

**Enhancing Competitiveness and Sharing Economic Prosperity**  
**(Memorandum to the Ministry of Finance for Budget Consultation 2008)**

1. **INTRODUCTION:** At the outset, ASLI would like to congratulate the Prime Minister and the Government for sound economic management which has resulted in a revival of business and investor confidence and a return of the feel good factor this year after the malaise pervading 2006 due to the oil price increases and a higher cost of living. The Government ought to be commended for the various liberalization measures announced recently. In our own independence economic analysis, ASLI also forecasts robust growth of 5.9% for 2007 and 2008 driven by higher domestic demand and strong growth in private investments.
  
2. **NEED TO RETHINK COMPETITION:** In order for Malaysia to enhance competitiveness, there is a need to rethink competition and how we can cope with growing competition from the regional giants like China and India and to a smaller extent Vietnam and Indonesia. We need to adopt a **Blue-Ocean Strategy Approach** to identify new blue oceans where we can obtain and sustain competitive advantage. We need to create and **build new value propositions for the country.**
  
3. **IDR INCENTIVES:** The Iskandar Development Region represents a new Blue Ocean for the entire country although it is located in Southern Johor. The incentives offered in the Iskandar Region should be catalysts to secure new investments into the Iskandar Region. The Prime Minister and the Government ought to be commended and congratulated for the political courage and commitment to liberalise and introduce bold new incentives in

IDR. It is proposed that the Northern Corridor and the Eastern Corridor also adopt a similar Blue-Ocean visionary approach. It is further proposed that the same incentives offered for the Iskandar Region be extended to the Northern and Southern Corridors.

4. **REDUCE PERSONAL INCOME TAX:** Whilst the Government's reduction of corporate tax announced in last year's budget has been warmly received, the existence of arbitrage between corporate and personal income tax ought to be eliminated. **In this regard, it is proposed that a 2% reduction in personal income tax be included in Budget 2008.** The Government's increased revenue and the strengthening of reserves should make it more affordable for Government to consider a reduction in personal income tax. Malaysia needs a more competitive tax regime.
  
5. **BRANDING MALAYSIA:** Over the past several months, positive announcements by the Prime Minister and the Central Bank Governor have contributed to a change in the mood of not only investors but the general public. This has brought back once again the feel-good factor. Malaysia is a success story. Malaysia has visionary and forward-looking policies and plans and new opportunities to offer. As such, **telling the Malaysian story must be more proactive, comprehensive and aggressive. There is a vital need for Branding Malaysia.**

Singapore has "Uniquely Singapore", Hong Kong is "Asia's World City, there is "Incredible India", "New Zealand Pure". "Cool Britannia". Although, Malaysia's Truly Asia is a good

tourism brand, it does not encapsulates the dynamism, resilience and innovativeness of other sectors or industries such as the electronic industry, or Islamic banking. There is therefore an urgent need to look at Branding Malaysia – to have a comprehensive communication strategy to tell the Malaysian story to the world. **Successful branding of Malaysia will enhance national competitiveness.**

6. **STRENGTHEN THE JUDICIARY:** Greater confidence in the independence of the judiciary and a stronger commitment to the rule of law would also be a competitive edge for Malaysia vis-à-vis China, Indonesia and Vietnam. Lord Irvine, a former British Lord Chancellor said that economic progress of a country depends on international confidence in its judicial and legal system. **An independent judiciary would strengthen the confidence of investors and the business community. As such, it is proposed that a Judicial Commission be established.** In addition, it is further proposed that the Government reviews laws which have ouster clauses, so that judicial review can be restored. Allowing judicial review of ministerial decisions on purely commercial matters would also enhance investor confidence.
  
7. **COMBAT CORRUPTION:** To further strengthen Malaysia's competitiveness, **greater efforts need to be urgently and expeditiously taken to combat corruption in both the public and private sectors.** The Prime Minister's National Integrity Plan should be fully supported by all quarters. Corruption is an evil and an unnecessary cost of business that would erode our

competitiveness. A more determined public-private effort should be undertaken **to ensure Malaysia improves its ranking in Transparency International's Corruption Perception Index.** Reducing the incidence the corruption will inevitably enhance Malaysia's competitiveness.

To add muscle to the fight against corruption, the Government should **at the earliest establish an Independent Anti-Corruption Commission** and Budget 2008 should provide sufficient allocation for the fight against corruption including **a massive public education campaign.**

8. **REPLICATE MIOC AT STATE AND LOCAL LEVELS:** The Malaysia Incorporated Officials Committee (MIOC) chaired by the Chief Secretary to the Government has been effective in resolving issues and problems faced by the business community. As such it is proposed that **similar committees be replicated and established at state levels to be chaired by the State Secretary and at local council level by the Yang Di-Pertua Majlis.** These committees must have sufficient private sector representation.

At the same time, the **Clients Charter at every Ministry, Department and Agency should be updated and audited regularly for compliance. Approval deadlines should be drastically reduced** with improvements in work processes and greater efficiency. These measures will further improve the public delivery services.

