

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE OFFICIAL LAUNCH OF SMIDEX 2007
AT KUALA LUMPUR CONVENTION CENTRE
6 JUNE 2007**

BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON

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EXCELLENCIES AND DISTINGUISHED DELEGATES

LADIES AND GENTLEMEN

1. I AM PLEASED TO ONCE AGAIN ADDRESS THIS IMPRESSIVE GATHERING OF BUSINESS DELEGATES FROM ASIA, AFRICA AS WELL AS O.I.C. MEMBER COUNTRIES AT MALAYSIA'S PREMIER EVENT FOR S.M.E'S. PARTICIPATION FROM THAILAND THIS YEAR IS ESPECIALLY ENCOURAGING, THANKS TO THE EFFORTS OF THE MALAYSIA-THAI JOINT TRADE COMMITTEE. I WISH ALL FOREIGN DELEGATES "SELAMAT DATANG" OR A WARM 'WELCOME' TO MALAYSIA. THIS IS A SPECIAL YEAR FOR MALAYSIA AS WE CELEBRATE 50 YEARS OF NATIONHOOD. MANY EVENTS HAVE BEEN PUT IN PLACE TOWARDS AUGUST 31ST, OUR INDEPENDENCE DAY, AND I HOPE OUR FOREIGN GUESTS WILL HAVE THE OPPORTUNITY TO PARTICIPATE IN SOME OF THE CELEBRATIONS.

2. AS SOME OF YOU MAY BE AWARE, THIS ANNUAL EVENT IS ALREADY INTO ITS 10TH YEAR. AS SUCH, LET US CONGRATULATE BOTH THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) AND THE SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION (SMIDEC) FOR SUCCESSFULLY ORGANISING THIS IMPORTANT S.M.E. GATHERING ONCE MORE.

3. THIS YEAR'S THEME, "S.M.E. NETWORKING: LOCAL LINKS, GLOBAL REACH" HIGHLIGHTS THE IMPORTANCE FOR S.M.E'S TO ENHANCE COLLABORATIONS WITH MULTINATIONALS (M.N.C'S) AS WELL AS LARGE LOCAL CORPORATIONS. STRATEGIC ALLIANCES WITH LARGER ENTITIES PROVIDES S.M.E'S WITH GREATER ACCESS TO MARKETS, FINANCING, TECHNOLOGY TRANSFER AND BEST PRACTICES IN HUMAN CAPITAL DEVELOPMENT. THE SYMBIOSIS BETWEEN S.M.E'S AND LARGE COMPANIES IS NECESSARY FOR S.M.E'S TO EFFECTIVELY PENETRATE AND COMPETE IN THE GLOBAL MARKETPLACE. THIS SYMBIOSIS SIMILARLY HELPS LARGE COMPANIES TO BE AGILE IN MEETING CHANGING MARKET DEMANDS.

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4. S.M.E'S HAVE BEEN DULY RECOGNISED AS A MAJOR SOURCE OF ECONOMIC GROWTH AND EMPLOYMENT AROUND THE WORLD. THIS HAS RESULTED IN SERIOUS EFFORTS TO ACCELERATE THE DEVELOPMENT OF SUCH FIRMS. HERE IN

MALAYSIA, THE GOVERNMENT HAS LONG ACKNOWLEDGED THE GROWTH POTENTIAL OF S.M.E'S, WHICH HAS LED TO A CONCERTED EFFORT BY VARIOUS MINISTRIES AND AGENCIES TO IMPLEMENT PROGRAMS THAT SPUR THEIR DEVELOPMENT.

5. I PERSONALLY CHAIR THE NATIONAL S.M.E. DEVELOPMENT COUNCIL, A MINISTERIAL-LEVEL GROUP THAT AIMS TO COORDINATE INTER-AGENCY EFFORTS RELATED TO S.M.E. DEVELOPMENT. MOREOVER, THE GOVERNMENT CONTINUES TO EMPHASISE THE IMPORTANCE OF S.M.E. DEVELOPMENT THROUGHOUT MALAYSIA'S LATEST FIVE-YEAR DEVELOPMENT PLAN AS WELL AS THE THIRD INDUSTRIAL MASTER PLAN.

