

**SPEECH BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
AT THE EIU BUSINESS ROUNDTABLE WITH THE GOVERNMENT OF MALAYSIA  
AT SHANGRI-LA HOTEL, KUALA LUMPUR  
10 JULY 2007**

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ASSALAMUALAIKUM AND A VERY GOOD MORNING TO YOU ALL.

IT IS A GREAT PLEASURE FOR ME TO BE HERE WITH YOU THIS MORNING AND I LOOK FORWARD TO OUR UPCOMING DISCUSSION. I HOPE TO GIVE YOU BETTER INSIGHT INTO MALAYSIA'S DIRECTION AND A CLEARER UNDERSTANDING OF OUR CHALLENGES. BY THE SAME TOKEN, YOUR VIEWS AND QUESTIONS ARE IMPORTANT TO ME. I HOPE THAT WE MAY LEARN FROM EACH OTHER AND IN SO DOING, INCREASE THE NATION'S PERFORMANCE.

2. THIS CONFERENCE REPRESENTS A RARE OPPORTUNITY TO INTERACT WITH SOME OF THE HIGHEST MEMBERS OF MALAYSIAN GOVERNMENT. THESE DISCUSSIONS WILL GIVE YOU EXTRAORDINARY PROXIMITY AND DEPTH INTO THE MALAYSIAN SITUATION, THROUGH THE EYES OF THESE IMPORTANT PLAYERS.

3. I WILL TOUCH ON SOME OF THESE AREAS BUT MORE IMPORTANTLY, I WOULD LIKE TO START OFF TODAY'S PROCEEDINGS BY GIVING YOU THE OVERALL BASIS UNDERPINNING OUR COLLECTIVE EFFORTS. I WOULD LIKE TO GIVE YOU A BROADER AND LONGER VIEW OF WHERE MALAYSIA IS HEADED. THIS FOUNDATION WOULD HELP TO EXPLAIN SOME OF THE RENEWED ATTENTION WE HAVE RECEIVED FROM GLOBAL MARKETS RECENTLY, AND GIVE YOU SOME INDICATION OF MALAYSIA'S FUTURE COMPETITIVENESS.

LADIES AND GENTLEMEN,

4. OUR NATION CELEBRATES 50 YEARS OF INDEPENDENCE ON THE 31ST OF AUGUST THIS YEAR. A YOUNG NATION, ONE THAT BEGAN WITH EXTREMELY CHALLENGING CIRCUMSTANCES. NEVERTHELESS, AFTER 50 YEARS OF HARD WORK, WHAT COMES THROUGH VERY CLEARLY IS A SUCCESS STORY.

5. POVERTY IS DOWN TO 5.7 PER CENT FROM OVER 50 PER CENT AT INDEPENDENCE AS INCOMES MORE THAN DOUBLED. GDP HAS GROWN AN AVERAGE OF 6.5 PERCENT ANNUALLY. TRADE SURPASSED THE 1 TRILLION RINGGIT MARK IN 2006 AND THE STOCK MARKET RECENTLY REACHED HISTORIC ALL-TIME HIGHS. OUR FOREIGN RESERVES ARE WELL OVER 95 BILLION US DOLLARS. WE ARE RANKED 4TH IN ASIA FOR BUSINESS COMPETITIVENESS BY THE WORLD ECONOMIC FORUM, AFTER JAPAN, HONG KONG AND SINGAPORE. FOR ORDINARY MALAYSIANS, ALL THIS TRANSLATES INTO STANDARDS OF EDUCATION AND LIVING FAR ABOVE THEIR FATHERS AND FOREFATHERS. BY ANY MEASURE OF NATIONHOOD, IT IS A STORY OF RESILIENCE AND SUSTAINED PROGRESS, DESPITE THE ODDS.

