

**SPEECH BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
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FULFILLING PROMISES

Today will be the third time I deliver the Presidential Policy Address. October 31 marked the third anniversary of my tenure as Prime Minister. Three years ago, I outlined 12 pillars on which I would strive to build a future for this nation to ensure that the country and our people may achieve excellence, glory and distinction. I explained these 12 pillars in my maiden speech to Parliament on 3 November 2003. I also reiterated my commitment to continuing the agenda of Vision 2020 with the objective of making Malaysia a developed nation.

2. The 12 pillars were the guide the party used when we drafted our election manifesto. Barisan Nasional achieved outstanding success in the general election held on 21 March 2004. This success should be deemed as the people's endorsement for the 12 pillars to form the basis to bring success to the nation. The 12 pillars were also the centerpiece of the National Budgets that were tabled in 2004, 2005 and 2006, as well as the National Mission and the Ninth Malaysia Plan.

3. It has been three years since I was entrusted with my responsibilities. I believe this is now an appropriate time to assess our aspirations and our achievements to determine that we are on the right track.

4. FIRST PILLAR: it is important that political leadership be the prime mover for other types of leadership. It is vital that political leadership provide the best possible example by displaying honesty, diligence, dedication and commitment. Effective leadership is respected leadership. In working towards implementing this first pillar, I have exhorted every Malaysian to work with me and not work for me. At the same time, I am conscious of the fact that I am but God's humble servant. And consistent with the teachings of Islam, I hope that the political leadership works to serve, in the spirit of community, in the name of Allah and for Allah.

5. I chose this approach in order to create awareness; an awareness that blossoms into an inner strength and becomes a deeply held conviction for all, beginning with the leaders and members of UMNO. The Prophet, peace be upon him, used this approach and as a result his companions and the Ummah at the time became strong in faith and deed, and succeeded in carrying out their duties in the spirit of performing good deeds and abhorring evil (amal makruf nahi mungkar).

6. That is the kind of political leadership that we must foster, and that is the political culture that we must inculcate to ensure UMNO continues to be given trust; and for us to continue to receive the protection and blessings of Allah. It is difficult to calculate how far we have managed to develop spiritual strength and it will take a long time, but once this strength has taken root, it will last forever and grow from strength to strength. It will be an everlasting source of strength and in the long term, yield a positive impact. We must have faith that this noble intention will be blessed by Allah. Allah will show that He is just and great. Those who do good will be granted success and those who do ill will fail.

7. SECOND PILLAR: Democracy flourishes through collective responsibility; but there is a proviso - democracy does not mean absolute freedom to raise sensitive issues relating to religion, race, culture and language. Parliament is the symbol of democracy. I chose to deliver my first speech as Prime Minister to Parliament to acknowledge its status as the highest institution in a democratic system. Democracy gives priority to finding the middle ground and to discussion. Therefore, I respect the voices of the elected representatives of the people and they have the freedom to deliberate and debate. They have the opportunity to evaluate the government's performance; the executive branch is now openly criticized not only by members of the opposition, but also by government backbenchers, members of UMNO and members of the public.

8. Discourse and discussion is practiced in the party and in government. In the party, the practice is alive and well in the Supreme Council, in the Political Bureau, in the Management Committee and in other bureaus and committees formed by the party. In Government, it is practiced among cabinet members and among civil servants.

9. I hold to the principle that a nation should provide channels that enable its people to voice their concerns. Constructive criticism is encouraged. Differences of opinion should be viewed objectively and not necessarily be seen as being anti-government. The media is a partner in our efforts to build a responsible democratic society. The media now has greater freedom to publish news that highlight the mistakes of the government and government agencies. Leaders of the Government, UMNO, Barisan Nasional and elected representatives are not immune from criticism in the media. But there are those in government and in the party who are uncomfortable with this freedom. There are those who believe that the Prime Minister is not in control.

10. The truth is that I would rather see heated exchanges in the pages of the press than to see raging riots on the streets. I want Malaysian society to accept the realities of the information technology age; it is an era which demands openness. It is meaningless to develop infrastructure for information technology if the leadership flinches from a culture that is more open to and accepting of the media.

11. The government views the media in a positive light and hopes that the media shows maturity in balancing its roles. We hope that the media does not get caught up with sensationalizing issues that can erode racial harmony, threaten public security or adversely impact national security. Wise and mature media management will achieve a balance that builds healthy media practices, understands the problems of the people and is sensitive to the challenges of the nation. A responsible media will be a partner in translating the national vision and will contribute to maturity of the democratic process. Media practitioners must remember that they, too, have a responsibility and accountability in ensuring national development and national unity.

12. Nonetheless, freedom does not mean one can be absolved from responsibility. Freedom has its limits. Freedom must be shaped in the context of a young nation that is made up of many religions, races, cultures and languages. We cannot and will not compromise when it comes to the unity and harmony of our multi-racial and multi-cultural society. We will continue to be vigilant when it comes to national security and public safety. I would like to warn those who abuse this freedom that I will not for a moment hesitate to use the law against them.

