

THE JOINT MALAYSIA - FRANCE BUSINESSMEN MEETING

PARIS, FRANCE, 7 JULY 1994

I am honoured to be present here today to address such a distinguished audience of leading French industrialists and businessmen together with members of the Malaysian delegation. I would like to take this opportunity to thank the CNPF (Conseil National Du Patronat Francais) for the initiative in organising this function today.

2. Bilateral relationship between our countries continues to be cordial, resulting in the strengthening of economic ties. Bilateral trade between Malaysia and France has been expanding steadily at an average rate of about 18 per cent per annum over the past five years. Total trade between our countries has grown from US\$680 million (RM1.7 billion) in 1989 to US\$1.3 billion (RM3.4 billion) in 1993. Currently manufactured goods constituted more than 70 per cent of the exports. Bilateral trade is equally balanced between imports and exports. It accounts for about 1.4 per cent of Malaysia's external trade.

3. France is the fifth largest investor in Malaysia with a total investment of US\$1.9 billion (RM4.8 billion) for the period 1980 - 1993. This accounts for about 5.9 percent of total foreign investments made in Malaysia for that period.

4. To facilitate bilateral cooperation, the two countries have concluded the following framework arrangements: - Air Services Agreement; - Cultural and Technical Cooperation Agreement; - Investment Guarantee Agreement; and - Double Taxation Agreement.

5. The business communities of both countries have also established COFRAMA (France-Malaysia Economic Cooperation Committee) and MAFRETA (Malaysia-France Economic and Trade Association) to intensify further economic cooperation.

6. Although the progress made in bilateral ties is encouraging, I am confident that there are potentials to further enhance our cooperation in existing and new sectors taking into account developments in France, Malaysia and the respective regions in which both our countries are located. The purpose of my visit here with a large delegation of leading entrepreneurs and businessmen is to meet with French business leaders and to identify areas of common interests for our cooperation.

7. Malaysia has an expanding economy. The average rate of GDP growth over the past six years is 8 per cent plus per annum.

The economy continues to be strong and is expected to achieve a growth rate of 8.5 per cent this year.

8. The rapidly expanding manufacturing sector contributes significantly to the strong growth in the economy. Industrial output grew by 13 per cent in 1993. The expansion of the Malaysian economy has contributed to an expansion in trade. Total trade expanded by 16 per cent from US\$79 billion (RM205.1 billion) in 1992 to US\$92 billion (RM238.6 billion) in 1993. Malaysia is today the 19th largest trading nation in the world. To support Malaysia's expanding economy, much importance is given to upgrade and expand infrastructure and support services such as energy and water supply, transport, telecommunications, skills development, housing, etc.

9. Malaysia welcomes foreign companies to participate in the development of the country's economy through trade, investment and supply of services. In this regard, Malaysia's expanding economy creates significant new opportunities for those companies involved in these sectors.

10. Malaysia continues to be an attractive place for foreign investments. According to the World Competitiveness Report 1993 published by the World Economic Forum in Geneva, Malaysia ranks fourth in terms of international competitiveness among the emerging economies, that is, after Singapore, Taiwan and Hong Kong. Its strong points are its domestic economic strength, financial facilities, international trade policies, stable government and management development and a government that is openly pro-business.

11. As a major trading nation with a well developed manufacturing sector, France is certainly in a favourable position to increase its participation in the Malaysian economy.

12. France is a leading industrial nation and has technology in diverse industrial sectors. Malaysia can draw considerably upon the French experience in such industries to strengthen and diversify further the Malaysian industrial base particularly in the development of export-oriented, high value-added and high- technology industries. Although France is the leading European investor in Malaysia, there are opportunities to further intensify cooperation in the industrial sector.

13. I wish to take this opportunity to express my appreciation to the French Government for the support it has given to its companies to invest overseas. It has initiated the establishment of SOFINASIA (Societe Pour Le Financement des Investissements en ASIA), a foreign investment institution, to

assist French companies with venture capital for their investments. In addition, it was also responsible for the decision taken to station a French investment adviser in MIDA, Malaysian Industrial Development Authority, to assist French companies proposing to invest in Malaysia. Both these initiatives have certainly been useful to support Malaysia's effort to increase French investments in Malaysia.

14. Given the priorities of Malaysia's industrialisation drive and the technological capabilities of France, areas which offer opportunities for French investment are:- - Aeronautical components; - Chemicals; - Pharmaceuticals; - Machinery and equipment; - Technical rubber and plastic products; - Agro-based industries; and - Resource-based industries.

