

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE THIRD CHINA-ASEAN BUSINESS AND INVESTMENT SUMMIT
AT NANNING, PEOPLE'S REPUBLIC OF CHINA
31 OCTOBER 2006**

"IMPROVING THE ENVIRONMENT FOR MORE MUTUAL INVESTMENT"

YOUR EXCELLENCIES,
DISTINGUISHED GUESTS, LADIES AND GENTLEMEN,

I AM VERY DELIGHTED TO BE IN CHINA, TO PARTICIPATE IN THE ASEAN-CHINA COMMEMORATIVE SUMMIT, AND HAVING THE OPPORTUNITY NOW TO SPEAK AT THIS THIRD CHINA-ASEAN BUSINESS AND INVESTMENT SUMMIT. I AM PLEASED TO RECOGNIZE AMONG YOU IN THE AUDIENCE MANY PRIVATE SECTOR AND CORPORATE LEADERS FROM CHINA WHO HAVE LONG BEEN DOING BUSINESS, SUCCESSFULLY, WITH THE ASEAN MEMBER COUNTRIES. I CONSIDER YOUR PERSONAL PRESENCE HERE TODAY AS FURTHER AFFIRMATION OF YOUR CONTINUING AND INCREASING INTEREST TO UNDERTAKE MORE PROFITABLE VENTURES IN THE ASEAN REGION.

2. CHINA IS DEFINITELY ONE OF MALAYSIA'S MOST IMPORTANT ECONOMIC PARTNERS, FOR NOW AND FOR THE FORESEEABLE FUTURE. THIS STATEMENT, I BELIEVE, APPLIES AS WELL TO THE OTHER COUNTRIES IN ASEAN. THAT IS WHY SOME OF THE ASEAN LEADERS, INCLUDING MYSELF, HAVE COME IN PERSON TO THIS FORUM IN ORDER TO REAFFIRM THESE IMPORTANT RELATIONSHIPS AND TO BUILD FURTHER UPON THEM.

3. ON THE QUESTION OF DEVELOPING ECONOMIC RELATIONS BETWEEN NATIONS, THE ROLE OF GOVERNMENTS IS PRIMARILY THE BUSINESS OF LAYING THE FOUNDATIONS FOR STRONG RELATIONSHIPS BETWEEN COUNTRIES. MY ASEAN COLLEAGUES AND I ARE THEREFORE PARTICULARLY PLEASED TO HAVE THIS SPECIAL OPPORTUNITY TO INTERACT WITH THE CHINESE BUSINESS COMMUNITY. THIS IS BECAUSE WE ARE WELL AWARE THAT, ULTIMATELY, IT IS THE BUSINESS COMMUNITY WHICH PLAYS AN IMPORTANT PART IN PUTTING INTO EFFECT GOVERNMENT ECONOMIC PLANS AND TARGETS. I AM INDEED ENCOURAGED BY THE LEVEL OF INTEREST SHOWN BY THE ASEAN BUSINESS COMMUNITY TOWARDS FORGING CLOSER ECONOMIC COOPERATION BETWEEN ASEAN AND CHINA. THIS IS REFLECTED BY THEIR RESPONSES TO THE TRADE EXPOSITION AND THIS FORUM. I KNOW I CAN SPEAK FOR THE MALAYSIANS. IT IS DEFINITELY MY WISH AND HOPE THAT THIS INTEREST WILL BE TRANSLATED INTO CONCRETE BUSINESS TRANSACTIONS.

LADIES AND GENTLEMEN,

4. AT THIS JUNCTURE, LET ME STRESS THE POINT THAT CHINA IS VERY IMPORTANT TO ASEAN, FIRSTLY BECAUSE CHINA IS A VERY MAJOR SOURCE AND DESTINATION OF TRADE AND INVESTMENT FOR ASEAN COUNTRIES. SECONDLY, CHINA IS A REGIONAL COUNTRY WHICH IS, AT THE SAME TIME, A VERY IMPORTANT GLOBAL PLAYER IN THE CONTEXT OF INTERNATIONAL PEACE AND SECURITY. THEREFORE, IT IS CORRECT TO SAY THAT THE RELATION BETWEEN ASEAN AND CHINA IS SPECIAL IN MANY RESPECTS.

