



(Continued from page 1)

also peaked in 1994 and tapered off after that. The same trend is also observed in Singapore. As both Penang and Singapore have matching trends in GDP and manufacturing value added growths, it is pertinent to claim that Penang's growth structure is similar to that of Singapore.

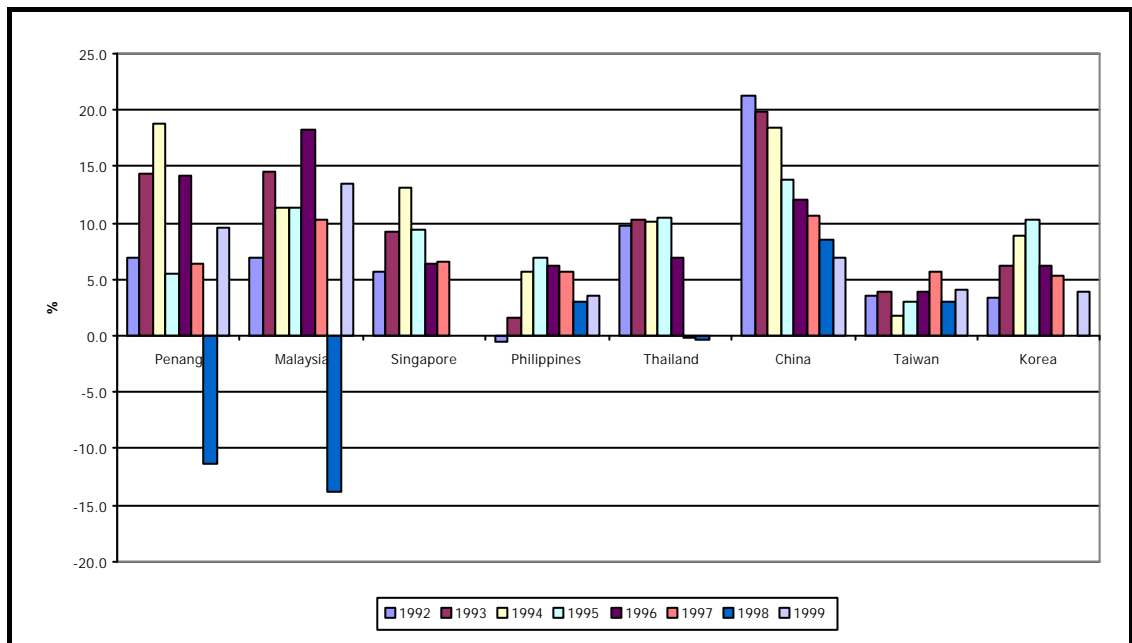
The onset of the Asian crisis has to a certain extent affected the performance of the manufacturing sector in Penang. Value added from this sector contracted in 1998 as a consequence of the Asian crisis, but it rebounded and achieved a growth of not less than 9.6% in 1999 and is anticipated to achieve a growth of more than 10% in 2000.

Table 2: Manufacturing Value Added Growth Rates

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Penang	6.9	14.5	18.8	5.6	14.2	6.5	-11.5	9.6	10.5
Malaysia	7.0	14.6	11.4	11.4	18.2	10.4	-13.7	13.5	-
Singapore	5.8	9.3	13.2	9.5	6.5	6.6	-	-	-
Philippines	-0.6	1.6	5.8	7.0	6.3	5.7	3.0	3.5	-
Thailand	9.9	10.4	10.2	10.5	7.0	-0.1	-0.3	-	-
China	21.2	19.9	18.4	13.9	12.1	10.8	8.5	7.0	-
Taiwan	3.6	4.0	1.8	3.1	4.0	5.7	3.1	4.1	-
Korea	3.4	6.2	9.0	10.3	6.2	5.4	-2.5	4.0	-

Source: Derived from Asian Development Outlook 1998, Bank Negara Malaysia & SERI

Figure 1: Manufacturing Value Added Growth Rates of Selected Locations



Source: Derived from Asian Development Outlook 1998, BNM & SERI

Investments

Tables 3 & 4 show the FDIs and growth in FDIs at selected locations. China seems to receive more FDI than any other locations during the 1991-1997 period. All the countries except China and Thailand experienced contraction in FDI during the 1997 period. This is a result of the Asian financial/economic crisis. However, Thailand, which was the first country that was affected by this crisis, experienced growth in FDI. This could mainly be due to the aggressive investment promotion by the Board of Investment (BOI) of Thailand. Furthermore, of all the countries, China seems to be the only location that experienced growth in FDI throughout the six-year period, although at different quantum.

