

**SPEECH BY
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AT THE 14TH INDUSTRY EXCELLENCE AWARDS
10 MARCH 2005**

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND A VERY GOOD AFTERNOON TO ALL

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DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS A PLEASURE TO BE HERE TO SHARE THE SUCCESS OF COMPANIES RECEIVING AWARDS IN RECOGNITION OF THEIR PRODUCT EXCELLENCE, ACHIEVEMENTS IN THE EXPORT OF PRODUCTS AND SERVICES AS WELL AS IN INNOVATION AND QUALITY MANAGEMENT.

2. THE SUCCESS OF THESE COMPANIES IS A REFLECTION OF THE ACHIEVEMENT OF THE MANUFACTURING AND SERVICES SECTORS AS A WHOLE. THIS IS SIGNIFICANT BECAUSE CONTINUED ECONOMIC DEVELOPMENT OF MALAYSIA HINGES, AMONGST OTHERS, ON THE CONTINUOUS PROGRESS OF THESE SECTORS. UP TILL NOW, THE MANUFACTURING SECTOR CONTINUES TO BE A MAJOR CONTRIBUTOR TO GDP, ACCOUNTING FOR 31.8 PER CENT IN 2004.

3. IN ADDITION TO THIS, TWO OTHER IMPORTANT INDICATORS, NAMELY, THE INDUSTRIAL PRODUCTION INDEX AND THE LEVEL OF PRODUCTIVITY SERVE TO FURTHER VALIDATE THE CONTRIBUTION OF THE MANUFACTURING SECTOR. THE INDUSTRIAL PRODUCTION INDEX SHOWS THAT THE MANUFACTURING SECTOR EXPANDED BY 12.6 PER CENT IN 2004 COMPARED WITH 2003. FURTHERMORE, MANUFACTURING SECTOR PRODUCTIVITY LEVELS INCREASED BY 2.6% IN 2004 COMPARED WITH 2003.

4. THIS ENCOURAGING PERFORMANCE OF THE MANUFACTURING SECTOR, COUPLED WITH INCREASED DOMESTIC CONSUMPTION, WERE THE MAJOR CONTRIBUTORS TOWARDS THE 7.1 PER CENT GDP GROWTH ACHIEVED LAST YEAR. IF ONE CONSIDERS THE FACT THAT THIS GROWTH RATE WAS ACHIEVED DESPITE THE

CONTRACTION IN GOVERNMENT SPENDING, THEN THIS IS INDEED A HEALTHY SIGN FOR OUR ECONOMY. IN THIS LIGHT, I WOULD ASSERT THAT THE PRIVATE SECTOR SHOULD CONTINUE TO BE THE MAIN ENGINE FOR GROWTH, WITH THE PUBLIC SECTOR PLAYING A FACILITATING ROLE.

5. THIS HAS BEEN OUR STRATEGY SINCE THE INTRODUCTION OF THE MALAYSIA INCORPORATED POLICY, AND I MUST EMPHASISE THAT THIS WILL REMAIN AS OUR STRATEGY. I WOULD LIKE TO REITERATE THAT THE ROLE OF THE GOVERNMENT MUST BE TO CONTINUOUSLY IMPROVE THE PUBLIC SERVICE DELIVERY SYSTEM. THIS CAN BE DONE THROUGH REGULAR REVIEWS OF PROCEDURES, PROCESSES AND REGULATIONS IN ORDER TO CREATE AN ENVIRONMENT WHERE BUSINESSES CAN FLOURISH. THIS IS VERY IMPORTANT CONSIDERING THE INCREASING GLOBAL COMPETITION THAT WE ARE FACED WITH, AND THE FACT THAT TECHNOLOGICAL ADVANCEMENT AND PREFERENTIAL TRADE ARRANGEMENTS ARE CHANGING THE DYNAMICS OF SUPPLY AND DEMAND IN THE RELEVANT MARKETS.

6. MALAYSIA IS INCREASINGLY ENGAGED IN TRADE, SERVICES AND INVESTMENT LIBERALISATION AT THE MULTILATERAL, REGIONAL AND BILATERAL LEVELS. FROM THE BILATERAL PERSPECTIVE, MALAYSIA AND JAPAN ARE PRESENTLY NEGOTIATING A COMPREHENSIVE ECONOMIC PARTNERSHIP WHICH INCLUDES A FREE TRADE AGREEMENT. WITH THE USA WE ARE WORKING ON THE TRADE AND INVESTMENT FRAMEWORK AGREEMENT, OR TIFA. MOREOVER, MALAYSIA AND INDIA ARE UNDERTAKING A JOINT STUDY TO DETERMINE THE FEASIBILITY OF A COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT. IN MY RECENT VISIT TO PAKISTAN, BOTH GOVERNMENTS AGREED LIKEWISE TO UNDERTAKE A JOINT STUDY; AND SOON WE WILL BE FULLY ENGAGING NEW ZEALAND AND AUSTRALIA IN BILATERAL FTAS.

