

- Amendment to bankruptcy laws to allow companies longer protection period from creditors (instead of the present 6- months of court protection) to prepare corporate restructuring strategies.
- Formulation and adoption of the National Economic Recovery Plan (NERP), Malaysia's blueprint for economic recovery. The NERP emphasises six strategic areas for action to address the crisis, namely stabilising the ringgit, restoring market confidence, maintaining financial market stability, strengthening economic fundamentals, continuing the equity and socio-economic agenda and restoring adversely affected sectors

6. Effects of the currency depreciation on Malaysian businesses

The following responses were cited by Malaysian businessmen at private sector meetings organised by chambers of commerce and business associations as well as from media reports .

- Slower collections from customers.
- Unable to complete raw material purchase transactions. Down payments for purchases forfeited due to lack of funds to pay outstanding balance.
- Need to increase prices of finished products.
- Higher prices of imported inputs.
- Tighter credit control.
- Reduced demand as prices increase.
- Reduced profit.
- Cash-flow problem.
- Very uncertain about future earnings and prospects.
- Shaken business confidence.
- Lower wage pressures
- Negative wealth effects
- Decline in share prices

- Devaluation of investment to foreign shareholders.
- Higher cost of working capital
- Deterioration in asset quality
- Increased IT expenditure which has a high import component.
- Affected proposed upgrades of computer equipment and software systems.
- Increase costs of expert and consultant fees.
- Affected overseas investment policies.
- Higher cost of expansion.
- Key projects that were ready for award were delayed or cancelled.
- Increase costs of heavy machinery and spare parts.
- Delay of the country's mega-projects affected demand for product.
- Interrupted implementation of company's strategic plans.
- Buyers have pressured for lower prices
- Depreciation of regional currencies has affected the value of investments in ASEAN. Furthermore, overseas operations are financed by borrowings denominated in USD.
- Have to compete with competition from neighbouring countries' as their currencies are even cheaper.

7 Measures that Malaysian businesses seek from the Government to alleviate hardships caused by the currency depreciation

7.1 Survey Questionnaire

A three page survey questionnaire was mailed to companies in Malaysia in October 1997. The survey questionnaire was faxed / mailed to around 800 Malaysian companies contained in the database of the National Chamber of Commerce and Industry of Malaysia. The questionnaire was also sent to Constituent Chambers of NCCIM and other private sector associations in the country for distribution to their member companies.

The survey questionnaire contained open-ended questions as the range of responses in this research project is not known. A copy of the survey questionnaire is attached at the end of the paper.

A total of 100 companies had responded. All responses received were usable. The list of respondent companies are also attached at the end of the paper. Answers to the questions in the survey were edited to correct for grammatical errors.

7.2 Overview of survey results

| Rank | Type of measure required | % of responses |
|------|--|----------------|
| 1. | Tax incentives | 90 |
| 2. | Soft loans | 89 |
| 3. | Promote import substitution | 84 |
| 4. | Reduce import duties | 80 |
| 5. | Provide strategic business information | 75 |
| 6. | Improve efficiency of government departments | 74 |
| 7. | Improve port facilities | 65 |
| 8. | Develop local services sector | 64 |
| 9. | Lower utility cost | 63 |
| 10. | Revamp education system | 60 |

7.3 Details on the measures that Malaysian companies seek from the government

7.3.1 Measures sought to increase exports

- Ensure access to credit. Banks have tighten their facilities in this crisis situation. Banks should provide additional bridging financing for incomplete transactions.
- Reduce import duties on essential imported components. Some components have high duties to protect local suppliers. Import duties on items that have to be imported must be waived to ease the burden on cost
- Port facilities is a very important factor to be competitive in export markets. Improve shipping time. Establish direct shipping to major Asean cities. It is faster to ship to Bangkok and Yangon from Singapore as opposed to Port Klang.
- Provide better port facilities and cheaper transport rates. Bulk export facilities must be improved and port charges must be reasonable. Port congestion for bulk carrying ships results in high demurrage charges payable to foreign shippers. Long term government policy for handling of bulk cargo required .
- Lack of additional production capacity due to deferment of capital expenditure.
- One constraint faced is land availability as the surrounding area designated as Malay Reserve Land and is unavailable for commercial use. Allow purchase and conversion of surrounding land for commercial use.
- Establish contingency funds to assist Malaysian companies to import needed raw material and capital assets.
- Stable currency and interest rates vital
- Introduce export incentives.
- Provide trade / export financing at competitive rates