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Table 3: FDI at Selected Locations (USD Million)

	1991	1992	1993	1994	1995	1996	1997
Penang	388	240	104	263	256	775	110
Malaysia	3998	5183	5006	4342	4132	5300	5110
Singapore	4887	2204	4686	5480	6912	9440	8630
Philippines	544	228	1238	1591	1478	1408	1250
Thailand	2014	2114	1730	1322	2003	2426	3750
China	4366	11156	27515	33787	35849	42300	44240
Taiwan	1271	879	917	1375	1559	1402	-
Korea	1180	727	588	809	1776	2308	-

Source: Asian Development Outlook 1998; 1999 World Competitiveness Yearbook for 1997 data, and Penang data derived from MIDA

Table 4: FDI Growth at Selected Locations (%)

	1991/92	1992/93	1993/94	1994/95	1996/95	1996/97
Penang	-38.2	-56.8	153.7	-2.6	202.4	-85.8
Malaysia	29.6	-3.4	-13.3	-4.8	28.3	-3.6
Singapore	-54.9	112.6	16.9	26.1	36.6	-8.6
Philippines	-58.1	443.0	28.5	-7.1	-4.7	-11.2
Thailand	5.0	-18.2	-23.6	51.5	21.1	54.6
China	155.5	146.6	22.8	6.1	18.0	4.6
Taiwan	-30.8	4.3	49.9	13.4	-10.1	-
Korea	-38.4	-19.1	37.6	119.5	30.0	-

Source: Derived from Asian Development Outlook 1998; 1999 World Competitiveness Yearbook for 1997 data, and MIDA for Penang data

FDI inflow to Penang is cyclical. Penang experienced contraction in FDI in 1992 and 1993 but registered a significant growth of 153.7% in FDI in 1994. The State suffered a slight contraction in FDI in 1995 but regained growth in 1996, by 202.4%. However, in 1997, Penang was greatly impacted in terms of inflow of FDI because of the Asian financial/economic crisis. By 1998, FDI to Penang totalled US\$ 335.4 million (or growth of

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Table 5: Ranking in Terms of Investments

States	Ranking		
	1997	1998	1999
Penang	7	4	1
Melaka	10	9	2
Selangor	2	3	3
Johor	3	2	4
Terengganu	5	1	5
Perak	9	11	6
Kedah	1	10	7
Negeri Sembilan	8	7	8
Pahang	4	5	9
Wilayah Persekutuan	13	12	10
Sarawak	11	6	11
Sabah	6	8	12
Kelantan	12	13	13
Perlis	14	14	14

Source: Derived from MIDA



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204.7%) and in 1999, FDI to Penang reached US\$ 1,209.7 million (or growth of 260.6%).

As for Penang in comparison with the other states in Malaysia, the state's ranking in terms of capital investment improved from its 7th position in 1997 to 4th in 1998 (Table 5). Investment in absolute terms has actually increased in 1998 despite the economic crisis. For 1999, Penang's position moved to the top and registered RM 4.76 billion in terms of investments. This indicates the confidence of the industrial community in expanding and continuing their investments in Penang. It also means that the dominant industrial sector in Penang, which is basically the export-oriented industries are not affected by the Asian crisis compared to the other industries. It is also noted that the main factors influencing companies' decision to locate in Penang comprise political stability, availability of labour, availability of supporting & ancillary industries and availability of high quality infrastructure.

The four top states in 1998 are basically industrialised states, relatively strong in the export-oriented industries.

Table 6: Manufacturing Investments in Penang

	1997	1998	1999
Investments (RM Million)	1,449.1	2,666.5	4,762.2
		1997-1998	1998-1999
Change (%)		84.0%	78.6%

Source: Derived from MIDA

Table 6 shows that investments in Penang increased by 84.0% in 1998 and increased further by another 78.6% in 1999. Of the RM 4.76 billion investments by 93 projects in 1999, reinvestments accounted for 95.4% of the total. This also indicates Penang's core competency in retaining the existing investors as well as to encourage them to further invest in Penang through modernisation, expansion and diversification.

Implications

The Penang economy in general depends heavily on the manufacturing industry, which is predominantly the electronics industry. As the electronics industry is volatile hinging on the vicissitudes of the global markets, Penang should determine if its dependency on the electronics industry is sustainable or only temporary.

Although it is irrefutable to claim that Penang has been a successful centre for manufacturing, particularly the electronics industry for the past 3 decades, Penang's strength is in assembly and test operations. Such operations are normally labour intensive except for some innovative industries that have begun to automate their processes. As such dependency on only one aspect of the value chain, namely assembly and test is rather risky.

