

By : DATO' SRI MOHD NAJIB TUN ABD RAZAK
Venue : NIRWANA BALLROOM, CROWNE PLAZA MUTIARA KUALA
LUMPUR
Date : 28-07-2005
Title : 3RD ASIA ECONOMIC SUMMIT

Opening Keynote Address by
YAB Dato' Sri Mohd Najib Tun Abdul Razak
Deputy Prime Minister of Malaysia
at the 3rd Asia Economic Summit
28 July 2005 at the Nirwana Ballroom
Crowne Plaza Mutiara Kuala Lumpur at 9.30 am

Advancing Prosperity & Security in the Asian Region:
The Role of Leaders

Assalamualaikum and Good morning

H E Fidel Ramos
Former President, Republic of the Philippines

H E Dr. Sri Mulyani Indrawati
Minister of State for National Development, Indonesia

Mr Mirzan Mahathir
President, Asian Strategy & Leadership Institute (ASLI)

Dato Kalimullah Hassan
Group Editor-in-Chief, New Straits Times Press

Dato' Dr Michael Yeoh,
Chief Executive Officer, ASLI

Excellencies

Distinguished Guests,

Ladies and Gentlemen,

First and foremost let me extend my gratitude to the organizers for giving me this opportunity to address the 3rd Asia Economic Summit.

I believe that this year's summit will feature an even more stimulating and engaging discussion just like the previous year. In fact, if I could recall last year's event, I am indeed very happy to see some familiar faces are back in town to attend this year's event.

A year ago when I was delivering the closing keynote address at this very same forum, I remember talking about the challenges that Asia has to undertake. And high on the agenda was, of course, the issue of terrorism. Unfortunately, one year later, not much has changed.

With the growing importance of international trade, and the evident need for nations to stand united against the scourge of terrorism, the need for strong, principled leadership – within and among countries – has become even more important in order for the global community of nations to forge a common stand on issues of mutual interest.

I have decided to touch on 3 major themes in my address today. Firstly, I will speak on the role of leadership in promoting security co-operation within the Asian region. Secondly, I will touch upon the need for leadership in the area of economic co-operation. Finally, I will dedicate some time to share my thoughts on a topic that now looms large in the radars of many countries: the role of China within Asia.

It is my hope that these 3 themes will give you food for thought as this 3rd Asia Economic Summit progresses.

Ladies and Gentlemen,

The world is now faced with the challenge of an international network of terror. While the horror of the recent London bombings is now etched in our minds, the Asian region unfortunately is no stranger to terrorism. The bombings in Bali and Jakarta have brought the impact of terrorism very close to home.

Addressing the challenge of terrorism will test the ability of nations to work together to root out the clandestine network of terrorists. It is self-evident that a secure environment is essential for business and the economic growth that assures our continued prosperity. Our goals cannot be achieved in the absence of such an environment.

As one of the eminent groupings for regional economic cooperation, ASEAN and the East Asian community have a powerful mandate for addressing security issues that affect trade and investment. Indeed, ASEAN has had a commendable record in the area of security co-operation. 34 years ago, ASEAN nations joined hands to declare Southeast Asia as a Zone of Peace, Freedom and Neutrality (ZOPFAN). Former founding leaders of ASEAN approached diplomacy with personal touch. Telephone diplomacy was in fact very popular that leaders casually talked to one another without too much hassle and barriers. The continuing trend towards habits of dialogue between leaders on a broad range of issues that challenge the security and prosperity of the region remains as one of our best guarantees for regional security.

Today, Asian countries are working together to combat terrorist financing and to protect critical information systems. They are also finding ways to keep borders open to trade and investment, but closed to terrorists. Some of the bilateral as well as multilateral initiatives now taking place will do much to protect our regional trade. For example, the Straits of Malacca remains one of the most strategic nerve centres of international trade. 50% of the world's oil and gas passes through the Straits each year. The joint co-operation between Malaysia, Thailand, Singapore and Indonesia to enhance border controls, air and maritime transport security, and to protect people in transit as well as cargo demonstrates the benefits of joint leadership in protecting and preserving a common good that is valued by the whole world.

