

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE MALAYSIA-ITALY BUSINESS FORUM
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Mr. Andrea Pininfarina
Vice President of CONFINDUSTRIA,

Distinguished Guests,
Excellencies, Ladies and Gentlemen;

This is the last stop after my visit to Russia and to Bosnia and Herzegovina. I have decided to come to Italy especially because I am convinced that there is so much more we can do to enhance our economic linkages and that there is so much knowledge and experience that we can share with each other.

2. I am pleased to have this opportunity to interact with the Italian business community and to share my thoughts on how we can enhance our economic linkages. I value the contribution of the business community to economic development and growth. For this reason, I consider this meeting with all of you from the world of business as one of the high points in my current visit to Italy.

Excellencies, Ladies and Gentlemen,

3. As Malaysia celebrates its 50 years of independence this year, and as we take stock of our achievements, it is significant to note the substantial transformation that we have experienced over the past five decades. Malaysia has grown from being merely the world's largest producer of rubber and tin, to one of the world's leading exporters of semiconductor devices, computer hard disks, audio and video products, and room air-conditioners.

4. From an agro-based economy, today manufacturing accounts for a third of Malaysia's Gross Domestic Product. From labour intensive manufacturing, today Malaysia's strength is in high technology, and skills and capital intensive production.

5. I am sure that this is an experience Italians can appreciate. Italy too experienced similar economic transformation. From an agriculturally based economy, Italy has developed into a highly industrialized country, ranked as the world's fifth-largest economy in U.S dollar terms and seventh largest in terms of purchasing power parity.

Ladies and Gentlemen,

6. Bilateral trade between Italy and Malaysia has been on the increase. Italy has remained as Malaysia's 5th largest trading partner within the European Union, accounting for 6 per cent of total trade with the region in 2006. Malaysia's total trade with Italy in 2006 amounted to USD 2.13 billion, an increase of 9.5 per cent from USD 1.95 billion in 2005. From 1996-2006, Malaysia's trade with Italy grew at an average annual rate of 6.6 per cent, and we can expect this trend to continue.

7. Malaysia's exports to Italy increased by 39.9 per cent to USD 987.6 million in 2006 from USD706 million in 2005. Although Malaysia's exports to Italy only accounted for 0.6 per cent of Malaysia's global exports, it is encouraging to note that exports from all major product sectors to Italy recorded double digit expansion of at least 20 per cent. I am confident that, as we actively engage one another, there will be improvements in our bilateral trade.

8. In the area of investments, I note that Italy is not a major source of Foreign Direct Investments, or F.D.Is, for Malaysia. Since 2000, Italy's investments in Malaysia amounted to under USD 200 million. The investments were mainly in the electronics and electrical sector, the manufacture of rubber products, and chemicals and chemical products. Malaysian companies have yet to harness the full potential of Italy's investment environment.

9. There is clearly a lack of engagement between the business communities of Italy and Malaysia. It is my hope, therefore, that this forum will provide the opportunity for both sides to exchange information and make the necessary contacts that could lead to more meaningful and prosperous business relationships.

Ladies and Gentlemen,

10. I am keen to see Malaysian Small and Medium Enterprises emulate the success of Italian small and medium-sized family-owned firms. I observe that Italy's economic strength is in the processing and the manufacturing of goods, primarily by these entities. Your focus has been on design and brand development. This is an area where Malaysian S.M.Es can learn from your experience. I would like to see more collaboration in this area. I hope that the Joint Economic Committee (J.E.C) that is being planned to be established between our two governments will be able to promote collaboration of this nature. I would like to see the J.E.C become a mechanism for regular interaction between the private sectors of both countries, to create networking opportunities and develop mutually beneficial businesses; and to discuss issues and challenges faced in doing business with each other.

Excellencies, Ladies and Gentlemen,

11. As is the case with Italy, the Malaysian business community has been pivotal in bringing about this diversification of the economic base of the country, and the changes in the economic profile, over the five decades. My Government has been consistent in our regard for the private sector as our partners in economic growth. The "Malaysia Incorporated" policy that we practise has contributed much to Malaysia's economic success. All our development plans and policies are designed in collaboration with the members of the private sector. Take for example the Ninth Malaysia Plan and the Third Industrial Master Plan that we launched last year to chart the way forward for Malaysia, and strengthen the existing economic sectors. These Plans were formulated in consultation with the business community, as key stakeholders, in the development of the nation.

