

7 SOME MAJOR ISSUES AND CHALLENGES FACING JOHOR

7.1 Introduction

The remarkable success of the Johor's economies raises the question: to what can that success be attributed? From the above discussion, there is no doubt that the state undertook major responsibility for the promotion of economic growth. Then, the subsequent question would be which policies contributed to the success and why? Ascertaining what would have happened in the absence of the specified policy is often difficult. The state subsidized a sector that grew rapidly does not imply that the benefits of the subsidies are just felt in that particular sector, its spillover effect might stimulate growth in other sectors too. Hence, the state's approach has to be evaluated as a package as the policies are often interactive.

7.2 Shortage of labor

Despite the impressive improvement over the years, the state of Johor is still confronted with some challenges. Labor and skill shortages constitute major challenges to the development planning in the state. The industrialization program has reached a point where investors in high technology products are encouraged to come in while those requiring unskilled workers are encouraged to relocate. However, there is a serious shortage of skilled and semi-skilled workers. This problem is more apparent in the SMIs, especially in food processing industries, textiles and apparel industries, electronic and electrical industries. These industries are mostly unable to offer lucrative wages and fringe benefits

to greater automation and the ratio of foreign workers to total employment decline.

7.3 Economic Infrastructure

The timeliness of the implementation of infrastructural development is critical so that it is flexible and carried out at a pace appropriate with current economic scenarios. It has been identified that some parts of the state are located far away from the North- South highway. These areas are:

- 1) Segamat- Muar
- 2) Batu Pahat- Air Hitam- Kluang- Mersing
- 3) Muar- Batu Pahat- Pontian- Gelang Patah
- 4) Kulai- Kota Tinggi
- 5) Gemas- Segamat- Kluang- Johor Bahru
- 6) Johor Bahru- Mersing

Hence, the expeditious construction of the highway extension network to the areas listed above is essential to enhance the growth and development of the north, east and central parts of Johor.

Support services should be made more liberal to ensure reliability and efficiency of infrastructural facilities. Rapid expansion of trade and manufacturing sectors calls for greater demand for port, haulage, warehouse and cargo facilities. The state has pushed for the rationalization of haulage industry by encouraging merger among existing operators. It is hoped that this would increase the

operating efficiency in tandem with the increase in volume of trade. Meanwhile, a second port and several hinterland ports will also be developed to locate various types of maritime activities in the state.

7.4 Inter- Firm Linkages

Another challenge faced by the state is the limited linkages between MNCs and the indigenous Malaysian industry. It is found that many SMIs are unable to cope with MNCs' expectations due to shortage of skilled manpower, lack of management expertise, entrepreneurship and technical know-how. Actually, many companies prefer to form local linkages since local sourcing is cheaper, more reliable, without hitches from international shipments, customs clearance and other bureaucratic delays. However, if the indigenous SMIs cannot meet their specification while meeting the local content requirement is mandatory, they may circumvent this ruling by establishing their own sub-contractors in the state. This deceiving form of linkages suggests that the state needs to formulate a better local content policy so that genuine and indigenous sub-contractors could be developed and the relaxation of the rule should only be granted to those companies which can justify that indigenous producers are not available. Meanwhile, the state should continue to improve the present incentives, policies and implementation strategies to further develop the indigenous producers of various inputs.

7.5 Research and development (R&D)

R&D are among the most important competitive factors. Realizing this fact, R&D efforts should not be the domains of foreign companies based here and merely 'lending' us their technology. The state government of Johor is encouraging more local companies to participate in R&D projects either on their own or through collaboration with bigger companies, research institutions and institutions of higher learning. Besides that, sourcing the right technology is also an important consideration in the development of R&D. Thus, foreign experts should initially be allowed to handle the R&D activities but the task should gradually be taken over by the local. For this purpose, the immigration procedures and processes need to be simplified while the ability of local manpower to adopt and adapt the technology should be enhanced.

7.6 Concentration of economic activities

Over concentration of economic activities in Johor Bahru has contributed to unbalanced distribution of population and high cost of living in Johor Bahru. On the other hand, districts like Muar, Pontian and Batu Pahat are not so well developed and have recorded the highest incidence of poverty. It is important to address the issue of unbalanced growth not only because Johor Bahru may lose its competitiveness in the long run, but also growth with distribution has always been the country's prime concern all along. As such, the state's planning for future progress should take in equity consideration besides the efficiency criteria.

7.7 Conclusion

In sum, there is considerable evidence of the positive role played by the government that has contributed to the high economic growth of Johor. While it is true to say that there is significant improvements in government capabilities, of the authorities having learnt significantly from the experiences of the past two decades, the state would need to take a more proactive role in the future in tandem with the current world economic situation. This study is therefore a modest offering to draw the experience of Johor for a better understanding of the nature and role of the state in economic development, especially via the use of industrial policy as a development tool.