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Set up one-stop FDI centre to help boost economy

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THE much anticipated stimulus package that was to be announced on April 7 has been delayed and there must be good reasons for it.

But it's unfortunate the package has been postponed as time is of the essence to raise and to sustain business and consumer confidence.

The present business distress is due to the war in Iraq and SARS.

The war, which had been expected, took longer to end, but is now largely discounted.

But SARS, which was unexpected, is proving far more damaging.

The UN Economic and Social Commission for Asia and the Pacific (Escap) cut its forecast for developing countries in this region for 2003 to 5.0 per cent from its earlier estimate of 5.4 per cent.

If SARS spreads further out of control, growth rates will have to be reduced even more, and could get nearer to Escap's lower estimated rate of 2.3 per cent for the rest of the world.

Thus, the stimulus package could have been introduced and then supplemented with more proposals later if necessary.

The package, which may be announced next month, need not be confined to additional fiscal measures like more expenditure allocations and more tax cuts.

Indeed, there is not much we can afford to give away, since the Budget has been in deficit for the last five years.

Both the acting Prime Minister Datuk Seri Abdullah Ahmad Badawi's dialogue with about 120 corporate leaders, and Minister of Interntional Trade and Industry Datuk Seri Rafidah Aziz's annual dialogue with leaders from about 118 business associations, which were held separately on April 22, stressed the need for the Government to reduce the cost of doing business in Malaysia.

The businessmen asked for reductions in electricity, water and sewerage charges, corporate taxes, and for the provision of soft loans and subsidies.

However, I was surprised that no one mentioned how the government Budget could bear this additional burden without hurting the economy as a whole in the future.

Nevertheless, there were some convincing arguments made to review the constraints now posed by the Foreign Investments Committee, the Industrial Co-ordination Act, the slow implementation of the productivity-linked wage system, the abolition of the Automatic Pricing Mechanism and the need to abolish the AP (Approved Permit) control on steel products, and requests to cut EPF contributions.

Much concern was expressed by the American Malaysian Chamber of Commerce (Amcham) which stated quite categorically that "Malaysia has lost a number of investments because Government agencies have not been effective in attracting large companies".

Amcham, which said that "public seminars alone will not finalise investments", called for the setting up of a "one-stop Foreign Direct Investment centre".

This reflects the frustration experienced by Amcham and other foreign investors over the many outstanding issues relating to immigration, greater flexibility in equity structure requirements, and reducing and simplifying the application and processing time for pioneer status.

It is very surprising that these issues continue to bug foreign

investors. Why can't government agencies overcome these problems once and for all?

If we cannot or do not want to accept the proposals of these foreign investors, we should tell them we are not prepared to change our policies and accept the consequences of declining FDI.

There is no point in carrying on with annual dialogues and expensive international investment road shows if, at the end of it all, we are told that some of our agencies have not been effective.

Indeed, we should respond to these serious criticisms publicly and decide on the Amcham proposal to establish a one-stop agency as a matter of priority.

We cannot afford to lose out on FDI at this time of great competition under globalisation.

The underlying theme was to increase transparency, speed up decision making and overall administrative efficiency.

Indeed, of the 287 trade and investment issues raised at the Miti dialogue, 165 were repeat issues.

How can we step up economic growth if so many important business issues have not been resolved for so long?

Furthermore, Prime Minister Datuk Seri Dr Mahathir Mohamad and Abdullah have repeatedly said there is an urgent need to change mindsets.

There is a need to reduce bureaucracy, raise the quality and productivity in the public services, improve facilitation of business and foreign investment, and to minimise the dependency syndrome.

But how much of our policies and thinking have really changed?

The Government could facilitate the private sector to overcome the present difficulties associated with SARS and the Iraq War more effectively by responding to requests for policy changes rather than further strain the Budget by cutting taxes, increasing expenditure and industrial subsidies. The private sector should not depend too much on the Government to bail it out of difficulties.

After all, business is all about taking risks and overcoming challenges.

While it is true that our economic fundamentals are still strong, they can be weakened by outside factors like the Iraq war and SARS.

We can overcome the economic challenges confronting us if we liberalise faster and be more responsive to the private sector's valid requests made at the recent dialogues.