

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

EVENT: THE OFFICIAL OPENING OF OUTOKUMPU COPPER PRODUCTS (M) SDN. BHD

VENUE: PASIR GUDANG, JOHOR

DATE: 29/09/1998

TIME:

I would like to first and foremost thank H.E. Erkki Huittinen, Ambassador of Finland to Malaysia, for inviting me to officiate at the opening of Outokumpu Copper Products (M) Sdn Bhd, here today. It is indeed a pleasure for me to be here this morning for this occasion.

2. The prolonged economic and financial crisis since July 1997 have resulted in a contraction in the economies of the region after a decade of rapid economic growth. Malaysia was not spared from this turbulence which had resulted in the contraction in almost all sectors of the economy in the first two quarters of this year. Real GDP growth shrank by 2.8 percent and 6.8 percent respectively.

3. Against the continued adverse global developments, Malaysia had no other alternative but to take radical measures to put a stop to the basic causes of the economic downturn i.e manipulative devaluation of the currency and deliberate withdrawal of capital from the share market. On 1st September 1998, the Malaysian Government enforced exchange control laws which had been ignored in the past and pegged the ringgit at RM3.80 to US\$1.00. However, I wish to assure you that exchange control does not mean a stoppage of direct foreign investment in productive activities. Indeed the fixed exchange rate will facilitate the drawing up of investment budgets and processing of goods for the domestic and international markets. There will also be no restriction in the repatriation of profits. The business community, both foreign and local should actually welcome this. Costly lodging is no longer necessary.

4. The overriding objective of the exchange control measures is to regain monetary independence and insulate the domestic economy from global economic uncertainties and manipulations. The changes are thus aimed at containing speculation on the ringgit and minimising the impact of the short-term capital inflows on the domestic economy.

5. During a period of restructuring, there would definitely be much apprehension among foreign investors. I would like to take this opportunity to assure foreign investors that the Government will continue to pursue pro-business policies for long-term investors, as we have always recognised the fact that foreign direct investment can contribute significantly, not only to the development of the manufacturing sector, but also to the Malaysian economy as a whole. As such, Malaysia will continue to promote foreign direct investment in the manufacturing sector.

6. The presence of a large number of foreign multinational corporations (MNCs) and their subsidiaries in Malaysia is testimony to our success in providing a conducive environment for them not only to establish their manufacturing operations, but also to reinvest their profits through expansion of their existing plants and diversification into additional products. Foreign direct investment inflows into the Malaysian manufacturing sector today cuts across a broad spectrum of industries, including the non-ferrous metal products industry.

7. The non-ferrous metal products industry encompasses a broad range of products. However, I understand that the range of copper based products produced locally is limited. Malaysia is still dependent on foreign supplies for many copper based products. We therefore welcome this new venture by Outokumpu as the project will assist in the substitution of imports as well as result in increased exports of copper based products from Malaysia. This will assist in our current efforts to revitalise the Malaysian economy.

8. This industry has continued to attract a fairly significant amount of capital investment. In 1997, a total of 14 projects were approved in this sector, with a total capital investment of RM366.8 million. Foreign direct investment (FDI) had accounted for RM54.3 million. From January to August this year, three projects with a total capital investment of RM257.4 million were approved, of which FDI amounted to RM194 million.

9. Finnish investments in the Malaysian manufacturing sector have been less significant in comparison to other major capital and technology exporting countries in North America, Europe and Asia. As at the end of August 1998, 23 projects involving Finnish investments amounting to RM438.7 million had been approved in the Malaysian manufacturing sector. I note that Outokumpu has invested RM180 million in this copper plant here in Pasir Gudang, Johor. I am therefore pleased to note that Outokumpu is one of the major Finnish investors in the Malaysian

manufacturing sector.

10. I am also glad to note that Outokumpu's plant in Malaysia is its second investment in Asia, after China. As I mentioned earlier, the major contributing factor to the presence of multinationals in Malaysia is the conducive investment climate in this country. In this context, I wish to quote the remarks made by Mr. Pentti Jahi, who recently said, "Malaysia was chosen because of its prime location as the hub of the Asian market, good logistics, availability of sound technical expertise, computer knowledge and complementary infrastructure". This is a similar message to the one we have been conveying to foreign investors all over the world. I hope other Finnish companies will emulate the lead taken by Outokumpu and view Malaysia favourably as a base for their investments into this region.

11. I hope that your company will be able to increase local value added and increase the use of local raw materials, supplies and services to further enhance your competitiveness. As we are continually developing our technological base, I also hope that your company will be able to effect some transfer of technological skills to your Malaysian workforce.

12. I am optimistic that Outokumpu, in the near future, will be encouraged to expand and diversify into new product lines and incorporate other value-added activities. This will be in consonance with the Government's manufacturing goals under the Second Industrial Master Plan (1996-2005).

13. On that note, it gives me great pleasure to officially declare open Outokumpu Copper Products (M) Sdn Bhd and to congratulate the management for the successful completion and operation of the plant here in Pasir Gudang, Johor.