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Excellencies

Ladies and Gentlemen

1. Let me begin by thanking the Malaysia-China Business Council, ASLI and HSBC as the generous hosts for your kind invitation to speak at this luncheon in conjunction with my visit to this great city. The last time I was here was in 1992 and let me say that I have never witnessed a more dramatic transformation of a city's skyline as I have seen with Shanghai today, especially in Pudong area, where it grew practically from scratch. As I stare out of my hotel window, ceaseless passing of barges and tugboats even through the night gives an indication of the dynamism of the economy here.

2. Shanghai's development is the most obvious symbol of a wider, far reaching achievement: a China that has transformed from a once agrarian economy to what is now a great industrial nation, and a globally connected one. Today, China goes out to all four corners of the world to seek knowledge, to do business and to build networks. It was your great statesman, Deng Xiaoping who initiated this drive to open up to the world. I believe he once said, "China cannot develop itself in isolation from the world". With these simple yet meaningful words, China began this journey in 1978.

3. 27 years on, the statistics are just astounding. With a population of 1.3 billion people and its GDP growing consistently between 8-10 percent annually, China has emerged as a leading actor on the global economic stage. China has quadrupled its output in less than three decades. As member of the World Trade Organisation (WTO), China will have a greater voice in international trade negotiations - and that will increase the weight and influence of Asia as a whole.

4. China's economy is now intricately linked to the rest of the region. And Asia as a whole is becoming more and more integrated through trade and investment. Intra-Asian trade is growing faster than other regions as Asian countries are exporting more to each other than to US and Europe. Last year, we in Asia exported 38 percent of our goods and services to other Asian countries. This was up from about 33 percent five years earlier. Today, Asia is Asia's largest customer for exports. This increase has been fueled not only by increased demand within the region but also by the reorganisation of production processes into regional networks. For example, goods are being assembled in China with parts sourced from Southeast Asia and the wider region, and then exported to developed markets.

5. East Asia today is fully integrated as part of the global supply chain. By working together, leaders of East Asian nations can ensure that the region will continue to play a pivotal and constructive role in the global economy. ASEAN countries, including Malaysia, should seize the opportunity to export their goods and services to China and take advantage of the huge market.

6. I beg to defer from the many that have cited China as a threat to global stability. I firmly believe that it is in China's interests to work with the nations of the world, not against them. In this regard, I view the recent move by the Chinese Government to officially un-peg their currency from the US Dollar and move towards a managed regime as a positive sign that China recognizes the value of working constructively with the rest of the world. China's phenomenal economic growth has been a direct impact of being plugged into the global economy, and I believe China is already engaged and contributing to security and stability as an enduring feature of the Asian region.

Ladies and Gentlemen

7. It should be clear to us that closer co-operation is the best way forward for an Asian region that is becoming more closely integrated. Leaders of Asian countries must push aside the occasional populist clamour for blind protectionism and embrace the reality of a globalised world economy. By working together, Asian countries can help to mitigate the negative impacts of globalisation while continuing to work together to reap the benefits of international trade and investment.

8. This co-operation can take place in many ways. Asian countries can work together to develop a regional bond market, helping to spur investment and growth. The Chiangmai Initiative among the ASEAN+3 grouping is a start, and more regional measures should be considered in the future.

9. The emergence of the region and forecasts that Asia will eclipse Europe and the America has caused some uneasiness. But there is no reason for anyone to be worried. The region wants peace and security just as the Americans and Europeans do. The East Asia grouping is an important vehicle to promote greater regional co-operation. It should not be seen as a counter trade bloc to the European Union or the Americas. It is with such co-operation, consultations and discussions that misunderstanding can be avoided. The inaugural East Asia Summit in Kuala Lumpur later this year will make it clear that it is not a counterforce to any country or region.

Ladies and Gentlemen

10. I am happy to note that Malaysia-China relations are at a most cordial level. We enjoy strong diplomatic ties, with our economic linkages expanding rapidly. The basis for our relationship is predicated on a strong footing, which includes cultural links that go back centuries. Over the years we have built such concrete ties, so much so that today, China is Malaysia's fourth largest trading partner, and fourth largest export market. Total trade between Malaysia and China is growing at a more than healthy pace, increasing by more than 3-fold in the last five years to nearly 19 Billion U.S. Dollars in 2004. Malaysia is China's eighth (8th) largest trading partner worldwide and the largest in ASEAN. We expect bilateral trade to exceed 50 Billion U.S. Dollars by 2010. What is significant to note is that Malaysia's trade with China is now growing at a faster pace than that with the United States or Japan.

11. In terms of direct investments, we have seen steady growth of Malaysian and Chinese companies investing in China and Malaysia respectively, in both manufacturing and services. Between 1998 and June 2005, Chinese companies have invested a total of 3.5 Billion Ringgit in Malaysia in the manufacturing sector alone, while according to Chinese statistics, Malaysia's cumulative investments in China until June this year has amounted to 3.61 Billion U.S. Dollars in 3,429 projects.

