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# MALAYSIA'S INDUSTRIAL DEVELOPMENT STRATEGY AND THE LESSONS FOR NIGERIA

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## **Abstract**

Malaysia is now one of the emerging economies in the world with a prospect of joining the league of developed/industrialized nations in the nearest future. This is a great feat for the country that was far behind Nigeria in the 70s in terms of economic development. This article examines the Malaysian industrial development strategy and lessons worth emulating by Nigeria for her growth and development options. The article used secondary data and the data was analyzed based on arguments of the Developmental State framework. The article chronologically examined Malaysia Industrialization Strategies through the times and themes starting from the Pre-independence Period (prior to 1957) to the present. The article discovered that, the Malaysian state played a huge role in technological development, industrialization (manufacturing) and resource mobilization towards achieving concretely designed developmental programs. These development strategies include; Import Substitution Strategy (ISS), Export-oriented Strategy (EOS), Knowledge Economy Industrialization (KEI) and Technological Development (TD). The article therefore recommends that Nigeria should adopt the Malaysian experience to structurally transform its economy through carefully designed long term development strategies and diversification of the Nigerian economy. This will help other sectors to develop resource-based manufacturing industries, such as rubber and palm oil products in stimulating economic growth.

**Key Words:** Industry, Manufacturing, Development, Strategy, Industrialization

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## Introduction

Almost all the developed countries have achieved rapid development through industrialization. According to Chen and Ravallion (2004), one-third of the population of the world lived in poverty in 1981, but the high level of poverty reduced to 18 per cent in 2001. The decline is largely due to rapid economic growth in highly populated countries such as China and India, Brazil, Singapore, India and Korea Republic. There are, however, remarkable differences between countries and between regions in the developing world. Some regions and countries, notably in South East Asia like Singapore, Thailand, Malaysia, The Philippines, Cambodia, Nepal, Vietnam, Burma and Myanmar, are rapidly catching up with the industrialized countries. To enhance sustainable development, these countries formed Association of South East Asia Nations (ASEAN) as a regional economic organization. Others, especially in Sub-Saharan Africa, are lagging far behind and with the share of poor people in the population increasing.

These South East Asian nations have adopted strategic policies towards development. For instance, Malaysia adopted two economic policies and two industrialization strategies that were instrumental in the country's journey towards industrialization (Okposin, 2005). The two economic policies were the New Economic Policy and the National Development Policy, and the two industrialization strategies were the Import Substitution Industrialization (ISI) strategy and the Export-Oriented Industrialization (EOI) strategy. According to Okposin (2005), the 'Malaysia Incorporated' policy introduced in 1983 emphasized public-private partnership sector relationships. This partnership helped to reengineer the Malaysian business environment in the 1980s and 1990s which led to the promulgation of a development strategy 'Vision 2020' in 1990 which was aimed at promoting knowledge based industries to add value to products with export potentials.

Nigeria and Malaysia share certain features. Both are plural societies; have experienced colonialism and are federal and "democratic" states. However, unlike Nigeria, Malaysia has been able to tackle not only its cultural and religious differences, but also economic challenges. Within the past three decades, it has deepened its democracy and achieved a significant level of economic development via responsible political leadership as well as consistent economic planning and industrialization.

The quest for Nigeria to be an industrialized economy with high sustainable growth rates has been the preoccupation of every administration that has piloted the affairs of the nation since after independence. But amidst of these struggles for sustainable growth the Nigerian economy has performed poorly since the late 1970s, resulting in stagnation and increasing poverty

levels. Industrialization was seen as the only feasible means to get to the Promised Land by breaking the shackles of poverty because of the expected spillover effect in every other aspect of the economy. Despite all efforts, since October 1960 which include; Indegenization, Structural Adjustment Programme (SAP), establishment of Bank of Industries (BoI), National Integrated Industrial Development Strategy (NIIDS) and, Industrial Park Development Strategy (IPDS), the level of industrialization remains very low even with the oil boom that comes intermittently.

The crux of this paper therefore, is to examine Malaysia's industrial development with special interest in the manufacturing sector and draw lessons for Nigeria to emulate.

