sales/Marketing
- 4 Research & Development
- 5 QC/Engineering
- 6 Accounting/Admin/Personnel
- 7 Others (Please specify)

Which is best describe your current job designation ?

- 1 Buyer/Planner/Coordinator
- 2 Executive/Officer/Engineer
- 3 Asst.Manager/Manager
- 4 Department/Division Manager
- 5 General Manager/Factory Manager
- 6 Director/Managing Director

What is your length of service with this organization ?

- 1 Less than 1 year
- 2 1 ~ 3 years
- 3 3 ~ 5 years
- 4 5 ~ 10 years
- 5 Above 10 years

Section 2 : Evaluation for Malaysia Business Operating Climate

Kindly select one vector that best describe your company evaluation towards Malaysia current business operating climate.

5 Strongly Agree 4 Somewhat Agree 3 Not Sure 2 Somewhat Disagree 1 Strongly Disagree

What is your organization/management's view and evaluation towards current business operating climate in Malaysia ?
Please answer to the below issues !

Q1 : Labor Aspect

- (a) The recruitment of labor force (Local/foreign workers) is not a problem in my organization.
- (b) Frequent turnover of manpower is not a problem in my organization.
- (c) The current average wages for direct staff/operator in organization/market is considerably reasonable.
- (d) The current average wages for indirect staff in organization/market is considerably reasonable.
- (e) The skill and knowledge of workers are generally good and up to expectation.
- (f) The working attitude, discipline and cooperation of workers are generally good and up to expectation.
- (g) The productivity of workers meet the target and can be further improved.

Q2 : Infrastructure/Facilities Aspect

- (a) The utilities cost in Malaysia (Water/Electricity/Telephone..etc) is still at reasonable/acceptable level.
- (b) The transportation cost in Malaysia (Petrol/Tol..etc) is still at reasonable/acceptable level.
- (c) The transportation means available especially the highways have contributed significantly in reducing the delivery lead time of the products sale to customers or bringing in the raw material.
- (d) The airports and seaports' efficient services and facilities have help to reduce/shorten the delivery lead time of the products to oversea and bringing the raw materials and equipments.

Q3 : Corporate Governance Aspect

- (a) Government incentives such as Special Free Zones (SEZs), Licence Manufacturing Warehouse (LMW) etc.. have benefited to the organization.
- (b) Malaysia corporate/company tax rate of 28% is still consider at conducive, reasonable or acceptable level compare to neighbouring countries.
- (c) So far, when come to custom clearance of your organization's inbound shipment of raw material and equipment, the processing procedures and time-consumed seems to be at satisfactory level.
- (d) So far, when come to custom clearance of your organization's outbound shipment of sales goods, the processing procedures and time-consumed seems to be at satisfactory level.

Section 3 : Evaluation for the Impact of China's WTO Entry

Kindly select one vector that best describe your company evaluation and understanding for the impact of China's WTO entry to your organization.

5 Strongly Agree 4 Somewhat Agree 3 Not Sure 2 Somewhat Disagree 1 Strongly Disagree

Q1 : What is your organization/management's understanding and evaluation to the impact of China's WTO entry to the organization ?
*Please answer to the below issues !

- (a) Bigger market share and penetration to the China market
- (b) Higher profit margin in China compare to Malaysia operation
- (c) China's WTO entry will threaten my industry due to the product cost competitiveness
- (d) Most of the foreign direct investment will continuously flow into China due to its competitive labor cost
- (e) Product and factory relocation is unavoidable for overall cost factor and higher market accessibility.

Kindly prioritize and select below strategies that best describe your company preparation for the impact of globalization and China's WTO entry

5 Strongly Agree **4** Somewhat Agree **3** Not Sure **2** Somewhat Disagree **1** Strongly Disagree

What is your organization/management's preparation in view of the current fierce tide of China's WTO entry?
Please answer to the below issues!

- (a) Outsourcing for more competitive costing merits and productivity.
 - (b) Diversification of products and markets.
 - (c) Set up sister company/joint venture at China to counter rival/competitor presence over there.
 - (d) Set up sister company/joint venture at China to compliment Malaysia<->China markets.
 - (e) Improve workers productivity by consistently upgrading their skill and technical know-how.
 - (f) Source for cheaper/competitive suppliers from China for more costing merits.
 - (g) Restructuring and relocating the low-end & high volume products/process to China.
 - (h) Relocating some of the low-end & high volume products/process to Asean/Indo-China region.
 - (i) Strong appeal to the government to review the pegging of RM3.8/USD to a more feasible/realistic level.
 - (j) Explore into high-end and value-added industry instead of labor intensive industry.
 - (k) Push for government incentives - lower tax rate/extention of tax-free to enhance cost competitiveness.
 - (l) Implement various kinds of cost-cutting & efficiency up activities to boost for cost competitiveness.