Ladies and Gentlemen,

One of the most distressing facts of the current threat of global terrorism is that the main perpetrators are Muslims. From the horrifying events of September 11th some four years ago, to the recent London bombings of July 7th, zealots and extremists have terrorised the world in the name of Islam.

This is unfortunate. Today, Asia is home to the largest Muslim population in the world. As many of us here in Malaysia and across Asia will attest to, the current focus on Muslims and terrorism is misleading. The Al-Qaeda network and Osama Bin Ladin do not represent the larger Muslim population, and neither do they represent the true teachings of Islam.

It is within the context of the current atmosphere of global terrorism that Malaysia's framework of Islam Hadhari takes on an increasingly important role. As an example of a moderate and progressive Muslim nation, Malaysia is living proof that Islam can and should be a religion of peace and security, guaranteeing the prosperity of all citizens regardless of religion or race. We will continue to take a leadership role in the battle of ideas, and to use Islam Hadhari as a road map to explain the true tenets of Islam to the rest of the world. All of us, irrespective of creed, nationality or religion should be ready, willing and able to speak out against terrorism in all its forms.

The events in New York, Washington, Bali, Madrid and recently, London demonstrate that the costs of not addressing terrorism far outweigh the costs required to achieve a safer, more secure region. Asia should be ready to play a more active role in working together to combat terrorism and to address its root causes. Only then can we guarantee an effective and sustainable solution to the bane of terrorism.

Ladies and Gentlemen,

Let me now move on to the second theme of my address today: economic co-operation in Asia.

Today, Asia is an economic force that the world can no longer ignore. The IMF has projected a robust 7.4% GDP growth for Asia in 2005, making Asia again the world's fastest growing economic region. Bolstered by the twin giants of India and China, the prospects for Asian economic growth remains strong. Japan, for all its supposed problems, remains the world's second largest economy and is still a force to be reckoned with. For the ASEAN countries, a healthy 5.4% GDP growth is expected in 2005: a testament to this region's economic resilience.

Undoubtedly, Asia is becoming more and more integrated through trade and investment. Intra-Asian trade is growing faster than other regional trade as Asian countries are exporting more to each other than to US and Europe. Last year, Asian countries exported 38 percent of their goods and services to other Asian countries. This was up from about 33 percent five years earlier. Today, Asia is Asia's largest market for export. This increase has been fueled not only by increased demand within the region but also by the reorganisation of production processes into regional networks. For example, goods are being assembled in China from parts sourced elsewhere in the region, and then exported to developed countries such as the US. East Asia today is fully integrated as part of the global supply chain. By working together, leaders of East Asian nations can ensure that the region will continue to play a pivotal and constructive role in the global economy.

It should be clear to us that closer co-operation is the best way forward for an Asian region that is becoming more closely integrated. Leaders of Asian countries must push aside the occasional populist clamour for blind protectionism and embrace the reality of a globalised world economy. By working together, Asian countries can help to mitigate the negative impacts of globalization while continuing to work together to reap the benefits of international trade and investment.

This co-operation can take place in many ways. Asian countries can work together to develop a regional bond market, helping to spur investment and growth. As an example, there is room for further co-operation for Asian countries to maximise opportunities from their large foreign reserves. Today, East Asian nations hold some two-thirds of total world foreign reserves. We buy US Treasuries and bonds and help finance the US deficit and then borrow from the US at higher interest rates to fund our own development needs. This is inefficient. Countries in the region should take greater leadership and devise a means to utilise the large foreign reserves within the region itself for regional benefit. This does not mean that they should ignore the US, as what happens to the US economy affects the world and certainly the region. But it is equally important that the foreign reserves be used effectively to benefit countries in the region. The Chiangmai Initiative among the ASEAN+3 grouping is a start, and more regional measures should be considered in the future.

