

**ADDRESS BY
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Mr. T.C.A. Spierings, Chairman of the Forum,

Distinguished Guests,

Excellencies, Ladies and Gentlemen

It is a delight for me to be here, among friends, because your country and ours have had trading ties which go back centuries. Today, I have come with a delegation of entrepreneurs who represent modern Malaysian business. They are keen to continue the historical ties we have and deepen further not only the trading relationship but also other economic collaborations between Malaysia and the Netherlands.

2. I am pleased that commendable efforts are in fact being made by both sides to expand the relationship beyond trade. For example, the recent Netherlands exhibition in Kuala Lumpur, entitled "Window on Holland", showcased Dutch culture, trade, industry and education, and in the process enabled Malaysians to have a better understanding of your country.

3. I would like to encourage more of such initiatives, because apart from our historical links, the Netherlands and Malaysia share many similarities which we could use to our mutual advantage. Both are constitutional monarchies with a parliamentary system of Government. Malaysia and the Netherlands are among the world's leading trading nations, despite both being relatively small countries. Both countries are also multi-cultural and multi-religious, and both have managed to strike a healthy balance among the diverse groups and interests in their respective countries.

4. Malaysia and the Netherlands are therefore well placed to continue building upon our past relationship. After all, the Netherlands has remained one of Malaysia's major trading partners. Trade has, over the years, expanded from an exchange of goods to cover services as well. For the period 1995 to 2004, bilateral trade more than tripled from USD 1.53 billion to USD 5.05 billion.

5. In 2004, the Netherlands was Malaysia's second largest trading partner within the European Union. It was Malaysia's largest export market in the EU, and the Netherlands was Malaysia's 10th largest export destination on the global scale.

6. However, Malaysia's trade with the Netherlands amounts to only 2.2 per cent of Malaysia's total global trade. I am certain that more can be done to enhance the volume and coverage of the bilateral trade. In this context, I am pleased that the Malaysia - Dutch Business Council, established in 1996, has been actively involved in fostering business ties between our two countries.

7. The fact that there is considerable Dutch investment in Malaysia is also testimony of the growing economic relationship with the Netherlands. From 1980 through to 2004, the Netherlands was among the top 10 sources of foreign investments in Malaysia. During this period, 144 projects from the Netherlands, with investments amounting to USD 1.6 billion, were approved. These investments were concentrated in the electrical and electronics sector, natural gas, petroleum and petrochemicals products, chemicals and chemical products and food manufacturing.

Excellencies, Ladies and Gentlemen

8. The resilience of the Malaysia economy has enabled the country to recover from the 1997 Asian financial crisis as well as the SARS epidemic in early 2000.

9. In 2004, the Malaysian economy grew by 7.1 per cent, with growth being broad-based. The Malaysian economy remains fundamentally strong, with low inflation, low unemployment, strong current account surplus and reserves, and a resilient banking system.

10. Malaysia's growth formula is tied to the strong and effective partnership between the public and private sectors. The Malaysian Government deliberately facilitate business, ensuring that procedures and regulations make for a business-friendly environment. The private sector functions as the engine of growth of the economy.

11. This public sector-private sector partnership has made Malaysia cost-competitive. It has also contributed, in large part, to Malaysia's ability to continue to attract Foreign Direct Investment (F.D.I), amidst intense competition for F.D.I globally. Last year, Malaysia recorded USD 3.5 billion as approved foreign direct investment in the manufacturing sector, which represents 46 per cent of all approved investments in the manufacturing sector in 2004.

12. The cost-competitive environment of Malaysia has been reflected in the 2004 World Competitiveness Report, published by the Swiss-based International Institute for Management Development. According to this report, Malaysia is ranked as the 16th. most competitive nation in the world. Malaysia also maintained its position as the most competitive nation among economies with per capita G.D.P of less than USD 10,000.

13. A recent Deutsche Bank Research Report on Global Growth Centres 2020, which studied 34 leading countries in the world, forecasts that Malaysia will feature as the second highest in overall G.D.P growth rates during the 2006-2020 period.

14. As a strategic move, Malaysia is now promoting investments in high value-added and high technology products and activities. These will support the development and upgrading of the manufacturing sector, as well as diversifying sources of growth of the Malaysian economy.

Excellencies, Ladies and Gentlemen,

15. We note with great interest the many achievements of the Netherlands in the agricultural sector. Your success proves to us that even in the field of agriculture, what matters most are knowledge-based services. Your universities honour horticulture professors. You have used I.C.T effectively in the outsourcing of tulip production. An efficient airport is part of the secret of your success in these operations.

16. The Malaysian Government has made the development and upgrading of Malaysia's agro-based sector a priority, because we have abundant natural resources. This is clearly an area where Malaysia and the Dutch business and research communities can collaborate and leverage on the strength of each other. I would like to encourage Dutch companies with expertise and experience, not only in floriculture, but also in aquaculture, horticulture, the dairy and meat industries, to establish joint-ventures with Malaysian companies.

17. My government has also identified biotechnology as another growth sector. I have recently announced the National Biotechnology Policy to facilitate the development of this particular sector. We would like to capitalise on our mega-biodiversity resources, and to commercialise discoveries in health-related natural products and bio-generic drugs. We want to increase opportunities in bio-processing and bio-manufacturing as well as establish biotechnology centres of excellence in Malaysia. The Malaysian Biotechnology Corporation will be the lead coordinator of this effort.

18. I welcome relevant organisations from the Netherlands to collaborate with the Malaysian Biotechnology Corporation because I am certain that there will be mutual gains to be made from such a partnership.

19. An example of the progress that Malaysia has made in the bio-technology sector is the development of downstream palm oil products as well as the development of products using bio-mass. In this regard, I am pleased to know that there is already some Malaysia-Dutch collaboration going on for the development of bio-fuel. This initiative will use Dutch technology in the production of bio-fuel using palm oil empty fruit bunches.

