

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE MALAYSIA-CHINA BUSINESS FORUM 2007
AT PERSADA JOHOR INTERNATIONAL CONVENTION CENTRE, JOHOR BAHRU
5 JULY 2007**

BISMILLAHIR RAHMANIR RAHIM
ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD MORNING

YAB DATO' SERI ABDUL GHANI OTHMAN
MENTERI BESAR JOHOR

Y.A.BHG TUN MUSA HITAM; AND, Y.BHG TAN SRI LEE KIM YEW
JOINT CHAIRMEN OF THE MALAYSIA-CHINA BUSINESS COUNCIL

H.E. MR YU PING
VICE CHAIRMAN, CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE

EXCELLENCIES, MEMBERS OF THE COUNCIL, AND DISTINGUISHED PANELISTS

LADIES AND GENTLEMEN

1. IT IS A PLEASURE FOR ME TO ONCE AGAIN BE ABLE TO ADDRESS THIS DISTINGUISHED GATHERING AT THE MALAYSIA-CHINA BUSINESS FORUM 2007. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK THE MALAYSIA-CHINA BUSINESS COUNCIL AS WELL AS THE ASIAN STRATEGY AND LEADERSHIP INSTITUTE (ASLI) FOR JOINTLY ORGANISING THIS IMPORTANT FORUM FOR THE BENEFIT OF OUR TWO COUNTRIES.

2. I AM MADE TO UNDERSTAND THAT A CONSIDERABLE NUMBER OF DELEGATES AND ORGANISATIONS FROM CHINA HAVE ARRIVED ALL THE WAY FROM THEIR RESPECTIVE PROVINCES TO PARTICIPATE IN THIS FORUM. TO ALL CHINESE DELEGATES AND FRIENDS, I WOULD LIKE TO WISH YOU A VERY WARM "SELAMAT DATANG", OR WELCOME, TO MALAYSIA.

3. THE LAST TIME WE MET WAS IN 2005, AND I AM HAPPY TO NOTE THAT MANY FRUITFUL EVENTS HAVE TAKEN PLACE IN OUR COUNTRIES' RESPECTIVE ECONOMIES SINCE THAT TIME. THE ECONOMIC CLIMATE IN BOTH MALAYSIA AND CHINA IS CURRENTLY VERY POSITIVE, AS BOTH COUNTRIES STRIVE TO IMPLEMENT THEIR RECENTLY UNVEILED 5-YEAR DEVELOPMENT PLANS. MOREOVER, OUR RESPECTIVE STOCK MARKETS – WHICH REPRESENTS A KEY BAROMETER TO THE ECONOMIC HEALTH OF OUR ECONOMIES – REMAIN BUOYANT AND APPEAR ON COURSE TO CHART FURTHER GROWTH.

4. AS SOME OF YOU MAY BE AWARE, THIS YEAR MARKS MALAYSIA'S GOLDEN JUBILEE AS AN INDEPENDENT NATION, WHICH WILL BE CELEBRATED ON 31ST AUGUST. TO MARK THIS MOMENTOUS OCCASION, WE HAVE ALSO DESIGNATED 2007 AS 'VISIT MALAYSIA' YEAR. HENCE, MANY COLOURFUL EVENTS HAVE BEEN PLANNED THROUGHOUT THE YEAR, INCLUDING VARIOUS CULTURAL FESTIVALS AND HISTORICAL EXHIBITIONS. IF THIS IS YOUR FIRST VISIT TO MALAYSIA, I BELIEVE THAT THESE EVENTS WILL BE OF INTEREST TO YOU, SHOULD YOU LIKE TO

LEARN MORE ABOUT THE PROGRESS AND DEVELOPMENT OF THIS COUNTRY OVER THE LAST FEW DECADES. I HOPE THAT YOU WILL TAKE SOME TIME OFF AFTER THIS FORUM TO ENJOY THE SIGHTS AND SOUNDS OF OUR INDEPENDENCE CELEBRATIONS, AS THE FESTIVE ATMOSPHERE WILL NO DOUBT HELP TO ENHANCE YOUR STAY HERE IN MALAYSIA.