12. This public sector-private sector partnership ensures that our policies remain pro-business so that we can continue on the path of economic growth. Last year in 2006, the Malaysian economy grew by 5.9 per cent. Growth was led by the expansion of the services, manufacturing and agricultural sectors. For the first quarter of 2007, a G.D.P growth of 5.3 per cent was recorded. We expect that for 2007 our G.D.P growth will be 6.0 per cent against a global growth rate of 4.5 per

cent. Malaysia's strong economic fundamentals will continue to be supported by a low inflation rate of 2.5 per cent and an unemployment rate of 3.5 per cent.

Excellencies, Ladies and Gentlemen,

13. Malaysia and Italy are two of the most open economies in the world. Italy is the 8th leading exporter, while Malaysia is the 19th largest exporter. Given the openness of our economies, we must work together to ensure a fair trading environment. In this regard, Malaysia fully supports the multilateral trading system, as embodied in the W.T.O rules, which aims to develop a fairer and more open trading system. Malaysia is an active W.T.O Member, and has been proactively involved in the W.T.O negotiations, to ensure that the global trading environment remains open, transparent, and predictable, and contributes to growth and development, especially of the developing countries.

14. The multilateral trading system is important for the continued growth and expansion of trade and industry. For this reason, Malaysia would like to see the W.T.O Doha Round expeditiously completed, so that the benefits of further liberalisation can be reaped early. Malaysia's agenda in the current W.T.O Doha Round negotiations is to support further market opening, and strengthen trade rules, that would provide greater access and market certainty for global business.

Ladies and Gentlemen,

15. While being committed to the multilateral system, Malaysia sees our involvement in the regional and bilateral levels as equally important for our economic well-being. In our engagement with ASEAN, we have complied with our liberalisation commitments under the ASEAN Free Trade Area. We expect that the South East Asian region will experience even more growth as ASEAN eliminates almost all tariffs when the ASEAN Free Trade Area is fully realised in 2010. Further, ASEAN is scheduled to become an Economic Community by 2015, resulting in a single market. This will allow for the free flow of goods, services, investment and labour as well as a freer flow of capital.

16. This means that it would be preferable for the members of the Italian business community to look at Malaysia in the context of the access that Malaysia has to the larger ASEAN market of more than 560 million people, and a combined G.D.P of over USD 1 billion. Malaysia's trade with her ASEAN neighbours is continuing to grow as trade and investment barriers are dismantled increasingly. For example, in 2006, Malaysia's trade with ASEAN amounted to USD 75.3 billion, an increase of 14.4 per cent over the 2005 total of USD 65.8 billion.

Excellencies, Ladies and Gentlemen,

17. In May this year, the ASEAN Economic Ministers and the E.U Trade Commissioner agreed to commence F.T.A negotiations. I welcome this engagement between ASEAN and the European Union. Given the dynamism of ASEAN and its increasing integration with other major economies such as China, Japan, Korea, India, Australia and New Zealand, the engagement with the E.U will surely bring benefits to both sides.

Excellencies, Ladies and Gentlemen,

18. Malaysia today is not only a leading exporter of products, but is increasingly becoming well known for exports of services. The services sector in Malaysia has undergone transformation, since the 1980s, and 1990s, to become the largest sector in the Malaysian economy. From a share of 18 per cent of the G.D.P in 1970, it has now increased to 24 per cent in the 1980s and 42 per cent in the 1990s. The contribution of the services sector has since surged to 59 per cent in 2006.

19. The services sector also accounts for 51 percent of total employment. Under the Third Industrial Master Plan, the services sector will assume an even greater role in generating growth, broadening the economic base, and increasing its contribution to exports.

20. There are already significant amounts of foreign investments in banking, telecommunications and business services. To provide certainty and encourage foreign participation in the services sector, Malaysia is also taking steps, both bilaterally and multilaterally, to progressively liberalise this sector, through market access commitments which are binding. Malaysia is an active participant in the W.T.O Doha negotiations in services and has submitted offers which improved upon its Uruguay Round commitments.

21. Malaysia welcomes Italian collaboration, through investment and trade, to develop the services sector in Malaysia, particularly in the priority sectors such as healthcare, tourism, and I.C.T.

Excellencies, Ladies and Gentlemen,

22. On a final note, I would like to take this opportunity to encourage members of the Italian business community to increase their contacts with Malaysia. There is already good connectivity between our two countries. Malaysia Airlines flies three times a week between Rome and Kuala Lumpur. This year, as we celebrate the golden anniversary of our independence, we have planned many activities and special events throughout the country. Please come and share in our festivities.

23. I thank you for your participation in the Business Forum and I hope that the business meetings that you have had before this event will be beneficial in strengthening the business linkages between both countries. I wish all of you every success in all your endeavours.

Thank you.