20. With the palm oil industry in Malaysia producing around 14 million tonnes of empty fruit bunches per year, the production of bio-fuel is expected to reach 3.5 million tonnes by the year 2012. This makes for a viable, ecology - friendly fuel industry in Malaysia. As the E.U has set a 9 per cent target for electricity to be supplied from renewable sources, I am confident that there is much commercial potential to be derived from this bio - fuel initiative.

21. The I.C.T industry is another sector which has been given priority in line with the Malaysian Government's efforts to transform Malaysia into a knowledge-based economy. The Multimedia Super Corridor (M.S.C) was established to spearhead the development of the I.C.T sector in Malaysia. To attract I.C.T companies into the M.S.C, the Government has designed the M.S.C to provide a favourable environment with the necessary policies, cyber laws and infrastructure in place.

22. The second phase of the M.S.C has been launched in July 2004. This involves rolling out the M.S.C to other parts of Malaysia through the creation of new M.S.C cyber-cities and cyber-centres. Currently, the new cyber-cities include Bayan Lepas in Penang and the Kulim Hi-Tech Park in Kedah.

23. To further diversify the Malaysian economy, my government has earmarked the services sector as a new growth sector. In this sector, there are opportunities for the establishment of operations to provide manufacturing related services. The key services being promoted include regional operations. These could be in the form of Operational Headquarters, International Procurement Centres, Regional Distribution Centres, Regional Offices and Representative Offices as well as other support services such as R&D, logistics and market support activities.

24. As an incentive to accelerate investment inflows into the services sector, attractive fiscal and non-fiscal incentives are being made available.

25. Malaysia continues to promote Labuan International Offshore Financial Centre (IOFC) as an integrated financial services hub offering a wide range of financial services to customers worldwide. 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 48 offshore companies from the Netherlands, including three offshore banks have been set up in Labuan. I would not hesitate to encourage investors and bankers from the Netherlands to establish operations in the Labuan International Offshore Financial Centre. They can take advantage of low operating costs, easy accessibility, modern infrastructure facilities, competitive tax regimes, as well as double taxation and investment guarantee agreements which Malaysia has entered into with other countries.

Excellencies, Ladies and Gentlemen

26. Taking yet another leaf out of the pages of our history, I believe that Malaysia and the Netherlands can do much more to leverage on the strategic locations of both our countries. In the 17th. Century, it was the advantage of geography that encouraged trade links. The Dutch East India Company used the Malay Peninsular as the collection centre in the Far East, and the Netherlands as the distribution centre for trade in Europe. I know we can stretch this concept even further in these modern times.

27. Today, more than 200 Dutch companies participate in a wide range of commercial activities worldwide, including financial services and consultancy, hypermarkets and retail, trading, manufacturing, logistics and transportation. Among these 200 companies are some of the larger Dutch manufacturing concerns, including Shell, Philips, Dutch Lady and Akzo Nobel, as well as Dutch companies involved in the services sector such as I.N.G and P&O Nedlyod.

28. Strategically, Malaysia can use Netherlands' strength in logistics and intra-Europe economic links to further penetrate Europe. At the same time, the Netherlands can use Malaysia as the distribution and manufacturing centre for the ASEAN region. Relative to other ASEAN countries, Malaysia is already the largest trading partner of the Netherlands, including being the largest source of imports for the Netherlands.

29. The ASEAN region, with a population of 530 million people and a combined G.D.P exceeding USD 750 billion, is now a Free Trade Area where goods are traded at tariffs of between 0 and 5 per cent. The implementation of the ASEAN Free Trade Area has led to an expansion of intra-ASEAN trade which, in 2004, totalled USD 99.7 billion. This figure accounted for 22 per cent of ASEAN's global trade for the same year.

30. The liberalisation of the ASEAN market is expected to further accelerate the economic growth of the ASEAN countries because they can now capitalise on their complementarities. Malaysia is a major contributor to intra-ASEAN trade, accounting for 26 per cent of trade within the ASEAN region.

31. ASEAN is now accelerating the deepening of regional economic integration to realise the establishment of the ASEAN Economic Community (A.E.C) by 2020. This community will be characterised by a single market and a single production base, with free flow of goods, services, investment, skilled labour and a freer flow of capital.

32. As an outward looking organisation, and with the objective of expanding business attractiveness with other major countries, ASEAN is now negotiating Free Trade Agreements with China, Japan, India, Korea, Australia and New Zealand.

33. I would therefore call upon the Dutch business community to pay attention to the dynamics and growth of the ASEAN region.

Excellencies, Ladies and Gentlemen

34. My aim today is to provide you with a perspective on Malaysia and the areas where we can work together. I want to emphasise that the business environment in Malaysia is characterised not only by a healthy public sector - private sector partnership but also by a progressive, modern outlook towards good governance. In Malaysia, we celebrate our multi-ethnic and multi-religious diversity. This diversity has in fact been an asset for us in portraying Malaysia as a tolerant and dynamic country.

Excellencies, Ladies and Gentlemen

35. In conclusion, I would like to take this opportunity to urge Dutch businessmen who have not been to Malaysia to come and see for yourselves the country and the opportunities on offer. We would like you to observe first-hand the facilities and business incentives that is available in Malaysia. For those of you who already have operations in Malaysia, I do encourage you to further expand and diversify your operations.

36. Before ending, let me thank the Netherlands Council for Trade Promotion and the respective Chambers of Commerce for their assistance in organising this Forum. For the rest of you, I thank you all for your attention and I hope that today's Forum will result in more fruitful engagements between Malaysia and the Netherlands. You are the people who can make it happen.

Thank you.