

**SPEECH BY
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AT THE SECOND O.I.C. BUSINESS FORUM AT PWTC, KUALA LUMPUR
7 OCTOBER 2004**

BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD MORNING

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EXCELLENCIES

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS A PLEASURE FOR ME TO BE HERE TODAY AT THIS O.I.C. BUSINESS FORUM, THE SECOND SINCE THE FIRST INSTALMENT WAS HELD DURING THE SUMMIT MEETING IN OCTOBER LAST YEAR. IT IS PARTICULARLY PLEASING TO SEE THAT MALAYSIA'S EFFORTS AT STRENGTHENING BUSINESS LINKS WITHIN THE O.I.C. HAVE BEGUN TO GATHER MOMENTUM. I WOULD LIKE TO THANK ASLI, THE ORGANISATION OF THE ISLAMIC CONFERENCE, THE MALAYSIA SOUTH-SOUTH ASSOCIATION (MASSA) AND THE MINISTRY OF FOREIGN AFFAIRS, MALAYSIA, FOR ORGANISING THIS IMPORTANT MEETING.

2. THE THEME FOR THIS YEAR'S FORUM, "LEVERAGING STRENGTH FOR PROSPERITY, UNITY AND SHARED DESTINY", IS APPROPRIATE IN LIGHT OF THE PRESENT DIRE SITUATION FACED BY THE UMMAH. IT WAS ONLY LAST WEEK, DURING MY VISIT TO THE OXFORD CENTRE FOR ISLAMIC STUDIES, THAT I SPOKE AT LENGTH ABOUT THE PROBLEMS FACED BY MUSLIM NATIONS AND BY MUSLIMS THE WORLD OVER. THE ISLAMIC WORLD IS CONFRONTED BY MULTIPLE CHALLENGES, BOTH FROM WITHIN AND WITHOUT. IT IS DISHEARTENING TO NOTE THAT MUSLIM COUNTRIES ARE OFTEN PERCEIVED TO BE SYNONYMOUS WITH POVERTY, ILLITERACY, MALNUTRITION, CORRUPTION, OPPRESSION, AND EVEN TYRANNY.

3. NONETHELESS, IF WE ARE HONEST WITH OURSELVES AND CONDUCT TRUE MUHASABAH, I BELIEVE WE WOULD FIND THAT A LARGE PART OF THESE PROBLEMS STEM FROM OUR OWN WEAKNESSES AND VULNERABILITIES. THEY ARISE FROM OUR INADEQUACIES IN VARIOUS FIELDS, INCLUDING IN POLITICS, ECONOMIC DEVELOPMENT, EDUCATION, SCIENCE AND TECHNOLOGY, AS WELL AS SOCIAL ADVANCEMENT. THE TIME HAS COME FOR US TO FOCUS ON OUR PROBLEMS AND

FIND APPROPRIATE SOLUTIONS TO THEM. WE MUST START BY ENSURING GOOD GOVERNANCE IN ALL OUR ENDEAVOURS. WE SHOULD ALSO LOOK AT PURSUING ECONOMIC DEVELOPMENT, ALLEVIATING POVERTY, CREATING EMPLOYMENT, IMPROVING PRODUCTIVITY, ENHANCING SCIENCE AND TECHNOLOGY, PROMOTING EDUCATION, IMPROVING HEALTH MANAGEMENT AND BUILDING HUMAN RESOURCE CAPACITY.

4. IN ALL THESE, I BELIEVE WE CAN ONLY SUCCEED IN THE O.I.C. BY WORKING TOGETHER. IT IS ONLY BY COMING TOGETHER THAT WE CAN ASSEMBLE AND HARNESS SUFFICIENT RESOURCES TO OVERCOME AND RECTIFY SOME OF OUR PROBLEMS. AS SUCH, WE NEED TO DEVISE INNOVATIVE STRATEGIES AND POLICIES TO HELP THE UMMAH EFFECTIVELY UTILISE THE COLLECTIVE RESOURCES OF THE MUSLIM WORLD; AND WE NEED TO STRENGTHEN THE CONCEPT OF ISLAMIC BROTHERHOOD TO AID COOPERATION AND COLLABORATION AMONG O.I.C. MEMBER COUNTRIES.

