

THE SECOND CANADA - MALAYSIA BUSINESS LEADERS DIALOGUE
OTTAWA, CANADA, 21 NOVEMBER 1997

(Delivered by Education Minister, Dato Seri Mohd. Najib bin Tun Abdul Razak)
MALAYSIA AND CANADA:

NURTURING A SMART PARTNERSHIP FOR MUTUAL PROSPERITY

Charles Dickens wrote of the best of times and the worst of times. This year for many of us in Southeast Asia we are experiencing the second part of what Charles Dickens wrote some time ago. We have seen some of the best of times in Southeast Asia. Our economies were making good progress, chalking up impressive growth. We were successful in transforming our societies. 1997 saw the enlargement of Association of the Southeast Asian Nations (ASEAN) and the commemoration of its 30th Anniversary. ASEAN at 30 seemed set to be more robust, more resolute and more confident of its future. ASEAN had forged an economic and political cohesiveness unimaginable 30 years ago. This can indeed be described as the best of times for ASEAN and its individual members, including Malaysia.

2. But, this year we have also witnessed the worst of markets. Market manipulation has undermined our economic fundamentals and eroded the progress and wealth we have built up painstakingly for the past few decades. For no rhyme or reason, except of course to make a fast buck for a rich few, our currencies came under attack and our people impoverished. In trying times, such as these, we know who our true friends are. I would like to begin by saying how delighted I am to be here among friends.

3. I would like to thank the organisers for inviting me to address the Second Canada-Malaysia Business Leaders Dialogue. This conference is a follow-up to the first Dialogue which was held in Kuala Lumpur last year. I am glad that there is a sequence to the first Canada- Malaysia Business Leaders Dialogue as last year's event was a tremendous success, paving the way for greater understanding and cooperation between Malaysia and Canada. It is my sincere hope that the second dialogue which we are all attending today will further strengthen our bilateral ties. I congratulate the Canadian Government as host country, for the detailed preparation made for this year's APEC Summit. This time round we have sent a strong Malaysian contingent to attend the Summit. We sincerely hope that we will have the honour of welcoming an equal, if not stronger Canadian delegation to Kuala Lumpur next year as Malaysia hosts the APEC `98 Summit.

4. For today's Dialogue, I have been requested to speak on the topic 'Malaysia and Canada: Nurturing a Smart Partnership for Mutual Prosperity'. This topic is indeed very relevant and pertinent. Partnerships are a common feature in all our societies. We accept partners in almost every endeavour, be it in politics, business ventures, sports, social activities and of course, in the institution of marriage. Generally, partners benefit in numerous ways which the individual alone cannot. However, very often a partnership is not equally shared, with one

party benefiting more than the other. The idea of a 'smart partnership' therefore refers to the concept of maximising and balancing the benefits for both parties and for all, regardless of an unequal contribution towards the partnership. When this concept was first introduced in 1995, during the First Langkawi International Dialogue held in Malaysia, we emphasised that it was based upon the idea of 'win-win' and 'prosperity-neighbour' policy, guided by the universal values of trust, respect, understanding, good faith and fair play. To us, the originality of a smart partnership lies in the practice and not the principle. Smart partnerships are often characterised in practice by a mixture of formal and informal relationships, working in synergy with one another and each chosen to suit the particular purpose of the relationship. Smart partnerships are about government organisations and people working together for long-term mutual gains to help bring about global harmony and cooperative prosperity. To me, smart partnerships require the following ingredients for success: a shared vision, common goals, clear understanding of each partner's strengths and weaknesses, willingness to compromise, and to be patient and tolerant. These key success factors can produce outstanding results.

5. Allow me to share with you two practices in Malaysia which clearly demonstrate the workings of a 'smart partnership'. First is the concept of Malaysia Incorporated. This concept within the context of Smart Partnership implies the deliberate policy of tripartite cooperation between the public and private sectors as well as the political leaders. The partnership is 'smart' because it does not merely yield results, but rather results which are shared without exception by all -- the three parties involved, the people and the Malaysian nation as a whole. Today, we are also glad to state that the trade unions have become a vital component of this smart partnership in contributing towards the national agenda. It can be said with all honesty that a significant portion of Malaysia's rapid economic development for the last 10 years can be attributed to the successful implementation of the Malaysia Incorporated concept. Although Malaysia would still have undergone economic development without implementing the concept, its progress would have been much slower.

