

**SPEECH BY
YAB DATO' SERI ABDULLAH HAJI AHMAD BADAWI
AT THE LAUNCH OF THE 8TH M.S.C.-I.A.P. BUSINESS SUMMIT
AT PUTRAJAYA CONVENTION CENTRE
1ST SEPTEMBER 2004**

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON.

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DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS A PLEASURE AND PRIVILEGE FOR ME TO ADDRESS THIS BUSINESS SUMMIT AND TO WELCOME SO MANY DISTINGUISHED SPEAKERS AND PARTICIPANTS TO THIS FORUM HELD IN CONJUNCTION WITH THE M.S.C.-INTERNATIONAL ADVISORY PANEL (I.A.P.) MEETING. IT IS INDEED FITTING THAT WHILE DISCUSSIONS ON THE OVERALL STRATEGIC DIRECTION FOR THE M.S.C. ARE TAKING PLACE AT THE I.A.P., A SPECIAL CONFERENCE IS BEING CONVENED HERE TO DISCUSS A KEY ASPECT OF THE M.S.C.'S DEVELOPMENT.

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2. SHARED SERVICES IS AN IMPORTANT ELEMENT IN TODAY'S BUSINESS WORLD. QUITE SIMPLY, IT REFERS TO A BUSINESS MODEL WHERE COMMON SERVICES ARE PROVIDED UNDER A SINGLE, SHARED ORGANISATION LEVERAGING ON ECONOMIES OF SCALE. IT IS BECOMING INCREASINGLY POPULAR AMONG MULTINATIONAL COMPANIES AS A WAY TO IMPROVE EFFICIENCY AND LOWER OPERATING COSTS. BEYOND DOMESTIC OPERATIONS, OUTSOURCING OF BUSINESS OPERATIONS OFFSHORE, ESPECIALLY TO COUNTRIES WHERE THE COST OF OPERATIONS IS LOWER, IS ALSO BECOMING COMMON PRACTICE AMONG MULTINATIONALS.

3. WHILE THE CONCEPT OF LEVERAGING ON ECONOMIES OF SCALE IS DEFINITELY NOT NEW, THE SHEER SIZE, EFFICIENCY AND INNOVATION OPPORTUNITIES OF THE SHARED SERVICES BUSINESS MODEL IS UNPRECEDENTED. NOT SURPRISINGLY, THE GLOBAL DEMAND FOR SHARED SERVICES AND OUTSOURCING CENTRES HAS RISEN DRAMATICALLY IN RECENT YEARS. THE AREA OF BUSINESS PROCESS OUTSOURCING (B.P.O.) ALONE IS EXPECTED TO CREATE A GLOBAL INDUSTRY WORTH AN ESTIMATED 500 BILLION U.S. DOLLARS BY 2008. TODAY, THE QUESTION ASKED BY MULTINATIONALS IS NOT, "SHOULD I GO OFFSHORE?" BUT "WHERE SHOULD I GO?".

4. AGAINST SUCH A BACKGROUND, I WELCOME THIS SUMMIT WHICH NOT ONLY AIMS TO EXAMINE NEW TECHNOLOGIES, TECHNIQUES AND DELIVERY MECHANISMS FOR THE SHARED SERVICES AND OUTSOURCING INDUSTRY, BUT WHICH ALSO SEEKS TO ESTABLISH MALAYSIA AS A CHOICE DESTINATION FOR COMPANIES THAT WANT TO OUTSOURCE "OFFSHORE" AS WELL AS FOR COMPANIES THAT INTEND TO PROVIDE SUCH SERVICES.

