

by Datuk Mustapa Mohamed



Growing Friendship

The closer ties forged by Malaysia and Singapore augurs well for more progress for both countries.

I WAS IN Singapore in mid-December 2004 to speak at the Malaysia-Singapore Forum, themed 'Deepening Business and Financial Cooperation Between Malaysia and Singapore'. It was a well-attended forum, aimed at promoting tourism and investment between two close neighbours. Among those who spoke at the function were Singapore's Trade and Industry Minister Lim Hng Kiang, Education Minister Tharman Shanmugaratnam, Minister of State Lim Hwee Hua, Deputy Speaker of Parliament S Iswaran and former High Commissioner to Malaysia K Kesavapany, now director of the Institute of Southeast Asian Studies in Singapore.

My colleagues from Malaysia included Minister of Education Datuk Hishamuddin Tun Hussein, Perak Menteri Besar Datuk Seri Tajol Rosli Ghazali, Penang Chief Minister Tan Sri Dr Koh Tsu Koon, Melaka Chief Minister Datuk Seri Mohd Ali Rustam, Deputy International Trade and Industry Minister Datuk Mah Siew Keong and Deputy Finance Minister 1 Datuk Dr Ng Yen Yen.

Among the notable captains of industry

who attended were Arab-Malaysian Group Chairman Tan Sri Azman Hashim, AirAsia CEO Tony Fernandes and Singapore Exchange Ltd CEO Hsieh Fu Hwa.

Indeed, the year 2004 saw both Malaysia and Singapore forging closer business and financial cooperation through various incentives. In July 2004, both countries signed an agreement on the Malaysia-Singapore Business Development Fund to help Malaysian and Singapore firms undertake joint feasibility studies and organise joint missions to third countries. The announcement of the Singapore Exchange and Bursa Malaysia Cross-Trading Alliance, which aims to facilitate the trading of securities listed on both bourses, has also been welcomed. Apart from creating greater liquidity in both capital markets, the alliance will also result in greater interests in products and services in both exchanges.

The Malaysia-Singapore Business Council was formed recently to allow for greater networking activities among businesses, with council members comprising prominent business leaders from a cross-section of the business

community. In recent months, there have been a number of investments by Singapore companies in Malaysia. These include Temasek Holdings and GICs in Malaysian blue-chip companies such as Proton Bhd, the Sunway Group and Telekom Malaysia Bhd, to name a few.

Besides having Singapore companies investing in Malaysia, we expect more Malaysia-Singapore joint ventures teaming up to explore opportunities abroad. The latest case in point is Singapore Technologies' Telemedia joint venture with Telekom Malaysia to invest US\$ 390 million in Idea Cellular of India. The prevailing political and economic climate now is more conducive for greater Singapore investments in Malaysia and also for joint ventures between Malaysian and Singapore companies abroad.

But Malaysians, in general, have high expectations from the present state of warmer relations and goodwill between our two countries. We feel we are doing our part and would like to see Singapore with a more forthcoming response. Reciprocity from both sides will be a winning formula to further promote progress, not only in trade and commercial relations but also in resolving some of the outstanding issues between our two countries.

Both Singapore and Malaysia have achieved great strides since the Asian crisis of 1997-98. Malaysia was adversely affected by the crisis, especially the steep depreciation in the currency. Singapore, although not as adversely affected as Malaysia, also suffered. However, both our economies are now getting stronger and for us, 2004 promises to be the best-performing year since the global slump in 2001. Our exports are robust while manufacturing and services have recorded good growth in the last four years.

During the period 1998-2003, Singapore was the fourth largest source of foreign investments with over US\$ 1.8 billion worth of investments in 733 projects. For

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the period January to September 2004, Singapore ranked first with over US\$ 300 million worth of investments in 125 projects approved by the Malaysian Industrial Development Authority or MIDA. Singapore is also a key trading partner for Malaysia. In 2003, Singapore was Malaysia's second largest trading partner, accounting for US\$ 26.3 billion or 14% of Malaysia's total trade. In the first six months of 2004, bilateral trade stood at US\$ 14.2 billion or 13% of Malaysia's total trade. In 2004, the bilateral total trade value should surpass that of 2003.

Malaysia's strong economic performance means it has a lot to offer. The average gross domestic product (GDP) growth for all of the three quarters this year stands at 7.6% and we expect growth in the fourth quarter of the year to remain strong. In 2005, we believe a 6.0% growth is within reach. Singapore has always been one of the top-five foreign investors in the manufacturing sector in Malaysia. Most of the investments from Singapore are located in Johor, Selangor, Melaka and Penang, mainly in the electrical and electronics sector, resource-based industries as well as machinery and engineering support industries. Other sectors with substantial Singapore investments cover food products, wood products, machinery manufacturing, fabricated metal products and plastic products.

