

KEYNOTE ADDRESS BY THE PRIME MINISTER AT THE PROSPERITY FOR ALL SUMMIT

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April 28, 2017

Bismillahirrahmanirrahim,

Assalamualaikum and Good Morning,

Her Excellency Maria Leonor Robredo;

Vice President, Republic of Philippines

Her Excellency Gloria Macapagal-Arroyo;

Former President, Republic of Philippines/ Congresswomen, House of Representatives

Mr. Jose A. Concepcion;

Presidential Adviser for Entrepreneurship

Chairman, ASEAN Business Advisory Council (ASEAN BAC),

ASEAN Business Advisory Council Members,

Distinguished Guests,

Ladies and Gentlemen,

It is a pleasure to be with you this morning, and let me first of all thank the organisers for inviting me to deliver this keynote address. Allow me also to congratulate the Philippines government and the ASEAN Business Advisory Council for choosing an apposite theme for today's summit: Prosperity for All. For this was indeed the foundation of ASEAN when it was established 50 years ago. Prosperity for the peace and stability of the region.

And indeed, in those 50 years we have made great strides. Between 1975 and 2014, for instance, the ASEAN economy multiplied 28 times, from US\$87.2 billion to US\$2.5 trillion.

By November 2015, when during Malaysia's chairing of ASEAN we signed the Kuala Lumpur Declaration on the Establishment of the ASEAN Community, we were looking at an

ASEAN economy was closed to US\$2.7 trillion, the seventh largest in the world. And recent estimates suggest that taken as one, ASEAN would now represent the sixth largest economy in the world.

Peace has become ever-more the norm in the region. There has been no conflict between the founding ASEAN-5 countries, and since the end of the Vietnam War in 1975, after negotiating civil war in Cambodia as well as the hostilities between Vietnam and China in 1979, ASEAN has been successful in bringing the states of Indochina and Myanmar into the regional family of nations.

This was a very important step. The harmony between Southeast Asia's nations has allowed for resources to be focused on bringing economic benefit to our peoples, consolidating regional stability and keeping true to the vision of ASEAN's founding fathers.

We have achieved a critical mass to take us forward. Our economies are growing faster than most of the rest of the world, and it is expected that by 2050 the ASEAN economy will amount to over US\$9.2 trillion, making it the fourth largest in the world.

Again, there are other predictions that are even more optimistic, suggesting ASEAN could reach the number four position by 2030 – a mere 13 years from now.

These are big numbers and impressive positions. But we have yet to achieve them. The big challenge is to ensure that the integration of our individual economies, that is necessary for ASEAN itself to become a significant world market, is driven through.

On that, we still have a long way to go.

We have to bring down further the trade tariffs which still exist. WTO figures show average tariffs in ASEAN were around four percent in 2015. The work to bring them down to zero must be pursued vigorously.

Next, we must work to facilitate Intra-ASEAN trade further. To achieve the US\$9.2 trillion figure by 2050 there has to be a 20 percent reduction in fixed trade costs. We need to work towards facilitative measures such as national single windows seamlessly linked to the ASEAN single window, and standardised customs procedures.

Most of all, non-tariff barriers and measures – or NTBs and NTMs – must be reduced and ultimately removed. This is a stubborn world-wide problem, but it is in ASEAN's own interests to lead the way in this endeavour.

Here, there really is a lot to do. Between 2000 and 2015, NTBs and NTMs in ASEAN actually rose – from 1634 measures to 5975. This cannot be tolerated, it has to be checked and reversed.

For ASEAN to reach that target economic total of US\$9.2 trillion, NTBs and NTMs have to be reduced by at least 50 percent. There is no alternative if we wish to be able to seize that prize. So huge, coordinated efforts are required to deal with this problem.

Ladies and Gentlemen,

Why is it that economic growth and economic size are so important? It is because only if you have a growing economy, then only you can distribute prosperity and wealth. We want this prosperity to be shared by all. Without economic success, there is nothing to be shared.

We have had years of very strong growth in Malaysia, and our Gross National Income has increased by nearly 50 percent since we began our Economic Transformation Programme in 2010.

Our focus has been on ensuring that growth is both sustainable and inclusive and if possible, equitable, or more equitable. For we want no Malaysian to be left behind, regardless of ethnicity, faith and community.

We have been successful, 1.8 million new jobs created between 2010 to 2016, which means individuals and their families benefit from being in work and sharing in our country's prosperity. We have virtually eliminated poverty, reducing its incidence to just 0.6 percent.

We do not want any of our citizens to be marginalised. In an age of extremism and radicalization, and there is a practical reason for that. We know that those who see no hope in their own societies are more prone to the siren calls of terrorist groups, who can exploit their vulnerability and lure them with their lies by giving them a false sense of purpose and achievement.

One of the lessons of the rise of extremist populism in Europe, too, is that a neglected underclass – of those who felt left behind by economic growth, prosperity and the benefits of globalisation – can overturn elections and political systems.

We have put in place many programmes to encourage training; entrepreneurship among communities, I believe in that creating more entrepreneurs, particularly in rural and disadvantaged areas; female participation in and leadership of the workforce; and learning the skills needed to succeed in the innovation economies of today and tomorrow.

