

More effort needed to attract foreign direct investment due to stiff regional competition

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KUALA LUMPUR: While Malaysia has been doing well in attracting foreign direct investment (FDI), the country needs to step up its efforts in view of aggressive competition not just regionally but also from developed markets.

“Developed markets are looking for FDI and the same goes for emerging markets. Myanmar, Vietnam and Indonesia are some of the aggressive rivals.

“They have been attracting high amounts of FDI. Competition for FDI is fierce,” Ernst & Young Malaysia country managing partner Datuk Abdul Rauf Rashid said during a plenary session entitled *The Rest of the World and Malaysia: External Challenges to Malaysia's Growth* at the Perdana Leadership Foundation CEO Forum 2013.

The session, which saw the participation of PetroliaM Nasional Bhd (Petronas) chairman Tan Sri Sidek Hassan, The New Club of Paris' Tengku Datuk Dr Azzman Shariffadeen, the iA Group co-founder and group managing director Datuk Dr Hamzah Kassim and Siemens Malaysia Sdn Bhd president and chief executive officer Prakash Chandran, was moderated by the Malaysia Institute of Corporate Governance deputy president David William Berry.

Malaysia, however, benefitted from a number of competitive advantages, said Abdul Rauf. He noted that China's shift to a slower growth path should provide openings for high-value exporters.

In the first quarter of this year, Malaysia's FDI increased to RM18.3bil from RM9.6bil in the same quarter last year.

SapuraKencana Petroleum Bhd non-independent executive director and executive vice-chairman Datuk Mokhzani Mahathir concurred with Abdul Rauf, saying, “We've been chasing FDI and we have been doing quite well. Malaysia is very competitive ... only lagging behind Singapore in some sense.”

Mokhzani also said that brain drain was among the challenges for the country, while lauding Talent Corp Malaysia Bhd's work in attracting talent to return to Malaysia.

He noted that the oil and gas (O&G) industry had also been scouting for talent in a bid to pull them back, but that competition was stiff.

He said the O&G industry was expected to contribute about 20% of the nation's gross domestic product.

Ernst & Young's Abdul Rauf highlighted six themes for the way forward for the country: innovation, technology, talent, capital market, the Economic Transformation Programme (ETP) and the National Key Economic Areas (NKEA), and entrepreneurship.

On the capital market, he said Malaysia had been the darling of Asean but things were becoming tougher now. "Thailand is becoming very strong and don't forget Indonesia."

Abdul Rauf added that Malaysia had planned well and put in place many plans such as the ETP and NKEA to boost the economy. He said the challenge now was to put all these things together and implement them.

Petronas' Sidek, meanwhile, said Malaysia was ranked 15th in world competitiveness and 12th in terms of ease of doing business, with a top-20 ranking for trading.

He said Malaysia needed to have active participation and look beyond. He also reminded those present that globalisation, warts and all, was here to stay. "In globalisation, how we fare depends on what we have to offer."

Sidek urged the corporate sector to step up and start performing and competing at an international level. "It's not about having the best Government. The corporate sector in Malaysia is just not up to par. It is your job to compete."

Separately, *Bernama* reported that former Prime Minister Tun Dr Mahathir Mohamad said the goods and services tax, if implemented, should be done in stages.

"Everything should be done in stages, slowly, not the full amount at the same time, for the benefit of the people," he said at the forum.

Mahathir was also quoted as saying that the Malaysian Government should consider introducing economic benefits to Malaysian companies venturing overseas to further stimulate the private sector's contribution to the economy.

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