

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE MALAYSIA-CHINA BUSINESS FORUM 2005 AT PALACE OF THE
GOLDEN HORSES, SERI KEMBANGAN
12 AUGUST 2005**

MEMBERS OF THE MALAYSIA-CHINA BUSINESS COUNCIL

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS A GREAT PLEASURE FOR ME TO BE HERE TO ADDRESS THIS DISTINGUISHED GATHERING AT THE MALAYSIA-CHINA BUSINESS FORUM 2005. I WOULD LIKE TO THANK THE MALAYSIA-CHINA BUSINESS COUNCIL AS WELL AS THE ASIAN STRATEGY AND LEADERSHIP INSTITUTE (A.S.L.I.) FOR JOINTLY ORGANISING THIS IMPORTANT FORUM.

2. I HAVE BEEN TOLD THAT THERE ARE A FEW DELEGATIONS FROM VARIOUS ORGANISATIONS IN CHINA THAT HAVE COME ALL THE WAY FROM THEIR RESPECTIVE PROVINCES TO PARTICIPATE IN THIS FORUM. AND SO TO OUR CHINESE DELEGATES, I WOULD LIKE TO WISH YOU "SELAMAT DATANG" OR WELCOME TO MALAYSIA. IF THIS IS YOUR FIRST VISIT, I HOPE YOU WILL TAKE SOME TIME AFTER THIS FORUM TO SAVOUR THE SIGHTS AND SOUNDS OF THIS BEAUTIFUL COUNTRY.

3. AS SOME OF YOU MAY KNOW, MALAYSIA WILL BE CELEBRATING ITS INDEPENDENCE IN LESS THAN THREE WEEKS, THAT IS, ON THE 31ST OF AUGUST. ON THAT DAY, MALAYSIA WILL BE CELEBRATING ITS 48TH YEAR OF INDEPENDENCE. TO MARK THIS OCCASION, MANY EVENTS HAVE BEEN LINED UP, INCLUDING CULTURAL SHOWS AND HISTORICAL EXHIBITIONS. THIS IS A GOOD OPPORTUNITY FOR THOSE OF YOU WHO WOULD LIKE TO LEARN MORE ABOUT THE PROGRESS AND DEVELOPMENT THAT HAS TAKEN PLACE IN MALAYSIA OVER THE LAST FEW DECADES. THE FESTIVE ATMOSPHERE WILL NO DOUBT HELP TO ENHANCE YOUR STAY HERE, TOO.

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4. AT 48 YEARS OLD, MALAYSIA IS CONSIDERED A RELATIVELY YOUNG COUNTRY. THIS IS IN SHARP CONTRAST TO CHINA, WITH ITS RELATIVELY LONG AND ILLUSTRIOUS HISTORY, STRETCHING BACK FIVE MILLENNIUMS. IN THAT SENSE, LUCIAN PYE, A POLITICAL SCIENTIST AT M.I.T. IS QUITE RIGHT WHEN HE SAID THAT CHINA IS NOT MERELY A COUNTRY, BUT A "CIVILISATION THAT PRETENDS TO BE A STATE".

5. I AM PARTICULARLY DRAWN TO THIS QUOTE BECAUSE IT ALSO IMPLIES THAT STRONG AND VIGOROUS RELATIONS WITH CHINA MUST BE BUILT OVER A PERIOD OF TIME, BRICK-BY-BRICK, NOT UNLIKE HOW THE GREAT WALL OF CHINA WAS CONSTRUCTED OVER A PERIOD OF MORE THAN 100 YEARS. SIMILARLY, THIS FORUM IS AN ATTEMPT TO LAY THE PROVERBIAL FOUNDATION STONE FOR EVEN STRONGER ECONOMIC AND CULTURAL RELATIONS BETWEEN OUR TWO COUNTRIES. IN TIME TO COME, I AM CONFIDENT THAT BOTH OUR NATIONS WILL LOOK BACK ON THIS FORUM AND OTHER SIMILAR EVENTS AS THE BEGINNING OF A RENAISSANCE IN MALAYSIA-CHINA RELATIONS.

