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EVENT: THE LUNCHEON WITH THE BUSINESS COMMUNITY

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TIME:

I am indeed very pleased to be here today with members of the Federation of Korean Industries, Korea Chamber of Commerce and Industry, Korea Federation of Small and Medium Business and Korea International Trade Association to share with you some views on trade and investment opportunities that the business communities of our two countries can explore and develop for mutual benefit.

2. The Republic of Korea is an important trading partner for Malaysia. In 2001, it was Malaysia's 8th largest trading partner, 9th largest export market and 6th largest import source. The Republic of Korea accounted for 3.7 percent of Malaysia's total trade, valued at US\$ 5.9 billion. The bulk of the current bilateral trade is in electrical and electronic products and components. It is also a major buyer of Malaysian crude petroleum and natural gas and an important supplier of ships, boats and motor vehicles to Malaysia. I believe that there is ample scope to expand and diversify the two-way trade. Apart from being exporters of primary commodities, Malaysian manufacturers have acquired the capacity and capability to supply a wide range of competitively priced manufactured and consumer products for the global market. Korean importers could source from Malaysia many of their import requirements.

3. Prospects for higher two-way trade and investment are encouraging. The Malaysian economy is expected to register a stronger real GDP growth at 3.5 percent in 2002 against a backdrop of low inflation and unemployment of two and four percent, respectively. Malaysia recorded a growth of only 0.4 percent in 2001 compared to a strong growth of 8.3 percent in 2000. GDP growth in 2001 was affected by the slowdown in the global economy particularly in the USA and Japan. Growth in 2002 will continue to be led by strong fiscal stimulus packages and manufacturing activities aided by increased domestic and external demand. The government will maintain a stable and fundamentally sound economic environment to provide stability and predictability for planning and investment decisions. The stability of the exchange rate at 3.8 Malaysian Ringgit to the U.S. dollar will also contribute

towards predictability and ease of planning.

4. Malaysia has been one of the major destinations for Korean investments. Consequently, the Republic of Korea is the 5th largest foreign investor in the manufacturing sector in Malaysia. Korean investments are mainly in electronics, non-metallic mineral products, basic and fabricated metal products and specialised products such as colour picture tubes, glass panels and funnels, computer monitors, microwave ovens and steel wire products.

5. There are altogether 114 companies with Korean interests in Malaysia. Notable Korean-based companies are Samsung, Hyundai, Kiswire, Sunkyong, Ssangyong, Halla, SJM Co. Ltd and Samlong Chemical. Investments by the Samsung Group alone amount to 1 billion U.S. Dollar and this represents one of the largest offshore investments for the Group. This is a testimony of the supportive environment for foreign investors in Malaysia. It is heartening to note that Korean investors such as Samsung has remained fully committed to their investments in Malaysia over the years and has continued to expand and diversify their investments in the country. Besides manufacturing, Korean companies are also actively involved in trading, construction and engineering and service-based activities in Malaysia.

6. Clearly major investments have been made by Korean companies in Malaysia and investing in Malaysia has been a rewarding experience for the companies involved. New, as well as existing investors, including Small and Medium Industries (SMIs) are welcomed to explore other investment opportunities in Malaysia.

7. Korea has a strong outward-looking manufacturing sector with major strengths in electronics, telecommunications, IT and multimedia, automotive, steel, chemicals, industrial machinery and other hi-tech industries. Korean products and services now compete with the best in the world and it is testimony to the success of Korea's rise as an industrial and technologically advanced nation.

8. The Korean economy has made a remarkable recovery from the Asian financial crisis and the recent economic downturn. The Republic of Korea has continued to make sizeable investment overseas while being itself a major recipient of foreign direct investments.

9. Malaysia is a major hub for MNC investments and serves as a strategic gateway for penetrating the Asean market with more than half a billion population base. Malaysia is particularly keen to attract

further Korean investments in areas such as electrical & electronics, IT-related industries, resource-based industries, ancillary and supporting industries and the manufacture of industrial machinery and parts.

10. In ensuring that Malaysia is the choice investment site, the Malaysian government has continued to fine-tune investment policies and incentives and provide the critical administrative support to facilitate foreign investments in designated areas. Despite competition from countries with lower labour cost, Malaysia continues to enjoy competitive and comparative advantages in the core manufacturing sectors due to our excellent infrastructure, well-educated, disciplined and productive labour force and a strong base of supporting industries.

