

УДК 338.1(595)

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МАЛАЙЗИЙСКИЙ ОПЫТ ПРЕЖДЕВРЕМЕННОЙ ДЕИНДУСТРИАЛИЗАЦИИ

Аннотация: нация должна пройти процесс индустриализации, чтобы достичь высокого экономического уровня. Во время первой и второй промышленных революций большинство западных стран пошли по этому пути. Совсем недавно по этому пути пошли новые индустриальные страны (НИС), включая Южную Корею, Китайский Тайбэй и Сингапур. Для стран считается естественным начинать деиндустриализацию, как только они достигают высокого уровня доходов, поскольку они наращивают использование трудосберегающих технологий. Однако в последнее время развивающиеся страны начали преждевременную деиндустриализацию по совершенно другим причинам, поскольку их производственный сектор столкнулся с жесткой конкуренцией со стороны мировых рынков. В данной статье будет рассмотрена природа деиндустриализации Малайзии и проведено ее сравнение с развитыми странами. Также будут освещены текущие правительственные инициативы по решению проблемы преждевременной деиндустриализации.

Ключевые слова: технологии, деиндустриализация, Малайзия, ВВП.

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MALAYSIAN EXPERIENCING PREMATURE DEINDUSTRIALISATION

Abstract: a nation must go through the industrialization process in order to reach a high economic level. During the First and Second Industrial Revolutions, the majority of Western nations took this route. More recently, Newly Industrialized Economies (NIEs) including South Korea, Chinese Taipei, and Singapore also followed this road. It is normal for countries to start deindustrializing once they reach this high income level as they ramp up their use of labor-saving technologies. However, more recently, developing nations have started prematurely deindustrializing for very different reasons, as their manufacturing sector encountered fierce competition from global markets. This paper will examine the nature of Malaysia's deindustrialization and compare it to the advanced economies' fundamental causes. It will also cover current governmental initiatives for addressing the problem of premature deindustrialization.

Keywords: technologies, deindustrilisation, Malaysia, GDP

As economies begin to move their resources from manufacturing to services as a result of high manufacturing productivity growth and growing service consumption as society becomes wealthier, deindustrialization is a natural step of economic development. According to an economic structural transformation path, when an economy grows, it typically transitions from agriculture to manufacturing to services. This path toward deindustrialization is a positive development because it suggests that manufacturing workers have become highly productive and that the economy needs fewer of them to meet overall demand. This high manufacturing productivity growth

is typically brought on by the adoption of labor-saving technologies. It is determined by a persistent reduction in the percentage of manufacturing employment, together with a more modest decline in the percentage of manufactured production in the economy. The US, the EU, and Japan are three examples of economies that have gone down this route of deindustrialization, as their manufacturing employment shares have declined considerably more quickly than their manufacturing output shares since the 1970s [1]. However, premature deindustrialization is a less preferable course of deindustrialization when it results from low manufacturing productivity rather than diminishing manufacturing competitiveness. When an economy undergoes this type of deindustrialization, its manufacturing production share will likely fall more quickly than its manufacturing employment share. According to Rodrik, most of the countries in Latin America and Sub-Saharan Africa, including Brazil, Argentina, South Africa, and Ghana, are currently facing premature deindustrialization [6]. The manufacturing sector is a key contributor to the production of high quality, high productivity, high income jobs as well as the adoption and development of new technologies, hence the route toward deindustrialization is harmful to the economic development of nations.

Recent research suggests that Malaysia has been displaying indicators of an early deindustrialization. From 2000 onward, the Malaysian economy started to deindustrialize, reaching its highest employment share in manufacturing at 23.5% and a GDP per capita level of Intl \$9,500. This is much below the level of GDP per capita income (Intl. \$18,000) and far lower than the peak employment share reached by the advanced economies when they started to deindustrialize (30% employment share). The dual reduction in employment and the output share of manufacturing provide more proof that the economy is undergoing a less desirable form of deindustrialization. These trends show that declining employment was not caused by higher productivity but rather by lower competitiveness. The decline in competitiveness can be partially attributed to PR China's entry into the World Trade Organization (WTO), which occurred at the same time that Malaysia's manufacturing employment share decreased significantly. However, Malaysia is not alone in losing market share to PR China since other Asian economies have also seen a decline in employment in low-skilled sectors.

What is different, though, is that employment in other high value added portions of the manufacturing value chain appears to have helped other nations, such South Korea and Chinese Taipei, avoid premature deindustrialization, which is less evident in Malaysia.

Two theories have been advanced in the literature to explain why Malaysia's manufacturing industry is rising up the value chain so slowly. The first is the unfavorable policy environment and the absence of industry-government coordination, which have prevented the manufacturing sector from modernizing its technologies [4]. According to the second viewpoint, Malaysia's industrial upgrading is sluggish because of the high concentration of micro, small, and medium-sized businesses in the manufacturing industry. These smaller businesses struggle with limited production volumes or inconsistent product demand [5]. They are unable to adopt automation solutions since they are more expensive, capital-intensive, and have a longer return period. The difficulty in upgrading for export-oriented businesses is partly a result of their restricted capacity to engage in product innovation given that they are primarily engaged in production-related activities on behalf of overseas clients and have little ownership of the final product itself [3]. This hasn't stopped local businesses from implementing process innovation, either, as the proportion of Malaysian businesses doing so is comparable to that of our regional competitors [2]. Despite these changes, it is nevertheless crucial to note a few important details of Malaysia's deindustrialization:

1. Up until 2010, manufacturing employment and output shares decreased, but since then, they have remained largely stable. The deindustrialization of Malaysia appears to have slowed down significantly during the previous ten years, yet it may still be too early to say that the process has come to an end.