5. IN THIS CONTEXT, I WOULD LIKE THE CHINESE CORPORATE LEADERS TO NOTE THAT ASEAN IS NOW A FREE TRADE AREA WHERE GOODS ARE TRADED AT TARIFFS OF BETWEEN ZERO AND FIVE PER CENT. AS IT STRIVES TO ACCELERATE THE DEEPENING OF REGIONAL ECONOMIC INTEGRATION, WITH THE ULTIMATE OBJECTIVE OF ESTABLISHING THE ASEAN ECONOMIC COMMUNITY, THE ASEAN REGION IS BOUND TO BECOME EVEN MORE SIGNIFICANT NOT ONLY AS A MARKET PLACE BUT ALSO AS AN INVESTMENT DESTINATION. CHINESE CORPORATIONS WISHING TO EXPAND THEIR ACTIVITIES IN ASEAN CAN LEVERAGE ON THE LINKAGES AND NETWORKS ALREADY ESTABLISHED IN THE AREA. IN TIME, COUNTRIES IN THE ASEAN REGION WILL ALSO BECOME IMPORTANT SOURCES OF INVESTMENT FOR CHINA. INDEED, SOME ASEAN COUNTRIES ALREADY PLAY THIS ROLE TO VARYING DEGREES.

LADIES AND GENTLEMEN,

6. IN ORDER TO INCREASE THE INVESTMENT CROSS-FLOWS BETWEEN ASEAN AND CHINA, THERE ARE AT LEAST THREE AREAS WHICH MUST BE GIVEN DUE ATTENTION BY BOTH SIDES.

7. THE FIRST IS THE NEED TO ENHANCE INFORMATION FLOWS TO THE BUSINESS COMMUNITY, PARTICULARLY AS THEY PERTAIN TO ECONOMIC AND INDUSTRIAL DEVELOPMENT. IN THIS REGARD, LET ME SHARE WITH YOU MALAYSIA'S EXPERIENCE, THE MAIN FEATURE OF WHICH IS THE EXISTENCE OF A CONSULTATIVE PROCESS. GOVERNMENT PLANS, SUCH AS MALAYSIA'S THIRD INDUSTRIAL MASTER PLAN (REFERRED TO IN SHORT AS THE IMP3) ARE MADE TRANSPARENT AND OPEN TO SCRUTINY. THIS PLAN PROVIDES A GUIDE FOR THE COURSE OF TRADE AND INDUSTRIAL DEVELOPMENT OF MALAYSIA FOR THE NEXT 15 YEARS, THAT IS, FOR THE PERIOD 2006-2020. IT WAS ALSO DRAWN UP IN FULL CONSULTATION WITH THE PRIVATE SECTOR. THE IMP3 DOCUMENT IS THUS VERY USEFUL FOR ANY BUSINESS PERSON LOOKING TO ENGAGE IN LONG TERM BUSINESS RELATIONSHIPS IN MALAYSIA. I COMMEND THIS MALAYSIAN EXAMPLE TO CHINA AND TO OTHER ASEAN COUNTRIES.

8. IN ADDITION TO THE THIRD INDUSTRIAL MASTER PLAN, WE HAVE ALSO LAUNCHED THIS YEAR, THE 9TH MALAYSIA PLAN, WHICH COVERS THE PERIOD 2006-2010. THESE TWO DOCUMENTS NEED TO BE READ TOGETHER TO ACQUIRE A COMPREHENSIVE PERSPECTIVE ON THE FUTURE DIRECTIONS OF MALAYSIA'S INDUSTRIAL DEVELOPMENT AND GROWTH.

