

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

EVENT: THE DINNER HOSTED BY THE KOREAN FEDERATION OF SMALL BUSINESS (KFSB), THE KOREA CHAMBER OF COMMERCE AND INDUSTRY (KCCI), THE FEDERATION OF KOREAN INDUSTRIES (FKI) AND THE KOREA FOREIGN TRADE ASSOCIATION (KFTA)

VENUE: SEOUL, REPUBLIC OF KOREA

DATE: 13 SEP 1990

TIME:

Distinguished Guests;

Ladies and Gentlemen;

I would like to express my appreciation to the four major economic organisations in Korea, namely, the Korean Chamber of Commerce and Industry, the Federation of Korean Industries, the Korean Trade Association and the Korean Trade Promotion Corporation for their joint effort in hosting this dinner. Indeed, it provides an opportunity for me to meet so many Korean friends on one occasion.

2. This is my second visit to your beautiful country in my capacity as Prime Minister of Malaysia, the first being seven years ago in 1983. In between my last visit and today, the world has seen the Republic of Korea's rapid progress from deficits in balance of payments to massive surpluses from 1986 onwards. The world has also seen the resounding success of the 1988 Olympic Games in Seoul, an event so superbly organised and orchestrated that it will be well-remembered for many years to come.

3. Korea's real GNP is expected to grow at an annual average of about 7% over the next decade, thereby boosting your nation's per capita income from about US \$5,000 currently to US \$10,000 by the end of the century. This will put you in the ranks of the world's developed nations.

Ladies and Gentlemen,

4. We are not new to each other. Bilateral trade between our two countries have been expanding rapidly over the last decade, increasing by almost five times over the 1980 to 1989 period. Last year, with total trade reaching about US\$1.9 billion Malaysia was South Korea's largest trading partner among the ASEAN countries and the second largest in Asia after Japan. We have established a mutually beneficial relationship: Malaysia meets the demands of Korean industries with raw material inputs such as natural rubber, timber and crude petroleum which amounted to nearly 60% of Malaysia's total exports to Korea; while nearly half of Korea's exports to Malaysia is made up of machinery and transport equipment, with another 40% composed of manufactured goods.

5. What Malaysia is offering you this evening is the opportunity to further develop this established business relationship. Malaysia offers Korean entrepreneurs the necessary ingredients and incentives that will ensure the success of your investments in Malaysia. In this regard the manufacturing sector in Malaysia is expanding rapidly and offers many opportunities.

6. The next decade will see a further globalization of the manufacturing business based on cost advantages. This has been made possible with current improvements in communication and transport, which should see even further progress in the years to come. Japan has taken advantage of this globalization to become the economic power it is today. Korea is obviously next on the line.

7. Indeed, last year, Korean manufacturers responded quite well to the invitation to invest in Malaysia. Manufacturing projects approved last year with South Korean participation totalled 29, with proposed South Korean investments recording a high US\$70 million. These figures were the most encouraging so far for Korean investments in Malaysia. For the first seven months of this year, 12 Korean investment projects have been approved totaling US\$32 million.

8. The past one year saw a major step forward for Korean-Malaysian business cooperation with the move by two of Korea's most conservatively-managed companies into Malaysia's manufacturing sector -- Samsung and Lucky Ltd. This year also saw the start-up of one of the largest Korean projects in Malaysia - Korea Iron and Steel Wire's US\$34 million project in the state of Johore. Another big name in Malaysia is Hyundai which is involved in two major wood-based joint-ventures.

9. We are very encouraged indeed by this obvious show of confidence by Korean companies in Malaysia's industrial capabilities, and we hope to see more such ventures in Malaysia in the near future.

10. Since 1987, the manufacturing sector has taken over from the agricultural sector as the largest contributor to GDP in Malaysia. Another noteworthy development is that the manufacturing sector has also emerged as the top performer in the country's export sector. With export earnings totaling US\$13.6 billion last year or 54% of total exports, manufactured exports have overtaken even the combined exports of commodities and petroleum.

11. In recognition of the role of foreign investments in the development and growth of the manufacturing sector, the Government has given special attention to the formulation of policies that, we hope, will be well-received by investors, overseas and local alike.