6. THE RENEWED INTEREST IN MALAYSIA IS A PRODUCT OF THIS 50-YEAR LEGACY AS WELL AS A RECENT NATIONAL EFFORT AT REFINING OUR APPROACHES. AS A NATION, OUR OVERARCHING OBJECTIVE IS VISION 2020, WHICH IS THE SHARED GOAL TO ACHIEVE DEVELOPED NATION STATUS BY THE YEAR 2020. AT THE SAME

TIME, THE WORLD HAS CHANGED DRAMATICALLY SINCE THE CONCEPTION OF VISION 2020 SEVENTEEN YEARS AGO. THE OPENING UP OF CHINA AND INDIA HAS TRANSFORMED THE LANDSCAPE OF THE WORLD ECONOMY IN TERMS OF MARKETS, DEMAND FOR NATURAL RESOURCES AND COMPETITION. THE IMPACT OF NEWER ENTRANTS, SUCH AS VIETNAM, IS ALSO BEING FELT. THUS, WHILE WE SET OUR SIGHTS FIRMLY ON VISION 2020, WE KNOW THAT WE MUST CONTINUOUSLY ADAPT OUR APPROACHES IN RESPONSE TO THE CHANGING ENVIRONMENT.

7. THE 9TH MALAYSIA PLAN REPRESENTED ONE OF THE MOST SIGNIFICANT 5-YEAR DEVELOPMENT PLANS IN MALAYSIA'S HISTORY, COMING AT THE MIDPOINT OF THE JOURNEY TOWARDS 2020. FOR THIS PLAN, WE REVIEWED OUR SITUATION AND THEN FOCUSED OUR PRIORITIES WITH THE CURRENT ENVIRONMENT IN MIND. THE RESULT WAS THE NATIONAL MISSION, A FRAMEWORK DEVELOPED TO GUIDE THE IMPLEMENTATION OF POLICIES, PROGRAMS AND APPROACHES GOING FORWARD.

8. THE NATIONAL MISSION CONSISTS OF 5 CORE THRUSTS. THE FIRST THRUST IS TO MOVE THE ECONOMY UP THE VALUE CHAIN. MALAYSIA HAD FIRST RELIED ON NATURAL RESOURCES, THEN ON TO LOW-COST LABOUR AND CAPITAL-LED GROWTH. NOW, WE ARE MAKING THE TRANSITION TOWARDS AN ECONOMY PROPELLED BY SKILLED HUMAN CAPITAL AND INNOVATION.

9. THIS MEANS VALUE-ADDING TO OUR ESTABLISHED ECONOMIC ACTIVITIES SUCH AS PALM OIL PRODUCTION, OIL AND GAS, ELECTRICAL AND ELECTRONICS MANUFACTURING, LOGISTICS AND FINANCIAL SERVICES. THIS ALSO MEANS GENERATING NEW HIGHER-VALUE SECTORS DRIVEN BY ICT AND BIOTECHNOLOGY.

10. THE GOVERNMENT PLAYS A MAJOR ROLE IN THESE SHIFTS, NOT ONLY IN TERMS OF POLICY – SUCH AS THE DEVELOPMENT OF THE ISKANDAR DEVELOPMENT REGION - BUT ALSO IN TERMS OF INVESTMENT VIA GOVERNMENT-LINKED COMPANIES OR GLCS. GLCS WILL MOST LIKELY CONTINUE TO BE A SIGNIFICANT PRESENCE, PARTICULARLY IN STRATEGIC SECTORS, BUT THE NATIONAL MISSION SETS OUT TO PROMOTE THE PRIVATE SECTOR AS THE LEAD PLAYER AND INVESTOR IN THE ECONOMY. HAVING A THRIVING PRIVATE SECTOR, DRIVEN PRIMARILY BY COMMERCIAL PRINCIPLES, WILL ENSURE THAT OUR ECONOMY CREATES VALUE AND REMAINS COMPETITIVE.

