

THE LUNCHEON JOINTLY HOSTED BY SIX JAPANESE ECONOMIC ORGANISATIONS

TOKYO, JAPAN, 27 MARCH 1997

First of all, let me say how pleased I am to be here with leading figures of the Japanese business community. May I thank Japan Federation of Employers' Association or Nikkeren for coordinating this sumptuous luncheon.

2. Malaysia's achievement of an average growth of over eight percent for 9 years consecutively is due among other things to its pragmatic economic policies and management. Still the contribution of countries such as Japan, by way of trade and investment and other related activities play a very important role.

3. Malaysia has now reached a stage whereby its industrial policy and strategies need to be revised because of the very success of its industrialisation policy. The initial objective of creating jobs through labour intensive industries has resulted in full employment and a shortage of labour. We now have to go in for capital and technology intensive industries in order to give our people better incomes and avoid reliance on foreign labour.

4. Consequently, the Second Industrial Master Plan for the period from 1996 to 2005 has been formulated which will follow upon the earlier Industrial Master Plan (IMP) introduced in 1985 and ended in 1995.

5. The IMP was a success. Targets set were surpassed for the manufacturing sector. We set a target of 9.4 percent for the expansion of exports of manufactured goods but we achieved 28.6 percent. The share of manufactured goods exported increased substantially from 32.8 percent in 1985 to 79.6 percent of total exports in 1995. In terms of value-added, our forecast of a growth rate of 8.8 percent per annum was also far surpassed by the rate of 13.5 percent per annum actually attained. As for employment, manufacturing sector's share of the total labour force increased from 15.8 percent at the end of 1984 to 25.5 percent (2.1 million workers) at the end of 1995.

6. Malaysia should continue to improve its economic foundation in terms of the quantity and quality of human resources, development of indigenous research and development capacity, technology, adequate supply of modern infrastructure, and the provision of efficient business support services.

7. We will accelerate, deepen and diversify the manufacturing sub-sectors, and further enhance linkages between and within industrial sub-sectors. We will accelerate the development of indigenous technology and capability, and international marketing and distribution capacity.

8. You probably can tell from what I have just said that Malaysia intends to move manufacturing operations beyond just mere production to include R & D, design capability, development of integrated supporting industries, packaging, distribution and marketing activities. We are gearing ourselves to produce products and services for the global market.

9. We forecast that the manufacturing sector's share of the GDP will increase from 33.1 percent in 1995 to 37.5 percent in the year 2000. By the end of the second Industrial Master Plan in the year 2005, the manufacturing sector would probably achieve a share of 38.4 percent of GDP.

10. Yet another interesting and significant development in Malaysia is the Multi-Media Super Corridor (MSC). I was here recently to talk to Japanese corporate leaders in the IT field on what our MSC is all about. Some of you may have heard me before. However, meeting with all of you today gives me yet another opportunity to discuss with you what Malaysia aims to do with the Multi-Media Super Corridor and also, more importantly, to convince you to be one of our founding partners in the MSC.

11. At Stanford University early this year, I gave a speech during the Silicon Valley Conference on the topic 'Global Bridges to the Information Age'. There I reiterated that Malaysia offers the MSC as a gift to the world, a global bridge to the information age that will enable genuine mutual enrichment for our partners possessing the vision to participate.

12. Indeed, Malaysia in proposing the MSC aims to play a useful role and contribute meaningfully to the information age. We will provide participants in the MSC with an environment without the usual constraints that would frustrate them. Let me very quickly summarise what the MSC has to offer.

13. First, on the physical side, we will offer you the world's best physical infrastructure. We are building the Kuala Lumpur city centre a massive intelligent building complex. We are building a new hub airport. We would also be having rapid train and highway links between Kuala Lumpur and the airport, passing through two new intelligent garden cities.

