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(PRIME MINISTER)

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TIME:

Ladies and Gentlemen,

I am pleased to be here this afternoon to meet distinguished American businessmen and industrialists. I may have met some of you in previous gatherings here and some of you may have already visited Malaysia. I hope my talk today will induce more of you to visit us or even invest in our country.

2. I feel that the time has now come to forge closer economic cooperation and business links between the United States and Malaysia. I regret to say that the US presence in Malaysia's industrial sector is minimal in relation to your standing as the world's leading industrialised nation. To date, US investments in Malaysia's manufacturing sector totalled a mere US\$128 million in terms of paid-up capital and US \$358 million in terms of fixed assets. Although these figures by themselves place the United States among the top five nations investing in Malaysia, by comparison with total U.S. investments abroad, they are literally a drop in the ocean.

3. I believe there are many reasons why there is a lack of American investments in Malaysia. Apart from the lack of traditional ties between our two countries resulting in an information gap about Malaysia among Americans, Southeast Asia conjures up certain negative images to many Americans : images of the Vietnam war, images of the strife in Kampuchea, and images of political upheavals in the region. These images, however, are quite irrelevant to us. We have been blessed with continuous political stability since independence. Even our independence was obtained from the British without the usual armed struggle and bitterness. We negotiated across the table. There has never been any wide spread social or political strife in Malaysia, except for one short period in 1969. During the recent elections the ruling party again won with a thumping majority, repeating its spectacular success in 1982. The elections were peaceful, and nothing untoward happened after results became known. Consequently the country would follow its consistent policy of encouraging foreign participation in its economy.

Ladies and Gentlemen,

4. Malaysia has for long relied on the production and

export of such primary commodities as petroleum, rubber, timber, palm oil and tin, for her six to eight percent yearly growth since independence. Now that the bottom has fallen out of the commodity market, Malaysia's diversification into manufacturing has taken on vital significance. The twenty percent role that manufacturing contributes to the economy must be rapidly increased in order that growth will continue.

5. That Malaysia can achieve the targets set for manufacturing can be adduced from past performances. Between 1980 and 1985 exports of manufactured goods increased from US\$2.4 billion to US\$4.7 billion.

6. Thus today, Malaysia is a leading exporter of manufactured goods such as semi-conductor devices, room air-conditioners, and natural rubber products, especially latex gloves and catheters. Through the next decade, we intend to further accelerate the development of other industries utilizing our natural resources of rubber, timber, palm oil, tin, clay and silica. We hope, in the near future, to be a leading exporter of items such as tyres, precision and industrial rubber products, wood mouldings and furniture. Of course our highly skilled, educated work force can be utilised by all kinds of assembly and processing industries, as is the case with microchip production.

7. For the coming decade, the emphasis of Malaysia's development will be on export oriented industrialisation, accelerating growth in priority industries selected on the basis of world comparative advantage, manpower development, and the acquiring of technological capability. We do not want to be grounded in the mediocrity of mere assembly operations. We want our Malaysian workforce to improve their skills for we believe that our future lies in the greater value-added secondary and tertiary processing of our raw materials and in higher technology industries.

8. To achieve our goals, ladies and gentlemen, Malaysia needs the help of our friends, especially those from the industrialised countries, in the East as well as the West. We recognise the need for foreign capital investments, technological capability, management know-how and your entree into world markets. As the leading industrialised nation, the United States can play an important role in Malaysia's development efforts, and thus we need American investors such as your goodselves.

9. The Government and the people of Malaysia would like to invite you to be partners in our progress and hope you can be the impetus and engine of growth in our economic development. The Malaysian Industrial Development Authority (MIDA) was formed with the tasks of promoting and coordinating industrial development in the country. Today, MIDA stands ready to assist you in every way possible for the realisation of your industrial projects in Malaysia.

