

National Investment and Trade Seminar & Dialogue: Opportunities in the Manufacturing & Services Sectors

Source: Speech by Dato' Seri Rafidah Aziz, Minister of International Trade and Industry of Malaysia, on 6th March 2007, Kuala Lumpur

Often, policies put into place have the best of intentions and objectives to support and facilitate the efforts of the business community. However the objectives may not be realized, on there may be gaps between policy and implementation, due to any or a variety of reasons, for example, on the part of the government delivery system, which includes:

- Lack of understanding of the objectives
- failure to implement in good time/ expeditiously
- failure to relate to the needs of the market place
- unnecessary delays in processing and decision making
- unnecessary costs to the private sector, as result of the implementation of particular rules and procedures

On the part of business itself:

- failure to be updated on the latest in government policy measures, which can help defray or reduce cost,
- ignorance of specific incentives available which can enhance competitiveness.
- Lack of networking With government agencies, which can provide guidance, assistance and support Failure to avail themselves of financing and assistance packages due to lack of awareness
- Failure to take advantage of opportunities created by the government, through initiatives such as free Trade Area Agreements. Trade Preferential Systems and Trade and investment missions abroad.

For Malaysia, continued economic growth with economic and political stability will open up new opportunities for investment and trade.

1. the Malaysian economy recorded a gross domestic product growth of 5.9 per cent in 2006. Growth in the fourth quarter was underpinned by strong consumer sentiment and sustained business confidence.
2. the services sector registered a growth of 7.0 per cent and the manufacturing sector expanded by 4.3 per cent. Export oriented industries registered a growth of 4.3 per cent, while domestic-oriented industries recorded a growth of 11.1 per cent.
3. the Governments will continue with its efforts to improve the business environment in the country to further sustain the economic growth in 2007.

INVESTMENT AND TRADE PERFORMANCE

In 2006, Malaysia continued to attract substantial levels of domestic and foreign investments into the manufacturing sector:

- Approved projects: 1,077
- Total capital investment: RM46 billion
- Domestic investment: RM25.8 billion or 56.1 per cent
- Foreign investment: RM20.2 billion or 43.9 per cent

For January 2007:

- Approved projects : 61
- Total capital investments: RM998.2 million
- Domestic investments: RM617.0 million (61.8%)
- Foreign investments: RM381.2 million (38.2%)

Domestic and foreign investments approved in 2006 were the highest recorded to-date.

Domestic investments were concentrated mainly in:

- petroleum products (RM10.8 billion);
- Chemicals and chemical products (RM6.1 billion);
- Electrical and electronics products (RM1.4 billion);
- Transport equipment (RM1.2 billion);
- Food manufacturing (RM725 million); and
- Fabricated metal products (RM709.4million)

Out of the 1077 projects approved:

- 506 - 100% owned by Malaysians
- 201 - Majority Malaysian owned
- 263 - 100% owned by foreigners
- 93 - Majority foreign owned
- 14 - Owned by Malaysians and foreigners on 50:50 basis

429 - Proposed to export 80% of their production

By Incentives

Out of 1077 projects approved:-

- 426 with Pioneer Status
- 30 Investment Tax Allowance
- 621 Without any Tax Incentives

Approvals by State: - Top 5

- Kedah - 59 project - RM9.8 billion
- Johor - 221 project - RM7.6 billion
- Penang - 156 project - RM5.3 billion
- Selangor - 311 project - RM5.2 billion
- Sabah - 75 project - RM5.0 billion

These 5 states accounted for 76.3% of project approved, RM32.9 billion or 71.7% of investments approved. It is hoped that through seminar such as this, domestic investors will continue to actively participate in the manufacturing and services sectors, particularly in new growth areas identified under the IMP3.

Trade

- In 2006:
 - o Malaysia's global trade totaled RM1.1 trillion E 10.5 per cent increase over 2005
 - o Exports grew by 10.3 per cent to RM588.95 billion ; and
 - o Imports increased by 10.7 per cent to RM480.49 billion.
- Major markets in 2006 were:
 1. ASEAN
 - Total trade: RM270.9 billion, an increase of 10% from 2005
 - Exports: RM153.54 billion, expanded by 10.3 per cent;
 - Imports: RM117.36 billion, increased by 9.7%.

Total trade with ASEAN accounted 25.3 percent of Malaysia's global trade.

 2. USA: RM110.59 billion
 3. Singapore: RM90.74 billion
 4. Japan: RM52.21 billion
 5. China: RM42.66 billion

Major export items:

- E&E products: RM281.0 billion;
- Chemical & chemical products: RM29.09 billion;
- Machinery, appliances and parts: RM19.84 billion;
- Wood products: RM16.69 billion; and
- Manufactures of metal: RM14.15 billion.

The growth in Malaysia's exports was attributed to:

- Strong external demand from Malaysia's major markets particularly ASEAN, the US and China;
- Higher prices for commodities such as petroleum, palm oil and crude rubber; and
- Sustained competitiveness in the export sector in 2006, despite the higher petroleum prices during the year.

Exports of manufactured products amounted to RM451.7 billion, and accounted for 76.7% of Malaysia's total exports.

THIRD INDUSTRIAL MASTER PLAN (2006-2020)

The IMP3 strategies and policies are aimed at realizing the country's vision of becoming a fully developed and industrialized nation by 2020.