As sovereign countries, we both have our own domestic agenda. We would like to develop Malaysia as a hub for logistics and air transport as well as ports, medical tourism and education. We have achieved great strides in a number of these sectors, due to our cost advantage and efficiencies

in providing services, improved delivery system, reduced bureaucratic red tape and transparency and more efficient use of IT. In some of these industries and services, we compete with Singapore. In a way, such competition has helped promote greater efficiency in our economies.

At the same time, we can collaborate in other areas for greater mutual benefit. It is for this reason that we have been cooperating closely with Singapore and other Asean members in promoting tourism and investments in the region. Herein lies much potential to be tapped. I believe Malaysia and Singapore can work together to promote our countries as attractive destinations for investment and tourism. It remains for the private sector to take up the challenge and identify opportunities that could be exploited.

Our two economies remain closely intertwined. Malaysia receives more than 50% of its tourists from Singapore. Tourism is a very important income earner for Malaysia and with the warm relations between us, we expect more Singaporeans to visit Malaysia and stay for longer periods. In the last four decades, both Singapore and Malaysia have enjoyed considerable economic success and prosperity. The development paths taken by each country have resulted in a complementary and dynamic competitive relationship. Obviously, we have benefited from these ties as evidenced by the high economic growth which we have attained. This mutually beneficial relationship can be further enhanced with deeper business and financial cooperation.

As trading nations, both Malaysia and Singapore must take note of regional and global developments that have significant

impact on our economies. In recent years, China has emerged as a global economic powerhouse. Foreign investors are attracted to China's Pearl River Delta (PRD), the world's fastest-growing manufacturing basin dubbed the 'Factory of the World'. The area in the Guangdong Province has since expanded to include Hong Kong and Macau, leading to the development of the Greater Pearl River Delta Region - an area that attracted US\$ 25 billion worth of inward investment in 2002. The collective GDP for this region in 2003 was US\$ 630 billion, which accounts for 40% of China's total economic output or equal to the total 10-nation Asean's!

The Southeast Asian region wants to be a focal point for foreign investment. Before the Asian crisis, it was a region with vibrant economic growth. Malaysia and Singapore should work together to re-energise Asean and serve as an alternative to the PRD. By cooperating, we can offer an attractive investment climate, strong governance regime, excellent physical infrastructure, strong institutions, a productive labour force and well-developed supporting services. With these, we can be on a par with PRD or even better, and thereby attract investments that will spur our economic growth.

Perhaps, we could revitalise the growth triangle concept of Singapore-Malaysia-Indonesia - linking three areas with different factor endowments and different comparative advantages to form a larger region with great potential for economic growth. More work needs to be done to capture the complementary parts in the comparative advantages rather than

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compete with one another. Malaysia and Singapore could spearhead the campaign by deepening business and financial cooperation.

In conclusion, I would like to stress several major points. First, there is a clear change in the economic and political mood in both our countries. The mood is certainly more cordial, receptive and cooperative. We should exploit this window.

Second, Malaysia is a moderate Muslim country. The endorsement this government received in the last general election in March 2004 has demonstrated our ability to deal with political and religious extremism effectively. Herein lies Malaysia's strength. Under the leadership of the current and previous Prime Ministers, we have established ourselves as a moderate Muslim country. We will continue to project ourselves as a modern, progressive, peaceful and stable society, and as such, be an attractive and good place to do business or to invest in.

Third, both our countries are straddled between two emerging economic giants,

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China and India. Therefore, we must join forces in order to meet the challenges of this new trend and tap the vast opportunities available in these two economies.

Fourth, Malaysia and Singapore are the economic locomotives of the Asean region. The onus is on us to build on our strengths, pool our resources and complement our capabilities to sustain the region's dynamism and attract investors.

And finally, I urge our private sector to seize the opportunity to work in partnership, especially in new growth areas. Many Malaysian and Singapore companies are well positioned to expand abroad through joint ventures. Many have done so, and more should follow suit.

Malaysia and Singapore are in a new phase of their relationship. This is

reflective of the increasing exchange of visits between our leaders and senior officials. This is a clear indication of the strong resolve and commitment to further enhance cooperation between us. For that reason, we in Malaysia are hopeful that a number of issues, which have been outstanding for a while, would be resolved soon. Both our Prime Ministers are very experienced leaders. Although both are new in their posts, they are very popular, well-respected and have strong mandates to meet the aspirations of their people. I must say that there is a sense of optimism on both sides of the Causeway to take our bilateral relations to greater heights. **mb**

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