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5. ALL OF THE 57 O.I.C. MEMBER COUNTRIES ARE DEVELOPING COUNTRIES, ALBEIT AT DIFFERENT STAGES OF ECONOMIC DEVELOPMENT, WITH DIFFERENT POLITICAL SYSTEMS AND DIFFERENT SOCIAL BACKGROUNDS. WITH A COMBINED POPULATION OF 1.25 BILLION PEOPLE, OR ONE FIFTH OF THE WORLD'S POPULATION, THE O.I.C. IS SPREAD OVER THREE CONTINENTS AND ACCOUNTS FOR ABOUT ONE-FIFTH OF TOTAL GLOBAL LAND AREA. MOREOVER, O.I.C. COUNTRIES ARE BLESSED WITH RICH NATURAL RESOURCES AND POSSESS ABUNDANT MINERAL RESERVES, PROVIDING 70 PERCENT OF THE WORLD'S ENERGY REQUIREMENTS AND SUPPLYING ABOUT 40 PERCENT OF GLOBAL RAW MATERIAL EXPORTS.

6. BUT IN SPITE OF THESE ASSETS, O.I.C. COUNTRIES ARE POOR AND NOT ABLE TO COMPETE AGAINST OTHER ECONOMIES. MEMBER COUNTRIES SEEM TO FIND IT DIFFICULT TO CONVERT THEIR VAST RESOURCES INTO ECONOMIC ACHIEVEMENT. EVEN MORE DISTRESSING IS THAT A LARGE PORTION OF THE WEALTH GENERATED IN SOME O.I.C. MEMBER COUNTRIES DO NOT GET INVESTED IN OTHER O.I.C. COUNTRIES. THE SITUATION IS COMPOUNDED BY THE FACT THAT WE ARE UNABLE TO HAVE OUR VOICES PROPERLY HEARD WHEN DEALING WITH POWERFUL NATIONS OF THE WEST, INCLUDING IN FINANCIAL AND MULTI-LATERAL NEGOTIATIONS.

7. GIVEN THE DISMAL OUTLOOK, THERE IS LITTLE HOPE IN INDIVIDUAL SOLUTIONS TO THE PROBLEMS OF MEMBER STATES. INSTEAD, AS I SAID EARLIER, THE SOLUTION LIES IN COLLECTIVE THOUGHT AND COMBINED ACTION.

8. THE O.I.C., AS THE UMBRELLA BODY FOR MUSLIM NATIONS, HAS A CRUCIAL ROLE TO PLAY. ESTABLISHED IN 1969, THE O.I.C. BEGAN WITH ITS OBJECTIVE TO ADDRESS POLITICAL SECURITY AND STABILITY. ALTHOUGH ITS GOALS HAVE SINCE EXPANDED TO INCLUDE SOCIAL, CULTURAL AND ECONOMIC COOPERATION, ITS

CONCENTRATION HAS, TO A LARGE DEGREE, BEEN ON THE ISSUE OF POLITICS. I BELIEVE THAT THE FOCUS SHOULD INCREASINGLY BE ON THE ISSUE OF ECONOMIC DEVELOPMENT OF MUSLIM NATIONS. THE TWO ISSUES – POLITICAL AND ECONOMIC DEVELOPMENT – ARE NO DOUBT TIED TO EACH OTHER. BUT IT MUST BE REMEMBERED THAT THERE IS LITTLE POLITICAL CLOUT TO BE DERIVED FROM WEAK ECONOMIC ACHIEVEMENT. INDEED, ECONOMIC SUCCESS IS PERHAPS THE MOST IMPORTANT FACTOR IN DETERMINING POLITICAL STRENGTH, AND MUST BE PURSUED RELENTLESSLY

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9. IN MY SPEECH TO THE OXFORD CENTRE FOR ISLAMIC STUDIES LAST WEEK, I OUTLINED THREE KEY AREAS THAT MALAYSIA WILL COMMIT ITSELF TO FOR THE REMAINDER OF ITS TERM AS CHAIR OF THE O.I.C.. THE FIRST OF THESE INITIATIVES IS TO ESTABLISH MALAYSIA AS A CREDIBLE CENTRE FOR CONFLICT RESOLUTION IN THE MUSLIM AND DEVELOPING WORLD. THE THIRD INITIATIVE IS TO MAKE MALAYSIA A FOCAL POINT FOR PROMOTING A MORE OPEN AND DYNAMIC ISLAMIC DISCOURSE.

