

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE OPENING CEREMONY OF MENARA AIA
AT MENARA AIA
29 JANUARY 2000**

Firstly, allow me to thank Mr Maurice Greenberg, for his kind words of welcome and introduction. I would also like to take this opportunity to thank American International Assurance for inviting me to officiate at the opening of Menara A.I.A. here today.

2. As Malaysia moves forward in our quest to become a fully developed nation in twenty years time, we are always marketing our country as the preferred destination for international investors. In this regard it is the firm commitment of the Malaysian government to continue to attract committed, long-term investors by creating a conducive business environment in the country.

3. Among the foreign investors who have located or are locating their operations here, there are those companies who we can call "old friends" of Malaysia. I believe that A.I.G. and its subsidiary A.I.A. fall into this category. I can safely say this because A.I.A.'s commitment to Malaysia pre-dates independence and began in as early as 1948 when they commenced their operations in our country.

4. Ever since, A.I.A.'s involvement in Malaysia has gone from strength to strength, in tandem with the development of the Malaysian economy. I am happy to note that A.I.A.'s growth in Malaysia over the last 52 years has now resulted in the company's dominant position in the local insurance industry with a network of 22 branches and 8,500 agents.

Ladies and gentlemen,

5. While A.I.A. may be synonymous with providing insurance, I would like to draw your attention to their other involvements in Malaysia. For example, I am delighted to have been informed that all of A.I.A. Malaysia's life insurance assets are invested within the country. Over 20% or 1.1 billion ringgit of this amount is invested in our government securities to support public funding and liquidity management.

6. Other key investments made by A.I.G. and A.I.A. are their commitment in the multimedia super corridor, the star L.R.T. system and various other infrastructure projects. Today I would like to pay tribute to A.I.A.'s continued commitment to the country symbolised by their new corporate offices which marks another milestone in A.I.A.'s history in Malaysia.

Ladies and gentlemen,

7. A.I.A.'s long and fruitful presence in Malaysia underscores their optimism and confidence in our country's development. With strategic investment in infrastructure and transport, as well as far-sighted commitments in the M.S.C., A.I.A. has demonstrated its profound understanding of the changing phases in the development of Malaysia.

8. The Malaysian government hopes that other foreign companies will follow A.I.A.'s lead in recognising the potential and dynamism of the Malaysian economy. In the modern world of fly-by-night investors, governments must ensure that they attract the right type of investors, namely those who study a country's fundamentals and place long-term, strategic investments.

9. We are not, for example, against foreigners taking positions in the Kuala Lumpur stock exchange as is often suggested by certain quarters. In fact, the recent bull run in the K.L.S.E., which has seen the composite index gaining by 260% since our policy of selective capital controls were introduced, has been driven by the return of foreign portfolio investments. However, I hope that these fund managers will, from now onwards, base their market evaluation on the facts and fundamentals of the Malaysian economy rather than on rumours and unconfirmed market rumblings that does nothing but depress investor sentiment.

10. While both local and foreign investors must be cognisant of real economic risks, they must also be aware of speculative movements that may lead to the ignition of the herd mentality as seen during the run on Asian currencies in 1997.

11. As far as our fundamentals are concerned, Malaysia presents itself as a safe and profitable destination for foreign investors. After a contraction in our G.D.P. of 7.5% last year, the economy has rebounded aggressively to post a turn around last year. While official forecasts for the year 1999 is maintained at 4.3% other estimations have the figure closer to 5%. This shows the optimism generated by Malaysia's economic recovery which is set to continue into this year.

12. Our fixed exchange rate policy has allowed a sustained increase in exports resulting in favourable current account and external reserve levels. Currently external reserves total 117.6 billion ringgit or 30.9 billion U.S. dollars which can retain 6 months of import. I believe that the turn around in our current account is sustainable and am confident that it can remain above 7% of G.D.P. throughout this year.

13. In addition, inflation is in check and our interest rates have been maintained at level conducive to business recovery. On the corporate side, the clean-up of the banking sector is almost complete and efforts to restructure companies continue to be carried out with the objective of creating leaner and more profitable companies to lead Malaysia's future growth.

14. These are all reasons for everyone to be optimistic. We believe that, in terms of the Asian financial crisis, the worst is over. The Malaysian government now looks forward to a period of continued recovery and strengthening of our financial institutions. We also hope that, for our foreign partners, the results of the recently concluded general elections which returned a strong and stable government will eliminate the need for you to attach considerable political risk premiums to investments in Malaysia.

Ladies and gentlemen,

15. Allow me to, once again, thank A.I.A. for inviting me to officiate at the opening of Menara A.I.A. I am delighted to be present here today to lend my support to the continued relationship between A.I.A. and Malaysia. Your presence in Malaysia is of tremendous value to us, in terms of your investments, your contribution to

developing a skilled and professional workforce in the insurance industry, and, of course, in terms of the security that your products offer to more than one million Malaysians.

16. I wish A.I.G. and A.I.A. every success in the future and with this I am pleased to now officially open Menara A.I.A.

Thank you.