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Title : CHEMICAL INDUSTRY DINNER

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Representatives from Government Ministries, Departments and its Agencies

Distinguished guests, ladies and gentlemen

Good evening.

1. First of all I would like to thank the Chemical Industries Council of Malaysia (CICM) for inviting me as the Guest-of-Honour of this event. Indeed I am delighted to be in the company of so many luminaries of this important yet underrated industry. I must admit, I was a little concerned about discussing chemicals in front of a whole roomful of people whose entire lives revolve around chemicals, especially when my chemistry is a little rusty. I could probably speak at great length on political chemistry... and my wife would probably tell you I know quite a bit about physical chemistry....but I don't think that fits too well with the purpose of the Chemicals Industries Council. So I have no choice this evening but to speak of the burgeoning chemical industry in this country of ours.

Ladies and gentlemen,

2. As we are aware the Chemicals industry is really robust and is one of the leading industries in Malaysia, maintaining its second position as the largest contributor to total manufactured exports in year 2005. It covers a wide range of products such as petrochemicals, agricultural chemicals, fertilizers, soaps and detergents, cosmetics and toiletries, pharmaceuticals, industrial gases, paints and oleochemicals.

3. There is invariably a link between the chemical sector and almost every other sector of the economy. Chemicals make up some of the key components for the success of other industries such as automotive, electrical and electronics, pharmaceutical and construction to name a few.

4. The chemical industry is therefore a key component of any economy. It is a Hi-tech and capital intensive industry and it requires highly trained and skillful human resources for its R&D, operating activities and continuous development programmes. I dare say the chemical industry is probably one of the most dynamic, having to consistently evolve with new production technology and new products. Furthermore, it is an industry that cannot afford not to be dynamic and progressive as it is faced

with intense global competition. I believe the chemical industry knows only too well that it is a cut-throat environment and the rules of the game are simple: Compete and win, or be eliminated.

5. In such an industry, the key to success lies in good management. Chemical companies must adopt best practices in business to increase efficiency and reduce costs whilst maintaining productivity. This is particularly important today as we witness soaring prices of raw materials, and skyrocketing energy costs. On top of that, they must continuously and consistently remain on the cutting edge of innovation so that they can remain ahead of the competition. To achieve this, and in order to add value in the long run, companies cannot afford not to invest heavily in R&D. For chemical companies in particular, R&D is extremely crucial in developing new products in a rapid manner, in keeping with the break-neck pace of the industry.

6. I urge chemical players to continue to enhance collaboration with the academic world for their R&D. Indeed we have seen that most of the breakthroughs and discoveries in science and technology comes from close collaboration between business and academia. This same principle needs to be more widely applied in the context of Malaysian business, especially in the chemicals industry. Chemical players must breakaway from being cocooned strictly within their own business environment with minimal involvement in pioneering explorations. I encourage chemical players to take the lead in fostering stronger industry-academic ties by way of providing grants and other forms of funding into exploratory research, in the name of innovation in the field of chemicals.

7. Yet, whilst striving to take the lead in this field, the chemical industry needs to also pay particular attention to one aspect more so than any other industry, and that is on matters of safety and health. For as long as we can remember, the mention of chemicals alone is enough to conjure images of horrifying accidents and devastating mishaps. Environmental degradation of various kinds has often been directly or indirectly attributed to the chemical industry. The Chemical industry, one might say, has had more than its fair share of bad press. Whilst it can be said that so far the damage caused by this negative image has been manageable, it must also be noted that in order for this industry to attract more investment and have wider public appeal, efforts must be taken to correct this image problem.

Ladies and Gentlemen,

8. Fortunately, the chemical industry has been pro-active and made excellent progress in demonstrating responsibility to the environment as well as concern for general safety and health with regards to its operations and products. One such initiative, as I have been informed, is the Responsible Care Programme (RCP), which is the voluntary and worldwide initiative of the chemical industry to continuously strengthen safety, health and environmental commitments of chemical companies.

9. The next step, I believe is for the chemical industry to accelerate its efforts to educate the public through every means possible. The main objective has to be the

dissemination of correct information to the public at large, informing them of these overtures from the industry to safeguard the environment and public health. It would be most beneficial if chemical companies could make known to the public their production cycles and what happens to the chemicals and waste products that they use and dispose of along the way.

Ladies and Gentlemen,

10. Safety, health and environmental issues will continue to take the front seat as industries become more and more globalized and developed. Across the globe there have been measures through legislation and standards introduced by some countries, under the premise to protect the environment and also to ensure that there will be no compromises on health and safety. While every move in favour of public health and safety is laudable, we must also be aware of such legislation having an impact on trade. The impending implementation of the Registration, Evaluation and Authorization of Chemicals (REACH) legislation by the European Union in year 2007 is one example. This piece of legislation would impact chemical manufacturers exporting into EU as the burden is on them to provide information that are over and above the current requirements. In this regard, the Malaysian chemical industry, especially the exporters to the EU would do well take a more pro-active role in understanding the new demands and be prepared to cope with the provisions of the REACH legislation.

11. As I understand it, the UN has targeted the year 2008 for global implementation of the GHS. Countries, including regional groupings such as the Asia Pacific Economic Co-operation (APEC), of which Malaysia is a member, are now working towards implementing the GHS. Besides protection of workers' safety and health and also the environment, the harmonization would facilitate international trade in chemicals whose hazards have been properly assessed and identified. Industry players must be aware of the developments in this area and make suitable adjustments to their businesses so that they would be well prepared when the time comes for the full implementation of these regulations.

12. I am pleased to note that Malaysia is working towards this harmonization effort through the recently formed National Co-ordinating Committee for the implementation of GHS under the leadership of the Ministry of International Trade and Industry (MITI). Co-ordination among the various government ministries and agencies to adopt the GHS principles in their policy and legislation, as well as co-operation by the industry are important factors in ensuring a successful GHS implementation in the country.

Ladies and Gentlemen,

13. As many of you are aware, the Government, with the Ministry of International Trade and Industry (MITI) as the lead agency, is currently negotiating several regional and bilateral Free Trade Agreements (FTAs). Malaysia's objectives in negotiating FTAs are to seek better market access, to facilitate and promote trade, investment and economic development and to build capacity in specific targeted areas through technical co-operation and collaboration.

14. The government is aware that liberalization of markets through these FTAs will also affect the competitiveness of the Malaysian industries. Hence, this is why the chemical industry should be active in ensuring that their interests are protected and to provide the necessary inputs to the relevant authorities, so that Malaysia's negotiators can continue to be effective in protecting the industry's interests.

15. In the face of these formidable challenges – namely escalating costs, fluctuating product prices and an increasingly crowded field, the chemical industry and the Government must work together to ensure the continued vibrance of such a vital industry.

16. As I understand it, the CICM, in this pivotal role is already in contact with and is recognized by the various Government Ministries and its Agencies as the main body to represent the industry. I hope such good ties between the industry and government agencies will not only be maintained but strengthened over time. The government is committed to ensuring that every measure is taken to facilitate the continued growth and development of the industry, especially through incentives and further infrastructure developments under the 9th Malaysia Plan and the 3rd Industrial Master Plan.

17. In this regard, I urge your members to continue to interact with various government agencies through CICM.

Ladies and gentlemen,

18. Once again I would like to thank CICM for inviting me to be here with all of you for this special night. I understand that there will be an awards presentation later on the Responsible Care Program. I congratulate all the winners and I wish all of you here continued success in this challenging, yet exciting field.

Thank you