

**SPEECH BY  
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI  
AT THE CEREMONY FOR THE 50TH ANNIVERSARY OF BANK NEGARA MALAYSIA  
AT KUALA LUMPUR CONVENTION CENTRE  
8 FEBRUARY 2009**

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"50 YEARS OF CENTRAL BANKING – STABILITY AND SUSTAINABILITY"

BISMILLAHIR RAHMANIR RAHIM

ASSALAMUALAIKUM WARAHMATULLAHI WABARAKATUH AND GOOD AFTERNOON

YAB DATO' SRI MOHD. NAJIB BIN TUN ABDUL RAZAK  
DEPUTY PRIME MINISTER AND MINISTER OF FINANCE

TAN SRI DR. ZETI AKHTAR AZIZ  
GOVERNOR, BANK NEGARA MALAYSIA

EXCELLENCIES AND DISTINGUISHED GUESTS

LADIES AND GENTLEMEN

1. IT IS A GREAT HONOUR FOR ME TO ADDRESS ALL OF YOU PRESENT HERE TODAY TO COMMEMORATE THE FIFTIETH ANNIVERSARY OF BANK NEGARA MALAYSIA. THE CENTRAL BANK HAS BEEN – AND REMAINS – ONE OF THE NATION'S PILLARS OF STRENGTH; STANDING TALL FOR HALF A CENTURY SINCE ITS INCEPTION.

2. INDEED, THROUGHOUT THE LAST FIFTY YEARS, BANK NEGARA HAS CONTRIBUTED IMMENSELY TO MALAYSIA'S ECONOMIC AND FINANCIAL DEVELOPMENT BY FOSTERING SUSTAINED MACRO-ECONOMIC STABILITY. EQUALLY IMPORTANTLY, BANK NEGARA HAS SUCCESSFULLY DEVELOPED AND PROMOTED THE GROWTH OF AN EFFICIENT AND STABLE FINANCIAL SYSTEM. AS MALAYSIA WORKS TOWARDS GREATER PROGRESS WITH BALANCED DEVELOPMENT, IT IS MY EARNEST CONVICTION THAT BANK NEGARA WILL SUSTAIN ITS LONG ESTABLISHED TRADITION OF EXCELLENCE IN PERFORMING ITS ROLE AND FUNCTIONS, AND THUS, CONTINUE TO CONTRIBUTE TO THE FINANCIAL AND ECONOMIC DEVELOPMENT OF OUR NATION.

3. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK THE MANAGEMENT AND STAFF OF BANK NEGARA FOR THEIR CONTRIBUTIONS AND DEDICATION TOWARDS THE NATION'S DEVELOPMENT PROCESS. WITHOUT THE COMMITMENT THAT ALL OF YOU – BOTH PAST AND PRESENT – HAVE SHOWN, MALAYSIA'S SOCIO-ECONOMIC POSITION MAY BE DIFFERENT THAN WHAT IT IS TODAY.

LADIES AND GENTLEMEN

4. THERE IS LITTLE DOUBT THAT MALAYSIA HAS SEEN TREMENDOUS CHANGE IN ITS ECONOMIC LANDSCAPE OVER THE LAST FIFTY YEARS. FROM ITS AGRARIAN ROOTS, MALAYSIA HAS TRANSFORMED INTO A MORE DIVERSIFIED ECONOMY WITH A BROAD-BASED MANUFACTURING SECTOR AND A VIBRANT SERVICES INDUSTRY.

5. AN IMPORTANT LESSON THAT WE HAVE LEARNT THROUGHOUT THIS PROCESS IS THE NEED TO ALWAYS REINVENT OURSELVES. THIS IS ESPECIALLY THE CASE IN THIS INCREASINGLY COMPETITIVE GLOBAL ENVIRONMENT. IN THIS REGARD,

ECONOMIC FLEXIBILITY IS KEY, SO THAT WE ARE ABLE TO MAKE NECESSARY ADJUSTMENTS WHEN THERE IS A NEED TO SEEK OUT NEW AREAS OF GROWTH. IN ADDITION, I WOULD ALSO LIKE TO HIGHLIGHT SEVERAL OTHER IMPORTANT PREREQUISITES TO SUSTAINABLE ECONOMIC DEVELOPMENT THAT WE HAVE LEARNT IN THE LAST FIFTY YEARS.

