

EXECUTIVE SUMMARY

DOMESTIC PRODUCTION AND GENERAL DEMAND

The proliferation of computers is one of the more conspicuous recent developments in the country. For the year 1987, the computer market as a whole was valued by industry sources at approximately C\$111 million, with a breakdown of C\$75 million for hardware, C\$20 million for software and C\$16 million for services.

Almost all of these requirements for computer hardware are currently met through imports. In 1987, total imports of hardware amounted to C\$73.9 million. The two main sources of imports were the United States of America and Japan while other significant sources included the United Kingdom and Singapore. Local production of hardware including peripherals is currently limited to four companies involved in the assembly of personal computers on a small scale. Several other licences have been issued, mainly for the assembly of personal computers and basic peripherals such as disk drives and keyboards. However the underlying dependence on imported hardware is expected to persist over the medium term at least.

Similarly, most of Malaysia's requirements for computer software are imported. The major suppliers of software are not known to conduct extensive research locally on software designs in view of the lack of qualified personnel and the development cost involved. The majority of them instead ride 'piggy-back' on existing technology, mainly US-based, modifying and adapting them to the Malaysian context. Only in cases where a significant degree of customisation is required, do local suppliers invest in writing proprietary programs.

Local supply of computer services in Malaysia is extensive in the areas of training and education, consultancy and data processing. Local training institutions seek affiliation with overseas institutions mainly to enhance their credentials so that students wanting to pursue computer education abroad can then transfer credits. Local accounting firms dominate the market for computer consultancy in management information and financial systems design. These firms are known to have engaged expatriate staff from overseas offices to enhance their local capabilities. There are also computer companies which, having successfully implemented a number of systems, are now offering their expertise, either for consultancy or complete turnkey solutions. Consultants from their foreign principals are commissioned on a case-by-case basis to address highly technical issues.

The computer market as a whole is anticipated to grow by about 19 percent per year, from about C\$111 million in 1987 to about C\$190 million in 1990. This growth will be strongest in the end-user market among Government, the financial services industry, manufacturing, and the retail industry.