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5. IT IS INTERESTING TO NOTE THAT FROM A HISTORICAL PERSPECTIVE, CHINA'S RISE AS A MODERN ECONOMIC POWER BEGAN ALMOST 30 YEARS AGO WHEN MARKET-ORIENTED APPROACHES WERE INTRODUCED INTO THE DOMESTIC ECONOMY TO INCREASE PRODUCTIVITY AND LIVING STANDARDS, PARTICULARLY IN THE LESS URBANISED AREAS. IN SHORT, CHINA BEGAN TO SOW THE SEEDS OF A MARKET-ORIENTED ECONOMY IN THE COUNTRY, WHICH ALLOWED DIVERSIFICATION INTO NON-AGRICULTURAL ACTIVITIES SUCH AS INDUSTRY AND MANUFACTURING; INTERNATIONAL TRADE; AND, FOREIGN DIRECT INVESTMENT (F.D.I.).

6. DURING THE INITIAL STAGES OF REFORM, THE BULK OF F.D.I. INTO CHINA CAME FROM INVESTORS' EXCITEMENT OF BEING ABLE TO PARTICIPATE IN THE WORLD'S MOST POPULOUS MARKET – A MARKET THAT HAD PREVIOUSLY BEEN CLOSED TO FOREIGN PARTICIPATION. INDEED, THE PROSPECT OF BEING PRESENT IN AN INCREASINGLY AFFLUENT CONSUMER MARKET THE SIZE OF CHINA ATTRACTED INVESTORS BY THE DROVES, AS NO ONE DARED TO BE LEFT OUT.

7. IN ALL, IT IS ESTIMATED THAT NEARLY 600 BILLION DOLLARS IN F.D.I. HAS FOUND ITS WAY INTO CHINA OVER THE LAST THREE DECADES. DESPITE BEING DULY RECOGNISED AS THE FASTEST GROWING LARGE ECONOMY OVER THE LAST TEN YEARS, I AM MADE TO UNDERSTAND THAT CHINA'S ECONOMIC GROWTH IS FORECASTED TO CONTINUE TO BE IN THE REGION OF 9 – 10 PERCENT OVER THE NEXT SEVERAL YEARS. IT IS ALSO PROJECTED THAT F.D.I. INFLOWS WILL CONTINUE TO ACCELERATE IN TANDEM, PARTICULARLY AS CHINA CONTINUES TO FURTHER OPEN ITS ECONOMY.

8. AT PRESENT, CHINA IS REGARDED AS THE WORLD'S FOURTH LARGEST ECONOMY WITH GROSS DOMESTIC PRODUCT (G.D.P.) VALUED AT SOME 2.7 TRILLION U.S. DOLLARS. THUS, HAVING GROWN ECONOMICALLY TO ITS PRESENT POSITION, I STRONGLY BELIEVE THAT CHINA IS NOW IN A SOLID POSITION TO INCREASE ITS OVERSEAS INVESTMENTS, PARTICULARLY IN THE FORM OF BUSINESS AND TRADE PARTNERSHIPS, ON A LARGE SCALE. AS MOST OF YOU ARE AWARE, OVERSEAS INVESTING IS A TREND THAT MANY WEALTHY COUNTRIES PURSUE ONCE THE DOMESTIC ECONOMY HAS REACHED SUFFICIENT SCALE AND SCOPE TO SUPPORT THIS DEVELOPMENT. MOREOVER, SUCCESSFULLY INVESTING IN INTERNATIONAL MARKETS ACTS AS A NEW SOURCE OF GROWTH FOR CORPORATIONS AND ENTREPRENEURS PREVIOUSLY CONFINED TO THE DOMESTIC ECONOMY.

