

SPEECH BY
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AT THE LAUNCH OF SMIDEX 2006 AND THE ASEAN+3 S.M.E. CONVENTION
AT KUALA LUMPUR CONVENTION CENTRE
16 MAY 2006

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON

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EXCELLENCIES AND DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. LET ME FIRST EXTEND MY THANKS TO THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) MALAYSIA AS WELL AS TO THE SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION (SMIDEC) OF MALAYSIA FOR INVITING ME TO LAUNCH 'SMIDEX 2006' AND THE 'ASEAN+3 S.M.E. CONVENTION'* IT ALSO GIVES ME GREAT PLEASURE TO CONGRATULATE SMIDEC FOR RECENTLY ACHIEVING ITS TENTH ANNIVERSARY, AN IMPORTANT MILESTONE IN OUR JOINT EFFORTS TO GROW AND EMPOWER SMALL AND MEDIUM SCALE ENTERPRISES (S.M.E.'S) IN THE COUNTRY*

2. IN MY VIEW, THIS YEAR'S SHOWCASE AND CONVENTION COMES AT AN OPPORTUNE TIME, AS MY GOVERNMENT HAS ONLY RECENTLY UNVEILED THE NINTH MALAYSIA PLAN; THE LATEST IN ITS SERIES OF FIVE-YEAR DEVELOPMENT PLANS* THE NINTH PLAN IS, OF COURSE, A MAJOR STEP FORWARD IN OUR ENDEAVOUR TO ACHIEVE DEVELOPED-NATION STATUS BY 2020, AND REQUIRES PARTICIPATION AT ALL LEVELS OF SOCIETY IN ORDER FOR MALAYSIA TO SUCCEED*

3. THE NINTH MALAYSIA PLAN MAKES IT IMPERATIVE FOR EFFORTS TO ENHANCE THE NATION'S ECONOMIC PERFORMANCE TO BE ACCELERATED BY BOTH THE PUBLIC AND PRIVATE SECTORS IN THE IMMEDIATE TERM* IN THIS RESPECT, I BELIEVE THAT FIRM LINKAGES MUST BE ESTABLISHED BETWEEN THE VARIOUS GOVERNMENT AGENCIES AND PRIVATE SECTOR ESTABLISHMENTS, INCLUDING WITH S.M.E.'S* AS I HAVE STATED QUITE OFTEN BEFORE AS WELL AS IN THE NINTH PLAN ITSELF, LOCAL S.M.E.'S MUST BE DEVELOPED TO THEIR FULLEST POTENTIAL IN ORDER TO BECOME PRIME MOVERS OF DOMESTIC ECONOMIC GROWTH*

4. AS IN MANY INDUSTRIALISING ECONOMIES, S.M.E.'S IN MALAYSIA REPRESENT AN IMPORTANT SEGMENT OF THE ECONOMY GIVEN THEIR ROLE IN FORGING BOTH FORWARD AND BACKWARD LINKAGES THROUGH THEIR SUPPORT OF LARGER COMPANIES, INCLUDING THE MULTI-NATIONAL COMPANIES (M.N.C.'S)* AT

PRESENT, S.M.E.'S IN MALAYSIA ACCOUNT FOR 99.2 PERCENT OF TOTAL ESTABLISHMENTS IN THE MANUFACTURING, SERVICES AND AGRICULTURAL SECTORS, BUT ONLY CONTRIBUTE 38 PERCENT OF PRIVATE ENTERPRISE OUTPUT* IN VIEW OF THEIR SIGNIFICANT ROLE, THE GOVERNMENT WILL CONTINUE TO SUPPORT THE DEVELOPMENT OF MALAYSIAN S.M.E.'S TO ENHANCE THEIR RESILIENCE AND COMPETITIVENESS AS WELL AS TO INCREASE THEIR ECONOMIC CONTRIBUTION*