9. I AM AWARE THAT CHINA HAD ALSO RECENTLY LAUNCHED A NEW DEVELOPMENT PLAN, THE 11TH FIVE YEAR PLAN (2006-2010). I NOTE WITH INTEREST THAT SPECIFIC MEASURES ARE NOW BEING TAKEN BY THE CHINESE CENTRAL GOVERNMENT TO SECURE A BALANCED GROWTH, WITH APPROPRIATE PRIORITIES TO PROMOTE NEW AREAS OF GROWTH. I HAVE BEEN INFORMED THAT THE NEXT GROWTH REGION WILL BE THE BOHAI SEA RIM ECONOMIC BELT. MORE INFORMATION ABOUT THIS NEW GROWTH AREA SHOULD BE MADE AVAILABLE SO THAT THE PRIVATE SECTOR CAN BEGIN TO PLAN THEIR OWN STRATEGIES AND ESTABLISH PRIORITIES.

10. INFORMATION OF THIS NATURE, ESPECIALLY AS THEY PERTAIN TO NEW OPPORTUNITIES AND CHANGES TO RULES AND REGULATIONS, MUST BE SHARED WITH AND DISSEMINATED TO THE PRIVATE SECTOR IN A SYSTEMATIC AND

EFFECTIVE MANNER. ASEAN EXPORTERS AND INVESTORS, ON THEIR PART, MUST WORK HARD TO PICK UP INFORMATION ON INVESTMENT OPPORTUNITIES IN THE VARIOUS PROVINCES AND REGIONS. GIVEN THE VASTNESS OF THE COUNTRY, CHINA CANNOT BE VIEWED MERELY AS A SINGLE WHOLE. POTENTIAL INVESTORS MUST LEARN TO APPRECIATE THE OPPORTUNITIES WHICH THE INDIVIDUAL REGIONS OF CHINA CAN PROVIDE OR OFFER.

11. I WOULD LIKE TO URGE INVESTMENT AGENCIES IN ASEAN AND CHINA TO STRENGTHEN COOPERATION BETWEEN THEMSELVES. THEY SHOULD CONDUCT REGULAR DIALOGUES TO PROVIDE THE PRIVATE SECTOR WITH UP-TO-DATE INFORMATION ON INVESTMENT OPPORTUNITIES IN EACH OF THESE AREAS. THE EAST ASIA BUSINESS COUNCIL WOULD BE AN EXCELLENT FORUM FOR THE BUSINESS COMMUNITIES TO INTERACT. I KNOW THAT MEETINGS SUCH AS THE CHINA-ASEAN BUSINESS AND INVESTMENT FORUM IS HELD ANNUALLY IN CONJUNCTION WITH THE CHINA-ASEAN EXPO. BUT WE NEED MORE OF SUCH FORUMS AND THEY SHOULD MEET MORE OFTEN.

12. THE SECOND AREA WHICH MUST BE GIVEN ATTENTION AND PRIORITY IS AN EARLY CONCLUSION OF THE ASEAN-CHINA AGREEMENT ON INVESTMENT. THIS AGREEMENT IS AN IMPORTANT PILLAR OF THE OVERALL ASEAN-CHINA FREE TRADE AREA ARRANGEMENTS. THIS AGREEMENT ON INVESTMENT PROVIDES FOR PROMOTION, FACILITATION AND LIBERALIZATION OF INVESTMENTS. IT SETS OUT THE PARAMETERS FOR CREATING A MORE TRANSPARENT INVESTMENT CLIMATE BETWEEN ASEAN AND CHINA. AS SUCH, IT IS IMPERATIVE THAT BOTH SIDES WORK CONSCIENTIOUSLY TOWARDS THE EARLY CONCLUSION OF THIS AGREEMENT. THE SIGNING OF THIS AGREEMENT WILL PROVIDE CONFIDENCE TO INVESTORS IN BOTH ASEAN AND CHINA, AND LAY THE FOUNDATION FOR EVEN STRONGER LINKAGES.

