

By : DATO' SRI MOHD NAJIB TUN ABD RAZAK
Venue: CYBERVIEW LODGE HOTEL
Date : 01-08-2005
Title: DINNER - 3RD APEC BUSINESS ADVISORY COUNCIL 2005
MEETING

YB. Datuk Seri Rafidah Aziz
Minister of International Trade & Industry

Mr. Jae-Hyun Hyun
ABAC Chair (Korea)

Mr. Hernan Somerville
ABAC Co-Chair (Chile)

Mr. Dzung Hoang Van
ABAC Co-Chair (Vietnam)

Tan Sri Azman Hashim
ABAC Member for Malaysia

Distinguished ABAC Members

Excellencies

Ladies and Gentlemen,

1. I would like to say Selamat Datang or welcome to all of you. To those who have come from abroad and are visiting Malaysia for the first time, I hope you will have the opportunity to visit places of interest and experience our uniquely Malaysian hospitality. The last time I checked, golf can still be treated as a legitimate business expense in the vast majority of APEC economies.

2. Let me take this opportunity to congratulate and thank ABAC members for your contribution over the years to improve the environment for trade and investment in the APEC region. Malaysia and other APEC economies have always recognised the business sector as a key partner in contributing towards trade and economic growth. With the broad network and partnership between business and government, APEC as a premier regional forum, is well positioned to address not only regional but also global economic issues and challenges that confront us all.

Ladies and Gentlemen,

3. As globalisation accelerates, new threats and challenges emerge, forcing us to reexamine the way we conduct our affairs. We can no longer be complacent with the status quo, be it in

business or government. In this respect, I am happy to note that ABAC is continuously coming up with innovative ideas and fresh suggestions. I am confident that APEC Leaders, when they next gather in Korea this coming November, will consider them with an open mind and where feasible, react positively to your requests and suggestions.

4. I would like to take this evening's opportunity to talk about three challenges facing the APEC economies as we push ahead with promoting economic growth and safeguarding our common prosperity. Firstly, the security challenge for trade and investment. Secondly, the ethics and governance challenge for businesses and governments. And thirdly, the capacity-building challenge in the context of trade facilitation.

Ladies and Gentlemen,

5. The security environment has changed irreversibly since September 11 and today, one of the main challenges affecting trade and investment is the security threat arising from terrorist acts. For business, this has led to the introduction of various additional measures and regulations which have placed additional burdens on governments, ports, airport operators, shipping and airline companies in the Asia Pacific region. These measures, together with new security-driven technologies and procedures, have further increased transaction costs and are burdensome for businesses, particularly for small and medium-sized enterprises.

6. While we all recognize that many of these steps may be deemed necessary, it is important for ABAC members to ensure that these measures are not used deliberately to create barriers to trade and further impede the development of less developed members of APEC. As business leaders, you will no doubt appreciate the need to strike a delicate balance between ensuring the safe transit of goods and services, and ensuring that businesses are not disadvantaged from sourcing goods and services from the most commercially attractive sources. We must not let this one priority overwhelm the other as this will eventually have serious long term consequences for the region.

7. Let me also touch briefly on the issue of maritime security. For Southeast Asia, our waterways represent a major artery for trade and commerce, and therefore a potential target for those intent on disruption and chaos. Half of the world's trade in oil and gas passes through the narrow Straits of Malacca. Given the strategic importance of the Straits to global trade and economic stability, we must ensure that all stakeholders - the littoral states as well as other countries with security and economic interests tied to this region - continue to work together to find and develop preventive measures that can be accepted politically by all and that can work effectively on the ground.

8. This does mean that primary, operational control and responsibility for securing the Straits must continue to rest with those countries bordering it - Indonesia, Malaysia and Singapore. At the same time however, given our constraints in terms of assets, technology and financial resources, we remain open to collaborating with other countries outside the immediate region, in ways that would not compromise on our national sovereignty and territorial integrity. Malaysia for one recognizes that while security has become a common concern for Asia, we must find ways to share this burden in an equitable manner that does not lead to further instability.

Ladies and Gentlemen,

9. The second challenge of corporate governance and integrity has surfaced as issues of major concern in the business sector. The most serious corporate crimes today often occur seamlessly across national borders and involve multiple jurisdictions. Billions can be illegally gained and lost at the click of a mouse. It is therefore important to ensure that governments and business work together to improve systems and procedures to ensure security of business transactions worldwide. Both the public and private sectors must work together to ensure that business confidence is not eroded through unscrupulous and illegal acts of a few.

