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Budget 2003 to promote FDI, new growth areas

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BUDGET 2003 is expected to include the two-pronged strategy of encouraging domestic industries in new growth areas and enhancing Malaysia's attractiveness to foreign investors.

International Trade and Industry Minister Datuk Seri Rafidah Aziz said the ministry has prepared most of the recommendations for the Budget based on feedback from industries.

Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad is expected to present Budget 2003 on September 20.

"As the Prime Minister has noted, with keen competition for FDI, the Government will fine-tune incentives to attract foreign direct investment (FDI), and will also improve government support mechanism to make Malaysia cost-competitive for foreign investors.

"At the same time, the Government will encourage domestic industries to engage in new areas and export their products and services abroad," Rafidah said.

She was speaking to reporters in Petaling Jaya yesterday after launching Motorola Malaysia Sdn Bhd's flip-chip production line in conjunction with the company's 30th anniversary.

Dr Mahathir said on Tuesday that he will unveil new strategies to attract FDI to Malaysia in Budget 2003.

Speaking in Penang, he said the Government will make freight rates more competitive and goods handling more efficient to support investors who ship out their products from Malaysia.

Dr Mahathir also said the Government will identify new growth areas that can contribute to economic expansion.

Meanwhile, Rafidah said the Government is considering additional incentives for domestic industries because of their potential to engage in new areas.

"We are giving extra emphasis on domestic industries to generate enough capacity to export their goods and services. This covers not only machinery and equipment but also other sectors involved in manufacturing processes such as food, agriculture and resource-based."

Earlier in her speech, Rafidah said that three decades ago, Malaysia prioritised job opportunities for locals through the inflow of FDI.

However, the country has undergone changes from labour-intensive production, fabrication and testing activities to state-of-the-art, fully-automated manufacturing and the production of current generation integrated circuits.

"In this context, the Government encourages more investments in R and D (research and development) on materials like ceramics, integrated circuits packaging, upgrading of engineering processing, marketing and supply chain management," she said.

Currently, there are 47 semiconductor projects in the country.

"The future trend in the semiconductor industry is to focus on R and D and development of new products that are smaller, cost-effective and fast so as to ensure competitiveness," she added.

Rafidah also said that Motorola's decision to transfer its flip-chip and Quad Flat Pack facilities from Hong Kong and Japan to Malaysia is not only a testimony of its confidence in the capability of the local management but is also in line with the Government's objective of promoting high-technology investments, particularly those that strengthen local

supporting and ancillary industries like the small- and medium-sized enterprises.

For the first half of this year, Malaysia's exports of semiconductor devices and integrated circuits totalled RM32.09 billion.

Last year, the exports amounted to RM60.5 billion, of which 26.16 per cent went to Singapore, 17.54 per cent the US, 8.35 per cent Japan, 7.92 per cent Taiwan and 7.16 per cent Hong Kong.

"It was significant to note that in 2001, exports of the products to China increased 53.3 per cent from 2000 to reach RM2.2 billion. In 1995, exports to China were only RM107.14 million," Rafidah said.