

## **The Meeting With The Confederation Of German Industries And German-Asia Pacific Business Association**

Berlin, Germany 19 March 2002

### **"INVESTMENT AND BUSINESS OPPORTUNITIES IN MALAYSIA"**

I am indeed very pleased to be here with the members of the Confederation of German Industries and German-Asia Pacific Business Association, to share with you the investment and business collaboration that the business communities of Malaysia and Germany can explore and forge.

2. Germany is well recognised for its leading position as a major world industrial and trading nation. While German investments are concentrated in Europe and the USA, German companies have always maintained an active presence in the Asia-Pacific, to exploit the vast opportunities available in the region. Malaysia is fortunate to be among the favoured destinations for German business in the Asia-Pacific region, and Germany is presently an important investor and trading partner for Malaysia.

3. Germany is Malaysia's largest trading partner in Europe. In the year 2001, Malaysia's total trade with Germany was valued at US\$4.8 billion. Exports from Malaysia to Germany in 2001 totaled US\$2.1 billion while imports from Germany amounted to US\$2.7 billion. In fact, Germany overtook the Netherlands and the UK to become Malaysia's largest trading partner within the EU from 2000.

4. Promoting foreign direct investment (FDI) remains an important strategy for maintaining Malaysia's economic growth. In 2001, Malaysia attracted FDI of US\$4.8 billion into the manufacturing sector of which Germany was our eighth largest foreign investor in terms of approved investments in the manufacturing sector. Between 1996 to 2001, a total of 122 projects with German interest were approved with investments totalling US\$1.2 billion. Investments were both in new projects as well as expansion and diversification of existing facilities.

5. German investments in Malaysia now span over 3 decades with a steady increase from year to year. There are at present over 300 companies with German interests in the manufacturing and non-manufacturing sectors indicating a large German presence and participation in Malaysian economic activities.

6. As an open economy, Malaysia will always be subject to the vagaries of the global business cycles. Nonetheless, the

Malaysian economy has managed to register a real GDP growth of 0.4 percent in 2001. The resilience of the Malaysian Economy is attributed to the diversified structure of the economy. Although the manufacturing sector, notably the electronics industry, has been adversely affected by the downturn in global electronic demand, growth in other sectors remained positive. Malaysia places priority on maintaining economic stability and predictability with low inflation, which currently remains at 1.2 percent.

7. Malaysia continues to offer considerable opportunities for German investors in the manufacturing and manufacturing related support services sector. Malaysia has built up a strong industrial base, particularly in electronics. Malaysia is also intensifying the transition towards higher technology and higher value-added manufacturing. Malaysia seeks to be the regional hub for investors in the manufacturing and the supporting services sector.

8. Currently, Malaysia is promoting the development of the automotive components industry to reduce the dependence on imported components and to develop the country as the base for the manufacture of automotive components in the region. In 2001, exports of automotive parts and components amounted to US\$31.2 billion while imports totalled US\$34.7 billion.

9. German companies, which are world-renowned for their capabilities in the automotive industry, will be most welcomed to invest in the automotive sector in Malaysia, particularly the manufacture of specialty parts and components such as automotive electronic modules, navigational systems, engine management systems, intelligent transport systems, safety and security systems and environmental technologies. German investors would be able to tap Malaysia's existing competitive advantage in the manufacturing of electronic components. German companies are among the world leaders in these products and there is considerable scope for more such German investments in Malaysia. German companies advanced in technology can also become strategic partners of Malaysia, and use the country as a gateway to ASEAN. While it is noted that a large part of Germany's foreign trade is with other EU member countries, ASEAN with a population of over 500 million people, albeit with low incomes, is still a market that should not be missed out.

10. German companies located in Malaysia will enjoy the advantages of strategic access to the ASEAN market where more than 90 percent of intra ASEAN tariffs have been lowered to between 0 to 5 percent implemented under the ASEAN Free Trade Area or (AFTA). ASEAN member countries have also agreed to

eliminate duties on all products by 2010 for the original six member countries and by 2015 for the other four new member countries.

11. Within the ASEAN region Malaysia is on-track in fulfilling its commitments to the common effective preferential tariff (CEPT) scheme. Malaysia is already competing actively within the AFTA environment with 96.6 percent of its products already in the CEPT scheme, of which 91.7 percent are at 0 to 5 percent tariff and 60.4 percent are at zero duty.

12. Malaysia believes in smart partnerships and the concept of "Prosper Thy Neighbour". Unlike the generally matured markets in Europe and the USA, Malaysia and the ASEAN region will continue to offer growing market potential and excellent export and trading opportunities for German firms. So prosper Malaysia and ASEAN and we will become a great market for Europe. Our gain will be your gain.

13. As industry leaders who travel a lot you must be aware of the growing popularity of Malaysia as an attractive tourist destination in Asia. We have invested a lot in developing the necessary infrastructure and products for the tourism industry. The increasing demand for Eco-tourism has made sustainable development imperative for the tourism industry in Malaysia. Malaysia has now become an exciting, value for money destination for local and international travelers. In 2001, Malaysia recorded 12.8 million tourists arrivals. However, only 70,401 of these tourists were from Germany. We would like to see more tourists coming from Germany.

14. In addition, Malaysia also continues to be a very popular destination for international conventions, exhibitions and sporting events such as the formula 1 race. This is because Malaysia offers an attractive range of convention and exhibition services and the necessary infrastructure and sporting facilities.

