

**SPEECH BY
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Firstly, allow me to thank the organisers, Persatuan Graduan Muda Malaysia and Persatuan Pemuda Negara, for inviting me here this morning to say a few words. Allow me to congratulate the organisers, in particular Mr Quek Ngee Meng and Mr Stephen Doss, for having initiated this important gathering of the younger generation.

2. I hope that all of you will take this opportunity to listen to the distinguished panel of speakers, think through the issues and discuss the challenges of globalisation among yourselves. I would encourage all of you to take this conference seriously. Not only will you be able to network with your peers, you will also grapple with the key issues that face our country in the near future. As leaders of the future, I hope you will be able to approach these challenges rationally, intelligently and with a balance of idealism and realism.

Ladies and gentlemen,

3. Globalisation has become perhaps the most important phenomenon today. It is bringing the world closer in more ways than one through increased trade, market liberalisation, information and communication technologies (ICT), increased cross border travel and a pervasive global media network. Interaction between nations and people are more frequent and profound than ever before.

4. International flows of capital has increased substantially with the level of foreign direct investment (FDI) increasing seven times from 1970 to late 1990s. Short term capital flow - most of which is volatile in nature - increased by more than three times from the 1980s currently totaling more than US\$ 2 trillion in gross terms. The number of people visiting other countries has also seen a significant increase. Tourism has more than doubled between 1980 and 1996, from 260 million to 590 million travelers a year. And of course, due to better and cheaper technology, people are getting in touch more often and for longer periods. Time spent on international telephone calls rocketed from 33 billion minutes in 1990 to 70 billion in 1996. And this is without quantifying the effect of email and the internet.

5. Closer to home, Malaysia has benefited tremendously from these developments. Economic growth for most of the past decade has been helped by the large inflow of FDIs into our economy. Without having such an open economy, we would not have been able to attract key investments in areas such as manufacturing, oil and gas, and in capital intensive high technology sectors. These investments facilitated our economic recovery from the Asian financial crisis as favourable global market conditions allowed us to export our way out of the recession.

6. We have also suffered the consequences of being an active player in an increasingly interdependent, globalised world economy. The Asian financial crisis was a direct consequence of a too rapidly liberalised global capital market. In the 1990s when countries in the region, including Malaysia, attracted investments we were not very concerned whether they were long term or short term. We, along with our

neighbours, allowed foreign capital to buy factories and employ our workers; we also allowed it to pour heavily into the stock market and the property market. When the Thai Baht came under attack in 1997, the bubble burst. The money parked in our stock market fled at the touch of a button. The outflow of capital that left Indonesia, South Korea, Thailand, the Philippines and Malaysia amounted to 11% of the pre-crisis GDPs of these countries.

7. Today we are also experiencing another peril that economic globalisation brings with it. Because of our dependence on the U.S. economy as an export destination and key trade and investment partner, we are bracing ourselves for a hard landing of the U.S. economy. The prospects in the U.S. along with the moribund Japanese economy forced the government to readjust our economic outlook for the year and prepare for additional government pump priming to stimulate domestic investment and consumptions. Yet again this shows that in an increasingly interdependent and interrelated world economy we cannot isolate ourselves from what is happening. Whether we like it or not, and whether we have control over it or not, developments around the world will affect us.

Ladies and gentlemen,

8. Globalisation has also brought with it grave disparity and inequity. It seems as though the haves are befitting more than the have nots. By 1997, the income gap between the fifth of the world's people living in the richest countries and the fifth living in the poorest was 74 to 1, up from 60 to 1 in 1990 and 30 to 1 in 1960. By the late 1990s, the fifth of the world's people living in the highest income countries had 86% of world GDP - the bottom fifth had just 1%. The inequality and gulf in income and opportunity continues to grow, and we are now seeing the emergence of a digital divide between people with access to ICT and those without. Globalisation, which was meant to be a positive sum game for all nations where all would benefit from more open markets, liberalisation, deregulation and technological change, has failed to uplift the livelihood of the majority of the world's population.

