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(PRIME MINISTER)

EVENT: THE LIMA 2001 OFFICIAL OPENING CEREMONY AT THE MAHSURI INTERNATIONAL EXHIBITION CENTRE

VENUE: LANGKAWI, KEDAH

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TIME:

Welcome to the Langkawi International Maritime and Aerospace Exhibition 2001 or LIMA `01. I am indeed very proud and honoured to be here once again to officiate such an important event and in the presence of so many distinguished personalities, especially those from the aerospace and maritime industries. LIMA is 10 years old this year, and is recognised as among the most important and successful aerospace and maritime biennial international events in the world. I would like to congratulate the organisers for not only being able to sustain the quality of the exhibition over the last 10 years, but also being able to increase the participation of exhibitors and sponsors every time, despite the recent proliferation of such exhibitions all over the world. However I must admit that the events of 11th September have affected LIMA.

2. Still we believe LIMA will continue to be the most effective meeting point for aerospace and maritime exhibitors and traders to showcase their latest state-of-the-art products and technologies and make crucial inroads into the growing defence markets in this region.

3. LIMA is held in the beautiful islands of legendary Langkawi because it is a combined air and maritime show. A maritime show of this size must be held in spacious seas of course. But an air show should be held away from built up areas and avoid using busy airports. The airspace in Langkawi is eminently suitable for unlimited aerial displays to exhibit the capabilities of the aircrafts without annoying residents too much.

4. Besides, Langkawi is also a beautiful island resort removed from the main crowded population centres. Here exhibitors and the potential clients can meet and discuss business in a very pleasant environment. This show is of course about promoting business deals although others too can enjoy the static and aerial displays.

5. I also foresee LIMA continuing to serve as an effective market place for Malaysia's aerospace as well as maritime industry which has grown quite considerably since the first LIMA. They can showcase their products and capabilities under one roof to potential international customers, suppliers and partners, and also to each other. It is a place where our local companies can look for strategic global partners for their technologies and to enhance our competitiveness as well as theirs. I urge international exhibitors, traders and guests to visit Malaysian exhibitors and engage in constructive dialogues with them with the view to establishing synergetic, strong and viable business relationships.

6. LIMA, I believe, can serve as an effective gateway for international aerospace and maritime corporate players seeking for smart partnerships with Malaysian companies to gain competitive advantage. As you are well aware, Malaysia has many strengths which we can and we should jointly exploit to our mutual competitive advantage. Manufacturing is certainly one of our key strengths for over the years we have transformed our country from an agricultural nation to an industrial nation. Today 82 percent of our exports of nearly 100 billion U.S. Dollar consist of manufactured goods, electronics in particular. We have physical infrastructures which are as good as in developed nations. At the same time, our overheads, including the manpower costs, are very much lower. Our workers are well educated, young and easily trainable. English is widely used in Malaysia. In view of this, over the years many manufacturers have moved their manufacturing activities to Malaysia. They have clearly been very satisfied because many of them have expanded their operations and their investments in Malaysia. We have now very special facilities for the I.T. industry and other hi-tech industries including aerospace. I hope you will see beyond Langkawi to the mainland where we still manage to maintain an attractive and stable environment for FDI.

7. With the recent unveiling of the Eighth Malaysia Development Plan, the Malaysian Government will be one of the most important potential customers for exhibitors at this exhibition. The amount of money involved will be substantial. Under the Industrial Master Plan 2 which ends in year 2005, the Malaysian Government is committed to further develop our aerospace industry and the marine transport industry as priority industries. To this end, and in order to accelerate the industrial growth, we will look very favourably to defence equipment suppliers who could offer attractive industrial offset programmes along with their proposal. The supplier offering the most

attractive offset programmes in terms of value and types of technology with sustainable business opportunities will command substantial weightage. We will be looking for more local contents and more sincere efforts in the transfer of technology process. This transfer of technology process should be more industry focused, and not merely offering some unproductive training programmes that do not address specific industrial or project requirements. We encourage vendor development or joint venture with Malaysian companies in the manufacture, design and even R&D of OEM products or of completely new products. In the past, we do have some good offset programmes being managed here in Malaysia, such as the BAE Systems Hawk aircraft offset programme, which in 1992 helped in the creation of SME Aerospace, an aerospace manufacturing company here in Malaysia. SME Aerospace today has an excellent facility and capability to manufacture a variety of metal-based aerospace products for the export market. We need more of such programmes. I would like to see more OEMs responding positively towards their offset obligations. We should focus on a win-win strategic partnership between the international vendors and the Malaysian companies. Our defence requirements are not big but for us they are still considerable. Like everyone else we need to make the most out of buying things, costly things which we hope we will never need to use but which will need replacement and renewal as new technology render them obsolete.