6. FOR 2007 ALONE, A TOTAL OF 190 PROGRAMS WITH A TOTAL FINANCIAL COMMITMENT OF 3.7 BILLION RINGGIT ARE BEING IMPLEMENTED, FOCUSING ON BUILDING THE CAPABILITIES OF S.M.E'S, STRENGTHENING THE ENABLING INFRASTRUCTURE AND ENHANCING ACCESS TO FINANCE. THROUGH EFFECTIVE IMPLEMENTATION OF THESE PROGRAMS, AND OTHER PROGRAMS UNDER THE 9TH MALAYSIAN PLAN, IT IS PROJECTED THAT S.M.E'S CONTRIBUTION TO G.D.P. WILL INCREASE FROM 32 PERCENT IN 2005 TO 37 PERCENT BY 2010. IN TANDEM WITH THIS, TOTAL EMPLOYMENT BY THE S.M.E'S IS TARGETED TO INCREASE TO 57 PERCENT, AND TOTAL EXPORTS TO INCREASE TO 22 PERCENT.

7. FINANCING IS A PARTICULARLY IMPORTANT POLICY THRUST. IMPROVING ACCESS TO AVAILABLE FINANCING WILL HELP UNLOCK THE POTENTIAL OF S.M.E'S AND BRING THEIR IDEAS TO MARKET. IN MANY PARTS OF THE WORLD, GAINING ADEQUATE FINANCING FOR S.M.E'S REMAINS A CHALLENGE. IN THIS CONTEXT, GOVERNMENTS MUST EXPLORE NEW WAYS TO FACILITATE BETTER ACCESS TO FINANCING.

8. GOING FORWARD, S.M.E. FINANCING MAY BE PROVIDED THROUGH NON-MAINSTREAM FINANCIAL PRODUCTS TO SUPPLEMENT AREAS NOT COVERED BY CONVENTIONAL BANKS OR DEVELOPMENT FINANCIAL INSTITUTIONS (D.F.I'S). FOR EXAMPLE, I AM HAPPY TO SAY THAT MALAYSIA WILL BE PROVIDING S.M.E'S ACCESS TO MICRO FINANCING THROUGH AN INITIATIVE BY THE NATIONAL SAVINGS BANK (BANK SIMPANAN NASIONAL) THIS YEAR.

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9. WHILE FINANCING IS CRITICAL IN ENSURING THE COMPETITIVENESS OF S.M.E'S, IT IS NOT THE SOLE FACTOR THAT DETERMINES VIABILITY. THE GROWTH OF EXISTING AND NEW BUSINESSES WILL BE INCREASINGLY DRIVEN BY TECHNOLOGY AND INNOVATION. THUS, THE CAPACITY TO CONDUCT R.&D. AND THE ABILITY TO INNOVATE ARE KEY ELEMENTS IN ENSURING LONG TERM GROWTH. THIS MAKES IT IMPERATIVE FOR S.M.E'S TO UPGRADE THEIR CAPABILITY FOR BUSINESS INNOVATION.

10. IN MALAYSIA, THE GOVERNMENT AIMS TO LEND SUPPORT TO S.M.E'S AND ENTREPRENEURS THROUGH AN INNOVATION FUND, WHICH PROVIDES ASSISTANCE TO DEVELOP PRODUCTS, PROCESSES OR SERVICES FOR EVENTUAL COMMERCIALISATION. IT SHOULD BE NOTED THAT THESE GRANTS ARE MEANT FOR S.M.E'S AND ENTREPRENEURS TO ENHANCE THEIR RESEARCH AND INNOVATION CAPACITY ON A SUSTAINABLE BASIS, AND NOT AS A TEMPORARY OR ONE-OFF MEASURE TO REDUCE COSTS. THIS IS PARTICULARLY IMPORTANT IN TRADITIONAL

AREAS OF MANUFACTURING, SERVICES AND AGRICULTURE WHERE ADDITIONAL EFFORT IS NEEDED TO REMAIN COMPETITIVE.