### **Conceptual Clarification**

#### **Development: Towards an Explanation**

The concept of development has many definitions. However, the controversy as to what development means is as same as other concepts in the social sciences. Whatever the controversy, it is necessary to see it as a process that involves the progress of the people in the society. Since people live within some form of social framework contesting for social, economic and political structures, development involves changes or transformation of these structures. According to Okpaga, (1999), it is a multi-dimensional and comprehensive transformation of the society. According to Kanbur (2006), development is objective that nations have sought to achieve, and includes every struggle and attempt aimed at improving the structures of the society like government institutions, culture of the people and provision of infrastructural facilities. Development as defined by the United Nations is seen from the human perspective. It involves having the basic necessities of life; these include having access to medication and a healthy environment, adequate clothing as well as sufficient food (Sumner and Tribe, 2008, p.1).

Todaro (1985) defines development as a Multidimensional process involving the orientation of the entire economic and social system. This involves, in addition to improvement of income and output, radical changes in institutional, social and administrative structure as well as in popular attitude, customs and beliefs. Viewing development in a similar vein Rodney (1972) states further that development is encompassed within the idea of the ability of a society to harness its natural resources in order to cater for the material well-being and social life of the generality of the people.

While these definitions seem quite acceptable, other scholars like Karl Marx and Frederick Engels have introduced the aspect of scientific explanation

to the concepts of development. To them, development has to start from the mode of production that determines the existing economic system in the society. It deals with the manner of production of goods and services in the society. Two components arise here, that is, productive forces and social relations of production. The components of productive forces propel production to high level. These include manpower, natural resources such as science and technology and industrialization. The above components are central to the determination of the level of development of any society (Sorkaa, 2002). According to Sorkaa (2002), Ake (1991), society depicts two classes' i.e. ownership and controlling class, non-ownership and non-controlling class. In this relationship, the latter is always on the receiving end of the inequalities unleashed by the former. It is a relationship of antagonism and conflict due to the quest to maintain the status-quo among the contending forces. Class struggles have therefore become a key element in bringing about change or development in the circumstances of the contradictions between the two elements or dominant class especially on the African continent. The social relations of production are important component of development. It involves progressive changes that occur in the sharing of products of the economy for the quality of lives of the people within a historically determined economic system (Ake, 1991).

**Industrialization** is a process through which an economy transforms from agrarian to mass production of finished and sophisticated products. It is the widespread development of industries in a region, country, culture, etc. Our concern with industrialization in general, and manufacturing specifically, is based on the recognition within the traditions of endogenous growth theory, evolutionary economics and institutional economics that manufacturing (industrialization) is important for economic development (Szirmai, 2012). In another perspective, industrialization is the process by which an economy transforms from primarily agricultural to one based on the manufacturing of goods. Individual manual labour is often replaced by mechanized mass production, and craftsmen are replaced by assembly lines (Chappelow, 2019). For Chappelow, Characteristics of industrialization include economic growth, more efficient division of labor, and the use of technological innovation to solve problems as opposed to dependency on conditions outside human control. As stated in the above definition, this study is specifically concerned about the manufacturing industry. Industrialization is a transformation away from an agricultural- or resource-based economy, toward an economy based on mass manufacturing. Industrialization is usually associated with increases in total income and living standards in a society.

Industrialization is mostly associated with the European Industrial Revolution of the late 18th and early 19th centuries. Industrialization also occurred in the United States between the 1880s and the Great Depression. The onset of the Second World War also led to a great deal of industrialization, which resulted in the growth and development of large urban centers and suburbs.

### **Theoretical Framework**

The idea that the state should play a leading role in economic development is not new to the post-war period. Neither is the idea of free market liberalization as a necessity for economic growth a recent phenomenon. However, whether economic growth can be better explained by deliberate state policies or private interests is a subject of much controversy in academic and policy circles. Many early development economists of the 1950s and 1960s such as Rosenstein-Rodan (1943), Scitovsky (1954), Baran (1957) and Gerschenkron (1962) argued for active state support and involvement to create and regulate enabling economic environment for sustained industrialization and growth. Consequently the concept of the East Asian developmental state as a model has been extensively discussed in the literature, and until the 1990s, many academics and policy makers in the development field have championed the Developmental State A Theory as a model that could hold relevance for other developing regions. First coined by Chalmers Johnson in his book *Ministry of International Trade and Industry (MITI) and the Japanese Miracle*, the 'Developmental State' is based on empirical cases of successful late industrialization which have been associated with significant level of state intervention. Woo-Cummings (1999) describes "developmental state" as "a shorthand for the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia". On the basis of empirical study of the remarkable performance of the East Asian states, several scholars including Johnson (1982), Skocpol (1985), Amsden (1989), Evans (1995) and Wade (1990) demonstrated the important roles states could play far beyond market perfection, as done by the non interventionist or liberal state. Apparently, for these scholars, East Asian 'late-industrializing' or newly industrialized countries (NICs) (Japan, Taiwan, South Korea, Hong Kong and Singapore) provide an exceptional example of the fact that state-led market can be a more effective approach to late industrialization because, in certain circumstances, economic growth can depend heavily on state intervention to boost demand and supply.