7. I BELIEVE THAT GIVEN THESE DEVELOPMENTS, IT IS ALL THE MORE IMPERATIVE THAT BOTH THE PUBLIC AND PRIVATE SECTORS REASSESS THE WAY WE COLLABORATE SO THAT WE ENHANCE NATIONAL COMPETITIVENESS. IT IS FOR THIS REASON THAT I CALL ON ALL SECTORS OF THE ECONOMY – INCLUDING THE BUSINESS COMMUNITY, ACADEMIA AND PUBLIC AGENCIES – TO WORK TOGETHER IN ORDER TO TAKE MALAYSIA TO GREATER HEIGHTS.

LADIES AND GENTLEMEN,

8. IN ORDER TO ACHIEVE FURTHER SUCCESS, MALAYSIA MUST COMPETE IN THE GLOBAL MARKET. HOWEVER THE GLOBAL MARKET IS INTENSELY COMPETITIVE. THE GENEVA-BASED INSTITUTE FOR MANAGEMENT DEVELOPMENT, OR IMD, PRODUCES A SCORE CARD ON NATIONAL COMPETITIVENESS AND THE LATEST RANKINGS SHOW THAT MALAYSIA IS PERFORMING WELL:

- IN TERMS OF OVERALL COMPETITIVENESS, OUT OF 30 ECONOMIES WITH POPULATIONS GREATER THAN 20 MILLION, MALAYSIA RANKED 5TH IN 2004, UP FROM 7TH IN 2003;
- FOR GOVERNMENT EFFICIENCY, MALAYSIA MAINTAINED ITS 4TH POSITION LAST YEAR, AHEAD OF TAIWAN, THAILAND AND CHINA;

- FOR EASE OF DOING BUSINESS, MALAYSIA MOVED FROM 8TH TO 5TH POSITION; AND
- FOR MANAGEMENT OF PUBLIC FINANCES, MALAYSIA WAS RANKED NO 1, AN IMPROVEMENT FROM 4TH POSITION IN 2003.

9. I AM INDEED PLEASED TO SEE THAT WE ARE MAKING PROGRESS. BUT I BELIEVE THAT MORE IMPORTANT THAN THESE RANKINGS ARE THE TANGIBLE PERFORMANCE IMPROVEMENTS THAT HAVE ARISEN FROM BETTER COMPETITIVENESS. IN THIS REGARD, I NOTE WITH INTEREST THAT OUR EXPORTS REACHED A RECORD HIGH OF RM480.7 BILLION LAST YEAR, AN INCREASE OF OVER 20% FROM 2003. INVESTMENTS IN MANUFACTURING CONTINUE TO INCREASE WHEREBY FOR THE FIRST 11 MONTHS OF 2004, THERE WERE A TOTAL OF 993 INVESTMENT APPLICATIONS COMPARED TO 925 APPLICATIONS FOR THE WHOLE OF 2003.

10. THESE FIGURES INDICATE THAT OUR OVERALL INVESTMENT AND BUSINESS CLIMATE CONTINUE TO ATTRACT INVESTORS. WE REALISE THAT A SIGNIFICANT CONTRIBUTOR TO THE OVERALL INVESTMENT AND BUSINESS CLIMATE IS PUBLIC SECTOR PERFORMANCE. THAT IS WHY THE PUBLIC SECTOR MUST ENSURE THAT THE GOVERNMENT DELIVERY SYSTEMS REMAIN EFFECTIVE.

11. I KEEP DRAWING ATTENTION TO THE IMPORTANT ROLE OF THE PUBLIC SECTOR BECAUSE I AM ACUTELY AWARE OF THE CHALLENGES THAT LIE AHEAD. ONE OBVIOUS CHALLENGE FACING INDUSTRY IS KEEPING PACE WITH, AND SUBSEQUENTLY, STAYING AT THE FOREFRONT OF, TECHNOLOGICAL ADVANCEMENT IN ORDER TO UTILISE IT FOR PRODUCT AND SERVICES DEVELOPMENT. WHILE THIS CALLS FOR A HIGH DEGREE OF CREATIVITY, INNOVATION AND RESEARCH AND DEVELOPMENT ON THE PART OF INDUSTRY, IT ALSO MEANS THAT GOVERNMENT MUST DO WHAT IS NECESSARY TO FACILITATE SUCH PROCESSES.

