

**KEYNOTE ADDRESS BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE SIXTH EAST ASIAN CONGRESS
AT KUALA LUMPUR
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Tan Sri Jawhar Hassan
Chairman and C.E.O of I.S.I.S Malaysia

Excellencies,

Ambassadors of the ASEAN Plus Three Countries

Distinguished participants and guests

Ladies and gentlemen:

We are meeting today in the midst of some of the most trying global economic conditions in modern times. If the economic forecasts are correct, the coming months and years will test our resilience to the fullest. We must not be found wanting. Indecision is not an option. Muddling through is not an option. Our responses to these challenges must be clear, bold and forthright.

2. At this time, more than at any other time, governments must be firmly focused on the welfare of their peoples. Our vision must never shift and it must not drift. As leaders, we have offered to serve our countries. And most of us were chosen to serve. Our people have put their trust in us and we must discharge this sacred trust at all costs. As public officials, we cannot always guarantee results but we must guarantee our fullest commitment to the tasks before us.

3. In the face of the clear and present danger confronting us, we need to act with urgency and with wisdom. Fortunately, we in East Asia have exercised restraint. We have remained level headed when some around us were losing their sense of balance. And fortunately for us, this region is not unfamiliar with economic and social turmoil. The decade-old Asian financial crisis is still fresh in our minds. We remember well the horrors of capital destruction, loss of jobs, the threat of anarchy and social disorder.

4. East Asia became an identifiable geo-political reality during those roiling times. The Asian crisis may have been destructive but it was also a defining moment. It made us realise how vulnerable and interdependent we were. It forced us to understand how critical community building would be for the region. Countries that were not a part of our collective nightmare would find it difficult to comprehend how our difficulties brought us so much closer to one another.

5. Not all countries behaved with wild abandon during the Asian crisis ten years ago, but they were penalised all the same. There was no point in protesting for it seemed that no one was interested in the facts. What mattered, or so we were told, was that the markets had spoken. Having done so, we were informed that we simply had to accept our fate and the consequences.

6. Today, things are different. Markets have spoken again but this time it appears that they are much less wise and wonderful. Many governments have stepped in to prop up the financial system and to keep economies from tipping over. Financial and non-financial institutions have been nationalised. Businesses that are on the brink of collapse demand loans from their governments.

7. There is now much less talk about the dangers of moral hazard. Moral hazards stem from actions that produce undesirable behaviour. Out of the past crisis, East Asian countries learned the correct lessons. Economic growth has not been accompanied by yawning trade and budget deficits. We have been financially conservative, allowing foreign reserves to build so that they can be used when another day of reckoning comes.

8. Now, that day appears to have come. All of East Asia's efforts at regional cooperation over the past decade have been precisely for a time such as this. The question now is whether the efforts of our countries are sufficient. Projects such as regional swap arrangements, Asian bond market development and bond funds, macroeconomic and finance surveillance are all very important.

9. Those who have been involved should be commended for their dedication. I would be less than frank, however, if I said that this was all we needed to do to stave off any global crisis.

10. First, the ramifications of the crisis are larger than many economists anticipated. Second, we may also be a little guilty of complacency with the passage of time. We thought that if we kept our houses in good order, we could avoid any crisis. Third, it was taken for granted that the world's trade lanes would remain open and that protectionism would not be a factor. It was also assumed that the mammoth budget and trade deficits on one side of the Pacific and over-savings on the other would correct themselves. Increasingly, poor income distribution - it was thought - would not have any impact on world demand.

11. Some countries were also complacent in their relations with each other. Instead of building friendship and cohesion, they allowed narrow national interests to strain ties with their neighbours.

12. I do believe that we must act - and act quickly - to strengthen East Asia's capacity to respond to the present global crisis. The ASEAN Plus Three process must be taken to a higher level. If we in East Asia are to be relevant and beneficial to our constituencies, we must raise our game by setting new goals and taking massive collective action. East Asia must make a difference, and ASEAN must be the pivot on which regional cooperation must hinge.

13. Already, the Group of 20 meeting last month in Washington D.C had set the global agenda in many key areas. A detailed action plan has been drawn up and countries will be working on this for the next meeting. Four East Asian countries - China, Japan, South Korea and Indonesia - are G-20 members. Six other ASEAN Dialogue Partners are also in that Group. We therefore have a few channels to provide inputs into this process should there be the need and desire to do so.

14. East Asia's growing weight and importance in world affairs means it should also articulate an agenda, one that better corresponds to its own priorities and requirements. East Asia's path should be holistic, with decisive measures in the

economic, social and political realms.

15. In the economic realm, we need to continue strengthening and liberalising the Chiang Mai Swap Arrangement. Policy harmonisation is also crucial, both for the regional swap arrangement and bond market development. We should not only increase the liquidity but also make it easier to conduct all types of asset transactions. And we should liberalise our service sectors more extensively to enable greater participation, investment, employment and integration.

16. East Asia should also be active in the social realm. If East Asian countries are to weather the present crisis successfully, we will need strong and resilient people. We should increase our capacity to pass on skills, knowledge and abilities to new entrants to the labour market and to displaced workers. We need to foster the entrepreneurial spirit through fiscal and financial means. We must recognise poverty for what it is, the Achilles-heel of our countries and the region. It would therefore be desirable for regional states to accelerate efforts in poverty alleviation and - with out partners - develop and implement comprehensive regional plans of action.

17. The political realm deserves our attention as well. The crisis ten years ago spurred us to come together and embark on the East Asian regional enterprise. We have made much progress since then and some of it has helped us prepare ourselves better for the present crisis. But the spirit of solidarity which we had appears to have faded a little in recent years. The crisis we are facing now should help bring us close together again and renew our solidarity. We should dispel our suspicions and rediscover our oneness and common purpose. We should prevent any episode of history, issues of sovereignty and disputes over territory from intruding into our spirit of cooperation and undermining it.

18. In this regard, ASEAN Governments have been pragmatic and wise. They had serious differences over the proposed ASEAN Charter but they understood the need for consensus over this legal document. They were prepared to give- and- take in the interest of arriving at an agreement acceptable to all. They are now focused firmly on the future. Having been ratified by all member countries, the Charter is expected to come into force very soon in the very near future. It should be a cause for great celebration for it marks a new phase in the progress of ASEAN. Amidst the celebrations, however, we would do well to think deeply also about the journey that lies ahead. More is expected and more will be due from the members of ASEAN.

Ladies and gentlemen,

19. As usual, I consider it a privilege to be able to share my thoughts with the participants of the East Asia Congress. I invite you to reflect upon them. I wish to thank I.S.I.S Malaysia for organising this important annual event. I join Tan Sri Jawhar Hassan in especially welcoming everyone who has come to Kuala Lumpur from afar to be here on this occasion. May your deliberations at this congress prove rewarding and fruitful.

I thank you.