

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
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"CONTINUITY, CHANGE AND COOPERATION: MALAYSIA AND JAPAN WORKING
TOGETHER"

Honourable ministers

Members of the business forum organising committee

Corporate leaders from Malaysia and Japan

Distinguished guests

Ladies and gentlemen

In life, the basic truths are always simple. The present is the product of continuity and change. The future will be a compromise between continuity and change. We would be foolish not to take the changes into account. We would be equally foolish not to take the continuities into account.

In dealing with the future, Malaysia and Japan have three basic choices. Do we work together? Do we work against each other? Or do we just go our separate ways? The answer is clear enough.

It is obvious that we should be friends, working together - with mutual respect, and for mutual benefit. Fortunately, the comprehensive correlation of forces in our region and in the world makes this friendship not only logical, but also eminently possible between Malaysia and Japan.

Prime Minister Koizumi's view that we must "act together and advance together" is absolutely logical. It applies fully in the case of East Asia. It applies fully in the case of Japan-Asean relations. It makes complete sense with regard to Malaysia-Japan relations for the foreseeable future.

You will note that I have placed my remarks within the timeframe of the future. I think the future of Malaysia is what you want to know about. Questions naturally arise when a great man, who has presided over the affairs of a nation for so long decides to hand over the reins of government and leadership to a successor. Malaysia's Prime Minister, one of the best men that my nation has produced over the last five hundred years, will be a very difficult act to follow.

The questions, which are understandable, have to be answered; or there will be uncertainty; and as you from the business world know, uncertainty is bad for business. Many have asked in recent months and many will ask in the months to come: who is this Abdullah Ahmad Badawi? What will he be like as Prime Minister? What changes will he make? What will be the major continuities?

Many of the Japanese companies represented in this hall are already well established in Malaysia. There are more than 1,400 of them operating in my country. Many of them will want to know the answers to these questions. Many of you might be thinking of coming to Malaysia. You, too, will want to know the answers.

As to the first two questions, regarding Abdullah Ahmad Badawi, it is completely for you to discuss. The Asian values that we share make it a little difficult for me to talk about myself.

But let me say that we live in a world where the only constant is change. Many changes will come. Malaysia, like Japan, will have to change and re-invent itself many times over in the decades to come. I firmly believe that in the case of Malaysia, the changes will be made within the flow of continuity of the past generation.

Let me make it very clear that I intend to continue the domestic economic, political, social and cultural policies that have been well established by my Prime Minister, Dato Seri Dr Mahathir bin Mohamad, and that have been deeply institutionalised by Malaysia. Let me make it equally clear that I will also continue the foreign policies that are similarly embedded in our policy establishment, and entrenched in our national institutions. I will continue these foreign policies that are very much anchored in logic, and that are so strongly propelled by common sense.

I have not recently parachuted into the world of Malaysian government and politics. Over the last 39 years, I have had the privilege of serving all of Malaysia's four prime ministers, first as a civil servant and then in politics. My stint in politics started about 25 years ago, when I contested and won a parliamentary seat in 1978. I have had the good fortune of leading several ministries. I have been deputy prime minister for a number of years. As such, I have been able to participate in many of the crucial decisions that are today the cornerstones of Malaysia's domestic and foreign policies.

Although Dr Mahathir will no longer be at the helm, the party that has been in power for more than 45 years will remain in power. Our solid civil service will not change. Our system of laws, our administrative system, our key technocrats, our political culture, our economic system, and our basic circumstances will not change. Our passions, our priorities and our aspirations will not change.

In November of this year, there will be a change of leadership. But there will be no change of regime.

Ladies and gentlemen

Dr Mahathir's vision 2020 is the Malaysian people's vision 2020. It is my Vision 2020, my vision of what Malaysia must aspire to become by the year 2020.

Vision 2020 is taught in our schools. It is at the forefront of our minds. Most important of all, it is close to our hearts.

If I may remind you, Vision 2020 not only sets out our objective to be a full developed economy by the year 2020. It also expresses our national determination, by 2020, to become: A completely united nation; and A completely psychologically liberated people, distinguished by the pursuit of excellence.

It expresses our national determination to become: A mature, consensual, community-oriented democracy; and A fully moral and ethical society, living by the highest ethical standards, strong in religious and spiritual values.

By 2020 we believe we must also be: A fully mature, liberal and tolerant society; A scientific and progressive nation that is a contributor to man's scientific and technological civilisation; A fully caring society with a fully caring culture; An economically just society, with development and income gaps as small as has been achieved by Japan.

By 2020, we must also be a prosperous society with a per capita standard of living (expressed in purchasing power parity terms) of about 23,000 U.S. Dollars, equal to that of the United States in 1990. But more than that, we aspire to be "a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient".

I am passionately committed to each and every one of these strategic objectives. My commitment arises out of the logic and common sense in these objectives.

Because we are such a new nation, because we are so multi-racial, so multi-religious, so multi-cultural, because the choice we face is to live well together or to perish from the face of the earth, our determination to be a united nation with a deep sense of common destiny, at peace with itself, living in harmony and in full and fair partnership, is only logical. Our determination must persevere.