9. In this context, globalisation desperately needs a human face. The opportunities and benefits of globalisation need to be shared more widely and evenly. If nothing is done to address the increasing disparities, globalisation will create more threats to human security and well-being. The unfettered international capital markets that led to the economic devastation in Asia left a trail of socioeconomic damage that has yet to be repaired. As a result, political stability that has been a hallmark of the southeast Asian region can no longer be taken for granted.

10. Global deprivations are so wide spread, I fear that in some regions of the world these problems are time bombs that are ticking loudly and yet being ignored by the rich and powerful. Is the world blind to the nearly 1.3 billion people who do not have access to clean water; or to the one in seven children of primary school age that is out of school; or the 840 million that are malnourished; or the 1.3 billion who live on incomes of less than one U.S. Dollar a day?.

11. I bring this reality for your attention because I believe that you should be aware of what is happening around the world. I want you, as the younger generation, to know that there is both good and bad globalisation. And I want you to fully understand that we are part and parcel of this process. The question is what do we, as Malaysians do? More specifically what do we do to prepare ourselves to enjoy the benefits of globalisation without experiencing its negative impacts?.

12. The answer lies in how we manage the impact of globalisation to our country and how we respond to it. Last week, the Prime Minister tabled the Third Outline Perspective Plan (OPP3) in Parliament. This plan forms the strategic direction for managing the Malaysian economy over the next ten years. It lays down the general principles for economic development and nation- building. And it also articulates the various policy strategies that are to be undertaken to manage and respond to globalisation.

13. Without going into the details of the plan, I want to highlight two salient thrusts of OPP3. First, in order that Malaysia remains competitive in an increasingly globalised world, great emphasis will be placed on the development of a knowledge-based economy or k-economy. Second, the fruits of economic development would mean nothing if do not build a united society based on justice, fairness and equity.

14. Firstly, if Malaysia is to become a meaningful player in the globalised world instead of being a bystander and mere recipient of technology and investment, we need to make important changes in how we manage our economy. A k-economy will mean that knowledge will become an increasingly important factor of production, in addition to land, labour and capital. Traditional methods of production will be transformed by smarter processes, more skilled workers and supported by a broader and richer base of research and development.

15. In order for the transition to a k-economy to be a success, we must focus on two things. One is the key ingredient which is human capital. The other is the main enabler of the k-economy which is ICT. We need to develop our human resources in order to create a more productive, competitive and innovative work force. We must ensure that greater emphasis is given to the quality of our students instead of merely being obsessed with the numbers that we put through our universities. If what we are doing is producing a critical mass of mediocrity, our endeavours in developing a k-economy will come to naught. Therefore, even as we stress on increasing the enrolment of our younger generation in tertiary education, we must ensure that we are not fooled by mere numbers. In this regard the younger generation will have a key role to play to rise to the challenge of the k-economy. The best way that you can contribute to nation-building would be to seize the opportunities that are available and make the most of it. If government initiatives to improve educational opportunities over the next ten years are met with the same lacklustre performance of our students - especially the Malay students - then the younger generation will have no one to blame but themselves.

16. Concerning the use of ICT, I would be the first to say that its inclusion and emphasis in the OPP3 is something new and refreshing, calling for a change in the way we do things in all sectors. The crux of the k- economy is that we are to harness and utilise knowledge at all levels, especially through the use of ICT and other such enabling technologies. In this regard the government is not treating ICT as a sector unto itself, rather we are planning the next ten years so that technology cuts into all areas of economic development and nation building. The use of technology for the purpose of creating and disseminating knowledge will be as pervasive an axiom as national unity is to the developmental planning of our country.

Ladies and gentlemen,

17. I am confident that what we have planned for our economy in the next ten years is realistic and achievable. But its attainment can only be possible if there is a united,

stable and peaceful society. Without such a starting point, no amount of good planning will be able to uplift quality of life or productivity. If our society is plagued by tension and violence brought about by ethnic strife, religious intolerance or socioeconomic depravations, there is no point talking about k-economies and enabling technologies.

18. In this regard, I believe that it is important for Malaysia to stick to its first principles when approaching the next decade and facing globalisation. We must ensure that there is unity fostered by the continued tradition of social justice so that no group should be completely left behind by economic development. This will mean that we would have to refocus our eradication of poverty strategy to take into account the growing number of urban poor made up of people from all races. Urban poverty is something that needs to be addressed quickly, effectively and compassionately. If not, we risk the possibility of ethnic tension and even violence, as seen in the most unfortunate incidents in the past month in Petaling Jaya Selatan.