10. THE SECOND INITIATIVE, WHICH IS PERTINENT TO THIS FORUM, IS FOR MALAYSIA TO TAKE THE LEAD IN ENERGISING TRADE AND SERVICES IN THE MUSLIM WORLD. THE QUR'AN AND THE HADITH OF THE PROPHET (PEACE BE UPON HIM) IN FACT URGE MUSLIMS TO ENGAGE IN TRADE AND COMMERCE, AND TO UNDERTAKE JOURNEYS FOR WHAT THE QUR'AN REFERS TO AS "SEEKING THE BOUNTY OF ALLAH".

11. TRADE SHOULD BE SEEN WITHIN THE CONTEXT OF ENRICHING MUSLIMS AND DEVELOPING THEIR ECONOMIES. PRESENTLY, THE O.I.C.'S COLLECTIVE GROSS DOMESTIC PRODUCT (G.D.P.) IS LESS THAN 5 PERCENT OF THAT OF THE WORLD, AND ITS INTRA-TRADE VOLUME (AT ABOUT 800 BILLION U.S. DOLLARS) IS ONLY ABOUT 6 TO 7 PERCENT OF TOTAL GLOBAL TRADE. THESE NUMBERS ARE RELATIVELY SMALL GIVEN THE TOTAL POPULATION SIZE OF THE O.I.C.. AS SUCH, WE SHOULD WORK HARD TO REALISE THE HUGE GROWTH POTENTIAL FOR TRADE AND INVESTMENT IN THE O.I.C., QUICKLY AND EFFECTIVELY.

12. BY USING THE O.I.C. AS A PLATFORM, MEMBER COUNTRIES WILL BE ABLE TO ENHANCE THEIR TRADING ACTIVITIES AS WELL AS BOOST THEIR INVESTMENT TIES WITH OTHER COUNTRIES IN THE O.I.C.. IN ADDITION, THE O.I.C. SHOULD ACT TO POOL RESOURCES AND COORDINATE EFFORTS TO STRENGTHEN ECONOMIC DEVELOPMENT IN MEMBER COUNTRIES. THIS CAN BE DONE NOT ONLY THROUGH EXTENDING FINANCIAL RESOURCES, BUT MORE IMPORTANTLY, THROUGH CAPACITY BUILDING MEASURES. FOR EXAMPLE, MALAYSIA STANDS READY TO COOPERATE IN AREAS SUCH AS AGRICULTURE MODERNISATION AND INFRASTRUCTURE DEVELOPMENT. OTHER MEMBER COUNTRIES SHOULD BE READY TO SHARE THEIR EXPERIENCES IN DIFFERENT AREAS, TOO.

13. GOING FORWARD, WHAT IS REQUIRED IS FOR US TO IDENTIFY SPECIFIC PROJECTS TO UNDERPIN OUR ECONOMIC COOPERATION. THIS COULD BE IN THE FORM OF PRODUCTION OF SPECIFIC PRODUCTS OR SERVICES, SUCH AS THROUGH CONTRACT FARMING OR CONTRACT MANUFACTURING. MALAYSIA HAS ALREADY STATED ITS INTENTION TO, AMONG OTHERS, FOCUS ON HALAL-BASED PRODUCTS AND ISLAMIC FINANCIAL SERVICES. THESE AREAS OFFER EXCELLENT GROWTH POTENTIAL AND PROVIDE PARTNERSHIP OPPORTUNITIES FOR MALAYSIAN COMPANIES TO WORK HAND-IN-HAND WITH CORPORATIONS FROM OTHER O.I.C. COUNTRIES.