Strategic Thrusts:

- Accelerating the transition towards higher value-added products and activities;
- Facilitating and accelerating the development of domestic and regional clusters;
- Further integrating domestic industries in the global supply chain;
- Promoting knowledge-based activities, including research and development and design and development, and supporting the application of leading edge technologies by industry; and
- Encouraging mergers and acquisitions, consolidations and strategic partnerships among industries to strengthen their capabilities and competitiveness.

Manufacturing sector's investment target for IMP3:

- RM412 billion (RIVI27.5 billion per year);
- Total exports RM1.4 trillion per annum; and
- Share to GDP:28.5%

Targeted growth areas:

Non-resourced based

- Electrical and electronics (E&E);
- Medical devices;
- Textiles and apparels;
- Machinery & equipment;
- Metals industry; and
- Transport and equipment

Resourced-based

- Petrochemical;
- Pharmaceuticals;
- Wood-based products;
- Rubber and rubber products;
- Oil palm based industry; and
- Food processing

Services sector's investment target:

- RM688 billion (RM45.9 billion per year);
- Share to GDP : 59.7% (non-government services) per annum

Services activities targeted for promotion are:

- business and professional services;
- integrated logistics services;

- ICT services;
- Distributive trade;
- Construction services;
- Education and training;
- Health services; and
- Tourism services

FACILITIES AND ASSISTANCE PROGRAMMES

The Government through MITI and its agencies has put in place various facilities and assistance programmes to facilitate and assist SMEs and Malaysian-owned companies to be more competitive. These include:

- Financial assistance;
- Acquisition of technologies;
- Developing export markets; and
- Upgrading of skills

SMEs should take advantage of the various facilities and assistance programmes offered by the Government to assist them to compete in the regional and global markets.

Financial assistance is given in the form of grants and soft loans for various activities including:

- Grant for Market Development;
- Matching Grant for Certification and Quality Management;
- Matching Grant for Development and Promotion of Halal Products;
- Matching Grant for Business Start-up
- Soft loan for factory relocation; and
- Soft loan for ICT Adoption.

As at 31st January 2007, a total of 32,066 applications were received by SMIDEC for the various grant schemes. Of these, 84.6 per cent or 27,114 applications valued at RM259.39 million were approved.

Export Promotion

MATRADE has lined-up a wide range of activities in 2007. The promotional programmes, covering 66 countries, as well as 16 product and services sectors, will be executed through:

- 14 trade and investment missions;
- 64 international trade fairs;
- 8 marketing missions; and
- Several buying missions to Malaysia

MATRADE will be organising two international trade fairs in Malaysia, namely:

- the Malaysia International Halal Showcase (MIHAS) 2007; and
- Intrade Malaysia 2007.

The objectives of these trade fairs are to promote Malaysia as a strategic and reliable global source of goods and services.

To enhance the capabilities of Malaysian exporters, MATRADE will organize 45 workshop and * seminars covering various aspects of doing business internationally. To ensure a Wider outreach, these workshops and seminars will also be held outside the Klang Valley, and including Sabah and Sarawak.

Grants

There are various grants available and they include:

- Market development Grant;
- Brand Promotion Grant; and
- Professional Services Export Fund.

Initiatives to Raise Productivity in the Manufacturing and Services Sectors (NPC)

In 2007, NPC will be organizing 50 training programmes for 10,270 managers in Malaysia. These programmes are aimed at developing the management skills and capabilities of key personnel and enhancing the competitiveness of their organizations. The programmes are categorized in the following key areas:

- Leadership and Managements Developments;
- Quality Management Systems;
- Process Improvements;
- Customer Excellence; and
- Strategic and Excellence in Performance.

Programmes have also been developed by NPC to enhance the competitiveness and productivity of Small and Medium Enterprises (SMEs). The main programmes include:

- Management Systems Development programmes;
- Benchmarking and Industry Exelling Programme;
- Quality System Audit and Certification.

SMIDEX 2007 and SME Convention

SMIDEC Showcase (SMIDEX), has been held annually to provide an avenue for SMEs to display products and services, as well as opportunities in creating new market. A business matching session will also be the main scope during the showcase. This year, SMIDEX 2007 & SME Convention will be held from 5-8 June 2007 at Kuala Lumpur Convention Centre.

Guidebook for SMEs

To facilities SMEs accessing information on the development programmers available for them, a guidebook on "Policies, Incentives and Financial Assistance for SMEs" was launched recently by the Prime Minister at the Sixth Meeting of National SME Development Council. The guidebook contains:

- information on policies and strategies;
- incentives support programmers; and
- financial assistance.

The guidebook can be obtained from SMIDEC.

The Government will continue with its efforts to promote domestic and foreign investments in the targeted sectors and services activities. The coordinated effort of the private and public sector is necessary to ensure that Malaysia maintains its cost-competitiveness and continues to sustain the high levels of investment from foreign and domestic sources.

The feedback from the private sector will assist the Government in improving the public sector's delivery system, and in formulating effective policies, strategies and measures for the benefit of the business community.

The Prime Minister's recent decision to establish the 23-member task force is an indication of the Government's seriousness to expedite reforms in the public delivery system.