11. THE SECOND THRUST OF THE NATIONAL MISSION IS TO RAISE THE COUNTRY'S CAPACITY FOR KNOWLEDGE AND INNOVATION. IN ESSENCE, TO IMPROVE THE QUALITY OF HUMAN CAPITAL, A TOPIC WHICH I WILL TOUCH ON IN FURTHER DETAIL SHORTLY.

12. THE THIRD THRUST OF THE NATIONAL MISSION IS TO ADDRESS PERSISTENT SOCIOECONOMIC INEQUALITIES IN A CONSTRUCTIVE AND PRODUCTIVE MANNER. AS I MENTIONED EARLIER, POVERTY STANDS AT 5.7 PER CENT OF THE POPULATION. MY GOVERNMENT AIMS TO HALVE THIS RATE AND TO FULLY ERADICATE HARDCORE POVERTY BY 2010. MUCH OF THE PROBLEM LIES WITH DISPARITIES IN REGIONAL GROWTH. TO CLOSE THE GAP IN A SUSTAINABLE, MARKET-LED WAY, WE WILL SOON BE LAUNCHING THE NORTHERN CORRIDOR ECONOMIC REGION, THE EASTERN CORRIDOR AS WELL AS THE SABAH AND SARAWAK GROWTH CORRIDORS. EACH OF THESE EFFORTS SEEKS TO BETTER EMPLOY THE REGION'S EXISTING STRENGTHS BY INTRODUCING MEASURES AND INCENTIVES TO ENCOURAGE INVESTMENT, BUSINESS GROWTH AND EMPLOYMENT. SPECIFIC ATTENTION WILL BE PAID TO AGRICULTURAL PRODUCTIVITY AND RURAL

DEVELOPMENT, THE DOMINANT FACTORS BEHIND INEQUALITY.

13. THE FOURTH THRUST IS TO IMPROVE THE QUALITY OF LIFE. THE GOVERNMENT WILL CONTINUE TO PROVIDE FOR BASIC NEEDS SUCH AS WATER, ENERGY, LOW-TO-MEDIUM COST HOUSING, TRANSPORTATION AND OTHER AMENITIES. HOWEVER, THE EMPHASIS MUST NOW BE CENTRED ON MAINTENANCE, UPGRADING AND THE EFFICIENT USE OF RESOURCES.

14. THE FIFTH AND FINAL THRUST OF THE NATIONAL MISSION IS TO STRENGTHEN THE INSTITUTIONAL CAPACITY OF THE COUNTRY. THE SPEED WITH WHICH WE REACH OUR VISION RELIES HEAVILY ON THE QUALITY OF THE PUBLIC SERVICES DELIVERY SYSTEM. THE PUBLIC SECTOR MUST BECOME A BETTER FACILITATOR OF A PRIVATE-SECTOR LED ECONOMY. THE APPROACH TAKEN FOR THE ISKANDAR DEVELOPMENT REGION IS AN EXAMPLE, WITH GOVERNMENT FOCUSING ON PROVIDING THE HARD AND SOFT INFRASTRUCTURE TO ATTRACT AND FACILITATE, RATHER THAN SUPPLANT, THE PRIVATE SECTOR.

15. THE NATIONAL MISSION SHOWS MALAYSIA'S PRIORITIES AND UNDERLYING PHILOSOPHY IN TACKLING THE CHALLENGES WE FACE IN THIS ERA. HERE, I WOULD LIKE TO TOUCH ON SOME OF THE ISSUES TOPMOST IN OUR MINDS.