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6. MALAYSIA-CHINA RELATIONS GO BACK MANY CENTURIES, STRETCHING BACK TO THE TIME OF THE MALACCAN SULTANATE IN THE 15TH CENTURY. BY HISTORICAL ACCOUNTS, PARAMESWARA WAS THE FIRST MALACCAN SULTAN TO HAVE TRAVELED TO CHINA AND TO HAVE HAD AN AUDIENCE WITH THE CHINESE EMPEROR. THE ROYAL MARRIAGE OF HANG LI PO, A CHINESE PRINCESS, TO SULTAN MANSUR SHAH OF MALACCA FURTHER CEMENTED RELATIONS, AS DID THE PEACEFUL VISITS OF ADMIRAL YIN CHING, AND LATER ADMIRAL CHENG HO, TO MALACCA. TO BE SURE, MALAYSIA DEEPLY TREASURES THIS HISTORICAL CONNECTION WITH CHINA. THE 600TH ANNIVERSARY OF ADMIRAL CHENG HO'S VOYAGE TO MALACCA THIS YEAR IS BEING CELEBRATED THROUGH THE HOLDING OF VARIOUS EXHIBITIONS, TALKS AND SEMINARS THROUGHOUT THE COUNTRY.

7. IT HAS TO BE SAID THAT EVEN THOUGH RELATIONS BETWEEN OUR TWO COUNTRIES WERE INITIATED CENTURIES AGO, THIS DOES NOT AUTOMATICALLY GUARANTEE THE CURRENT NATURE AND QUALITY OF THEIR RELATIONS. INDEED, LIKE HUMAN RELATIONS, RELATIONS BETWEEN COUNTRIES HAVE TO BE CONTINUOUSLY NURTURED. THE NATURE OF THE RELATIONSHIP ALSO HAS TO EVOLVE TO SUIT THE TIMES. MALAYSIA REMAINS PROUD OF THE FACT THAT WE WERE THE FIRST COUNTRY IN ASEAN TO ESTABLISH DIPLOMATIC RELATIONS WITH CHINA IN 1974. I BELIEVE THAT THE TIME HAS COME TO TAKE THIS RELATIONSHIP TO EVEN GREATER HEIGHTS. IN THAT SENSE, I AM PLEASED TO NOTE THAT TRADE HAS BEEN, AND WILL CONTINUE TO BE, A KEY DRIVER IN STRENGTHENING RELATIONS BETWEEN OUR TWO COUNTRIES.

8. INDEED, MALAYSIA AND CHINA CAN BE CONSIDERED AS NATURAL TRADING PARTNERS DUE TO OUR HISTORICAL TIES, GEOGRAPHICAL PROXIMITY, RICH PRODUCT DIVERSITY AND ROBUST ECONOMIC GROWTH. ACCORDING TO MATRADE, CHINA IS MALAYSIA'S FOURTH LARGEST TRADING PARTNER WITH A TOTAL TRADE VALUED AT ALMOST 19 BILLION U.S. DOLLARS IN 2004. TRADE WITH CHINA MADE UP ABOUT 8 PER CENT OF MALAYSIA'S GLOBAL TRADE IN THE SAME YEAR. THIS MAKES MALAYSIA CHINA'S LARGEST ASEAN TRADE PARTNER. MEANWHILE, MALAYSIAN EXPORTS TO CHINA HAVE ALSO INCREASED BY ALMOST 25 PER CENT, REACHING A NEW HIGH OF 8.5 BILLION U.S. DOLLARS IN 2004. MALAYSIA WAS ALSO CHINA'S 8TH LARGEST TRADING PARTNER LAST YEAR. THIS

POSITION WAS MAINLY ACHIEVED THROUGH THE SALE OF POWER GENERATION EQUIPMENT, MINERAL FUELS AND ANIMAL FATS.

9. TO DATE, MALAYSIA ACCOUNTS FOR ONLY 1.3 PERCENT OF CHINA'S TOTAL IMPORTS FROM THE REST OF THE WORLD. CLEARLY, THE CHINA SUB-CONTINENT PRESENTS A VALUABLE MARKET FOR MALAYSIAN EXPORTS. THE "HALAL" MARKET OF CHINA, TO CITE AN EXAMPLE, REPRESENTS ONE SUCH PROMISING AREA. AFTER ALL, APPROXIMATELY 75 MILLION OF CHINA'S TOTAL POPULATION ARE MUSLIMS. CHINA, BEING A MEMBER OF THE SHANGHAI COOPERATION ORGANIZATION (S.C.O.), CAN ALSO POTENTIALLY SERVE AS A GATEWAY TO THE HALAL MARKET IN CENTRAL ASIA.

