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Venue : MUMBAI , INDIA
Date : 09-06-2006
Title : OPENING REMARKS ON EXPLORING POSSIBILITIES, SHARING OPPORTUNITIES

H.E. Shri. Vilasrao Deshmukh,
Chief Minister of Maharashtra

Mr R Seshasayee,
President of the Confederation of Indian Industry

Distinguished Guests

Ladies and Gentlemen

Good morning

1. It is customary in my country to begin a speech with an expression of gratitude. Let me therefore thank the joint organizers of this Malaysia-India CEO Roundtable, the Confederation of Indian Industry (CII) and the Asian Strategy and Leadership Institute (ASLI), for providing me with this special opportunity to share my thoughts with prominent leaders of Indian and Malaysian business who are present here this morning. Let me also thank the Government of India and the State of Maharashtra for hosting me during this visit.

2. On my official travels abroad, my wife often accompanies me as a dutiful but sometimes reluctant spouse. However, on this visit to India and especially here in Mumbai, I can feel that she is excited and energized. She is a big fan of Hindi films and this great city is after all, the "real" movie capital of the world (I am told Bollywood makes around 900 movies a year compared to America's 100). And she reminds me that Mumbai is also home to some of Bollywood's greatest stars, in particular Amitabh Bachchan and Shah Rukh Khan. The moral of all of this is clearly, if I may offer a word or two in Hindi, "BIWI KHUSH, TO HUM KHUSH" (If wife is happy, husband is happy) or "BIWI KHUSH, TO GHARR MAY SHANTI" (If wife is happy, there is peace at home).

Ladies and Gentlemen

3. I am here today to speak about the warm relations between our two countries - India and Malaysia. About our deep and common history and heritage. About how far we have progressed as two nations that achieved independence from the British within a decade of each other after the Second World War. And about the vast potential for mutually beneficial and rewarding partnership that exists between our two countries in so many fields and in so many endeavours.

4. For over 2000 years, close relations with the Indian subcontinent has formed the bedrock of the economic, political, and cultural development in the Malay Peninsula. For centuries, the monsoon winds have brought Indian traders to our shores. Indeed, many of the old Malay empires were Hindu-Buddhist kingdoms which maintained close relations with their political and economic cousins in India. Culturally, the influence of the Indian subcontinent has been unmistakable. The usage of the Sanskrit language, as well as many practices of Hindu origin, continue to be strong elements that contribute to the vitality and variety of Malay culture.

5. These relations were further strengthened with the influx of Indian workers into the Malay peninsula, following the extension of British colonial rule to the west coast Malay states in the 1870s. Indians contributed much to building Malaya, working in the rubber estates, the railways, the courts and the civil service. By the time Malaya gained its independence in 1957, ethnic Indians accounted for approximately 11 per cent of the total population.

6. Today, ethnic Indians continue to form an important element in the cultural potpourri that is Malaysia. Malaysians now celebrate Deepavali and Thaipusam, as much as we celebrate Christmas, Chinese New Year, or the end of the Muslim fasting month of Ramadhan. We take pride that Malaysia is home to the largest population of ethnic Indians outside the Indian sub-continent.

7. Malaysian of Indian origins are also represented at the highest levels of Government. Our senior cabinet minister from the Indian community, the Honourable Dato' Seri Samy Vellu, is a tireless advocate of Malaysian-Indian relations. I am told he spends as much time traveling to India as he does to his parliamentary constituency back home!

Ladies and Gentlemen

8. India today is a thriving economy. In the last few years, India has been mentioned together with China as the emerging twin engines of the global economy. India's real GDP has grown at 8% per year for the past three years, and growth has averaged 6% over the past 25 years. The internationally traded part of India's services sector, while now only 3% of GDP, has grown at a staggering 35-40% annually, and this has the important effect of spreading wealth and raising living standards across the economy. Clearly, India has successfully ridden on the wave of globalization. Your economic prospects have never been stronger.

9. Much of India's robust growth and attractive outlook today is due to the vision of India's political and business leaders. However, India's prospects have not always been so rosy. Only three decades ago, Indian GDP growth averaged 3.5% per year, while some developing countries were growing at twice that rate. Economists called it the "Hindu rate of growth". Commentators pointed to socialism and the "licence Raj" of the Indian bureaucracy as key factors for the stifling of India's economic potential.

10. Over the last decade, India's policymakers proceeded to slash import tariffs, sell government-owned businesses, remove licensing restrictions, and bring about other important economic reforms. The private sector responded with a great roar that reverberates even today, as Indian businesses went on to win global customers and make significant forays into global markets. Recently, we are even beginning to see leading Indian firms becoming active on the global mergers and acquisitions scene. India today is dynamic, confident and vibrant. It is a shining example of how political will and close collaboration between the public and private sectors can transform the fate of an entire nation.

Ladies and Gentlemen

11. I am proud to note that Malaysia continues to recognise India as an important partner for trade and investment. Today, India is Malaysia's 14th largest trading partner, with bilateral trade valued at over US\$5 billion last year. Although progress in bilateral trade between our two countries has been encouraging, there are some areas where we can and should emphasize further.