Section 5 : Evaluation for the Response of Your Company Pertaining to China's Entry to WTO

There is a constant 'cost-pressure' factor for most of the company especially the Trans National Corporations (TNCs) that are operating in Malaysia to consider shifting of production to other more cost-competitive country such as China.

5 Strongly Agree **4** Somewhat Agree **3** Not Sure **2** Somewhat Disagree **1** Strongly Disagree

Q1 : What is your organization/management's future direction pertaining to the impact of China's WTO Entry ?
*Please answer to the below issues !

- (a) To relocate low end & medium and high volume production models to China
 - (b) To go for restructuring and streamline the company for cost saving in order to compete with China
 - (c) No plan to shift to China now but may consider shifting within 1 ~ 3 years shall Malaysia's operating environment condition deteriorating
 - (d) To shift plant to China within 6 months due to 'cost-pressure' factors and as reaction to competitor that already set up factory in China.
 - (e) No plan as foreseen not affected by China's entry to WTO



Classifications registry

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English

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ISIC

ISIC

CPC 1

CPC 1

COFC

COIC

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COPP

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more

ISIC

Revis

Detailed structure and explanatory notes

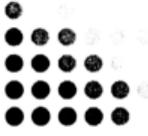
[Profile](#)

SITC Rev.3

Click on any code to see more detail. Click [here](#) for top level only.

- 0 - Food and live animals
 - 00 - Live animals other than animals of division 03
 - 01 - Meat and meat preparations
 - 02 - Dairy products and birds' eggs
 - 03 - Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof
 - 04 - Cereals and cereal preparations
 - 05 - Vegetables and fruit
 - 06 - Sugars, sugar preparations and honey
 - 07 - Coffee, tea, cocoa, spices, and manufactures thereof
 - 08 - Feeding stuff for animals (not including unmilled cereals)
 - 09 - Miscellaneous edible products and preparations
- 1 - Beverages and tobacco
 - 11 - Beverages
 - 12 - Tobacco and tobacco manufactures
- 2 - Crude materials, inedible, except fuels
 - 21 - Hides, skins and furskins, raw
 - 22 - Oil-seeds and oleaginous fruits
 - 23 - Crude rubber (including synthetic and reclaimed)
 - 24 - Cork and wood
 - 25 - Pulp and waste paper
 - 26 - Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)
 - 27 - Crude fertilizers, other than those of division 56, and crude minerals (excluding coal, petroleum and precious stones)
 - 28 - Metalliferous ores and metal scrap
 - 29 - Crude animal and vegetable materials, n.e.s.
- 3 - Mineral fuels, lubricants and related materials
 - 32 - Coal, coke and briquettes
 - 33 - Petroleum, petroleum products and related materials
 - 34 - Gas, natural and manufactured
 - 35 - Electric current
- 4 - Animal and vegetable oils, fats and waxes
 - 41 - Animal oils and fats
 - 42 - Fixed vegetable fats and oils, crude, refined or fractionated
 - 43 - Animal or vegetable fats and oils, processed; waxes of animal or vegetable origin; inedible mixtures or preparations of animal or vegetable fats or oils, n.e.s.
- 5 - Chemicals and related products, n.e.s.
 - 51 - Organic chemicals
 - 52 - Inorganic chemicals
 - 53 - Dyeing, tanning and colouring materials
 - 54 - Medicinal and pharmaceutical products
 - 55 - Essential oils and resinoids and perfume materials; toilet, polishing and cleansing preparations
 - 56 - Fertilizers (other than those of group 272)
 - 57 - Plastics in primary forms
 - 58 - Plastics in non-primary forms
 - 59 - Chemical materials and products, n.e.s.
- 6 - Manufactured goods classified chiefly by material
 - 61 - Leather, leather manufactures, n.e.s., and dressed furskins
 - 62 - Rubber manufactures, n.e.s.
 - 63 - Cork and wood manufactures (excluding furniture)
 - 64 - Paper, paperboard and articles of paper pulp, of paper or of