12. I BELIEVE THAT AS A NATION WE HAVE IN US A SUCCESSFUL TRACK RECORD IN R&D. FOR THOSE OF YOU THAT RAISE EYEBROWS TO SUCH CLAIMS, I MUST DRAW YOUR ATTENTION TO TWO VERY SUCCESSFUL, WORLD-CLASS MALAYSIAN R&D INSTITUTIONS: THE RUBBER RESEARCH INSTITUTE AND THE MALAYSIAN PALM OIL BOARD.

THE RUBBER RESEARCH INSTITUTE HAS PRODUCED MANY NEW TECHNOLOGIES IN THE AREAS OF CROP MANAGEMENT AND CROP IMPROVEMENT. FURTHERMORE, ITS R&D PROGRAMMES HAVE ALLOWED MORE WIDESPREAD USAGE OF RUBBER BASED PRODUCTS FOR THE CONSUMER AND CONSTRUCTION INDUSTRIES IN PARTICULAR. ON THE OTHER HAND, THE MALAYSIAN PALM OIL BOARD HAS DEVELOPED, AMONGST OTHERS, PALM OIL DIESEL AS AN ALTERNATIVE SOURCE OF ENERGY.

OUR RESEARCHERS HAVE ACHIEVED MUCH AND I AM SURE WE ARE CAPABLE OF EVEN MORE. THE GOVERNMENT IS VERY SUPPORTIVE OF R&D EFFORTS AND WILL CONTINUE TO MAKE AVAILABLE GRANTS AND INCENTIVES TO ENABLE INDUSTRY, IN PARTICULAR SMES, TO UNDERTAKE RELEVANT R&D.

13. AN INTEGRAL PART OF R&D SHOULD BE BRAND DEVELOPMENT. IN AN INTENSELY COMPETITIVE WORLD, CONSUMERS ARE SPOILT FOR CHOICE WHEN IT COMES TO NEW PRODUCTS, SERVICES AND SOLUTIONS. GIVEN THIS SCENARIO, CONSUMERS WILL GRAVITATE TOWARDS BRANDS THEY CAN TRUST - NOT JUST BECAUSE THEY CAN RELY ON CONSISTENT QUALITY OR EXPERIENCE, BUT ALSO BECAUSE IT HELPS SIMPLIFY THEIR INCREASINGLY COMPLICATED LIVES.

14. I AM WELL AWARE THAT BRAND DEVELOPMENT AND BRAND BUILDING ARE INVESTMENT INTENSIVE. IN THIS REGARD, THE GOVERNMENT DECIDED IN 2003 TO ALLOCATE RM200 MILLION IN THE FORM OF THE BRAND PROMOTION GRANT, TO ASSIST COMPANIES IN PARTIALLY DEFRAYING THE COST OF INVESTING IN THE DEVELOPMENT AND PROMOTION OF BRANDS. HOWEVER, TO DATE, ONLY A TOTAL OF RM27.8 MILLION HAS BEEN APPROVED FOR 15 BRAND NAMES. THIS IS DUE IN LARGE PART TO APPLICANTS' LACK OF A CLEAR BRANDING STRATEGY. I EXHORT MALAYSIAN COMPANIES TO SERIOUSLY CONSIDER BRAND DEVELOPMENT IN THE CONTEXT OF THEIR OVERALL BUSINESS STRATEGY AND MAKE USE OF SUCH GOVERNMENT ASSISTANCE EFFECTIVELY.

LADIES AND GENTLEMEN:

15. I MUST STRESS HERE THAT THIS GOVERNMENT IS COMMITTED TO BEING A PARTNER TO INDUSTRY. BUT TO BE AN EFFECTIVE PARTNER WE WILL NEED CONSTRUCTIVE FEEDBACK FROM INDUSTRY, NOT ONLY ON WAYS TO IMPROVE SERVICE DELIVERY BUT ALSO ON HOW WE CAN WORK TOGETHER TO MAKE MALAYSIA A TRULY COMPETITIVE NATION.

16. I TAKE THIS OPPORTUNITY TO CONGRATULATE ALL THE WINNERS AND I HOPE THAT YOU WILL CONTINUE TO STRIVE FOR EXCELLENCE TOWARDS REALISING THE NATIONAL GROWTH AND DEVELOPMENT AGENDA.

THANK YOU.