16. THE ISSUE OF SKILLS AND INNOVATION HAS LONG BEEN RECOGNISED BY THE MALAYSIAN GOVERNMENT AND THUS, WE HAVE PLACED GREAT EMPHASIS ON HUMAN CAPITAL DEVELOPMENT IN THE 9TH MALAYSIA PLAN. CONTINUOUS IMPROVEMENTS MUST BE MADE TO THE EDUCATION SYSTEM IN ORDER TO PRODUCE A MARKET-READY WORKFORCE. MALAYSIA HAS CONSISTENTLY SPENT OVER 20 PER CENT OF THE DEVELOPMENT BUDGET ON EDUCATION, ONE OF THE HIGHEST INVESTMENTS IN HUMAN CAPITAL BY ANY COUNTRY IN THE WORLD. RECENTLY, THE NEEDS OF THE EDUCATION SYSTEM WERE REVIEWED RESULTING IN A NEW EDUCATION BLUEPRINT. IN ADDITION, THE MINISTRY OF HIGHER EDUCATION WILL SOON BE LAUNCHING AN INITIATIVE ON THE HIGHER EDUCATION SYSTEM.

17. MORE COLLABORATION WILL BE STRUCK BETWEEN PRIVATE SECTOR AND ACADEMIA TO ENSURE WE PRODUCE QUALIFICATIONS RELEVANT TO INDUSTRY. I ALSO SEE THE NEED FOR MALAYSIA TO REFINE ITS STANCE ON FOREIGN TALENT; THE ENTRY OF SKILLED WORKERS SHOULD NOT BE OVERLY RESTRICTIVE, PARTICULARLY IN KNOWLEDGE-BASED SECTORS. OUR INVESTMENTS IN EDUCATION AND SKILLS TRAINING, TOGETHER WITH A MORE OPEN VIEW OF FOREIGN KNOWLEDGE WORKERS, SHOULD MAKE MALAYSIA A GATHERING PLACE FOR SOME OF THE WORLD'S BEST TALENT.

18. THE SECOND ISSUE IS ONE CLOSELY LINKED TO THE DELIVERY OF PUBLIC SERVICES, NAMELY, GOVERNMENT REGULATION. I STRONGLY BELIEVE THAT ONE OF THE GOVERNMENT'S MAIN ROLES IS TO FACILITATE BUSINESS, AS LONG AS THE PUBLIC INTEREST IS PRESERVED SUCH AS ENVIRONMENTAL CONSERVATION AND CONSUMER PROTECTION. AT THE SAME TIME, I FAVOUR A STEP BY STEP APPROACH TOWARDS REDUCING REGULATION IN ORDER TO LEARN ITS EFFECTS AND GIVE ROOM FOR ADAPTATION IF NECESSARY. WE HAVE RECENTLY SCALED DOWN RULES ON FOREIGN OWNERSHIP FOR TARGETED SECTORS AND AREAS IN THE ISKANDAR DEVELOPMENT REGION AS WELL AS FOR PROPERTIES ABOVE RM250,000. THE PROCESSING OF BUILDING PLANS AT THE LOCAL COUNCILS HAS ALSO BEEN RECENTLY REVAMPED, INCLUDING A REDUCTION IN THE NUMBER OF

APPROVALS REQUIRED. CABINET IS REVIEWING PRICE CONTROLS AND ENTRY CONDITIONS FOR THE STEEL INDUSTRY. A SPECIAL PUBLIC-PRIVATE TASKFORCE IS CURRENTLY LOOKING INTO ALL LICENCES AND PERMITS WITH THE AIM TO REDUCE AND STREAMLINE. THESE MEASURES HAVE BEEN RECEIVED VERY POSITIVELY BY THE MARKET AND THE GOVERNMENT IS COMMITTED TO CONTINUE THE EFFORT.

19. IN FACT, THE REDUCTION OF BUREAUCRACY LIES AT THE HEART OF THE GOVERNMENT'S ANTI-CORRUPTION STRATEGY. SUCH PREVENTIVE MEASURES REDUCE OPPORTUNITIES FOR CORRUPTION. AT THE SAME TIME, WE ARE ALSO STEPPING UP EFFORTS ON THE PUNITIVE SIDE BY INCREASING ANTI-CORRUPTION PERSONNEL AND INTRODUCING MORE ADVANCED INVESTIGATION METHODS.