Because we have been under the yoke of colonialism for so long, our commitment to freedom and independence, to being a psychologically and intellectually liberated people with faith and confidence in ourselves, subservient to none, is only logical. Our commitment must persevere.

Because democracy gave us our strength, stability and resilience, because democracy ensures a political system whereby our rulers fully understand that they are not the masters but the servants of the people, because democracy ensures adaptability and rapid responses to the signals of the political marketplace, because consensual, community-oriented democracy will ensure our national unity, and because democracy with all its imperfections is the least imperfect and most civilised of all political systems, our commitment to democracy is only logical. Our democracy must persevere.

Because our good values and ways will continue to be attacked by uncaring urbanisation, crass materialism, the fragmentation of the family, the religion of hedonism and selfish, ego-centric individualism, and many other aggressions that some market under the brand name of "modernity" - because of all these things and more, the commitment of the Malaysian people to a moral and ethical society is only logical. Our commitment to a moral, clean and ethical society must persevere.

Because we will in the years ahead face many competing absolutes, because fanaticism and extremism will now and again rear their ugly head, because we are a pluralistic society, our full dedication to moderation and to a liberal and tolerant society in which all Malaysians are free to practise and profess their customs, cultures and religious beliefs is only logical. This dedication must persevere.

Because we remain comparatively and globally backward with regard to knowledge, science and technology, because to rise and to compete in a fast-globalising world

we must make many quantum leaps with regard to knowledge, science and technology, Malaysia's determination to move to the forefront of knowledge, science and technology is only logical. This determination must persevere.

Because of the massive societal transformations that will inflict all fast changing societies and because of the many negative aspects of what some call "modernisation", the strong commitment of Malaysians to ensure that we will be a fully caring society with a caring culture is only logical. This commitment must persevere.

Because of the existence of unacceptable economic gaps in Malaysian society, gaps that violate our sense of justice and that threaten our societal fabric, it is only logical that the struggle for economic social justice cannot stop in the years ahead, even as we fine tune our policies and measures, and broaden the struggle for justice to the social, educational and other areas.

Ladies and gentlemen

Many misunderstand Malaysia's Vision 2020 and believe that it only refers to the ninth strategic objective of this vision, to our strong resolve and passion to ensure "a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient".

You will note, and I must stress, that the other eight strategic objectives of our vision 2020, widely accepted by all Malaysians, including our opposition parties, are as important as our ninth, strictly economic, objective.

This ninth strategic objective requires that Malaysia grow by an average 7 percent per year between 1991 and the year 2020, thus doubling our national income every ten years. By the year 2020, Malaysia's national income would be exactly eight times larger (in real terms) than in 1991.

You might note that the idea of income doubling was inspired by Japan's miraculous performance during its incredible "income doubling" period. Although the events of 1997 and 1998 and volatile growth rates since then make clear that we have a great fight for growth on our hands, it is worth noting that over the last 30 years to 2002, Malaysia has on average actually grown by an annual rate of 7 percent. Over those long, difficult and demanding years, we did not expand in a straight line. We had many ups and downs, and a host of seemingly insurmountable obstacles. But at the end of the day, we did manage an average 7 percent growth rate.

None of this means that it is going to be easy in the near or medium term. By no means. We know how incredibly difficult and demanding it is going to be. Many of you in the audience who helped build the Japanese miracle have the creases on your faces to testify to your own individual struggle, your own personal contribution. The tears and the sweat that Japan had to go through to achieve the Japanese "miracle" is often forgotten by those who did not have to live through it or to build it.

An ocean of tears and sweat lies ahead for Malaysia as we battle to become an economically developed economy by 2020. But I assure you that I will not - and more importantly, the people of Malaysia, including our even harder-working new generation of youth will not - allow Malaysia to abandon our struggle to become a developed economy by 2020.

Ladies and gentlemen

Undoubtedly, we cannot get to where we want to go if we abandon our economic "winning formula" - the winning formula that has brought us, economically, to where we are today. We could never have done what we did in the past without foreign direct investment. We can never reach our growth targets in the future if we are not able to attract the foreign direct investment (of increasingly high quality) that we will need.

Are we worried about the china challenge on F.D.I.?. Of course, we are. But beyond china, we have a dozen other challengers. And beyond them, a dozen more. It is interesting to note that except for a specific year one may wish to cite, over the last three years or the last five or the last six or the last seven years or any other timeframe, Malaysia on a per capita or comparative G.Dd.P. basis has consistently outperformed china with regard to the attraction of F.D.I.. We are very fortunate to be a modest economy, with a very modest population, endowed with more than our fair share of natural resources and common sense. We do not ask to monopolise all the investments, we merely seek a fair amount.