- Provide strategic information on overseas markets such as export opportunities / competition / distribution / pricing / credit rating information / consumer behaviour .
- Form export consortia and develop government to government agreements. Create marketing channels.
- Provide incentives to counter high duties imposed by emerging markets.
- Expedite approval of licenses for new projects.
- Reduce trade financing interest rate.
- Reintroduce exports incentives given previously

7.3.2 Measures sought to reduce imports

- Give tax incentives to help build downstream sectors.
- Provide 5% incentive on local content.
- Encourage consumption of local products eg home grown tea. Encourage use of local products for housing development.
- Authorities must exercise greater control in quality and pricing of local material.
- Encourage local companies to produce items that are currently imported by providing necessary information to local companies.
- Identify new and potential local sources. Help develop these sources until the products meet world class standards. Improve quality, pricing and delivery of local products.
- Establish manufacturers of high grade steel for use in automotive industry.
- Data and information on the availability of quality local inputs must be readily available. Publish information on the availability of local inputs required by various industries in the country. Such information is vital to reduce foreign sourcing.

- Follow the Japanese example where all local construction materials, their prices and sources are provided on a current and up to date basis. Provide information on the availability of any new local raw material on the Internet.
- Provide directories of possible suppliers located not only in Malaysia but also ASEAN
- Compile list of items imported by industry and distribute to all manufacturers to find substitutes.
- Information and statistics need to be filtered in a timely and regular manner.
- Increase local supply of newsprint.
- Develop local capital goods and machinery
- Government to take measures to stop imports if local goods are available
- Intensify campaigns for local goods. Make local goods widely known to Malaysians. Organize more trade fairs for local small and medium supporting industries.
- Tackle the services deficit and capital imports as well as outward remittances by foreign labour. Govt to further develop insurance, shipping, education and tourism sectors.
- Minimize disruptions to supply of utilities so that utilisation of production capacities can be maximised. This will reduce imports of items where domestic production capacities are inadequate to meet domestic demand.
- Seek cheaper imports from non-traditional countries. Import from countries whose currency parity against RM remain stable. Help to identify these countries.
- Promote more local supporting industries.
- Find substitutes and use more local raw material.
- Enhance role of local insurance companies so that all imports are on FOB basis and insurance taken locally.
- Look for products which are not denominated in US Dollar
- Public awareness campaign to promote local goods/discourage imports. Tax/ other incentives to companies which can demonstrate usage replacement

using local inputs on a year to year comparison for them to maintain at least price competitiveness / profitability.

- Create a Ministry of Food Production to assist allocation of national resources to the food sector. Government to provide additional tax relief for foreign expertise.
- Emphasis be given to source requirements locally. Further tax incentives on R & D be provided by the Government to encourage manufacturers to produce quality local inputs or substitutes.
- Use local/ existing machinery & local material and reduce the reliance on foreign consultants.
- Encourage hedging of forex risk.
- Extend the usage of existing heavy equipment and machinery instead of importing new units.
- Local products should be made affordable to everyone. If the price of local products is the same as imported ones, there will always be a tendency to buy imported products.
- Promote local brands of good quality and competitive pricing
- Impose higher duties on imported items

7.3.3 Measures sought to develop human resources

- Government to set up common training centres to help companies train workers
- Provide incentives to housewife to join the work force eg provision of childcare facilities
- Early exposure to applied science and technology in primary schools.
- Appraise workers half yearly instead of annually.
- Provide additional incentives for training of workers. Government to subsidise HRDF in ratio of 1:1.
- Provide incentives to upgrade skills of workers in automation.

