

By : **DATO' SRI MOHD NAJIB BIN TUN HAJI ABDUL RAZAK
PERDANA MENTERI MALAYSIA**

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ASIA**

**“OVERCOMING ASIA’S CHALLENGE AND RISING ABOVE
ADVERSITY THROUGH REGIONAL INTEGRATION”**

Ohayou Gozaimasu and A Very Good Morning.

Mr. Ryoki Sugita;
Chairman, Nikkei Inc,

Mr. Tsuneo Kita;
President and CEO, Nikkei Inc,

The Honourable Thongsing Tammavong;
Prime Minister of Laos,

The Honourable Hoang Trung Hai;
Deputy Prime Minister of Vietnam,

The Honourable Murray McCully;
Foreign Minister of New Zealand,

Excellencies, Distinguished guests, Ladies and Gentlemen,

1. Let me first thank Mr Tsuneo Kita for his kind words of introduction, and of course Nikkei Inc. and the Japan Center for Economic Research for inviting me to speak to you today. Every since 1995 this conference has brought together Heads of Government, corporate captains and opinion leaders to discuss the outlook across our region, and this morning I would like to share with you my thoughts on the role of greater integration in helping Asia rise above the challenges we face.

2. We come together this year at a time of great and terrible adversity for the people of Japan – and allow me once again to extend my deepest sympathies and those of the entire Malaysian nation for the calamities that have befallen your country, for the devastation that has wreaked on homes and livelihoods, and for the loss of so many innocent lives.

3. I want to reiterate my commitment to supporting Prime Minister Kan in his ongoing efforts to tackle a situation he has described as the toughest and most difficult since the Second World War. But Malaysia’s commitment to Japan in your hour of need is much more than just a dialogue between governments: it is an understanding between peoples.

4. The plight of the victims of the earthquake and tsunami that tore across your country has touched the hearts of all Malaysians, and there has been a spontaneous outpouring of gifts and goodwill towards the people of Japan. I was even present at the recent Malaysian Grand

Prix to witness the racing driver Dilantha Malagamuwa display a Japanese flag alongside the heartfelt message “We love and support Japan. We are always with you.”

Excellencies, Distinguished Guests, Ladies and Gentlemen,

5. So in this Malaysia – indeed, the whole of Southeast Asia – is of one mind and of one purpose. Whereas in the past we have been bound by our interests as economic partners, today, in the face of crisis and adversity, we are bound to each other as friends and as members of one community – a community that, far from being imagined, as some would have it, is tangible and real.

6. The tragic consequences that continue to stem from this disaster are great indeed – but in these somber circumstances let me say, with sincerity and with humility, that they remind us of some vital lessons about how together we can rise above adversity. I offer my words this morning as a tribute to all those who are no longer with us - may their souls rest in peace - but also to all those dedicated men and women who are working with such dignity and determination to fulfill their responsibilities and to do what is right for Japan.

7. Because above all, this tragedy speaks of the indomitable human spirit, of caring and co-operation in the face of tragedy, and of the need to pursue peace and development with calm resolve. It would have been all too easy to fall apart, but instead this crisis has been met with honour, discipline and fortitude. These are qualities that have long been admired in Japan and that many of us have tried to emulate – qualities that have underpinned your country’s reconstruction from the ravages of war, that have steered you to the dizzying heights of your economic success and that now, I am confident, will play no small part in your recovery.

8. This is important – because ultimately any effort to meet Asia’s challenges and to rise above adversity will start, as it will end, with our people. Yes, we will need to put in place the physical infrastructure, the industrial capacity, the technology and, of course, the finance. But above all, we will need dynamic and resilient human capital – so we must nurture and develop the very best of human talent.

9. That is why Malaysia embarked on our Look east Policy almost 30 years ago, primarily because we wanted to emulate the virtues of the Japanese work ethic and value system.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

10. There are, I think, three central aspects to this process, all of which are exemplified by Japan. First, Asia must do more to overcome poverty and to ensure that the basic needs of our people are met. We have shown that we have a capacity to grow and to accumulate wealth very quickly, but in many places this has yet to be translated into rudimentary standards of living for most. We cannot afford to leave this as an unfinished agenda – so we must ensure not only that we grow rich but we are inclusive in the process.

11. In Malaysia today, our absolute rates of poverty have dropped to 2.8% as at December 2010, lower than in some advanced economies. I am determined to improve this further by achieving all of the United Nations Millennium Development Goals by 2015. In fact, Malaysia’s aim is to adopt a ‘MDG Plus’ approach, the ‘Plus’ being an even higher level of

achievement than the original targets – because only by lifting people out of poverty can we meet the challenges we face.