14. What is so special about these projects? When the first phase is operational in January 1998 the new Kuala Lumpur International Airport will have 80 gates with two parallel runways. It will also become an integrated logistic hub with the latest technology and equipment to facilitate movements of people and goods. The intelligent garden cities are named Putrajaya and Cyberjaya. Putrajaya will be Malaysia's new electronic government administrative capital. Cyberjaya is a city which will provide the physical and psychological environment for the pursuit of information age technologies and business in a relaxed atmosphere. This city of intelligent buildings, multimedia enterprise estates, multimedia university, commercial and residential housing and recreation facilities will be able to support a living population of 100,000 people and a working population of 150,000 people.

15. Second, we will have in place the world's best soft infrastructure of cyber laws, policies and practices. We have formulated a comprehensive framework of cyberlaws on intellectual property, digital signature, computer crimes, distance learning, telemedicine and electronic government.

16. Third, we will provide a 2-5-10 gigabit open multimedia network using the

latest ATM switches to provide fibre to the building. With a network having a 5 gigabit International Gateway, we will have direct links to the US, Japan, Europe and other ASEAN countries. This will be ready by 1998.

17. Fourth, we have set up a Multimedia Development Corporation or in short the MDC, a one-stop agency, to manage and market the MSC. The MDC will be setting up its overseas offices around the world over the next two years in order to service its clients. The MDC is incorporated under the companies act and will be free from the constraints of bureaucratic red tape. If it is of any further assurance to you, the Deputy Prime Minister and I myself will personally oversee the activities of the MDC and try to resolve any issues or problems brought to its attention.

18. No matter how meticulous the plan for economic development by a government, it will never materialise without the active participation of the private sector. Without such support from the world' s multimedia corporations, the MSC will be but just a dream. Fortunately though, we have managed to attract the attention and gain the interest and support of some of the world' s biggest multimedia corporations. Some of them, as you know, have also agreed to sit on the International Advisory Panel. Nippon Telephone and Telegraph (NTT), which has been cooperating with us on this project from the outset, will be one of the first companies to have begun operations in the MSC by setting up its research and development facilities. We hope more Japanese corporations especially those in the information technology field and related areas would also locate their plants, research and development facilities, and operations in the MSC.

19. The changing economic structure of Malaysia from commodity production to one dominated by manufacturing in itself requires that private sector relations be changed as well. In this regard, there need be a further strengthening of relations between the private sectors of both Japan and Malaysia. Wider and deeper linkages not only between Chambers of Commerce, but between various other economic organisations even on sectoral basis is of utmost importance and urgency. Even when Malaysia develops itself into a centre of educational excellence our engineers and managers still need to acquaint themselves with Japanese management and work ethics under the Look East policy. We need the cooperation and support of the Japanese business organisations in order to make available their training facilities for our professionals.

20. Keidanren, the Federation of Japanese Economic Organisations, comprising top Japanese corporations, would indeed do well to explore the possibility of establishing greater and wider contacts with the relevant and appropriate Malaysian private organisations. One such organisation that I would like to introduce is MASSA (Malaysia South-South Association). Set up about 5 years ago, MASSA through its corporate arm, Masscorp, has carried out activities aimed at `connecting' Asian firms and entrepreneurs looking for international partnership opportunities in countries seeking foreign direct investment. Partnership in investments brings about greater energy with the combination of the expertise and experiences of respective country-partners. Malaysia with its excellent relations with many developing countries could open doors for

Japanese business.

21. With the 2020 vision that we have set for Malaysia and the various development projects that we have put in place, opportunities both in trade and investments abound for foreign business enterprises. Some countries may have cheaper land prices, lower rentals, and lower wages than Malaysia. But we continue to offer a stable, strong and business friendly government, consistent policies, a safe and healthy environment, and forward-looking, dynamic and innovative economic regime to help investors succeed without undue constraints.

22. I would, therefore, like to take this opportunity to invite all Japanese business organisations at national, regional or local levels or its members individually, to take a keener interest in Malaysia and seek out trade and investment opportunities both in Malaysia and, jointly with Malaysian businessmen, in third countries. In your hands lies the future of Japan-Malaysia economic partnership.