14. THE GLOBAL HALAL FOOD MARKET, FOR EXAMPLE, IS CURRENTLY ESTIMATED TO BE WORTH 150 BILLION U.S. DOLLARS PER ANNUM, BUT IF A LARGER PROPORTION OF THE 1.8 BILLION GLOBAL MUSLIM CONSUMERS ARE TAPPED INTO, THE HALAL FOOD MARKET HAS THE POTENTIAL TO GROW UP TO AROUND 560 BILLION U.S. DOLLARS A YEAR. MALAYSIA HAS A STRONG COMPETITIVE POSITION IN THE PRODUCTION OF HALAL FOOD, INCLUDING AN INTERNATIONALLY RECOGNISED HALAL CERTIFICATION SYSTEM AS WELL AS THE RECENTLY LAUNCHED STANDARD "HALAL MALAYSIA M.S.1500:2004" (THIS LATTER CERTIFICATE INDICATES COMPLIANCE WITH INTERNATIONAL STANDARDS OF GOOD MANUFACTURING AND HYGIENE PRACTICES). MY GOVERNMENT HAS IDENTIFIED SIX GREENFIELD AREAS TO BE DEVELOPED INTO SPECIALISED HALAL FOOD HUBS. TWO OF THESE CENTRES ARE ALREADY OPERATIONAL, WITH THE REMAINDER EXPECTED TO COME ONSTREAM OVER THE NEXT 12 TO 18 MONTHS. WE CALL ON CORPORATIONS FROM O.I.C. MEMBER COUNTRIES TO PARTNER WITH US IN THIS ENDEAVOUR, AS WE MOVE TO TAP INTO THE BURGEONING HALAL FOOD MARKET.

15. SIMILARLY, ISLAMIC FINANCIAL SERVICES IS ANOTHER SECTOR THAT OFFERS SIGNIFICANT GROWTH POTENTIAL AND GOOD PARTNERING OPPORTUNITIES. CURRENTLY, ISLAMIC ASSETS AND INVESTMENTS TOTAL AROUND 650 BILLION U.S. DOLLARS, COMPARED TO THE 32 TRILLION U.S. DOLLARS WORTH OF CONVENTIONAL FINANCIAL INSTRUMENTS IN THE MARKET. THE GROWTH PROMISE OF ISLAMIC FINANCIAL SERVICES SHOULD THUS BE EXPLORED AND FULLY REALISED BY O.I.C. COUNTRIES.

16. AS SOME OF YOU MAY BE AWARE, MALAYSIA IS ONE OF THE FEW COUNTRIES IN THE WORLD WITH COMPLEMENTARY SYARIAH-BASED BANKING LAWS; THIS AND OTHER DEVELOPMENTS DEMONSTRATE OUR COMMITMENT TO DEVELOPING THE ISLAMIC FINANCIAL SERVICES SECTOR. I AM HAPPY TO NOTE THAT OUR EFFORTS HAVE PAID OFF IN MALAYSIA, AS THE DOMESTIC ISLAMIC FINANCIAL SERVICES SECTOR HAS EXPERIENCED TREMENDOUS GROWTH OVER THE LAST DECADE WITH ASSETS AND DEPOSITS TOPPING MORE THAN 40 BILLION U.S. DOLLARS, COMPARED TO A MERE 2 BILLION U.S. DOLLARS TEN YEARS AGO. FURTHERMORE, WE ESTIMATE THERE WILL BE A 20 TO 30 PERCENT ANNUAL GROWTH RATE IN THE OVERALL ISLAMIC FINANCIAL SERVICES SECTOR, AS MORE AND MORE CUSTOMERS EMERGE FROM WITHIN THE RANKS OF MUSLIM AND NON-MUSLIM INDIVIDUALS AND INSTITUTIONS.

17. IN ORDER TO CAPTURE SOME OF THIS GROWTH IN ISLAMIC FINANCIAL SERVICES, MALAYSIA HAS INSTITUTED SEVERAL MEASURES. MY GOVERNMENT WILL ISSUE ISLAMIC TREASURY BILLS BEGINNING IN 2005. OTHER ISLAMIC FINANCIAL AND CAPITAL MARKET PRODUCTS WILL BE FURTHER DEVELOPED. OVERSEAS BRANCHES OF LOCAL MALAYSIAN BANKS WILL BE ENCOURAGED TO ESTABLISH ISLAMIC BANKING COUNTERS, AND IN COUNTRIES WHERE MALAYSIAN BANKS DO NOT HAVE BRANCHES, JOINT VENTURES TO PROVIDE ISLAMIC BANKING SERVICES WILL BE SOUGHT. IN ADDITION, THE LABUAN INTERNATIONAL OFFSHORE FINANCIAL CENTRE WILL POSITION ITSELF AS A PREMIER DESTINATION FOR ISLAMIC FINANCIAL SERVICES IN THE NEAR-TERM.

