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MAHATHIR-WAFER

M'SIAN FABRICATED WAFER EXPORTS MAY REACH RM2.2 BLN ANNUALLY

KULIM, July 26 (Bernama) -- Malaysia can expect additional foreign exchange earnings of RM2.2 billion annually in the near future from exports of fabricated wafers, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said the figure could be reached once fabrication plants, 1st Silicon in Kuching and Silterra here achieved the optimum production level.

It has been forecast that total worldwide sales for the semiconductor industry would increase to RM1,075.4 billion (US\$283 billion) by 2004, he said when opening the Silterra Malaysia Sdn Bhd, the RM5.5 billion semiconductor wafer fabrication facility at the Kulim Hi-Tech Park here.

Even though Malaysia was aware on the current global slowdown in the semiconductor market, the future of the sector was still bright, he said.

The government, he said, strongly encouraged Malaysian-owned or Malaysian majority joint-venture companies to establish wafer fabrication through strategic alliances with multinationals (MNCs)

Dr Mahathir said the move would enable Malaysia to have better access to wafer technology.

The government, he said, was prepared to support such projects by providing suitable tax and other non-fiscal incentives.

He said eventhough six projects involving investments from multinationals were approved to produce semiconductor fabricated wafers, only two -- 1st Silicon and Silterra -- had been implemented.

Both have been initiated and owned by government through its investment arm Khazanah Nasional Bhd, Bank Industri and the Sarawak state government.

"The government is fully aware among the reasons why foreign MNCs are not implementing their projects is the highly capital-intensive nature of this industry with each one costing in excess of RM5 billion, the long gestation of these projects and also the high risk due to the cyclical nature of the industry," he said.

The prime minister said the production of fabricated wafers locally would further support the existing semiconductor companies which were currently relying on imported wafers.

Wafer fabrication has been identified by the country's Second Industrial Master Plan (1996-2005) as a strategic industry necessary to sustain the future development of the electronics industry in the country.

Dr Mahathir said the establishment of wafer fabrication facilities in Malaysia would, among others, attract other related industries and services such as wafer slicing and polishing, fabless design houses and silicon ingot growing.

The semiconductor industry in Malaysia is the leading sub-sector in the country's electronics industry as it accounted for RM71.1 billion or 33 percent of the country's total electronic exports for last year, he said.

Malaysia's export of electronic products increased steadily from RM179.4 billion in 1999 to RM212.3 billion last year.

"Although we are a major exporter of semiconductor devices, we are still dependent on imported components especially semiconductor wafers which constitute about 70 percent of the cost of raw materials for producing semiconductor devices," he said.

Dr Mahathir said imports of electronic component products increased from RM109.2 billion in 1999 to RM141.9 billion in 2000.

He said the development of fabrication facilities also provided

employment for large pool of skilled and knowledge-based workers as well as a demand for various higher value-added services such as supply of pure chemicals, pure gases and maintenance of high precision machines and equipment.

The opening of today's plant showed that Malaysians were already capable of undertaking production of a very sophisticated and high technology products that involve putting millions of transistors on a microchip, the prime minister said.

Speaking at a press conference later, Dr Mahathir called on Malaysian engineers now working at wafer fabrication facilities overseas to return home.

He believed that Malaysian engineers working in fabrication facility in Singapore would return home following the economic slowdown in the republic.

On his meeting with country's industrialists and manufacturers in Kuala Lumpur yesterday, the prime minister said he had advised them to seek new markets following the economic downturn in Singapore.

Dr Mahathir also said the government was prepared to stop foreign workers from coming into Malaysia provided that locals were willing to take lower-paid jobs. -- BERNAMA

JM SHY