

THE SUN

DATE: 9/2/2010

Stop depending on subsidies, Najib tells industries

by Tim Leonard
newsdesk@thesundaily.com

KUALA LUMPUR: Malaysian industries must brace for a future that is more competitive and stop depending on government subsidies to face the challenges of the global economy.

Prime Minister Datuk Seri Najib Abdul Razak said yesterday subsidies for industries must be restructured and gradually phased out and greater domestic competition must occur.

"Whether or not we like it, the global environment has changed fundamentally, and if I may add, inalterably," Najib said in his keynote address at the Associated Chinese Chamber of Commerce and Industry of Malaysia's (ACCCIM) 1 Malaysia - New Economic Model conference.

Present was ACCCIM president Tan Sri William Cheng.

"The years ahead are critical ones. We not only have to deal with much needed domestic economic transformation, but we have to face a multitude of challenges from the regional and international environment," he said.

"If Malaysia does not do what is necessary to survive and thrive, and do it faster and better, we run the risk of being left out and left behind by others who will.

"Giving freer rein to private initiative and market forces has important consequences."

Najib said the New Economic Model framework will be released by the end of March.

"We may not be able to afford over-subsidised and under-priced energy," he said.

He said the government will give serious consideration and do all it can to mitigate the adverse effects felt by the affected industries.

Najib also said the China-Asean Free Trade Area (CAFTA) that took effect in January would pose challenges to Malaysia.

"CAFTA will challenge all Asean economies to structurally adjust and adapt, and Malaysia is no different," he said.

"The private sector will need to raise its game in terms of being more efficient and hone its ability to exploit opportunities presented.

"It is important to understand that complaints and demands to be shielded from competition will gel industry participants nowhere."

He said Malaysia must create more intangible assets such as proprietary technologies, intellectual property, brand names and institutions.

"Investment in these assets is extremely critical. Look at high-income countries ... their high value industries and corporations have a high ratio of intangible investment."

Najib noted that the New Economic Model and the 10th Malaysia Plan are the final push to achieve Vision 2020.

He said there are three important components necessary for the government to achieve its objective - human capital, private capital, and social capital.

"The government is in the process of streamlining institutions, policies and procedures to make it easier for investors to invest," he said.

"But we require not just tangible private investment but also intangible.

"Malaysia needs to do more to create these intangible assets because they are our competitive edge for the future.

"Nurturing of infant industries must be done differently and based on skills, technology, access to capital and marketing support, not on protection.

"The sooner we realise these new realities, the better it will be for all of us."

The two-day ACCCIM conference is aimed at gathering feedback and recommendations from the local business community on what needs to be done for the economy in the years ahead.

Nurturing of infant industries must be done differently and based on skills, technology, access to capital and marketing support, not on protection."