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Stimulus package to include new mechanism, says Rafidah

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THE Government's latest stimulus package, to be announced soon, will include a new institutional mechanism on enhancing national competitiveness.

International Trade and Industry (Miti) Minister Datuk Seri Rafidah Aziz

said the mechanism has been submitted to Cabinet and will be incorporated into the stimulus package.

The mechanism is prepared by a unit of Miti, the Cabinet Committee on National Competitiveness which is chaired by Acting Prime Minister Datuk Seri Abdullah Ahmad Badawi.

"The stimulus package will take the new mechanism into account when announced later by Finance Minister and Prime Minister Datuk Seri Dr Mahathir Mohamad," Rafidah told industry associations and reporters at her ministry's annual dialogue in Kuala Lumpur yesterday.

The three-day dialogue highlights industry problems and is participated by 118 associations which will raise 287 issues, of which 165 are repeated issues.

They include foreign direct investments, incentives to enhance competitiveness, financing for Small and Medium Scale Enterprises, halal certification, cost of doing business, role of the Foreign Investment Committee, and Afta implications.

"The committee was set up this year to review policies and procedures that impede national competitiveness, provide policy direction and monitor implementation of initiatives to enhance public delivery system," said Rafidah.

On another matter, she said Miti is also reviewing the Industrial Coordination Act (1975) and the Promotion of Investments Act to ensure that its policies are relevant and support developments in the trade and investment environment.

She said International Procurement Centres (IPCs) have contributed to the growth of valued-added services for the overall manufacturing sector.

"IPCs source parts and components from their local vendors for distribution to their network of manufacturing operations worldwide, and this has benefited the local vendors which will ultimately become global suppliers. This is particularly so in the electrical and electronics (E&E) industry," said Rafidah.

To date, a total of 111 IPCs were approved with estimated accumulated turnover of RM34.2 billion and accumulated operating expenditure of RM1.4 billion.

The E&E sector has the highest number of approvals with 71 IPC status

companies approved followed by 10 approvals for the machinery and industrial parts sector and seven approvals for the chemical sector.

The Government has also reviewed tax incentives for operational headquarters (OHQs) to attract more companies to establish their operations in Malaysia, where an approved OHQ can enjoy full tax exemption for 10 years.

To date, 60 companies were approved with OHQ status. Proposed paid-up capital of these OHQs totalled RM343.9 million and their total annual sales turnover as at March 31 2003 was estimated to be RM2.1 billion. Proposed annual business spending of these OHQs was estimated to be RM506.6 million.

Meanwhile, a total of 885 representative offices and 441 regional offices have been approved with the total number of expatriates approved for these companies at 745 and 950, respectively. For representative offices of the foreign banking/financial institution/insurance companies, a total of 25 representative offices are in operation in Malaysia.

Rafidah said the Government had approved 663 investment projects in the manufacturing related sectors last year, totalling RM16.5 billion.

Domestic investments totalled RM5.3 billion, or 32.3 per cent, while foreign investments totalled RM11.2 billion or 62.7 per cent. Both created 56,957 employment opportunities.