9. IN CHINA'S CASE, IT IS CLEARLY EVIDENT THAT MANY STATE-OWNED ENTERPRISES AS WELL AS PRIVATE CORPORATIONS AND BUSINESSES HAVE GROWN TREMENDOUSLY IN SIZE OVER THE LAST DECADE, HAVING BENEFITED FROM THE ROBUST ECONOMIC CONDITIONS. SOME SUCH AS SINOPEC AND CHINA NATIONAL OFFSHORE OIL CORPORATION HAVE MADE INROADS IN THE INTERNATIONAL PETROLEUM INDUSTRY THROUGH STRATEGIC PARTNERSHIPS.

OTHERS SUCH AS LENOVO AND HAIER HAVE SUCCESSFULLY DEVELOPED INTERNATIONAL BRAND RECOGNITION, WHICH ENABLE THEM TO COMPETE DIRECTLY IN INTERNATIONAL MARKETS. NEVERTHELESS, THE COMMON DENOMINATOR TOWARDS THE SUCCESS OF THESE COMPANIES IS THE SAME, WHICH IS TO SEIZE THE BEST OPPORTUNITIES, AT THE BEST POSSIBLE MOMENT.

LADIES AND GENTLEMEN

10. DURING THE THIRD CHINA-ASEAN BUSINESS AND INVESTMENT SUMMIT HELD IN NANNING, I HAD HIGHLIGHTED THE IMPORTANCE OF TRADE, BUSINESS AS WELL AS INVESTMENT COOPERATION BETWEEN CHINA AND THE ASEAN REGION. THIS IS BECAUSE THE ASEAN REGION HAS CONSISTENTLY REGARDED CHINA WITH AN AIR OF OPENNESS WHEN FORGING DIPLOMATIC RELATIONSHIPS, AND AS A SOURCE OF ECONOMIC OPPORTUNITY.

11. IN MY VIEW, CHINESE CORPORATIONS ARE WELL POSITIONED TO TAKE ADVANTAGE OF THE MANY TRADE AND INVESTMENT OPPORTUNITIES MATERIALISING IN THE ASEAN REGION. AS WE SPEAK, ARRANGEMENTS ARE BEING MADE TO FULLY IMPLEMENT THE ASEAN –CHINA FREE TRADE AREA. IN THIS RESPECT, I WOULD LIKE TO REMIND THE CHINA BUSINESS COMMUNITY THAT ASEAN IS NOW A FREE TRADE AREA WHERE GOODS ARE COMMONLY TRADED AT TARIFFS OF BETWEEN ZERO AND FIVE PER CENT, WHICH IN TURN OFFER SIGNIFICANT BENEFITS FOR CORPORATIONS WISHING TO PURSUE INTRA-REGIONAL TRADE. MOREOVER, CHINESE COMPANIES WISHING TO EXPAND THEIR ACTIVITIES IN ASEAN CAN EASILY LEVERAGE ON THE LINKAGES AND NETWORKS ALREADY ESTABLISHED IN THE AREA.

12. I AM CONFIDENT THAT IN THE NEAR FUTURE, THE ASEAN REGION WILL BECOME AN IMPORTANT SOURCE OF INVESTMENT AND BUSINESS PARTNERSHIPS FOR CHINA. INDEED, SOME ASEAN COUNTRIES ALREADY PLAY THIS ROLE TO VARYING DEGREES. IN THIS RESPECT, MALAYSIA IS DOING ALL IT CAN TO POSITION ITSELF AS A PREMIER INVESTMENT DESTINATION WITHIN THE ASEAN REGION.

13. SIMILAR TO CHINA, MALAYSIA IS IN THE MIDST OF IMPLEMENTING ITS LATEST FIVE-YEAR DEVELOPMENT PLAN. THE NINTH MALAYSIA PLAN, WHICH COVERS THE PERIOD BETWEEN 2006 – 2010, WAS LAUNCHED LAST YEAR AS THE FIRST OF THREE FIVE-YEAR PLANS TO DRIVE MALAYSIA FORWARD IN ITS ASPIRATIONS TO ACHIEVE DEVELOPED NATION STATUS BY 2020.