13. I will continue to encourage a more open environment that is consistent with healthy democratic practices. This openness is necessary in our desire to become a developed nation. One of the nine thrusts of Vision 2020 is to create a mature democratic society. We have stated our desire to work towards establishing a matured, liberal and tolerant society. If we are serious about this goal, we must pursue the process of transformation with diligence. Nevertheless, the mature democracy that we are envisioning must be rooted in our own domestic and cultural environment. It must fulfill and reflect our own specific needs. Vision 2020 states that the democracy we are aiming for must be a community-oriented co-existence.

14. THIRD PILLAR: development of human capital; via quality holistic education programs to equip Malaysians to face the globalised world; supported by the establishment of a creative and innovative society that will become a component of a population that possesses a first class culture.

'Behold! in the creation of the heavens and the earth, and the alternation of night and day, - there are indeed signs for men of understanding'

(Ali Imran, verse 190)

15. The verse reminds mankind of the importance of the mind. Therefore, the mind must be developed. Efforts to do so are part of an endeavor to establish "Ulul Al-Bab", people who are capable of analysis –people who can master the sciences, understand philosophy and master technology. This verse exhorts mankind to build capacity to face the modern world. Developing the Ulul Al-Bab, which comprises scientists, technologists, entrepreneurs and technocrats, is an obligation that will enable the Ummah to scale the peaks of success. The government will provide the infrastructure and facilities necessary for the establishment of the Ulul Al-Bab.

16. In this light, the government intensified efforts to develop human capital immediately after the general elections in 2004. The Higher Education Ministry was established to ensure that education programs are implemented more effectively. The enhancement of human capital became the second thrust of the Ninth Malaysia Plan, in which the biggest portion, RM45.1 billion, is allocated to human capital development programs.

17. The Government has always prioritized spending on education. It is also a fact that the government is continuing a tradition of investing in the future. Today, we find ourselves in a different world. We must review the national curriculum to ensure it produces bright, inquisitive, inquiring youth who are fluent in more than one language. The minds of our people must be developed from pre-school level, with the purpose of creating well rounded students who have the necessary skills and tools to compete in a globalised world. Their foundations must be developed in school, because by the time they get to university it will be too late. The curriculum must be transformed to meet the demanding challenges of the modern job market and further studies in new fields such as biotechnology and ICT. I want the national schools to be able to showcase this new curriculum, with re-trained teachers.

18. The best long term policy to improve our competitiveness is through a modern and dynamic education system. The way forward for Malaysia is not through offering cheap labour, but through an educated and skilled workforce. This is why we must continue to promote excellence. While no race should be left behind in terms of educational attainment, we must promote meritocracy. We will ensure that

assistance will be given to the best Bumiputeras and those who are most in need. We need not create uneasiness by saying meritocracy will be the end of the Malays because we will manage the process. We must make it our mission that one day we can achieve academic excellence.

19. After almost 50 years of independence, Kelantan and Terengganu, two majority Malay states; two states that have produced numerous Malay intelligentsia, still do not have universities. In view of this, the government has established Universiti Darul Iman in Terengganu and Universiti Malaysia Kelantan.

20. We will take decisive steps to level the playing field immediately. The government will build 9,000 extra classes at primary level and 6,000 at secondary level for rural schools. 281 new hostels will be built, while a further 170 will be upgraded. Under the infrastructure provision initiative, 900 rural schools will be provided with electricity and 300 will be provided clean water by 2010. 5,000 remedial classes will be provided for academically weak students. Rural schools will also be supplied with 17,500 computers with new software. It is time we took radical steps to level the playing field.

21. **FOURTH PILLAR:** ensuring economic growth by exploring new sources and ensuring equitable distribution while focusing on rural development and modernization of agriculture. This pillar is contained in the first thrust of the National Mission, which seeks to move the economy up the value chain and the third thrust, which seeks to address socio-economic inequalities constructively and productively. This is being realized through the establishment of growth corridors in the north, the east, the south of Peninsular Malaysia and also in Sabah and Sarawak.

22. We must quickly take advantage of the benefits which will come with the development of these corridors and which will bring progress throughout the country and provide new economic opportunities, especially for Bumiputeras. The development of the agriculture sector to become higher value added will give the country a competitive advantage. The move to develop the agriculture sector and agro-based industries is not a backward step. The strength of high value added agriculture is the basis for the economy of a developed nation. The development of a robust agriculture sector will also help us achieve the national socio-economic objective of reducing income disparities. Agriculture is a rural activity, and the majority of the rural population is Bumiputera. Developing agriculture and agro-based industries will increase the incomes and improve the quality of life for farmers and fishermen.

23. Today, there is confusion among Malaysians because the economic statistics do not seem to be reflected by business activity. Although growth is robust and other key indicators are positive, I am aware that sentiment is still rather soft. I want to make it clear that what I have set out to do is not just to manage the economy. Merely continuing the existing economic model that we have had for the past 20 years will not make Malaysia competitive in the long run. We succeeded in the last twenty years because China and India had not yet emerged. Twenty years ago, Vietnam had not opened up. Today, competition is much fiercer. We can no longer offer ourselves as the factory of the world on the basis of cheap labour. I have repeatedly spoken of the need for us to move up the value chain, to transform our economic model. Therefore, the manufacturing sector must move to higher value added, enhance the use of technology and improve competitiveness, because they cannot rely on protectionist policies forever.