To develop along the value chain to include higher value added services such as design, R&D, distribution, logistics as well as marketing would help Penang in the long term, as labour is no longer cheap. Furthermore, the emerging industrialising countries that are competing for FDIs with Penang have lower wage rates as well as equally qualified and skilled labour force.

Penang's ranking in terms of investments may improve from 1997 to 1999. However, this does not mean that Penang is capable of attracting more new investments, judging from the fact that reinvestments accounted for more than 95% of the investments received in 1999. Furthermore, as Penang is rapidly running out of resources, such as land and human resources, it is the responsibility of the State Government as well as the populace of Penang to retain the existing investments as well as to encourage them to keep on reinvesting to upgrade their current facilities in Penang. ***§ Anna Ong***

(Part 2 to be continued next month)



Malaysia's Ranking In World Competitiveness

Malaysia's Performance

Malaysia's ranking in world competitiveness has improved slightly from the 27th position in 1999 to the 25th position in 2000. Malaysia scores 42.12% against the 100% by U.S, which ranks 1st in the World Competitiveness Scoreboard for 2000.

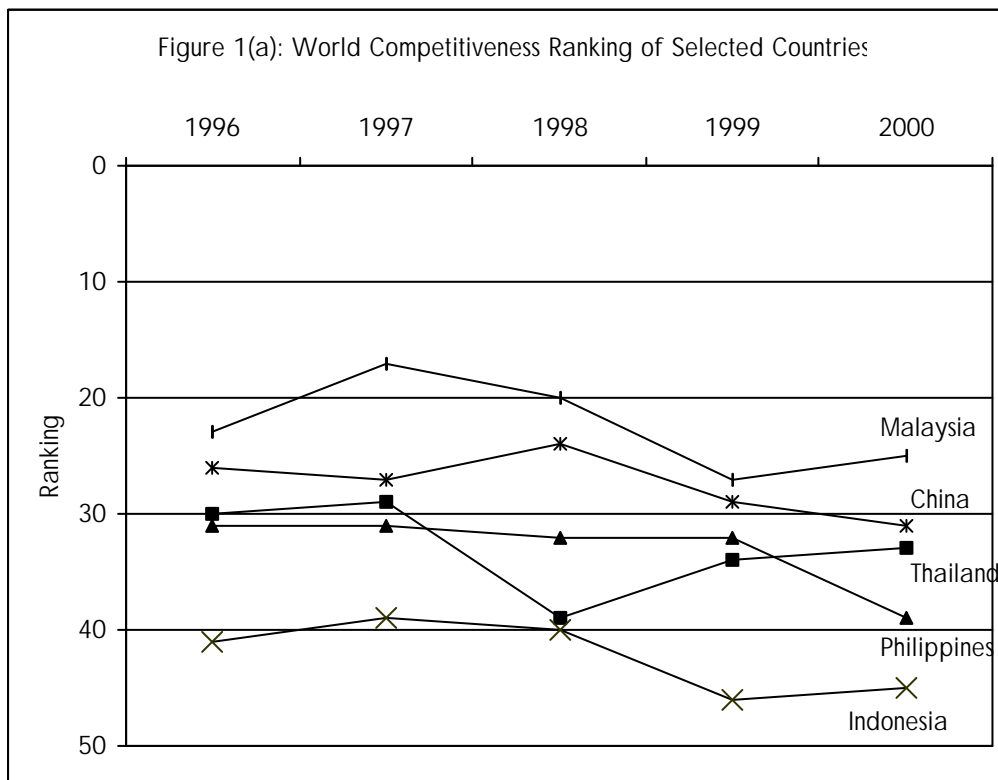
Table 1 shows the ranking of selected countries for the past five years. Malaysia's position at 23rd in 1996 improved significantly by 6 places and ranked 17th in 1997. However, in 1998, its position dropped to 20th, which dropped further to 27th in 1999. Malaysia's ranking in world competitiveness improved to the 25th position in 2000.

Table 1: World Competitiveness Ranking of Selected Countries

	1996	1997	1998	1999	2000
Singapore	2	2	2	2	2
Hong Kong	3	3	3	7	14
Taiwan	18	23	16	18	22
Malaysia	23	17	20	27	25
China	26	27	24	29	31
Thailand	30	29	39	34	33
Philippines	31	31	32	32	39
Indonesia	41	39	40	46	45

Source: Derived from IMD, World Competitiveness Scoreboard

Figures 1(a) and (b) compare Malaysia's ranking with selected countries. Malaysia seems to perform well compared to developing countries like Thailand, Philippines, Indonesia and China (Figure 1(a)). However, it lags behind other NIEs like Singapore, Hong Kong and Taiwan (Figure 1(b)).