10. THE ECONOMIC AND CULTURAL RELATIONS BETWEEN OUR TWO COUNTRIES HAVE ALSO BEEN BOOSTED BY THE BOOM IN THE TOURISM AND EDUCATION SECTORS IN RECENT YEARS. IN 2004 ALONE, MORE THAN HALF A MILLION CHINESE TOURISTS HAVE VISITED OUR COUNTRY AS COMPARED TO 351,000 IN 2003. ALSO, THE NUMBER OF CHINESE TOURISTS TO MALAYSIA HAS SEEN SHARP RISES OVER RECENT YEARS. IN ADDITION, THERE ARE CURRENTLY 10,000 CHINESE STUDENTS STUDYING IN VARIOUS PRIVATE INSTITUTIONS IN MALAYSIA. THESE STUDENTS HAVE CHOSEN TO ENROL IN VARIOUS EDUCATIONAL PROGRAMS IN MALAYSIA BECAUSE THEY KNOW THAT MALAYSIA OFFERS HIGH-QUALITY, VALUE-FOR-MONEY EDUCATION. I AM PLEASED TO NOTE THE CURRENT UPWARD TREND, AND IT IS MY SINCERE HOPE THAT THIS PATTERN WILL STRENGTHEN IN THE YEARS TO COME.

11. IF AND WHEN THE TARIFF AND NON-TARIFF BARRIERS ARE BROUGHT DOWN UNDER THE EXISTING ASEAN-CHINA FREE TRADE AGREEMENT, THE TRADE RELATIONS BETWEEN MALAYSIA AND CHINA ARE POISED FOR EVEN MORE DYNAMIC GROWTH. THUS, I HOPE TO SEE EVEN STRONGER EXPANSION IN MANY AREAS WITH RESPECT TO MALAYSIA AND CHINA'S TRADE WITH EACH OTHER, OVER AND ABOVE THE ROBUST INCREASES SEEN RECENTLY.

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12. IN ORDER FOR MALAYSIAN COMPANIES TO TAKE FULL ADVANTAGE OF CHINA'S GROWTH, MALAYSIAN COMPANIES MUST BE FULLY AWARE OF CHINA'S NEEDS, DEMANDS AND CONSTRAINTS. THIS AWARENESS AND UNDERSTANDING MUST BE UPDATED CONSISTENTLY AND CONTINUOUSLY OVER TIME, AS THINGS USUALLY CHANGE VERY QUICKLY IN CHINA. IN COMMERCIAL TERMS, THIS MEANS THAT MALAYSIAN COMPANIES MUST BE ABLE TO PLUG THE EXISTING AND FUTURE GAPS OF CHINA'S RESOURCE SUPPLY CHAIN. SUCH A COMMITMENT IS CRUCIAL FOR MALAYSIAN COMPANIES TO SUCCEED IN CHINA, AS CHINA IS A FAST GROWING ECONOMY THAT CANNOT RUN AWAY FROM POTENTIAL SHORTAGES OF CERTAIN PRODUCTION INPUTS.

13. A STUDY BY THE ASIAN DEVELOPMENT BANK, FOR EXAMPLE, FOUND THAT CHINA NEEDS TO CREATE SOME 20 MILLION JOBS EACH YEAR TO ABSORB THE INCREASE IN RURAL AND URBAN LABOR. THIS TRANSLATES TO AN AVERAGE OF ALMOST 1.6 MILLION JOBS TO BE CREATED EVERY MONTH – A TALL ORDER BY ANY STANDARDS.

14. AMIDST THIS, CHINA IS ALSO UNDERGOING SWEEPING URBANISATION, WHICH WILL FUEL ECONOMIC GROWTH. BY OFFICIAL CHINESE FIGURES, THERE ARE ALREADY 688 CITIES OF VARIOUS SIZES IN CHINA, OF WHICH 200 CITIES HAVE A POPULATION OF MORE THAN 2 MILLION. ANOTHER 600 CITIES ARE TO BE BUILT IN 2011. GIVEN THESE DIZZING NUMBERS, IT IS TRULY A CHALLENGE TO GOVERN, AND PROVIDE FOR, THE WORLD'S MOST POPULOUS NATION.

15. MALAYSIAN COMPANIES MUST THUS BE AWARE OF THESE AND OTHER TRENDS; APPRECIATE THE DEVELOPMENT CHALLENGES THAT CHINA FACES; AS WELL AS ANTICIPATE THE NEEDS OF CHINA AND RESPOND TO THOSE NEEDS IN A TIMELY MANNER. WE MUST ALWAYS BEAR IN MIND THAT MANY OTHER COUNTRIES ARE LOOKING TO CHINA FOR THE SAME PURPOSE. IN ORDER TO COMPETE EFFECTIVELY, MALAYSIAN COMPANIES MUST HAVE THE CAPACITY TO MEET CHINA'S NEEDS EFFICIENTLY WHILE OFFERING VALUE-FOR-MONEY PROPOSITIONS. THEREFORE, I URGE MALAYSIAN COMPANIES TO BEGIN ASSESSING THEIR OWN OPERATIONS AND THE EXTENT TO WHICH THEY CAN GAIN FROM CHINA'S ECONOMIC BOOM.