Developmental State theories centre on these ideas of Active State Interventionism to facilitate rapid industrialization and economic growth for

'late-industrializing' countries. Within developmental state theories, development is synonymous with economic or industrial growth and a result of conscious state policies and implementation of economic strategy. For the developmental state to succeed, it is necessary to institute a state bureaucracy in the form of a pilot organization, such as the Ministry of International Trade and Industry in Japan (MITI), Economic Planning Board in Korea (EPB) and Council on International Economic Cooperation and Development in Taiwan (CIECD), which plans and implements long-term economic policies, benefiting from enormous degree of autonomy from political pressures and economic interest groups.

In an attempt to discuss Malaysian industrial development the paper adopts Developmental State framework. According to Agaba and George- Genyi (2013, p.45) "there is of course a major problem in defining Developmental State". The problematic to this, according to them is drawn from the fact that, most definitions are often drawn deductively from the performance of the economy thus equating economic success to state strength. They further noted that, in Africa, there have been many examples of states whose performance until the mid-1970s would have qualified them as developmental states". In the sense conveyed by current definitions, but which now seem anti-developmental because the hard times and political turmoil's brought the economic expansion of these countries to a halt, taking into cognizance countries like Uganda, Kenya, Nigeria and Ghana (Agaba and George-Genyi, 2013).

The four major components of a developmental state as advanced by Jonhson (1982); in Agaba and George-Genyi, (2013) include:

- i. The presence of a small but professional and efficient state bureaucracy,
- ii. A political milieu where this bureaucracy has enough space to operate and take policy initiatives.
- iii. Independent of overly intrusive interventions by vested interests.
- iv. The crafting of methods of state intervention in the economy without sabotaging the market principle.

Digesting from the developmental state framework it can be said that Malaysia's quest to attain industrial development is anchored on the core components of developmental model. It is in relationship with this model that Malaysia and other Asian Tigers are making headways in both economic and industrial progress of their nation states and their investment drive.

The Developmental State thesis has however been subjected to criticism over the years not least helped by the late 1990s Asian financial crisis which instigated skepticism about some of its methodological procedures. One major concern about the theory is that the developmental state has been so presented

as though it can be replicated to address the developmental dilemmas of areas such as Africa and Latin America by providing a model for late development and industrialization. However there are several features of the theory that make the East Asian developmental state distinctive to East Asia and consequently make it unfeasible to be relevant to other Third World countries around the world.

Yet, the most critical review of developmental state theories bothers on its underestimation of the role of class relations underlying the state and market. It is seen more as a reversal of the mainstream liberal theory where the state is regarded as the most important factor for development rather than the market. In the process, it ignores unequal social or class relations in development analysis and presents the developmental state as "class neutral institutions".

### **Malaysian Industrialization Strategies**

The industrial strategy adopted since independence can be classified into six phases (Adam & William 1995). They are discussed in detail below:

#### **The Pre-independence Period (prior to 1957)**

The Malaysian economy during colonialism was predominantly based on the primary sector, which consisted of agriculture and mining. Primary industries generated 45.7 percent of GDP, as well as 61.3 percent of employment (Lim, 1994, Okposin, 2005). The MNC subsidiaries of the time belonged to the British Empire and were involved in the production of rubber and tin. Most of the rubber and tin produced was exported in the form of raw commodities, and between them rubber and tin made up more than three quarters of all exports. The manufacturing sector contributed only marginally to the Malayan economy. Only 10 percent of the workforce and 11 percent of the economy were involved in the manufacturing sector at that time (Lim, 1994, Okposin, 2005).