6. Another area where the 'Smart Partnership' concept has served Malaysia well is in the national political arena. In Malaysia, the National Front/Barisan National Party which comprises 14 political parties, represents a smart partnership because consideration is given not according to the strength or weakness of a party, but on fair sharing. There are in Malaysia three major racial groups -- the Malays, the Chinese and the Indians. The Malays who consist of nearly 60 percent of the total population form the overwhelming majority whilst the Indians who make up 10 percent of the total population, is in the minority. However, they are equally represented in the councils of the party and are ensured of fair representation in the State Assemblies, the Parliament and the Cabinet. This practice is also extended to the smaller members of the 14 party coalition. We are a pre-election coalition and not a post-election coalition of convenience. Hence in the National Front Government, we are committed to power-sharing and to democratic elections. Furthermore, in the Barisan Nasional, decisions are usually made by consensus, thus ensuring that the views of the smaller parties

are heard and given due consideration. Having a membership of a large number of parties is also a smart decision. A coalition of two parties where neither is strong enough to form the Government is unstable. In Malaysia, the Parliamentary majority for the coalition is large, exceeding two-thirds of the seats. Therefore, should any of the smaller parties decide to go their separate ways, the Government will not fall. On the other hand if the biggest party leaves the coalition it will not have the majority to form a Government on its own. This smart partnership has also contributed to Malaysia' s economic growth as it created political stability, a crucial element in the economic development of the country.

7. Today in Malaysia we are faced with currency and market turbulence. Many of Malaysia' s good friends among the developed countries tell us that this is a temporary phenomenon due to market forces. They say that with our strong fundamentals we would be able to overcome these problems and return to our high growth paths very soon.

8. We have a different view though. If we have such good fundamentals why has our currency been devalued by more than 30 percent? What is the benefit to be derived from this turbulence? Why is it necessary for the devaluation to take place or rather to be engineered at all?

9. This is not the forum for me to explain the way the currencies of South East Asia have been manipulated. Suffice to say that in terms of purchasing imported goods from developed stable-currency countries, Malaysia alone has lost 30 billion U.S. dollars following a 30 percent devaluation of the Ringgit. The attack is not over. Attempts are being made to devalue it further, to reduce our purchasing power even more. We may suffer but those who export to us will soon suffer along with us. And export to our part of the world is worth more than 100 billion U.S. dollars.

10. Those who say that devaluation will make us more competitive ignore the fact that all exported goods contain a fair percentage of imported contents which cause an increase in the domestic prices and reduces any competitive advantage from the devaluation. Demand for higher wages and inflation will wipe out any competitive advantage we may gain.

11. International capital flows have contributed to the growth of countries like Malaysia and to world trade in general. But such capital flows do not always result in smart partnerships. The really serious long-term foreign investments in productive activities do. But the short-term speculative hot money forays into the markets of developing economies don' t. They go in merely to make quick gains for themselves at the expense of their partners. In the case of currency trading and share market investments, one partner gains a little but the other partner loses more than what was made by the investing partner. Thus in the case of Malaysia, while it loses some 30 billion dollars in purchasing power terms, the currency traders made probably only a fraction of that amount. A whole lot of wealth created through hard work and prudent policies is lost to the economy altogether. The investment by these manipulators cannot be termed smart.

12. But we in Malaysia are not about to reject foreign investments because of this. We still welcome foreign investment in productive activities, in the manufacturing of goods and the provision of services. No one I think will welcome the fly-by-night investor. So you must forgive us if we reject the short term investor in the stock-market whose only interest is in capital gains. We also do not welcome the currency traders although the nature of their operation does not enable us to keep them out. They can always borrow offshore Ringgits and shares in order to dump them and depreciate their value. It is unfortunate that the world thinks these predators must be protected. They certainly do not make smart partners.

13. We have also extended the concept of Smart Partnership to regional cooperation. The formation of ASEAN is one such partnership. Within the Association, decision is made based on consensus. Thus the voice of all its members is heard and given careful attention. If ASEAN is not a smart partnership, it would have been impossible to accept new members -- Myanmar and Laos -- whose economies are weaker than those of the founding members and Brunei. Besides, ASEAN has also developed elements of complementarity such as the growth triangles and the ASEAN Free Trade Area (AFTA) to further promote mutual growth and prosperity.

14. One may well ask why the need and urgency to establish smart partnerships. I believe that the economies of this world are presently being re-defined because of the process of 'globalisation'. To get the full benefit of globalisation the economies of the world should shift their emphasis from the purely competitive to include cooperative elements, hence the 'win-win' philosophy which underlines the concept of Smart Partnership. Today's global economic system is no longer a simple chain of one-way effects but a very complex web of feedback relationships. However, conducting business operations in a global economy is no simple task. We need partners who are willing to contribute and make the alliance a fruitful one. This marks the beginning of a new kind of relationship, one which we may call 'Smart Partnership'.

