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Title:	The SME thrust	Issue:	KGL by Dr Victor K Fung
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The SME thrust

Fung says governments must facilitate SMEs to be part of global trade

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KUALA LUMPUR: With global supply chains opening up, governments need to facilitate the participation of the small and medium enterprises (SMEs) so that the local economy can be part of the global trade.

In line with the revolution of technology and logistics, global supply chains no longer rely on singular companies or countries to complete products but various companies in various parts of the world participating in different segments of the manufacturing process.

"The atomisation of the manufacturing process has enabled SMEs participate at different parts of the supply chain by focusing on their niche and providing that expertise," according to global trading, logistics, distribution and retailing giant Fung Group chairman Victor K. Fung.

"For that to happen, Fung said that governments must ensure that the infrastructures especially for information technology and logistics be developed enough to allow SMEs to begin participating in the global supply chain.

"Unless the Government does that, there is no way for the SMEs to participate. And SMEs are the largest job creators anywhere in the world," he said when presenting at the 10th Khazanah Global Lectures recently.

Just as private sector supply chains



Global supply chain: Fung (right) arriving at the Khazanah Global Lectures with Khazanah managing director Tan Sri Azman Mokhtar.

needed to be efficient, stable and sustainable, government services were also supply chains that needed to have those qualities at different levels to function in harmony.

"From the national perspective, economic policy today is really about

plugging the domestic economy into the global trading system. SMEs need to be inserted into living, sustainable and profitable global supply chain," he said, adding that Malaysia's national prosperity depended on that.

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Hong Kong-based Fung said how the global supply chain was constructed advocated the trade, investment and jobs flows which countries needed to understand to work out a way to harmonise it with the local economy.

He elaborated that the global supply chain demanded far greater stability in regulatory principles and practice, and clear adherence to rules-based operations.

"Market and supply chains will move to those economies that demonstrate stability in rule of law and clear protection of property rights," he said.

"The future lies in strengthening our labour force through good education, favourable tax and other incentives for the global supply chain and having government services that support and nurture our supply chains to compete globally."

With the advent of globalisation and technological advancement, Fung said the next frontier for the global supply chain would likely be

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Services industry set to be major contributor

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in service-intensive economies.

Taking Hong Kong's economy as an example, Fung who is helming a 105-year-old family business, added that supply chains were moving from merely thinking about production to thinking about business-to-business services.

"When you start moving the labour-intensive parts of the manufacturing process out, that leaves you with the front-end and back-end services which over time will make your economy a service-intensive one.

"That is the model of the future," he said.

"The fragmentation of the services provided, I think, could be the next big wave."

Fung added that most developing economies would have over 60% gross domestic product contribution from the services industry.

On China's economy, he said although there has been a slowdown in the last few months, the "long-term prognosis is 7.5% to 8% growth (while) I don't think a hard landing is in the cards for China".

Fung also pointed out that China would change the global trade and supply chain trends as its economy continued to grow.

"China will be importing finished consumer products, which is a brand new trade stream for the world," he said.

"China will increasingly want to invest overseas, diversifying away from the traditional treasuries and domestic investments."

"I think a lot of that will come this way, to this region."

Fung noted that China's outbound tourism would increase rapidly in the next few years. He was certain many would made their way to South-East Asia.

"From our experience in Hong Kong, they are the highest-spending tourists, not really on restaurants or hotels but merchandise," Fung said.

Source:	Business Times	Date:	Saturday, 1 December 2012
Title:	Be nimble, flexible and innovative, Malaysian firms told	Issue:	KGL by Dr Victor K Fung
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Be nimble, flexible and innovative, Malaysian firms told

ROZIANA HAMSAWI

KUALA LUMPUR: Asia is now at a major inflexion point with regard to supply chains and changing of policies globally and Malaysian companies need to be nimble, flexible and innovative, said founding chairman of the Fung Global Institute Dr Victor K Fung.