- Provide incentives to trading companies to train their staff.
- Widen the scope for double taxation relief for technical training.
- Allow double deduction on staff training expenses.
- Create work culture among young Malaysians. Able young Malaysians should not be idle.
- Encourage profit sharing with employees to instil loyalty
- Govt should build more technical schools. Undertake a survey of industry requirements for the above purpose.
- Entice Malaysians working abroad to return
- Increase the number of institutes of higher learning.
- Develop apprenticeship program to train school leavers to ensure continuous supply of skilled labour force.
- Support Chinese independent schools. There are about 60 such schools which have a total of 50,000 students all over Malaysia. Their students are tri-lingual will increase Malaysia's competitiveness in the future
- Labour laws are too restrictive. Industrial Court is extremely biased, at almost dictatorial level.
- Improve quality of local teachers. Need to enhance the remuneration package for teachers to attract more talented people to join this profession.
- Govt should send fewer students overseas. Allow local private and govt institutions to recruit competent trainers and lecturers on long term contracts, say 10 years from countries where these resources are available at low cost.
- Double tax deduction for training cost, including registration fee and expenditure related to the attendance of seminars / courses overseas such as cost of travel and lodging
- Introduce programs and courses aimed at updating and educating local players in different aspects of the banking industry.
- Allow double tax deduction for expenses incurred for on-the-job and in-house skill training of workers.
- Allow foreign wives to work.

- Revamp the education system to focus more on development of technical skills
- Extend retirement age to 60 for men and 55 for women. Recruit more women into the labour force.
- Create a top-level international environment. Welcome experts to work alongside Malaysians. Allow skilled foreign labour into the country.
- Increased efficiency of government administration will release people for industry.
- Review present education system to suit the country's requirement of skilled labour force i.e. by providing more opportunities for dropouts from schools to pick up skills. Provide educational opportunities locally to reduce migration problem.
- Provide tax incentives to companies to train undergraduates
- Better incentives for human resources development esp. training, paid study leave
- Have adequate vocational/practical training colleges and ensure training / course fees are affordable
- Allowing training fees as a deduction on personal tax.
- Allow training expenses as tax deductible item.

7.3.4 Measures sought to enhance technology and invest in R & D

- Tax relief for R & D costs. High technology and R & D is costly to acquire in terms of equipment and personnel Only large companies have the financial means
- More tax incentives to encourage use of IT. Special tax relief for investment in IT usage and applications to encourage computerisation. More R & D tax incentives would be useful e.g double tax deduction for all IT expenditure.
- Reduce duties and taxes of IT equipment, royalty, etc.
- Special tax allowances for high-tech machinery

- Tax incentives for technology intensive and R & D companies such as lower income tax. Tax incentives for R & D and technology transfer activities from foreign companies especially in computer, car manufacturing and semiconductor industry
- 100% re-investment allowance to modernise production technology.
- Provide tax incentives for capital expenditure for high-tech equipment and related training expenses.
- Provide incentives e.g subsidy or grant for successful R & D projects which would benefit the local industry of that product.
- Further tax incentives, easier financing terms for equipment, R & D grants, tax exemption on imported equipment, etc.
- Higher tax incentives for collaboration between high tech foreign firms with local partners.
- Tax incentive for merchant banks to carry out R & D work.
- Tax incentives, such as stipulated in Section 34A of the Income Tax Act 1967 can be awarded to the banking industry.
- Introduce further tax incentives on R & D
- Tax incentives and Government grant for research & development and promotion high technology activities.
- Better tax incentives to improve productivity via IT.
- Different income tax rates for achieving higher technology activities.
- Double tax allowance for R & D without imposing too much red tapes.
- Interest free loan for acquisition of R & D equipment.
- Establish more R & D institutes
- Soft loans or special development funds made available to meritorious cases.
- Frequent dialogues between R & D institutes and relevant industries above and over what is currently being initiated by our R & D institutes.
- Easier qualification requirements for double-deduction for R & D expenditure and simpler procedures to obtain R & D funding by local companies.