24. In the past, wealth was generated not by innovation and creativity, but by FDI and straightforward government contracts and privatization. Now that era is gone. Today, FDI is being fought over by many more countries and there are fewer government assets to be privatized compared to twenty years ago. Since we want to be more broad-based, we cannot entirely rely on construction and manufacturing. We must look at sectors that can still generate wealth for many Malaysians especially those in rural areas, like agriculture. We must also look at industries with high value, like financial services. And we must look to the future by creating industries in the new economy like ICT and biotechnology.

25. We need an economic transformation. This transformation cannot happen overnight. People want quick results and must be made to understand. They complain that FDI is slowing. They complain that the stock market is sluggish. Apart from the increased competition that we failed to anticipate, FDI into Malaysia is not keeping pace with other countries because we are not open to mergers and acquisitions in this country. Some of our neighbours post impressive FDI numbers because they have allowed their companies to be bought by foreign investors. From an economic point of view, there is nothing wrong with that because in an efficient market, capital will chase the best valued assets. But in Malaysia, we make certain policy decisions. We believe in selective mergers and acquisitions and maintain control of strategic assets because of national interest. We can increase the FDI figures many times over at the stroke of a pen, but it will mean some loss of control. If I do that, ladies and gentlemen, you will be the first to condemn me. As long as Allah gives me guidance and strength, I will not seek gamble away our inheritance in search of hollow victories.

26. It is the same with the stock market. If we wanted a quick fix to stimulate the stock market, I could ask the Cabinet's concurrence to list PETRONAS and FELDA. PETRONAS alone would add at least RM400 billion to market capitalization of Bursa Malaysia and overnight transform it into one of the biggest stock exchanges in Asia in terms of market capitalization. But we will not forfeit strategic national interests solely for short term gain. Attracting investment and developing the stock market is not as simple as preparing instant noodles.

27. Instead of these quick fixes that some people would have us pursue, we will focus on transforming the economy in more meaningful and sustainable ways. The first step that I took was to reduce the deficit. In the long term, the government cannot afford to maintain a large deficit. We cannot continue to spend more than we earn. It is true that PETRONAS has money, but we must be disciplined and differentiate between Petronas' money and government's money. If we start dipping our hands everywhere, we are violating trust and mismanaging funds. We would be managing our affairs without accountability.

28. The government has money. But in my view, our generation must be prepared to make some sacrifices for the benefit of the generations to come. For the past three years, I have worked to reduce the deficit so that we have funds to spend in the Ninth Malaysia Plan. Due to our prudence, we have succeeded in bringing down the deficit. Over the past three years the deficit has gone from 5.3% of GDP in 2003 to 3.5% in 2006. We are now in a better position to spend.

29. At the same time, we have been confronted by factors beyond our control. Higher global oil prices have contributed to inflation. Prices of goods fluctuate. The

government continues to provide subsidies but in many cases, we have had to make the difficult decision to reduce subsidies. If this were not done, a large part of the development budget - money to build schools, hospitals, roads, and electricity and water supply - will be depleted on subsidies. The government is looking to the future by beginning research to produce alternative energy sources such as biofuel. This will reduce dependency on oil and gas which are subject to unpredictable price fluctuations.

30. I am confident that we will emerge stronger as a result of this transformation. In the long run, we will further reduce our reliance on subsidies. I want to see growth not just concentrated in traditional urban centres but spread out further beyond. We cannot industrialise every corner of Malaysia. Therefore, we must value add by modernizing agriculture, by building agro based industries that can be developed by farmers individually, in partnerships or through cooperatives. The success of farmers will spread wealth to rural areas. I also want to see farmers become wealthy and comfortable. The majority of farmers are Bumiputera. I want to see the wallets of Bumiputera farmers and the purses of their wives filled with money, so that they may spend in cities and towns.

31. I want us to pursue specialisation in specific areas such as Islamic finance and the halal food industry. Islamic finance has grown rapidly and Malaysia is now acknowledged as one of the leading centres in the world. Malaysia is now the largest issuer of Islamic bonds in the world, worth USD30 billion. The global halal industry is worth RM7 trillion a year. The potential of this industry must be fully explored. Its development is a collective obligation (fardhu kifayah.)

32. I envision an open minded nation in order for Malaysia to become renowned as a centre for trade, finance, educational and civilisational development that can successfully integrate different cultures harmoniously. I want Malaysia to be the destination of choice for tourists from around the world. God willing, this dream can become a reality if we are prepared to build a society that gives priority to productivity, creativity and innovation and engages in R&D. It is encouraging that for the first time in many years, we have increased the level of R&D to develop the industries of the future.

33. While we enjoy the benefits arising from spending on development, we will continue to transform the economy, focusing on human capital development so that we will be competitive in the future. We can continue the old method, of just spending to move the economy. Or we can try a new method, of spending but at the same time changing the economy and training our people to be more competitive and innovative. We believe that the new way breeds more confidence, that future economic growth will not just be dependent upon government spending, but will be based on innovation and creativity. This is the transformative effect that I wish to create.