#### **The Import Substitution Industrial (ISI) Strategy**

After independence in 1957, the Import Substitution Industrial (ISI) strategy was implemented under three five-year economic development plans: the First Malaya Plan (1956-60), the Second Malaya Plan (1961-65) and the First Malaysia Plan (1966-70). The ISI industries were mainly established to cater for the domestic market. A predominant feature of the policy was its emphasis on the promotion of industrial development via the private sector, and FDI was given a pivotal role in the process.

#### **The Export-Oriented Industrial (EOI) Strategy**

The government realized that Malaysia had a relatively small domestic market.

Consequently, with the relocation of the international semiconductor industry (electronic and electrical industry) from industrialized countries to developing countries in the 1970s, it embarked on the Export-Oriented Industrialization (EOI) strategy. This third phase of the industrial strategy ran from 1968 to 1980 and saw the enlargement of the industrial base and the encouragement of exports. During this phase, FDI was further encouraged through the Investment Incentive Act 1968, the establishment of an Export Processing Zone (EPZ) and the restriction of labor unionization to attract MNCs looking for low-cost production sites. Incentives were given to foreign companies through the Act to encourage more FDI into export-oriented activities (Beng, 2006).

### **The Import Substitution Industrial (ISI) Strategy II**

Upon sharp reduction in the competitive advantage in labour-intensive industries, the Malaysian government in the early 1980s embarked on a heavy industries program. Known as the second phase of the ISI strategy, it was expected to create better linkages with the local economy, especially through the utilization of natural resources. This phase started in 1981 with the launching of the Fourth Malaysia Plan (1981-1985). The important strategy in this phase was the promotion of heavy industries. Public sector investment in an ambitious heavy industrialization program led to the establishment of the Heavy Industries Corporation of Malaysia (HICOM) and a strategy of large-scale production for export. The development of heavy industry was based on the need to reduce imports of capital and intermediate goods in order to sustain the growth process, generate supporting industries to promote forward and backward linkages in the manufacturing sector, and emulate the experience of Korea and Japan in developing strong heavy industries for industrial success (Hashim, 1997). Furthermore, the heavy industries were promoted to encourage greater inter-industry linkages. This second phase of ISI emphasized changing labor-intensive industries to be more capital-and technology-intensive. Such industries included machinery, steel, cement, automotive, petrochemicals and other resource-based industries in which Malaysia was expected to develop comparative advantages. These heavy industries provided a base for developing indigenous technology and the development and acquisition of skills that could be utilized in other industries. To achieve its heavy-industry objectives, the Malaysian government added further tariff protection in the form of import duties on priority items, as well as protection through price control, import restrictions, duty exemptions and other investment incentives under 'pioneer' status. However, the development of heavy industries was not complemented by the expansion of indigenous technological capability. The scope for generating supporting industrial

activities was not fully exploited. In the case of the automobile industry, the automotive company still had to import a substantial number of its components from Japan. In addition, the level of protection for the motor vehicle assembly and cement industries was so high that, without it, these industries would not have survived (Jomo, 1988).

### **The Export-Oriented Industrialization (EOI) Strategy II.**

Under the second phase of the EOI strategy, the Industrial Master Plan I (IMP1) (1986-1995) was launched in 1986. IMP1 provided the framework for the development of the manufacturing sector. It provided a long-term plan for the development of specific sector and policy measures for the period 1986-1995. It saw concentration on two major industries in Malaysia, namely electronics and electrical, and textiles. IMP1 focused on technology and stressed the importance of science, technology and human resource development in supporting the industrialization process. The government continued its effort to attract FDI by modifying the conditions of foreign ownership through the introduction of the Investment Promotion Act 1986 to replace the 1968 Investment Incentives Act. The new Act provided a wider range of incentives for investments in manufacturing, agriculture and tourism. The importance of technology was explicitly mentioned in the Fifth Malaysian Plan (1986-1990) and IMP1. IMP1 was implemented to target activities for strengthening comparative advantage, and the emphasis shifted towards a more selective strategy. The objectives of IMP1 were the promotion of the maximum utilization and efficiency of the nation's natural resources and an increase in indigenous technological capability and competitiveness (Klenow, & Rodriguez, 1996). IMP1 recognized that the main technology transfer channel was through MNCs operating in the country. However, technological competence in Malaysia was still largely constrained by local inability to understand fully the operational practices of MNC subsidiaries' technology (MIDA/UNIDO, 1986, p.15).