11. NEVERTHELESS, I RECOGNISE THAT NOT ALL S.M.E'S WILL CONSIDER IT DESIRABLE TO CONDUCT PRODUCT RESEARCH AND INNOVATION ON THEIR OWN, AS THERE IS CONSIDERABLE CHALLENGE IN BRINGING THAT RESEARCH TO MARKET. THUS, TARGETED INCENTIVES MAY ALSO BE PROVIDED TO PROMOTE TECHNOLOGY TRANSFER, WHICH ENABLES S.M.E'S TO ACCESS RESEARCH CONDUCTED BY RESEARCH INSTITUTIONS AT A LOW COST. MALAYSIAN RESEARCH INSTITUTIONS AND UNIVERSITIES ARE RELATIVELY UNTAPPED SOURCES OF IDEAS AND INNOVATION FOR THE PRIVATE SECTOR. IT IS CRUCIAL TO ESTABLISH LINKS BETWEEN THESE INSTITUTIONS AND THE BUSINESS COMMUNITY TO ENCOURAGE MORE TECHNOLOGY TRANSFER AND COMMERCIALISATION.

12. THEREFORE, AS PART OF OVERALL EFFORTS TO INCULCATE INNOVATION AMONG S.M.E'S, AN INDUSTRY-DRIVEN "NATIONAL S.M.E. INNOVATION FOCAL POINT" HAS BEEN ESTABLISHED, CONSISTING OF MEMBERS FROM THE PRIVATE SECTOR, RESEARCH INSTITUTIONS, VENTURE CAPITALISTS AND RELEVANT GOVERNMENT AGENCIES. IT IS HOPED THAT THIS INITIATIVE WILL PROVIDE AN AVENUE FOR THE EXCHANGE OF INFORMATION, NEW TECHNOLOGIES AND RESEARCH FINDINGS FOR THE SECTOR. ONE OF THE KEY DELIVERABLES OF THE FOCAL POINT GROUP IS DEVELOPING A DATABASE OF READY-TO-COMMERCIALISE TECHNOLOGIES. I UNDERSTAND THAT TO DATE, THERE ARE 542 TECHNOLOGIES LISTED ON SMIDEC'S WEBSITE, WHICH HAVE BEEN MATCHED WITH APPROPRIATE FINANCIAL PACKAGES SUCH AS EQUITY FINANCING, GRANTS AND SOFT LOANS. THROUGH THIS INITIATIVE, IT IS ENVISAGED THAT RESEARCH FINDINGS WITH COMMERCIAL POTENTIAL WILL EVENTUALLY BE DEVELOPED BY S.M.E'S.

13. "SMIDEX 2007" IS ALSO SHOWCASING PRODUCTS AND SERVICES THAT HAVE EVOLVED FROM RESEARCH FINDINGS, WHICH ARE READY FOR COMMERCIALISATION. I HOPE THAT YOU WILL TAKE THIS OPPORTUNITY TO VIEW THESE PRODUCTS AND SERVICES, AND EXPLORE THEIR COMMERCIAL POTENTIAL. VARIOUS FINANCIERS ARE ALSO ON HAND FOR S.M.E'S LOOKING TO COMMERCIALISE THESE INVENTIONS.

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14. IN KEEPING WITH THIS YEAR'S THEME, IT SHOULD BE ACKNOWLEDGED THAT A MAJOR FACTOR AFFECTING S.M.E'S' ABILITY TO PENETRATE THE INTERNATIONAL MARKETPLACE IS THEIR LACK OF OVERSEAS BUSINESS EXPERTISE AND CONTACTS. THIS IS FURTHER EXACERBATED BY A LACK OF RECOURSE TO EXTERNAL FUNDING AS WELL AS INSUFFICIENT MANPOWER FOR OVERSEAS EXPANSION. THUS, S.M.E'S MUST BE MADE AWARE TO TAKE ADVANTAGE OF GOVERNMENT RESOURCES SUCH AS OVERSEAS TRADE OFFICES AS A KEY SOURCE OF MARKET INTELLIGENCE TO EXPAND ABROAD. IN THIS REGARD, IT SHOULD BE NOTED THAT MITI, MATRADE AND MIDA HAVE A TOTAL OF 58 OFFICES OVERSEAS, WHICH CAN BE USED TO FACILITATE THE EXPANSION OF S.M.E'S BEYOND THE DOMESTIC MARKET.