6. FIRSTLY, IT SHOULD BE NOTED THAT WHILE THE PUBLIC SECTOR'S ROLE IN ECONOMIC DEVELOPMENT IS ESSENTIAL, WE HAVE ALWAYS ACKNOWLEDGED THAT THE KEY DRIVER OF GROWTH MUST COME FROM THE EFFORTS OF THE PRIVATE SECTOR. A MAJOR PROPORTION OF MALAYSIA'S GROWTH HAS EMANATED FROM PRIVATE INVESTMENT, WHICH WAS FINANCED BY HIGH LEVELS OF DOMESTIC SAVINGS. MOREOVER, THE ECONOMIC TRANSFORMATION WOULD NOT HAVE SUCCEEDED IF CAPITAL IS UNABLE TO BE EFFICIENTLY MOBILISED AND ALLOCATED IN THE ECONOMY. OF COURSE, THIS WAS MADE POSSIBLE BY THE CENTRAL BANK'S CONSTANT PURSUIT TO MODERNISE AND BROADEN THE FINANCIAL SYSTEM.

7. SECONDLY, SIGNIFICANT ATTENTION HAS BEEN PLACED ON DEVELOPING THE PROPER ENABLING INFRASTRUCTURE, WHICH IS CRITICAL TO PROVIDE A CONDUCTIVE BUSINESS ENVIRONMENT. FOR EXAMPLE, TRANSPORTATION AND LOGISTICS NETWORKS, AS WELL AS PUBLIC UTILITIES AND TELECOMMUNICATION FACILITIES HAVE BEEN EXTENSIVELY DEVELOPED THROUGHOUT THE NATION. THIS PHYSICAL INFRASTRUCTURE IS THEN COMPLEMENTED BY "SOFT" INFRASTRUCTURE, INCLUDING A CREDIBLE LEGAL SYSTEM, AN EFFICIENT GOVERNMENT BUREAUCRACY, AND A VIBRANT FINANCIAL MARKET SYSTEM. THIS IS WHY THE GOVERNMENT HAS DEVOTED SO MUCH ENERGY IN THE PAST FEW MONTHS TO CONCENTRATE ON PUSHING THROUGH IMPORTANT INSTITUTIONAL REFORMS.

8. THIRDLY, WE HAVE ALWAYS GIVEN TOP PRIORITY IN OUR INVESTMENT FOR HUMAN CAPITAL AND EDUCATION. IN THIS REGARD, ACCESS TO EDUCATION IS CONSTANTLY VIEWED AS AN IMPORTANT MEANS IN OUR EFFORTS TO IMPROVE THE STANDARD OF LIVING OF THE PEOPLE. HENCE, A FULL SPECTRUM OF LEARNING OPPORTUNITIES WAS DEVELOPED TO ENSURE COMPREHENSIVE DEVELOPMENT OF HUMAN CAPITAL FOR THE NATION. FOR THE RECORD, DEVELOPMENT EXPENDITURE, INCLUDING THAT FOR PHYSICAL INFRASTRUCTURE AND EDUCATION, ALWAYS CONSTITUTES THE BULK OF OUR ANNUAL BUDGET.

9. FINALLY, IT SHOULD BE NOTED THAT THE DEVELOPMENT OF RURAL AREAS HAS ALWAYS BEEN AN INTEGRAL PART OF OUR DEVELOPMENT STRATEGIES, AS A LARGE PROPORTION OF OUR POPULATION CONTINUES TO RESIDE IN RURAL AREAS. IN THIS RESPECT, THE GOVERNMENT HAS PROMOTED THE MODERNISATION OF THE AGRICULTURAL SECTOR AS WELL AS THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES, AS A SOLUTION TO REDUCE POVERTY AND TO BRING DEVELOPMENT TO PEOPLE IN THE RURAL AREAS. MOREOVER, WE ARE CURRENTLY EMBARKING ON SPECIALLY-TAILORED REGIONAL CORRIDOR DEVELOPMENT TO MAXIMISE THE ECONOMIC POTENTIAL THAT RURAL AREAS HAVE TO OFFER.

