

THE OFFICIAL OPENING OF OTIS MANUFACTURING SDN BHD
SEBERANG PERAI, PENANG, 21 DECEMBER 1993

I would like to take this opportunity to congratulate Otis Manufacturing Company Sdn. Bhd. for setting up this plant in Malaysia. Malaysia is especially proud of Otis' confidence in this country, as Otis is one of the world's largest manufacturers of elevators and escalators. I hope its choice of Penang as the site for its factory is not due to Penang being 'more Chinese' as reported by the Economist sometime in May this year. The foreign press as we know have always been 'naughty' when reporting about Malaysia's success story. I am sure Malaysia was chosen mainly because of its political stability. All the states in Malaysia have played hosts to successful manufacturing enterprises.

2. 'Elevator, escalator and parts thereof' is a promoted product that is granted tax incentives under the Promotion of Investments Act 1986. The production of elevators and escalators involves advanced technology and the fact that there are approximately only seven major producers in the world speaks for itself.

3. The rapid pace with which technology has advanced in this industry has dramatically changed the shape of the world. No longer were the imaginations of architects and builders stopped at the third floor of buildings; now with escalators and elevators, they can design multi-storied shopping complexes and skyscrapers of almost unlimited heights. The urban landscape need no longer be flat and sprawling. Now city skylines can break the monotony of the horizon. Innovative, safe, fast and reliable ways have been found to move people up and down and along interminable corridors. Walking and climbing need no longer be tiring. Product innovations include double-decker elevators, glass-enclosed observation elevators and the people mover systems. Such product innovations have changed man's living and working environment. Of course, innovations have not stopped at external structures, the inside workings of these people movers have changed and improved as well.

4. Building construction in East and South East Asia is booming. By locating in Malaysia, Otis can take advantage not only of Malaysia's rapid growth but that of the region as well. Under the Sixth Malaysia Plan, US\$ 10 billion has been allocated to finance infrastructure development alone. Construction initiated by the private sector is even bigger. Very many elevators, escalators and walkalators are going to be needed.

5. To ensure investments are profitable, the Government reviews and analyses policy measures on an on-going basis. This is also to ensure that a coherent process of industrialisation would have the desired spin-offs in the economy as a whole.

6. Malaysia has enjoyed seven consecutive years of sustained rapid growth. Next year is also expected to be another boom year. Real gross domestic product is expected to touch 8.2 percent, which will be higher than the estimated eight percent this year. Macro-economic measures taken by the Government to sustain growth and prevent inflation in the last two years have borne results beyond expectations. The fundamentals are now firmly emplaced to help the economy continue its path of sustained expansion in the future, with the manufacturing sector playing the lead role in the transformation of the economy.

7. The manufacturing sector continued to be the dominant source of growth in the economy in 1993. Its contribution to real GDP is expected to increase further this year. Due to the strong external demand and good growth in the domestic market, value added in the manufacturing sector is expected to expand at a faster rate of 11.6 percent in 1993 compared to 10.5 percent in 1992.

8. In particular the export-oriented industries registered a creditable growth of 15.9 percent in the first seven months of 1993. Despite a population of only 19 million, we are the 16th biggest trading nation in the world. Overall, exports to the U.S rose by 34 percent last year. Malaysia's exports to the U.S. amounted to US\$8.18 billion.

9. In terms of projects with U.S. investments approved in the manufacturing sector, in 1992, 41 projects with a proposed capital investment of US\$1.28 billion (RM 3.30 billion) were approved. These projects accounted for 18.5 percent of the proposed total foreign investment in all projects approved in 1992. For the first ten months of this year, 22 projects with American interests were approved with a proposed capital investment of US\$ 652 million (RM 1.68 billion). These projects accounted for 27.7 percent of the proposed total foreign investment of RM6.07 billion in all the projects approved during the same period, making the United States the largest foreign investor in Malaysia in 1993 to-date, followed by Japan (RM 1.5 billion), Taiwan (RM 836 million) and the U.K. (RM 467 million). It is also interesting to note that interest in investments is not just shown by new projects alone. This is because of the 22 projects granted approval, eight were approvals for expansion of their existing capacities or for diversification of their existing products.

This fact testifies to the growing confidence of U.S. investors in Malaysia's investment climate.

10. It is a truism that a climate of uncertainty is never good for any business. But for Malaysia her greatest assets are both her political stability and consistency of Government policies, factors which are most valued by the business community. It is still clear that the concentration of interest among investors continues to be in the Asia Pacific region. Asia's growth which is largely driven by the major economies of the Pacific basin is estimated at 8.75 percent this year and 7.1 percent in 1994. The world economy at large is expected to grow at 2.2 percent in 1993 and 3.2 percent in 1994.

11. As more countries join the ranks of trading nations, Malaysia's ability to maintain and expand her markets amidst greater competition worldwide will hinge upon her competitiveness. Malaysia's excellent performance should not lull us into complacency but should make Malaysians strive to be ever more competitive in the future. We are aware that certain inherent weaknesses such as productivity levels and technical skills must be addressed.

12. Certainly, when companies such as Otis undertake here in Malaysia activities that go beyond mere fabrication, then it indicates their willingness to integrate as much as possible into the Malaysian industrial community. This will increase the added value of their operations in Malaysia.

13. This is a reflection and indication of the long-term perspective of their investments in Malaysia. They regard Malaysia not merely as an operations location to profit from, but also as a permanent base from which to expand and diversify.

14. The challenge of investment promotion will inevitably become more difficult. Not only has Malaysia to compete with the other Less Developed Countries and the Newly Industrialised Countries but also with the developed countries which are taking strong measures to retain investors in their countries. Our focus must therefore be on higher value added, capital intensive and technologically sophisticated industries, all of which would help to strengthen the industrial linkages and to ensure that Malaysia develop even greater export capabilities.

15. Malaysia is hopeful that more American investors will come forward and form alliances with Malaysian investors. The environment is now more conducive as the corporate tax has been reduced from 34 percent to 32 percent, effective from

year of assessment 1994. It will be further reduced to 30 percent effective from year of assessment 1995. Our company income tax rate will be comparable to that of neighbouring countries. The 1994 Budget recently announced carry several new incentives pertaining to high-tech and R & D operations that should encourage more inflows of foreign direct investments. At the same time this should enable existing operations to expand and new manufacturing enterprises to locate their projects in the eastern corridor of Peninsular Malaysia and in Sarawak and Sabah.

16. I now have much pleasure to officiate the opening of the Otis Manufacturing Company Sdn Bhd.