

Do not neglect large local firms in E&E sector

KUALA LUMPUR: There needs to be more balance between opportunities for growth given to multinational corporations (MNCs) and large local companies (LLCs) in the electrical and electronics (E&E) industry so as to not neglect the latter's development, said Deputy International Trade and Industry Minister Dr Ong Kian Ming (pic).

"While we must take advantage of opportunities to capture additional investments from existing MNCs, we must also give due attention to growing and strengthening LLCs and supporting SMEs (small and medium enterprises) in this sector," Ong said in his opening speech at a seminar entitled "Malaysia E&E: A reality check" held at the ministry yesterday.

Ong noted that the overall contribution of foreign direct investment inflows to the E&E sector has been well documented from increasing the level of economic complexity (which is another way of measuring amount of value added for outputs) to having a higher-than-average productivity growth compared with other industries and the gradual upskilling of its workforce over time.

"But on a case-by-case basis, many MNCs have to face an alternative narrative which says that Malaysia has been too generous and not discerning enough with regard to tax incentives leading to some MNCs seemingly enjoying reinvestment allowances in perpetuity. Some are even saying that those incentives should be called back or reduced," he said.

As such, the impression that the government gives disproportionate attention, incentives and grants to the MNCs should be corrected, Ong said.

"We need to have a balance between creating an ecosystem to allow for new products to be brought in by existing MNCs and at the same time focusing on LLCs and SMEs. If we can achieve that sweet spot of balance, then the public narrative will be one that is much more compelling," he added.

Ong stressed that LLCs have and will continue to enjoy access to matching grants from the Malaysian Investment Development Authority-administered domestic investment strategic fund (DISF) which has supported research and development and training activities for many local companies in the E&E sector including Ground Data Solutions R&D Sdn Bhd and ViTrox Corp Bhd, before it was listed.

"[The] government and industry partnerships to grow the R&D (research and development) and technology base of the LLCs in the E&E sector will continue so that LLCs can continue to move up the value chain. The challenge here is to align the speed of DISF grant approval and disbursement with the investment and production time frame of the LLCs," he said.

At the SME level, Ong said many of the programmes and initiatives by the government going forward will be related to Industry 4.0.

"The focus here will be to slowly but surely on board the local SMEs to adopt Industry 4.0 pillars systematically so that productivity and quality of their manufacturing processes can be enhanced. The challenge here is to get ownership and top management buy-in to start their Industry 4.0 journey since many are still reluctant to move towards this direction," he said.

Looking ahead, Ong said the number and amount of Chinese investments in the Malaysian E&E industry are expected to grow significantly as a result of the US-China trade and technology conflict, which is not likely to abate anytime soon.

"Malaysia must find ways to integrate these Chinese E&E players into the local ecosystem so that they can grow together with the existing MNCs and LLCs," he said.