

"MALAYSIA-SINGAPORE : THE TIES THAT BIND"

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MALAYSIA

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Bismillahirrahmanirrahim

Assalamualaikum Warahmatullahi Wabarakatuh and a very good evening.

The Honourable Mr. Lee Hsien Loong;

Prime Minister of Republic of Singapore,

Mr Lim Hng Kiang;

Minister for Trade and Industry,

Mr S Iswaran;

Minister, Prime Minister's Office,

Second Minister for Home Affairs and

Second Minister for Trade and Industry

Your Excellency Dato' Husni Zai;

High Commissioner of Malaysia in Singapore,

Professor Euston Quah;

President of the Economic Society of Singapore,

Your Excellencies,

Distinguished Guests,

Ladies and Gentlemen,

1. It is indeed a great pleasure to be with you all this evening, and thank you for inviting me to speak here.
2. I would like to talk about the state of Malaysia-Singapore bilateral relations, the Malaysian economy and its direction, and also ASEAN - in this year that Malaysia holds the chairmanship.
3. The title of my speech tonight is “Malaysia-Singapore: The Ties That Bind”, and we all know that these ties run very deep and go back a long way. We are not just neighbours. Throughout the shared history of Malaysia and Singapore relations over the last five decades, it is clear that our two nations are intertwined and, in particular, enjoy very strong people-to-people connectivity.
4. Indeed, Singapore’s Emeritus Senior Minister, Mr Goh Chok Tong, yesterday reminisced with me over lunch about the time he spent in Temerloh, Pahang when he was a child, as his parents had moved there from Singapore during the Japanese occupation when he was four years old. Countless Singaporeans and Malaysians have stories to tell about living in or visiting each other’s countries. In fact, many of them have family members and close relatives in both countries.
5. That closeness was underlined soon after I became Prime Minister. On our first official visit to the Singapore Botanic Gardens in May 2009, I was honoured to be told that a hybrid of the Dendrobium Ronald Imanuel and Dendrobium Jeffrey Tan orchids had been named the Dendrobium Najib Rosmah. In fact, Prime Minister Lee and Mrs Lee gave us another plant last night. And if you will allow me to stretch the analogy, I would say that hybrid orchid is an apt symbol of the relationship between Malaysia and Singapore. It needs to be nurtured and looked after carefully

and lovingly - only will then blossom and flourish beautifully, like the plant that was given to us last night.

6. Nevertheless, as close neighbours we do have challenges like having to manage our differences. We have a Malay proverb for it: "*Sedangkan Lidah Lagi Tergigit*". Which means we are like tongue and teeth. In other words, we are close and need to work together to find positive solutions to our differences should they arise.
7. For example, our resolution of the Points of Agreement (POA) in 2010 after a 20 year deadlock is a good case in point. It was an example of how we chose to move forward in a spirit of friendship and mutual benefit and put a long-standing stumbling block behind us.
8. So I am delighted that relations between Prime Minister Lee Hsien Loong and I, and therefore between our two governments, are now so warm - indeed, I think it would be no exaggeration to say they have never been better in our countries' histories.
9. This closeness, and the agreements that follow, are of tangible economic and security benefit to all Malaysians and Singaporeans. This should be and must be the priority of national leaders i.e. the people's interests above all else.
10. Recently we have had fruitful discussions on a number of issues, including on iconic projects such as the planned High Speed Rail linking Singapore and Kuala Lumpur, that Prime Minister Lee and I discussed this morning and which would bring great benefit to both our countries.
11. These ties are being further strengthened through the regular exchange of visits at the highest level. His Majesty the King attended the State Funeral Service of the late Mr. Lee Kuan Yew recently. I was also here to pay my final respects, and to convey personally my condolences to Prime Minister Lee for the loss of a man who

was not just an international statesman and a titanic figure in Singapore, but also his father.

12. Such bonds of friendship between our two countries should be the norm and the future.

13. As it is, we are linked in so many ways. The economies of Malaysia and Singapore, for instance, have always had a high degree of interdependence. Bilateral trade between Malaysia and Singapore remained strong at RM209 billion last year. And the trend is encouraging.

14. We are both each other's second largest trading partner after China. And Singapore remains one of the top investors in Malaysia, with the total value of approved projects last year standing at RM8.3 billion. FDI Stock from Singapore alone amounted to RM80.7 billion in 2013.

Ladies and Gentlemen,

15. Three years ago, Prime Minister Lee and I agreed that the Joint Ministerial Committee between our two countries should explore more ways to enhance collaboration in Iskandar Malaysia for our mutual benefit.

16. An Industrial Cooperation Work Group was set up to promote and coordinate the development of industrial and services activities between Iskandar Malaysia and Singapore, based on the existing economic clusters and new growth areas such as advanced materials engineering, electronics, food processing, and the creative Industries.

17. And I believe we have already seen the fruits of this cooperation - it is a win-win situation for both of us, on either side of the Straits of Johor.

18. I am pleased to note that while Iskandar Malaysia and Penang have been drawing the bulk of investments from Singapore, Singaporeans are now also beginning to invest in other economic corridors in Malaysia, including Sabah and Sarawak. We welcome this, as it supports Malaysia's move up the value chain and spurs innovation, both of which are crucial in sustaining our economic momentum.

19. I am also pleased to note that existing Singaporean investors have continued to demonstrate a strong level of confidence in Malaysia by expanding and diversifying their projects. Investment relations have been further strengthened through enhanced collaboration between our two major government-linked companies - Malaysia's Khazanah Nasional and Singapore's Temasek Holdings. These GLCs and several other private companies are involved in the development of many high value projects in Malaysia and Singapore including the proposed Wellness Centre in Iskandar Malaysia.