Ladies and Gentlemen,

10. The Government has taken a number of measures over the past year to provide an even more positive and conducive environment for investment in Malaysia. In December last year, the Industrial Coordination Act of 1975, was amended to give more freedom to manufacturers in starting up new projects, for capacity expansion and for product diversification. Prior to that, in July, the Government further relaxed the guidelines for foreign equity participation in the manufacturing sector. In May this year, the new Promotion of Investments Act or PIA was passed by the Malaysian Parliament, providing attractive tax incentives for the manufacturing, agriculture and tourism sectors. Besides these, the Government has launched the New Investment Fund or NIF to channel funds at preferential rates of interest for the financing of new productive capacity in manufacturing, agriculture and tourism. It is hoped that these measures would stimulate investment activities in Malaysia's manufacturing sector.

11. I take this opportunity to announce new conditions for foreign equity and expatriate staff. These new conditions are applicable to new foreign investments in industries whose products will not compete with products presently being manufactured locally for the domestic market. They also apply to expansions of foreign-owned or partly foreign-owned industries which do not compete against existing local industries.

12. These new rules apply only to investments during the period between October 1st. 1986 and December 1990. Investments during this period will not be required to restructure their equity at any time.

13. The following are the new conditions:-

Firstly, a company that exports 50% or more of its production is permitted to have up to 100% foreign equity.

Secondly, a company which sells 50% or more of its production to companies in the Free Trade Zone (FTZ) or Licenced Manufacturing Warehouse (LMW) is permitted to have whatever level of foreign equity up to 100%.

Thirdly, a company which employs 350 fulltime Malaysian workers is permitted to hold whatever level of equity it applies for.

Fourthly, where foreign equity is less than 100%, the balance to be taken up by Malaysians should conform to the New Economic Policy rulings. Such rules will be applied without undue rigidity.

Fifthly, employment of Malaysians at all levels should reflect approximately the racial proportion of the country.

Lastly, any company with foreign paid-up capital of US\$2 million will be automatically allowed five expatriate posts at whatever level. Changes of

personnel will not require fresh working permits. Visas will be given automatically during the first ten years of the investment period. Additional expatriate posts will be given when necessary upon request.

Ladies and Gentlemen,

14. The balance of payment problems between the seven richest industrialised countries of America, Europe and Asia has resulted in a decision to revalue certain currencies. For Malaysia effectively it means depreciation of the Malaysian currency - the Ringgit. This means that Malaysia's manufacturing costs are much cheaper now. As Malaysian workers are trainable, productive and disciplined, the advantages of manufacturing or processing in Malaysia cannot be exaggerated.

15. Let Malaysia be your manufacturing base for products such as components and sub-assemblies that you can no longer produce competitively in your own country. That way you can actually help your own workers for they can still participate at certain phases without reducing the competitiveness of your products. For industries which can never be made competitive when located at home, relocation is the answer. Needless to say the Japanese are already resorting to these measures as their revalued Yen render production in Japan costly.

Ladies and Gentlemen,

16. Malaysia has a lot to offer you. More than thirty countries have invested in Malaysia. Over the last five years, 1981 to 1985, a total of 1,327 industrial projects with foreign interest were approved, with total foreign equity amounting to more than US\$786 million. These figures show increases of more than twenty-six percent in terms of projects approved and seventy-nine percent in terms of proposed foreign equity, compared with the previous five year period, 1976 to 1980. I believe our successes can be attributed chiefly to our record of political stability and economic resilience.

17. You may have heard that my party, the National Front, was recently returned to power with a more than two-thirds majority in Malaysia's seventh general elections since Independence. With this victory, we have the mandate of the people for another five years and, I assure you, we will do our best to maintain the healthy investment climate that we have diligently built for the past twenty-nine years. The Government cannot, and will not, allow any untoward situations to arise that will jeopardise the economic future of Malaysia and the nation's will to join the world's league of newly industrialised nations.

18. On this occasion, I would like to reiterate my Government's continued commitment to the foreign investor. Our stand has always been a very investment-conscious one.

Our policies have evolved through time as a result of the dynamics of a changing economic environment rather than from any dogmatic ideology from within. And foreign investors now operating in Malaysia have always appreciated this.

Ladies and Gentlemen,

19. This is the Malaysia that we offer you today as a base for your offshore operations. We are not looking for handouts; we have something to offer you that we believe will ensure profits for your viable operations. I am talking about the mutual respect and cooperation from the inherent benefits that your company can offer Malaysia and which we in turn can offer your company.

Thank you.