5. THIS YEAR'S THEME: "DRIVING S.M.E. GROWTH THROUGH INNOVATION AND NETWORKING" IS APPROPRIATE, AS IT IS IN LINE WITH MY GOVERNMENT'S OBJECTIVE TO ENHANCE THE CAPABILITIES OF S.M.E.'S IN ORDER FOR THEM TO REMAIN COMPETITIVE* INNOVATION IS THE MOST CRITICAL ELEMENT IN A KNOWLEDGE-BASED ECONOMY* AND, AS ALL OF YOU ARE AWARE, NETWORKING HAS INCREASINGLY BECOME A REQUIREMENT FOR SUCCESS, AS IT NOT ONLY FACILITATES KNOWLEDGE SHARING BUT ALSO HELPS IN CREATING A PLATFORM FOR POTENTIAL COLLABORATION AND PARTNERSHIPS*

6. IT SHOULD BE NOTED THAT OVER THE YEARS, THE SMIDEX SHOWCASE HAS MANAGED TO ATTRACT MANY BUSINESS MISSIONS, TRADE VISITORS AND EXHIBITORS FROM NEIGHBOURING COUNTRIES* THIS YEAR IS NO EXCEPTION, AS THE SHOWCASE IS HELD IN CONJUNCTION WITH THE ASEAN+3 S.M.E. CONVENTION, WHICH I AM SURE WILL PROVIDE VAST OPPORTUNITIES FOR VISITORS AND EXHIBITORS ALIKE TO FORGE LINKAGES THROUGH THE VARIOUS BUSINESS MATCHING SESSIONS BEING ORGANISED* I AM CONFIDENT THAT BOTH THE SHOWCASE AND CONVENTION WILL PROVIDE A SYNERGISTIC PLATFORM TOWARDS STRENGTHENING NETWORKING AND BUSINESS LINKAGES AMONG PARTICIPANTS, WHICH WILL IN TURN TRANSLATE INTO ABUNDANT BUSINESS OPPORTUNITIES*

LADIES AND GENTLEMEN

7. DURING THE 1996-2005 PERIOD, OUTPUT BY S.M.E.'S IN MALAYSIA REGISTERED AN AVERAGE ANNUAL GROWTH RATE OF 5.1 PERCENT, INCREASING FROM 51.5 BILLION RINGGIT, OR 22.1 PERCENT OF TOTAL MANUFACTURING OUTPUT IN 1996 TO 82 BILLION RINGGIT, OR 29.6 PERCENT IN 2005* DURING THE SAME PERIOD, S.M.E.'S REGISTERED AN AVERAGE ANNUAL GROWTH OF 5.4 PERCENT IN TERMS OF VALUE-ADDED* IN 2005, THE GROWTH OF VALUE-ADDED BY S.M.E.'S WAS 9.2 PERCENT, AGAINST THE OVERALL GROWTH OF 9.8 PERCENT FOR THE MANUFACTURING SECTOR*

8. WHILE THE GROWTH OF THE S.M.E. SECTOR HAS THUS FAR BEEN RELATIVELY ENCOURAGING, I FIRMLY BELIEVE THAT WITH PROPER SUPPORT, S.M.E.'S WILL BE ABLE TO INCREASE THEIR ECONOMIC PARTICIPATION FURTHER* IN THIS REGARD, MY GOVERNMENT'S CONTINUOUS COMMITMENT TOWARDS THE DEVELOPMENT OF S.M.E.'S AS AN ENGINE OF GROWTH HAS BEEN EMPHASISED THROUGH THE ESTABLISHMENT OF THE NATIONAL S.M.E. DEVELOPMENT COUNCIL, WHICH I PERSONALLY CHAIR* AMONG THE INITIATIVES THAT HAVE BEEN IMPLEMENTED BY THE COUNCIL INCLUDE INCREASING ACCESS TO CAPITAL, PROVIDING GREATER

