



Ministry of International Trade & Industry

MALAYSIA

An exclusive report to be distributed with ***THE INDEPENDENT***

Transcript of the interview with

YB Dato' Sri Mustapa Mohamed

Minister of International Trade and Industry
(September 22, 2009)

WORLD REPORT: *The Malaysian economy registered a 4.6% growth in 2008. Amidst the worldwide financial turmoil and rapid deterioration of global economic conditions, the overall index of industrial production fell 13.2% in the first five months of 2009. What is your assessment of the current economic situation and its effect on Malaysia's industry?*

YB DATO' SRI MUSTAPA MOHAMED: It was a tough last quarter last year and the first two quarters of this year were equally tough. However, we have seen promising improvement in the third quarter of this year, with GDP contracting at a reduced rate of 1.2%. Malaysia's industrial production index rose in October 2009 posting a growth of 5.7% compared

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with September 2009. Similarly, Malaysia's total trade picked up in October 2009, registering an increase of 14.1% compared to the previous month, while exports and imports increased by 15.0% and 12.9% respectively. Based on the present momentum, we can hope to see further improvement in our trade numbers and a stronger economic growth in the fourth quarter 2009.

WORLD REPORT: *How has Malaysian industry coped with the situation? What effects has it had with the slow of demand?*

YB DATO' SRI MUSTAPA MOHAMED: They have been coping relatively well. Initially we thought it would have a major impact on industry and employment. But if you look at the numbers, it is quite manageable. We have not had any major retrenchment or closures of operations by companies so we have been managing quite well. As a matter of fact in the last few weeks, we have seen an increase in orders from some multinational companies, especially those in electronics and furniture. This morning I was in a meeting with a few of them who are in rubber gloves, furniture and electronics and these sectors have experienced a recovery in the last couple of months.

WORLD REPORT: *We were with SILTERRA a couple of weeks back and they mentioned that they are feeling a growth in orders.*

YB DATO' SRI MUSTAPA MOHAMED: This is reflected in the October numbers. Exports of electronic products went up 20.5% compared to June.

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WORLD REPORT: *In November 2008 you announced measures to stimulate the economy, facilitate investment, intensify trading business and targeted trade and facilitate small and medium enterprises (SME) business operations. How successful were those measures and are you going to take further measures to help out?*

YB DATO' SRI MUSTAPA MOHAMED: The measures are beginning to show some impact. As I said, while the second quarter of this year was still negative, it was much less negative. The two stimulus packages of 67 billion ringgit are showing some impact. For example, if you look at construction in the second quarter of 2009 it went up. There was positive growth in construction and we believe that was a direct result of the stimulus package. We had two: one in November last year and one earlier this year.

WORLD REPORT: *This country's economy is highly dependent on exports, as a net exporter of many products. You will need foreign direct investment (FDI) in order to upgrade your industries, make them more competitive and look into higher yield markets which are at the same time more competitive. How are you going to restructure your industry to make it more value-added?*

YB DATO' SRI MUSTAPA MOHAMED: We have been moving in that direction over the last decade. We have a policy to move higher up the value chain to increase value-added and we have been successful. The numbers in my written reply indicate the capital intensity per employee (CIPE) went up in the last decade. That is one example of Malaysia moving up the value chain. We are also encouraging knowledge-intensive

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industries and services, which have a lot higher value-added. Having said that, of course we continue to host some of those companies and labour-intensive industries that came here, say 30 years ago. Multinational corporations continue to be here while upgrading their facilities and plants. Some of those companies who came here 20 or 30 years ago are still around. Many of them started off as labour-intensive operations so they remain important in Malaysia in the context of employment. They have also been upgrading their technology and increasing automation.

WORLD REPORT: *You are obviously not looking at labour-intensive industries but you are looking at higher value-added ones.*

YB DATO' SRI MUSTAPA MOHAMED: That is our policy because we are short of labour. We are quite dependent on foreign labour. There are 1.9 million of them in this country, many in manufacturing. But we do not want to continue this dependence. We need foreign labour, yes, but we do not want to be too dependent on it. For that reason we are moving out of labour-intensive industries. Another is that we need to increase the income and real wages of Malaysians. We believe that continuing to be too dependent on labour-intensive industries is no way for real wages to go on. For those two reasons we have to move up the value chain. We have been quite successful but there is a lot more that needs to be done in order to increase value-added in Malaysian manufacturing.

WORLD REPORT: *Apart from electronics, what other industries do you feel are key for the countries future?*

YB DATO' SRI MUSTAPA MOHAMED: We have gone into aviation maintenance and repair, aircraft, solar, information and communications technologies (ICT) and biotech, which are all very knowledge-intensive.

WORLD REPORT: *You yourself are also very proactive in foreign trade missions, marketing your products abroad and bringing in capital, of both know-how and cash. What is your strategy to attract FDI to the country and how happy are you with the current influx?*

YB DATO' SRI MUSTAPA MOHAMED: This is a tough year. It is not just Malaysia who is feeling the adverse impacts of the global financial crisis. Other countries are feeling the same impact. We know that it has got more and more competitive. The competition comes from neighbouring countries, China, India, and several other countries. We have got to be more creative and aggressive. That is very important. What we are doing now is to be more targeted and focused in our approach. We have two major approaches. One is handholding with those multinationals that are already here and have put billions of dollars into Malaysia. They are very big and our strategy is to meet with them, to see what we can do to facilitate their operation. It is very important to keep them happy so they remain in Malaysia. Another strategy we are adopting is to be more focused and targeted in our approach. We have been approaching some top companies in the world, either to encourage them to increase their investment or to be here as new players. For example in the last year we have been successful in attracting three solar companies to invest in Malaysia. Two of them started production and one of them is in the advanced process in terms of putting up the plant. These are some of the strategies. One, as I said, is handholding and taking care of them, making

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sure they are happy to be in Malaysia. Secondly, we are more focused and targeted in terms of investment promotion. Of course we have also been doing the normal thing, which is face-to-face communication. In the last three or four months, I have been to the UK, Australia and Singapore. I am doing a mission to the Middle East early next month with my colleagues. When the Prime Minister and the Deputy Prime Minister go out, they carry the Malaysian flag and we always take the opportunity to promote Malaysia as an excellent destination for business. We have got to be more aggressive and targeted because it is getting more and more competitive.

WORLD REPORT: *You mentioned you have just been to the UK on a face-to-face communication trade mission. What would be your message to UK investors as to what opportunities they can find there?*

YB DATO' SRI MUSTAPA MOHAMED: The UK has been a very important partner for Malaysia in terms of trade and investment. We have got some UK companies established in Malaysia but I had two focuses when I was there. One was to attract high-tech British companies and another was to approach SMEs where the UK also has a niche. It is not too difficult selling Malaysia in the UK because many British people are familiar with Malaysia. We know the UK is going through a similarly difficult period but when the economy recovers we hope UK investment will pick up. We focus on the SME niche as well as high-tech and biotech companies from the UK.

WORLD REPORT: *What would be your final message to UK investors as to the potential opportunities in the country?*

YB DATO' SRI MUSTAPA MOHAMED: We value the UK's presence in Malaysia. We have a long relationship with the UK across all fronts. We would like to see more British investments in Malaysia. We have the British system and people who speak English. We would like UK companies to turn Malaysia into the hub for Asia. Another area that we would like to encourage is the service sector, and also in terms of it being the enabling sector in Malaysia. Given the strength of this sector in the UK, we hope there will be an increase in investments from the UK. These are some new areas that we hope UK companies will be attracted to.

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