

**ADDRESS BY  
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Datuk Edgar Nordmann, Chairman of the Forum.

Distinguished Guests,

Excellencies, Ladies and Gentlemen;

I am delighted to be here to address the business community of this very important economy and a great country that has spawned some of the leading minds in engineering, medicine, music and philosophy. I am also very glad to be here for reasons that Germany is one of Malaysia's most important economic partners. I have come to reaffirm this important relationship and to build further upon it.

2. In fact, Malaysia and Germany share a long history of engagement. Forty five years ago, we embarked on laying the foundation for a strong economic partnership when we signed the Investment Guarantee Agreement in 1960. Since then, our relationship has grown from strength to strength. We have been engaged in business, as well as in capacity building, at various levels. More recently, for example, the Malaysia-Germany Joint Economic Committee (the J.E.C) was established to foster closer economic relations between our two countries. The J.E.C is a mechanism for regular interaction between the private sectors of both countries, for creating networking opportunities and for developing mutually beneficial businesses. It is also the forum for discussing issues and challenges faced by both sides in doing business with each other.

3. I understand that several areas of collaboration have been agreed to since the J.E.C first met in October last year. These include I.C.T, infrastructure, education and training, tourism and quality testing. While I am happy that progress has been made in just seven months, I would like to see the projects identified take shape as soon as possible. The J.E.C can certainly be an important mechanism for intensifying our economic relations, but only if is used effectively.

4. Such engagements should be further intensified, especially among the members of the private sector as they are the ones who ultimately translate all Government initiatives into business realities. The success of such engagements will be quickly reflected in the performance of bilateral trade and investment.

5. In this connection, we are pleased to note that bilateral trade between Germany and Malaysia has been on the increase. In 2004, Malaysia's total trade with Germany amounted to USD 7.5 billion, an increase of 19.0 per cent compared with 2003. Trade with Germany accounted for 3.2 per cent of Malaysia's global trade. In 2004,

Malaysia's exports to Germany amounted to USD 2.8 billion, while imports totalled USD 4.7 billion. Germany is Malaysia's largest trading partner in the European Union, and our 9th. largest trading partner in the world.

6. Malaysia is also host to a number of large German companies, some of which have been in the country for over three decades. Germany has consistently been among the top sources of foreign investments in Malaysia. Between the year 2000 and February 2005, Germany ranked as the 2nd. largest foreign investor in Malaysia. A total of 104 manufacturing projects, with German participation, involving total capital investments of USD 3.7 billion were approved during the period. They represented investments in the electrical and electronics sector, petroleum products, including petrochemicals, and the chemicals and chemical products sector. These new concrete ventures should be good evidence of the viability of investing in Malaysia.

7. Actually, there are currently more than 300 companies with German interests in the manufacturing and non-manufacturing sectors in Malaysia. These companies, such as Siemens, Aesculap, BASF, Cognise, Continental, DaimlerChrysler and Robert Bosch, have in fact been expanding their investments in Malaysia. More recently, Infineon, one of the largest electronics companies in the world, has decided to build in Malaysia a chip fabrication plant for automotive and industrial power applications. We take satisfaction with these development because they reflect the confidence that German industry leaders have in Malaysia.

8. We are certainly happy with the continued presence of German companies in our country. They provide ample testimony to the point we always make that Malaysia is factually a profitable destination for investments. I believe that the German experience in Malaysia also serves to highlight to the rest of the business world that Malaysia is a progressive Muslim nation which is safe and business-friendly, supported by strong work ethics. The Malaysian Government places a high premium on efficiency of the delivery of public services. I have always maintained that the role of Government is to create an enabling environment, in which the private sector can effectively function as the engine of growth for the economy.

9. This policy has paid off in terms of making Malaysia more competitive and has been so recognized internationally. For example, in the 2004 World Competitiveness Report, released by the Swiss based International Institute for Management Development, Malaysia maintained its position as the most competitive nation among economies with per capita G.D.P of USD 10,000 and below. A reflection of this competitiveness is Malaysia's ability to continue attracting global Foreign Direct Investment, amidst declining global F.D.I flows, and intense competition for Foreign Direct Investment. Last year, Malaysia recorded an amount of USD 3.5 billion of approved foreign investments in the manufacturing sector. This accounted for 46 per cent of the total approved investments in that sector.