34. FIFTH PILLAR: to develop a Bumiputera Commercial and Industrial Community and a Bumiputera Science and Technology Community to a level that enables equitable distribution.

35. When debating the President's Policy Address last year, delegates urged revitalization and strengthening of the spirit of the New Economic Policy as a thrust of national development under the New National Agenda. Other delegates pressed for affirmative action based on social justice and quantitative targets to be

reintroduced when the government was drawing up the Ninth Malaysia Plan. Apart from calling for a more transparent, effective mechanism, delegates also stressed that policies needed to be implemented efficiently, monitored closely and accompanied by a detailed and comprehensive impact assessment. The views of the delegates mirror my own convictions, which I voiced in Parliament during my maiden speech as Prime Minister.

36. For this, the third thrust of the Ninth Malaysia Plan concentrates on tackling the problem of socioeconomic imbalances constructively and productively. The government aims to eradicate poverty, generate more balanced growth, and ensure that the fruits of growth are enjoyed by the people in a fair and equitable manner. When the sun rises on 2020, Malaysians should no longer be identified as poor or backward. We must not pass on poverty and backwardness as an inheritance for future generations.

37. The development of the Bumiputera Commercial and Industrial Community (BCIC) will continue with the objective of establishing a new generation of the BCIC that will actively involve the private sector, with a focus on developing entrepreneurs who are diligent, sustainable and competitive and building robust Bumiputera small and medium enterprises (SMEs). In line with the strategy to increase Bumiputera industrial wealth ownership, a new concept has been introduced via "clusters". The end objective of these clusters is to strengthen Bumiputera involvement in various sectors of the economy, minimizing leakages and preparing to face global competition.

38. It is evident that the 20 years allocated to achieve the objectives of the NEP was too short a period; an unrealistic timeframe to successfully restructure society and eradicate poverty. The difficulties were exacerbated by the fact that the burden was carried by the government and private sector's involvement was largely cosmetic. Leakages in the implementation process further amplified shortcomings.

39. In reality, Bumiputera participation increased between 1970 and 2005. Nevertheless, a study that concluded 45% of equity in companies is Bumiputera owned is grossly incorrect. Questioning the methodology used by the Economic Planning Unit is the same as accusing the government of lying. I must stress that the methodology used by the government is comprehensive and has consistently been employed since 1971.

40. Today, there are questions asked about what has been achieved in relation to the targets, in the time frame that has been allotted. Bumiputera are unhappy that targets have not been reached. Non-bumiputera are restless because they perceive that a time extension might mean they will not achieve equality. Many seem to be trapped in a polemic revolving around equity targets and time frames that they forget the original philosophy and objectives of the NEP. The debate is now about process rather than about philosophy and objectives. The objectives of the NEP – to eradicate poverty and restructure society in terms of distribution of opportunities, incomes and wealth in an equitable manner – are larger than equity targets. The government will focus on reducing the income gap between races. True balance is a prerequisite for sustainable development.

41. SIXTH PILLAR: acknowledging the role of the private sector to generate economic growth, particularly in creating new economic opportunities. The Ninth Malaysia Plan contains the wish of the government for the private sector to play an

active part in spearheading economic growth. In line with strengthening public-private partnership, the government is widening the implementation of Private Financing Initiatives (PFI).

42. PFI has been introduced as a new approach under the ambit of privatization to stimulate private investment through the development of infrastructure and utilities as well as involvement in the development of pre-determined areas and regions. The Government has identified RM20 billion worth of projects. The government has also set aside RM5 billion in a facilitation fund to encourage private investment for projects that have been identified by the private sector. The projects that have been earmarked include the construction of schools, quarters and government offices. PFI projects are expected to stimulate the construction industry. The industry is showing signs of recovery and is expected to grow 0.7% in 2006 and 3.7% in 2007, compared to a contraction of 1.6% in 2005. The growth of the industry, together with measures aimed at strengthening contractors, will bring about substantial benefits for the players in the construction sector.

43. SEVENTH PILLAR: To enhance public sector performance, in particular, improving public delivery systems, and facilitate the role of the private sector. It is imperative for a country to have a public sector that has efficient delivery systems. I have urged the public sector to think out of the box and change their roles to act as facilitators to assist the private sector in driving economic growth. The fifth thrust of the National Mission stresses the importance of enhancing institutional and implementation capabilities. Our capability in implementation will ensure success of our plans. Improving delivery systems in the public sector is a pre-condition for us to achieve our targets and improve our competitiveness and productivity.

44. It is critical to have a more efficient machinery in implementing, monitoring and evaluating. Outdated laws and regulations which impede progress and delay the development process must be done away with. We have to strengthen our national institutions. We have set up the National Implementation Task Force (NITF) to implement high impact and large scale projects. The NITF will assist in speeding up high impact projects and also in developing the Bumiputra Commercial and Industrial Community (BCIC). The NITF is now implementing 20 high impact projects.

45. The NITF is also revising strategies to address the problem of unemployment among graduates. A special committee on unemployed graduates, chaired by the Deputy Prime Minister, has been formed and to date, more than 30,000 jobs in the public sector have been offered. Several GLCs and corporate bodies have also been asked to create training schemes for unemployed graduates and subsequently, to provide jobs for them or to enable them to be absorbed by other bodies. Institutions of Higher Learning have also been instructed to adapt their curriculum to better reflect market needs and at the same time, form a cooperative network with industry.

