

Key challenges for M'sia to be competitive

Country needs to promote technology and value-added industries

By SHARIDAN M.ALI
sharidan@thestar.com.my

KUALA LUMPUR: Malaysia needs to identify and deal with key issues concerning the business environment to improve its position among the world's most competitive economies, according to Malaysian Industrial Development Authority (Mida) director-general Datuk R. Karunakaran.

Director-general Datuk R. Karunakaran said the Government was targeting to upgrade the country's 23rd position in the International Institute for Management Development competitive index.

"We are no longer in the labour-intensive industry since our level of unemployment is at 3.5%.

"Our challenge is to promote our technology, skill-intensive and higher value-added industries. In this respect, we are not only competing with other nations in the region but the whole world," he told a press conference after the launch of *The Report: Malaysia 2007* yesterday.

Karunakaran said one of the crucial key issues being addressed was keeping the cost of doing business in



Datuk R. Karunakaran (left) and Andrew Jeffreys at the launch of *The Report: Malaysia 2007*. — Bernama

Malaysia competitively low.

"Our infrastructure, public delivery system, skilled workers and bureaucracy for investors must meet the requirements of foreign and domestic investors," he said.

Malaysia already had the advantage of skilled workers, a good legal system, stable economy and political condition and excellent infrastruc-

ture, he said, adding that the 9th Malaysia Plan and 3rd Industrial Master Plan were proof that Malaysia was moving towards a conducive business environment.

This is apparent in the reduction of corporate taxation from 27% this year to 26% next year.

On the drivers of economic growth, Karunakaran said manufac-

turing remained the strongest sector, having contributed 32% to the gross domestic product (GDP), 80% of the country's exports and 20% of employment last year.

"We forecast it will still be the main driver for many more years, but its nature, type and character will change as we move up the value chain," he said.

Other drivers of growth, he said, included the service sector which contributed 50% to the GDP and this figure was expected to rise to 60% by 2020. "We are also seeing an uptake in the construction business this year, which is a good sign," he said.

The second edition of the acclaimed annual business report on Malaysia launched yesterday is published by Britain-based Oxford Business Group (OBG) in collaboration with Mida.

OBG's partners in Malaysia include CIMB Group, Ernst & Young and Zaid Ibrahim and Co.

OBG editor-in-chief Andrew Jeffreys said as competition from China and India intensified in the manufacturing industry, Malaysia would need to move up the value chain while improving its service sectors, such as tourism.