There are of course many other key policies in our economic "winning formula" which I should stress. I believe that in the years ahead Malaysia must continue its strong commitment to: A market economy, driven by the private sector as the primary engine of growth; A business-friendly government, committed to working with the private sector in the spirit of Malaysia, incorporated; An outward-looking and competitive economy that is fast on its feet, able to quickly adapt to changing patterns of demand, supply and competition; An economy that is increasingly knowledge-intensive and technologically proficient; Constantly achieving massive productivity improvements; and Open to the world, taking on the challenges of globalisation.

Malaysia must remain strongly devoted to: Developing its human resource; and Building a workforce propelled by hard work, fixated on quality and productivity, and an obsession with excellence.

We must be firmly committed to: Continued productive and positive de-regulation; Deepening and enriching higher-value added industrialisation; whilst Developing our modern and high value added services sector, including tourism, health, education, logistics, and the financial services sector.

Let me stress that we will continue these crucial policies not because we must have consistency, but because we must never lose our common sense. Once they no longer make good sense, they will of course be fine-tuned away, or simply be discarded.

Ladies and gentlemen

Let me now turn to the foreign front. At the risk of sounding like a broken record, let me state again that I will continue the well-established, rational and beneficial political and diplomatic policies that are already an institutionalised part of Malaysia's past and present. I will continue the economic policies and comprehensive economic relations that are already an institutionalised part of my country's "standard operating procedure". Indeed, working with Japan in a mutually productive partnership is already part of Malaysia's standard operating procedure.

We all know that Japan is now confronted by a complex set of problems. So many now paint Japan as a country of the past, without a future. Many Japanese ask us today whether Malaysians still have a lot to learn from Japan. Let me say it loud and clear: our process of learning from Japan will continue. We learn from your successes and failures, and from how you manage them. Besides, you have so many enormous strengths that you are not aware of. In the 21st century, Japan will continue to be a model for balancing social traditionalism and modernity, even as Malaysia will continue to be a model for balancing religious traditionalism and modernity - at least in the Muslim world.

I am proud to claim some credit for the development of Malaysia's look east policy, born no less than 21 years ago. I was the first Cabinet Minister tasked to implement the policy. I believe that Malaysia must continue to "look east" in the years and decades to come.

I do know of Japan's present economic and future demographic problems. According to the Japanese government, the total population of Japan will peak in 2006 at 127.7 million. It will, everything else being equal, fall to 121 million in 2025 and stand at just over 100 million by 2050. The effects on the demand side will be profound and pervasive. Equally important, on the supply side, Japan's working population has already started to fall from the peak year of 1997. The ratio of Japanese above 65 years of age, which stood at 14.6 percent in 1995, will double to 28.7 percent by 2025.

It will be difficult, though not impossible, for Japan to once again lead the pack in the growth rates of developed countries. But consider the reality that two thirds of the total G.D.P. Of East Asia resides in this one country we call "Japan". Even if Japan stagnates or grows slowly in the coming decades, most of East Asia's G.D.P. will still reside in Japan. As such, economically, Malaysia will continue to engage Japan.

Ladies and gentlemen

Let me conclude my remarks with some words on cooperation and on working together.

As is clear from the past, the main thrust of the cooperation in the future between us in East Asia will be non-governmental. It will be in the form of private sector cooperation. It is therefore gratifying to see hundreds of Malaysian and Japanese companies gathered here today. The incredible level of regional trade and other economic cooperation in East Asia that has already been achieved, is almost entirely woven by corporations acting individually to maximise their economic performance. The even higher level of regional trade and other economic cooperation that East Asia will achieve in the days to come will similarly be woven by our corporations acting individually to maximise their economic performance. The government should assist in this process. However, if governments cannot contribute to this economic community building, they should at the very least not get in the way.

A second point worth stressing is that nations can cooperate even when they act unilaterally, even when they do not deliberately act together. When Malaysia educates its workforce, builds roads, ports and airports, guarantees quality electricity and ensures strong property rights under the rule of law; when Malaysian workers discipline themselves, work hard and sing rousing company songs at the top of their

voice, they are in essence cooperating with Japanese companies and with other foreign companies.

A third point I should like to stress is that with regard to East Asia, governments should always try to be part of the solution, never part of the problem. We can cooperate even when we act unilaterally, in a form of constructive symbiosis, yet there is every reason to try to act together and to advance together for the good of the region, as well as for the good of each one of us. I too am a great believer in "prosper-thy-neighbour" rather than "beggar-thy-neighbour".

Most certainly, our two countries - Malaysia and Japan - should act together to advance together and to advance with all our friends in the region.

Ladies and gentlemen

During the Asian financial crisis of 1997 and 1998, when all of us in the region were hit, some almost to the point of desperation and death, we learned many lessons and we discovered many things.

Whether we like it or not, we are in the same boat. It does not matter if the rocks have made a hole in the front or the back of the boat. We shared a common predicament and a common fear. This was a time when we learnt who were our friends and who were our foes, who cared about us and who did not. I speak for Malaysia and many in this region of East Asia when I say that when we were in need, Japan was a friend indeed.

I am touched by the large number of important people who are assembled in this room, who took the trouble to be here today. May you lead long and prosperous lives. I look forward to working with many of you in the days to come.

Thank you.