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"Trade on Human Terms: Transforming Trade for Human Development in Asia and the Pacific"

and

"Malaysia: International Trade, Growth, Poverty Reduction and Human Development"

Dr. Hafiz Pasha, UNDP Assistant Administrator and Director of the Regional Bureau for Asia and the Pacific

Dr. Richard Leete, UNDP Resident Representative for Malaysia, Singapore and Brunei Darussalam

Excellencies

Distinguished guests

Ladies and Gentlemen,

1. First and foremost, I wish to thank the organizers for inviting me to launch the Asia Pacific Human Development Report 2006, "Trade on Human Terms: Transforming Trade for Human Development in Asia and the Pacific". It is always a pleasure for the Malaysian government to work with UNDP to achieve national development objectives. I am delighted to witness an event of great significance; here in Putrajaya today.

2. I am also pleased that at today's event we will launch a national case study: "Malaysia: International Trade, Growth, Poverty Reduction and Human Development" and I wish commend the authors of both reports for their excellent work.

Ladies and gentlemen,

3. Malaysia is a fine example of the benefits of open trade policies on growth and poverty reduction. Through its open and export oriented economy, our country achieved rapid economic growth, averaging between 6 and 7 per cent per year since 1970.

4. Rapid economic growth led to growth in employment opportunities, which in turn helped to reduce poverty considerably. In just about 15 years from 1970 when half of all households were poor, Malaysia more than halved the incidence of absolute poverty. In another fifteen years from the mid-1980s Malaysia again more than halved the level of absolute poverty. By 2002, just 5.1 per cent of households were poor.

5. The crusade against poverty is not just simply one of compassion for the poor, or of some loose notion of a safety net for the most disadvantaged. It becomes the infinitely more powerful idea of a society having a duty to prevent the individual being held back by poverty, of each individual having the right to decent living standards. The existence of an underclass of deprived and poor, is seen not just morally wrong but as an obstacle to the creation of the social cohesion necessary to ensure political stability and to function effectively.

6. Looking ahead, Malaysia is committed to eventually eradicating absolute poverty and reducing income inequality. Over the course of the Ninth Malaysia Plan (RMK9), we are targeting to halve overall poverty and fully eradicate hard-core poverty.

Ladies and gentlemen,

7. Since independence, Malaysia has achieved many national developmental goals – and most of the Millennium Development Goals (MDGs). These achievements, and the favorable position Malaysia now occupies in economic and social development, owe a great deal to the ground-breaking policies and strategies that were envisioned in Malaysia's Outline Perspective Plans, and systematically implemented through Malaysia's national five-year plans.

8. In recognition of the major challenges Malaysia faced, that the New Economic Policy was formulated, and became the driving force for the next 20 years. The two primary aims were firstly, to reduce, and eventually eradicate, poverty by raising income levels and increasing employment opportunities among all Malaysians, irrespective of race; and secondly, to restructure Malaysian society to correct economic imbalances, so as to reduce and eventually eliminate the identification of race with economic function.

9. The National Development Policy, adopted for the following ten years, maintained the basic strategies of the NEP, but introduced several shifts in specific policies to eradicate hard-core poverty; increase the participation of Bumiputera in the modern sectors of the economy; place greater reliance on the private sector to generate economic growth and income; and emphasize human resource development as a primary instrument for achieving the objectives of growth and distribution.

10. Today, Malaysia's long-term development thrust is still guided by its Vision 2020, which is to achieve the status of a developed nation by that date. International trade is expected to make a significant contribution to growth. Domestically, robust

consumer spending, an expected pickup in private investment, and higher government expenditure related to the start of the Ninth Malaysia Plan will also provide further support for growth.

Ladies and gentlemen,

11. Export-led economic growth has resulted in the structural transformation of the Malaysian economy. In 1975, the share of the agriculture sector in GDP was 18.6 per cent, making it the biggest sector after the services sector, while the contribution of the manufacturing sector was only 11.0 per cent. By 2005, the share of agriculture in GDP shrunk to 7.9 per cent while that of manufacturing rose to 29.2 per cent.