15. In Malaysia, foreign technology is still much needed and welcomed. This presents vast opportunities and challenges for our German partners. There is much that German companies can offer Malaysia in terms of technology, know-how and capital. German I.T. entrepreneurs can either sell or share their technologies with us through FDI, partnerships and joint ventures. But the cost of transfer of technology is high. Reverse engineering is not allowed. While countries like Malaysia, always endeavour to enforce intellectual property rights laws rigorously, the owners of intellectual property should also try to reduce the cost of their property right,

in order not to deny access simply because of the prohibitive cost.

16. Malaysia has sought to benefit from the many spin-offs of recent advances in, communications, information and technology (ICT). In the Multimedia Super Corridor (MSC), an area specially dedicated to I.T. industries and businesses, Malaysia is promoting a culture of risk-taking and creativity where knowledge workers can network and innovate. The MSC offers German companies unique opportunities to develop ICT businesses. Malaysia has put in place infrastructure, policies and cyberlaws, which alongside Malaysia's relatively lower cost would make the MSC a prime place to do ICT business.

17. Malaysia aims, through the unique environment provided by the MSC, to promote the development of next-generation multimedia technologies. Towards this end, Malaysia is continuing to renew efforts to develop a cluster of collaborating world-class corporate R&D centers, universities, research institutions and other industry players. The MSC offers the platform for German companies to develop new cutting-edge technologies. A bio-valley within the corridor will be devoted to the life sciences.

18. Although our target for the MSC is to have 500 companies of which 50 would be world class by 2003, we now have 646 MSC companies with over 50 being world class today. We have now to move our target to 700 companies.

19. The IT age has also brought with it the internet, which can spawn various types of new businesses. This is another crucial area in which Malaysia and Germany can cooperate for our mutual benefits. With your tradition of inventiveness and innovativeness, German technopreneurs will find immense opportunities for e-business in Malaysia. The growth of e-business is phenomenal. Internet business will bring about faster economic development to developing countries to the advantage of the developed countries. German technopreneurs can help us formulate systems of doing internet dot.com business for our mutual benefits. A win-win outcome is possible. German technopreneurs are urged therefore to work together to capitalise on the opportunities in the ICT sector.

20. Malaysia is not against globalisation. The opening of markets to trade and investment has contributed to Malaysia's own growth. Trade itself is a major consequence of globalisation and a major engine of growth for many countries.

21. Malaysia remains committed to market liberalisation. However, market liberalisation and globalisation must not mean anarchy in which the colossal banks and corporations can ride roughshod over everyone in their quest for profit. Liberalisation should not mean total deregulation. There should be sufficient policy and regulation to ensure fair trade and consideration for the well-being of people in general.

22. Malaysia is concerned with the equitable sharing of the benefits of globalisation. The process should neither be dictated by anyone nor the pace forced by selected countries for their own benefit. It is imperative that the countries are allowed to undertake progressive liberalisation and build capacity to benefit from the opportunities of globalisation. Global trade rules should be strengthened with the aim of providing a predictable, fair and stable multilateral trading system. Rules however should not be created to ensure compliance which can erode the competitiveness of developing countries like Malaysia.

23. Globalisation should not be for the sake of globalisation. It should be an instrument for the betterment of humankind. We have seen too many ideologies and systems which held great promise at first only to destroy countries and people instead.

24. For some countries, the launching of a new round of trade negotiations has become an obsession as if it is the panacea to the problems besetting the multilateral trading system. Trade negotiation is not important except when the objectives are clear and time is given for the proposals to be studied by all.

25. Trade negotiations should not include non-trade issues which are already being considered in other international bodies. Using trade and investments as instruments to twist the arms of disadvantaged countries and force them to submit is a form of discrimination that is likely to make the poor poorer still. The powerful are not free from unacceptable practices but pressure cannot be brought to bear on them effectively as they are not so trade dependent. While it is expected that inefficient corporations in poor countries should be left to wither and die, inefficient farms in the rich countries continue to be subsidised for political reason. The same can be said of the garment industry.

26. Poor countries also lack the resources and the manpower to negotiate. They can be easily browbeaten into accepting conditions which would prove harmful to them. Even the negotiations are not fairly conducted.

27. The problems related to the implementation of existing agreements and commitments which are adversely affecting developing countries have not been fully addressed. Provisions which are presently on "Best Endeavour" basis need to be strengthened so that the special and differential treatment accorded to developing countries can be more effectively operationalised. The existing imbalances in the various Uruguay round agreements also need to be adequately addressed.

28. It is sad that in this day and age, we should still find countries and people who are extremely poor while some countries are so wastefully rich. Yet there is so much talk about human rights and social justice. If wealth is more equitably distributed then problems like child labour and sweat shops would not arise.

29. It is time that the excessive wealth of the rich be subjected to a world tax in order to pay for needed infrastructure in the poor countries. It has been proven that construction and operations of public utilities not only cause an inflow of funds but act as catalysts for the development of a country.

30. Although our gathering today is concerned with German industries and the Asia Pacific it is good if we also look at the bigger picture - at the world in the era of globalisation.

31. I would like to end by inviting German businessmen to visit Malaysia to see for yourselves what the country has to offer. At the very least you would enjoy a good holiday in a country still 50 percent covered by natural forests.