

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE MEETING WITH INTERNATIONAL INVESTORS
AT MARRIOTT IOI, PUTRAJAYA
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Thank you to the organisers, ECM Libra, for organising this lunch. I understand that you have had fruitful discussions with our second Finance Minister, Datuk Jamaluddin Jarjis and senior officials from our key regulatory agencies. These exchanges of views and ideas are important - they play an important part in ensuring that the channels of communication between Malaysia and investors remain active and open.

2. I am happy to see so that many of you, senior executives from major institutions, have shown an interest to find out about the current scenario in this country. You have taken the time and trouble to travel to Malaysia to attend this meeting. This bodes well for the investment climate because you will have heard the positive aspects of our economy during the session this morning. You will also have had the opportunity to seek clarification on negative reports and perceptions. I always believe that access to information and healthy communication is the best safeguard against rumour and misconception.

3. Unfortunately, Malaysia has occasionally suffered from negative perceptions in the past. When the government introduced the currency peg and the selective exchange controls in 1998, we explained that it was to give the country breathing space while we restructured parts of our economy. Despite our rationalization, we were accused of protecting cronies.

4. Similarly when we set up Danaharta to clean up our bad loans problem, cynics claimed that political pressure would force the agency to sell cheap assets to chosen individuals. I am happy to inform that Danaharta has operated without political interference since inception and will continue to do so until it completes its task.

5. Even recently, various developed countries are giving the impression that Malaysia is somehow unsafe and cowering under the spectre of imminent terror attacks. Of course, all this is untrue. I am therefore glad that you have come to listen to our story first hand. I hope that you will do your part to dispel the myths and misconceptions about Malaysia.

Ladies and gentlemen

6. I am frequently asked by analysts, investors and journalists what the business community can expect from the leadership transition later this year. My reply has consistently been that there will be continuity of major policies. Let me assure you that this answer is not a sound bite. It is a frank response on the reality of the situation.

7. I have spent 38 years in public service, both as a civil servant and as a politician. From my experience, I have learned that good strategies should not be cheaply discarded. Indeed, Malaysia has long adopted the practice of conceptualising and implementing long-range development plans.

8. For example, our second Prime Minister Tun Abdul Razak had a vision of creating an equitable Malaysia. He sought to achieve this through the redistribution of income to address imbalances between the major races. This vision became the centrepiece of the new economic policy, which spanned 20 years. Even though he passed away in 1976 shortly after his blueprint was introduced, the policy was continued by his successors, Tun Hussein and Dr. Mahathir.

9. In the same way, Malaysia will continue to follow the path charted by Dr. Mahathir towards achieving the goals of vision 2020. It is a national policy, agreed to collectively by the cabinet and will remain as the primary driver for Malaysian government policies. It would be short sighted and counterproductive to introduce new policies merely to stamp my name on them. Other cornerstones of government policies, such as privatisation and Malaysia, INC, will also continue. After all, these are initiatives with which I was directly involved as a member of Dr. Mahathir's cabinet.

10. Although measures may be reviewed from time to time and adjustments made to suit prevailing circumstances, investors can be assured of a continuity of policy direction. The government will continue to work towards sustaining economic growth, national unity and peace and stability.

Ladies and gentlemen

11. I continually stress peace and stability because without these elements, economic growth is impossible to achieve. Malaysia has grown to become the successful nation that it is today because it has, for the large part, managed to avoid social upheaval. The government is resolved and committed to face down all threats to national unity. The Malaysian way of life, the life of tolerance and harmonious coexistence must be preserved to allow us to address challenges of the future effectively.

12. Certainly, there are tremendous challenges on the economic front. Malaysia is already examining how to remain competitive and relevant. With china joining the WTO, competition will further intensify.

13. We realize that we cannot rely on the model that enabled us to regularly record annual growth rates exceeding 8% prior to 1997. We cannot go on portraying ourselves as a low-cost, low-end manufacturer and exporter. Therefore, we must press on with steps to ensure that Malaysian enterprises move up the value chain to concentrate on higher value added activities. The shift towards a knowledge based economy in the form of information and communication technology (ICT) and biotechnology is one such initiative to accelerate this readjustment.

14. I should single out biotechnology for particular mention, because it is an area where we have a clear competitive edge over the rest of the world. Some quarters have cautioned that it is a field where development costs are prohibitively high and the rate of success can be distressingly low. However, Malaysia is one of the areas of the world blessed with tremendous biodiverse resources. It would be folly if we did not explore ways on how we can benefit from these god-given gifts. We cannot leave the harvesting of our resources to others. We may choose to do so in partnership, but the fact remains that we must be active participants in any economic benefit derived from our natural resources.

15. Another equally urgent challenge is to reduce our dependence on exports. At present, trade stands at approximately double our GDP and will remain to be a major contributor to economic growth for the foreseeable future. However, it is in Malaysia's interests to diversify its sources of revenue. Measures have already started to boost the services sector, which is already contributing over 56% to GDP. Logistics, tourism, education and healthcare are all potentially lucrative areas for us.

16. Dr. Mahathir has also called for a stronger domestic economy. This is something I support fully and strides must be made to ensure that Malaysians are active consumers of Malaysian products and services. Enhancing the resilience of the domestic economy will shield us better from external vagaries, such as the fortunes of our trading partners.

17. I believe one of the ways forward, obvious as it sounds, is to find new sources of wealth, particularly for the lower income groups who have only received marginal benefits from our economic boom. In this regard, the development of agriculture based activities and industries can play a big role. To quote just one example, Malaysian research institutes are concentrating on improving crop yields. Studies show that if the average padi yield is increased by one ton per hectare, food sufficiency will rise from 60% to 110%.

18. Principal among the spin-off benefits is that more money will end up in the pockets of farmers. This will have a positive multiplier effect on the economy and increase the velocity of money. Each additional ringgit for the poor is more readily spent compared to an additional ringgit for the rich.

19. In addition, the volume of padi produced would encourage the flourishing of a raft of related industries, such as processed foods and cosmetics, creating ever more new sources of wealth.

20. The successes we have achieved in restructuring society, in maintaining harmony among the various groups and races in Malaysia could not have been possible without economic prosperity. We will therefore have to ensure that Malaysia continues to grow that the fruits of growth are distributed widely and equitably.

Thank you.