Even governments need to respond in terms of reorganising government structures, streamlining regulations, improving speed of services delivery and responding to business and social needs in terms of

faster turnaround time, he said.

He said for Malaysia, the economic policy of plugging the domestic economy into the global trading system must too insert SMEs into a living, sustainable and profitable global supply chain.

"Malaysia's national prosperity depends on joining the local supply chains with winning global supply chains," he said on Thursday night at the 10th Khazanah Global Lectures.

He delivered a lecture on "The Evolution of Global Supply Chains: Challenges for Asia", which focused

on the new global order, the role of changing supply chains in new businesses, including from the social, environment, technology and governance perspectives and its impact on Asia.

Fung Global Institute is an independent and non-profit think-tank that generates and disseminates innovative thinking and business-related research on global issues from an Asian perspective.

"If we understand where the jobs and value-added are being created in the global supply chain, we will begin to formulate policies, strate-

gies and business models very differently," said Fung in his one-hour lecture.

This, he added requires different expertise and different areas of co-operation between business and government, that is equal to the challenges of a fast-changing global economy.

"This new understanding will be critically important to meeting one of the major challenges of the road ahead in Asia, that is job creation ... particularly for countries like Malaysia that have rising population," he said.

Source:	The Edge	Date:	Friday, 30 November 2012
Title:	Asian countries must play cards well	Issue:	KGL by Dr Victor K Fung
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Asian countries must play cards well

Govt services must support local supply chains for Asia to compete globally

by **Kamarul Anwar**
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KUALA LUMPUR: Founding chairman of Fung Global Institute, Victor K Fung, believes Asian countries need to bolster their labour force with good education, implement favourable tax and incentives that fit the global supply chain, and have their government services support the local supply chains if they want to become global competitors.

"If we don't exploit our comparative advantages, including strategic geographical location, the global supply chain simply moves to another location," said Fung.

In his speech at Khazanah Nasional Bhd's Global Lectures 2012 last night, Fung said the national economic policy today is really about plugging the domestic economy into the global trading system.

Hence, Asia's prosperity re-

quires local supply chains to connect with winning global supply chains.

"We must never forget that we live in a global networked economy. Networks now compete against networks on a global basis."

Fung, sharing his experience and study on the evolving trend in the global economy, said small and medium enterprises in Asia will have a key role in a profitable global supply chain.

"When we design a supply chain, we do not just cut it into several stages of production, assembly and distribution; we cut it into many, many stages. Every little bit can go to somebody else."

He pointed out that while many products were assembled in China, they comprised components and input from many different countries.

"What is commonly called 'Made in China' is actually 'Made-in-the-World'; even if our trade statistics have yet to catch up," he said.

Moreover, Asian countries should not view each other as competitors. Imports from neigh-



Khazanah Nasional Bhd MD Tan Sri Azman Mokhtar (left) walking with Fung at the Khazanah Global Lectures yesterday.

bouring nations are part of the vital components and input that make the national and regional supply chains stronger.

Fung also stressed that job creation was one of the major chal-

lenges ahead, especially for countries with rising populations like Malaysia.

"Job creation is best seen as collaboration between policymakers and the business community.

Business identifies its needs in terms of labour and skills along the supply chain. But the government has a key role in the supply of skilled labour and the training of the future workforce," he added.

The government is also the catalyst in creating a smooth and effective production supply chain. Fung gave the example of China's local governments aiding the logistics supply chain.

"In China, the local governments facilitated the logistics supply chain by building transport infrastructure. They also honed their government services, including customs clearance, taxation and tariffs, and incentives to make the production supply chain as smooth and effective as possible."

Fung, who is also honorary chairman of Hong Kong-based Li & Fung Ltd, a global trading group with a market capitalisation worth HK\$123.84 billion (RM48.7 billion), said the "new global order" would see emerging markets moving into the middle-class income earners bracket that benefit from technological revolution.