9. **UPGRADE INTAN INTO A PUBLIC ADMINISTRATION UNIVERSITY:**Malaysia's ability to enhance its national competitiveness depends to a great extent on the quality, integrity and professionalism of its civil servants. The National Institute of Public Administration (INTAN) has for decades been doing a great service to the nation by training our civil servants.

It is proposed that in Budget 2008, provisions be made for **INTAN to be upgraded into a Public Administration University or Universiti Pentadbiran Awam (UPA)**. The new university can also be a **National Centre for Leadership Excellence as well as a Centre of Excellence for Public and Corporate Governance**.

10. **PROMOTE SOCIAL ENTREPRENEURSHIP AND MORAL CAPITALISM:** To share economic prosperity arising from buoyant economic growth, it is proposed that Budget 2008 promote social entrepreneurship and moral capitalism. Corporate philanthropy can be further institutionalized by lifting the cap on tax relief for giving to charity, with the growing support for corporate social responsibility programmes, corporate philanthropy can be made a way of corporate life in Malaysia. Corporations should be encourage to nurture social entrepreneurship whereby assistance in business mentoring can be encouraged. Such business mentoring to NGO's and non-profit foundations can help them sustain their revenue stream. Corporate philanthropy and social entrepreneurship will help share economic prosperity with the needy and marginalized.

11. **MAKE MALAYSIA A REGIONAL KNOWLEDGE HUB:** To further enhance national competitiveness it is proposed that Malaysia be made a Regional Knowledge Hub. **Incentives and policies to nurture creativity and innovation would be necessary to make Malaysia a vibrant regional knowledge hub for creative industries and professional services.** Budget 2008 should **promote the growth of mini-MNC's of small professional services firms** that can **compete and succeed globally in areas such as architectural and urban planning services, Islamic wealth management, legal, accounting and ICT services.** At the same time, talent has to be brought into the country with **more liberal immigration and work permit rules** to allow a mushrooming of such creative and knowledge-driven industries which requires creative talent and knowledge expertise.
12. **INTENSIFY FIGHT AGAINST CRIME:** The growing incidence of crime has to a certain extent alarmed both the foreign investors and local business community. Concerns about safety and security would create a negative image for the country. **As such, greater efforts must be taken for an all-out battle against crime.** The Prime Minister's recent call to PDRM to launch an all-out war against crime is to be applauded and supported. **Budget 2008 should result in substantial increases in allocations for the Polis DiRaja Malaysia so that they will be better equipped to fight crime.** We also fully support the call of the Inspector-General of Police to the Government to **increase the salaries for PDRM.** Budget 2008 should therefore provide for

this increase in PDRM salaries as well as the creation of more promotional positions for PDRM.

13. **CIVIL SERVICE DIVERSITY:** Just as the private sector has been actively encouraged to increase Bumiputra participation at all levels, there ought to be **equal determination to ensure civil service diversity is restored. A more concerted effort needs to be undertaken to achieve a more racially balanced civil service. Lateral movements** between the public and private sectors should be encouraged to promote cross-fertilization of ideas.

14. **RELAX MALAYSIA MY SECOND HOME CONDITIONS:** The Malaysia My Second Home programme has been effective in bringing in long-staying foreign tourists keen to make Malaysia a second home. To make the country even more attractive, **it is proposed that those approved under the MM2H scheme be allowed to invest in business or establish businesses. This would enable the applicants to do business and will make the programme even more relevant for high-net worth individuals – currently the applicants are not allowed to work or to do business.** Relaxation of this ruling will bring in many more applications under the MM2H programme. In addition, the MM2H applicants can also create business and employment opportunities for Malaysians if the rules are changed to permit them to do business.

15. **ENHANCE NATIONAL UNITY:** Political stability is a key success factor to enhance national competitiveness. To a great extent, political

stability depends on national unity. It is proposed that to further enhance National Unity, Budget 2008 makes an allocation of RM50 million as a Launching Grant for the newly established Yayasan Perpaduan Nasional under the patronage of the Prime Minister to enable the new Yayasan to carry out more research and other grassroots programmes to strengthen National Unity.

It is further proposed that the Prime Minister's Budget Speech contains strong messages on strengthening National Unity. In addition, it is further proposed that the Government consider enacting an Ethnic Relations Act and establish a National Unity Commission to investigate complaints on incitement of racial or religious conflicts and complaints on racial and gender discrimination in both the public and private sectors.

16. CONCLUSION: The Government has undertaken bold, imaginative and pragmatic measures to improve business sentiments and investor confidence in the country. A lot has been done. A lot more can still be done. In the final analysis, national competitiveness will to a great extent be dependent on such intangibles as political stability, confidence in the judiciary and the rule of law. As such, there has to be National Commitment to uphold and defend the Federal Constitution at all cost. With renewed confidence in the key institutions of the country, there will be greater business and investor confidence.

Submitted By:-  
Dato' Dr. Michael Yeoh, CEO, Asian Strategy & Leadership Institute (ASLI)  
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