I'm glad to say that our Government Linked Companies have been doing admirable work to support the government's stress on sustainable, inclusive and equitable growth, not just as part of their corporate and social responsibility, but also because it makes sound business sense. For example giving them internship.

At the same time, we recognise that some of our fellow citizens need extra assistance to ensure that they can live in dignity and provide properly for their families, and so we provide financial aid, in the form of what we call BR1M, to low income families. This not only helps them, but it provides a multiplier effect which further boosts the overall economy.

Ladies and Gentlemen,

I am aware that in the Philippines, the government is giving special attention to the need to bring prosperity to all segments of society. I have been told of the work by Go Negosyo to socialise economic growth, and I applaud that.

I am also glad that this year ASEAN-BAC is launching the new ASEAN Mentorship for Entrepreneurs Network, or AMEN, which aims to enable micro, small medium size enterprises or MSMEs by having big companies expose them to greater opportunities and to better management methods, and to help them towards sustainable growth by linking them to regional and global supply chains.

These MSMEs employ anywhere between 59 to 97 percent of the work force in different ASEAN countries. They are the backbone of our economies, comprising more than 90 percent of all ASEAN companies.

In the case of Malaysia, 97 percent of our businesses are in the MSME sector. They contributed 36 percent of our GDP last year, 65 percent of total employment and 18 percent of our exports. To ensure the systematic development of MSMEs in Malaysia, the National SME Development Council was established in 2004 to effectively handle SME related issues.

In 2012, the SME Masterplan (2012 – 2020) was launched, while SME development programmes have been further strengthened in the Eleventh Malaysia Plan, 2016-2020, in line with the SME Masterplan objectives, and towards our goal of becoming a high income status nation by 2020.

The focus in the Eleventh Malaysia Plan for SMEs is on productivity, innovation, entrepreneurship and inclusiveness. And the Government's efforts for the SME community have begun to bear fruit.

This can be seen in the excellent performance of Malaysian SMEs, which have an average annual growth rate of 7.1 per cent – higher than the still very healthy 4.2 percent maintained by the overall economy in 2016.

We are taking further steps to boost this sector by declaring 2017 as the Startup and SME Promotion Year, and we have allocated large sums of money to provide incentives and programmes to support this thriving and vital part of our economy.

Ladies and Gentlemen,

Micro, small and medium enterprises are at the heart of this Summit today, and in this regard, I am heartened by the signing earlier this month in Tokyo of the ASEAN-Japan Innovation Network (AJIN) by the ASEAN Business Advisory Council and the ASEAN Business Club, with major Japanese business organisations.

I hope this framework of cooperation, and others like it, will bring, through the use of technology, those on the periphery of economic prosperity to its mainstream.

There is great need to expand e-commerce in ASEAN, particularly among MSMEs, whose sales will benefit immensely from the exponential growth that it can offer.

On retail sales alone, the average percentage of e-commerce transactions in ASEAN countries is only just over one percent of the total, compared to over ten percent in the developed economies.

This underlines the huge potential for growth in e-commerce; and initiatives such as AJIN, and the recently announced Digital Free Trade Zone that Jack Ma of Alibaba and I recently announced in Kuala Lumpur, should encourage all in ASEAN to build this vibrant sector of our economies.

I also welcome the establishment of the ASEAN e-Commerce Coordinating Committee towards enhancing e-commerce activities in the region.

The current internet user base in ASEAN of 260 million people is expected to grow to 480 million users by 2020, making ASEAN the world's fastest growing internet region. Some studies show that the ASEAN e-commerce economy is expected to grow to US\$200 billion by 2025.

We must deploy digital technology, this powerful force of economic innovation, to help us make the leap into that great future that ASEAN promises, and ensure that it is one of prosperity for all.

Ladies and Gentlemen,

Another challenge that ASEAN faces, and we should bear it in mind particularly in this 50th anniversary year, is the need both to raise awareness of ASEAN and to make it feel real, relevant and tangible to all our citizens.

We are one of the most successful regional associations in the world, and while some have criticised us for moving too slowly, we have avoided the downsides of moving too fast.

The turmoil in the European Union, and the strong swells of anti-EU opinion in many countries on the continent, demonstrates the dangers of Europe-wide institutions not having sufficiently won the support and affection of member state populations.

At the same time, however, there is a large body of EU citizens who think of themselves as exactly that – as citizens of the European Union. I am not saying that ASEAN countries want to go that far, but to what extent do our peoples think of themselves as being members of ASEAN?

For our Community to be real, it must be something that is part of our people's lives. It must be something that touches their hearts. ASEAN must be seen as a source of cohesion, solidarity, support, unity, friendship and strength and of course greater prosperity.

In so many ways, ASEAN has been exactly that. But the bonds between our countries and our peoples need to be more evident for our citizens to feel that is what our association is all about.

As we celebrate a half century of ASEAN, what better way for us to do so than working towards making the theme of this summit – Prosperity for All – into a reality.

That really would be an ASEAN that feels meaningful to all our citizens, and I encourage all present here today not just to make the most of your discussions at this summit, but to bring those ideas, and that spirit of togetherness, home with you.

Then we can begin to make the next 50 years of ASEAN a fulfillment of that sense of promise that our first five decades have led us to.

I wish you all a very productive and enjoyable Summit.

Thank you.

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