- 65 - Textile yarn, fabrics, made-up articles, n.e.s., and related products
 - 66 - Non-metallic mineral manufactures, n.e.s.
 - 67 - Iron and steel
 - 68 - Non-ferrous metals
 - 69 - Manufactures of metals, n.e.s.
- 7 - Machinery and transport equipment
 - 71 - Power-generating machinery and equipment
 - 72 - Machinery specialized for particular industries
 - 73 - Metalworking machinery
 - 74 - General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.
 - 75 - Office machines and automatic data-processing machines
 - 76 - Telecommunications and sound-recording and reproducing apparatus and equipment
 - 77 - Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)
 - 78 - Road vehicles (including air-cushion vehicles)
 - 79 - Other transport equipment
- 8 - Miscellaneous manufactured articles
 - 81 - Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.
 - 82 - Furniture, and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings
 - 83 - Travel goods, handbags and similar containers
 - 84 - Articles of apparel and clothing accessories
 - 85 - Footwear
 - 87 - Professional, scientific and controlling instruments and apparatus, n.e.s.
 - 88 - Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks
 - 89 - Miscellaneous manufactured articles, n.e.s.
- 9 - Commodities and transactions not classified elsewhere in the SITC
 - 91 - Postal packages not classified according to kind
 - 93 - Special transactions and commodities not classified according to kind
 - 96 - Coin (other than gold coin), not being legal tender
 - 97 - Gold, non-monetary (excluding gold ores and concentrates)
- I - Gold, monetary
- II - Gold coin and current coin



CBGB 6181 – RESEARCH PROJECT

PRESNTATION

TITLE : THE IMPLICATIONS OF CHINA ENTRY
TO WORLD TRADE ORGANIZATION (WTO) –
=> PERCEPTIONS OF MALAYSIA MANAGERS
IN ELECTRONIC INDUSTRY

PRESENTED BY : GAN HONG NIAN (CGA99045)
ON : 26TH-APRIL-2002 10AM~BILIK KERJA 1

Overview

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- (ii) Research Questions

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- (ii) China – A Breaker from Flying Geese Flock
- (iii) The Implications of China's Entry to WTO
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Overview

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- (iii) Sampling Design
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5. CONCLUSIONS AND RECOMMENDATIONS

(1) INTRODUCTION

- (i) Purpose & Significance of the Study
 - Importance of Malaysia manufacturing industry
 - => Contributing ~ 30% to national GDP
 - => Contributing ~ 80% total export value
 - => Employ ~30% of total labor force (~ 3 million)
 - => Electrical & Electronic sector ~ 60% total export value
 - => Malaysia highly depend on E & E sector
 - China Entry to WTO => Profound Implication & Challenge
 - => Stiff competition from China in luring FDI
 - => Retain existing investment
 - => China offer cheaper labor cost & higher profit margin
 - => China offer bigger market share/opportunities
 - => Global recession – All aim for cheaper cost/higher profit

(1) INTRODUCTION

- (i) Purpose & Significance of the Study
 - Try to evaluate global economic/industrial scenario after China entry to WTO
 - Try to assess the awareness, countermeasures, preparation of Malaysia manufacturing industry – Electronic sector against China entry to WTO
 - Try to identify & recommend improving steps in order to compete with China => High tech/value's industry/product
 - Try to verify whether Malaysia still competitive in high tech industry against China

(1) INTRODUCTION

(ii) Research Questions

- (I) Malaysia will most likely to lose out its labor intensive industry to China
- (II) Malaysia will most likely to retain its technology intensive industry
- (III) Due to cost-pressure factor & higher profit margin consideration, foreign companies are most likely to consider production relocation & restructuring compare to local manufacturers.

(2) BRIEF LITERATURE REVIEW

- (i) Asian Economic Development Theory – Flying Geese Model
 - Not well-known in the West
 - Based loosely on Raymond Vernon's Neo-classical – Product Cycle Theory
 - Flying Geese Model advocated by Akamatsu Kaname in the late 1930s & popularised by Bruce Cummings in 1984.
 - Proponents theory => Once less industrialized countries achieve a certain level of production and technology, they inherit the manufacturing processes left by those ahead who have moved into 'higher level'.
 - For example, textile technology from England (Pre-WWI)
=> Japan => HK, S.Korea, S'pore & Taiwan => Malaysia, Thailand, Indonesia => China, Philippines & Vietnam.