18. MALAYSIA'S COMMITMENT TO DEVELOPING THE ISLAMIC FINANCIAL SERVICES SECTOR GOES BEYOND ITS DOMESTIC SHORES. WE NOW HOST THE ISLAMIC FINANCIAL SERVICES BOARD (I.F.S.B.), WHICH SERVES AS AN INTERNATIONAL STANDARD SETTING BODY FOR REGULATORY AND SUPERVISORY AGENCIES TO ENSURE THE ISLAMIC FINANCIAL SERVICES INDUSTRY IS STABLE AND SOUND. IN ADDITION, MALAYSIA WILL SOON ESTABLISH AN INTERNATIONAL FINANCIAL TRAINING INSTITUTE TO PRODUCE EXPERTS IN THE FIELD OF ISLAMIC FINANCE. I HOPE BOTH THESE INSTITUTIONS WILL BE UTILISED BY ISLAMIC FINANCIAL INSTITUTIONS AND MEMBER COUNTRIES AS WE SEEK TO EXPAND THE ISLAMIC FINANCIAL SERVICES INDUSTRY WORLD-WIDE.

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19. OUR DOMESTIC MARKETS ARE INCREASINGLY EXPOSED TO THE PRESSURES OF COMPETITION IN TODAY'S COMPLEX AND FAST-PACED GLOBAL ECONOMY. THIS IN TURN REQUIRES US TO DEVELOP WAYS TO ADAPT TO PARTICIPATE IN A MULTI-LATERAL TRADING SYSTEM. TO ACT AS AN EFFECTIVE ECONOMIC BLOC, THE O.I.C. NEEDS TO POSITIVELY CREATE THE NECESSARY ECONOMIC MASS TO ENABLE US TO HAVE INFLUENCE OVER INTERNATIONAL TRADE RELATIONS. I BELIEVE THAT THIS IS CRUCIAL DUE TO THE GROWING POWER OF TRANSNATIONAL CORPORATIONS AS WELL AS INTERNATIONAL TRADE TREATIES THAT ARE BINDING ON SIGNATORY STATES, INCLUDING A NUMBER OF O.I.C. MEMBER COUNTRIES. SHOULD WE NOT ENTER INTO SOME FORM OF ECONOMIC COOPERATION WITHIN THE O.I.C., WE RISK HAVING TO BEAR THE BRUNT OF EXTREME COMPETITION FROM THE GLOBAL TRADING SYSTEM.

20. UNFORTUNATELY, MOST SUSCEPTIBLE TO THE HARSHNESS OF THE GLOBALISED WORLD ARE THE 31 O.I.C. MEMBER NATIONS THAT ARE CATEGORISED AS LEAST-DEVELOPED LOW-INCOME COUNTRIES, WHICH ACCOUNT FOR 67 PERCENT OF THE O.I.C.'S TOTAL POPULATION. IT IS CRUCIAL THAT THESE COUNTRIES ARE GIVEN SUFFICIENT OPPORTUNITIES TO ENABLE THEM TO BREAK OUT OF THE CYCLE OF ECONOMIC STAGNATION. COLLECTIVELY, THE O.I.C. MUST UNDERSTAND THE CAUSES AND EFFECTS OF ECONOMIC BACKWARDNESS IN SOME MEMBER COUNTRIES, SO THAT SPECIFIC PROGRAMS CAN BE TAILORED TO SUSTAIN THEIR FUTURE GROWTH. THE CENTRAL ARGUMENT IS THAT THE LEAST-DEVELOPED LOW-INCOME ECONOMIES ARE CAUGHT IN A PERVERSIVE AND PERSISTENT POVERTY TRAP. THE ECONOMIC DIMENSIONS OF THIS POVERTY TRAP ARE DUE TO THE NOTIONS THAT LOW INCOMES LEAD TO LOW SAVINGS, LOW SAVINGS RESULT IN LOW INVESTMENTS, LOW INVESTMENTS CAUSE LOW

PRODUCTIVITY, WHICH THEREFORE CONTINUES TO CONTRIBUTE TOWARDS LOW INCOMES.

