Malaysia ranks 25th on ease of doing business

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KUALA LUMPUR: Malaysia emerged as the 25th most business-friendly nation from among 175 countries in the world, a new World Bank report says.

Malaysia scored better than some Asian powerhouses like Taiwan, which dropped to 47th from 43rd, and China which occupies the 93rd spot in the latest report.

However, the report also warned that Malaysia's competitiveness may soon prove inadequate if it failed to keep pace with speedy reforms being introduced in other economies worldwide.

Singapore topped the list, beating 2006's top-ranked New Zealand into second place, while Thailand's ranking improved to 18th from 19th. The US and Canada remained at third and fourth spots respectively.

The World Bank report titled: "Doing Business 2007", ranked countries by tracking indicators of the time and cost for businesses to meet government requirements; to start and close a business; obtain licenses; get credit; pay taxes and other essential areas.

Other Asian economies ranked in the list are Japan (11th), Hong Kong (5th), South Korea (23rd), India (134th) and Indonesia (135th).

An official with the Washington-based institution's Investment Climate Department, Svetlana Bagaudinova, said Malaysia needed to further reform its business environment to attract more foreign direct investments (FDI).

"More reforms in areas such as cutting bureaucracy and taxes will help Malaysia pull in more foreign investments and at the same time create new employment opportunities," she said in a phone interview.

Malaysia's ranking in the report followed an aggregated score from 10 sub-categories.

The report indicates that Malaysia's competitiveness suffered in several categories such as dealing with licences, employing workers, trading cross borders, enforcing contracts and closing businesses.

The World Bank states that in the past year, less than half of the East Asian economies introduced at least one reform that conformed to the report's indicators. However, every Eastern European country except Slovenia instituted reforms.

East Asian countries are said to be the slowest in terms of business reforms compared to other regions in the world except for South Asia.

Malaysia has made some changes over the past year as part of efforts to attract more foreign investors and is working hard to cut red tape in government agencies, improve the public delivery system and provide more tax incentives.

The country is also improving its technology levels and is striving to provide more sophisticated infrastructure to foreign investors.

A surprise two per cent cut in corporate taxes announced in Budget 2007 recently is one step on the tax incentive front to attract more FDIs into the country.

Other countries with no reforms during the past year include Mongolia, the Philippines, Singapore and Taiwan.

The World Bank praised China's efforts in reforming its business environment.

The country reduced the time to register a business from 48 to 35 days, and cut the minimum capital required from 947 per cent to 213 per cent of income per capita, making it easier for entrepreneurs to start businesses.

It also made amendments to company law by strengthening investor protection against insider dealings, and started online Customs procedures that reduced the time to import and export by two days, improving international competitiveness.

Globally, China is ranked fourth in terms of speed of reforms, after Georgia, Romania and Mexico.