(2) BRIEF LITERATURE REVIEW

(ii) China – A Breaker from ‘Flying Geese Flock’

- (I) China evolved into mature ‘New Industrial Economy’ in 1999 after became ‘Young NIE’ in 1992.
- (II) China devalue its RMB currency in 1994 from ~RMB 7.0/USD to RMB 8.1/USD => Making its labor intensive industry very competitive against ASEAN countries.
- (III) A sharp depreciation of Japanese Yen (~18%) against USD between 1995~1996 causing many Japanese manufacturers removed many of the competitive advantage exporting from ASEAN to China.
- (IV) Abundant pool of cost competitive, young, disciplined & high-school educated labor force.
For example => China’s average worker monthly wages = USD 50~100 vs Malaysia’s USD 150~300 (1/3 cheaper)

(2) BRIEF LITERATURE REVIEW

(ii) China – A Breaker from 'Flying Geese Flock'

- (v) Excellent & Cost effective Infra-structures at China coastal area – Phone services, ports, electrical power & others in China's key coastal cities are among the best in developing world.
- For example => The cost of industrial land is among the cheapest in the world = ~ USD 25 per square meter in Shanghai, half of KL & Bangkok and 60 times cheaper than Yokohama Japan.
- (vi) Fast accumulating a full complement of supporting industries that rival can't match. Due to huge FDI from Taiwan & HK => From 1st rate plastic molding firms to electronic components makers => Enable JIT & SCP
- (vii) Offering huge market shares & opportunities => Strong economic growth while others suffer recession

(2) BRIEF LITERATURE REVIEW

(iii) The Implications of China's Entry to WTO

- (i) Enhance Market Penetration & Opportunities for Malaysia's agricultural or natural resource based products – Palm Oil
- (ii) Project cloudy impact to Malaysia Domestic Market of textiles, garments, footwear, food, grains, building material, labor-intensive electronic products and miscellaneous products due to 'flooding' of China products
- (iii) Negative impact for third country markets as now need to compete with much cheaper China products in US, Japan and EU markets.
- (iv) Impacts on FDI flows to ASEAN – Malaysia as starting from 1997~, 80% of the FDI flow to Asia developing countries went to China and balance 20% to ASEAN.

(2) BRIEF LITERATURE REVIEW

(iv) The Implications to Malaysia Electronic Sector

- (I) From 1992 ~ 1999 => Affected Malaysia labor intensive industry such as electronic assembly products of radio cassette player & telephone sets.
- (II) From 1992 ~ 1999 => Malaysia still enjoys relative comparative advantage in high tech products or high-value-added industry such as office-electronic products.
- (III) Nevertheless, from 1999 ~ onwards, many TNC companies from US, Japan & EU made heavy investment of high-tech products to China. For examples : In 2001
=> US's Intel = Invest 300m of big memory chip at Shanghai
=> Japan's Pioneer = Set up factory in Guangzhou for its latest DVD recorder, only few months mass pro in Japan.
=> Finland's Nokia = Has invested >2 billion in south of Beijing for its cell phones plants

(3) RESEARCH METHODOLOGY

(i) Research Propositions

- (I) Malaysia will most likely to lose out its labor intensive industry to China
- (II) Malaysia will most likely to retain its technology intensive industry
- (III) Due to cost-pressure factor & higher profit margin consideration, foreign companies are most likely to consider production relocation & restructuring compare to local manufacturers.

(3) RESEARCH METHODOLOGY

(ii) Selection of Measures

- | | |
|---|---|
| (i) Malaysia will most likely to lose out its labor intensive industry to China | (i) Verify the comparative structure of export structure M'sia - China |
| (ii) Malaysia will most likely to retain its technology intensive industry | (II) Verify the World Export Ratio (WER) based on RCA for M'sia - China |
| (iii) Due to cost-pressure factor & higher profit margin consideration, foreign companies are most likely to consider production relocation & restructuring compare to local manufacturers. | (III) By conducting interview survey among the foreign TNC & local electronic manufacturers |

(3) RESEARCH METHODOLOGY

(iii) Sampling Design (For the Verification - Proposition No. (3)

- Targeted 50 pre-selected foreign TNCs & local manufacturers
- Interview survey = Conducted from Sept.~Dec. 2001
- Interview target = Company related Top management
- Interview was guided by a set of questionnaire of covering :
 - (Sec. 1) : Company Bio-data
 - (Sec. 2) : Evaluation for M'sia business operating climate
 - (Sec. 3) : Evaluation for the impact of China WTO entry
 - (Sec. 4) : Preparation against China's WTO entry
 - (Sec.5) : Inquiry for the 'Company Future Direction'
- Out of 50 target companies, only manage to interview 42

(3) RESEARCH METHODOLOGY

(iii) Data Collection Procedures

- Proposition No. (1) => From the **Handbook of International Trade & Development Statistics** (2000) thro search of library and Internet for latest update.
- Proposition No. (2) => From the secondary source of research data done by Sunil, 2001 thro the search of library and Internet for latest update.
- Proposition No. (3) => Primary data was collected from interview survey conducted with the company's top management such as MD, GM, Sales Manager or Purchasing Manager thro the guided questionnaire.