10. UNDERLYING THE STRATEGIES THAT I HAVE DESCRIBED IS THE CONVICTION THAT THE BENEFITS OF ECONOMIC DEVELOPMENT MUST BE EXTENDED TO ALL SEGMENTS OF SOCIETY. IN THIS REGARD, I SINCERELY BELIEVE THAT SUSTAINED PROGRESS OF A NATION CAN ONLY BE SECURED IF THERE IS SHARED PROSPERITY. THEREFORE, THE STRATEGIES ADOPTED TO CREATE AN ENVIRONMENT FOR WEALTH CREATION AND ECONOMIC DEVELOPMENT HAVE BEEN BASED ON THE PHILOSOPHY THAT EMPHASISES ECONOMIC PROGRESS WHILST MAINTAINING SOCIO-ECONOMIC BALANCES AT ALL TIMES. THUS, A CRUCIAL THRUST OF MALAYSIA'S DEVELOPMENT STRATEGY IS TO GIVE EQUAL EMPHASIS TO BOTH GROWTH AND EQUITY – BY GIVING RECOGNITION TO THE IMPORTANCE OF REGIONAL DEVELOPMENT, NARROWING THE

DEVELOPMENT GAP BETWEEN RURAL AND URBAN AREAS, AND HARNESSING THE STRENGTHS OF A DIVERSE POPULATION.

11. THANKFULLY, AS A RESULT OF OUR EFFORTS, THE ECONOMIC TRANSFORMATION HAS ENHANCED THE STANDARD OF LIVING OF ALL MALAYSIANS. TODAY, OUR PER CAPITA INCOME, ADJUSTED FOR PURCHASING POWER PARITY IS ABOUT 14,000 U.S. DOLLARS – WHICH IS A 30-FOLD INCREASE FROM 50 YEARS AGO. EQUALLY IMPORTANT IS THAT THIS WEALTH AND INCOME IS NOW MORE EQUITABLY DISTRIBUTED. THIS IS EVIDENT THROUGH OUR POVERTY ERADICATION EFFORTS, WHICH HAS SUCCESSFULLY REDUCED THE OVERALL POVERTY LEVEL FROM 49 PERCENT IN 1970 TO 3.6 PERCENT IN 2007. IT SHOULD BE NOTED THAT THESE ACHIEVEMENTS HAVE BEEN MADE IN AN ENVIRONMENT OF BROAD MACRO-ECONOMIC STABILITY, CONTRIBUTING TO SOCIO-POLITICAL HARMONY.

LADIES AND GENTLEMEN

12. WHILE MALAYSIA HAS PROGRESSED SIGNIFICANTLY, WE REMAIN FOCUSED ON REALISING THE NATION'S ASPIRATION TO ATTAIN DEVELOPED NATION STATUS BY 2020. THIS WOULD REQUIRE THE INCOME LEVEL AND CAPITAL BASE OF THE NATION TO APPROXIMATELY DOUBLE WITHIN THE NEXT TWELVE YEARS. I HAVE ALSO SET A TARGET TO COMPLETELY ERADICATE HARDCORE POVERTY AND TO REDUCE THE OVERALL POVERTY RATE IN MALAYSIA TO 2.6 PERCENT BY THE YEAR 2010.

13. IN MY VIEW, THE ECONOMY WILL NEED TO BE TRANSFORMED FURTHER IF MALAYSIA IS TO ACHIEVE BOTH THESE GOALS. THIS IS PARTICULARLY TRUE IF WE CONSIDER THE SHIFT OF EMPHASIS FROM AN INVESTMENT-RELATED COMPETITIVE ADVANTAGE TO ONE THAT IS DRIVEN BY TECHNOLOGY AND INNOVATION. THUS, SEVERAL CORE STRATEGIES WILL BE CRITICAL TO OUR FUTURE SUCCESS.

14. FOR THE FIRST STRATEGY, I FIRMLY BELIEVE THAT A FUNDAMENTAL FACTOR FOR ANY COUNTRY TO ACHIEVE SIGNIFICANT ECONOMIC PROGRESS LIES IN THE QUALITY AND ABILITY OF ITS PEOPLE. IN THE MODERN WORLD, THE AVAILABILITY OF HIGH QUALITY HUMAN CAPITAL WILL ULTIMATELY DEFINE THE PERFORMANCE OF A NATION. WITH THIS IN MIND, THE GOVERNMENT HAD – IN 2006 AND 2007, RESPECTIVELY – LAUNCHED THE NATIONAL EDUCATION BLUEPRINT AND THE NATIONAL HIGHER EDUCATION STRATEGIC PLAN TO TRANSFORM THE NATION'S EDUCATION SYSTEM AT ALL LEVELS. IN ADDITION, OTHER INITIATIVES HAVE ALSO BEEN DEVELOPED TO CREATE A HIGHLY-SKILLED AND COMPETITIVE WORKFORCE. THESE EFFORTS INCLUDE THE ENHANCEMENT OF TRAINING AND SKILLS PROGRAMS FOR THE PRIVATE SECTOR, AND INSTILLING A CULTURE OF EXCELLENCE AND HIGH PERFORMANCE AT ALL LEVELS OF THE WORKFORCE.