In 1990, the Malaysian government launched the Action Plan for Industrial Technology Development, based on IMP1, to ensure a more diversified and integrated manufacturing sector. With the Action Plan, the government continued its effort to attract foreign investment by modifying the conditions of foreign ownership. In terms of equity participation, foreign investors were allowed to hold up to 100 percent equity in a firm if it exported 80 percent or more of its production; for firms exporting between 51-79 percent of their production, foreign equity ownership of up to 51 percent was allowed; for firms exporting between 20-50 percent of their production, foreign equity ownership of between 30-50 percent was allowed; and for firms producing products that were highly technology-intensive and were regarded

as priority products for the domestic market, foreign equity ownership of up to 51 percent was allowed. These changes increased the flow of FDI into Malaysia. As a result of the various efforts by the government, rapid economic growth was experienced in the first half of the 1990s. However, the failure to develop sufficient domestic linkages resulted in the growth of industries with high import content both in capital formation and in industrial output. Thus Malaysia saw that it needed to avoid FDI that had low potential for linkages with the local economy. This presented a great challenge for the government, as MNCs' interests were not always in line with those of the host government (Ministry of International Trade and Industry (MITI) Report, 1996). Utilizing a broader perspective, IMP1 provided a long-term indicative plan for the development of specific sub-sectors, and it focused on policy measures and areas that required special emphasis. It tried to broaden Malaysia's industrial base and promote the development of local firms. However, by the end of IMP1 in 1995, Malaysia's manufacturing sector was still narrowly based and MNCs were still the main source of growth (MITI, 1996: p.9). Specifically, efforts were still needed to diversify the manufacturing sector and enhance manufacturing linkages and local technological capability. In the mid-1990s industrial policy was adjusted to focus on total factor productivity growth, which requires strong synergy among all factors of production. The government introduced the Second Industrial Master Plan (1996-2005) (MITI, 1996).

### **Knowledge Economy Industrialization**

To transform the country into a service-led economy, Malaysia promoted information technology (IT) and multimedia industries as the new sources of economic growth (Okposin, 2005). In 1996 the National Information Technology Agenda was formulated to provide the framework for the coordinated and integrated development of skills and infrastructure, as well as IT-based applications. Just as the Malaysian government had earlier promoted the Free Trade Zone, the Multimedia Super Corridor (MSC) was launched as a catalyst to expand the IT and multimedia industries. As part of this transformation, the government also wanted to attract Export-Oriented Industries firms that were more knowledge-intensive than production-intensive, in order to form a knowledge-based economy (K-economy).

### **The Role of Government in Technological Development in Malaysia**

This section focuses on government policies relevant to encouraging technological activities in both MNC subsidiaries and local suppliers in Malaysia. It also introduces some of the programs offered by government institutions and government statutory bodies that deal with the promotion of

linkages in the manufacturing sector, especially in the petrochemical industry. Its scope is limited to programs and institutions that have the goal of furthering industrialization through linkages between MNC subsidiaries and local suppliers. Since the early stages of the development of the oil, gas and petrochemical industry in the 1970s, Petronas has maximized local participation in the industry through the National Petroleum Policy. The policy takes into consideration the country's development of the Bumiputra Commercial and Industrial Community (BCIC), one of the initiatives of the New Economic Policy (NEP) (Malaysia, 1996: p. 93). Under the NEP, the Malaysian government promoted Bumiputra or indigenous Malay firms' participation, particularly in the SME and supplier/subcontracting sectors. The strategy was to develop the BCIC in the oil, gas and petrochemical clusters. It was directed at developing the capabilities and capacities of indigenous Malays via apprenticeship, training and education programs. The programs include training for developing skilled manpower and entrepreneurs. With globalization, Malaysia has basically liberalized both upstream and downstream activities in the oil, gas and petrochemical cluster. For example, there is significant foreign ownership participation in the manufacturing industry. In developing local suppliers, the thrust is that these SMEs should be able to operate at the level of technology that meets the requirements of MNCs and be part of the overall cluster with strong links to the regional and global value chain.