(4) RESEARCH FINDINGS

(i) Summary & Analysis of Research Findings

(r) Base on Table 10 data of Export Structure for selected manufactured goods between China & Malaysia

=> China has acquired growing advantage in labor intensive products while Malaysia has suffered declining advantage for these products particularly the textile, yarn and apparel industry (SITC 65~69 & 84). Similar trend was observed for the labor intensive products of metal components parts for electronic industry and assembly of low-value products.

=> Malaysia is losing out its labor intensive industry to China

(4) RESEARCH FINDINGS

(i) Summary & Analysis of Research Findings

- (ii) Base on Table 11 data of World Export Ratio (RCA basis) indices of leading high tech products/manufactured goods between China & Malaysia
 - => China has steadily catching up in the export of high tech products (Increase from 1997's 0.69 to 1.5 in 1999) while Malaysia has still retained comparative advantage (2.3 in 1999) for these products particularly the high tech of electrical and electronics products (SITC 71~77).
 - => Malaysia is still maintaining relatively comparative advantage in high tech products over China. But, these advantages may soon loosing out if no urgent countermeasures being adopted to counter China rise.

(4) RESEARCH FINDINGS

(i) Summary & Analysis of Research Findings

- (iii) Base on Table 11~14 results, whereby evaluating the business climate in Malaysia of labor, infra-structure & corporate governance aspect, overall, both foreign TNCs & local manufacturers still consider Malaysia operating environment as conducive but dissatisfactions are found particularly against the rising cost of utility and transportation cost of which increase their operation cost.

Base on Table 15 results, whereby evaluating the implications of China entry to WTO, the response of both foreign TNCs & local manufacturer did recognize the negative impacts to themselves and well aware of the consequences such as less FDI and product relocation.

(4) RESEARCH FINDINGS

(i) Summary & Analysis of Research Findings

- (iii) Base on Table 16 results, whereby evaluating the preparation of foreign TNCs & local manufacturers pertaining to China's WTO entry, both side recognize the key factor to survive and compete with China is to improve overall cost competitiveness.

Base on Table 17 results, whereby evaluating the both foreign TNCs & local manufacturer's 'Future Management Direction', majority of foreign TNCs (Under cost factor) to consider plant shift or production relocation within 1~3 years compare with local manufacturers of oppose such practices.

=> Proving research proposition no. (3) of foreign TNCs are more likely for plant shift and production relocation.



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(5) CONCLUSIONS & RECOMMENDATIONS

(i) Summary of Conclusions

- (i) Malaysia is losing out its labor intensive industry to China and China is rapidly catching up for high tech products.
- (ii) For now, Malaysia is still retaining its technology intensive industry lead over China but it would not be long for China to catch up !
- (iii) Malaysia needs to accelerate the upgrading of skilled labor, diversify exports & markets and develop indigenous R & D capabilities and capacities in order to counter the challenges posed by China's accession to WTO.

(5) CONCLUSIONS & RECOMMENDATIONS

(ii) Recommendations

- (I) To upgrade and increase labor productivity to keep unit labor costs low in order to sustain & enhance export competitiveness of manufacturing sector.
- (II) Restructure those industrial sector such as labor intensive type of less comparative advantage and allocate the proper resources to the segments of manufacturing with greater export potential. For example : Bio-Tech/Engineering & Processed industry for Palm Oil
- (III) Government should lead the role of spearheading the plan of moving into high tech industry & high-valued-added industry of which very much emphasizing R & D capabilities and technology transfer.
- (IV) Improve forward & backward linkages between small & medium industries and TNCs for sourcing & other inputs.

(5) CONCLUSIONS & RECOMMENDATIONS

(ii) Recommendations

- (v) Commit to the industry restructuring to enhance overall competitiveness as pressure for the industrial restructuring would become increasingly compelling with full implementation of AFTA in 2003 and the forth coming ASEAN + China trade zone within 10 years.