15. I AM MADE TO UNDERSTAND THAT BANK NEGARA'S OWN COMMITMENT TO THE DEVELOPMENT OF HUMAN CAPITAL IN THE FINANCIAL SECTOR WILL CONTINUE TO LEAVE A LASTING IMPRESSION FOR THE FINANCIAL COMMUNITY. IN THIS REGARD, THE CENTRAL BANK HAS BEEN DIRECTLY RESPONSIBLE FOR THE ESTABLISHMENT OF THE INTERNATIONAL CENTRE FOR LEADERSHIP IN FINANCE (ICLIF.) TO ENHANCE LEADERSHIP CAPABILITIES AND DEVELOP WORLD-CLASS LEADERS IN THE FINANCIAL SERVICES SECTOR; AND, THE INTERNATIONAL CENTRE OF EDUCATION IN ISLAMIC FINANCE (INCEIF) TO DEVELOP TALENT IN THE ISLAMIC FINANCE INDUSTRY. MORE RECENTLY, THE FINANCIAL SERVICES EDUCATION CENTRE WAS JOINTLY ESTABLISHED BY BANK NEGARA AND THE SECURITIES COMMISSION TO CONSOLIDATE AND ENHANCE COLLABORATION AMONG DIFFERENT SEGMENTS OF THE FINANCIAL SERVICES INDUSTRY.

16. THE SECOND STRATEGY IS TO LEVERAGE ON MALAYSIA'S CHANGING COMPETITIVE ADVANTAGE AND DEVELOP NEW POTENTIAL SOURCES OF GROWTH. THESE EMERGING AREAS OF GROWTH ARE CHARACTERISED BY THEIR DYNAMISM AND THEIR RELIANCE ON HUMAN RATHER THAN PHYSICAL CAPITAL FOR SUCCESS. IN THESE AREAS, KNOWLEDGE IS MORE VALUABLE THAN PHYSICAL INPUTS. HIGH VALUE ADDED ACTIVITIES, DOWNSTREAM RESOURCE-BASED MANUFACTURING ACTIVITIES, TOGETHER WITH THE SERVICES SECTOR, WILL BE KEY IN FURTHER DRIVING OUR QUEST FOR SUSTAINABLE DEVELOPMENT. IN ADDITION TO THE RAPID GROWTH OF THE TRADITIONAL SERVICES SUB-SECTOR, NEW SERVICE INDUSTRIES HAVE ALSO EMERGED AND ARE GROWING RAPIDLY, PARTICULARLY IN THE AREAS OF FINANCE, I.C.T., LOGISTICS, HEALTH, HIGHER EDUCATION AND TOURISM.

17. AN IMPORTANT COMPONENT OF THIS STRATEGY IS TO ENHANCE THE GROWTH OF THE SMALL AND MEDIUM ENTERPRISES (S.M.E.) SECTOR. CURRENTLY, S.M.E'S REPRESENT A MAJOR SOURCE OF DOMESTIC EMPLOYMENT AND CONTRIBUTE 32 PERCENT TO G.D.P.. FOR THIS PURPOSE, THE NATIONAL S.M.E DEVELOPMENT COUNCIL, WHICH I CHAIR, WAS ESTABLISHED TO COORDINATE POLICIES AND STRATEGIES FOR S.M.E. DEVELOPMENT. BANK NEGARA MALAYSIA HAD A SIGNIFICANT ROLE IN THE ESTABLISHMENT OF THIS COUNCIL, AND SERVED AS ITS SECRETARIAT FOR THE FIRST THREE YEARS.