46. I am pleased to note that some aspects of public sector delivery have improved tremendously. Frontline agencies like the Immigration Department and the National Registration Department have improved their operations, making it easy for the rakyat to be served. Many other agencies have improved their services, cutting down on red tape.

47. There is still much that can be done to improve delivery. I have spoken about "Little Napoleons" in the public service. There are still complaints about these "Little

Napoleons" that follow their own set of rules. Even though there are relatively few of them, their actions not only delay the implementation of the Ninth Malaysia Plan, they also besmirch the good name of the public sector. Obstructions that delay government development plans or private investment will not be tolerated. We will therefore not allow any fiefdoms under the control of any kind of Napoleon.

48. EIGHTH PILLAR: Addressing corruption by emphasising on both preventive and punitive approaches. One of our election promises was to improve integrity in this country. The fifth thrust of the National Mission clearly underlines the commitment of the Government to address the issue of corruption and to enhance the integrity of both the public and private sectors and of society as a whole. Without integrity, a country cannot be deemed to be successful in the real sense.

49. I am steadfast in wanting to stamp out money politics and corruption. I have constantly reminded that to eradicate corruption, we must fight it at all levels of government. I have asked each and every one of you to help me get rid of money politics in UMNO. We want leaders for their ability to serve, not for their ability to buy support. I pledge again that I will not let up in this fight against corruption and money politics. But let it be known that I cannot undertake to perform this heavy task on my own. You have the power to send a clear and resounding message. Be with me to clean our party of the scourge of money politics.

50. People say corruption is rampant. But the majority of these views are based on anecdotes. When we ask for proof, none is forthcoming. The process of arresting and prosecuting is not as easy as people say it is. The investigative process is painstaking and the process of proving corruption and getting witnesses is extremely difficult. There is no point in prosecuting in large numbers if we do not have enough evidence to convict them. Help me fight corruption by providing evidence.

51. The battle against corruption requires a commitment from all Malaysians. We cannot win this battle if we only focus on arrests and prosecutions. The roots of corruption will not be eradicated if new seeds of graft are allowed to grow. Therefore, we should resolve not to allow ourselves to be influenced by money when making decisions.

52. Sometimes it is frustrating. I have called on the courts to speed up corruption cases as it is in the national interest. There is a perception that I am slowing down in the fight against corruption; that no action is being taken. That does not mean that I am not monitoring. This is a long term and continuous process. We will increase programmes to educate and to create awareness to ensure integrity becomes a way of life for our people. In this respect, we will continue to increase preventive measures and improve the delivery system and the public sector.

53. NINTH PILLAR: Enforcing the rule of law in a firm and transparent manner, particularly in the fight against crime. We will not be able to achieve the fourth thrust of the National Mission to enhance the quality of life in our country if the rule of law is not adhered to and if the laws meant to protect our society are no longer respected. I appreciate the efforts of enforcement agencies, in particular the Royal Malaysian Police and the Customs Department, for the new initiatives and measures they have undertaken.

54. We cannot allow the occurrence of major crimes to create the perception that this country is no longer safe. The police should, therefore, undertake more effective

measures in combating crime. The Government recently increased the number of patrol vehicles, provided new equipment, set up mobile police stations and embarked on programmes of working together with the public through schemes such as the Rukun Tetangga. The police have made it their core principle to improve their organisation from within and also to effectively perform their tasks which have become increasingly more complex. The number of police personnel is not commensurate with population growth, especially in urban areas. Our long borders also make it very difficult to patrol the influx of immigrants who are attracted by our country's prosperity. The Customs have shown firmness in bringing to book those who evade taxes and this is reflected in increased revenue collection in the last three years. The officers in the Domestic Trade Ministry have been unrelenting in enforcing the laws pertaining to intellectual property rights, the supply and control of commodities, copyright piracy and the abuse of Government fuel subsidies.

55. But at the same time, we have to further strengthen enforcement relating to environmental destruction, local government and road traffic violations. The language of the law is the same for all citizens. No one is exempt from prosecution; no one is above the law. It will be a travesty and a subject of ridicule if the laws only apply to the weak and those without positions. UMNO leaders themselves should be the first to display exemplary behaviour by adopting and practising a culture of respect for and abiding by the law.

56. TENTH PILLAR: encouraging a more equitable and active participation of youth and the emancipation of women. The youth are the nation's asset and priceless resources. They will inherit the country and determine the direction it takes. We are grateful to the Almighty that at a time when many countries are faced with the problem of an aging population, the majority of Malaysians are in the younger age bracket. They should be harnessed and brought in to actively participate at the planning level and should be given the trust to be jointly involved at the implementation levels.

57. I welcome the move by UMNO Youth in sourcing a name for the UMNO flag. This proposal shows that the younger generation acknowledges the basis and foundations of the party's struggle. This gives me confidence that the future leaders of the country will hold steadfast to the founding ideals of UMNO's and will continue to make UMNO the vehicle to enhance the dignity of the Malays. I take the opportunity at this assembly to acknowledge the proposal to name the UMNO flag "Sang Saka Bangsa".

