

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: THE ASIA-PACIFIC COUNCIL OF AMERICAN CHAMBERS OF COMMERCE MEETING

VENUE: THE SHANGRI-LA HOTEL, KUALA LUMPUR

DATE: 03 APR 1987

TIME:

Mr. Harvey Goldstein,
Chairman of the Asia-Pacific Council of
American Chambers of Commerce;
Mr. Michael Connors,
Charge d'affaires
Embassy of the United States of America;
Mr. Russel Klingler,
President of the American
Business Council of Malaysia;
Excellencies;
Distinguished delegates;
Ladies and Gentlemen.

I am very pleased to be here this morning to address the 37th. Semi-Annual Conference of the Asia-Pacific Council of American Chambers of Commerce (APCAC). I believe the APCAC is an important and influential business organisation in the Asia-Pacific region. Hence your meeting here today is of particular significance to Malaysia.

2. We are honoured that Kuala Lumpur has been selected as the venue for your meeting. It will help to publicise Malaysia, the least known of the ASEAN countries. We cannot attract people to invest here if they do not even know where we are.

Ladies and Gentlemen,

3. Much has been said about the Asia-Pacific region being the next growth basin in the world. It is a fact that over the past decade, high growth rates were the norm in this region. Although a number of economies have been adversely affected by the world recession, including the Malaysian economy, future growth prospects for the Asia-Pacific basin are considerably brighter than in most other regions. The abundant natural resources, a responsive labour force, a dependable infrastructure and overall stability are features which will contribute to this optimistic view.

4. Despite this optimistic picture, we cannot deny the fact that the world is going through a critical period. Radical structural changes have taken place which require new approaches. Commodities can no longer be relied upon to give a fair return. Currencies have lost their stability

completely. Despite publicly declared commitment to de-regulation, Governments are much more involved in regulating world trade, urged on by the very people who demand less Government interference.

5. It is a measure of our faith in good common sense and confidence in our skills that risks are still being taken in business. Malaysia is a beneficiary of this faith and confidence as witnessed by the continued investments in the country. To-day the big names in American industries, particularly the electronics, are well represented in Malaysia. And they have mostly done well - National Semiconductor, Motorola, HP, Mostek, Monsanto, RCA, General Electric and the rest. I am sure more will be coming if they care to ask their friends (or rivals) who have been here already.

Ladies and Gentlemen,

6. The United States is today one of the five major investors in Malaysia. According to the latest survey of manufacturing companies in production, a total of 96 existing manufacturing and tourism projects in Malaysia have American interests, involving a total paid-up capital of M\$ 287.6 million and fixed assets of M\$663.7 million. These figures do not include American multi-nationals which have sourced their funds from third countries such as Singapore, Hong Kong, Bermuda and Europe. They also exclude investments by major oil companies.

7. In 1986, of the 448 projects approved for the year, 25 projects were with American equity amounting to M\$17.1 million. Sixty percent of these projects were in fact expansion projects, clearly demonstrating the continued confidence of existing American companies in the investment climate in Malaysia.

Ladies and Gentlemen,

8. As I said Malaysia is not well known to Americans, particularly the small and medium size American businesses. Hence only the well-known companies are represented here. True, medium and small industries seldom go abroad. But we think we can offer them some advantages.

9. In our effort to promote Malaysia several major programmes have been planned for this year. In May/June, the Malaysian Industrial Development Authority (MIDA) will be organising a series of Round-Table meetings in the US to cover the cities of Boston, Dallas, St. Louis and Washington, D.C.

10. In conjunction with 'Internecon', an exhibition of electronic semi-conductor and related service, which will be held in Kuala Lumpur in July this year, MIDA will be organising a seminar-cum-study tour for participants

attending the exhibition, who are mainly expected to be Americans.

11. Another major Investment/Trade and Tourism Seminar covering the cities of Los Angeles, Chicago and New York will be held in September/October this year.

12. In early 1988 MIDA will organise a seminar whereby US companies will be invited to attend an Investment Forum and Study Tour in Malaysia. It is hoped that these measures would assist in making Malaysia a little more known to Americans, especially American businessmen and entrepreneurs.

Ladies and Gentlemen,

13. 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 believe that our future lies in the greater value-added secondary and tertiary processing of our raw materials and in higher technology industries. Industries located in Malaysia utilizing these resources will enjoy certain comparative advantages.

14. I will not enumerate what these advantages are, but the Government has taken steps to make them more tangible. Thus the Government has taken a number of measures over the past years such as giving greater flexibility to manufacturers in starting up new projects, for capacity expansion and for product diversification. We have further relaxed the guidelines for foreign equity participation in the manufacturing sector and provided attractive tax incentives for the manufacturing, agriculture and tourism sectors. The Government has also launched the New Investment Fund (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 further stimulate investment activities in Malaysia's manufacturing sector.

15. We have also announced new conditions for foreign equity and expatriate staff which I believe you are already familiar with. 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 expansion of foreign-owned or partly foreign-owned industries which do not compete against existing local industries.

16. These new incentives have met with enthusiastic and quick responses from our traditional foreign investors. I am sure American investors will not be found wanting.

Ladies and Gentlemen,

17. The ASEAN common market still remains a dream for the future, but we are working hard at it. There is every likelihood that some of the barriers will come down and a market of 250 million people with higher purchasing power than the billion people of China, will open up. When it does, those industries already in place are bound to enjoy certain advantages. Locating your industries in Malaysia or in other ASEAN countries can mean good foresight in investment. Already the foreign partners in two major ASEAN Industrial Joint Ventures are reaping huge profits.

Ladies and Gentlemen,

18. The theme of your conference, "Meeting the Competitive Challenge" is indeed appropriate, especially for this region. There is strong competition not only between investors keen to invest in this fast growing region, but also between countries competing for foreign investment. Malaysia is fully cognisant of the fact that investment incentives exist in other Asia-Pacific countries as well, but remains confident that our track record as evidenced by the presence of a large number of American firms here, will stand as effective testimony to our capability and dependability. In addition, the new range of investment incentives that we have introduced should continue to make Malaysia a very attractive investment proposition.

19. As representatives of American companies operating in the Asia Pacific region, I believe your experience and exposure to the region will no doubt contribute towards a greater awareness among the business sector in the United States of the potentials that Malaysia can offer. American technology and know-how combined with Malaysia's natural and human resources can result in mutual benefit for Malaysia and the American investors as evident by the many successful American ventures today. I would therefore urge you to consider Malaysia as an alternative location in your plans for expansion in the region.

20. Although Malaysia welcomes foreign investment from all friendly countries, the United States has always been a preferred source because of the technology and expertise that American corporations have to offer. We hope that American investors would contribute toward the development of this country by imparting their expertise and technological know-how.

21. A word about protectionism. It is the surest means to reduce world trade and impoverish the already poor. Thus markets will shrink not only for products of developing countries but those of developed countries as well. Poor countries cannot buy the capital and consumer products which they can never manufacture themselves. Reduced world trade in the end will impoverish all of us -- i.e. the developed

and the developing countries. As American businessmen very much involved in foreign trade, I know you will agree with me. I commend your efforts to make the US Government appreciate the need to reject protectionism.

Ladies and Gentlemen,

22. I would like to thank the Asia-Pacific Council of the American Chambers of Commerce for inviting me to share my views with you at this meeting. I know you have worked hard in the past few days but I do hope you have some time off to see a little of Kuala Lumpur and perhaps after the meeting, a little of the rest of Malaysia. I wish you success in your deliberations and hope your meeting here today is another indicator of greater American interest and participation in Malaysia's economic development and progress.

Thank you.