12. For example, the current trade balance is significantly in Malaysia's favour. As with all our most important partners, it is important that we work towards having a trade balance that is more balanced, and I believe this is an area where both countries can cooperate more closely. However, we should also note that our bilateral trade is still largely confined to the export and import of commodities. Last year, over half of Malaysia's exports to India were made up of petroleum products and palm oil. This contrasts with Malaysia's global exports, 77 percent of which are manufactured goods. Clearly, there is room for us to increase the value-added in our exports to India.

13. Foreign Direct Investments (FDI) has become a relatively new and increasingly important dimension in economic relations between our two countries. Last year, manufacturing-based FDI from India amounted to US\$148 million, having doubled from US\$77 million in 2004. I have been informed that there are now over 50 Indian joint ventures in Malaysia in the fields of palm oil refining, power, railways, civil construction, and information technology.

14. Indian companies have also been active in Malaysia's Multimedia Super Corridor (MSC). As of May 2006, 52 Indian companies with MSC status have been approved in areas such as ICT security, content development, e-commerce services, wireless technologies, business and engineering software applications, biotechnology and life sciences. Clearly these are areas where India has much to offer in terms of resources and expertise, and I hope your active participation and commitment will continue.

15. On the flip side of Malaysian FDI into India, let me say that the traffic has not been a one-way street either. Clearly India is strong in software i.e. the human capital aspect particularly in ICT. But you are relatively weaker when it comes to the hardware – the infrastructure side of things. This is an area where Malaysia's vast experience can be of great benefit to India. As an example, Malaysian companies, with deep experience in building and operating the world class Kuala Lumpur International Airport, are now building Hyderabad Airport together with local Indian partners, and are also in the running for the New Delhi Airport privatization project.

16. Malaysian companies are also world class builders of roads, and many of these companies are now actively constructing and operating highways in India. I am told that Malaysian companies enjoy about a 20% share of India's "Golden Quadrilateral" highway building programme. I am confident that these companies will deliver on schedule, on quality and on cost, and have the track record to achieve profitability for the projects undertaken in India.

Ladies and Gentlemen

17. The Malaysian Government will continue to support the strengthening of business relations and cooperation between the private sectors of both countries. During the visit of Indian Prime Minister Manmohan Singh back in December 2004, India and Malaysia agreed to initiate discussions for a Comprehensive Economic Cooperation Agreement (CECA). The Joint Study Group Report for the CECA is expected to be finalised shortly. Malaysia remains optimistic that a Free Trade Agreement can potentially lead to a new era of economic partnership between both countries. Much of the benefits if the CECA will depend on our willingness to open up significant areas of our economies to each other, in a manner that is mutually beneficial, anchored on our respective comparative advantages and sustainable in the longer term.

Ladies and Gentlemen

18. While the role of government is to create a conducive environment for economic activity and growth, it is incumbent on the private sectors of both countries to identify and seize the opportunities that are created through the opening of markets.

19. For Indian businesses, I would strongly urge you to take full advantage of Malaysia's strategic position as the ideal entry point into the lucrative ASEAN market. The ASEAN region today has a population of about 500 million, a combined GDP of US\$737 billion, and a total trade of US\$720 billion. ASEAN has only half India's population, but a combined GDP comparable to that of India.

20. Upon the successful conclusion of an ASEAN-India FTA that is currently being negotiated, I believe Malaysia will become the perfect launching pad for Indian businesses to enter into the lucrative ASEAN market. We have the political stability, a first class physical infrastructure, a skilled and multi-cultural and multi-lingual workforce, and a shared cultural heritage that makes Malaysia the ideal location and

partner for Indian businesses. Already, global businesses such as BMW, Dell, and Motorola have chosen Malaysia as their headquarters for the ASEAN region. I would urge Indian companies – many of you who are already aspiring global champions in your own right – to make Malaysia your gateway into ASEAN.

21. For Malaysian businesses, I urge you to build and expand your footprint in India's rapidly growing economy. Clearly, there are vast opportunities here for entrepreneurs with vision and tenacity. Keep in mind, however, that India is a very large and diverse country. You must have a clear strategy to compete. This involves choosing the right sectors, the right partners and the right regions to play in. Pick your battles well, and invest wisely in the generals and the foot soldiers that will be fighting with you on the ground.

22. I hope that today's Roundtable will result in greater partnerships between Malaysian and Indian private sectors. You both have much to offer to each other. I look forward to new joint ventures between Indian and Malaysian businesses to strengthen the business links between our two countries.

Ladies and Gentlemen

23. The celebrated Indian poet, Nobel laureate and one of India's most famous sons, Rabindranath Tagore, once said: "You cannot cross the sea merely by standing and staring at the water." For centuries, our peoples have traveled the Indian Ocean to seek hope and prosperity in each other's lands. Today, we are witnessing a new era of tremendous potential between our two nations. Let us explore the many possibilities and share the many opportunities that are clearly before us. Let us take heed of Tagore, and start crossing the seas again.

Thank you.