14. IT IS MY HOPE THAT THE INTERNATIONAL BUSINESS COMMUNITY WILL PAY CAREFUL ATTENTION TO THE FIRST THRUST OF THE NINTH MALAYSIA PLAN, WHICH AIMS TO MOVE THE MALAYSIAN ECONOMY FURTHER UP THE VALUE CHAIN. PARTICULAR EMPHASIS WILL BE PLACED IN INCREASING THE VALUE ADDED CONTENT OF THE MANUFACTURING, SERVICES AND AGRICULTURE SECTORS. ON ITS PART, THE GOVERNMENT WILL STRIVE TO GENERATE NEW SOURCES OF WEALTH, ESPECIALLY IN TECHNOLOGY AND KNOWLEDGE-INTENSIVE INDUSTRIES SUCH AS I.C.T. AND BIOTECHNOLOGY. IN ALL OUR EFFORTS PERTAINING TO THIS PLAN, MY GOVERNMENT WILL ALLOW THE PRIVATE SECTOR TO PLAY A LEADING ROLE IN ECONOMIC DEVELOPMENT BY ADOPTING A CULTURE OF HIGH PERFORMANCE, AND BY EXPANDING THE MARKET FOR MALAYSIAN PRODUCTS AND SERVICES.

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15. IN PROMOTING MALAYSIA AS A PRIME COMMERCIAL DESTINATION, THE GOVERNMENT CONTINUES TO ADOPT AN OPEN INVESTMENT CLIMATE. FOR EXAMPLE, THERE ARE NO RESTRICTIONS ON PROFIT REPATRIATION FOR FOREIGN-OWNED BUSINESSES, AND OFFSHORE FINANCING MAY EASILY BE TRANSACTED THROUGH THE BANKING SYSTEM. IN ADDITION, FULL EQUITY OWNERSHIP IS ALLOWED IN SELECTED GROWTH INDUSTRIES, AND THERE ARE NO STRINGENT IMMIGRATION REQUIREMENTS FOR THE IMPORTATION OF SKILLED LABOUR. MOREOVER, THERE EXIST VARIOUS INDUSTRIAL AND COMMERCIAL CLUSTERS TO ACCOMMODATE THE ESTABLISHMENT OF FOREIGN-OWNED BUSINESS VENTURES.

16. AS SOME OF YOU MAY BE AWARE, A KEY INITIATIVE UNDER THE NINTH MALAYSIA PLAN TO ACHIEVE SUSTAINABLE ECONOMIC GROWTH IS THE DEVELOPMENT OF STRATEGIC REGIONAL CORRIDORS IN THE NORTH, SOUTH, AND EAST OF THE PENINSULAR AS WELL AS IN EAST MALAYSIA. WHILE THESE CORRIDORS ARE AIMED AT ENHANCING THE LEVEL OF ECONOMIC ACTIVITY IN THESE REGIONS, IT IS HOPED THAT THE DEVELOPMENT OF THESE AREAS WILL ALSO ATTRACT A HIGH LEVEL OF FOREIGN PARTICIPATION OVER THE LONG-TERM.

17. ONE SUCH AREA RELEVANT TO THIS FORUM IS THE ISKANDAR DEVELOPMENT REGION (I.D.R.), LOCATED HERE IN THE STATE OF JOHOR. THE I.D.R. WILL BE DEVELOPED AS A PLANNED ECONOMIC REGION, AND WHEN COMPLETED, WILL SERVE AS A MODERN FOCAL POINT BETWEEN MALAYSIA AND A GLOBALISED WORLD. IN SHORT, OUR VISION IS TO MAKE THE I.D.R. THE NEW INTERNATIONAL ADDRESS FOR BUSINESS, INVESTMENT, LEISURE AND CULTURE.

