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( PRIME MINISTER )

EVENT: THE MALAYSIA-POLAND BUSINESS LUNCHEON

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" REALISING A STRONGER ECONOMIC AND TRADE  
RELATIONS BETWEEN MALAYSIA AND POLAND"

I am indeed very pleased to be here today and to have the opportunity to address such a distinguished audience from the key economic sectors of Poland.

2. We are honoured that His Excellency Mr. Leszek Miller is present with us reflecting the strong support of the Polish Government for bilateral and economic relations between Poland and Malaysia. I would also like to register our appreciation to the Polish Chamber of Commerce and Industry for assisting in the organisation of this event. We are here to present to the Polish business community our vision of a closer economic and trade relations between our two countries.

3. I sincerely believe that increased interaction between our two countries, through visits and meetings such as this, will strengthen economic relations and enhance bilateral ties, bringing closer the peoples of the Republic of Poland and Malaysia.

4. What we are trying to achieve today is not new. The leaders of Malaysia and Poland had, since the seventies, been involved in many exchanges of visits at the highest levels to foster stronger ties between the two countries. Mutual visits of government officials, technical experts as well as representatives of the business communities supported their efforts.

5. However, recent global economic uncertainties have forced us to channel and focus our efforts and resources to the more immediate need of minimising the impact of these uncertainties which have affected the expansion of our economic and trade relations adversely.

6. This is clearly illustrated by the effect of the prevailing global economic slowdown on the trade performance between Malaysia and Poland. The value of total trade between our two countries declined by 5.6 per cent to US\$97 million in 2001 compared with a

positive growth of 38 per cent in 2000.

7. Nevertheless, I assure you that our interest in pursuing the goal of stronger economic and trade ties with Poland have not waned. Poland is Malaysia's largest trading partner among the Central and Eastern European countries and we would like to sustain and strengthen that relationship. My presence here with a large delegation of senior government officials and representatives of the Malaysian private sector is a testimony of that interest.

8. Distance should no longer be a barrier to greater interactions between countries. Perhaps Malaysia was once perceived by Polish people to be on the other end of the world, unreachable and unknown. Modern technology, in particular information and communication technology, has effectively narrowed the distance and has brought us closer.

9. There are already signs that the global economy is on the road to recovery. So too is the Malaysian economy. That means we can again refocus on intensifying our relations with partners with whom the true potential have yet to be fully realised.

10. In response to the precarious external environment, Malaysia had implemented several key measures to stimulate the economy. These include encouraging local investments, enhancing the ability of the people to increase their consumption and promoting exports to non-traditional markets. As a result, Malaysia's economy has shown a recovery that is broad-based. The GDP remained positive in 2001, expanding 0.4 per cent. This was attained amidst a low inflation rate of 1.2 per cent and unemployment contained at below 4 percent. As at 15 February this year, net international reserves was US\$31.2 billion, adequate to cover 5.1 times the short-term external debt or finance 5.2 months of retained imports. The economy is expected to strengthen during the course of 2002 in tandem with sustained domestic demand and the improved global economic conditions.

11. The major shift for the future is towards a knowledge and idea-based economy where the key to wealth and job creation are the extent to which ideas, innovations, and technology are embedded in all the sectors of the economy. Faced with the uncertainties in the world economy, we are also diversifying the foundation of our economy. We are giving special attention to the services and the agricultural sectors. We have already marketed services such as construction, healthcare, education and publishing and printing to many parts of the world.

12. Trade between our two countries certainly can be further enhanced in terms of the volume and the range of products traded. Malaysia is a major contributor to global trade and trade is an important component of the Malaysian economy. Malaysia is the 18th largest exporter as well as importer in the world. Malaysia's total trade in 2001 was US\$161.9 billion. Exports were US\$88 billion and imports US\$73.9 billion. 2001 was of course a bad year for international trade.

13. Malaysia has over the years broadened and deepened its export base and Malaysian companies are capable of producing a wide range of quality products competitively. These include computer hardware and software, telecommunication equipment, household electronics, wood and rubber-based products, fabricated steel and aluminium products, furniture, palm oil and many others. Polish importers should look to Malaysia as a competitive source of these products.

14. As for Malaysia's imports, 87.5 per cent were made up of intermediate and capital goods. This offers tremendous opportunities for Polish exporters to diversify their exports to Malaysia, which currently is dominated by raw materials. We are aware that Polish companies are strong in sectors such as machinery and equipment, electro-engineering, metal industry, chemicals, rubber and plastics materials and transport equipment.

15. Both Poland and Malaysia offer many important advantages to their trading partners. Poland is strategically located between the European Union and other central and eastern European countries. Your northern frontier on the Baltic Sea provides easy access to the Scandinavian and the North Sea Ports. The anticipated accession into the European Union would further enhance Poland's strategic role in the region's economic and trade activities.