58. Half of our population are women. The Barisan Nasional, led by UMNO, holds firm to the belief, in line with fundamental Islamic principles, that there should be fairness and justice for all. Therefore, we must respect the principle of gender equality. Women who have been given the opportunity have proven themselves and performed credibly and brought honour to the country. Malaysia is acknowledged as a progressive Islamic country which provides opportunities and holds women in high esteem in all sectors – administration, commerce, education, enforcement, medicine, the judiciary and other fields. The Government is aware of the laws on women and is committed to review and streamline Syariah family law to ensure justice prevails. It will be the country's loss if we sideline or belittle the role of women.

59. ELEVENTH PILLAR: Defending Malaysia's sovereignty. We have always been a country known to defend our national interests vigorously. We have remained fiercely independent in our foreign policy, never once bowing to pressure or forced to

ask others for assistance. We are proud of this independence. It has allowed us to chart the course of our nation without having to compromise on our interests.

60. We will never allow our sovereignty to be compromised. We will also never allow anyone to take advantage of us. We will defend national interests in the best way we can. We will not allow Malaysia to be exposed to a situation where we can be compromised or where legal action can be taken against us. Every decision we make is made to protect our national interests and the question of whether we are brave or afraid does not arise. Every action has a consequence. We will not proceed with a decision if the outcome means compromising our national interests.

61. There are different ways to protect our national interests and our sovereignty. We can choose to be confrontational and yell at the top of our voices or we can choose artful diplomacy. Choosing the diplomatic channel does not mean that we are weak or that we concede defeat. We have been taught from young that a small animal like the mouse deer can overcome bigger animals like the elephant, crocodile, python and tiger by being tactful. We choose the best road to reach our destination. The priority is to achieve our objectives and if by softly whispering we can achieve what we want, then what reason is there for us to roar?

62. As Chairman of OIC, I cannot lead by being confrontational. We must work smart. Muslims countries must strategize together in order to improve our bargaining position. We must prioritize unity among the Muslim world and build confidence among ourselves. Today, if a Muslim country is attacked, as Lebanon was recently, we must be able, as we did, to exert pressure on the West to halt the bombings. We showed unity and conviction. Of course, some want more drastic action like using oil as a bargaining tool or for Muslim countries to sell down US Dollars. But how many Islamic countries are prepared to do this?

63. Among the main challenges facing Malaysia as an Islamic country are the domination and occupation of other Islamic countries, internal conflict which divides Muslims, terrorism and extremism in the name of Islam, and the widening differences between Islam and the West. The Islamic world is embroiled in a major crisis. Muslims are not only being killed by non-Muslims but by Muslims themselves. Their land is occupied. Their dignity, sovereignty and economic resources are being ravaged and pillaged. There are those among them whose actions bring shame and disgrace not only to themselves but to Islam itself. Islam's image in the eyes of the world is worsening.

64. We have a responsibility to extricate the Islamic world from this crisis and to help the process of rehabilitating ourselves to restore Islam's past glory. We will play our role, in accordance with our capabilities, to help Muslim countries improve the well-being of their people. As Chairman of the OIC, I have introduced programs to give the OIC an economic face, through economic capacity building programs and the implementation of the Islamic Financial Masterplan. These programs can become catalysts for economically underdeveloped OIC countries. We want a just solution to the Palestinian problem. The victimization and cruelty inflicted upon the Palestinian people is the source of the Muslim world's anger. We want to see peace in Iraq and Afghanistan. We want Iran and all Muslim countries to be given justice and fairness; we want their sovereignty and rights to be respected and we do not want them to be victims of two sets of values – one for Muslim nations and one for non-Muslims nations.

65. TWELFTH PILLAR: Strengthening national unity. Since independence and to this day, as we enjoy the fruits of success as a nation, the spirit of unity in our struggle and power sharing have formed the basis of our strength.

66. But of late, we see increased polemics on issues related to race and religion. And it has reached a level where it is now worrying. There are several reasons for this. One reason is the more open environment which has allowed debate but this has digressed to a level where the line on religion and race issues has been crossed. The openness we see today is a new phenomenon for Malaysia. There are those who are adapting to it and there are those who want to test the limits of this openness. There are those who are inclined to take extreme views and this invites equal reaction and objection from others. This is a learning process for us. At the same time, it is equally imperative that we maintain stability until society finds its equilibrium.

67. Discussing sensitive topics should be done rationally and will cool heads. It should be done in a responsible manner. The Barisan Nasional government has always held to a formula to deal with problems between us, in a spirit of understanding and moderation. Be aware that it is easy to cause misunderstandings and conflicts can easily spark. Surely, this is not what we want.

68. We have to adhere steadfastly to the social contract and what is enshrined in the Federal Constitution to which all the major communities and the different states agreed on at the birth of our nation. The social contract which we agreed upon on the birth of our nation is a priceless documentation. I cannot think of any country in the world which has faced a similar situation and succeeded in achieving an understanding that encompasses the hopes and aspirations of the different communities. That social contract is a tremendous achievement.

