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Yang Berhormat Dato' Seri Rafidah Aziz, Minister of International Trade and Industry

Cabinet Ministers,

Excellencies,

Distinguished delegates,

Ladies and Gentlemen,

It is my pleasure and privilege to address a distinguished gathering of officials and business leaders at this 'Asian SME Convention 2005'. First of all, I would like to extend a warm 'Selamat Datang' to all foreign speakers and delegates to Malaysia. I hope that during your short stay here, you will not only manage to savour the warm Malaysian hospitality, but also take time to discover the diversity of Malaysian culture which represents the true spirit of Malaysia - Truly Asia!

2. I would like also to take this opportunity to congratulate both the Ministry of International Trade and Industry (MITI) and the Small and Medium Industries Development Corporation (SMIDEC) for having successfully organised this important Convention. I am also glad to note that this Convention has attracted the private sector and chambers of commerce, both local and foreign, as collaborators for the event. The theme 'SME Networking: Facing Global Challenges' is not only relevant, but also timely in the wake of challenges brought about by globalisation and liberalisation of the market place.

Ladies and gentlemen,

3. Asia has attracted the world's attention for trade and investment, especially due to the dynamism and potential of the economies of countries like China and India. With more than half of the world's population located in Asia and accompanied by its rapid economic growth, it is predicted that by 2020, the Asian continent will generate two-thirds of the world's GDP.

4. The GDP growth of Asia's developing countries continued to exceed 5%. The stronger economic activity in Asia goes together with faster trade growth. In 2003, merchandise trade expansion in Asia was more than twice as fast as the rate of global growth

rate. And this growth was driven primarily by intra-regional trade, at nearly 50% of the region's total merchandise export, but still below the peak reached before the outbreak of the Asian financial crisis in 1997. Western European countries however, have been able to maintain their intra-regional trade at about two-third of their total merchandise export.

5. In this regard, we should be taking a serious look at the opportunities and challenges in our relationship within our region. To put it bluntly, each of us has not been maximising the potential of this relationship. It is now the time to re-set new strategies and goals for our relationship and through this convention, I hope we would be able to identify practical ways of achieving them.

Ladies and gentlemen,

6. The dynamism of the Asian region will result in opportunities for greater participation of SMEs in the global market. I am certain with increased off-shoring and outsourcing activities undertaken by large corporations and MNCs in the region, SMEs would benefit from this trend provided that they become competitive and reliable suppliers.

7. I believe that for enterprises to benefit from cross border trade and linkages, organisations need to remain resilient and competitive in the dynamic global market. Asian business leaders and managers need to undergo a critical shift in mindset to transform their business models and ways of doing business, in order to be cost effective and responsive to market changes.

8. Within the context of creating a conducive business environment, I strongly believe that most of the Governments in Asia are making efforts in ensuring that the dynamism of business activities will continue. Apart from the improvement in the physical infrastructures such as transportation, communication and utilities, efforts are also being directed at formulating transparent policies, reducing bureaucracy and improving delivery system. These measures are instituted to ensure that the cost of doing business is feasible and remains competitive to the business community.

9. Concurrently, issues related to the development of SMEs are also being addressed. SMEs in Asia will remain as pillars to the economic growth in the region. Although these SMEs are at various stages of development, concerns and challenges confronting them across Asian countries are similar. These challenges include the impact of increased globalisation and liberalisation, rapid technological development, access to market and information, skilled human resources and entrepreneurship competencies as well as limited access to finance.

Ladies and Gentlemen,

10. It has been acknowledged that rapid technological development has resulted in the shortening and compression of product life cycles. In addition, the recent trend in technology convergence has also resulted in more opportunities in terms of new applications and innovative products and services for SMEs. In line with global trends and technological advances, growth in future businesses will be driven by technology and innovation.

11. The adoption and application of ICT not only create SMEs that are competitive in terms of price, quality, delivery and efficient services, but it also enables them to respond to real time market demands and changes. In this aspect, SMEs are encouraged to be integrated into the global supply chain, especially in the high end and high value added activities outsourced by the MNCs and large corporations. For countries like Malaysia, Singapore, Chinese Taipei, Japan, Republic of Korea and USA, the utilisation of the RosettaNet Standards has provided an avenue for integrating more SMEs into the global supply chain of the MNCs.

12. In addition to this new business management, SMEs should also explore the manufacturing of products and services arising from emerging technologies, such as biotechnology, photonics and nanotechnology. In fact, the culture of continuous improvement ("kaizen") through creativity and innovation must be inculcated in order for SMEs to sustain their competitiveness. SMEs will also need to comply with international standards and certifications as well as adopt best business practices such as Supply Chain Management (SCM) and Customer Relationship Management (CRM) to remain competitive.