15. Malaysia and Canada have indeed established an excellent relationship which has brought significant benefits to both our countries. Malaysia and Canada share many commonalities. We are both active members of the Commonwealth, United Nations, APEC and the WTO. We have also worked together under the Colombo Plan in the 1950s. In the past, we had a donor-recipient relationship. Today, our relationship has evolved into a maturing partnership between equals. Our bilateral ties extend beyond trade to cover many other aspects, such as infrastructure development, education links and environmental cooperation. Last year, we were honoured to welcome the Rt. Hon. Jean Chretien, Prime Minister of Canada and his Team Canada members to Malaysia. During the visit, 35 contracts valued at RM550 million were signed, in addition to several other government-to-government agreements. This has boosted trade ties between our two countries but we expect the bilateral relationship to be further strengthened as both Canada and Malaysia continue to grow as major trading nations.

16. We acknowledge that the Canadian economy is among the most sound in the world. As the seventh largest global economy with the second highest standard of living in the world, Canada has enormous potential for growth, offering vast opportunities to foreign investors. Not surprisingly therefore, Malaysian companies are looking at Canada as a viable prospect for investment. More than this, Malaysia and Canada possess an excellent match of capabilities and needs. Many of the areas in which Canadian industries are well- established are areas in which Malaysia is actively seeking investments as well as technological cooperation. These include downstream petrochemical products, advanced electronics, telecommunications products, pharmaceutical products, industrial machinery and equipment as well as wood-based products.

17. Malaysia is also looking to Canada for technology in the transportation, aerospace, broadcasting and hi- tech industries. We sincerely hope you will share with us your expertise and technology even as we encourage our local companies to establish more joint-ventures with their Canadian counterparts to reap the benefits of working and investing together. This is indeed the basis of all smart partnerships. However, the principle of mutual respect should be adhered to by all. The Malaysia-Canada relationship should therefore be a constructive venture.

18. For Malaysia, we aspire to be a fully developed nation by the year 2020. To realise this vision, we must be able to sustain an average growth rate of at least seven percent until the year 2020. As such, Malaysia cannot merely depend on the manufacturing sector alone but must also develop a second engine of growth. We have decided to make the Information and Communication Technologies the dynamo for growth, within all economic sectors. To begin with, we have embarked on the ambitious plan to create the world' s first ever Multimedia Super Corridor (MSC). The MSC will bring together an integrated environment with all the necessary attributes to create the perfect global multimedia climate.

19. The Government does not want to limit the MSC to Malaysia alone but plans to expand it to the Asian, European and North American countries in the near future. As such, the MSC offers tremendous investment potential to investors. Suffice for me to summarise the Malaysian Government' s commitments to companies wanting to participate in our MSC:

- * Provide a world-class physical and information infrastructure;
- * Allow unrestricted employment of local and foreign knowledge workers;
- * Ensure freedom of ownership by exempting companies with MSC Status from local ownership requirements;
- * Give the freedom to source capital globally for MSC infrastructure, and the right to borrow funds globally;
- * Provide competitive financial incentives;

- * Become a regional leader in intellectual property protection and cyberlaws;
- * Ensure no Internet censorship;
- * Provide globally competitive telecommunications tariffs;
- * Tender key MSC infrastructure contracts to leading companies willing to use the MSC as their regional hub;
- * Provide a high-powered implementation agency to act as an effective one-stop super shop.

20. Through the MSC, we would also like to take the concept of Malaysia Incorporated a step further, i.e towards global smart partnerships. We would like to invite the world community to join us to shape a common future together. We can work as one for mutual benefit and prosperity. I envisage a virtual commonwealth of nations, one that will benefit all mankind. We invite our Canadian friends to join us in this exciting endeavour. We cannot succeed alone. We need partners with the expertise and the technology and Canadian organisations are the right partners that we are looking for.

21. In addition to investing in each other' s country, we should also venture further to collaborate in third countries. Together, we are in a good position to invest in other nations, particularly in the developing countries. We hope that Canada will regard Malaysia as its springboard into the ASEAN market of nearly 500 million people even as we consider Canada our springboard into the NAFTA market of 370 million very affluent consumers. In the past, both Malaysia and Canada have worked very well together and I am certain if we continue to cooperate with each other, we can create more opportunities for ourselves. Let us continue to build upon the relationship we have established, learning from each other and contributing richly to the partnership. Together we can usher our nations towards prosperity in the 21st Century.

22. I wish you a fruitful Dialogue.