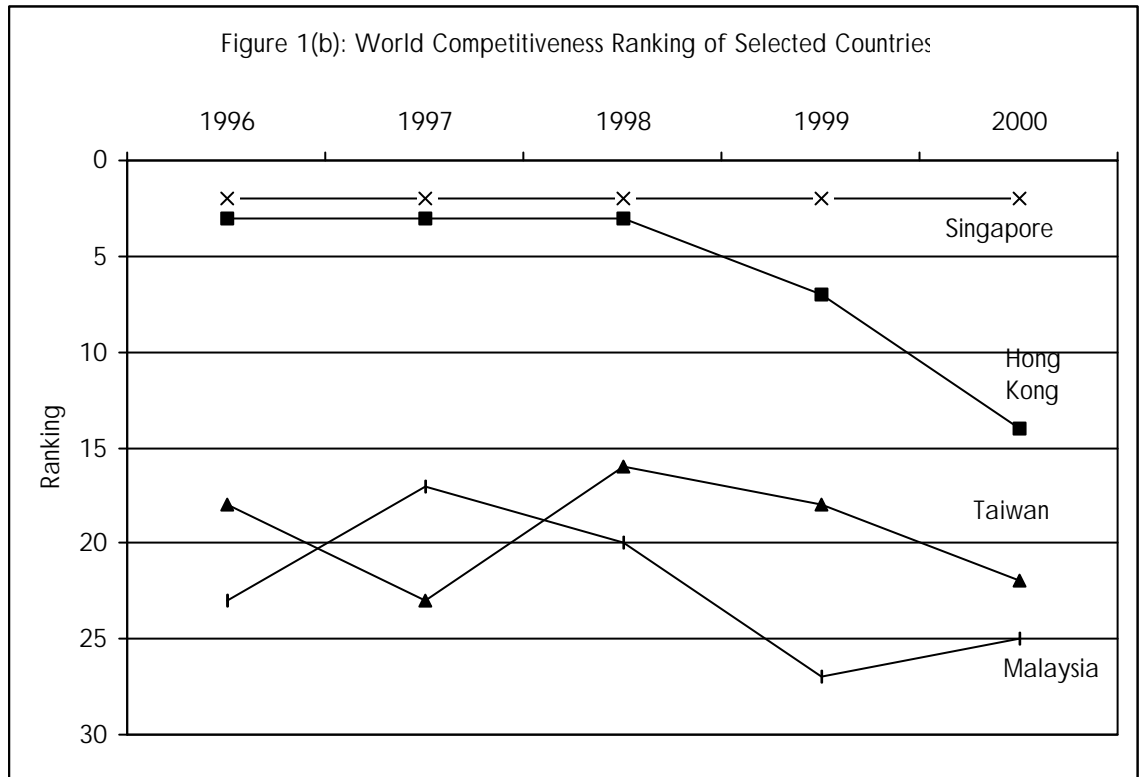


Source: Derived from IMD, World Competitiveness Scoreboard

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Source: Derived from IMD, World Competitiveness Scoreboard

Malaysia's weakest criteria in 1999 were youth unemployment, real growth in private final consumption, growth in exports of commercial services and balance of commercial services, all of which ranked 46th among the 47 countries. Other major weaknesses include gross domestic investment real growth and foreign investments, which ranked 45th respectively; real growth in industrial production and private final consumption expenditures, which ranked 43rd respectively; female labour force participation and total expenditure on R&D, which ranked 42nd respectively; issue of illiteracy and public sector contracts, which ranked 41st respectively; and total R&D personnel nationwide per capita, which ranked 40th. Malaysia's other weak criteria include overall productivity (39th), productivity in services (38th), retail sales (38th), government final consumption expenditure (38th), labour productivity (37th), total R&D personnel in business enterprise per capita (36th), and higher education enrolment (26th).

Although the weakest criteria for Malaysia in 2000 are not yet available, we could easily assume that with the rapid recovery from the Asian financial/economic crisis, the problems of employment have been reduced. Furthermore the index for industrial production in 1999 has improved over the 1998 figure (12.9%) and continued to increase during the first quarter of 2000. In general, foreign direct investments have also increased, especially in reinvestments projects by the existing multinational corporations. Lastly, in the quest to prise Malaysia out of the financial/economic crisis, the government has also increased the private sector contracts as well as its consumption expenditure.

Malaysia seems to perform well compared to developing countries like Thailand, Philippines, Indonesia and China. However, it lags behind other NIEs like Singapore, Hong Kong and Taiwan.