20. CRIME HAS BECOME A GROWING CONCERN OF LATE, DESPITE DROPS IN THE CRIME RATE IN SEVERAL MAJOR CITIES. THE OCCURRENCE OF VIOLENT CRIMES IN PARTICULAR HAS REINFORCED PEOPLE'S FEARS ABOUT PERSONAL SAFETY. ALTHOUGH THE NUMBERS TELL A STORY OF IMPROVEMENT, THERE IS STILL A NEED TO ADDRESS PERCEPTIONS AND FEARS. IN RESPONSE TO THE SITUATION IN JOHOR FOR INSTANCE, THE POLICE HAVE BEEFED UP PERSONNEL AND PATROLS, INCREASING THEIR VISIBILITY PARTICULARLY IN CRIME-PRONE AREAS. THE GOVERNMENT HAS APPROVED ADDITIONAL EQUIPMENT AND PATROL CARS. THE POLICE FORCE'S REQUEST FOR A SALARY INCREASE WAS MET TO BETTER REFLECT THEIR CONTRIBUTIONS TO THE COUNTRY. THESE DECISIVE MEASURES ARE BEING TAKEN TO CLAMP DOWN ON CRIME AND I AM CONFIDENT THAT WE WILL SEE THE RESULTS.

21. AND PERHAPS, THE MOST DIFFICULT ISSUE THAT WE MUST ADDRESS IS TO IMPROVE EQUITY WITHOUT SACRIFICING COMPETITIVENESS. MANY HAVE COME TO REGARD MALAYSIA'S AFFIRMATIVE ACTION POLICIES, WIDELY DESCRIBED AS THE NEP, AS A COST TO DOING BUSINESS IN MALAYSIA. BUT MANY FAIL TO APPRECIATE THE SPIRIT BEHIND THE POLICY, AND THIS IS CRUCIAL IN UNDERSTANDING MALAYSIA.

22. THE OBJECTIVE TO DISASSOCIATE RACE FROM OCCUPATION OR SOCIAL STANDING IS CRITICAL IN ENSURING THE LONG-TERM UNITY AND COHESION OF OUR COUNTRY. THIS IS PARTICULARLY RELEVANT GIVEN OUR LEGACY AND POPULATION STRUCTURE. THE ASIAN FINANCIAL CRISIS WAS A STARK REMINDER OF THIS FACT; RACIAL-BASED RIOTS RAGED IN NEIGHBOURING COUNTRIES WHILST MALAYSIA WAS SPARED THE EXPERIENCE. THE EXPANSION OF AN EDUCATED AND MULTI-ETHNIC MIDDLE CLASS, THANKS TO AFFIRMATIVE ACTION POLICIES, HAD MITIGATED THE RISK OF MASS UNREST BUT GREAT DISPARITIES IN INCOME AND SOCIAL MOBILITY STILL EXIST BETWEEN ETHNIC GROUPS. WHEREAS THIS MAY BE JUST ANOTHER ISSUE IN OTHER COUNTRIES, ETHNIC-BASED DISPARITY STRIKES AT THE HEART OF NATIONAL UNITY FOR MALAYSIA.

23. THE CHALLENGE FOR US, PARTICULARLY IN THE TIMES THAT WE LIVE IN, IS TO ACHIEVE DISTRIBUTIONAL OBJECTIVES IN THE MOST SUSTAINABLE, COMPETITIVE AND MEANINGFUL WAY POSSIBLE. THUS, THE EMPHASIS ON HUMAN CAPITAL, ON CAPACITY BUILDING AND ON RURAL DEVELOPMENT FOR THOSE STILL LEFT BEHIND. AT THE SAME TIME, WE ARE OPEN TO REVIEWING RELATED POLICIES OR REGULATIONS THAT DO NOT ACHIEVE THE DISTRIBUTIONAL OBJECTIVES BY WHICH THEY WERE ESTABLISHED.