13. Conformance to standards and certification is a prerequisite for involvement of SMEs not only for the purpose of the domestic market but also for export markets. Accordingly, SMEs must upgrade their marketing skills and capabilities, to exploit wider global market opportunities.

14. Many new opportunities such as outsourcing of shared services has developed resulting in further rationalisation across industries. These opportunities have directly strengthened regional production and services network, which facilitated the process of SMEs' integration into the global supply chain. In this context, SMEs are encouraged to upgrade their capabilities to be on par with other world-class producers by moving into new and higher value-added activities.

15. I strongly believe that Malaysia is well positioned to be one of the major players in the areas of shared services and outsourcing industry due to the availability of a large pool of multi-lingual skilled knowledge workers and technically competent

supporting industries. This is further complemented by a strong "soft" infrastructure in the form of cyber laws, fiscal and non-fiscal incentives and a FDI-friendly environment. International recognition of Malaysia's capabilities in shared services have been reaffirmed through a recent survey undertaken by A.T. Kearney, in which Malaysia is ranked third (behind India and China) in terms of attractiveness as a destination for outsourcing activities.

16. At the same time, the Government continues to stress on the importance of continuous learning for Malaysian workforce to enhance human capital. Employers are encouraged to train and retrain their staff in requisite competencies to expand their employees' expertise, knowledge, resourcefulness and ability to adapt to a more liberalised and competitive business landscape.

17. Without the supply of relevant skilled and knowledgeable workers, enterprises will not be able to embark on R&D and design and development (D&D) activities together with MNCs and large companies. Amidst increasing competition, upgrading of technology among SMEs would not only increase their productivity, reduce waste and shorten design and production times, but it will also lead to higher profit margins and profitability.

18. In order to gain from the outsourcing activities of large companies, most of you would agree with me that effective marketing strategies are vital. An effective marketing strategy would include branding, promotion and right channels of distribution in order to capture and sustain market share. Today, through this Convention, you would have the opportunity to gain insight on innovative cultures and strategies adopted by industry leaders in enhancing their business growth.

Ladies and Gentlemen,

19. The adoption of leading technology as well as enhanced marketing skills would not be effective and successful without the complementarities of good entrepreneurship and competent workers in the organisation. It has been proven that successful organisations must be led by corporate leaders with the right positive business values, discipline and matched with the entrepreneurial talent to run a business.

20. Entrepreneurship and innovativeness of SMEs assume a critical role in contributing to the overall economic growth not only in Malaysia, but in all Asian countries. A vibrant entrepreneurial community in any economy will be created through the active involvement of industry associations, chambers of commerce, research institutes (RIs), as well as financial institutions. The Government of Malaysia, will establish an industry-driven forum, involving entrepreneurs, RIs, financiers, including venture capitalists, and relevant Government agencies. This forum will

serve as an avenue for an exchange of information on best business practices, new market and technology trends, challenges and opportunities for SMEs.

21. The development of SMEs in Malaysia has been further enhanced with the establishment of an SME Bank which will be operationalised soon. This Bank is dedicated to nurture and develop SMEs by providing financial and non-financial services, including creating an entrepreneurial community. Other activities envisaged for the SME bank include providing guarantees to loans granted by banking institutions, facilitating securitisation and providing credit ratings and business analysis on SMEs. SMEs on their part will need to keep abreast with the trends in the capital and money markets, where other financial products, such as equity, bonds and other commercial papers, are increasingly being utilised.

Ladies and Gentlemen,

22. I am happy to see many business leaders and entrepreneurs from many Asian countries in the Convention today. Your presence reaffirms the commitment and recognition given on the importance of forging relationship and networking as a means of generating new business opportunities. Indeed, the benefits of networking should never be underestimated as it is an effective way of sharing ideas and experiences and it also serves as a platform to form business alliances and expand suppliers' base.

23. I also noted that the Plenary Session of this Convention has included topics on benchmarking, best practices in leadership, technology and management adopted by successful corporations like Ericsson, Wal Mart, P&G and DELL. The benchmarking activities would indeed assist your organisation to continuously monitor the quality of products and services as well as effective delivery system in your continuous effort to enhance business growth.

24. In conclusion, I would like to wish all of you a fruitful deliberation at the Convention and I hope that the business matching sessions organised for you will bring successful long lasting partnerships.

25. On that note, it is with great pleasure that I now declare open the 'ASIAN SME Convention 2005!'

Thank you.