12. People to people relations between our two countries have also grown tremendously over the years, spurred by the boom in tourism and education. In 2004, we received more than half a million tourists from China. Our rich multicultural heritage, our natural beauty and our reputation for diverse cuisine are on constant display. In addition, there are currently about 10,000 students from China studying in various universities in Malaysia. With a vast number of private colleges, both public and private universities, foreign branch campuses and twinning programmes, Malaysia has developed a regional reputation for high quality, cost competitive higher education, set within a favourable multicultural environment.

Ladies and Gentlemen

13. Against the backdrop of these already very encouraging developments, let me touch on three opportunities where I see great potential for collaboration in the immediate term. Firstly, I believe with the move towards an ASEAN-China Free Trade Area by 2010, we can and should significantly diversify and broaden opportunities for trade and investment. Currently between 60 to 70 percent of our bilateral trade comprises of electronics and electrical (E&E) products, palm oil and chemicals. Clearly, we can do much more to diversify this trade pattern and explore fields where we can complement each other.

14. One such area is in the manufacture and trade in Halal products. I have been informed that Chinese companies are interested in establishing joint ventures in Halal manufacturing in Malaysia, including regional distribution centres. Similarly, there are Malaysian companies that are keen to set up production facilities in China due to cost advantages and the substantial supply of Halal raw materials. In collaborating with Malaysia, Chinese companies can also be assured of a larger market for Halal products as not only is Malaysia a leading member of the OIC, but we have also developed an internationally recognised standard for Halal food (MS5000:2004) that has just recently been endorsed by OIC member countries.

15. Earlier today I witnessed the signing of an MOU between Petronas and the Nanjing Automobile Group that will see both companies working together to use a Petronas-developed engine for passenger cars in China and internationally. Such strategic partnerships not only demonstrate our confidence and willingness to share technologies with Chinese partners, but they are clear examples of where and how Malaysian and Chinese companies can jointly leverage their respective strengths to successfully compete in world markets. As a general remark, we must turn MOUs into reality and not use MOUs as a mere indication of success. MOUs are starting points and these must be translated into commercial entities at some later date. However, I am confident that this project will be successful as I can see the enthusiasm, the goodwill and perhaps most importantly of all, the willingness and determination to succeed is present on both sides.

16. Our Prime Minister has placed agricultural and biotechnology as priority areas and as future engines of growth. With this agenda in mind, I see enormous opportunities for partnerships to be nurtured and developed in this sector. The absence of a bilateral framework for cooperation in this sector should not be a hindrance or an obstacle. Malaysia and China have complementary strengths as both are two of the world's 12 "mega-biodiverse" countries and it only makes sense for the two of us to become collaborators rather than competitors as we work towards sustainable harvesting of our biodiversity. In Malaysia, we are home to one of the

world's largest collection of flowering plants, mammals, invertebrates and marine fish. In China, 25 percent of the total number of plant and animal species are found in southern China in your tropical monsoon and rain forests. In both countries, traditional herbal remedies and medicines have been in use for hundreds of years if not centuries.

17. As such I believe it makes sense for China and Malaysia to become collaborators rather than competitors as we work towards sustainable harvesting of our biodiversity.

18. I would like to encourage companies from both countries to start to explore areas where they could jointly cooperate, especially in the development of high value-added agricultural production and partnering in downstream agro-based products. I would also like to see much more joint research to be conducted. I know that companies are sometimes reluctant to invest in R&D as they cost money and the gestation period is long. I do hope such negative mentality would change. We, in Malaysia, are certainly trying to get our research institutions to be engaged in research and it is our hope they could be translated into viable commercial products. Our ongoing efforts to conduct joint R&D into hybrid rice paddy to increase yields in Malaysia is a promising example, and we should encourage similar initiatives.

Ladies and Gentlemen

19. Let me conclude my remarks with an obvious fact. China is already at the centre of Asia's transformation. We are confident that with your thousand years of history, you will be successful in bringing about prosperity to your people. Malaysia is prepared to work together with you in all fields. We have the political will to do so.

20. Malaysians in this hall are likely to have witnessed first hand the magnitude of the challenges and opportunities before this great nation. Some of you here see it every day. Many of you are regular visitors. Our Chinese guests are also likely to be the most familiar with Malaysia – I dare say that all of you understand our goals, our principles, our achievements, and our capabilities.

21. It has been said that businessmen are pragmatic people and in this regard, where there are opportunities, you are bound to try your hand. There are opportunities, and we in government, both our two governments continue to work towards creating a conducive climate for all of you to enjoy and reap the benefits. I am reminded by the pragmatism of the Chinese, perhaps immortalized by the words of Deng Xiaoping who said, "The colour of the cat doesn't matter as long as it catches the mice". The mice are opportunities, so go and catch them.

22. These are wise words indeed. Let us all be pragmatic and together, both the public and private sectors of our two countries join hands and work towards the building of a much more enduring and meaningful relationship in the midst of an ever challenging world.

Thank you