

CHAPTER I

INTRODUCTION

General Introduction of Study

In the economic development of Malaya, the importance of industrialisation is highly emphasized with particular reference to the long run development of the economy. It is hoped that industrialisation will solve the fundamental economic problems of:

- (1) raising the per capita and national income of the country;
- (2) providing employment for the unemployed and the under-employed rapid growing population which is increasing at a rate of over 3 per cent per annum;
- (3) bringing about greater stability and growth by diversification of primary production through industrialisation.

How well these problems will be solved will depend on the rate and size of the industrial growth in the country. The faster and the greater the size of industrial growth; the faster will these problems be solved.

To know the rate at which industrial expansion can be achieved in Malaya; the factors for its growth must be examined. Many factors contribute their influence to the establishment and growth of industries. They relate to the environmental framework in which industrialists have to operate. The environment is composed of the political and legal aspects; the economical and existing business situation and the social and cultural influences of the country.

The basic factors which are required for the development of industries are:

- (1) the availability of the factors of production which include the raw materials, machine and technology, management and labour and entrepreneurs;
- (2) and the availability of a market to absorb the produced goods.

These basic factors are economic in character and they may be augmented, improved and enhanced by the government. Steps taken by the Government which include the passing of the Pioneer Industries (Relief from Income Tax) Ordinance, 1958, the provision of certain services, and financial inducements and the protection of the market will bring about a greater rate of industrial development to the country.

The industrial problems, opportunities and facilities offered to all industrialists will be more closely brought to reality by the example of the establishment and growth of a pioneer company. Its origin and adaptation to the conditions and requirements for the successful establishment of the industry will illustrate the elements needed to increase the rate of industrial growth.

In the final analysis, the rate of industrial development will be seen in conjunction with the problems and prospects of industrialisation.

Objective and Scope of Study

The objective of this study is to examine and evaluate the factors, problems and prospects for industrial development in Malaya. The period covered will be from 1956 to the present moment.

In this study, the term "Malaya" will be synonymous with the territory of the Federation of Malaya. Singapore is excluded in this term. The term "Industrialisation" or "industry" refers to the manufacturing sector or the well-known term of "secondary industries", only. It does not include the primary industries of agriculture and mineral production nor does it include the cottage industry.

In the manufacturing sector, industries may be known as pioneer or non-pioneer industries. The significant differences between them are that the former being designated as "pioneer" industry in accordance with the legislation provided by the Pioneer Industries (Relief from Income Tax) Ordinance, 1958 has to comply with certain conditions which do not have to be followed by non-pioneer industries in addition to the normal legislation provided for all industries. Furthermore, pioneer companies may enjoy two to five years of tax free holiday. This period of tax free income depends on the amount of capital investment made in the industry. These are the two important differences of which the latter one is the essence of the matter. Thus, the manufacturing sector deals with both the pioneer and non-pioneer industries. Industrial development will be related in connection with the existing and potential factors which induce its establishments.

The development of industries in connection with the Five Year Plans will be seen in the background of the environmental framework which comprises the political, legal, economic, social and cultural aspects.

The economic factors will include the existing and potential labour, capital, natural resources, basic services and the market for industrialisation. These are fundamental factors without which industrialisation will not be able to operate.

The part played by the Government in offering pioneer status through the Pioneer Ordinance legislation will be discussed. Other aids and incentives which concern both pioneer and non-pioneer industries will also be included in the discussion. The services, inducements and protection offered by the government in its industrial programme deal with such matters as: advisory, site development, research, training, financial and co-ordinating services; inducements of a financial character in the form of taxation, investment guarantees and free movement of capital, dividends and profits; and finally, protection of the market by tariffs, import duty exemptions, and the creation of market demand.

As an illustrative example, the terms and conditions offered to pioneer industries will be illustrated by a case study of the pioneer industry-the Dunlop Malayan Industries Ltd. This will deal with certain aspects of the industry in relation with its establishment or origin. They will reveal the extent and opportunities offered by the country to industrialists in such matters as: finance and capital, production, labour and market.

Research Methodology

Both primary and secondary sources of information are used. Visits to the relevant institutions and departments to obtain information were made:-

- (a) The Ministry of Commerce and Industry
- (b) The Registrar of Companies
- (c) The Straits Times Press (Malaya) Ltd.
- (d) The Petaling Jaya Development Corporation
- (e) The Statistics Department

Questionnaires were used in the visits to the Dunlop Malayan Industries Ltd. A guided tour around the factory was arranged.

Secondary sources include: books, journals, newspapers, government publications and the printed material of the Dunlop Company, Malayan Industrial Development Finance Ltd., and the National Productivity Centre.

Limitations of Study

In general, the field of industry in the manufacturing sector is very neglected. References to this sector is only superficial and rather limited. Statistical data on manufacturing industries is quite inadequate and generalisations from the incomplete data collected on certain items may only be fuzzy and not very useful for academic purposes.

Information on pioneer industries are scarce and limited. A recent report by a Colombo Plan expert on the advisability of setting up new types of industries which could be classified as meriting pioneer status was considered by the Ministry of Commerce and Industry as confidential and therefore not available to the writer. In fact, relevant information are either not kept or if they are kept, they are either inadequate or limited.

A further stage of difficulty was encountered in the fact finding investigation of the Dunlop Company. Much of the information required could only be given in general terms. In fact, the writer was advised to treat the subject in the above terms. In addition, many facts and figures were considered as confidential, unavailable or dismissed as of no consequence to the study. However it should be added that the writer was made quite welcome by the company.

Examples of such information considered as confidential are: figures of production of the various categories of tyres and tubes, sales figures, number of channels of distribution, organisation chart, etc.

Examples of information considered as unessential to the topic are: types and remuneration of operatives, management's duties and responsibilities, lists of the various types of tyres produced and the prices for each category, the discount rate offered to the dealers, etc.

For the above reasons, it is not possible to write in great detail about certain aspects of the company.