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5. MALAYSIA VIEWS THE GROWTH OF SHARED SERVICES AND OUTSOURCING CENTRES VERY FAVOURABLY, NOT ONLY AS A VALUABLE SOURCE OF EMPLOYMENT AND INCOME, BUT ALSO AS A SOURCE OF LESS TANGIBLE BUT EQUALLY IMPORTANT BENEFITS. THIS INCLUDES THE TRANSFER OF IMPORTANT SKILLS AND COMPETENCIES TO LOCAL KNOWLEDGE-WORKERS AS WELL AS EXPOSURE TO INTERNATIONAL BEST PRACTICES AND STANDARDS. AS SUCH, INVESTMENTS IN THIS INDUSTRY ARE HIGHLY-PRIZED AND COMPETITION AMONG POTENTIAL HOST COUNTRIES FOR SUCH INVESTMENTS IS VERY KEEN INDEED.

6. I BELIEVE MALAYSIA IS WELL POSITIONED TO BE A MAJOR PLAYER IN THE SHARED SERVICES AND OUTSOURCING INDUSTRY BECAUSE OF THE MANY ATTRACTIVE FEATURES ON OFFER HERE. FIRSTLY, THERE IS THE WORLD-CLASS INFRASTRUCTURE PROVIDED BY THE M.S.C., INCLUDING A HIGH-CAPACITY DIGITAL FIBRE-OPTIC NETWORK, WELL-EQUIPPED OFFICES AND BUSINESS CENTRES, EFFICIENT TRANSPORTATION AND A COMFORTABLE LIVING ENVIRONMENT. THESE PHYSICAL PROVISIONS ARE FURTHER SUPPORTED BY STRONG "SOFT" INFRASTRUCTURE IN THE FORM OF CYBER LAWS, FINANCIAL AND NON-FINANCIAL INCENTIVES, APPROPRIATE STRATEGIC POLICIES, AS WELL AS A LARGE POOL OF SKILLED KNOWLEDGE WORKERS.

7. AMONG THE TOP REASONS WHY MANY OF THE SHARED SERVICES AND OUTSOURCING COMPANIES HAVE CHOSEN TO BASE THEIR OPERATIONS IN MALAYSIA IS THE AVAILABILITY OF HIGHLY SKILLED WORKERS. AT THE OPERATIONAL LEVEL, THE RELATIVELY HIGH LEVEL OF EDUCATION THAT OUR KNOWLEDGE-WORKERS POSSESS, AS WELL AS THEIR ABILITY TO BE MULTI-LINGUAL/MULTI-CULTURAL IS A NATURAL ADVANTAGE. AT THE MANAGEMENT LEVEL, OUR PROFESSIONALS, ESPECIALLY THOSE WITH EXPERIENCE, ARE KNOWN FOR THEIR SIGNIFICANT INDUSTRY EXPERTISE, RELATIVELY LOW WAGE RATES, AND LOW ATTRITION RATE. THESE FACTORS, COUPLED WITH A LOW WAGE INFLATION RATE, MAKES MALAYSIA ONE OF THE MOST ATTRACTIVE AND SUSTAINABLE GLOBAL HUBS FOR OFFSHORE SERVICES.

8. I BELIEVE ANOTHER SELLING POINT IS THE M.S.C. BRAND NAME. THE M.S.C. BRAND HAS BEEN STEADILY GAINING GLOBAL RECOGNITION AND HAS ENABLED MALAYSIA TO DEVELOP CONSIDERABLE PRESENCE ON THE GLOBAL STAGE. MALAYSIA'S EFFORTS TO DEVELOP ITSELF AS AN INNOVATION HUB FOCUSING ON I.C.T., FINANCE, ENERGY, HEALTH, EDUCATION AND TOURISM, WITH CAPABILITIES IN HIGH-END MANUFACTURING AS WELL AS LOGISTICS AND SUPPLY CHAIN

MANAGEMENT, HAVE ALSO PLACED THE COUNTRY IN A GOOD POSITION TO BECOME A NICHE PLAYER IN THE SHARED SERVICES MARKET.

