

CHAPTER I

INTRODUCTION

Industrialisation is of current interest both on the national as well as on the international level. Internationally, most economists have agreed that most countries in their process of economic development, sooner or later, face pressures for industrial development. There are no mysteries surrounding these pressures; they are inevitable and natural. Industrialisation is a reflection of one of the evolutionary processes through which nations advance economically. As a matter of fact, most highly economic developed countries of to-day reached their present economic status due largely to the part played by the rapid expansion of the industrial sector. Countries such as United Kingdom, the United States of America and recently Japan, are clear illustrations. It is further, a world-wide accepted phenomenon, that the faster the rate of industrial development that takes place in a country, the faster will be the rate of economic growth of that country. Furthermore, most contemporary economic geographers have looked at the percentage of population employed in industries as a measure of economic growth. A high percentage of the population employed in industries in a country reflects a high level of economic achievement.

While dealing generally with industrialisation on the international level gives an idea of the almost inherent nature of industrialisation which occurs in most countries which are seeking economic advancement and the importance which this type of process can play in promoting economic growth, a study into the industrial process on the national level, especially if it is one of our own, deserves a deeper and more thorough study.

Though industrialisation is inevitable to most nations as they advance economically, the pressures faced and the rate and nature of development differ from each country. For example, Britain industrialised in the late 18th. and early 19th. Century, because of her great technical know-how and her abundance of raw materials such as coal and iron ore, which facilitated industrial development. On the contrary the U.S.S.R. undertook industrialisation because of her perverted ideology as regards to industrialisation in its relation to economic growth. Furthermore, both countries industrialised in a different manner. In the U.S.S.R. it was a case of direct government interference and schemes, while in Britain it was due solely to private enterprises.

At present the Federation of Malaya is also undergoing industrialisation, but the pressures encountered and the manner in which the process is brought about and developed are different from, say, the 2 countries just mentioned. Surely, Malaya does not start on her industrialisation programme because of the abundance of raw materials. In actual fact, Malaya is sadly lacking in these essentials.

Objectives and Nature of the Study:

Our main objectives of pursuing into the study of industrialisation in this country, therefore, are to find what the pressures are that Malaya is facing, that are forcing her to industrialise; the extent of industrial development that has taken place, and the manner in which the present development is achieved. It may also do well to expand the objectives to examine what the future will hold for this industrial expansion.

There can be no doubt that industrialisation in Malaya is growing in importance, and is a fast growing one, which one day may be on the same level as the agricultural sector. This is evidenced by the great emphasis that is being placed on industrial development - through the constant

speeches made by the Minister of Commerce and Industry and the fact that it was explicitly stated as one of the five objectives of the Second Five-Year Plan; " to widen the variety of Malayan production, emphasising.... and giving every reasonable encouragement to industrial expansion ".¹ This is an additional interest for pursuing this study.

However, it must be noted at this point, that industrialisation, though it may be essential to economic growth, it must not be regarded as the only stimulant to growth. Industrialisation without any improvements in the other economic sectors, especially the agricultural sector will not ensure economic growth. For it is an axiom of economics that these things must occur simultaneously. The increase of food production and the increasing purchasing power in the country must sustain industrialisation at least during its early stages of development, especially so when the market for the products is internal, such as in Malaya.

Before attempting to begin a study of this kind, the meaning of industrialisation must be made clear. The U.N. Statistical Office defines manufacturing as " the mechanical or chemical transformation of inorganic or organic substances into new products whether the work is performed by powered driven machines or by hand, whether it is done in a factory or in the workers' home and whether the products are sold wholesale, or retail". Industrialisation is the process of setting up new and the expansion of such existing manufacturing enterprises. Industrial development is the increasing trend of this process of industrialisation. This definition in a strict sense covers also the cottage industries such as the batek industry, but due to the lack of information and complexities arising from such an inclusion, the term 'industrialisation' as is generally understood ,

1 Federation of Malaya
Second Five-Year Plan
1961 - 1965. (page 16)

does not include such industries. We shall use the term "industrialisation" to include these three categories of manufacturing industries concerned with

(a) the processing of agricultural products off estates.¹

(b) the light manufacturing or the manufacturing of foodstuffs, beverages, wood, textiles, chemicals, plastic products and etc. (This category experiences the most rapid development in recent years); and

(c) the using of more capital-intensive operations. Sometimes this is known as the "industrial complex".

The industries included in these 3 categories may use domestic or local capital, foreign capital and joint-capital. There is actually no need to distinguish amongst industries that either use foreign capital or local capital or joint-capital. Whatever type of capital the industries use they enjoy practically the same benefits.

¹ By definition, processing on estates is not included in the manufacturing sector.