2. Sector-specific patterns also seem to be a key factor in the deindustrialization of Malaysia. The majority of the manufacturing share decline and subsequent stabilization closely follow the trend of the E&E sub-sector. Other manufacturing industries, however, see more gradual changes in their output and employment ratios.

3. When comparing the time before and after 2010, the E&E sub-productivity sector's increased in the second half compared to the first ten years. Productivity growth

is a critical component of a more productive long-term industrial process.

These changes seem to have their roots in a number of recent changes in the manufacturing industry. First, the E&E subsector has had significant success in reversing its decline in output share as it engaged in horizontal diversification towards a new set of end-product segments. This is true even if the larger manufacturing sector has been hesitant to move up the value chain. This was made possible by the proliferation of publicly traded homegrown E&E companies as well as the substantial presence of multinational corporations (MNCs) in Malaysia who have vendor relationships with local E&E enterprises. Malaysian companies moved in tandem with MNCs to diversify away from personal computers (PC), which had been on a structurally declining trend toward and after 2010, and toward fast-growing end-product segments like smartphones, automotive electronics, and cloud computing as the MNCs responded to the significant changes in the global E&E markets. As a result, Malaysia's E&E subsector was able to report increased output share and productivity. These are in spite of the fact that the E&E subsector's basic activities, which continue to mostly consist of assembly and testing, have not undergone any functional upgrade. Second, there is a growing skill-bias in employment within the E&E sub-sector. Data from the Labour Force Survey between 2010 and 2015 show a trend away from the use of direct labor, traditionally associated with the labor-intensive techniques of production, in the workforce composition of the E&E sub-sector [2]. An increased proportion of engineers and technicians who can operate machinery and automated equipment has taken its place. Despite this encouraging development, the E&E sub-sector continues to experience a severe lack of highly trained workers despite the growing demand for automation and innovation.

According to these recent developments, Malaysia appears to be moving in the right direction. In other areas of the manufacturing industry, emulating the E&E sub-sector's helps hasten productivity improvements throughout the entire sector, which is essential to halting premature deindustrialization. The manufacturing industry shouldn't be the only one to focus on improvement. The largest industry, services, in particular, will need to play a more significant and complementary role to

manufacturing in order to provide the kind of high-quality, high-productivity, and well-paying jobs that characterize more developed economies. The economic sector's other sectors can boost productivity and halt their respective "premature output deindustrialization" by taking a cue from the E&E's diversification process. To boost the competitiveness of any sector, it may be practical to produce more sophisticated and complex products. It is very likely that resource-based companies will eventually create more sophisticated downstream goods like oleo-chemicals and specialty chemicals. In a similar vein, vehicle makers may discover ways to create more sophisticated passenger vehicle kinds like hybrid and electric vehicles [6]. It is important to note, however, that even if these industries were able to expand horizontally and produce more complex products, it might not necessarily stop the decline in manufacturing employment share because advanced manufacturing by its very nature necessitates more automated machinery and equipment while decreasing the reliance on labor as a factor of production. This clarifies the cause of the diminishing share of manufacturing jobs that advanced economies continue to experience today. In order to support the more technologically advanced manufacturing sector, there will still be a possibility of an increase in high skilled and hence higher paying positions. Recent advancements in the literature also show that, in light of these tendencies, the services sector is able to play a larger role in supplying high-quality jobs and completing the transition to a high-income economy. Instead of the old services sub-sector, the new services sub-sector must be the focus of employment creation. This is due to the fact that, in terms of productivity, tradeability, and technological advancement, the modern services sub-sector is quite similar to the industrial sector. The ICT services, finance, as well as the transport, storage, and communications industries, are often defined as this contemporary services sub-sector. In addition, according to Gollin [7], contemporary services will experience technological and knowledge spillovers, opening up opportunities for capital expenditures and technological transfer similar to those found in the manufacturing industry. However, there are significant drawbacks to merely relying on the modern services sub-sector for economic development, necessitating a balanced development

strategy that targets both manufacturing and modern services.

First off, even if the modern services subsector is becoming more tradable, its share in global commerce is still small when compared to manufacturing trade, which suggests that focusing exclusively on modern services might not have a significant impact on the economy's export performance. Second, despite the similarities between the characteristics of the manufacturing and modern services sectors, the short-term demand for high-skilled labor, a key feature of modern services, will prevent the modern services sub-sector from absorbing the displaced low and mid-skilled manufacturing workers. This highlights the need for efficient and thorough labor upskilling programs to hasten the growth of the contemporary services sub-sector and enable a more seamless employment transfer. Several policy imperatives need to be prioritized in order to support a development plan that is more balanced [7]. First and foremost, there is a need for a principle-based investment strategy that prioritizes the creation of highly skilled jobs, high value-added activities, and complicated products. This will guarantee that the economy draws investments that will progress all sectors up the value chain and into cutting-edge, quickly expanding, and highly productive activities. Second, in order to seize opportunities brought about by the shifting global economic scene, domestic enterprises' capacity, talent, and infrastructure must be further improved. Processes in the manufacturing and services sectors are changing as a result of industrial automation, sophisticated robotics, and digitalization. Although Malaysian businesses are currently actively pursuing process innovation, more has to be done to support local businesses and talent so that they are nimble enough to deal with emerging process innovation forms. The direction of this change will be heavily influenced by national strategies and roadmaps.

Although Malaysia has been prematurely deindustrializing since the early 2000s, recent trends indicate that some industries are moving in the direction of more constructive industrial development. A balanced development strategy that prioritizes and improves both manufacturing and contemporary services is required to further support the growth of the Malaysian economy. Recent events have also served as a powerful reminder of the idea that joint efforts by the public and private sectors yield

the best results, and that new industrial policies will be crucial to accelerating structural change and economic growth.

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