16. MALAYSIA IS ALSO FAST EXPANDING AND DEVELOPING IN MANY AREAS, INCLUDING IN SOME NEW AND EMERGING AREAS. I URGE BUSINESSES FROM CHINA TO BETTER APPRECIATE SOME OF THESE CHANGES AND TO ANTICIPATE CURRENT AND FUTURE NEEDS OF MALAYSIA, SO THAT WE CAN ALSO FURTHER ENHANCE TRADE AND INVESTMENT FLOWS FROM CHINA TO MALAYSIA. MALAYSIA CAN NOT ONLY ACT AS AN EFFICIENT AND VALUE-FOR-MONEY GATEWAY TO ASEAN, IT CAN ALSO ACT AS A CREDIBLE SPRINGBOARD TO THE MUSLIM MARKET IN THE O.I.C. WORLD. THUS I HOPE TO SEE GREATER PARTICIPATION FROM CHINA'S ENTERPRISES IN MALAYSIA'S ECONOMY, AND MY GOVERNMENT STANDS READY TO PROVIDE ASSISTANCE AND SUPPORT IN THIS REGARD.

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17. THERE IS NO DOUBT THAT CHINA WILL LOOM LARGE IN THE REGION. CHINA'S PARTICIPATORY FOREIGN POLICY HAS CERTAINLY REVEALED AS MUCH. SINCE 1997, CHINA HAS BECOME A CLOSE PARTNER OF THE ASEAN PLUS THREE PROCESS THAT IS NOW PAVING THE WAY FOR THE EAST ASIAN SUMMIT IN DECEMBER 2005 IN KUALA LUMPUR. CHINA HAS ALSO ACCEDED TO THE TREATY OF AMITY, FRIENDSHIP AND COOPERATION IN ASEAN. CHINA IS THEREFORE BECOMING A TRUSTED FRIEND AND RESPONSIBLE REGIONAL ACTOR.

18. SINCE 1998, CHINA HAS ALSO BECOME A KEY PARTNER IN THE BILATERAL CURRENCY SWAP AGREEMENT KNOWN AS THE "CHIANG MAI INITIATIVE". BY VIRTUE OF HAVING THE LARGEST AMOUNT OF RESERVES, IT IS INEVITABLE THAT CHINA WILL BE A KEY VOICE IN THE INITIATIVE. THE ASEAN-CHINA FREE TRADE AGREEMENT WILL ALSO SET THE STAGE FOR DEEPER ECONOMIC RELATIONS. THE INITIAL COMMON TARIFF REDUCTION IS TO BE COMPLETED BY 2006, WHEREAS A FULL FREE TRADE AREA WILL BE COMPLETED BY 2013.

19. GIVEN THESE INITIATIVES, CHINA WILL THEREFORE ENJOY GREATER INTER-DEPENDENCE WITH THE ASEAN REGION. MALAYSIAN COMPANIES SHOULD THEREFORE ANTICIPATE CHINA'S INTEGRATION WITH THE REGION WELL AHEAD OF TIME IN ORDER TO TAKE ADVANTAGE OF THE OPPORTUNITIES THAT MAY ARISE. LIKEWISE, I HOPE TO SEE COMPANIES FROM CHINA ENHANCING THEIR PARTICIPATION IN THIS REGION AS WELL, IN LINE WITH THE STRENGTHENING RELATIONSHIPS AND THE GROWING INTER-DEPENDENCE HERE.

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20. IN CONCLUSION, I AM CONFIDENT THAT MALAYSIA-CHINA RELATIONS WILL CONTINUE TO MOVE FROM STRENGTH TO STRENGTH, NOT ONLY IN TRADE AND ECONOMIC TERMS, BUT ALSO POLITICALLY AND CULTURALLY TOO. I STRONGLY BELIEVE THAT THIS FORUM CAN HELP FOSTER FRIENDSHIPS AND CULTIVATE IMPORTANT NETWORKS THAT WOULD BE USEFUL FOR THIS ENDEAVOUR. I THEREFORE URGE ALL OF YOU TO TAKE FULL ADVANTAGE OF THIS OPPORTUNITY TO DISCUSS, LEARN, AND NETWORK AMONG YOURSELVES SO THAT YOU MAY GAIN KNOWLEDGE FROM ONE ANOTHER AND COME AWAY WITH GREATER CLARITY OF THE ISSUES AT STAKE. ON THAT NOTE, I WISH YOU A SUCCESSFUL AND FRUITFUL CONFERENCE.

THANK YOU.