### **The Impact of Industrialization on Malaysian Economy**

Just a few years after independence from the United Kingdom in 1957, had the World Bank's country-classification system been in place, Malaysia would have qualified as a middle-income country. Since then, it has continued to enjoy relative prosperity, initially as a commodity exporter (rubber, tin, then palm oil and petroleum), with total income rising at 6-7 percent each year from 1970 until 2000. As a result, the number of poor persons has fallen to fewer than a million, or 3.9 percent of the population of 26.2 million people (compared to about half of the population in 1970). With a per capita yearly income measured at about US\$5,300 in 2007, Malaysia is now an upper-middle-income country. It has gone through several of the structural changes that its income comparators have experienced; nevertheless, it remains highly dependent on favorable external terms of trade to support domestic economic growth. The share of agriculture has fallen from above 30 percent of GDP to below 10 percent, and that of industry (manufacturing) rose from 27 (12) to about 50 (31) percent. The initial growth response to the purposeful and increased industrialization of the economy from the mid-1970s was favorable, with volatility declining and

the overall rate of growth rising towards 10 percent per year in the late 1980s. FDI and manufactured exports (especially high technology products) played an important role, with the latter rising from 5 percent of total exports to above 75 percent today, even as the share of total exports rose from 40 percent (mainly commodities) to 80 percent of GDP.

Capital formation in the economy stepped up sharply in the late 1980s, with a government-led heavy industry push paralleling a high rate of domestic and foreign private investment (from an average 17 percent of GDP in the 1960s to 23 percent in the 1970s and 29 percent in the 1980s). It peaked at 44 percent in 1995, but plummeted after the Asian financial crisis and has stood at an average 22 percent of GDP since 2000. A combination of domestic and external factors dampened growth over the period 2001–07 to about 4 percent per year. Malaysia is a pluralistic society, but with sharp cleavages in economic position, religion, and language between the majority Bumiputera (literally, sons of the soil, which includes Malays and other indigenous groups), the Chinese (currently 26 percent of the population), and the Indians (8 percent). However, following racial riots in 1969, the Malaysian authorities formulated economic and social policies based on affirmative action and exceptional sensitivity to income distribution. Largely, they have managed to contain the extreme tendencies and pressures on race relations that can be endemic in a multiethnic society. Growth and development in a divisive society, it appears, have been associated with improving equity and security.

### **The Lessons For Nigeria**

The Malaysian experience is an example of how an economy relatively rich in natural resources can transform itself into a more industrialized economy over a period of about 20 years. The process of structural transformation through diversification, with rising competition in the global export markets for manufactured products, needs to be continuous. Resource-based manufacturing industries, such as rubber and palm oil products, can contribute to the growth of manufacturing, but specialization is needed. The basic transformation was in the direction of moving up into more niche products in complex value-added chains, and this is true for the manufacturing sector as well. The same process of moving up the value-added chain is required for electrical and electronic products as the economy loses its comparative advantage in the manufacture and exports of labor-intensive products that eventually acquire the characteristic of commodities.

The promotion of heavy industries, underscores the difficulties and costs of attempting to move into areas where an economy has no strong

comparative advantage. Continuing protection to the heavy industries has been made more difficult by the pressures from forces of competition and liberalization. Also, privatization represents just one method of expanding private enterprise in an economy. Various implementation problems have surfaced in Malaysia, which together suggest that strong regulatory oversight is required as well as contingencies to reabsorb within the public sector a certain proportion of previously privatized projects that have not succeeded. Moreover, although privatization is a powerful instrument for giving the private sector a head start despite limited entrepreneurial skills, it is questionable as a sustainable strategy. This is true, especially, for heavy industry, with its lumpy capital requirements and the need for a critical mass of complex management and technical skills that may not be available readily. New and aggressive firm formation seems, by far, to be a more viable strategy for the long haul. New sources of growth need to be found, coupled to new firm formation. Almost uniformly across East Asia, services are a new growth sector. The Multimedia Super Corridor (MSC) in Malaysia is an example of government attempts to ramp up the promotion of services in International Trade Centre ITC. Promoting services in the MSC requires a strong infrastructure, as well as incentives for FDI and a reliable supply of skilled human capital.

