

THE OPENING CEREMONY OF THE SMI SHOWCASE

PUTRA WORLD TRADE CENTRE, KUALA LUMPUR, 25 JUNE 1998

Firstly, let me thank the Ministry of International Trade and Industry (MITI) for inviting me today to officiate the opening of 'SMI Showcase 98 and APEC Cross Border Linkages'. I am told that the 'APEC Cross Border Linkages', organised back-to-back with the Showcase, is an effort by MITI/SMIDEC to bring the Showcase onto a higher plane of cooperation and business linkages among APEC economies.

2. Although the economies of APEC countries are varied and diverse, combined together, the APEC economies can be a formidable force that has the potential to mobilise the huge resources towards the pursuit of a common objective, i.e. to help each other's economy to develop and to share the benefits of that development through world trade in real goods and equally real services.

3. Within APEC, Malaysia will continue to work on the three pillars of cooperation already endorsed by the Summit namely, trade and investment liberalisation, trade and investment facilitation, and economic and technical cooperation. These are virtuous words but they must be translated into virtuous deeds. All sides should gain from the liberalisation, facilitation and cooperation. If the gains are one-sided or, worse still, if they cause damage to any partner, then the deeds at least should be reexamined with a view to correcting the manner of their implementation. If it is found that the principles are wrong, then we should be prepared to examine or even revise them. In the history of the search for the ideal way, we have seen too many mistakes to believe that the current ideas are perfect.

4. The world is seeing a resurgence of the belief that big is beautiful. But it must be remembered that everything that is big must begin by being small. Indeed for many the small size will remain permanent. And so even as giants are appearing in every field, in industry there will always be a need for the small and the medium in size.

5. It is said that big spells efficiency and economies of scale. But there is an optimum size beyond which efficiency declines and scale no longer results in economies. Although today there are effectively only two manufacturers of passenger aircrafts in the world, namely Boeing and Airbus, both these giants depend more and more on the supply of parts from small producers of child parts, components and sub-assemblies. There are literally millions of these parts and components, meaning there will always be a need for small and medium industries. Indeed such is the versatility and efficiency of small and medium industries (SMI) that there has to be not just one producer of a particular part or component, but there will be a need for numerous producers producing the same items separately and sometimes in different ways. And when this happens, competition will be stimulated and newer methods of production for greater efficiency, precision and cost will be developed.

6. As machine tools become more precise and easier to operate new players

from the less developed countries will be able to get a piece of the action. APEC, which we need to remind ourselves is about economic cooperation, must play a role here, a role in developing cross-border linkages so that the markets of APEC will benefit all the member countries. The demand for the products of small and medium scale industries must lead to the setting up of some of these industries in the less industrialised member countries. Capital, management and technology should cross borders in order to contribute towards the development of the less developed countries through SMI. In the electronics, telecommunication and information technology (I.T.) industries, the scope for SMI is considerable. Innovative new products needing venture capital must be given adequate support, not only in terms of finances but through vendor development and the judicious opening of markets. Here the system of royalty payments and copy rights needs to be reexamined. The high royalty demanded and prolonged period of proprietorship of new inventions inhibit the growth of SMI. Since computer clones were permissible, other products too should allow for similar cloning. This way the benefit from the research in the electronic, telecommunication and I.T. industries suitable for SMI will be better spread to benefit the most number of people.

7. In the competition between the SMIs of the developed and the developing countries of the APEC, each should be allowed to retain its competitive advantage. Thus the low-cost labour of the less developed countries should not be regarded as unfair advantage. If it is, then capital, technology and management know-how of the developed countries must also be regarded as unfair advantage. If we are not agreeable to retaining the competitive advantages of each group, then we should do away with both. It is not fair to expect one competitive advantage to be eliminated while the other is retained. Experience has shown that when one competitive advantage is combined with the others, the greatest cost benefit will result. In the long run everyone benefits, including the consumers worldwide.

8. APEC which, let me again emphasise, is dedicated to economic cooperation should adopt a smart partnership approach in the SMI Cross Border Linkage Programme. By smart partnership we mean a partnership that benefits all the partners. Each one must contribute something i.e. land and location, labour, capital, technology, management, raw materials etc and in return one must get a fair share of the returns. In the process transfer of technologies and skills must take place. Everyone should be enriched due to the linkage and the transfers.

9. This ASMI Showcase and APEC Cross Border Linkage Programme@ provides an ideal avenue for those involved to meet, discuss and share experiences in developing SMIs in the context of establishing smart business partnerships and joint ventures. The networking and linkages established will form the key towards strengthening global economic linkage within APEC in the next millennium, turning the region into one of the most competitive market places in the world.

10. I would like to take this opportunity to wish all participants success in this 1998 Showcase and "Cross Border Linkage". I hope these events will add

another milestone in your respective business strategies in terms of fostering new business linkages and joint ventures.

11. I now have pleasure in declaring open the "SMI Showcase ' 98 and APEC Cross Border Linkages" Conference.