- R & D approvals for the plantation sector should be done by a single body eg MIDA and not at present by IRD.
- Provide duty free imports of equipment and machinery to modernise production.
- More attractive financing terms for R & D activities. Availability of low cost and long term funding
- Increase number of trained R & D people to service industries
- Encourage technologists to work in Malaysia
- Provide venture capital.
- Make programs like ITAF easy to apply. We find that the application is very complicated and the parties handling it are sometimes very discouraging.
- Reward successful R & D programmes, presently those successful in R & D are penalised because they have to pay back in term of royalties.
- Subsidy from govt in the purchase of R & D equipment.
- Direct initial grants to industries such as aluminium product manufacturing for special R & D work for development of new products / associated products / alloys, etc.
- Direct research institutions / universities to collaborate or have students as compulsory attachments to companies like Proton to develop / research new design, new materials etc.
- Ensure adequate supply of skilled manpower in specialised fields. Improve protection of Intellectual Property Rights.
- Attract the world's leading companies as a neighbouring country has done very successfully.
- Speed up product registration. The registration of pharmaceutical products in Malaysia takes 1½ to 2 years.

7.3.5 Measures sought to improve Balance of Payment (BOP)

- Reschedule mega projects in line with economical possibilities.
- Cancel mega projects which do not add value eg the northern region airport.
- Reduce dependence on foreign labour. Reduce the number of foreign workers in the country.
- Develop high tech industries with minimal content of foreign labour such as software and manufacturing of high-technology computer equipment.
- Extend financing to export oriented companies and import substitution activities
- Increase exports and reduce imports.
- Find local substitutes for imported goods & services.
- Increase revenue from services. Develop shipping, and tourism.
- Use local services such as banking, insurance, freight and project management expertise. A huge portion of the BOP deficit is from services (non-trade) such as insurance and other management fee payments. Action should be taken to lower such outflow.
- Promote the export of services
- Trade and investment related information to be made available to merchant banks, to enable them to better advise clients involved in reverse investments and crossborder deals.
- Provide incentives for consumers to buy Malaysian goods.
- Develop capital and intermediate goods industries to reduce imports.
- Encourage and accelerate reverse investments to offset large outflows.
- Provide incentives, to provide the impetus to move towards being more technology intensive. This will help reduce dependence on cheap foreign labour, which not only leads to high social cost, but large outflows.
- Develop higher value-added products for export. Currently, our major exports such as electrical and electronic products have low value-added and high import content.

- Allow foreign investments in infra-structure projects. Investments by foreign companies are not allowed or kept to a minimum in infra-structure projects.
- Maximise utilisation of used equipment. Extend the useful life of existing equipment & machinery.
- Use Malaysian made products for production and consumption.
- Limit borrowings in foreign currency.
- Relax rules to attract more foreign investments in the country.
- Source machinery and spare parts locally or from cheaper nations.
- Accelerate development of local SMIs to support local transportation industry.

7.3.6 Measures sought to compete in a global business environment

- Help to reduce the cost of doing business in Malaysia. Production cost in Malaysia is higher than other ASEAN countries due to higher costs of labour and overheads.
- The process of liberalisation and deregulation must be carefully implemented by the government. Government to protect businesses which are not yet able to compete with established market leaders. Frequent consultations between the authorities and affected industries are necessary.
- Review tax on life insurance business.
- Expose bank staff to advanced and developed financial environments.
- Ensure stable currency
- Prevent dumping by foreign competitors.
- Allow hiring of skilled foreign expertise in the banking sector especially foreign exchange and information technology.
- Reduce utility cost eg Cost of electricity prices may be competitive regionally but not globally.
- Lower corporate income tax.
- Reduce government red tapes.