16. Similarly, Malaysia serves as an effective gateway for foreign companies keen to explore the markets in the Asean and East Asian regions. Polish companies are encouraged to use Malaysia as the conduit to the regional markets. Centrally located within the Asean Free Trade Area (AFTA), Malaysia is the perfect platform for Polish companies to tap this regional market of more than 500 million people.

17. Malaysia provides a cost competitive environment for foreign investors. The Malaysian government is committed to ensure a pragmatic and business-friendly environment for investors. Malaysia's well-developed infrastructure is among the best in the Asian region and facilitates production, trade and communication. Besides infrastructure, attractive fiscal and non-

fiscal incentives and administrative support have also been put into place to facilitate investments by both local and foreign investors.

18. Malaysia offers a liberal environment to attract investments into the manufacturing sector. Since July 1998, with few exceptions, the equity policy has been relaxed to allow foreign majority holding of up to 100% without any export and equity conditions being imposed. Polish companies including small and medium enterprises are welcome to explore business opportunities available in Malaysia through various forms of collaboration including technical tie-ups, joint ventures as well as direct investments.

19. The government has identified certain priority industries including:

- Higher-end electronic products
- Machinery and equipment and components
- Surgical and Medical Devices
- Engineering supporting industries
- Automotive components
- Biotechnology
- Pharmaceuticals
- Manufacturing-related services such as research and development, product design and development, marketing, distribution and logistics, international procurement and other regional support functions.

20. Polish companies are also invited to participate in our development of the Multimedia Super Corridor (MSC), which is intended to serve as the catalyst for evolving a knowledge-based economy. The MSC is an area of 15 kilometre by 50 kilometre just south of our capital, Kuala Lumpur, within which we have provided state-of-the-art infrastructure, new incentives, policies and legal environment conducive to the needs of the ICT industry.

21. We had targeted for 500 IT companies to be sited in the Corridor by 2003 but as of March this year, there are already 646 MSC approved companies. Of these, 35 per cent are foreign owned with many serving the regional and global markets. The MSC is set to become a major IT industry centre in the region if not the world.

22. The pattern of our current economic and trade relations is the cumulative effect of a wide variety of factors including history, tradition, political and geographical expediency. The intensification of globalisation is offering us tremendous opportunities to reconfigure that pattern to our mutual advantage. Collaboration between our business communities should

not be confined to exploring opportunities within each other's borders. Malaysian and Polish businessmen should also identify areas of complementarities and together pursue commercially viable projects in third countries.

23. While globalisation can offer new opportunities, it also has been ruthlessly exploited by the unscrupulous without any consideration of the effect on the less developed countries. The recent financial crisis in Asia, of which Malaysia was also a victim, was a clear example of the negative facet of globalisation.

24. It is thus important that we work together to ensure that the evolving global economic and trade environment will benefit all parties and at the expense of none. Malaysia and Poland have, over the years, developed a dialogue on various issues of bilateral, international and regional significance. We should continue these dialogues and present a common stand on issues of common interest.

25. We have similar objectives and aspirations. There are also strong similarities in the way we are striving to achieve these objectives and aspirations. Both countries have created an open economy, pursuing an aggressive policy of economic engagement with other countries and letting the private sector take the lead in economic activities. As such, there should be many areas of commonalities that will enable us to take a common stand in various international fora.

26. Several frameworks for closer economic cooperation between our two countries have already been put in place. We have concluded nine bilateral agreements including the Trade Agreement; the Air Services Agreement; the Avoidance of Double Taxation Agreement; the Agreement on the Promotion and Protection of Investments; and the Agreement on Scientific and Technological Cooperation. It is now left to the private sectors in Poland and Malaysia to take full advantage of the framework to pursue their business objectives.

27. While the government can lay down the framework, it is the interaction of the people between the two countries that will help us realise our objective of a closer relations, be it economic, cultural or political. I wish to invite the people of Poland to come and visit Malaysia. We hope that more of you will come to Malaysia and avail yourself of the many fascinating attractions of our multi-cultural country. Malaysia is a shopping paradise. It offers shoppers value for money, especially duty free and imported and branded goods.

28. For those interested to find out more about travelling to Malaysia, I am pleased to inform you that Malaysia will be participating in the Warsaw exhibition, Tour and Travel 2002, which will be held from September 27 to 29 at the Palace of Culture & Science, Warsaw.

29. On behalf of the Government and people of Malaysia, I would like to express the hope that our mission during these challenging times will result in stronger friendship and partnership between Malaysia and Poland.

30. Accompanying me here today is a delegation of leaders and representatives of the Malaysian business community who are keen to meet and discuss with potential partners on a wide range of business possibilities.

31. In this regard, I urge Malaysians doing business in Poland to be good corporate citizens, to respect local sensitivities and aspirations and to target long-term benefits rather than short-term gains.

32. Finally, let me once again express my sincere appreciation to the Government and the people of the Republic of Poland for the very warm welcome and hospitality extended to my delegation and I. And I would also like to wish participants of the business meetings that will commence after this luncheon a fruitful deliberation and success in your business endeavours.