

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

EVENT: THE OFFICIAL OPENING OF THE INTEGRATED CHEMICAL COMPLEX OF BASF
PETRONAS CHEMICALS SDN BHD

VENUE: GEBENG, PAHANG

DATE: 04 OCT 2001

TIME:

First of all, I would like to thank BASF of Germany and PETRONAS for giving me the honour to officiate the opening of its joint venture BASF-PETRONAS Chemicals integrated plant complex. Today's ceremony certainly marks another significant milestone in Malaysia's continuing industrialisation efforts and in particular, the development of the nation's petrochemical industry.

2. It is indeed heartening to note that the petrochemical industry in Malaysia has seen tremendous development over the past 10 years, with the implementation of numerous large-scale projects, many of which have commenced operation. These projects have contributed towards adding value to the nation's gas resources as well as transferring state-of-the-art technologies and technical skills to the local companies and workforce. This augurs well for the realisation of our aspiration to become a developed nation by the year 2020. We have to sustain economic growth as well as to maintain Malaysia's competitiveness in the increasingly challenging and tough global environment of this 21st Century if we want to do so. Such a goal can only be achieved through technology acquisition and by increasing, strengthening and broadening the country's economic base.

3. Indeed, the vigorous expansion of the petrochemical industry has contributed significantly towards the further broadening of the country's economic activities, particularly the manufacturing sector which continues to be a major contributor to the national coffer through export earnings as well as foreign exchange savings from import substitution. It is encouraging to note that in the first half of this year, income generated from exports of chemical and chemical products totalled RM7.8 billion, accounting for 5.4 percent of the total exports of RM144 billion, compared to 4.8 percent for the same period in the previous year. In addition to export earnings, petrochemical projects have also generated significant inflow of Foreign Direct Investments (FDI) into the country as evident in the more than US\$5 billion (RM19 billion) worth of investments being planned for the

implementation of various petrochemical projects for the next few years, of which 50 percent comes from FDI.

4. Given the slowdown in the global economy which is anticipated to prolong further following the current situation in the United States of America, the challenge to consistently attract a steady stream of FDI into the country will be much more daunting. Should the uncertainty continue to surround the global economy, the competition for a share in the FDI pie will certainly be even tougher with more countries wooing a contracting pool of capital fund.

5. In this light, I would like to assure investors, foreign and local alike, that the Government of Malaysia places utmost importance in safeguarding the country's prevalent conducive investment climate. Security therefore remains a top priority. The Government will continue to be proactive in ensuring that businesses operate in a safe and secure environment.

6. Central to our efforts to enhance the investment climate in the country is the provision and continuous upgrading of logistics and infrastructure facilities. In the case of the petrochemical industry, the Government has allocated substantial funds to upgrade existing infrastructures and build new ones. To this end, the construction of the East Coast Highway can be seen as a major advantage for petrochemical players, including this BPC integrated chemical complex. Once completed in August 2003, the new highway is expected to cut travelling time by nearly one-third and will greatly facilitate road transportation of petrochemical products from the Eastern Corridor to the industrial centres in the West Coast as well as other parts of Peninsular Malaysia.

7. Recently, the Government has invested in the expansion of Kuantan Port, the main channel of product distribution for petrochemical companies in Gebeng. This expansion project includes a new petrochemical jetty as well as dedicated berthing terminals, which are in the pipeline. All these facilities allow for greater capacity and increased speed in the handling of shipments at Kuantan Port. To further increase efficiency, the Government has also introduced partial liberalisation of the haulage industry which has so far proved effective in enhancing the quality of land transportation in the country. It is hoped that the better logistics and infrastructure facilities will provide further impetus for the continued growth of the petrochemical as well as support industries in the Kertih-Gebeng area.

8. Furthermore, petrochemical companies have also been given incentives to develop their own

infrastructural facilities. BASF PETRONAS Chemicals, for instance was recently granted approval to build and operate a 200-metre dedicated berth at Kuantan Port.

9. I am also pleased that the development of the ethylene-based and propane-based integrated petrochemical complexes (IPCs) is progressing well in Kertih and Gebeng respectively, the stretch that is beginning to take shape as the country's petrochemical hub. This commendable achievement, to a large extent, should be attributed to the commitment and untiring efforts of PETRONAS in taking a proactive role to ensure the systematic and efficient development of the Malaysian petrochemical industry through synergistic strategic alliances with the right, capable foreign partners to undertake such large-scale, capital intensive hi-tech projects. I am sure that PETRONAS will continue to be the main vehicle to drive the industrial development of this area.

10. The availability of adequate feedstock, the existence of good infrastructure facilities coupled with political stability and the various incentives provided by the Government have, I believe, made Malaysia an attractive location in the region for established multinationals to invest in petrochemical projects. Among the new projects currently being undertaken in Kertih are the PETRONAS-Dow Chemicals joint venture, Optimal Group's olefins cracker with a capacity to produce 600,000 tonnes of ethylene and 85,000 tonnes of propylene per year, 320,000 tonne per year ethylene glycol plant and multi-unit derivatives plant, all scheduled to be commissioned late this year as well as the 225,000 tonne per year low density polyethylene project, a joint venture between PETRONAS, Polifin Ltd of South Africa and DSM Polyethylenes of the Netherlands.

11. As part of an industry known for its sophisticated technology, the BPC integrated chemical complex at Gebeng stands as a testimony to Malaysian capability. Local contents have been injected into all phases of the project, from consultancy, design and construction works. This is an achievement that Malaysians can be proud of, proving that they are capable of taking on the challenge and be at the forefront of technology.

12. I would therefore like to congratulate the management and staff of BASF PETRONAS Chemicals Sdn Bhd for their success as well as PETRONAS and its partner, BASF for their foresight and commitment in making this joint venture a mutually beneficial and fruitful partnership.

13. On this note I now have the pleasure to officially declare open the Integrated BPC Chemical Complex.