- Adopt leading edge technology to be technically competitive in the international market which would lead to improved economies of scale - but this takes substantial funding - which is unavailable and too expensive. government to participate in risk sharing.
- Prices of local production inputs should be comparable to world market prices
- Liberalize financial services whilst assisting the financial sector to export its services e.g obtaining permits/ licenses in other countries.
- Provide more incentives to invest in new IT processes and manpower development
- Improve efficiency of infrastructure service providers eg utilities & highways to ensure that rates are competitive.
- Provide Information on foreign corporations
- Formulate global marketing strategy.
- Promote investments in R & D.
- Gradually reduce import duties introduced to protect certain industries.
- Improve productivity.
- Promote strategic alliances with foreign partners
- Introduce a programme to offer citizenship to highly skilled foreign personnel

7.3.7 Other measures sought to expedite economic recovery

- Government has to restore confidence both locally and overseas.
- Stop immediately " Anti-Foreigner " statements by important people. This hurts Malaysia's image.
- Treat this situation as an emergency let's work together.
- Local raw materials eg ammonia produced by Petronas should be sold to domestic industries in ringgit and not USD which is the current practice.
- Provide training and marketing information in other languages such as Mandarin so that Chinese speaking businessmen are aware of new government regulations and policies.

- Dialogue between private sector & Govt should be more often
- Improve Malaysia's business image
- Control profiteering by local suppliers. Suppliers of local material have increased their prices to more than compensate for increased costs.
- Control prices of diesel fuel and lubricants.
- A one stop speedy information center should be set up for the purpose of helping to provide better information flow.
- Quota scheme should be abolished so that everybody can compete equally to provide the best result.
- Reduce red tapes, corruption and complicated regulations
- Increase efficiency in government administration. Eliminate unnecessary procedures that increases the cost of doing business.
- Improve approval process for work permits and foreign investment regulations
- Improve banking facilities.
- Provide special loans to for projects to improve technology and productivity
- Government to establish fund to rescue companies with capable management and good growth potential
- The role of creating wealth for the nation should be left solely to the private sector whilst the government continue to focus its role of providing a conducive business environment
- Increase FDI into high technology industries.
- Develop Malaysia into a regional educational hub.
- Maintain political stability and racial harmony.
- Formulate effective monetary policy.
- Allocate several senior positions in every Ministry for private sector personnel to contribute new ideas to improve government administration
- Provide logistics, banking and shipping services at lower costs.
- Create a more conducive environment for Malaysian businesses
- Shift from manufacturing based to value added service base. Focus should be on multimedia and service industry.

- Stagger all necessary infrastructure projects base on affordability and sustainability. Cancel all unproductive and unnecessary mega projects.
- Govt contracts should be opened to all to encourage competitiveness and more efficient utilisation of resources. This will enable the development of world class Malaysia MNCs.
- Allow more liberal foreign investment and less restrictions on equity requirements. This will ensure foreign commitment to the Malaysian economy and ensure local companies meet international competitive standards.
- Expedite applications of business licenses and further reduce red tapes
- Direct construction activities to low cost & medium houses with low margins but big demand to sustain construction activities in the medium term.
- Government and private sector must be supportive of one another.
- Local business must seek to be cost-efficient and cost-effective to ensure their products are competitive in the world market. In addition, emphasis be given to further improvement in productivity.
- Large projects should be spread out into distinct phases, segments to stretch over a longer time frame for implementation and longer concession periods as well in order to minimise the cost burden in the initial years and enhance project viability yet involve lower user charges.
- Develop a relevant national data bank for Malaysian companies to be informed about opportunities under Malaysia Inc. Allow Malaysian companies to have access to relevant reports/studies to make investment decisions.
- Control costs and inflation, especially wage pressures.
- Access to specialised workers. Under present immigration rules and regulations, this is very difficult to achieve.
- Make Malaysia investment-friendly for the world pharmaceutical industry. At the moment, they prefer other locations.
- Improve efficiency in government departments
- Reduce the cost of utility such as electricity, water and highway toll charges.
- Increase productivity and quality of services and products.