10. I have been informed that in recognising the negative impact of corruption in both public and private sectors, APEC has included anti-corruption as an integral part of its work programme. I also understand that ABAC members have undertaken a commitment to conduct business affairs with the highest ethical standards. I commend ABAC members on this and urge you to continue your corporate and social responsibility to fight against corrupt practices. ABAC needs to take this fight to the wider private sector and advocate the adoption of their own codes of business practice, including on bribery and corruption. These codes should be put into practice and companies should live up to their own stated standards.

11. In Malaysia, the Government of Prime Minister Dato' Seri Abdullah Badawi has made the fight against corruption a key priority, encompassing both the public and private sectors, and even extending to political parties. The prosecution of several high profile members of the government and corporate personalities in recent months and disciplinary action taken against a number of senior members of the ruling party, are clear signs that Malaysia is serious in tackling corruption and enforcing a higher standards of transparency, ethics and integrity.

Ladies and Gentlemen,

12. The third and final challenge I would like to touch on concerns the need to improve trade facilitation among APEC economies, and the corresponding need for capacity-building.

13. Trade facilitation has been a key goal of APEC since its founding in 1989. APEC has undertaken various initiatives to reduce impediments to the flow of goods, services and investment in the APEC region. As business leaders, ABAC has continuously stressed the importance of trade facilitation towards enhancing business competitiveness. Business activities can become very frustrating when there is lack of clarity, transparency, and certainty in trade rules, regulations, and administrative procedures.

14. It is imperative that APEC continues to place priority on such issues and address all these concerns, so that the benefits of trade liberalisation and market opening are not negated by such impediments. In this regard, ABAC can assist by continuing to provide the necessary feedback to governments.

15. On Malaysia's part, we have given priority attention to trade facilitation and are constantly reviewing and updating measures to respond to business needs. In the spirit of open dialogue and collaborative relations between government and the private sector, otherwise known as Malaysia Incorporated, the government has always been committed to the success of business in this country. On the multilateral front, Malaysia is also actively participating in current negotiations on trade facilitation in the WTO to establish clear and transparent rules. As the 18th largest trading economy in the world, Malaysia has benefited immensely from the global trading system and we have a stake in ensuring that other countries also benefit equitably from their participation.

Ladies and Gentlemen,

16. Capacity building is a key element in assisting developing economies to achieve the goals of trade and investment liberalisation. Initiatives which result in information exchange and sharing of best practices have allowed government officials to better understand and formulate regulations and policies to facilitate trade and investment flows.

17. Capacity building in the private sector is also much needed, especially for the lesser developed members of APEC. Greater effort is needed to help the SMEs in these economies to be better prepared to face competition that comes with liberalisation as well as to benefit from opportunities created by market opening measures. The more prepared the SMEs are, the greater will be their contribution to economic growth, job creation, and poverty reduction. In this regard, ABAC may wish to look into the possibility of introducing training programmes run by the private sector to assist smaller enterprises from APEC economies.

Ladies and Gentlemen,

18. Trade has been the lifeblood of Asia. Within the Association of Southeast Asian Nations, or ASEAN, we have agreed to form an economic community by 2020, with the aim of creating a single market with free flow of goods, services and investment. The increasing integration among Asian economies is reflected by the rapid expansion of intra-Asian trade. From 20% in 1980, intra-Asian trade as a share of the region's total trade doubled to 41% last year. Today, Asia is Asia's largest customer. We must ensure that the security challenges, the ethical challenges and the capacity building challenges that I have mentioned, do not become permanent road blocks that eventually bring the wheels of trade and investment to a halt.

19. I understand that APEC is undertaking a midterm stock take of its progress towards the Bogor Goals of free trade and investment by 2020. As a major partner and business stakeholders in the APEC process, ABAC members should continue to provide input and feedback that could be considered by APEC Leaders for adoption to realise APEC's goals. In providing these inputs, ABAC should not forget the bigger objectives of strengthening regional economic development, bridging the developmental gap and enhancing shared prosperity.

20. As a forum that is made up of a diverse membership, we need to ensure that economic development opportunities are accessible to all APEC members. Malaysia shares the vision of APEC in promoting sustainable and balanced growth as this has also been the underlying thrust of our own national economic and social development plans.

Ladies and Gentlemen,

21. I hope that with the knowledge and experience that each of you have, there will be constructive and fruitful exchange of ideas and views at this Third ABAC 2005 Meeting. I hope ABAC members would be able to collectively ensure that international cooperation is undertaken in a way that enhances the overall development of the APEC region in a balanced manner, taking into account the interests of both developed and developing members alike. I look forward to ABAC's continuous support and contribution towards the goal of free and open trade and shared prosperity in the Asia Pacific region.

Thank you.