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Brief Overview of World Competitiveness Scoreboard

The World Competitiveness Scoreboard provides decision and policy makers a comprehensive picture of how countries compete in the international markets. The world competitiveness scoreboard for 2000 covers 47 countries, which are key players in the international marketplace.

The competitiveness input factors include

- ≈ Strength of the domestic economy;
- ≈ Extent to which a country participates in international trade and investment flows;
- ≈ Extent to which government policies are conducive to competitiveness;
- ≈ Performance of capital markets and the quality of financial services;
- ≈ Extent to which the infrastructure resources and systems are adequate to serve the basic needs of business;
- ≈ Extent to which enterprises are managed in an innovative, profitable and responsible manner;
- ≈ Evaluation of scientific & technological capacity together with success of basic and applied research; and
- ≈ Availability and qualification of human resources.

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Another reason cited for the falling student numbers is the apparent popularity of short courses and “bridge” programs. Foreign students taking short courses would normally return home when the course of study ends, while those enrolled in “bridge” programs move on to more advanced courses of study in other countries.

A Major Problem Area and Possible Solutions

One of the main problems Penang private colleges face could very well be an over-dependence on an “easy” market, namely Indonesia, for the supply of foreign students in the last few years. A possible solution to this problem could lie in a more proactive diversification of the student supply market, by targeting and recruiting from countries like China in particular.

China and also other ASEAN countries are markets that hold great untapped potential for the Penang private educational sector. The majority of students already enrolled in private colleges in Penang are generally quite satisfied with the good value for money educational options available, as well as the conducive infrastructural, social, and cultural amenities available in the state.

On the other hand, more could certainly be done to actively promote an awareness of the vast private educational opportunities available in Penang. A few colleges reported that many foreign students enrolled only learned of the many educational options in Penang by word of mouth from friends and relatives. To correct this situation, more publicity campaigns and road shows to create awareness could be organized, perhaps in the form of highly coordinated, multi-college efforts spearheaded by the state government to achieve maximum results in recruitment drives. Considering the high cost of such campaigns and road shows, some subsidies would also go a long way to relieve the financial burdens incurred by the participating institutions. **§ Richard Ho**



Foreign Student Enrolment in Private Colleges in Penang

Background Information

This report serves to give a brief update on the on-going effort by the private education sector in Penang to increase the enrolment of foreign students in colleges and institutions in the state.

The seven colleges surveyed are well-established educational institutions with an existing enrolment of foreign students. Their total student population ranges from 400 to 2500, with four colleges having an enrolment of between 1000 and 2000 students.

Colleges / Institutes	Estimated percentage of foreign students (as of May 2000)	Preferred Majors / Areas of study	Countries represented	Foreign student enrolment (as of May 2000, compared to the previous intake)
1.	1.6	IT	Indonesia, China, Myanmar, India, Bangladesh	Decreased
2.	3.3	IT, Business, English, Economics	Indonesia, China, India, Pakistan, S. Korea	Increased
3.	15.0	IT, Engineering, Hotel Management	Indonesia, China, Thailand, Japan, S. Korea, Sri Lanka	Increased
4.	3.0	Business, Secretarial Courses and Hospitality Studies	Indonesia, Thailand, India, China, Bangladesh	Decreased
5.	1.3	Business, Accountancy	Indonesia, Pakistan, Myanmar	Increased
6.	6.2	Art & Designing	Indonesia, China, Taiwan	Decreased
7.	6.0	Business	Indonesia, other Asian countries	Increased

Preferred Majors/Areas of Study

From the sample colleges surveyed, it appears that Business related courses rank as the most popular area of study, followed by Computer or IT related courses. This is hardly surprising, given the flexibility and wide range of career options enjoyed by Business graduates when they seek to enter the job market.

The growing demand for IT graduates, not only in the region, but internationally as well, and the increasing prominence of IT in many spheres of economic and social life may be the factors influencing the popularity of IT related subjects and courses for foreign students in Penang private colleges.

Foreign Student Enrolment

Out of the seven colleges/institutes, three reported a fall in foreign student enrolment, while four reported an increase.

The falling enrolment has been attributed to the gradual stabilization of the regional economies after the financial crisis of 1997. All the colleges with a falling enrolment reported a trend of students, specifically from Indonesia, returning home because of the improved socio-political situation in their home country. Even in the colleges with increased foreign student enrolment, at least one college reported a fall in the number of Indonesian students enrolled. However, the total foreign student population has increased as a result of rising numbers of students from countries other than Indonesia enrolling for courses at this college.

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