12. Second, we need to put our people first by equipping and empowering them through education to ensure that they can prosper. The value of a good education is widely recognised throughout Asia, but I am not talking about just any education. I'm talking about quality education that opens the minds of our people to new ideas and that fosters the entrepreneurial spirit we are going to need to drive new innovation.

13. In Malaysia, we have consistently allocated a significant proportion of our public resources to primary, secondary and tertiary education. And as part of that process of raising educational standards and of increasing our competitiveness, we are pursuing a higher degree of internationalisation, not only of teachers and faculty but of students as well.

14. In this regard the establishment of the Malaysia-Japan International Institute of Technology has enormous, symbolic and substantive contribution in developing future Malaysian talent as well as being a landmark institution reflecting the close bilateral ties that we have.

15. Third, we must provide opportunities for our people to make fulfilling and rewarding careers for themselves. To do this, we need a business ecosystem, which promises short and long-term opportunities for profit, which is investor-friendly and which is fully backed by supportive policies, institutions and networks.

16. To this extend, the Malaysia-Japan Economic Partnership Agreement signed in 2005 provides another important building block towards greater integration between our two countries.

Ladies and Gentlemen,

17. Because the days when we could just liberalise and wait for the world to beat a path to our doorstep are well and truly over. Economies today need to be focused, responsive and driven by results. That is why, in Malaysia, we have embarked on an ambitious Economic Transformation Programme focused on twelve national key economic areas, each of which is fast-tracked for private sector investment and government assistance and support. Under the ETP Malaysia's gross national income per capita is set to double from US\$7,000 to US\$15,000 by the end of the decade, creating 3 million middle-class jobs in the process, through detailed account of the US\$444 billion of investments needed to achieve this objective.

18. But none of this matters – not poverty alleviation, not education, not economic transformation – if as nations and as a region we are disunited. It is difficult, if not impossible, for Asia to rise above adversity unless we think with one mind and act as one common enterprise. So whether at a regional or at a national level – and in spite all our differences and the unique issues we face – we must do more to foster a sense of common purpose, i.e. that we are part of a larger community, i.e the East Asia Community.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

19. This brings me to my next point: the importance of regional integration. The new power of our Asian economies has been clearly felt as the world recovers from the global economic storm – a recovery that we were able to lead by working together and by using our resources wisely. So it is vitally important that Asian countries continue to co-operate, including through our regional architecture and institutions, to ensure that together we emerge as even stronger player in the world economy. If we continue to adapt and grow, the prize is great, with total GDP in Asia set to reach US\$148 trillion by 2050 according to projections by the Asian Development Bank.

20. Regional institutions such as ASEAN Plus Three and the ASEAN Regional Forum have served us well, but we now need to enhance their role in fostering a deeper and more sustained regional integration – and I can tell you that Malaysia will be playing its part in this process by hosting the ASEAN-Japan Chambers of Commerce and Industry in ASEAN in July.

21. Constant cooperation and, even more importantly, communication with each other will be hugely important if Asia is to move beyond simple economic integration and towards a regional community – and now is the time to explore new ways for us to work together.

22. The East Asia Summit – the genesis of which was born in Kuala Lumpur back in 2005 – remains one of the newer platforms for engaging key stakeholders who may not be physically present in our region. In addition we now have the ASEAN Defense Ministers Meeting Plus Eight, a new vital piece of regional security architecture which, like the EAS, enables enlarged and more inclusive discussion of those issues that are more important to our region.

23. Both of these are welcome additions to our regional architecture, and we must work to do everything we can to ensure they are productive and proactive – because where relations are conducted with patience and sensitivity, great rewards are possible.

Ladies and Gentlemen,

24. Perhaps nowhere is this better illustrated than in ASEAN's relations with Japan. We have come a long way from the days when our countries were at war. In the last 44 years, there has been a remarkable change in attitudes, with erstwhile foes becoming firm, empathic friends.

25. In days past, we used to see countries as allies or as enemies, as people to be befriended or to be feared and fought, but in today's interconnected and integrated world we can no longer afford to be so black and white. For if we are to meet the challenges we face and to rise above adversity we have no choice but to do so in a climate of openness and integration, a unison movement in moderation rather than protectionism and isolation.

