

MPMA-MPA-MIDA Conference on Government Assistance
Welcome Address by
YBhg Datuk Norainin Soltan
Vice President, Malaysian Plastics Manufacturers Association
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Good Morning

YBhg Dato' Azman Mahmud
Chief Executive Officer, Malaysian Investment Development Authority (MIDA)

Mr Philip Kong Chock Hoon
Vice President, Malaysian Petrochemicals Associations (MPA)

Honoured Speakers from MITI, MIDA, MATRADE, MPC, MIDF, MGTC, Bank Pembangunan, MPA and ALIBABA

Distinguished Guests and friends from Government Ministries and Agencies

Members of MPMA

Ladies and Gentlemen

On behalf of the Malaysian Plastics Manufacturers Association, I would like to welcome all of you to this Conference on "Government Assistance for the Plastics Industry". This is in fact is the second collaboration between MIDA and MPMA in organising such an event for the plastics industry. The first Conference was held in 2016.

I am so heartened to see so many people here this morning, which shows that many companies are eager to learn about the Government's assistance in developing businesses. I would like to convey my special thanks to YBhg Dato' Azman Mahmud for joining us at the Conference to deliver the keynote address. I must add that MPMA is very pleased with MIDA's support towards MPMA and its activities for the plastics industry. Thank you, YBhg Dato' Azman.

Ladies and gentlemen,

The world's economic environment appears to be facing challenges as a result of the spillover effects of trade conflicts between the two world major economies – US and China. While the US-China trade conflicts might have some negative impact on the world's economic growth and global financial stability, there is also a potential outflow of Foreign Direct Investments from China into other regions, including the ASEAN countries. Malaysia, being one of the countries with good infrastructure, pro-industry Government policies and established supply chain, would be able to attract some of these re-divergent of Foreign Direct Investment outflows into the manufacturing sector.

As for the plastics industry, we registered a strong growth of 11.8% for the first four months of 2019. The growth was mainly driven by the strong demand from the E&E sector and the construction industry. The E&E sector expanded strongly over the recent years. In 2018, export of E&E products increased by 11% from RM343 billion to reach RM381 billion, this augured well for the plastics industry as the E&E is our second largest market sector, after the packaging industry.

The main challenge of the plastics industry is the rising cost of production, especially the cost of labour, due to the minimum wages policy, as well as the rising costs in employing foreign workers. Despite the rising wages, the industry is still facing severe shortage of labour.

We are fully aware that the Government is working on long-term plans to reduce the dependency on foreign labour. Our industry is looking at ways and means to increase production automation, invest in highly efficient machinery as well as upgrade the skills of both the skilled and semi-skilled local workers. To achieve these long-term targets, our members which consist of mostly SMEs, require the support and facilitations from the Government.

Malaysia is one of the top exporters of plastic products in the region. About 50% of the plastics industry's production is directly exported as finished products while another 30% is sold in the domestic market as parts and components of appliances or as packaging that goes into a product of another sub-sector that is eventually exported. The combined direct and indirect export volume of the industry is therefore very high. As the country's plastics industry is very export-focused, it has to navigate a very highly competitive export market which demands high quality products, along with the need to cope with high-volume production, and the introduction of more sophisticated processes such as integrated manufacturing process systems. Plastics manufacturers need to continuously invest in highly efficient machinery to remain competitive and the continued support from the Government is vital.

On export promotion, we have been working closely with MATRADE to organise specialised trade missions to selected countries as well as participate in world major plastics exhibition like the K, which is held once every three years in Germany.

The Market Development Grant is of great help to our members to implement their marketing development activities. However, in view of the increase in various costs and the weakening of the Ringgit, the current ceiling of the grant for SMEs is still limited to RM200,000, a level which was introduced since the commencement of MDG in 2002. MPMA is suggesting that perhaps MATRADE would consider increasing the ceiling of the MDG to RM500,000 as well to increase the limit per claim from RM15,000 to RM25,000.

In terms of the export sector, the EU market has been our major export destination for finished plastics products, for example, plastic films and bags, and indirect exports of plastic parts and components in the form of E&E products.

We hope that the negotiation of the ASIAN-EU Free Trade Agreement which is led by MITI, could be concluded soonest possible so that the Malaysian exporters would be able to price their products more competitively.

We appreciate the role and efforts of MIDA to facilitate the investment and reinvestment in the manufacturing sector. The extension of the Reinvestment Allowance (RA) for three years, that is, from 2016 to 2018, had encouraged more companies to expand their operations. We are of the view that RA should continue to be offered to the manufacturing sector with no time limit.

Ladies and gentlemen,

Today's conference is therefore a public-private partnership collaboration to facilitate the growth and the well-being of the industries. Today's Conference will bring you useful and valuable knowledge to help you improve your business operations and stay ahead of competition in the market.

MPMA also hopes that we are able to strengthen our working relationship with all Government agencies to promote the growth of the industries and the wellbeing of the country's economy.

On this note, I thank YBhg Dato' Azman Mahmud once again for taking time off his busy schedule for being here and giving us his utmost support. I also thank the Malaysian Petrochemicals Association for collaborating with us to organize this Conference. Last but not least, I thank the representatives from the various Government agencies as well as the participants for attending this Conference.

Thank you.