15. Malaysia is also actively strengthening the base for the provision of support service for the high technology industries. I would urge French companies, especially the large multinationals, to consider relocating their Research and Development (R&D) activities to Malaysia to take advantage of the country's rapid economic growth. To facilitate this, technology parks have been set up to provide the infrastructure for R&D activities to support the operations of high technology industries.

16. Malaysia is a favourable location for foreign investments as it is situated in the dynamic East Asian Region. This is further enhanced by the plan to establish an ASEAN Free Trade Area (AFTA). The AFTA will be achieved through the implementation of a Common Effective Preferential Tariff (CEPT) scheme which requires member countries to reduce their import duty to a range of zero to five per cent over a stipulated period. Initially the AFTA is envisaged to be realised by the year 2008. However, there is now a shared feeling among member countries on the need to accelerate the establishment of the AFTA by shortening its timeframe, to 10 years, while maintaining its commencement year of 1993.

17. The ASEAN economy is nowhere near as large as that of the European Union. However, I am convinced that ASEAN has a great potential to develop into an integrated economy to exploit the comparative advantages in the region. ASEAN is among the fastest growing economies in the world. As you know it is when economies are actively growing that opportunities abound.

18. Besides ASEAN, the East Asian region is also an area of substantial opportunities with its equally rapid pace of economic development. Malaysian companies are already participating in diverse sectors in the economies of the emerging countries of the region. These companies have accumulated useful contacts and knowledge on the market and

they are prepared to create strategic partnerships with relevant French companies which have the necessary technology and expertise to cooperate and undertake jointly new ventures in these markets.

19. The recent conclusion of the Uruguay Round of Multilateral Trade Negotiations in Marrakesh augurs well for the expansion in trade and investment flows. However, the full benefits of the Uruguay Round can only be realised if all countries can translate their political commitment into action in carrying out all their obligations and implementing all the concessions agreed upon. In this respect, the major trading countries should demonstrate the leadership required in taking the necessary steps to ratify the Agreement establishing the World Trade Organisation (WTO) so that the WTO can come into force on 1 January 1995 as targetted.

20. Malaysia is ready to undertake all its commitments and will take the necessary steps to modify its policies and take measures to ring them into conformity with the Uruguay Round Agreement. Some of the adjustments that have to be made would certainly not be easy. They involve some sacrifices on market liberalisation measures which are required to be made as agreed. However, this is a difficult action that every contracting party has to take if major benefits are to be derived from an expanding international trade.

21. Malaysia is ready to ratify the WTO Agreement. We are optimistic that the effective implementation of the Agreement by all countries would provide a stronger and clearer legal framework for the conduct of international trade and a more effective dispute settlement mechanism under the WTO.

22. In the context of the work programme of the WTO, Malaysia is concerned over the effort made by some countries to establish linkages between labour standards or social clause with international trade.

23. Developing countries, including Malaysia, are strongly opposed to the move to link international trade with labour standards as lower cost of labour is often the sole comparative advantage that they have. This lower labour cost is not due to exploitation of the workers. The cost of living, and very often, the rate of inflation in the more competitive of the developing countries are very low. Their wages buy much more than their dollar equivalent would seem to indicate. On the other hand the developed countries have a host of comparative advantages which include capital, technology management skills, marketing know-how and extensive networks built up over many decades. If the sole comparative advantage of the developing countries is nullified, they will get no

investment and their massive workforce will be unemployed. By no stretch of imagination can we regard this as social justice.

24. The European Union (EU) is an important market for Malaysia's exports. Exports to the EU amounted to US\$6.7 billion (RM17.5 billion) in 1993. This represented about 14.4 per cent of Malaysia's total external trade. With the proposed expansion of the EU to include Austria, Finland, Norway and Sweden by 1st January 1995, the EU will become an even more important market for Malaysia's exports. The enlarged EU will certainly create new business opportunities.

25. In view of the importance of the EU as a contributor to international trade and as a market for exports from the developing countries, it is important for France as an important component member to ensure that the enlarged EU continues to be liberal in its trade policies and contribute to the strengthening of the multilateral trading system and promote the growth of international trade and investment flows.

26. The visit of my delegation here today is aimed at enhancing bilateral ties. With the support given by the government of both countries, I am confident that our businessmen will succeed in forging new business ties that would intensify the existing bilateral cooperation for our mutual benefit.