69. This contract was born out of a detailed examination and took into account very complex and sensitive considerations. It will be all too easy to undermine these sensitivities by making extreme and unreasonable demands and questioning the basic fundamentals of one community. If there are those who want to overhaul this agreement or continue disputing it, then we run the risk of adversely affecting our stability and harmony. And the consequences will be catastrophic. We cannot allow this to happen. I will not allow it to happen at any cost. There is no party that is absolutely correct, there cannot be absolute freedom without constraint. I warn that no one should even attempt to test the Government's resolve on this issue. If the need arises, the Government will act swiftly and firmly in enforcing the existing laws to ensure that our peace, stability and prosperity is not jeopardised.

70. The Constitution clearly states that Islam is the official religion of the Federation. Islam is way of life which is relevant for all times. As Muslims, we believe in this but the reality suggests otherwise. If we look around the world today it is Muslims who are poor, illiterate, oppressed and embroiled in conflict. There seems to be an anomaly, a discrepancy between the teachings of Islam and the reality that we see in the Islamic world. Islam cannot be faulted for this anomaly.

71. Islam promotes development and civilisation. It promotes the flowering of intellect and the spread of knowledge in developing humanity based on the principles of justice, moderation, tolerance and mutual respect in order for the world to live in peace, harmony and prosperity. Islam is a perfect religion revealed to us by Allah, but we are mere humans and humans are imperfect. It is human beings, with their weaknesses and shortcomings, who have smeared the purity and sanctity of Islam.

Sometimes we do not see in our religion a complete way of life that encapsulates spiritual, physical, mental and material development. If we only concentrate solely on the hereafter, we squander our existence in this world. Yet, Allah s.w.t. tells us that our achievements in this life are no less important than what we seek in the afterlife.

72. Islam Hadhari reminds us that our religion is more than just literal laws and prohibitions. The Quran and the Sunnah of the Prophet, teaches and guides us to live useful lives irregardless of the period in which we live. And just as, during the age of the Prophet, his followers found an inspirational message in the teachings of Islam to free them from jahiliah (ignorance), we can similarly find in our religion a strong imperative to succeed.

73. Islam Hadhari is an approach. It is a philosophy that reminds Muslims that our faith unequivocally requires us to succeed in this world. We perpetuate a great disservice to Islam if we reject development, if we are obsessed with conflict and if we live in ignorance. We have an obligation to demonstrate Islam's beauty and perfection by being a respected civilization, not one that is viewed with disdain and suspicion.

74. Unfortunately, some quarters have misinterpreted Islam Hadhari as an excuse to become more conservative and more radical. Long accepted cultural practices that we have adhered to – such as sending greetings or wishing another Malaysian in conjunction with their own festival - are now damned as taboo. Have we reached such a level of intolerance? Joint open houses are now condemned. When did we become ultra-conservative? This is not Islam Hadhari. Those who say that this is what Islam Hadhari is are absolutely wrong. Their outlook threatens the unique tolerance for which Malaysian Muslims are renowned. We must not and cannot allow this. It will not make us more Islamic if we do not greet another person on the occasion of their celebration, just as my faith is not shaken when I go to a Deepavali or Christmas open house.

75. It is these same groups who make such proclamations that are conjuring imaginary threats aimed at inciting Muslims, hoping that they (Muslims) will become more intolerant of others. Their agenda is to see Malaysia torn apart, for us to fail as a multi-racial, multi-religious nation. This is not Islam. For example, so many SMS have been sent out, claiming mass baptisms of Muslims and the purported formation of a Malay Christian Association. There are even those who claim – without any proof - that hundreds of Malay Muslims have become apostates (murtad).

'O you who believe! If a Fasiq (liar – evil person) comes to you with any news, verify it, lest you should harm people in ignorance, and afterwards you become regretful for what you have done'

(Al-Hujuraat, verse 6)

76. This kind of incitement whips many Malays into a frenzy because we do not have a culture of seeking to verify what we hear, preferring to believe everything we are told. It is such unfounded claims which lead to many becoming angry and even militant. But when the lies are exposed, those who create them scurry into hiding, nowhere to be seen and not even attempting to rectify the situation or to calm things down.

77. Let me be clear - Islam Hadhari is not a blank cheque to bring about conservative revivalism in this country. Neither is it a blank cheque for permissiveness. While I will protect Islam's position and the role of the Shariah courts from being undermined, I will also ensure that no one tries to hijack Islam in Malaysia in order to breed intolerance and hatred. Malaysia is a country of cooperation and dialogue. We have never been a place of conflict and distrust. I promise you that I will take stern action against any group - Muslim or non-Muslim - that seeks to undermine this delicate balance by questioning the status of Islam or by inciting people based on bogus allegations and fictitious threats. Islam Hadhari does not create these threats. It does not seek to incite Muslims against any one. Rather it spells out our principles in a holistic manner for the total development of the Muslim community. It reminds us that Islam decrees that we pursue excellence in all fields so that Muslims can symbolize the goodness of Islam.

Ladies and Gentlemen,

78. The 12 pillars which I outlined three years ago became the guiding principles in formulating the National Mission and the Ninth Malaysia Plan. We have not deviated from our main objective of achieving developed nation status by 2020. We will also continue to uphold the objectives of the New Economic Policy which is aimed at building a united nation through restructuring society and eradicating poverty. The changes will be in the method of implementing these objectives, by adapting to current situations and needs.

