SPECIAL ADDRESS BY
YAB DATO' SRI MOHD NAJIB TUN HAJI ABDUL RAZAK
PRIME MINISTER OF MALAYSIA
AT OFFICIAL MONETRAY AND FINANCIAL INSTITUTIONS FORUM
(OMFIF) INAUGURAL MEETING IN ASIA:
"ASIA'S ROLE IN THE WORLD ECONOMY-
THE NEW GLOBAL FINANCIAL AND ECONOMIC ORDER"
ON 17th MAY 2010 (MONDAY), AT 12.30 PM
AT LANAI KIJANG, BANK NEGARA MALAYSIA

HARNESSING THE ROAD TO THE NEW WORLD ORDER

Assalamualaikum Warahmatullahi Wabarakatuh and Good Afternoon,

Yang Berbahagia Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz;
Governor of Bank Negara Malaysia,
Distinguished guests,
Ladies and gentlemen,

1. I am delighted to be here at this distinguished gathering that has brought together the **Official Monetary and Financial Institutions Forum (OMFIF)** for the first time to Asia. To our distinguished guests who have made a long journey to join us at today's meeting, let me take this opportunity to bid you *Selamat Datang* or Welcome to Malaysia.

2. It is indeed significant that the OMFIF, which was recently established in January this year, has brought together policymakers and influential financial leaders to Asian shores. Indeed, the increasing international dialogues and collaboration with Asia is reflective of Asia's emergence as a vibrant economic and financial region with a much more defined role in the global arena. The mantle of greater prominence that Asia is assuming is

testament to the transformation that has swept through the region over several decades.

3. The economies of Asia today have been forged by the tenacity of its people in combining their thrift, hard work, pursuit and application of knowledge in order to uplift themselves from poverty and in the process, elevate themselves from agricultural and resource based economies to industrial and increasing services based-economies within a span of less than two generations. Over the next 50 years, we envision an Asia that will continue to transform and harness its potential even further by seeking new and sustainable sources of growth, enhancing the prosperity and welfare of their populations whilst retaining the distinctness of Asia's rich cultural and historical heritage. As the abundant natural endowments are reinforced with the information and technological advancements, I am confident that Asia's growth and prosperity will continue.

Ladies and Gentlemen,

Asia is committed to working together

4. At the collective level, Asia is pursuing efforts to integrate our economies even further and more importantly, to transform so that Asia is able to secure the future prosperity of its people in the New World Order. Asia's long-term prospects have not been diminished by the recent down-turn in the global economy. According to the UNCTAD World Investment Report, foreign direct investment to Asia totalled US$388 billion in 2008, or 63% of total foreign direct investment flows to developing countries despite the more challenging conditions prevailing in the global economy.

5. While Asia is indeed diverse, efforts are underway to bridge the differences based on the common goals of progress and development for our societies. At the intra-regional level, the ten members of the Association of South East Asian Nations or ASEAN are seeking to create an ASEAN Economic Community characterised as a stable, prosperous and highly

competitive economic region, with free flow of goods, services, investment and capital by 2015, with equitable economic development and the reduction of poverty as a priority.

6. As we aspire to forge greater economic integration, we anticipate the full implementation of the ASEAN Free Trade Area or AFTA this year will further promote the region's competitive advantage as a single production area. Community building in ASEAN was also enhanced when the ASEAN Charter was adopted in 2008, providing the legal and institutional framework for ASEAN, with the focus on creating the ASEAN Political and Security Community, ASEAN Economic Connectivity and the ASEAN Social-Cultural Community.

7. These are the three dimensions that we believe will create an enduring foundation and sense of belonging within ASEAN. Greater connectivity in ASEAN will further boost trade, investment, tourism and development ties, and physical connectivity such as the Singapore-Kunming Rail Link, which will pass though Malaysia, Thailand, Cambodia, Vietnam en-route to China, will certainly support ASEAN's community building and integration. ASEAN will further embark on more concrete steps to improve our integration though the ASEAN Connectivity Master plan that will be announced in October this year.

8. ASEAN's integration is also very much attuned to maintaining and enhancing our already strong links with the other Asian economies, and this includes China, Japan, Korea and India. Apart from the strong trade and investment ties that link the Asian region together, we are also becoming more confident in collectively seeking ways to address the challenges arising from regional integration, especially on the implications of financial contagion that has direct impact on the welfare of our economies.

9. Under the ASEAN+3 forum, which encompasses the 10 ASEAN members along with China, Korea and Japan, the finance ministers and central bank governors meet regularly to intensify monetary and financial cooperation in the region. Substantial progress has been made in terms of

establishing arrangements for short-term financing, surveillance, policy dialogue and exchange of information. Most visibly these efforts have been borne through the recently multilateralised Chiang Mai Initiative, where a regional self-help mechanism through the pooling of our reserves was established. The Initiative will ensure that the contagion arising from financial crises is minimised and Asian countries can turn to each other to overcome short-term balance of payment difficulties. Greater stability in the regional financial architecture will in turn reinforce the process of integration, as it ensures that economies can trade and invest across borders in a more stable environment.