18. GOING FORWARD, ANOTHER NEW SOURCE OF GROWTH FOR MALAYSIA IS THE ADVANCEMENT OF ISLAMIC FINANCE. WITH SOME THREE DECADES OF EXPERIENCE IN DEVELOPING ISLAMIC FINANCE, MALAYSIA NOW HAS A COMPREHENSIVE AND WELL DEVELOPED ISLAMIC FINANCIAL SYSTEM. THE ISLAMIC FINANCIAL SYSTEM IN MALAYSIA IS OPERATING IN PARALLEL WITH THE CONVENTIONAL SYSTEM, AND HAS DRAWN WIDE PARTICIPATION FROM BOTH MUSLIMS AND NON-MUSLIMS. IN A DUAL FINANCIAL ENVIRONMENT, ISLAMIC FINANCE HAS PROVEN TO BE A VIABLE CHANNEL OF FINANCIAL INTERMEDIATION. IT IS ALSO COMPETITIVE IN TERMS OF PRODUCT AND SERVICES OFFERINGS. AS IT CONTINUES TO DEVELOP, ISLAMIC FINANCE WILL PRESENT THE INTERNATIONAL BUSINESS COMMUNITY WITH AN ALTERNATIVE MEANS OF RAISING FUNDS WHILE INVESTORS ARE PRESENTED WITH NEW ASSET CLASSES. I DARE SAY THE FACT THAT THE ISLAMIC FINANCIAL SYSTEM HAS REMAINED UNSCATHED BY THE SEVERE DIFFICULTIES CURRENTLY AFFECTING THE CONVENTIONAL INTERNATIONAL FINANCIAL SYSTEM IS TESTAMENT TO ITS INTEGRITY AND VALIDITY. I THEREFORE SEE ISLAMIC FINANCE BECOMING AN INCREASINGLY IMPORTANT PART OF THE INTERNATIONAL FINANCIAL SYSTEM, AND MALAYSIA HOPES TO LEVERAGE ITS EXPERIENCE IN THE SECTOR TO STRENGTHEN TRADE AND INVESTMENT TIES ACROSS THE GLOBE.

LADIES AND GENTLEMEN

19. MALAYSIA HAS INDEED COME A LONG WAY SINCE ITS STRUGGLE FOR INDEPENDENCE. AS I HAVE OUTLINED, THIS RELATIVELY YOUNG NATION HAS, BY THE GRACE OF GOD, MADE SIGNIFICANT STRIDES IN ECONOMIC DEVELOPMENT AND NATION-BUILDING OVER THE LAST FIFTY YEARS. THROUGHOUT THIS PERIOD, BANK NEGARA HAS STRIVED TO MAINTAIN MACRO-ECONOMIC STABILITY, WHICH IS SO CRUCIAL TO THE NATION-BUILDING PROCESS.

20. UNDER THE LEADERSHIP OF BANK NEGARA, MALAYSIA'S FINANCIAL SECTOR HAS SUCCESSFULLY EVOLVED, WHICH HAS LED TO AN EFFICIENT INTERMEDIATION PROCESS. VIGILANT AND EFFECTIVE REGULATION HAS ALSO PLAYED A KEY ROLE IN ENSURING A STRONG AND RESILIENT FINANCIAL SECTOR, WHICH HAS ENABLED MALAYSIA TO FACE CURRENT ECONOMIC CHALLENGES ON A STRONGER FOOTING. IN PARTICULAR, THE MOBILISATION OF SAVINGS TO FUND ECONOMIC ACTIVITIES HAS BEEN A MAJOR ELEMENT IN SUSTAINING BROAD-BASED ECONOMIC GROWTH. IN THIS

REGARD, I HOPE THAT BANKS NOT UNREASONABLY CURB LENDING ACTIVITY AND KEEP LIQUIDITY FLOWING INTO THE ECONOMY. THE GOVERNMENT WILL CONTINUE ITS EFFORTS TO STIMULATE THE ECONOMY IN THESE DIFFICULT TIMES, BUT THE FINANCIAL SECTOR MUST CONTINUE TO ACTIVELY PLAY ITS ROLE AS WELL.

21. IN THIS, AS WELL AS SO MANY OTHER INSTANCES, THE DIRECTION BANK NEGARA PROVIDES TO THE DOMESTIC BANKING AND FINANCIAL SYSTEM PLAYS A PIVOTAL PART IN DETERMINING BALANCED ECONOMIC GROWTH AND DEVELOPMENT. I AM CONFIDENT THAT BANK NEGARA WILL SUCCESSFULLY STEER THE DOMESTIC FINANCIAL SYSTEM INTO THE NEXT 50 YEARS.

22. THUS, I TAKE THIS OPPORTUNITY TO ACKNOWLEDGE AND COMMEND BANK NEGARA MALAYSIA'S SIGNIFICANT CONTRIBUTION IN MAINTAINING MONETARY AND FINANCIAL STABILITY OVER THE YEARS. IN THIS REGARD, PRICE STABILITY AND THE PROPER FUNCTIONING OF THE FINANCIAL SYSTEM HAVE PROVIDED THE ECONOMY WITH A POSITIVE ENVIRONMENT FOR SUSTAINING TRADE AND INVESTMENT ACTIVITIES, RESULTING IN HIGHER LIVING STANDARDS FOR ALL MALAYSIANS.

AND, FOR THAT, WE THANK YOU.