The emergence of the region and forecasts that Asia will eclipse Europe and the America has caused some uneasiness. But there is no reason for anyone to be worried. The region wants peace and security just as the Americans and Europeans do. The East Asia grouping is an important vehicle to promote greater regional co-operation. It should not be seen as a counter trade bloc to the European Union or the Americas. It is with such co-operation, consultations and discussions that misunderstanding can be avoided. The East Asia Summit in KL later this year will make it clear that it is not a counterforce to any country or region.

Ladies and Gentlemen,

My final theme for today weighs heavily on the minds of leaders across the region and around the world. China today is a market that no one can ignore. With a population of 1.3 billion people and an expected GDP growth of 8.5% for the year 2005, China is now a major player in the global economy.

In 1978, when Deng Xiaoping took over the reins of power, China only began moving from a sluggish, inefficient, Soviet-style centrally planned economy to a more market-oriented system. 37 years later, China has quadrupled its output and is now a member of the World Trade Organisation (WTO).

Malaysia has been a strong advocate for China's membership of the WTO. We welcomed China's accession in 2001, after 14 years of negotiations. WTO membership is good for China - both as a trading nation and as an economy undertaking major economic reform. And it is good for the region. We look forward to China playing an active role in WTO Councils, Committees and negotiating groups. China will have a greater voice in international trade negotiations - and that will increase the weight and influence of Asia as a whole.

For East Asia in particular, the rise of China should be seen as an opportunity, not a threat. As I mentioned earlier, China's economy is now intricately linked to the rest of the region. ASEAN countries should seize the opportunity to export their goods

and services to China and take advantage of the huge market.

Looking at it from another angle, China's economic boom can also be a good platform for the rest of Asia to advance their economic agenda. Here comes the critical role of regional leaders to recognize the need to get together and to work within the framework of regional groupings. As I have already highlighted, intra-regional trade is now a key feature of Asian economies. As a major Asian economy, China can take a leading role through the WTO and various regional groupings – be it ASEAN+3 or APEC – to promote trade and investment for Asian nations.

China should also be ready and willing to take a leading role in the sphere of regional security. As a nuclear power and one of the 5 permanent members of the United Nations, China has a responsibility to act as a reliable partner in ensuring security and stability in the Asian region. There are still a number of security flashpoints in Asia – particularly North Korea and Taiwan. China has a stake in both issues, and we are pleased that the Chinese leadership has taken a mature and measured approach to security issues in the region thus far.

Many have cited China as a threat to global stability and implicitly, a threat to the geopolitical status quo and dominance of a few powerful states. However, I firmly believe that it is in China's interests to work with the nations of the world, not against them. In this regard, I view the recent move by the Chinese Government to officially un-peg their currency from the US Dollar and move towards a managed regime as a positive sign that China recognizes the value of working constructively with the rest of the world. China's phenomenal economic growth has been a direct impact of being plugged into the global economy, and I believe it is in the interests of the Chinese leadership that security and stability continue to be an enduring feature of the Asian region.

Asia cannot exist in isolation. It is integrated into the global economy and is fully reaping the fruits of global economic integration. The rise of China can only be good for Asia and the rest of the world. I am hopeful that a prosperous China will continue to take a stronger lead towards creating and maintaining a prosperous, secure and stable region.

Ladies and Gentlemen,

In conclusion, I view prosperity and security as two factors that complement each other. On the one hand, economic prosperity often leads to improved security, as nations have a greater stake in ensuring an environment conducive for international trade. On the other hand, greater security paves the way for increased trade and investment, which directly leads to greater economic growth.

As I have highlighted, the role of leaders is paramount in ensuring prosperity and security. Through dialogues, joint initiatives and other modes of international co-operation, leaders have a large role to play in ensuring that this Asian project continues to grow and prosper. Only by working together can we ensure that our future remains secure.

On this note, I hereby declare this summit officially open. I hope you will have a fruitful discussion.

Thank you.