20. Turning to the tourism sector, the total number of visitors to Malaysia from Singapore in 2014 was 13.9 million - an increase of 5.7 per cent from 2013. But we want even more of you to visit, and this year, Tourism Malaysia is hoping we can attract 14.5 million guests from Singapore.

21. All of this shows how much we gain by working together. And it is in this spirit that I say that I am sure we will soon be able to resolve other bilateral issues, especially those affecting investment and the movement of people between our two nations.

Ladies and Gentlemen,

22. I am firmly committed to Malaysia reaching high-income nation status by 2020.

23. Budget 2015 introduced many new tax incentives for principal hubs and projects that invest in innovation, technology and create high-income jobs. Among those

that will be of particular interest to Singapore-based companies are the “Incentive for the Establishment of Principal Hub. This new tax incentives which is intended to tap into the increasing trend for global off-shoring, encouraging foreign companies to take advantage of Malaysia’s competitive position in ASEAN and the Asia Pacific.

24. And the second is the "Capital Allowance to Increase Automation in Labour Intensive Industries". This regulation will provide a 200 per cent capital allowance for the first RM2 million to RM4 million of expenditure, depending on the industry.

Ladies and Gentlemen,

25. The global economy currently faces many challenges, including the decline in oil prices and other major export commodities. Despite this, I am pleased to say that Malaysia is doing well. Last year we posted a GDP growth rate of 6 per cent.

26. I am confident that this year we can achieve economic growth of between 4.5 to 5.5 per cent. And over the next four years, the OECD predicts our country will enjoy annual growth of 5.6 per cent.

27. We have just launched the 2014 Annual Report of Malaysia’s Economic Transformation Programme, whose 12 National Key Result Areas make up 68 per cent of our Gross National Income. Under the Economic Transformation Programme, 1.8 million new jobs have been created. Unemployment has declined to under 3 per cent. The National Key Result Areas have contributed significantly to the diversification of our economy and strengthened its resilience against external shocks.

28. We have also introduced the Goods and Services Tax, the nation's biggest ever reform of its tax regime. Not only will this broaden our tax base, strengthen our revenue stream and further reduce dependency on oil and gas, but we also

anticipate that this will lead GDP to increase by 0.3 per cent and exports by 0.5 per cent. Our economic fundamentals continue to remain strong.

Ladies and Gentlemen,

29. Last week it was our pleasure to host the 26th ASEAN Summit in Kuala Lumpur and Langkawi. We made progress on many fronts, including adopting the Kuala Lumpur Declaration on a People-Oriented, People-Centred ASEAN; the Declaration on Institutionalising the Resilience of ASEAN and its Communities and Peoples to Disasters and Climate Change; and the Langkawi Declaration on the Global Movement of Moderates.

30. I might add here that in both our countries, we are well aware of the need to guard against those who might misguidedly wish to join the so-called “Islamic State”. The fight against violent extremism belongs not just in the Middle East but here at home as well. And we welcome Singapore’s cooperation in our efforts on this front.

31. At the summit we discussed all aspects of the work being done to ensure that we establish an ASEAN Community by the end of this year. But perhaps most relevant to everyone here tonight are the steps that have been taken to realise the formation of the ASEAN Economic Community.

32. I am aware that there are some who are a little sceptical about the AEC being set up on time. Let me reassure you the ASEAN leaders remain absolutely committed to this. The current implementation rate of AEC initiatives is over 90 per cent, and we will press for that figure to rise.

33. But it's not just about the numbers. We must look at the qualitative aspects of economic integration as well. There are still obstacles and barriers to trade and investments in the region. Complex regulatory requirements, non-tariff barriers

transparency issues and predictability of rules and regulations are challenges that we will continue to tackle.

34. ASEAN needs to enhance its resilience as the grouping enters into strategic relationships with major trading nations through free trade or economic partnership agreements. Member states must also refrain from introducing new measures that may be counterproductive and go against the spirit of economic integration.
35. But the efforts towards liberalisation and integration are already contributing towards ASEAN's overall competitiveness. There have been steady flows of FDIs to the region; per capita income is about USD4,000, we have a burgeoning middle-class and a young and increasingly skilled population.
36. Our record is already enviable. From 2000 to 2013 real GDP growth in ASEAN outstripped America, Britain, France, Germany and Japan. The ASEAN journey which commenced in 1967 contributed to a complete transformation of the region. But think about how much more we can do as we become an ever more cohesive Community.

Ladies and Gentlemen,

37. 2015 is a very special year for Singapore as you celebrate the 50th anniversary of your Independence. And I hope to be able to join you at this historical celebration. We congratulate you on that anniversary, and wish to take the opportunity to emphasise all that we share and have in common, and all the great opportunities for Malaysia and Singapore as we work together, both as partners and neighbours and in the region.
38. I am delighted to know that Prime Minister Lee now has a clean bill of health. Therefore I have a friend who is fighting fit and together we will be able to shape

the destinies of our peoples to make our relationship ever more productive, mutually beneficial and forward looking.

39. I know that Prime Minister Lee and I could not be more committed to enhancing the already strong bonds between our two countries, for the benefit of all Malaysians and Singaporeans.

40. I hope you enjoy the rest of the evening.

Thank you.

Wabillahitaufig Walhidayah Wassalamualaikum Warahmatullahi

Wabarakatuh.

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