21. AS I HAD MENTIONED EARLIER, THE FIRST STEP IS FOR O.I.C. MEMBER NATIONS TO STRENGTHEN THEIR ECONOMIC BASE BY INCREASING TRADE AND INVESTMENT BETWEEN THEMSELVES. THIS MAY BE DONE THROUGH CRITICAL SECTOR INVESTMENTS AND CAPACITY-BUILDING PROJECTS INITIATED BY THE RICHER STATES TO ASSIST THE DEVELOPMENT OF LESS-DEVELOPED MEMBER NATIONS. WE MUST REMEMBER THAT ECONOMIC GROWTH IS NOT FOUNDED MERELY ON THE PRINCIPLES OF PROFIT AND REWARD, BUT ALSO ENCOMPASSES THE EQUITABLE ACCUMULATION OF CAPITAL, ENHANCEMENT OF SKILLS, IMPROVEMENT OF PRODUCTIVITY, AND EXPANSION OF EMPLOYMENT OPPORTUNITIES, WHICH THEREBY INCREASE THE CONSUMPTION CAPABILITIES OF THOSE AFFECTED.

22. A HEALTHY PUBLIC-PRIVATE SECTOR PARTNERSHIP WILL HELP BUILD OUR COMPETITIVE EDGE AND WILL LEAD TO THE EFFICIENT USE OF OUR RESOURCES OVER THE LONG-TERM. THROUGH THIS PARTNERSHIP, WE WILL BE ABLE TO ACQUIRE TECHNICAL KNOWLEDGE AND EXPERTISE TO RESPOND TO THE MANY CHALLENGES FACING O.I.C. COUNTRIES, PARTICULARLY THE CHALLENGES OF GLOBALISATION AND TRADE LIBERALISATION.

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23. ISLAM HAS ALWAYS ENCOURAGED TRADE AND COMMERCIAL ACTIVITIES, AND IT WAS THROUGH TRADE THAT ISLAM BEGAN TO FLOURISH. WE SHOULD CONTINUE WITH THIS LEGACY AND ONCE AGAIN RESTORE TRADE'S PROMINENCE. WE NEED TO EXPLORE INTENSELY HOW O.I.C. NATIONS CAN ENHANCE THEIR ECONOMIC DEVELOPMENT SO AS TO PLAY A MORE PROMINENT ROLE IN THE GLOBAL ECONOMY. IN DOING SO, THE ULTIMATE GOAL IS TO IMPROVE THE LIVES OF OUR MUSLIM BROTHERS AND SISTERS THE WORLD OVER. LET US ENSURE THAT THE UMMAH IS STRENGTHENED AND RESPECTED NOT ONLY FOR OUR FAITH AND PIETY, BUT ALSO FOR OUR COMPETENCE AND ABILITY.

24. LASTLY, IT IS MY SINCERE HOPE THAT THIS BUSINESS FORUM WILL CONTINUE TO ACT AS A STRONG PLATFORM FOR BUSINESS LEADERS AND POLICY MAKERS FROM O.I.C. MEMBER COUNTRIES TO MEET AND DISCUSS TRADE AND BUSINESS ISSUES FOR THE BENEFIT OF THE GLOBAL MUSLIM COMMUNITY. I AM HOPEFUL THAT THIS FORUM WILL ACT AS A CATALYST TO SPUR EVEN GREATER COLLABORATION AND PARTNERSHIP BETWEEN THE PRIVATE SECTORS OF O.I.C. MEMBER COUNTRIES. ON THAT NOTE, I WISH EVERYONE SUCCESS IN YOUR ENDEAVOURS AND DOA THAT YOU MAY CONTINUE TO RECEIVE THE ALMIGHTY'S BLESSINGS, INSYA-ALLAH.

THANK YOU.