ACCESS TO BUSINESS SERVICES, AND IMPROVING THE BUSINESS-ENABLING ENVIRONMENT*

9. GOING FORWARD, S.M.E.'S WILL NEED TO BE SUPPORTED BY WELL-DEVELOPED FINANCIAL INFRASTRUCTURE IN ORDER FOR THEM TO DEVELOP TO THEIR FULL POTENTIAL AND TO CONTRIBUTE MORE EFFECTIVELY TO THE ECONOMY* IN THIS RESPECT, S.M.E.'S REQUIRE ACCESS TO FINANCING SOURCES THAT OFFER A WIDE RANGE OF FINANCIAL PRODUCTS AND SERVICES* THIS WILL HELP IN MEETING THE DIVERSE FINANCING NEEDS OF S.M.E.'S ALONG THE VARIOUS PHASES OF THEIR BUSINESS DEVELOPMENT CYCLES*

10. BANKING INSTITUTIONS WILL CONTINUE TO BE ONE OF THE MAIN PROVIDERS OF FUNDS TO S.M.E.'S* IN 2005, THE BANKING SYSTEM APPROVED 35.8 BILLION RINGGIT OF NEW LOANS TO MORE THAN 85,000 S.M.E. ACCOUNTS, REPRESENTING AN INCREASE OF 13.1 PERCENT FROM 2004* FOR THE FIRST THREE MONTHS OF 2006, BANKS HAVE APPROVED A TOTAL OF 7.4 BILLION RINGGIT IN NEW LOANS TO JUST UNDER 18,000 S.M.E. ACCOUNTS* FOR THE FORESEEABLE FUTURE, I WOULD LIKE TO URGE BANKING INSTITUTIONS TO CONTINUE SUPPORTING THE DEVELOPMENT OF S.M.E.'S THROUGH THEIR LENDING ACTIVITIES* IN THIS RESPECT, BANKING INSTITUTIONS SHOULD STRIVE TO DEVELOP MORE INNOVATIVE FINANCIAL PRODUCTS TO MEET THE DIVERSE FINANCING NEEDS OF GROWING S.M.E.'S* AS HIGHLIGHTED BEFORE, EMPHASIS SHOULD NOT BE PLACED SOLELY ON COLLATERAL, AS BANKS MUST BE WILLING TO ADOPT NEW APPROACHES WHEN LENDING TO S.M.E.'S*

11. TO COMPLEMENT THE BANKING SYSTEM, VARIOUS INITIATIVES HAVE ALSO BEEN INTRODUCED BY MY GOVERNMENT TO FURTHER IMPROVE S.M.E.'S ACCESS TO FINANCING* I AM HAPPY TO NOTE THAT THE S.M.E. BANK HAS MADE GOOD PROGRESS, AND I AM MADE TO UNDERSTAND THAT MORE LOANS WILL BE APPROVED THIS YEAR* IN ADDITION, BANK NEGARA MALAYSIA HAS RECENTLY INCREASED ALLOCATIONS FOR THE SECOND FUND FOR SMALL AND MEDIUM INDUSTRIES, AND THE NEW SECOND ENTREPRENEURS FUND TO 6.75 BILLION RINGGIT AND 2.85 BILLION RINGGIT, RESPECTIVELY* I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO ANNOUNCE THAT AN OVERSEAS PROJECT FINANCING FUND AMOUNTING TO 1 BILLION RINGGIT WILL BE ESTABLISHED BY BANK NEGARA MALAYSIA THROUGH THE EXIM BANK TO PROVIDE FINANCIAL ASSISTANCE TO VIABLE MALAYSIAN COMPANIES VENTURING ABROAD FOR BUSINESS*