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9. I BELIEVE THAT THESE ATTRACTIVE FEATURES, COUPLED WITH THE STRONG COMMITMENT OF THE GOVERNMENT TO DEVELOP THE SHARED SERVICES AND OUTSOURCING INDUSTRY, HAVE BEEN THE MAIN REASONS BEHIND THE SUCCESS OF THIS INDUSTRY IN MALAYSIA. SO FAR, THE SHARED SERVICES AND OUTSOURCING INDUSTRY IN MALAYSIA HAS DEVELOPED A COMMUNITY OF 49 COMPANIES, GARNERED INVESTMENTS OF OVER 1 BILLION RINGGIT, AND CREATED APPROXIMATELY 8,000 JOBS IN THE M.S.C.. THIS MAKES IT ONE OF THE LARGEST SECTORS IN THE M.S.C..

10. INTERNATIONAL RECOGNITION OF MALAYSIA'S CAPABILITIES IN SHARED SERVICES HAVE ALSO COME IN THE FORM OF A RECENT GLOBAL OUTSOURCING SURVEY BY A.T. KEARNEY, IN WHICH MALAYSIA IS RANKED THIRD (BEHIND INDIA AND CHINA) IN TERMS OF ATTRACTIVENESS AS A DESTINATION FOR OUTSOURCING ACTIVITIES. WHILE THIS RECOGNITION IS INDEED AN HONOUR, IT IS IMPORTANT THAT WE STRENGTHEN OUR COMPETITIVE POSITION EVEN FURTHER. AS I MENTIONED EARLIER, COMPETITION FROM OTHER COUNTRIES FOR INVESTMENTS IN THIS INDUSTRY IS PARTICULARLY KEEN. IT IS MY FIRM BELIEF THAT MALAYSIA MUST NOW MOVE QUICKLY AND TAKE ADVANTAGE OF THIS OPPORTUNITY TO BUILD A STRONGER BRAND NAME FOR ITSELF AROUND ITS OFFSHORE CAPABILITIES.

11. IN ORDER TO BUILD ON THESE SUCCESSES, THE GOVERNMENT, THROUGH THE M.D.C., WILL CONTINUE TO PROMOTE THE M.S.C. AS THE GLOBAL HUB FOR COMPANIES SEEKING TO ESTABLISH AND GROW SHARED AND OTHER HIGH VALUE-ADDED SERVICES. IN FACT, SHARED SERVICES AND OUTSOURCING PLAYS A MAJOR ROLE IN THE M.S.C. NEXT LEAP WHICH RUNS FROM 2004 TO 2010. BY THE END OF THIS PERIOD, WE EXPECT TO HAVE CREATED AT LEAST 100,000 HIGH VALUE JOBS IN THIS SECTOR. I BELIEVE WE CAN ACHIEVE THIS AND MORE, AS WE ALREADY HAVE A STRONG FOUNDATION HERE, WITH COMPANIES SUCH AS D.H.L., SHELL, H.S.B.C., E.D.S., I.B.M., PRUDENTIAL, ERICSSON, MOTOROLA AND MANY OTHERS LOCATING THEIR GLOBAL SERVICES IN THE M.S.C..

12. TO ENSURE THAT WE MEET OUR TARGETS, IT IS VITAL THAT MALAYSIA CONTINUES TO PROVIDE VALUE-FOR-MONEY INFRASTRUCTURE AND TALENT, AS WELL AS TO GO BEYOND THIS BY DEVELOPING VARIOUS PROCESS AND TECHNOLOGY INNOVATIONS IN THE INDUSTRY. THE GOVERNMENT IS CURRENTLY LOOKING AT WAYS TO LOWER COSTS ASSOCIATED WITH TRAINING AND CERTIFICATION OF KNOWLEDGE-BASED WORKERS IN ORDER TO ENLARGE AND UPGRADE THE POOL OF AVAILABLE KNOWLEDGE-WORKERS. AT A MORE FUNDAMENTAL LEVEL, THE GOVERNMENT IS ALSO INTRODUCING MEASURES TO REVITALISE THE SCIENCE AND TECHNOLOGY COMPONENT OF THE COUNTRY'S EDUCATION SYSTEM. THIS WILL RESULT IN AN INCREASED NUMBER OF I.C.T.,

SCIENCE AND ENGINEERING GRADUATES PRODUCED OVER THE COMING FEW YEARS, WHICH WILL ADD TO THE AVAILABLE POOL OF KNOWLEDGE-WORKERS.

