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(PRIME MINISTER)

EVENT: A LUNCHEON MEETING WITH ITALIAN INDUSTRIALISTS AND BUSINESSMEN

VENUE: ROME, ITALY

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TIME:

Distinguished guests;
Ladies and Gentlemen.

When the famous Italian author Salgadi wrote his exciting stories of the pirate "Sandokan" who sailed in the Malaysian waters and pillaged British ships, I understand that he wrote this from pure imagination having never visited Malaysia or even Southeast Asia. However, I have been informed that many Italian youngsters, and may be some of you in your younger days, have been fed on a steady diet of Salgadi's version of Malaysia and the exploits of Sandokan.

2. Salgadi may have made Malaysia well known in Italy but the lasting impression of a romantic, violent and underdeveloped region that Sandokan may have left in the minds of Italians is anything but accurate. I hope that in the course of our dialogue today I will be able to change the wrong impression and give you a modern nation determined to join the league of developed industrial nations.

3. Let me now give you a categorical assurance that you will never come in contact with pirates such as Sandokan in doing your business in Malaysia. However, some Malaysian businessmen may refer to foreign businessmen as pirates because they are reaping huge profits in their business operations in our country. The Malaysian Government, however, is quite happy that foreign businessmen make substantial profits in Malaysia because, for the private sector, profit is the ultimate yardstick of success and success is what we encourage in Malaysia. In addition after these foreign businessmen or industrialists finish their tax holiday periods, under the generous incentive schemes we offer, the Government will be able to tax them; and the bigger their profits, the bigger the revenue for the Government. It is with this attitude of enlightened self-interest that the Malaysian Government encourages the private sector to take full advantage of the opportunities for profits in Malaysia.

4. In Malaysia we envisage a symbiotic relationship between the private sector and the Government where the success of one benefits the other and where the efficiency

and dedication of the Government brings benefit to the private sector. In Malaysia we have coined the phrase 'Malaysia Incorporated' to describe the dynamic inter-relationship between the private sector and the Government -- all working together like in a gigantic corporation -- for the ultimate benefit of all.

Ladies and Gentlemen,

5. This then is the nation and the Government I represent, a Government dedicated to development and a nation in a hurry with the capacity and determination to develop and to join the ranks of developed nations. However, we are aware that we cannot do all this alone.

6. Though today Malaysia is the world's largest exporter of a few primary commodities such as rubber, timber, tin, palm oil and pepper; though today we are a net exporter of oil and gas and though today due to the industrial efforts of the past decade, we are the world's largest exporter of electronic semi-conductors and rubber products such as swimming caps, gloves, catheters and rubber bands and also the third largest exporter of room air-conditioners, after Japan and the USA, we are modest enough to realise that much of our efforts and the fulfilment of our aspirations cannot succeed without the help of the foreign investor and his contributions of technology, management know-how and access to export markets. This is the reason why we are here today investigate Malaysia as a base for your offshore operations, to manufacture, to serve the 250 million ASEAN markets and also world market.

7. In Malaysia we have a high regard for things Italian. Your high fashion products from Gucci to Valentino, from Giorgio Armani to Lamborghini and Gilbarto and other designs of footwear, clothing, spectacles, etc. are highly respected and purchased by those who can afford them. Malaysians are also very familiar with and respect the engineering technology of Italy as exemplified in your motor vehicles such as Fiat and Alfa Romeo, though I must say that the Japanese car makers have created a serious dent in your sales in Malaysia. However, for the purpose of this Mission it is sufficient that you are aware that we in Malaysia have a high regard for Italian know-how and technology not only for the manufacture of fashion products but also engineering, chemicals, footwear, furniture, precision products, electronics, aerospace, and a host of others.

8. Also firms such as SGS Ates, General Goma and Marconni have set up manufacturing operations in Malaysia. They are among the 27 Italian companies that have been approved for manufacturing operation in our country and the success of some of these have created a high regard for Italian ingenuity and profit motivation. However, Italian investments in Malaysia is relatively small when compared to that of other European countries and especially considering the potential for technology transfers that Italian

investors possess.

Ladies and Gentlemen,

9. You may ask yourselves why should you come to Malaysia? What do we have to offer to you that will persuade you to invest in our country? In fact, the question you may well ask yourselves is what you must look for when you invest in any country. This is the question that every investor seeking opportunities for profits overseas should ask himself. Needless to say this question need not be of concern to those of you who are complacent about your present position and are manufacturing today only to supply your regional or local markets protected by high tariff walls. This question is also not relevant to those who have given up the battle to fight for their rightful place in international markets competing with products coming from other developed and developing countries including those in the Far East like Japan, Korea, Hong Kong, and Taiwan.