8. There has been some progress in the development of the Malaysian aerospace industry over the last few years. We are currently capable of designing and manufacturing certain aircraft parts under subcontract from the OEMs. We have also ventured into high-tech areas such as systems integration and simulator development.

9. To showcase this modest development, the first ever Malaysian Unmanned Aerial Vehicle (UAV) will take to the air during this LIMA. The aircraft is the two-seater Malaysian Eagle 150 aircraft manufactured by Composites Technology Research Malaysia (CTRM). The electronics and associated systems were supplied by BAE Systems while the aircraft modification and systems integration were carried out jointly by our local company Excelnet and BAE Systems. There will be an interesting display for all to see as the aircraft will taxi, take off, do its circuits and land totally unmanned.

10. The importance of UAV in operations and the unprecedented variety deployed today is growing. I

will not be surprised that one day battles will be fought primarily using UAVs. The UAVs can also be used for non-military purposes including coastal surveillance and monitoring of open burning, illegal logging, piracy and the movement of illegal immigrants. Indications are that there is a growing market for this type of aircraft. Congratulations to CTRM, BAE, Excelnet and all those behind this project.

11. Although our technical capabilities have broadened, our business turnover is still relatively small. Malaysian companies need to market their capabilities and products worldwide. They should for instance participate in international aerospace, maritime and defence exhibitions in other parts of the world such as Le Bourget Paris Air Show, Farnborough Air Show and IDEX in Abu Dhabi. They have to develop an aggressive marketing strategy in order to compete successfully in the international market today.

12. The Malaysian Government will always be supportive of such efforts. Recently, we have established The Malaysian Aerospace Council which sat for the first time in July 2001. This Council, chaired by me and attended by several of my cabinet ministers, top Government officials and representatives of the industry, will provide the necessary top level policies, directions and support for the rapid and orderly development of the aerospace industry in Malaysia. At the Ministry of Defence level, we have the Malaysian Defence Industry Council chaired by the Minister of Defence to oversee and assist the development of the Malaysian defence industry including the aerospace and maritime industry. Similarly, at the Ministry of International Trade and Industry, the Minister will preside over the overall development of both the aerospace and the maritime transport industries within the ambit of external trade and investments and under the Industrial Master Plan 2. The Government's commitment to the development of the aerospace and maritime industry in this country is unequivocally clear. We invite OEMs and traders all over the world to develop a true, enduring and sustainable partnership with key aerospace and maritime companies in Malaysia to realise the competitive edge and advantage that we could jointly derive from this partnership.

13. On September 11 the World Trade Center in New York and the Pentagon in Washington were hit by airliners carrying 83 tons of fuel each. They were not the guided missiles which we know of, the sophisticated radio and laser guided purpose built missiles which the powerful countries have armed themselves with, and which they believe will deter attacks against them and

deliver their response to any attack against them. Nevertheless the airliners guided by suicidal pilots were as effective, or even more effective than all the highly touted missiles which we read about and fear. The airliners as guided missiles have damaged not just concrete and mortar and steel buildings but have thrown the most powerful economy and the whole world into a recession that is unheard of. The way of life of the peoples of the world have been changed in one cataclysmic moment. Everything that we are familiar with; our way of life has been changed radically. And the concept of war and defence as we know, it has also changed. Conventional weapons have been rendered practically obsolete.

14. Of course we will have to retain the conventional weapons because we still believe in the old adage that to have peace we must prepare for war. We must arm ourselves to the teeth in order to deter our enemies.

15. Unfortunately against terrorists it is not enough to arm ourselves to the teeth with the weapon we are familiar with. The weapons against terrorists will be very different. There will have to be new systems for intelligence gathering, new electronic devices, new surveillance capacities, better photography from outer space, more sensitive listening devices, early detection of poisonous chemicals, remote controls of aircrafts and a whole lot of new ideas and gadgets. The great research institutions will have to apply themselves to these things even as world leaders try to identify the causes of terrorism and try to remove them.

16. LIMA and other shows in the future will probably be very different but in the meantime we will have to go on with our Air and Maritime Show. I would like to thank all of you for your attendance and participation at LIMA 01. I do hope that you will find your participation profitable and enlightening. The MOU's you will be signing should presage greater cooperation in the industry. And in addition to a fruitful exhibition, I hope you will enjoy the salubrious resort Islands of Langkawi.

17. It is now my great pleasure to declare open the Langkawi International Maritime and Aerospace Exhibition 2001.