79. The Malaysias of yesterday – when the NEP was introduced, when Vision 2020 was launched – and the Malaysia of today are different; Malaysia is now immersed in the midst of an information technology explosion. Today, there is a more open global economy; it is a world without borders; liberalisation and globalisation continue to impact the world economy; competition at international level is more intense; and the implementation and ability to achieve the national agenda has become more complex and challenging.

80. The Prophets lived in a different era and they faced different situations but they all adhered to the same principles of Tauhid. Human beings are created different from each other. Even twins, who have identical physical attributes at birth, change in appearance as they grow into adulthood. The Almighty did not even create identical fingerprints among the billions of human beings He made. Therefore, how can we expect people to have similar thoughts, hearts and emotions? The same logic applies to administering and managing a country. Different approaches will be adopted to suit different eras. It is a normal phenomena. We should, therefore, not fight each other because of different styles and approaches. We should not waste our energy, resources, time and thoughts by indulging in destructive acts which adversely affect all parties.

81. It will be a great loss to our country and our people if we are so obsessed with conflict. Our people need true strength. The Malays and other citizens have today reached a higher plane than before. We must have faith that we have the capacity to reach greater heights. Therefore, we should focus our minds on enhancing kinship and marshal our energies towards building up national resilience. The world is too small a place to make it a stage for incessant conflict and life is too short to fight all the time. The world is a stage created by the Almighty and humans are the players in the play of life. On that stage, we play out life in the spirit of kinship so that the

world becomes more peaceful and prosperous for its inhabitants. Therefore, it is imperative for us, as a sign of our gratitude to the Almighty who created us, that we undertake to do good things in life.

82. We are too few to be disunited. We are too small a country to be divided. Islam decrees that we embrace the spirit of kinship and camaraderie; that we unite and be united, that we be tolerant and that we be moderate. We should use the opportunities that life gives us to leave a legacy which contributes to the well being of our people. Therefore, we should pool our energy and thoughts to ensure the success of the Ninth Malaysia Plan. Together, we should cast aside the disruptive elements that can divert our focus and prevent us from achieving our National Mission.

83. Leaders are mere mortals. And mortals are imperfect. The Almighty created man with many imperfections so that man would always be repentant in acknowledging their mortality. Man is not pure from sin (maksum). He must continuously ask for the Almighty's forgiveness and seek to improve himself throughout his life. In seeking to better himself, man needs to be advised and to accept criticism. Therefore, advice and criticisms should be constructive and rational and offered with honesty and sincerity. The objective of such advice and criticism is that it is intended for the larger good. This will ensure that advice is deemed as a good deed that is aimed at bringing about betterment. Sincere and honest criticisms are intended to ensure that the one who is criticised will do things better; criticisms should not be aimed at destroying someone and to shame him; or to slander him. Allah's laws are severe against those who have bad intentions. Allah will grant the prayers of the victims of slander and falsehood

'Whosoever desires honour, (power and glory), then to Allah belong all honour, power and glory [and one can get honour, power and glory only by obeying and worshipping Allah (alone)]. To Him ascend (all) the goodly words, and the righteous deeds exalt it, but those who plot evils, theirs will be severe torment. And the plotting of such will perish.'

(Al-Fatir, verse 10)

84. In the three years that I have been entrusted to lead the party and country, I am grateful for the support in fulfilling this trust that I have received from the people, from party members from my colleagues in the BARISAN NASIONAL, from civil servants and the private sector. I greatly appreciate the support that I have received in particular from Dato' Sri Najib Tun Abdul Razak, the deputy president of UMNO and the Deputy Prime Minister, and from the Supreme Council and my cabinet colleagues.

85. On the morning of 9 November 2006, Tun Dr. Mahathir Mohamad was admitted to the National Heart Institute for treatment. In conjunction with this assembly, let us all pray to the Almighty so that Tun Dr Mahathir has a speedy recovery. Let us also pray that Tun Dr. Siti Hasmah and members of her family be given the strength and patience to see through this difficult period. The Government will ensure that all necessary facilities are provided in the treatment of this statesman.

86. On the morning of April 23rd 2006, there was a pall over our nation with the passing of Tun Abdul Ghaffar bin Baba. The late Tun was a candle who lighted the way for his people and his nation. As an UMNO leader, his loyalty was unshakeable -

in good times or in bad. Abdul Ghaffar bin Baba was a leader amongst men. His deeds to the party, country and race are too great to enumerate. In recognition of his services, the Government has decided to create a permanent chair in his name at his alma mater, the Sultan Idris University of Education.

87. Let us all together recite the Surah Al-Fatihah for the souls of Allahyarham Dato Onn Jaafar, Almarhum Tunku Abdul Rahman, Allahyarham Tun Abdul Razak, Allahyarham Tun Hussein Onn, Allahyarham Tun Dr. Ismail, Allahyarham Tun Abdul Ghaffar Baba and to all our warriors and leaders who have gone before us.

88. May our general assembly receive guidance and be blessed by the Almighty.