

THE OPENING CEREMONY OF THE PALM-OLEO PLANT

KUNDANG ESTATE, RAWANG, SELANGOR, 23 APRIL 1994

I am delighted to be present here in this Kundang Industrial Estate to officiate the opening of the Palm-Oleo factory. I congratulate the management of Palm-Oleo and its partners, namely Kuala Lumpur Kepong Berhad, Mitsui & Co. Ltd., Asahi Denka Kogyo K.K. Ltd. and Miyoshi Oil & Fat Co. Ltd., for the commissioning of their fatty acids and glycerine plant.

2. This joint venture is a fine example of the close cooperation between Malaysia and Japan's commercial community. Clearly Malaysia is an ideal investment centre for joint-venture resource-based manufacturing products. The cost competitiveness of manufacturing here in relation to the foreign investors' home costs, coupled with the availability of markets for the products, has spurred the setting up of many similar joint ventures. In addition, the local partner is able to ensure the supply of raw material while the foreign partner provide the know-how and the market. It is altogether an ideal arrangement which I commend to others.

3. The palm oil industry has been one of the many success stories of Malaysia. It has been an important component which contributed towards Malaysia's agricultural development in the 1970's and 1980's when the future of rubber was dimming. Even today in the context of Malaysia's more diversified and industrialised economy, the palm oil industry remains a significant contributor. In 1993, our country's annual production of palm oil was 7.4 million tonnes, with exports of six million tonnes. Foreign exchange earnings of Ringgit 6.3 billion was earned last year from palm products. The availability of palm oil as an alternative to the more traditional and expensive edible oil sources in importing countries has also played a stabilising role against their inflation.

4. Currently, more so than before, products of the palm oil industry are important resources to Malaysia's drive towards a fully developed economy status. Malaysia's already large production, in addition to the increasing supply from Indonesia, will continue to assure the world's oleochemicals industry of a source of easily available and affordable raw materials, supplementing the traditional tallow and coconut oil. More importantly, it is providing the world a more beneficial source of renewable and environment-friendly raw materials as compared to petrochemicals. Today's deteriorating environmental condition is a major concern to all nations especially with regard to water quality and air pollution. The biodegradability and non-toxic nature of the products manufactured from oleochemicals will certainly help to

generally improve the world environment. It is not unthinkable that future plastics will be based on biodegradable palm oil.

5. The Malaysian Government's policy of promoting industrialisation has now given rise to a buoyant oleochemicals industry in Malaysia. Already, this industry has surpassed the projections set out in the Industrial Master Plan. As of end 1993, 15 oleochemicals firms are in operation with a total capacity exceeding 850,000 metric tonnes. These firms consumed a total of 670,000 metric tonnes of raw materials, which is an increase of 58 percent over 1992. About 450,000 metric tonnes of basic oleochemicals were exported in 1993.

6. Over the recent years, sizeable investments have taken place in the basic fatty acids and glycerine part of our oleochemicals industry, which have resulted in our current enlarged annual capacity of over 600,000 metric tonnes or a three-fold increase since 1987. I hope that these oleochemicals companies will regulate expansion in basic fatty acids production in line with market demands as we know that deteriorating margins can arise from over-capacity.

7. I am glad to note that more recently there have been investments into facilities to produce more sophisticated oleochemicals like fatty esters and alcohol. Given the now readily available resources of fatty acids, glycerine and methyl esters, and Malaysia's continued comparative advantage as a manufacturing base, the Government hopes to see ventures going further downstream to oleochemicals derivatives. Malaysian companies could probably acquire new technologies or form strategic alliances with established foreign players. With the increasing prosperity and growth of the Asia Pacific region, in addition to the Indian subcontinent, there is a huge potential in demands for oleochemicals derivatives such as fatty amines, alcohols, food and industrial esters for use in a wide range of consumer and industrial products. Consistent with this move, the Palm Oil Research Institute of Malaysia or PORIM will be establishing a Research and Development centre solely for oleochemicals.

8. The success of the oleochemicals industry and others in the Malaysian context has created substantial spin-off benefits to the smaller medium industries which service these processing plants. A symbiotic relationship has gradually emerged between both these two sectors of the economy, resulting in greater multiplier effects in the country. Since it is important that the running of the processing plants and the supporting players be efficient, efforts must be made to continuously upgrade and innovate through Research and Development, as well as ensure skills improvements and costs reductions. I am glad

to note that many parts of the oleochemicals plants such as vessels can be fabricated in Malaysia. In future Malaysian companies should be able to fabricate and install whole plants.

9. With that I wish the management of Palm-Oleo and its partners every success in this joint venture and in their diversification into other oleochemicals products.

10. I now have the pleasure to declare the Palm-Oleo Plant factory officially opened.