26. Today, countries are to be regarded as partners; the only question is whether they are actual or potential ones. Time and distance are no longer the barriers that they once were: technology and globalisation has broken them down and countries are actively pursuing multilevel integration. Productive economic partnerships are being established at a rapid rate, and I am determined to see this continue.

27. Malaysia is fully committed to the achievement of a viable and substantial ASEAN Economic Community by 2015. We are proud to be one of the driving forces behind this initiative and will continue to look at broadening and deepening it well beyond 2015. But we are not content to simply stop there. East Asia is a growing economic entity and is destined to get even larger in the coming decades.

28. Malaysia is well placed to act as a bridge to countries both within our region and outside it. Our geographic location and strong connectivity networks with ASEAN countries means we are well placed to facilitate business activities across the region. Twenty first century business also requires understanding and experience of working in a multi-cultural environment, and as a multi-ethnic, multi-religious nation Malaysia has a natural advantage in this area.

29. That is why we are looking to deepen our already substantial economic ties – both East, through the Trans-Pacific Partnership, and West through our free trade initiatives with the European Union. We also have a number of substantial ASEAN Plus One agreements, notably with Japan, China, South Korea, India and Australia and New Zealand, and bilateral agreements with South Asia and with interests in expanding towards the Middle East. And, whilst bilateral and regional trade liberalisation initiatives can increase the pace of integration, we must also work towards a free and fair rules based multilateral trading system by achieving the targets of the Doha trade round.

Excellencies, Distinguished Guests, Ladies and Gentlemen,

30. As one of the fastest growing industry, Islamic finance has the potential to play a more important role in the global financial system in this post-crisis era. Islamic finance has demonstrated its capacity to undertake project financing. In particular, the sukuk market is fast becoming a highly competitive fundraising option for large scale projects and infrastructure development. Sukuk instruments are emerging as an attractive new asset class for investors while becoming a preferred financing and capital raising option for issuers. The global sukuk market has shown its ability to facilitate funds across borders, allocating surplus funds from one part of the world to productive investment opportunities in other parts of the world.

31. To further strengthen the resilience and financial stability of Islamic finance, a collaboration between members of Islamic Financial Services Board (IFSB) and Islamic Development Bank (IDB) has recently led to the establishment of the Islamic Finance Stability Forum. This forum is focused on cooperation - particularly among the regulators and supervisory authorities in Islamic finance, in areas of crisis prevention, international standards, emergency infrastructure and capacity building.

32. Given its emphasis in generating productive economic activities, I believe these efforts will continue to raise this asset-based financing profile as a more stable form of financial intermediation and will continue to be an important driver as it strengthens its role to contribute to global economic recovery and greater regional financial integration.

Excellencies, Distinguished guests, Ladies and Gentlemen,

33. Japan has been a valued partner and friend of ASEAN since our region began its journey down the path towards development back in the early 1960s, and it has remained so

since. Many of us in ASEAN have benefitted from both the financial and the technical assistance extended by Japan. The Japanese ODA has helped to build much needed infrastructure including roads, bridges, ports and airports across the region. Technical assistance from institutions like JICA, JETRO, IDE and Japanese universities and foundations have nurtured our capabilities, and FDI from Japan in industries such as textiles and electrical and electronics has helped jump-start our industries. We truly appreciate this support and assistance and I hope this time-tested mutually beneficial relationship will be enhanced further. Certainly, for our part, I believe Malaysia's stability, our infrastructure and our location as an area protected from the ring of fire means we are in turn well placed to act as a base for those companies that are working to restore Japan, and we stand ready to continue to support them in whatever ways we can.

34. The events of March 11 and in the weeks and months that followed have been a stark reminder of the fragility of life and of human existence on this earth. We must take the best precautions and make the best preparations we can to guard against natural disasters, and Japan is a shining example of this. But we must take nothing for granted. We cannot control the forces of nature, we are unable to prevent earthquakes, volcanic eruptions or tsunamis, and there is little we can do to change the weather that sweeps through our hills and valleys and lashes our cities and our streets. Our best efforts at earthquake-proofing buildings, creating search and rescue teams and putting early warning systems in place can seem puny and ineffective when faced with the enormity of the disasters that befall us.

35. And yet the answers to our collective future lie not in the things we can't control but in the things we can – in the quality of the relationships we build among ourselves. So we must not lose faith in our ability to change things and to make things better. It is now for all of us to work together more assiduously, to cooperate more effectively, and if we do that I have no doubt will have the power and the collective vision to overcome the challenges ahead.

Doumo Arigatou Gozaimashita and Thank you.