18. THE DEVELOPMENT OF THE I.D.R. IS BEING COORDINATED BY THE ISKANDAR REGIONAL DEVELOPMENT AUTHORITY (I.R.D.A.), A STATUTORY BODY THAT SERVES AS A ONE-STOP-CENTRE TO ENABLE EFFICIENT PROCESSING OF PLANS AND PROPOSALS. THIS ONE-STOP-CENTRE WILL BE BENCHMARKED AGAINST THE REGION'S BEST IN TERMS OF SERVICE STANDARDS, IN ORDER TO EFFECTIVELY SUPPORT THE I.D.R.'S CURRENT AND FUTURE PARTNERS. IN PARTICULAR, IT IS THE I.R.D.A.'S RESPONSIBILITY TO ENSURE THAT THE DEMANDS OF THE LOCAL COMMUNITY AS WELL AS THAT OF FOREIGN INVESTORS' ARE DULY MET AND FULFILLED.

19. AS SUCH, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO EMPHASISE THE IMPORTANCE OF THE I.D.R. DEVELOPMENT TO THE CHINA BUSINESS COMMUNITY. FIRSTLY, LET ME STRESS THAT THE I.D.R. WELCOMES FOREIGN PARTICIPATION THROUGH MUTUAL BUSINESS PARTNERSHIP AND COOPERATION. THIS IS SIMILAR TO CHINA'S OWN REGIONAL DEVELOPMENT MODEL WHEN IT ESTABLISHED THE SPECIAL ECONOMIC ZONES (S.E.Z.'S) DURING THE INITIAL YEARS OF ECONOMIC REFORM.

20. SECONDLY, THE I.D.R. IS STRATEGICALLY LOCATED AT THE CROSSROADS OF EAST AND WEST TRADE AND SHIPPING LANES, AND ITS PROXIMITY TO SINGAPORE AND INDONESIA ALSO REFLECTS THE I.D.R.'S POTENTIAL OF BECOMING A REGIONAL ECONOMIC HUB FOR THE ASEAN REGION. THE I.D.R. IS SUPPORTED BY AN EXPANSE OF SEAFRONT AND COASTAL LAND FOR EASY LOGISTICAL ACCESS, WHICH IS WELL SERVED BY AIR, SEA AND LAND TRANSPORT. AT PRESENT, THERE IS A LOGISTICS HUB COMPRISING TWO SEA PORTS (NAMELY, THE PORT OF

TANJUNG PELEPAS AND PORT OF PASIR GUDANG), AN INTERNATIONAL AIRPORT (THE SENAI AIRPORT), AND THE NORTH SOUTH EXPRESSWAY. IN ADDITION, THE I.D.R. IS SITUATED WITHIN JOHOR STATE'S INNER, MIDDLE AND OUTER RING ROADS.

21. THIRDLY, INVESTORS CAN EXPECT THE I.D.R. TO BE WITHIN EASY REACH OF RESOURCES REQUIRED TO SUCCEED IN BUSINESS. THERE IS A READY SUPPLY OF SKILLED AND EDUCATED LABOUR GIVEN THE PROXIMITY OF NUMEROUS TECHNICAL COLLEGES AND UNIVERSITIES, WHICH CAN PROVIDE A STEADY STREAM OF KNOWLEDGE WORKERS. MOREOVER, THE I.D.R. IS BLESSED WITH ACCESS TO SUFFICIENT SUPPLIES OF FUEL, BIO-FUEL, AND NATURAL GAS. THESE FACTORS WILL ENSURE THAT PRODUCTS AND SERVICES WILL BE PRICED COMPETITIVELY IN THE REGION.

22. FINALLY, THERE IS LONG-TERM POLITICAL SUPPORT AND COMMITMENT TO ENSURE THAT THE DEVELOPMENT OF THE I.D.R. IS A SUCCESS. THIS WILL BE EVIDENT IN THE FORM OF FAST REGULATORY APPROVALS AS WELL AS VARIOUS INCENTIVES AND SUPPORT PACKAGES FOR BUSINESS ESTABLISHMENTS. IN ADDITION, BUSINESS TRANSACTIONS WILL BE EASILY FACILITATED THROUGH A BRITISH-BASED LEGAL SYSTEM, WHICH IS STRUCTURALLY SIMILAR TO THAT OF HONG KONG. IN ALL, INVESTORS CAN EXPECT MALAYSIA'S POLITICAL AND SOCIAL STABILITY TO PROVIDE A CONDUCTIVE ENVIRONMENT FOR DEVELOPING REGIONAL BUSINESSES.