13. THE THIRD AREA I WOULD WISH TO SEE ASEAN AND CHINA ACCORD PRIORITY CONCERNS THE SETTING UP OF A MECHANISM TO FACILITATE TRADE AND INVESTMENT FLOWS. SUCH A MECHANISM WILL IN FACT BECOME IMPERATIVE ONCE THE ASEAN - CHINA FREE TRADE AREA (F.T.A) ARRANGEMENTS BECOME READY FOR FULL IMPLEMENTATION. THE ESSENCE OF ANY F.T.A IS NOT IN REACHING AGREEMENT BUT IN ITS IMPLEMENTATION. THE TRADE AND INVESTMENT FACILITATION MECHANISM THAT I AM PROPOSING WILL ENABLE THE GOVERNMENTS TO RECEIVE FEEDBACKS ON CONCERNS OF THE BUSINESS COMMUNITY OF BOTH SIDES. SUCH FEEDBACKS ARE NECESSARY TO ENABLE REMEDIAL MEASURES TO BE TAKEN EXPEDITIOUSLY.

LADIES AND GENTLEMEN,

14. LET ME SUGGEST THAT OUR ECONOMIES CAN REACH ANOTHER LEVEL OF COOPERATION WHEN CHINESE AND ASEAN ENTREPRENEURS BEGIN TO ENTER INTO JOINT VENTURES BETWEEN THEMSELVES. WITH THEIR EXPERTISE AND TECHNOLOGICAL CAPABILITIES, I AM CONFIDENT THAT ASEAN AND CHINESE ENTREPRENEURS WILL BE ABLE TO FORGE LARGE CORPORATIONS WHICH CAN MATCH THE TRANSNATIONAL ENTITIES OF THE DEVELOPED COUNTRIES. SUCH ASEAN-CHINA TRANSNATIONAL CORPORATIONS WOULD BE THE BEST VEHICLES FOR INITIATING INVESTMENTS IN THE LESSER DEVELOPED REGIONS OF BOTH CHINA AND ASEAN.

15. I AM CERTAIN THAT THE GROWTH OF ASEAN-CHINA JOINT VENTURE CORPORATIONS WILL HELP DEVELOP A MORE VIBRANT BUSINESS ENVIRONMENT NOT ONLY IN THE ASEAN REGION BUT ALSO IN CHINA. THEY WILL ALSO ENHANCE THE GROWTH OF THE ASEAN CHINA FREE TRADE AREA. WE CAN THINK EVEN FURTHER AHEAD, TO COLLABORATE AND JOINTLY INVEST IN OTHER DEVELOPING COUNTRIES OF THE WORLD OR EVEN THE DEVELOPED COUNTRIES.

16. FOR THOSE LESS FAMILIAR WITH THE ASEAN REGION, I INVITE YOU TO TAKE FULL ADVANTAGE OF THIS BUSINESS AND INVESTMENT SUMMIT AS WELL AS THE TRADE EXPOSITION TO FIND OUT MORE ABOUT THE ASEAN REGION AND ITS POTENTIALS.

17. I KNOW I CAN SPEAK MORE CONFIDENTLY ABOUT MALAYSIA WHERE WE HAVE RECORDED MUCH PROGRESS IN TERMS OF ECONOMIC GROWTH, INCLUDING THE DEVELOPMENT OF INDIGENOUS SCIENCE AND TECHNOLOGY. THE MALAYSIAN GOVERNMENT IS NOW GIVING PRIORITY TO THE DEVELOPMENT OF HIGH TECHNOLOGY, I.C.T, AGRICULTURE AND AGRO-BASED INDUSTRIES, BIOTECHNOLOGY, PHARMACEUTICALS, AND RESOURCE-BASED INDUSTRIES. THERE ARE OF COURSE OTHER POSSIBILITIES SUCH AS IN THE AREA OF HEALTH, TOURISM AND EDUCATION. THE GOVERNMENT IS PROVIDING INCENTIVES TO ENCOURAGE COMPANIES TO VENTURE INTO THESE FIELDS. AS USUAL, MEANINGFUL BUSINESS ENGAGEMENTS REQUIRE THE ABILITY OF PARTNERS OR POTENTIAL PARTNERS TO LEVERAGE ON THE STRENGTHS OF EACH OTHER. THIS IS WHAT I HOPE THE MALAYSIAN AND THEIR CHINESE PARTNERS WILL SUCCESSFULLY ACHIEVE.