10. Malaysia's economic fundamentals have remained strong, with low inflation, low unemployment, strong current account surplus and reserves, and a resilient banking system. In 2004, the Malaysian economy grew by 7.1 per cent and is expected to continue to grow at a significant pace this year. In fact, a recent report by the

research arm of the Deutsche Bank, on long-term economic growth for the period 2006-2020, estimates that Malaysia will be the second fastest growing country in Asia, after India, and ahead of China. While this is good news, Malaysia is determined to do even better.

Excellencies, Ladies and Gentlemen,

11. We are gratified that some multinationals have taken up our call to make Malaysia as their base for regional operations. B.M.W, for example, has set up a Regional Distribution Centre in Malaysia to distribute parts and accessories throughout the Asia-Pacific region. This company has also established its group data centre to consolidate the information technology infrastructure operations of all B.M.W Group offices in Asia.

12. I am certainly happy to note that more foreign companies are finding it profitable to use Malaysia as their regional hub to service markets in South East Asia, South Asia and West Asia. This is clearly proof of the benefits that Malaysia has on offer, namely a strategic geographical location, developed infrastructure, competitive cost structure, multilingual and educated human resources, and a competitive business environment.

13. Following the B.M.W example, another 14 German companies have obtained approval to establish regional operations in Malaysia. The Malaysian Government provides attractive incentive packages for the establishment of such regional establishments. These can be in the form of Representative and Regional Offices, Operational Headquarters, International Procurement Centres, or Regional Distribution Centres. It definitely makes good business sense for more German companies to set up regional establishments in Malaysia to undertake marketing and distribution activities catering to the larger ASEAN market, which has a population of 530 million people and a combined G.D.P of USD 750 billion.

14. Malaysia would also like to offer German companies opportunities other than trade and manufacturing, that is participation in national development projects. For example, the German industrial giant, Siemens A.G, is involved in the designing and construction of the Express Rail Link, the construction of flagship power plants, and in providing crane solutions for one of the major ports in Malaysia. This company is also involved in mobile and fixed networks solutions, and building technology solutions for the PETRONAS Twin Towers and the Kuala Lumpur Tower.

15. Competitive offshore financial facilities is another activity that we wish Germans to take notice of. The Labuan International Offshore Financial Centre (I.O.F.C) is an integrated financial services hub offering a wide range of financial services. The financial infrastructure of Labuan is well developed, with the presence of many companies providing the full range of offshore financial services. A total of 61 offshore companies from Germany, including four offshore banks, have already been set up in Labuan. We would like to encourage investors and bankers from Germany to establish operations in the I.O.F.C and take advantage of its low operating costs,

easy accessibility, modern infrastructure facilities, competitive tax regimes, and double taxation agreements as well as investment guarantee agreements which Malaysia has entered into with other countries.

16. Clearly, Malaysia is able to provide, and has been providing, the necessary infrastructure and environment for German business interests to flourish. Germany, as a leader in engineering technology, can provide Malaysia with the knowledge and technological know-how to develop higher value-added products and services. I must highlight to the business community at this forum that collaboration with Malaysia actually opens up opportunities for economic engagement with other markets in the region, in particular the ASEAN region.

17. German companies wishing to expand their activities in ASEAN can leverage on Malaysia's strategic position as well as the linkages and networks already established in the area. ASEAN is now a Free Trade Area where goods are traded at tariffs of between 0 and 5 per cent. As it strives to accelerate the deepening of regional economic integration, with the ultimate objective of establishing the ASEAN Economic Community, Malaysia's role in this market place is bound to become even more significant. Even now, Malaysia is already a major contributor to intra-ASEAN trade, accounting for 26 per cent of total trade among the ASEAN countries.

18. There should be a significant niche for collaboration between Germany and Malaysia in the development of specific industries such as specialised machinery and equipment, the automotive, as well as biotechnology and I.C.T industries.