Ladies and Gentlemen,

12. Malaysia's 10-year Industrial Master Plan, 1986 - 1995, has identified the manufacturing sector as the engine for Malaysia to achieve and sustain high economic growth. Korea is, of course, familiar with this strategy and how successful it can be. Just as Korea had a cost advantage when it started to industrialise, so has Malaysia now.

13. The leading role in the achievement of the nation's development objectives will be allocated to the private sector while the Government will concentrate on providing a conducive environment for business to encourage active participation by both local and overseas investors. Red-tape has been minimised and a department in the Prime Minister's Office has been set up to deal with complaints not resolved at other levels.

14. This brings me to the next area -- the opportunities for investment in Malaysia. Of course, the best people to decide on the profitability of a certain investment would be you yourselves -- entrepreneurs who are already in the business. However, the Government would like to encourage investments in certain key areas where the scope exists for further development and where we believe Malaysia has a comparative advantage.

15. The broadly defined areas in which Malaysia is keen to promote are the resource-based industries, that is, industries utilizing Malaysia's abundant natural resources; the high technology industries, and the supporting industries which includes a whole range of engineering industries.

16. Besides the industries I have mentioned, recent developments in Malaysia have also opened up new avenues for investors. One major area is the tourism industry. Malaysia's tourism potential is still relatively untapped. With the Visit Malaysia Year promotion achieving a 63% growth in the first 7 months, i.e. over 4 million visitors, investors are beginning to realise this potential and a number of multi-million dollar tourist projects have been launched recently. Foreign ownership of hotels and other properties are permitted under certain conditions and many non-Malaysians have taken advantage of this. Another area which Koreans will find worth investing is in retailing. Well-known Japanese department stores have gone into joint-ventures with locals and have successfully retailed both their goods and local products. Some have gone in sourcing from Malaysia the goods they retail through their chains in Japan and elsewhere.

Ladies and Gentlemen,

17. One of the key factors which has attracted overseas investors to Malaysia is our accessibility to the markets of the world via an efficient network of air and sea ports, sophisticated telecommunication, as well as other infrastructural facilities within the country. Our accessi-

bility to the other parts of the world is due to the fact that Malaysia is no new-comer where international business is concerned. Because of our relatively small population size, Malaysia has to sell to the world. We have always been an export-oriented economy. Only the composition of goods have changed over time, from mainly raw commodities two decades or so ago to one where manufactured exports today make up 54% of total exports.

18. Besides a good physical infrastructure, Malaysia also offers investors a responsive workforce. Malaysia has a very young population in which 60% of her 17.4 million population is within the working age group.

19. Another factor for consideration would be Malaysia's strategic location within the ASEAN region. We are located in a region which is experiencing rapid rates of growth and where the economic potential has yet to be fully tapped. ASEAN has an estimated total population of 310 million with a combined GDP estimated at more than US\$220 billion and a growth rate averaging 5% per annum. Malaysia lies literally in the heart of ASEAN and is well-placed to serve not only the ASEAN but also the Pacific Rim countries.

20. There are obviously areas for business development by Korean companies in the region. The fact that not all ASEAN countries are equally industrialised will create opportunities for investment, bilateral or regional. Products which are based on the utilization of natural resources, which have value-added and which represent a higher degree of technology input, are areas where ASEAN as a whole is looking. Processing raw material into finished products in ASEAN itself will reduce double-handling and speed up delivery.

21. I must add that Malaysia can be a gateway for Korean investors, not only to the ASEAN and Pacific Rim countries, but practically, to all parts of the world. We are a member of the Commonwealth, we have very friendly ties with Muslim countries, the Non-aligned countries and the Group of 77. Malaysia can open up trade opportunities for you by providing the friendly links to these countries.

Ladies and Gentlemen,

22. The manufacturing sector in Malaysia is ready for its take-off in the 1990s. The sector clearly possesses tremendous potential for growth. Over the years, Malaysia has become an attractive investment base for investors; among the factors being her strong economic growth, stability and conducive investment climate, the abundant natural resources, the excellent infrastructure and the ample supply of educated and trainable manpower available in the country. Above all these, the Government is totally committed to fostering an increasingly conducive environment for the growth and development of industries in Malaysia.

Thank you.