Asia's inter-regional engagements

10. Asia's contribution to the global economy, particularly through trade and investment flows, is also transforming its role in the international arena, and especially so in assuming a greater responsibility in global economic and financial governance, commensurate with its economic and financial prominence. The economic atlas taking shape today points to a multi polar world order, where Asia is assuming a greater role in driving the global economy. There are indeed many forums that provide Asian leaders with the opportunity to engage both politically and economically with the rest of the world. Inter-regionally, Asia interacts closely with other regions such as Europe under the Asia Europe Meeting (ASEM) and with North and South America, under the Asia Pacific Economic Cooperation (APEC).

11. While there may be overlaps in the engagements, they provide avenues to create better understanding on issues that confront Asia, particularly in the shifting economic and financial order. These engagements ensure that Asia can highlight its views on the risks and effects arising from the current international financial architecture. The engagements with the international community also allow for greater appreciation of Asia's diversity, and highlights that solutions based on the template of a few economies may not be transposed across all of Asia. In addition, the process of moulding the new international financial architecture must be premised on substantial

consultation and cooperation, to ensure that there is greater ownership and responsibility accorded to developing countries, including to Asia, so as to take into account its implications on us.

Ladies and Gentlemen,

12. At national levels, Asian economies are continuing with their economic and financial reforms. While there is certainly diversity in our levels of economic structures and development, we all share the common desire and diligence to reinvent and adapt our economies so as to prosper amidst a backdrop of changing global, regional and domestic conditions. Across Asia we are focusing on enhancing the levels of education of our people and encouraging greater diffusion of modern technologies to improve our productive capacities.

13. Structurally, Asian economies are also becoming more reliant on domestic demand and the services sector is now featuring more prominently in the transformation. As we reform, we are also investing heavily in our physical infrastructure. A visit to any Asian country today will see the busy building of transportation, power generation and water facilities. Asia is also concerned with the impact of its actions on the environment and our economies are exploring new and innovative ways to generate environmentally sustainable and socially responsible economic growth. As we transform ourselves across Asia, we do not want a trickledown effect but a tremendous wave upwards to improve the welfare of all our citizens, where the benefits of becoming higher-income economies must spread to all our people by creating access and opportunities for socio-economic betterment.

Malaysia's commitment to transform

14. Malaysia is a microcosm of Asia, in that we have a rich cultural and ethnic diversity. Our strength has been our ability to integrate so as to propel the country's progress and prosperity further, together as one community of Malaysians. We are building on the collective aspirations of all Malaysians by

integrating even further under the 1Malaysia concept for a Malaysia that is prosperous and inclusive of all Malaysians. Within the impetus for greater integration, the expectation is for our performance, both in the private and public sectors, to rise to the challenge of change.

15. Our first pillar in driving Malaysia's transformation is "1Malaysia, People First, Performance Now". For this, we are conscious of the need for continuous structural reforms to ensure sustained long-term growth in a global economic environment that is dynamic and changing significantly. Our Economic Transformation Programme launched in March 2010 aims to deliver a New Economic Model to accelerate Malaysia's development to become an advanced economy by 2020.

16. The ethos of the New Economic Model is for growth that is inclusive and sustainable in terms of ensuring macro-economic stability and preservation of resources for future generations. The role of the Government is to set the broad strategic direction and provide an enabling environment for the private sector to participate competitively in business and drive economic growth. The framework of the New Economic Model consists of strategic reform initiatives, namely, re-energising the private sector; strengthening the public sector; developing a quality workforce and reducing dependency on foreign labour; creating a competitive domestic economy; transparent and market-friendly affirmative action; building the knowledge base and infrastructure; enhancing the sources of growth; and ensuring sustainability of growth.

17. In order to achieve significantly higher economic growth rates over the next decade, efforts will be focused on specific key sectors where Malaysia has the potential to excel. We will also adopt strategies to build density, develop clusters and specialise in high value sectors. In order to ensure the diffusion of technology and that our economy grows through innovation, we have also accelerated the implementation of the High Speed Broadband initiative. Growth through innovation will not only be the domain of high-value

big production networks, but very much dispersed into all facets of business activities in Malaysia including small-and medium enterprises.

18. At its core, our ambitions are all aimed ultimately to improve the welfare of all Malaysians. Our New Economic Model is intended to shift our reliance from industrial manufacturing that has depended on semi skilled and low cost labour to one that hinges on high technology and modern services sectors that are driven by a skilled, highly productive and well paid workforce. A defining feature of our model will be reliance on domestic demand and the growth of the services sector. Reforms have already taken place which includes the measures to deregulate and liberalise the domestic services sector.

