

THE RECEPTION WITH KUWAITI AND MALAYSIAN BUSINESSMEN

KUWAIT, 06 APRIL 1997

1. I would like to thank the Kuwaiti Chamber of Commerce and Industry for the opportunity to address a gathering of prominent members of the business community of The State of Kuwait.
2. The State of Kuwait and Malaysia have enjoyed excellent bilateral relations based on mutual trust that has evolved through historical and commercial associations. Both are members of the Organisation of Islamic Conference (OIC) and share similar views and have cooperated with one another on issues involving the Islamic faith and the Muslim community at the international level.
3. Bilateral trade between our two countries has been growing steadily from US \$36.96 million in 1992 to US\$107.68 million in 1996 recording an increase of 48 percent per annum. Nevertheless Malaysia's imports from Kuwait for the period ending December 1996 which amounted to US\$37.39 million contracted by 83.2 percent as compared to US\$68.51 million recorded for the same period in 1995. Major import items from Kuwait include crude petroleum(94.5 percent) and copper waste and scrap (3 percent). Malaysian exports amounting to US\$70.28 million to Kuwait in 1996 has shown an increase of only 2.6 percent as compared to the corresponding period in 1995. Substantial amount of exports to Kuwait comprised products like electrical and electronic goods (23.2 percent), jewellery and other precious metals (15.9 percent), wood and wood products (5 percent). Given the numerous opportunities and incentives for investment and trade in both the countries, I believe the time has come to foster strategic linkages between our entrepreneurs and captains of industries in order to create partnerships in economic development not only at bilateral but also at regional and global levels.
4. In 1996, Malaysia launched its Second Industrial Master Plan (IMP-2, 1996-2005). The Plan is a testimony of the Government's commitment to propel Malaysia to become a fully developed nation by the year 2020. Under the IMP-2, some US\$100 billion worth of investments will be needed to achieve the target of increasing manufacturing value-added share of the Gross Domestic Product (GDP) to 38.4 percent by the year 2005.
5. As Malaysia advances to realise her long-term goal, the stress on productivity and global competitiveness becomes more pronounced. To achieve this goal, Malaysia has embarked on a concerted drive to enhance trade, economic and commercial links with other developing countries and newly-emerging economies. Of course we will continue with our exports to developed countries as well. Last year we export US\$18 billion worth of goods to the United States alone, most of which was made up of manufactured goods. The Malaysian private sector has been very supportive of this drive. They have established business contacts and networks in many countries in Africa, Latin America and Asia, developed and developing which have resulted in a greater flow of trade and investment. Although a lot of our manufactured goods carry foreign brand names, it should be noted that many are manufactured by Malaysia-owned

companies. Today these Malaysian companies are producing similar goods carrying their own brand. The quality is the same as those they manufacture as the Original Equipment Manufacturer (OEM) products.

6. The Government' s objective is to ensure that Malaysia remain a viable and profitable manufacturing and export base to serve both the domestic, regional and global market. Various measures and policies have been drawn up to attract domestic as well as foreign investments, particularly in the manufacturing sector. Policies have been constantly reviewed for further deregulation, transparency and efficiency of this sector.

7. As a result of the positive revisions of its policies, Malaysia has largely been rather successful in attracting foreign direct investments, particularly in the export-oriented industries. As you are probably aware, Malaysia now is the world' s leading producer and exporter of a range of manufactured products such as rubber gloves and threads, room air-conditioners, semiconductors and audio-visual equipment. We were made to understand that Kuwait has undertaken liberalisation and deregulation measures to reinvigorate its economy. Recently Kuwait has also introduced laws to protect and encourage investments and to promote privatisation. I believe such liberalisation and deregulation measures will eventually result in creating substantial markets in the South, that are able to supply a wide range of products, ranging from raw materials to products with high technology contents.

8. The Kuwaiti business community must not only look at the opportunities available in Malaysia, but must consider Malaysia as a strategic location in the ASEAN region as a whole. With the inclusion of Vietnam, ASEAN now has 420 million people and all the seven-member countries registered an average annual economic growth between seven and nine percent. Intra-ASEAN trade for January - June 1996 stood at US\$56.2 billion and a GDP of around US\$510.7 billion.

9. By the year 2003, ASEAN could see the completion of ASEAN Free Trade Area or AFTA. By that time, ASEAN manufactured products will have tariffs of not more than five percent across the board. The huge ASEAN market and its liberal trading environment will indeed provide and offer tremendous business opportunities in the near future. In this regard, I would like to encourage Kuwaiti investors to increase their business presence in this region, by using Malaysia as a gateway into ASEAN.

10. To complement and enhance Malaysia' s regional and international linkages, the island of Labuan has been designated as an Offshore Financial Centre, with the necessary infrastructure support and facilities put in place. An attractive package of fiscal and non-fiscal incentives has also been offered to companies that locate their regional headquarters in Malaysia, which are comparable to the best in the region.

11. The emergence of a full-fledged Islamic banking system would undoubtedly bring an added dimension to the market. Even though Malaysia is said to be

leading the way in the implementation of Islamic banking, it would be difficult to implement a functional Islamic investment and capital markets at the international level without some degree of consensus among Islamic scholars on these matters. There is certainly a great desire on the part of many Islamic banks to be involved in project financing, particularly in the East Asian countries where there are a growing number of new high-profile projects emerging.

12. The presence of prominent members of the Malaysian business community here today are in evidence of their keen interest to forge and strengthen bilateral trade, economic and commercial ties between our two countries. The business meetings and discussions that you will have during their stay here should certainly lead to fruitful results.