10. Our interest quite frankly is directed to those who wish to grasp the opportunity to set up a viable competitive operation either today or in the near future within the fastest growing region in the world i.e. ASEAN and in one of the fastest growing countries in the ASEAN region i.e. Malaysia. In short, if you are interested in expanding your world market operations and increasing your profits, then we are interested in you.

11. We do not offer you the rhetoric of future success nor do we give you assurances of the future based on a murky track record of the past. What Malaysia offers you is a solid record of past achievements in political, social, economic and industrial fields. We have an enviable record of political and economic strength and stability that will match that of the most advanced developed nations. In fact, our record of political stability will be difficult to match by most countries in the free world.

12. I myself am the leader of a political party called the National Front which holds more than 2/3 majority in Parliament. Being a coalition of different parties representing diverse ethnic interests, the party has held undisputed political power since 1957, that is from the time of our Independence. This has been done within a system of parliamentary democracy with free elections every 5 years. Why do we have such an enviable record? This is simply because the Government and those of my predecessors have dedicated and are dedicating ourselves to promoting the total welfare of the people through Government-sponsored development projects and private enterprise initiative in areas of mining, agriculture, services and manufacturing. From the businessman's point of view this means when you invest in Malaysia you can be assured that the Government in power, whose policies, rules and regulations are oriented to maximise the efficiency and profitability of your operations, will continue for a long time to come. This

assures you predictability, and with a Government which has predictable policies and rules you too can plan for the long-term with reasonable assurance that the growth of your projects will not be stunted by haphazard and arbitrary plans and policies.

13. I will not talk to you about our economic strength, our financial performance or the banking facilities available, because all this information is clearly stated in the literature that will be made available to you today. The details regarding the opportunities for investment in the resource-based industries in Malaysia, namely rubber, timber, tin, clay, and others and our thrust to attract engineering and precision industries and high technology industries are also available in the publications issued by the Malaysian Industrial Development Authority whose representatives are here today. They will be happy to meet you and to talk to you about details regarding your plans for investment.

14. I would like to take this opportunity, however, to talk about Malaysian labour. We have a young educated labour force which is growing at a rate of 3.1% per annum. More than 70% of the Malaysian labour force is below the age of 40 and most of them have a working knowledge of English. The Malaysian Government, as you may know, has introduced what is called the 'Look East Policy'. Let me clarify that this policy is merely designed to inculcate within this dynamic young labour force the work ethics and commitments to labour and industry, loyalty to the firm, consciousness of quality, etc. that have made Japanese and Korean companies today world beaters in many manufacturing areas.

15. The policy of the Malaysian Government is designed at promoting and maintaining industrial peace and harmony so as to create a favourable environment for accelerated socio-economic development. We have an enviable record of industrial relations and Government's machinery for the prevention and settlement of industrial disputes through conciliation and arbitration has led to a situation of decreasing labour unrest and increasing industrial harmony between the management and workers. I mention this factor because I am aware that the problem of industrial unrest is one that besets many companies in developed nations and I want to assure you that this is not a feature of the Malaysian economic environment.

16. Finally I would like to remind you that when you look at Malaysia you should not look at the 14.5 million people that inhabit the country which has one of the highest standards of living in Asia. When you look at Malaysia you should also see the opportunities that lie within the ASEAN region with its growing standards of living and which has within itself most of the major raw materials required by the industrial world. Malaysia can offer you a door to tap the ASEAN market within the framework of the various tariff agreements that have been and are being formulated within

ASEAN to give manufacturers in our region an advantage in the regional markets when competing with products from outside the region. We are by no means at a stage similar to the common market of the EEC. The EEC has had many decades to work out its problems and is still going through the pains of growth. Thus ASEAN does not wish to rush into areas where even the angels fear to tread. We want to make speed, but it is a "deliberate speed" planned to ensure that the structure that we build will not be thrown asunder by strains that leave different members dissatisfied with their lot within the region. Be that as it may, and many may conceive the ASEAN economic integration as a slow process, regional economic cooperation nevertheless is an expanding reality and the manufacturer who has his foot within the door of ASEAN today will reap the rewards of his initiative in the future. I am sure that the Malaysian private sector whose leaders are with me today and those from the Government will be able to give you more information and details as to how you can do business in Malaysia while at the same time tapping the opportunities that the ASEAN markets represent.

17. As I have said earlier Malaysia is not new to Italians. However, today we present to you Malaysia in a new perspective, a perspective of development, mutual cooperation, mutual benefit and profits. The Malaysian investor who will be your joint venture partner and those who have come with me are neither overawed by foreign investors nor are we hostile to your intentions in our country. We welcome you as an equal partner in our endeavour to industrialize our nation. The Malaysian and Italian Governments have signed a Double Taxation Agreement in January this year for the avoidance of double taxation and we are presently negotiating an Investment Guarantee Agreement. The framework for active cooperation for mutual benefit already exists and is being constantly improved. Malaysia has taken the initiative to reach out to you and we therefore now await your response.
Thank you.