



GROWTH AREAS IN THE MANUFACTURING SECTOR



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STRATEGIC THRUSTS

1.01 Five strategic thrusts have been set to facilitate the greater development of the manufacturing sector during the IMP3 period:

- (1) accelerating the transition towards higher value-added products and activities;
- (2) facilitating and accelerating the development of domestic and regional clusters;
- (3) further integrating domestic industries into the global supply chains;
- (4) promoting knowledge-based activities, including R&D and design and development (D&D), and supporting the application of leading edge technologies by industry; and
- (5) encouraging mergers and acquisitions (M&As), consolidations and strategic partnerships among industries to strengthen their capabilities and competitiveness.

(1) ACCELERATING THE TRANSITION TOWARDS HIGHER VALUE-ADDED PRODUCTS AND ACTIVITIES

1.02 Industries will be encouraged to hasten the transition towards higher value-added products and activities to remain competitive. Measures include:

- identifying, developing and promoting new growth areas. Major export items are expected to include an increasingly larger proportion of higher value-added products in electrical and electronics, chemicals and chemical products, automotive components, machinery and equipment, ICT and multimedia products, and agro-based products;
- enhancing the application of technology to improve and develop new products and processes;
- equipping the workforce with the necessary skills in the technical and professional fields to facilitate the transition towards higher value-added activities;
- assisting and facilitating domestic companies, including Government-linked companies (GLCs), which have the capacity to expand into new growth areas; and

- improving assistance programmes to promote investments and reinvestments, including outsourcing, branding, R&D, D&D, standards conformance and automation.

(2) FACILITATING AND ACCELERATING THE DEVELOPMENT OF DOMESTIC AND REGIONAL CLUSTERS

1.03 Efforts will be continued to further develop domestic clusters. Support services will be encouraged to be established to meet the needs of clusters which have the potential for further growth. At the same time, the development of regional clusters will be encouraged, taking advantage of increasing trade liberalisation and regional initiatives on industrial integration. The formation of regional conglomerates will be encouraged. Within the Association of Southeast Asian Nations (ASEAN), Malaysia will collaborate in implementing the roadmaps for the integration of seven of the 11 priority sectors involving manufacturing, namely, wood-based products, textiles and apparel, automotive products, rubber-based products, agro-based products, fisheries and electronics.

(3) FURTHER INTEGRATING DOMESTIC INDUSTRIES INTO THE GLOBAL SUPPLY CHAINS

1.04 Malaysia will continue to position itself in the global supply chains, with the aim of having a greater presence in the global production networks. Measures will be undertaken to assist and facilitate Malaysian companies to take advantage of opportunities arising from the growing trend towards economic integration, at the regional and global levels. These include:

- encouraging companies to focus on core competencies and strengths within the regional and global networks;
- facilitating collaborations between Malaysian firms (including small and medium enterprises - SMEs) with GLCs and multinational corporations (MNCs) in Malaysia, and Malaysian firms with MNCs operating outside Malaysia;
- encouraging outsourcing, off-shoring and other forms of business practices which promote integration; and
- developing Malaysia as the regional hub for selected products and services, including *halal* products and services, biotechnology and automotive products.

(4) PROMOTING KNOWLEDGE-BASED ACTIVITIES AND SUPPORTING THE APPLICATION OF LEADING EDGE TECHNOLOGIES

1.05 Efforts will be undertaken to promote knowledge-based activities and support the application of leading edge technologies, particularly in the identified growth areas. These include:

- encouraging industries to undertake knowledge-based activities and processes in their operations. Technology innovation will be promoted to create new products and markets;
- facilitating industries in the adoption and diffusion of advanced manufacturing technologies and practices;
- developing and improving technological capabilities in the targeted fields of expertise, such as microelectronics, nanotechnology, automotive engineering and biotechnology;
- providing assistance to companies to undertake activities, such as R&D and training, including the training of Malaysian personnel, by both foreign and locally-owned companies in selected industries;
- encouraging companies to automate their manufacturing processes; and
- developing specialised high technology parks, with the required physical infrastructure, workforce and support industries, to meet the needs of the targeted growth areas.

(5) ENCOURAGING CONSOLIDATIONS AND STRATEGIC PARTNERSHIPS AMONG INDUSTRIES

1.06 Industries will be encouraged to rationalise their activities and operations to gain greater competitive advantage and market share. This will facilitate companies in taking advantage of preferential treatment and market opening opportunities created by free trade agreements (FTAs). In addition, companies will be encouraged to consider rationalisation and consolidation of their operations, through strategic partnerships and M&As. This will enable them to expand their operations with synergistic strengths and advantages.

TARGETED GROWTH AREAS

1.07 Twelve industries in the manufacturing sector have been targeted for greater development and promotion. These industries have the potential to contribute to the further growth and exports of the sector. They will contribute in diversifying

industrial activities and enhancing the resilience of the sector, to enable it to take advantage of growing markets, regionally and globally. The targeted industries are:

Non-resource based

- (i) electrical and electronics;
- (ii) medical devices;
- (iii) textiles and apparel;
- (iv) machinery and equipment;
- (v) metals industry; and
- (vi) transport equipment; and

Resource based

- (vii) petrochemicals;
- (viii) pharmaceuticals;
- (ix) wood-based products;
- (x) rubber and rubber products;
- (xi) oil palm-based industry; and
- (xii) food processing.