Ladies and gentlemen,

19. In April 2009, we liberalised to support an environment that would attract investment, innovation and higher value employment opportunities. Our measures included lifting completely equity restrictions in 27 services sub-sectors broadly covering health and social services, tourism, transport, business and computer services. The financial services sector was also liberalised last year to accord greater operational flexibilities, relaxation of foreign equity thresholds and the issuance of new licenses by 2011. This is part of the transformation of the financial sector to have a greater role in facilitating the economic transformation. The role of Islamic finance will also increase as it positions Malaysia as an International Islamic Financial Centre.

20. As a complement to the liberalisation of the services sectors, the Government has also announced the comprehensive deregulation of investment guidelines to sharpen our competitiveness in attracting new business opportunities. We also recently corporatised the Malaysian Industrial Development Agency (MIDA), which has been designated as the Central Investment Promotion Agency for both domestic and foreign investments. The transformation of our private sector is also to be supported by substantive changes in the delivery of the services of our public sector. Our approach

towards re-positioning ourselves has also included renewed imperatives upon the public sector to respond to the expectations of our citizens and country as a whole. We are committed to fighting corruption, increasing transparency, strengthening the judiciary and reducing bureaucracy. We are instilling a culture of excellence and high performance in both the civil service and Government-linked companies, through the implementation of Key Performance Indicators and the Government Transformation Programme.

21. As our economy becomes more sophisticated, the expectation is that our public sector will be innovative and adopt practical approaches to prevent as well as solve complex social problems. Core to our Government Transformation Programme is the strengthening of public services in six National Key Result Areas, which will hold the public sector accountable for the areas that are important to our society and ensure Malaysia's economic transformation is founded on a just and ethical society. Towards achieving greater social cohesiveness, the National Key Results Areas aim at reducing crime rate, combating corruption, widening access to affordable and quality education, improving the standard of living of low income households, improving the infrastructure in rural areas, and improving urban public transportation.

Ladies and Gentlemen,

22. A fundamental factor for any country to achieve significant economic progress rests on the quality of its workforce to have the knowledge and skills as well as become successful and savvy entrepreneurs. In this regard, the development of high quality human capital is the cornerstone of our transformation. The New Economic Model rests on developing a workforce that embodies skills, innovativeness and productivity. Skilled talent are our most valuable resource and we will increase our local talent over time through a review of our education system, increased emphasis on technical and vocational colleges, as well as enhanced English language proficiency. We will infuse talents that are available globally into our pool of resources, as well as remove labour market distortions that constrain wages.

23. Meanwhile, recognising the potential of the financial services sector in driving growth, the central bank, Bank Negara Malaysia, is at the forefront to develop human capital in the financial sector, in particular in Islamic finance. Three important initiatives have been taken by Bank Negara Malaysia to invest RM1.2 billion for first, the establishment of the **International Centre for Leadership in Finance (ICLIF)** to enhance leadership capability and develop world-class leaders, the **International Centre of Education in Islamic Finance (INCEIF)**, an international university to build the talent pool for the Islamic finance industry, and the **Asian Institute of Finance** to further advance human capital development for the financial services industry.

24. We are also aware of the need to ensure that the as we grow our economy, we must also green the economy, which means that our economic decisions and activities will need to be mindful of the impact they have on the environment. In this regard, Malaysia's Green Technology Policy aims for better and more efficient use of technology that embraces environmental sustainability. Indeed, we envision that green technologies will have the twin impact of accelerating our economic growth while addressing pressing environmental issues.

25. Green technologies will have broad applications across different sectors such as energy production, manufacturing, services and transport, whereby investments in green businesses will increase the number of 'green collar' jobs, thus diversifying our economy. The New Economic Model has identified the preservation of natural resources as an important tenet, as well as availability of financing for 'green investment'. With this realisation by 2020 green technologies will be an important driver of Malaysia's economic growth and offers enormous opportunities in economic regeneration, innovation and wealth creation.

Ladies and Gentlemen,

26. Malaysia's unfolding economic story is a part of what is taking place in Asia. While Asia is indeed diverse, we are bound together by the common

desire to transform and uplift our economies individually, which in turn will reinforce the economic and financial integration of the region in the New World Order. The challenges arising from the international financial crisis also presents an opportunity for Asia and the West to work together to find solutions that work for all.

27. In conclusion, while we are indeed vastly different, there is a convergence of interests to change the way things are done, because in the New World, given the interdependencies, all our communities of tomorrow will be affected by our actions or inactions of today. Let us work together to solve the imperatives of today to ensure a prosperous, just and equitable world.

Thank you.

Wabillahitaufik Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.

Prime Minister's Office
Putrajaya
14 Mei 2010