LADIES AND GENTLEMEN,

24. I HOPE THAT I HAVE GIVEN YOU AN INDICATION OF MALAYSIA'S FUTURE DIRECTION AND A FAIR ASSESSMENT OF THE CHALLENGES WE FACE. BEFORE GOING ON TO THE DISCUSSION SESSION, I'D LIKE TO END WITH THREE POINTS ABOUT MALAYSIA WHICH I BELIEVE SUMMARISES THE MOST IMPORTANT ASPECTS OF THE COUNTRY TODAY.

25. MALAYSIA IS A MIDDLE INCOME COUNTRY, MAKING THE TRANSITION TOWARDS THE HIGHER END OF THE VALUE CHAIN. MALAYSIAN BUSINESSES ARE BEGINNING TO SPECIALISE, TO FOCUS ON PRODUCTS AND SERVICES IN WHICH THEY EXCEL AND TO SEEK INNOVATION. THIS HAS AN IMPACT ON THE TYPE OF INVESTMENTS WE SEEK AND AS SUCH, WE ARE LOSING OUR RESEMBLANCE TO COUNTRIES SPECIALISING IN LABOUR-DRIVEN GROWTH.

26. MALAYSIA IS GAINING IN CONFIDENCE AND MATURITY. MALAYSIAN COMPANIES ARE GOING ABROAD, PROVING THAT THEY ARE WORTHY CONTENDERS. NAMES LIKE PETRONAS, SIME DARBY, MAXIS, CIMB, AIRASIA, YTL AND MANY OTHERS, INCLUDING SMALL AND MEDIUM ENTERPRISES, REPRESENT THE PIONEER BATCH OF MALAYSIAN GLOBAL PLAYERS.

27. AND LASTLY, MALAYSIA HAS A UNIQUE ROLE IN THE WORLD. MALAYSIA'S CHAIRMANSHIP OF THE OIC HAS MARKED A PERIOD OF EMPHASIS ON ECONOMIC PARTNERSHIP, GOING BEYOND PURE POLITICS AND DIPLOMACY. IT IS ESSENTIAL TO CONCENTRATE ON A DEVELOPMENT AGENDA FOR THE MUSLIM WORLD. THE PROGRESS OF ISLAMIC COUNTRIES HINGES ON STABILITY AS WELL AS ECONOMIC GROWTH, A POINT WHICH I AM KEEN TO TRANSLATE INTO REAL, MEASURABLE CHANGE. FOR EXAMPLE, WE INITIATED AN OIC CAPACITY-BUILDING PROGRAM IN 2005, CONSISTING OF COMMUNITY-BASED INCOME-GENERATING PROJECTS WHICH ARE RUN ON A COMMERCIAL BASIS.

28. MALAYSIA IS ALSO A KEY PROPONENT OF AN ASEAN COMMUNITY, ONE WHERE THE FLOW OF TRADE IS FACILITATED BY GREATER HARMONISATION OF RULES AND COOPERATION. THE RELATIONSHIP BETWEEN ASEAN AND NORTH ASIA IS ALSO IMPORTANT TO US, EVIDENCED BY OUR CHAMPIONSHIP OF THE ASEAN+3 CONCEPT WITH CHINA, JAPAN AND SOUTH KOREA. OUR RESPECTIVE SUCCESSSES ARE CLOSELY INTERTWINED AND THIS ACKNOWLEDGEMENT HAS LED TO GREATER NETWORKS AMONGST OUR GOVERNMENTS AS WELL AS BUSINESSES.

29. IT IS AN EXTREMELY EXCITING TIME FOR THE COUNTRY, LADIES AND GENTLEMEN. IN THIS 50TH YEAR OF OUR INDEPENDENCE, WE SEE AN IMPROVING ECONOMY AND THE FRUITS OF ONGOING STRUCTURAL CHANGES. IN THE MEDIUM TERM, I SEE A CONSOLIDATION OF OUR EFFORTS TOWARDS ACHIEVING 2020. I BELIEVE AND HOPE, INSYA'ALLAH THAT THE BEST IS STILL TO COME.

THANK YOU.