19. I heartily acknowledge and appreciate the presence of German industrial giants in the Malaysian economy. However, I would also like to see greater collaboration between Malaysian and German Small and Medium Sized industries (S.M.Es). This is because S.M.Es are integral to both the Malaysian and German economies. In Malaysia, S.M.Es:

- constitute 89 per cent of the manufacturing establishments;
- make up 96 per cent of establishments in the services sector;
- contribute 29 per cent to output in the manufacturing sector ; and
- provide 32 per cent of employment in the manufacturing sector.

20. I know that German S.M.Es contribute 57 per cent of Germany's G.N.P and employ 69 per cent of the work force in Germany. I hope this forum today will provide new opportunities for both sides. Potential partners can begin to discuss the details. The officials in my delegation who are involved with the promotion of S.M.Es will be on hand to provide you with the necessary information to help realise this objective.

Excellencies, Ladies and Gentlemen,

21. At this juncture, I would like to say something about the automotive industry in the ASEAN region, in which Malaysia has the largest passenger car market

accounting for 55.8 per cent of this market. Malaysia is open to proposals for the establishment of manufacturing plants in Malaysia, preferably in joint ventures with local manufacturers, in order to make Malaysia the regional hub for the production and distribution of motor vehicles. We also welcome German automotive component manufacturers to collaborate with Malaysian automotive component manufacturers in the development and manufacture of automotive component modules or systems, and in the manufacture of automotive electronic components.

22. I would like you to know that biotechnology is another growth sector which the Government of Malaysia has identified for active development. The recently announced National Biotechnology Policy will facilitate the development of the biotechnology sector, and enable Malaysia to capitalise on its mega-biodiversity resources, commercialise research results, and establish biotechnology centres of excellence. The Malaysian Biotechnology Corporation will be the lead coordinator of this effort. I would welcome relevant organisations from Germany to collaborate with the Malaysian Biotechnology Corporation. I believe there will be much mutual benefit to be derived from such partnerships in this new Malaysian development priority.

23. In the area of I.C.T, the Multimedia Super Corridor or M.S.C, offers an ideal environment for the world's leading I.C.T companies to expand their businesses, undertake research, develop new products and technologies, and export them. The necessary enabling framework is already in place. They include policies, regulations and infrastructure. The infrastructure includes a high-capacity digital fibre-optic network, an efficient transportation system, and a high quality living environment. To date, there are a total 1,236 M.S.C-status companies in Malaysia. But only 15 of them are German companies. I would like to invite greater collaboration between German I.C.T companies, especially in research and development, joint business development for third markets, and cooperation in the fields of software outsourcing, and custom programming.

Excellencies, Ladies and Gentlemen,

24. Malaysia's relationship with Germany is not confined to business alone. We have strong, long established ties in the field of education and human resources development. For example, in 1992, the German-Malaysia Institute was established to provide technical training in specialised areas of mould and die, mechatronics, instrumentation and control electronics and I.T. I am happy to observe that this school, modelled after the German Dual System, has been successful in training competent technical individuals for industry. Malaysia's Ministry of Higher Education is also now engaged in discussions with its German counterpart to begin a programme which would facilitate the exchange of academic staff, as well as practical training for students. Indeed there is much that can be done in the field of capacity building and I look forward to seeing more collaboration with German experts and German training institutes in this matter.

Excellencies, Ladies and Gentlemen,

25. I have been laying out some of my thoughts on areas with potential for new or additional collaboration between Malaysia and Germany. Ultimately, however, the decision to work together rests on the perceptions and decisions of certain individuals. I would therefore like to encourage those of you who are still not well acquainted with Malaysia to visit us. You will find that Malaysia is not just a good place to do good business but also a very welcoming value-for-money holiday destination.

26. For your information, in 2004, the tourist arrivals in Malaysia totalled 15.7 million from all over the world. Of these, only 50,000 were Germans. I have been informed that "Tourism Malaysia" in Frankfurt is stepping up its promotional activities in Germany. I would like to take this opportunity to welcome each and every one of you to Malaysia, whether for business or for a vacation. I do hope our meeting today will open new avenues in our bilateral economic relations. And I wish all of you every success in your business ventures.

27. Thank you once again for your attention.