12. FURTHER ACCESS TO FINANCING AND INCENTIVES REPRESENTS A KEY PRIORITY UNDER THE NINTH MALAYSIA PLAN* THIS INCLUDES MAKING AVAILABLE VENTURE CAPITAL FINANCING FOR START-UPS AS WELL AS ADEQUATE FUNDING FOR THE DEVELOPMENT OF PRIORITY SEGMENTS AND NEW GROWTH AREAS SUCH AS I.C.T. AND BIOTECHNOLOGY* A TOTAL OF 1.1 BILLION RINGGIT HAS BEEN ALLOCATED FOR S.M.E. DEVELOPMENT, UNDER THE NINTH MALAYSIA PLAN* MOREOVER, SPECIFIC PROGRAMS WILL BE FORMULATED TO ENHANCE THE ENTREPRENEURIAL AND TECHNICAL CAPABILITIES OF S.M.E.'S* TO FURTHER ENCOURAGE INNOVATION, TECHNOLOGY TRANSFER AND COMMERCIALISATION, I HAD ANNOUNCED UNDER THE 9.M.P. THE CREATION OF THE TECHNO-FUND AMOUNTING TO 1.5 BILLION RINGGIT* THIS FUND WILL BE UTILISED TO SUPPORT

THE ESTABLISHMENT OF NEW TECHNOLOGY-BASED ENTERPRISES BY PROMOTING TECHNOPRENEURSHIP, AND BY ENHANCING TECHNOLOGY INCUBATOR PROGRAMS AS WELL AS THE RAPID COMMERCIALISATION OF RESEARCH AND TECHNOLOGY* I WOULD THUS LIKE TO URGE S.M.E.'S TO FULLY UTILISE THESE INCENTIVES TO ENHANCE THEIR CAPACITY AND CAPABILITIES IN ORDER TO BECOME REGIONALLY, AND ULTIMATELY, GLOBALLY COMPETITIVE*

LADIES AND GENTLEMEN

13. I HAVE OFTEN EMPHASISED UPON THE IMPORTANCE OF KNOWLEDGE AND INNOVATION AS IMPORTANT REQUIREMENTS FOR MALAYSIA TO MOVE TOWARDS BECOMING A DEVELOPED NATION* IN TABLING THE NINTH MALAYSIA PLAN, I PLACED SIGNIFICANT EMPHASIS ON THE NOTION THAT KNOWLEDGE, INNOVATION AND VALUES WILL BE THE KEY DETERMINANTS OF MALAYSIA'S FUTURE SUCCESS* WITH INCREASING REGIONAL AND GLOBAL COMPETITION, AS WELL AS RAPID CHANGES IN TECHNOLOGY, IT IS IMPERATIVE THAT MALAYSIAN COMPANIES, INCLUDING S.M.E.'S BE MORE INNOVATIVE, AND REGARD INNOVATION AS A DRIVER FOR FUTURE SUCCESS*

14. MY GOVERNMENT WILL ON ITS PART CONTINUE TO PLAY A FACILITATIVE ROLE IN CREATING A CONDUCTIVE BUSINESS ENVIRONMENT FOR THE PRIVATE SECTOR TO THRIVE* EFFORTS WILL BE MADE TO REDUCE THE COST OF DOING BUSINESS, ENCOURAGE PRIVATE SECTOR PARTICIPATION IN KEY GROWTH AREAS, AND POSITIVELY INFLUENCE INVESTOR PERCEPTIONS ABOUT MALAYSIA AS A PREFERRED DESTINATION FOR TRADE AND INVESTMENT* IN ADDITION, I WILL PERSONALLY OVERSEE THE ENHANCEMENT OF OUR PUBLIC DELIVERY SYSTEM IN ORDER TO MEET THE EXPECTATIONS OF ALL STAKEHOLDERS*

15. LET ME TAKE THIS OPPORTUNITY TO WISH EVERY SUCCESS TO ALL BUSINESS EXHIBITORS AND PARTICIPANTS OF THIS CONVENTION* IT IS MY HOPE THAT THIS GATHERING WILL GENERATE SUCCESSFUL BUSINESS VENTURES AND HEALTHY RETURNS FOR ALL OF YOU* ON THAT NOTE, I NOW TAKE GREAT PLEASURE IN DECLARING OPEN 'SMIDEX 2006' AND THE 'ASEAN+3 S.M.E. CONVENTION'*

THANK YOU*