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(PRIME MINISTER)

EVENT: THE OPENING CEREMONY OF THE "SMIDEC ANNUAL SMI SHOWCASE '99"

VENUE: DEWAN CEMERLANG 2, THE MINES, KUALA LUMPUR

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TIME:

First of all, I would like to thank the Ministry of International Trade and Industry (MITI) for inviting me to officiate the opening of 'SMIDEC Annual SMI Showcase '99'.

2. It is indeed heartening to note that the country has come out of the woods after undergoing an economic turmoil to an unprecedented degree. Malaysia's so-called unconventional measures and strategies in addressing our economic crises were severely criticised by the international financial institutions and so called experts. But these measures have proven to be appropriate and effective, for overcoming our financial problems and economic fundamentals.

3. I am equally happy to note that whilst the economy was put to the 'test', confidence from the private sector including foreign direct investors, remained high. This is evidenced by the continued inflow of foreign direct investments (FDI) into the country's manufacturing sector, even at the time when the country was registering negative growth. These are the real investors who know the actual situation of the country and who have taken a long-term view of the country's fundamentals and potentials. Therefore, existing foreign investors remain committed to their investments and have in fact continued to expand and diversify their operations into higher technology and more value added including R&D activities.

4. These are the type of FDIs which we are interested in attracting into the main economic sectors of the country and these are the investors whom we like to work with, in advancing further our industrialisation programme. This is because developments in these sectors will determine the long term economic growth and sustainability of the country, as they contribute greatly to the Gross Domestic Product (GDP), to exports, employment, technological and skills development, development of small and medium industries (SMIs), which are all critical components of a country's industrial development.

5. The SMI sector assumes an important role in deepening and broadening the country's industrial base through the supply of essential parts and components, and related services to the large companies and MNCs. SMIs having strong linkages with domestic economy are also training ground for the development and nurturing of entrepreneurial skills. This sector has also been recognised as a vehicle for developing Malaysian-owned companies and Malaysian owned brand names and designs (OBM and ODM).

6. The theme chosen for this Showcase, 'Forging Ahead in Challenging Times' is both apt and timely as the country recovers from the economic crisis, and is set to forge ahead toward the next millennium. SMI sector being the backbone to the economy need to bolster their performance and profile in order to meet the challenges of the new economy.

7. Rapid globalisation of the world economy presents unprecedented challenges as well as opportunities for Malaysian companies, in particular the SMIs. To survive and thrive in such a volatile global market place, SMIs must be prepared to change -- change in the mindset and change in the way of doing business as well as the manner with which business is conducted. If the success of doing any business today is determined by one's flexibility, adaptability, responsiveness to changing market requirements, doing business in the next century is about making changes in 'real time' made possible with the application of information and communication technology (ICT).

8. The economic downturn has been a bitter lesson to many of our domestic companies, especially the SMIs. The resilient and the competitive came out of the 'test' leaner and in better shape to face competition. However, SMI companies need to realise that in future there are different sets of challenges to be encountered and companies must quickly acquire the innovative and entrepreneurial skills to transform these challenges into opportunities.

9. Our economy in keeping with the trend is gradually transforming itself into a knowledge based economy (K-economy) in which brain power rather than brawn will be the determining competitive advantage. In a K-economy, where the main activities are focussed on the high value added and knowledge-based activities such as product and process designing, product/process development and improvement, innovation and other R&D activities, size and scale of operation do not matter as much as before. Both large and small companies stand almost equal chance of achieving success. Indeed, it has been proven by many success stories of

breakthroughs in technology, software designs and development made by companies or entrepreneurs who started very humbly and very small.

10. Therefore domestic SMIs should consider going into more and more of this type of skill and knowledge-intensive business activities where the start-up cost is also low.

11. With the extensive application of ICT by our own companies, the outreach of Malaysian-made products and services can be extended to the global market, even though they are intended initially to serve the domestic market. Through E-commerce, products of SMIs can not only reach the markets abroad faster but also at lower costs. At the same time, it is the power of ICT that has given the challenges of globalisation the true meaning of doing business in a borderless world.

12. Against this backdrop, our local SMIs must rise up to face the challenges and changes that are taking place even while we are in this hall. Products produced today must not only meet the needs and taste of domestic market but should also adapt to consumers in differing markets. What this implies is that SMIs need to shift their focus from being production oriented to market oriented.

13. Fundamental to achieving market acceptance and penetration is of course quality and competitiveness. At the very outset products and services must be able to meet the rapid changes in international standards and requirements in terms of price, quality, delivery and costs. To be able to do this, SMIs should strive to acquire new technologies and upgrade skills in core competencies critical to achieving manufacturing excellence. SMIs also need to acquire new capabilities and new skills in order to be able to produce essential parts and components to compete with the best in the market.

14. Over time, Malaysian SMIs must graduate from producing lower-end components and parts, to becoming global suppliers of higher value-added intermediate products. For Malaysian SMIs, this graduation from domestic to becoming global suppliers should be achieved as a matter of logical progression. The global networking of Malaysia-based MNCs should be fully capitalised to gain access into the international procurement market.

15. I am happy to note that with the assistance of MATRADE the Showcase this year has attracted several foreign buying missions, representatives from international procurement offices (IPOs) from Singapore

and Hong Kong as well as other foreign trade visitors. These foreign trade visitors will also take part in the Business Matching sessions with companies participating in the Showcase.

16. To further strengthen this year's event, an 'ASEAN Match-making Workshop' to foster linkages and joint-ventures between large companies and SMIs is held back-to-back with the Showcase. The Workshop provides an avenue for those involved to meet, discuss and share experiences in developing SMIs through establishing smart business partnerships and joint ventures. The networking and linkages established will contribute towards strengthening ASEAN economic architecture, turning the region once again into the most competitive growth area in this region.

17. Finally, I would like to take this opportunity to wish every success to all participants of this year's 'SMIDEC Annual SMI Showcase' and hope that your participation in these events will bring in new business opportunities and networks for all of you.

18. I now have the pleasure in declaring the 'SMIDEC Annual SMI Showcase `99' open.