11. Currently, Malaysian government agencies such as the Malaysian Industrial Development Authority (MIDA) and Small and Medium Industries Development Corporation (SMIDEC) and the Korean Small Business Corporation are collaborating closely to develop industrial cooperation between the SMIs of both countries. These collaborative efforts should be stepped up and lead to mutually beneficial projects. Korean SMIs are urged to explore investment opportunities through collaboration with Malaysian SMIs in the key supporting industries.

12. The Republic of Korea has put in place a long-term vision for Science and Technology Development towards 2025 in order to achieve scientific and technological competitiveness in selected areas comparable to G-7 countries. It has already achieved tremendous progress in a number of areas including the ICT sector. Malaysia too has set its target to achieve developed nation status by 2020. As most of you are aware, Malaysia has taken steps to benefit from the vast opportunities offered by the ICT sector. Both Malaysian and Korean companies could look into the possibility of having cooperation and collaboration for mutual benefits.

13. To facilitate the development of ICT business activities, Malaysia has created the Multimedia Super Corridor (MSC) and put in place the necessary infrastructure, policies and cyber laws to make the MSC an ideal place for ICT activities. Towards this end, the Multimedia Development Corporation (MDC) of Malaysia and Korea Institute of Multimedia Contents and Software (KOMCS) have been cooperating in developing the ICT sector. I hope this will lead to the participation of more Korean companies in the MSC and that they will benefit from Malaysia's unique position as the hub of information technology and

multimedia in the ASEAN region.

14. ASEAN has emerged as the largest trading partner for Malaysia. In 2001, 24 percent of Malaysia's external trade was conducted with our ASEAN partners. In fact, Malaysia's trade with ASEAN had increased by almost three fold since the launching of the ASEAN Free Trade Area or AFTA in 1993. Malaysia's trade with ASEAN will continue to increase particularly with the completion of AFTA. Malaysia is fully committed to the AFTA process. Malaysia's position within the ASEAN region offers a unique opportunity to the Korean and Malaysian business community to forge strategic partnerships to leverage on the enormous trade and investment potentials of the region.

15. The export of services, particularly education, is becoming a significant sector for Malaysia. Malaysia aims to be the centre of excellence in education in Southeast Asia. Emphasis will continue to be given by the government to facilitate the growth of tertiary education through establishment of new private universities and capacity expansion of these institutions of higher learning. Reputable foreign universities from United States, Britain and Australia have established branch campuses and twinning programmes in Malaysia. The Korean higher learning institutions too can assume an important role in the promotion of higher education and human resources development in Malaysia. Towards this end, cooperation between institutions of higher learning of Malaysia and the Republic of Korea can be explored and enhanced. South Korean students are also welcomed to avail themselves of the educational opportunities offered in Malaysia. Presently, there are nearly 20,400 foreign students studying in Malaysia of which 579 are from South Korea.

16. Tourism is an area which offers vast scope for further expansion. Malaysia is now known as a value for money destination for international tourists. To meet the growing demand of the tourist industry, Malaysia has invested in the building of necessary infrastructure and facilities. In 2001, Malaysia received 66,343 tourist arrivals from South Korea although at a slightly smaller figure than the arrivals registered in 2000 at 72,443. I am hopeful that a greater number of tourists from the Republic of Korea would visit Malaysia for holidays, golf and shopping especially duty free imported and branded goods.

17. Malaysia is appreciative of the Korean government for its strong support and commitment towards the successful implementation of the Look East Policy first introduced in 1983. The programme is now in its sixth phase. So far 2,243 Malaysians have undergone in-

plant industrial and technical training, academic and technical education, executive development, participation in youth exchange programmes and attendance in short training courses in the Republic of Korea. On average, 20 to 30 students from Malaysia have been sent every year to study at local institutions in the Republic of Korea. Malaysia regards these programmes as important for our human resources development to achieve its goal of becoming a developed country by 2020.

18. Governments can be facilitators and door openers for establishing trade and economic relations, by putting in place frameworks for closer economic cooperation and through exchange of visits. However, it is important for the business communities of both countries to take the necessary steps in realising business potentials which could be developed not only at bilateral level, but also at the regional and global levels.

19. I invite members of the Korean Business Community present to attend the special workshops on investment and trade, offshore financial services, multimedia and IT, and the individual business meetings arranged after this luncheon. I hope that business contacts, which have been established, will not end with this visit but instead generate actual collaboration.

20. On this note, I would like to thank the Korea Federation of Small and Medium Business, Korea Chamber of Commerce and Industry, the Federation of Korean Industries and the Korea International Trade Association for hosting this lunch and wish all of you success in your business endeavours.