15. IN ADDITION TO UTILISING THESE FACILITIES, S.M.E'S MAY ALSO TAP THE RAPID GROWTH OF E-COMMERCE TO EXPAND GLOBALLY. THE INTERNET IS REVOLUTIONISING THE WAY BUSINESSES OPERATE AND COMPETE, AS E-COMMERCE TRANSCENDS THE LIMITATION OF GEOGRAPHICAL BOUNDARIES. FOR EXAMPLE, BY EFFECTIVELY HARNESSING THE INTERNET, S.M.E'S ARE ABLE TO

SEARCH THE INTERNATIONAL BUSINESS COMMUNITY FOR POTENTIAL PARTNERS AND SUPPLIERS WITHOUT THE NEED FOR EXPENSIVE AND TIME-CONSUMING TRAVEL. MOREOVER, HIGH VALUE-ADDED SERVICES MAY BE DELIVERED VIA E-COMMERCE AT RELATIVELY LOW COSTS.

16. ON ITS PART, THE GOVERNMENT HAS INVESTED CONSIDERABLY IN THE NECESSARY INFRASTRUCTURE TO MAKE E-COMMERCE POSSIBLE. SMIDEC, IN COLLABORATION WITH TECHNOLOGY-BASED INSTITUTIONS SUCH AS THE MALAYSIAN TECHNOLOGY DEVELOPMENT CORPORATION, THE MULTIMEDIA DEVELOPMENT CORPORATION AND THE MALAYSIAN BIOTECHNOLOGY CORPORATION HAS DEVELOPED THE CAPACITY TO ASSIST S.M.E'S IN TAPPING INTO THE GLOBAL SUPPLY CHAIN THROUGH THE ADOPTION OF APPROPRIATE E-COMMERCE TECHNOLOGIES. I BELIEVE THAT OPPORTUNITIES ABOUND IF COMPANIES ARE WILLING TO BE INNOVATIVE AND FULLY UTILISE ALL AVAILABLE E-COMMERCE AVENUES. IT IS WORTH NOTING THAT MANY OF THE TOP E-CORPORATIONS SUCH AS AMAZON, E-BAY, AND YAHOO! DID NOT BEGIN OPERATIONS AS LARGE AND WELL-CAPITALISED CORPORATIONS.

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17. I AM CONFIDENT THAT WITH THE VARIOUS INITIATIVES CURRENTLY BEING IMPLEMENTED, MALAYSIA WILL BE ABLE TO MAINTAIN ITS POSITIVE ECONOMIC GROWTH MOMENTUM DESPITE THE CHALLENGES POSED BY GLOBALISATION AND MARKET LIBERALISATION. GOING FORWARD, I FORESEE THAT THIS GROWTH MOMENTUM WILL BE UNDERPINNED NOT ONLY BY HIGHER EARNINGS FROM LARGE CORPORATIONS, BUT ALSO FROM INCREASED CONTRIBUTIONS FROM THE S.M.E. SECTOR.

18. THUS, I WOULD LIKE TO URGE MALAYSIAN S.M.E'S TO CONSTANTLY REVIEW AND FINE-TUNE THEIR BUSINESS STRATEGIES IN ORDER TO REMAIN COMPETITIVE. BY MAINTAINING PRODUCT LEADERSHIP, REMAINING CUSTOMER-FOCUSED, AND BEING TECHNOLOGICALLY UP-TO-DATE, I BELIEVE THAT THE S.M.E. SECTOR WILL EMERGE AS A PILLAR OF LONG TERM ECONOMIC GROWTH FOR THE BENEFIT OF THE NATION.

19. ON THAT NOTE, IT GIVES ME GREAT PLEASURE TO NOW DECLARE "SMIDEX 2007" OPEN.

THANK YOU.