19. This will also mean that we have to continue with our affirmative action that will level up the Malays economically. In continuing with this policy, we hope that its implementation would be improved so that greater emphasis is given to those who are in genuine need of assistance and help. We do not want to encourage Malays to be dependent on the government. If our aim is to create a critical mass of skilled professional workers, we must uproot the subsidy mentality among the Malays. Affirmative action must be seen as a step up and not as a lifelong life-line.

20. The government's commitment to fostering unity cannot be underestimated. We believe that without national unity the essential premise for success in a globalised world is absent. I am glad that the youth summit 2001 brings together Malaysian youths - regardless of race. It is becoming more and more important that young people mix and get to know one another meaningfully. It is with this in mind that the government proposed to set up vision schools and revive the pupil's integration plan at schools. If you grow up in isolation, without getting to know one another, it is quite likely that by the time you reach university, you will find it difficult to interact with students from different races.

21. The level of polarisation in our universities is a gravely worrying trend. If unchecked and left alone, it will spill over into the rest of society. We risk living increasingly separate lives. The muhibbah spirit is in danger of becoming something that is meaningless, or at the very best a front that is put on only during certain occasions such as Hari Merdeka or any of the major religious festivals. If national unity is treated with such nonchalance, I fear that our dreams of creating a united society will be unattainable.

22. It is therefore in the context of these two things - namely increasing competitiveness and fostering unity - that I call upon the younger generation to rise and assist the government. Without these two critical success factors we will not be able to manage and respond to globalisation in a manner that will ensure Malaysia's continued success.

23. I would like you, the younger generation, to realise that no one apart from us will help us address these issues. We cannot rely on the outside world to assist us in our preparations to increase competitiveness or strengthen unity. No one is going to do this except for us. We must therefore have the resolve and commitment to solve our own problems and carry through with our own strategies. We must look within,

at ourselves, in order to prepare for the challenge of the next century.

24. I sincerely hope that the younger generation is prepared and able to meet these challenges. Some people fear that the youth of today are complacent and will be unable to adapt to the changing times or not resilient enough to meet the challenges of today. I have better faith in you. I know that you will be able to rise to the challenge. And I know that you will not squander the opportunities that have been laid out for you .

25. Not only do I hope that you will succeed in pursuing excellence, I hope that you will open your minds to the realities around us. I do not want the younger generation to be closed minded and unexposed. This will only breed intolerance and reactionary responses. What we want to avoid is a backlash against globalisation that would also be a backlash against modernity. We must constantly guard against the use of religion or ideology to turn us away from the key task at hand, which is to prepare ourselves for globalisation.

26. The last thing that I would mention here is the importance of remembering who you are. It is easy in this day and age of modern technology and the pervasive mass media, for you to forget that amid all these developments, we are and remain Malaysians. The flame of patriotism can never and should never be extinguished. Globalisation will not mean that there will be a big global village where everyone will be citizens of the world. Countries will continue to exist, religions will continue to exist and ethnic groups will continue to exist. And as I mentioned earlier, no one is going to help you prepare for globalisation apart from yourselves and your countrymen.

27. I urge you to hold steadfast to the ideals of your country. We are entering a new era of great global competition; socioeconomic change and technological innovation. I do not want to see these forces of change tear our country apart. We have done much to root this country and our citizens in a shared vision and a respect for our diversity. Let us make sure that it will not be wasted.

28. Ultimately, it will be up to you, as the leaders of tomorrow, how much of a success you want the future to be. What I have done here today is the best that the older generation can do, and that is to point you in the right direction. We cannot and do not want to hold your hands forever. When you take the reins of nation building from us, you will have the benefit of our example, but what you choose to make of the future is entirely up to you. I have no doubt that you will continue to develop Malaysia, continue to protect our diverse tradition and continue to enhance our economic strength and resilience. I am confident that you will make my generation proud of you. It is with this thought that I now officially launch the Youth Summit 2001.

Thank you.