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(PRIME MINISTER)

EVENT:THE JAPANESE CHAMBER OF TRADE AND INDUSTRY, MALAYSIA (JACTIM)
10TH ANNIVERSARY DINNER

VENUE: THE HILTON HOTEL, KUALA LUMPUR

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TIME:

It is indeed a pleasure for me and my wife to be invited to this dinner organised by the Japanese Chamber of Trade and Industry, Malaysia (JACTIM).

2. It is also a privilege to address such a gathering of distinguished business leaders from Japan in Malaysia and their Malaysian counterparts. As an organised body representing Japanese businesses in Malaysia, I am aware that JACTIM has contributed much to foster good relations between our two countries and promote Japanese investments in Malaysia.

3. When Malaysia decided to switch from producing commodities to manufacturing, Japanese companies were among the first to respond. Generally, Japanese investments in Malaysia have been increasing over the years. For the period 1980-1992 a total of 1,045 manufacturing projects, involving equity interest from Japan, were approved. Total Japanese capital investment in these 1,045 approved projects amounted to approximately RM16.7 billion, creating some 200,800 job opportunities.

4. I am also pleased to note that in 1992 Japan's proposed investment was the third largest in Malaysia. That year the Government approved a total of 146 manufacturing projects involving equity interest from Japan. Total Japanese investments in these 146 projects, amounted to approximately RM2.68 billion.

5. Compared to investments in terms of fixed assets from other countries, Japan ranked first, accounting for 34.6 percent of the total investment in fixed assets of companies with equity participation by foreign investors.

6. Japan was also Malaysia's largest trading partner in 1992, accounting for some 19.6 percent of Malaysia's global trade. However, total trade between Japan and Malaysia reduced by 2.4 percent. I understand that the trade deficit with Japan widened due mainly to the imports of capital goods, intermediate goods and components largely for Japanese investment projects here in Malaysia.

7. Malaysia has also signed a Double Taxation Agreement (DTA) with Japan. The purpose of the DTA is to avoid double taxation and prevent fiscal evasion with respect to taxes on income. It is important that as host Malaysia shares some of the benefits of business generated in Malaysia. Under the DTA, taxes must be paid to the host country before any deduction by the home country of the investors.

8. As a major industrial nation, Japan leads the world in many areas of industry. Japanese technology and know-how for instance could be profitably applied to Malaysian resources for our mutual benefit. I wish therefore to urge Japanese businessmen to take full advantage of the many opportunities which Malaysian resources, other than labour, created here.

9. Malaysia has performed very well in the face of the economic slowdown world-wide. Malaysia's political stability and her skilled and diligent workforce have attracted significant inflows of foreign investment. These, together with the relaxation on local equity participation in industries for export have stimulated a greater flow of foreign investments in manufacturing here. But these are not all. In order to compete with countries with cheaper labour, the Government has tried to improve the efficiency of government machinery. The privatisation policy, the rationalisation and restructuring of government departments are some of the measures towards a leaner and more effective administration. These moves which have reduced financial constraints on the Government have already yielded results. Ports, airports, highways, telecommunications and electricity are now more efficient and are more able to cope with the needs of investors. JACTIM can help by making known these improvements to potential investors from Japan.

10. The upwards revaluation of the Yen, the endaka, following the Plaza Accord resulted in a massive relocation of Japanese industries to Malaysia and other countries of Southeast Asia. Now the Yen is once again appreciating. Although Japanese industries in Japan are not doing well presently, it is believed that their operations in Malaysia have remained profitable. It is again opportune for a second wave of Japanese industrial relocation to Malaysia. With the continued lower overall cost and high productivity of Malaysian labour, such relocation should help Japanese industries to overcome both the Yen appreciation and the recession in Japan.

11. Whereas in the past the concentration was on electronics and the domestic appliances sectors, it is perhaps worthwhile to consider new products with high engineering contents. Machine tools and precision products should do well in Malaysia considering the rapidity with which Malaysian workers acquire skills. Besides, such products would require less labour inputs. With a little bit of in-house training Malaysian workers would soon acquire the necessary skills. Although they would cost more

than less highly skilled workers in labour intensive industries, they would still cost much less than Japanese workers. The Government will do its best to provide the basic training required. Towards this end, the education policy and the Education Act will be amended. As in the past, the Government will react quickly and positively to the changing needs of Malaysian industrialisation and economy.

12. One government scheme which JACTIM and Japanese businessmen can play a role is the promotion of a Malaysian vendor scheme in the production of electrical and electronic component. A similar scheme for the motor industry has worked very successfully to the benefit of both Malaysian and Japanese component manufacturers.

13. While there is a lot that we can do for each other, our relations can extend beyond the commercial. In fact I think both Japan and Malaysia can benefit substantially if there is good social relations between Japanese businessmen and members of the administration. I understand that JACTIM has over the years organised and conducted numerous dialogue sessions between Malaysian Government officials and the business community. This is indeed in line with the spirit of Malaysia Incorporated and would certainly go a long way towards expediting the process of achieving Vision 2020. The private sector, particularly JACTIM members, and the Government administrators can help define and formulate a new behaviour pattern that could strengthen further the private-public sector relationship. This is an important basis on which future business dealings can take effect. Social and sports activities between the two can help overcome the barriers inherent in public relations with the bureaucracy. It would also help to overcome the impression of Japanese insularity. In these, JACTIM can certainly play an important role.

14. I wish to take this opportunity to wish all JACTIM members best wishes and hope they will continue to enjoy their status in Malaysia and contribute towards the success of their companies.

Thank you.