An appropriate regime of policy making and implementation aligned with developmental objectives, technical capacities, and political and social imperatives needs to be in place to sustain economic growth. There is a need to continuously respond to outcomes and results, and to initiate adjustments to policies. Experimentation is also vital: the privatization policy and the MSC are two examples of experimentation in the Malaysian setting. There has been a process of learning too: when the affirmative action NEP was introduced and subsequently implemented, it was a fresh, new, and uncertain area, especially as its impact on economic growth and learning lay in the actual implementation of the policy.

Managing growth and distribution issues is a continuous process and adjustments are required as policies are implemented. The National Economic Policy (NEP) set out to engineer a major distributional transformation of the Malaysian economy, and in its early stages made remarkable progress. Built into the implementation of the NEP were mechanisms to monitor, evaluate, and, where possible, to adjust the linkages between economic growth and distribution. The distributional consequences of policies that is, their inclusiveness will need to be highlighted and given attention. Transparency regarding the potential and actual distributional consequences of policies is also desirable, although this is unlikely to be easy in many political environments like Nigeria.

Leadership has played a crucial role in Malaysia's economic development. Overall, there was political stability and security, which created an enabling environment for growth. The Barisan Nasional, a coalition government comprising the three major ethnic groups, managed to contain the inherent tendencies towards inter-ethnic conflicts and succeeded in sustaining the political and social commitment to the growth process. The emphasis on growth with equity, despite the difficulties, helped to sustain stability. Adjustments to the growth-with-equity policy thrust will always be needed, and the continued success of Malaysia's economic growth efforts will depend on how well this is managed.

In addition to the above, elements of the Malaysian experience help inform some of the debates on development strategy. It is more appropriate to view the conceptualization and implementation of development policies in a "reform clusters" framework, as exemplified by the Malaysian experience. The motivations for packaging reforms into clusters are complex, but in general they are based on coordination concerns.

Clusters are useful not just for mobilizing popular support and fragmented administrative skills; they may ease legislative passage and make better use of synergies and spillovers among the reform areas. Much of the recent "binding constraints" approach seems to have been derived from a misreading of the Chinese development experience. As in China, far from acting on one constraint at a time, Malaysian policy makers acted simultaneously on several fronts, at each stage of their development implementing a cluster of reforms covering a wide range of coordinated economic activities.

## **Conclusion**

The process of industrialization and technological development in Malaysia shows how the economy was expanded and transformed from an agrarian to a highly industrializing country. The paper examines industrial development in Malaysia taking into cognizance strategies adopted over time to bring about development. The Malaysian experience is an example of how an economy relatively rich in natural resources can transform itself into a more industrialized economy over a target period, the process of structural transformation through diversification, with rising competition in the global export markets for manufactured products and sustenance of the economic and industrial policies. It also shows how resource-based manufacturing industries, such as rubber and palm oil products, can contribute to the growth of manufacturing in a newly industrializing economy. Above all, leadership has played a crucial role in Malaysia's economic development.

The state needs to move beyond addressing the symptoms to address the main causes, namely the interface between globalization, trade, technology

and development. The role of the Nigerian state in this context is tantamount to promoting an active, industrial policy, to engineer collective technological progress of the kind that is not only essential for industrial development in the sense of promoting a few competitive sectors but for a range of important developmental outcomes.

Industrialization is widely believed to be a catalyst for rapid growth and development of any economy. This process of development must be made possible by the provision of appropriate institutions by the state. The institutions must in turn belong to a particular regime type: democratic or autocratic regimes. Several studies have discussed the fact that democracy is a pre-requisite for economic development (see Halperin et al, 2005; Przeworski and Limongi, 2003; Yi Feng, 2003 amongst others).

Industrialization should be seen as a process of complete social and economic change whereby a particular society is transformed from pre-industrial and traditional state to an industrial one with all its features. Human capital development must be given serious attention. In the past, the educational institutions which are crucial to human capital development have been virtually neglected in the industrial development plan of the country. This trend should be reversed if our quest for industrialization is genuine. This calls for a review and restructuring of the school curricular, to encourage the study of science and technology related courses. There should also be a programme for the retraining of our traditional craftsmen and artisans.

Finally, serious attention must be given to infrastructural development. Poor transport network and epileptic power supply add to per unit cost of production and makes our product uncompetitive both locally and internationally. To this end, strategic alliance between public and private sectors should be encouraged in the development of the industrial sector. The public sector should champion the course of infrastructural provision and create a conducive business environment for the private enterprises to thrive.

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