12. In the agriculture sector, changing world demand and falling prices led to the re-channeling of resources within agriculture from rubber to palm oil for which there was a rising demand. Modern management of farms through the land development schemes, such as FELDA, assisted in the modernization and transformation of agriculture. This helped raise the incomes of rural farmers and the incidence of rural poverty declined substantially.

13. During the Ninth Malaysia Plan period, the agriculture sector will be revitalized to become the third engine of growth after the manufacturing and services sectors. The focus will be on developing 'New Agriculture', particularly biotechnology. The productivity, efficiency and wealth-generating potential of the sector will be enhanced through wider application of modern farming methods and ICT.

14. From the early 1970s, the manufacturing sector played a key role in Malaysia's success. Foreign direct investment, attracted by Malaysia's infrastructure, human resources, and government incentives, contributed markedly to the development of export-oriented industries. The most dynamic sector is electronics. Malaysia is now one of the world's major exporters of semi-conductors and electronic components.

15. Moving forward, Malaysia's manufactured exports, which now account for about 80 per cent of total trade, will increase in share slightly but the composition will change. Exports will increasingly be more skills- and technology-intensive, as knowledge-based industries become more important to the economy.

16. New sources of growth are anticipated to expand. Beyond growth in more technology-intensive exports, a key part of increased trade will come from the growth of trade in services. More knowledge-based services will grow in importance and will generate more employment opportunities. These services include manufacturing-related services, logistics, ICT-related services, and business professional services.

17. With the anticipated increase in the use of high technology, a more educated and trained labor force will be required. During the Ninth Malaysia Plan period, investments in human capital will be given high emphasis so as to sustain economic resilience and growth.

Ladies and gentlemen,

18. Malaysia, as one of the world's most open economies, has become increasingly integrated through globalization processes. Malaysia favors participation in a global partnership for development that benefits all countries willing to take part. Malaysia faces new challenges brought about by globalization, which will require new policy and strategic approaches if further inroads are to be made in improving human development.

19. A key challenge for Malaysia is how it can raise its level of competitiveness. Its labor-intensive export oriented industries are vulnerable to competition from emerging economies. In addition, resource-based industries, such as rubber and oil palm-based industries, which rely on unskilled labor, face competitive pressures.

20. The impact of competition will require rapid adjustments. Malaysia will need to move up the value chain and build up its capability to manufacture and export more skilled and technologically intensive products. Unskilled labor in the labor-intensive industries will have to be re-channelled to the new growth areas during this period of adjustment. Labor entering the market will have to meet the changing demands from these new economic activities.

Ladies and gentlemen,

21. Trade liberalization on its own is not enough to reduce poverty. Trade liberalization in Malaysia was also accompanied by political vision, pragmatic social and macro-economic management, as well as investments in human capital, especially health, education and women's empowerment.

22. Malaysian society today understand that we do live in a world of change, they understand that trade liberalization is with us forever, they may not like some aspects of it but they know they can't change it and they therefore want a government that delivers the benefits of trade liberalization and they do not foolishly pretend that we can hold back the tide. Within that change, they want reassurance and they also want to protect and defend those institutions that have given them a sense of security and a sense of purpose over the years.

23. May I conclude by again thanking UNDP for the opportunity of sharing some remarks with you. I do applaud the contribution that this organization has made towards the cause of a greater understanding of the diversity and the complexity of the Asia Pacific region. It's an area of the world that will assume an even greater

significance and greater role as the 21st century unfolds. It's an area of the world which we derive a wonderful economic and human nourishment, and it's an area of the world where opportunities for growth and development are unlimited. And it's also an area of the world that contains many of the potential and strategic challenges that are likely to occupy our time and attention in the decades ahead. And the contribution that this organization makes to an understanding of this part of the world is immense.

24. On that note, it is my pleasure to launch the two reports, "Trade on Human Terms: Transforming Trade for Human Development in Asia and the Pacific" and "Malaysia: International Trade, Growth, Poverty Reduction and Human Development".

Thank you.