

**THE INAUGURAL MEETING OF THE MALAYSIA-US PRIVATE SECTOR
CONSULTATIVE GROUP**

THE SHANGRI-LA HOTEL, KUALA LUMPUR, 4 NOVEMBER 1989

Mr. Chairman,
Distinguished Guests,
Ladies and Gentlemen,

It is a pleasure for me to be here this morning to address this distinguished gathering of industrialists, bankers and businessmen from the United States and Malaysia on the occasion of this inaugural meeting of the Malaysia-US Private Sector Consultative Group. This Group was set up to assist the fostering of greater friendship and to promote better economic relations between the two countries. I wish to congratulate the organising committee for making this meeting possible.

Ladies and gentlemen,

2. Malaysia and the US have enjoyed a long history of good and friendly relations. Trade between our countries has continued to increase and lately has reached new heights. I am pleased to note that the value of trade in the past ten years has gone up by almost three times, growing from only 6.7 billion Ringgit in 1979 to 17.3 billion Ringgit in 1988. This has made the United States Malaysia's second most important trading partner. Statistics for the first half of this year indicate that trade between the two countries has continued to remain high.

3. I am also happy to observe that investments from American companies in Malaysia have seen a steady climb since the early 70s. In 1987, the paid-up capital of US investments has almost doubled compared to the amount in 1980, and more importantly, the fixed assets investments in these companies during this period have almost trebled. It shows that US companies have contributed significantly to the industrial development of Malaysia.

4. Figures recently released by the Malaysian Industrial Development Authority or MIDA indicate that there has also been a steady increase in the number of projects with US interests approved last year and up till August this year. Project with US interests approved by MIDA in 1988 showed an increase of 150%. The proposed capital investment for the approved projects in 1988 showed an increase of more than three times. The number of projects with US interests approved in the first 8 months of 1989 is also encouraging. All these show that US companies continue to have strong confidence in Malaysia's political and economic stability as well as the favourable investment climate which the country offers. This augurs well for our efforts to diversify foreign investments in Malaysia.

5. Despite the growth in trade and investment, I believe that there are still tremendous opportunities for even greater economic and trade cooperation between Malaysia and the US. I would urge this group to play a supportive role in furthering the development of trade and economic relations between our

countries. The Malaysian Government will give full support to you and your activities.

6. Following the strong economic growth experienced worldwide last year, the Malaysian economy in 1988 experienced 8.7% growth, higher than the projected growth for the year and higher still compared to 5.2% achieved in 1987. This is even more significant considering that most of this growth is due to the private sector rather than expansionary budgeting by the Government as in the past. The better than expected performance was also due to strong domestic demand arising from continuing strong external demand for our exports. The high commodity prices in 1987 and 1988 have led to significant improvement in real incomes and consequently large increases in total private consumption and investment. Judging from the high level of output and exports recorded during the first half of this year, Malaysia' s economy is poised for another year of strong growth in 1989, albeit at a slightly reduced pace compared to 1988. Growth for the whole of this year is projected to be at slightly above 7%.

7. With the thrust of the nation' s economy and development in the future expected to come from the industrial sector, the Malaysian Government is committed to a programme of rapid industrialisation. With a rapidly growing and well educated population, we need both labour-intensive and increasingly sophisticated industries to create suitable job opportunities. Agriculture, forestry and primary industries cannot provide sufficient jobs even though there is still room for expansion and diversification in these areas. To industrialise, we will need for a long time to come foreign expertise both in manufacturing as well as marketing. We hope that the close cooperation fostered by your Group will enable more manufacturing including joint ventures to be set up.

Ladies and gentlemen,

8. The nineties is just around the corner. With the advancement in technology in the field of transportation and communication, distance and national boundaries will no longer present barriers to doing business. As a result, the decade will see intense competition. There is no doubt that adjustments will need to be made to remain competitive. The rules of survival will be changed. Under this scenario, to achieve success, companies will have to go abroad, either in search of new markets or to develop new products. They will have to be present in the major markets, namely North America, Western Europe, and the Pacific Rim countries. The new strategy of doing business in the nineties will also require companies to do more than just setting up plants and conducting business in the host country. They will have to view themselves as part of the community in which they operate and be sensitive to the needs and aspirations of the local community and country. Corporate citizenship means just that -- responsibility and concern for the country you are in.

9. Globalism is the in-thing. Because globalism will bring more benefit to developing countries like Malaysia, we will give full support to global companies. With our economy highly dependent on exports, Malaysia realises the importance to lure companies to invest in this country. Malaysia' s combination of

raw materials, manpower, energy, infrastructure, realistic government policies and attractive incentives provide investors a base from which to launch their marketing drive into the lucrative markets of the Pacific Rim, particularly ASEAN, China and Japan. I hope that you will have the opportunity to discuss the subject of globalism in your deliberations.

Ladies and gentlemen,

10. Allow me now to address the more current issues of concern between Malaysia and the US. After having successfully brushed aside a bruising campaign against tropical oils, which singles out our palm oil, Malaysia is now faced with yet another campaign directed at one of our commodity exports. This time it is the anti-tropical hardwood campaign. The Malaysian Government takes a serious view of this campaign and sees vested interests out to protect their own temperate climate soft timber industry. Allegations regarding the destruction of the tropical rainforests with their insect and animal population and the exploitation of the abode of the Penans sound rather hollow in the face of massive logging in the countries where these conservationists come from and their failure to limit their own extensive pollution of the environment.

11. Malaysia is not without concern for environmental issues but maintenance of the ecological balance is a responsibility of everyone and not the developing countries alone. Malaysia is very proud of her natural rainforests. We take great pains to manage them and have spent significant amounts of money and effort to preserve them. If and when we approve timber concessions, strict conditions are imposed on the logging companies. Infact, the natural beauty of our country is one of the most valuable asset which we are selling abroad in our effort to promote Malaysia' s tourism industry. And as you can see as you fly over Malaysia this is very much a green country with vast expanses of forests clearly untouched. There are not many cities as green as Kuala Lumpur.

12. With regard to the Penan people, there is nothing romantic in the primitive way of life of the few of them who still remain in the forest. They are ignorant, undernourished, prone to all kinds of diseases and have a shorter life-span than the average Malaysian. To force them to continue living this primitive way of life is to deny them the benefits of modern medicine and education. What right have we who have emerged from our own caves centuries ago to deny them the benefit of the discoveries and the improvements we have achieved. It is most cruel to use the Penans to put a human face to a campaign against our timber industry merely to excite sympathy and support. The Penans are a minority in Malaysia. If we want to discuss minority problems let us discuss minority problems everywhere.

13. I would like to assure you that the Malaysian Government is as sensitive as the industrialised countries with regard to the environment. The fact that we were responsible for the drafting of the Commonwealth Langkawi Declaration on the Environment and that we acceded to the 1985 Vienna Convention for the Protection of the Ozone Layer and the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer bear testimony to our concern for the global

environment. When we extract some much needed wealth from our forests, you can be assured that we do so with all due consideration for the environment. Though a developing country, we are not irresponsible.

Ladies and gentlemen,

14. The unofficial character of this Group will allow you to freely discuss and criticise official policies and procedures in both countries. Hopefully this will lead to very open discussions which in turn may help to highlight problems and their possible solutions. I hope that you will have a successful deliberation in this meeting and that you would be able to achieve substantial progress.

15. I also hope that you will have time to explore Kuala Lumpur, and to enjoy yourself. Now, it is my pleasure to declare this inaugural meeting of the Malaysia-US Private Sector Consultative Group open.

Thank you.