LADIES AND GENTLEMEN,

18. AS WE LOOK TO THE FUTURE, IT IS ALSO PERTINENT FOR US TO LOOK BACK AND REFLECT UPON THE FACT THAT ECONOMIC RELATIONS BETWEEN ASEAN AND CHINA HAVE BEEN GROWING FROM STRENGTH TO STRENGTH SINCE THE ESTABLISHMENT OF FORMAL TIES IN 1991. WE MUST TAKE NOTE THAT THE SIGNING OF THE ASEAN-CHINA FRAMEWORK AGREEMENT ON COMPREHENSIVE ECONOMIC COOPERATION IN 2002 WAS A VERY IMPORTANT MILESTONE IN THE RELATIONS BETWEEN ASEAN AND CHINA.

19. SINCE THEN, WE HAVE TAKEN OTHER IMPORTANT STEPS. FOR INSTANCE, IN 2003, WE SIGNED THE ASEAN-CHINA JOINT DECLARATION ON STRATEGIC PARTNERSHIP FOR PEACE AND PROSPERITY. THIS WAS FOLLOWED BY THE IMPLEMENTATION OF THE ASEAN-CHINA EARLY HARVEST PROGRAMME IN 2004, AND THE ESTABLISHMENT OF THE ASEAN-CHINA FREE TRADE AREA IN GOODS IN 2005 AS A PART OF THE FRAMEWORK AGREEMENT.

20. I HAVE HIGHLIGHTED THESE AGREEMENTS BECAUSE THEY PROVIDE THE BUSINESS COMMUNITY WITH PREDICTABILITY, GOVERNMENT COMMITMENT AND A RULES-BASED ENVIRONMENT FOR DOING BUSINESS, IN AN INCREASINGLY LIBERALIZED, CHALLENGING AND COMPETITIVE MARKET-PLACE. AT THE SAME TIME, I CALL UPON THE PRIVATE SECTOR TO DISPLAY INITIATIVE, PRO-ACTIVE HARD WORK AND A WILLINGNESS TO TAKE CALCULATED BUSINESS RISKS. OTHERWISE, THE TARGETS AND DEADLINES SET OUT IN THESE AGREEMENTS WILL REMAIN MERE TARGETS AND DEADLINES. I CALL UPON THE PRIVATE SECTOR TO RISE TO THE CHALLENGE. THESE AGREEMENTS WERE, AFTER ALL, FORMULATED WITH CONSIDERABLE INPUT FROM THE PRIVATE SECTORS OF ASEAN AND CHINA.

21. THERE IS NO DOUBT THAT THE MANAGEMENT OF MODERN ECONOMIES REQUIRE A STRONG PARTNERSHIP BETWEEN THE GOVERNMENT AND THE PRIVATE SECTOR IN ALL OUR COUNTRIES. IN MALAYSIA, WE CALL THIS PARTNERSHIP "MALAYSIA INCORPORATED".

LADIES AND GENTLEMEN,

22. LET ME CONCLUDE BY CALLING UPON ON THE BUSINESS SECTOR OF ASEAN AND CHINA TO CONTINUE PROVIDING FEEDBACK AND PROPOSALS ON HOW TO OVERCOME IMPEDIMENTS AND ENHANCE ECONOMIC LINKAGES. I HAVE NO DOUBT THAT TRADE AND INVESTMENT BETWEEN ASEAN AND CHINA CAN BE FURTHER ENHANCED. I CALL UPON THE PRIVATE SECTOR TO USE THEIR INNOVATION AND CREATIVITY TO TAKE ADVANTAGE OF THE COMPLEMENTARITIES IN OUR ECONOMIES. THIS WOULD HELP REALIZE THE GOAL OF BRINGING INTO BEING AN INTEGRATED MARKET OF 1.8 BILLION PEOPLE ENVISAGED BY THE ASEAN-CHINA FRAMEWORK AGREEMENT ON COMPREHENSIVE ECONOMIC COOPERATION.

23. I WISH ALL OF YOU EVERY SUCCESS IN YOUR DELIBERATIONS IN THIS FORUM AND IN YOUR BUSINESS ENDEAVORS.

THANK YOU.