LADIES AND GENTLEMEN

23. FOR 2006, CHINA'S TOTAL GLOBAL TRADE STOOD AT SOME 1.7 TRILLION U.S. DOLLARS. OF THIS AMOUNT HOWEVER, ONLY 2 PERCENT COMPRISED OF DIRECT TRADE WITH MALAYSIA. UNFORTUNATELY, THIS PROPORTION HAS NOT IMPROVED MUCH OVER THE LAST THREE YEARS, DESPITE TRADE BETWEEN OUR TWO COUNTRIES INCREASING IN ABSOLUTE TERMS. IN TERMS OF INVESTMENTS, MALAYSIA CONTRIBUTED APPROXIMATELY 320 MILLION U.S. DOLLARS WORTH OF DIRECT INVESTMENTS INTO CHINA, BUT ONLY RECEIVED LESS THAN 30 MILLION U.S. DOLLARS IN RETURN.

24. GIVEN OUR STRONG AND LONG-SERVING DIPLOMATIC TIES, I BELIEVE THAT IT IS ONLY NATURAL FOR MALAYSIA AND CHINA TO BE ABLE TO ENHANCE EXISTING TRADE, BUSINESS, AND INVESTMENT COOPERATION. I AM HAPPY TO STATE THAT MALAYSIA STANDS READY TO COMMIT ITSELF. AS SHOWN IN A SURVEY PUBLISHED IN THE 28TH JUNE 2007 EDITION OF THE INTERNATIONAL HERALD TRIBUNE, AN OVERWHELMING 83 PERCENT OF MALAYSIANS VIEW CHINA AS A POSITIVE INFLUENCE – ONE OF THE HIGHEST AMONGST ASEAN COUNTRIES.

25. WHILE IT APPEARS THAT MUCH NEEDS TO BE DONE TO IMPROVE THE CURRENT SITUATION, I AM CERTAIN THAT A SOLUTION EXISTS IN THE NOT TOO DISTANT FUTURE. ALREADY, THERE IS FIRM INDICATION THAT MALAYSIA SERVES AS A PRIME DESTINATION FOR CHINESE TOURISTS SEEKING A QUALITY HOLIDAY. IN ADDITION, SOME 10,000 CHINESE STUDENTS ARE ALREADY ENROLLED IN PRIVATE INSTITUTIONS OF HIGHER LEARNING IN MALAYSIA, AS THEY HAVE COME TO REALISE THAT WE OFFER A HIGH QUALITY AND VALUE-FOR-MONEY EDUCATION. I AM CERTAIN THAT THE PRESENCE OF SIMILAR LANGUAGE AND SIMILAR CULTURAL INFLUENCES IN MALAYSIA HAVE PLAYED A MAJOR ROLE IN MAKING THIS COUNTRY A PRIME DESTINATION FOR CHINESE NATIONALS.

26. AS SUCH, I REMAIN OPTIMISTIC THAT BUSINESS AND INVESTMENT RELATIONS BETWEEN MALAYSIA AND CHINA WILL IMPROVE IN THE COMING YEARS. I SINCERELY BELIEVE THAT THE DISCUSSIONS HELD DURING THIS FORUM WILL SERVE AS AN IMPORTANT BRIDGE TO CULTIVATE THE NECESSARY UNDERSTANDING AND LINKAGES THAT ARE REQUIRED IN ORDER TO INCREASE THE ECONOMIC PARTICIPATION BETWEEN OUR TWO COUNTRIES. IT IS MY SINCERE WISH FOR THE MALAYSIA-CHINA BUSINESS COUNCIL TO PLAY A PROACTIVE ROLE IN ACHIEVING THIS TARGET. THIS FORUM IS A CRITICAL PART OF THAT PROCESS, AND I WISH YOU ALL A SUCCESSFUL AND PRODUCTIVE CONFERENCE.

THANK YOU.