13. I ALSO BELIEVE THAT IN ORDER TO ENSURE THE SUSTAINABLE GROWTH OF THE SHARED SERVICES AND OUTSOURCING INDUSTRY IN MALAYSIA, OUR LOCAL TECHNOLOGY-BASED COMPANIES MUST BE MORE INTEGRATED WITHIN THE INDUSTRY VALUE-CHAIN. AS SUCH, WE WILL NEED TO WORK HARDER TO ESTABLISH LOCAL CORPORATIONS THAT ARE ABLE TO OFFER WORLD-CLASS SERVICES AND MARKET THEIR CAPABILITIES GLOBALLY. TO ENCOURAGE THIS, THE GOVERNMENT WILL TRY TO PROVIDE LOCAL COMPANIES WITH OPPORTUNITIES TO BE INVOLVED IN GLOBAL-LEVEL PROJECTS TO BUILD THEIR CAPABILITIES, AS WELL AS LOWER THE COST OF FINANCE AND MAKE IT EASIER TO ACCESS FOREIGN TALENT IN THIS FIELD.

14. BESIDES THIS, I BELIEVE OUR LOCAL TECHNOLOGY COMPANIES SHOULD LEVERAGE ON THEIR LINKS WITH THE SHARED SERVICES INDUSTRY IN THE COUNTRY AND BEGIN TO UNDERTAKE RESEARCH INTO THE CREATION AND COMMERCIALISATION OF NEW TECHNOLOGIES THAT CAN PROVIDE MORE EFFICIENT SOLUTIONS FOR THE INDUSTRY. THE GOVERNMENT ON ITS PART WILL HELP BY GIVING INCENTIVES TO SHARED SERVICES COMPANIES TO PARTNER WITH LOCAL TECHNOLOGY COMPANIES. THE GOVERNMENT WILL ALSO DO ITS BEST TO ATTRACT MORE GLOBAL TECHNOLOGY FIRMS SPECIALISING IN TECHNOLOGY AND PRODUCT CREATION SERVICES, TO LOCATE IN THE M.S.C..

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15. THIS SUMMIT PROVIDES A GOOD OPPORTUNITY TO UNDERSTAND MORE ABOUT THE SHARED SERVICES AND OUTSOURCING INDUSTRY GLOBALLY AND IN THE COUNTRY. THE PRESENCE OF MAJOR INDUSTRY PLAYERS PRESENTS AN OPPORTUNITY TO DISCUSS KEY TRENDS THAT ARE DRIVING THE INDUSTRY AS WELL AS TO FORMULATE A STRATEGIC RESPONSE THAT CAN MOVE THE MALAYSIAN INDUSTRY FORWARD. INDEED, I WOULD PARTICULARLY APPRECIATE YOUR VIEWS ON HOW THE M.D.C. OR MY GOVERNMENT CAN IMPROVE ON ITS POLICIES, SERVICES, OR INFRASTRUCTURE WITH RESPECT TO THE SHARED SERVICES BUSINESS MODEL IN MALAYSIA. I INVITE ALL OF YOU TO VISIT THE BEAUTIFUL SURROUNDINGS OF THE M.S.C. AND BEYOND SO THAT YOU MAY WITNESS FOR YOURSELF WHAT WE HAVE TO OFFER. I AM CONFIDENT THAT WITH YOUR CONTINUED SUPPORT AND YOUR VALUABLE INPUT, MALAYSIA'S COMPETITIVE ADVANTAGE AND VALUE PROPOSITION TO WOULD-BE INVESTORS CAN BE STRENGTHENED AND FURTHER ENHANCED.

16. ON THAT NOTE, IT GIVES ME GREAT PLEASURE TO LAUNCH THE 8TH M.S.C.-I.A.P. BUSINESS SUMMIT 2004.

THANK YOU.