“FORGING STRATEGIC BUSINESS PARTNERSHIPS BETWEEN MALAYSIA AND ISLAMIC DEVELOPMENT BANK (IDB) MEMBER COUNTRIES"

Bismillahirrahmanirrahim.
Assalamualaikum Warahmatullahi Wabarakatuh,
A Very Good Morning and Salam Satu Malaysia
The Honourable Datuk Seri Mustapa Mohamed;
Minister of International Trade and Industry,
The Honourable Dato’ Sri Idris Jala;
Minister in the Prime Minister’s Department and Chief Executive Officer of PEMANDU,
His Excellency Tan Sri Dr. Ahmed Mohamed Ali Al Madani;
President of Islamic Development Bank Group,
Yang Berbahagia Tan Sri Dr. Wan Abdul Aziz Wan Abdullah;
Secretary-General of Treasury, Ministry of Finance,
Yang Berbahagia Dato’ Noharuddin Nordin;
Chief Executive Officer, Malaysian Investment Development Authority (MIDA),
Your Excellencies,
Ladies and Gentlemen,
Distinguished Guests,

1. It is a great honour to be here today to deliver the keynote address at the inaugural Malaysia-IDB Group Investment Forum. In late 2010, the Malaysian Government broached idea of convening this conference with Tan Sri Dr. Ahmed Mohamed Ali Al Madani, the IDB President. Not only has IDB responded positively to our request, it has expended substantial resources working closely with the Malaysian Government towards making this event a success. We are indeed impressed with how the IDB is working to stay relevant to the needs of all its member states - east or west, big and small, developed and less well developed , and for this I would like to thank the Bank and its leadership for your depth and breadth of vision.

2. The objectives of this Forum are two fold. The first is to interest investors from Organisation of Islamic Cooperation countries, and particularly from the Gulf region, to showcase vast opportunities as a premier investment destination. in the opportunities that are available in Malaysia. The second is to acquaint you with the work of the IDB and its affiliate institutions.

3. I would like at the outset to address the first objective – to argue Malaysia’s case, as it were! – and to do that I want to suggest we look at investment not in the traditional sense, as dollars and cents, but as an instrument of change: as a means influencing social and economic outcomes.

4. Let me frame my argument in a developmental context. If we take a broad look back at the economic history of the last one hundred years, we can say that, in a very general sort of way, the overarching narrative of the 20^{th} century has been about the divide between the developed and the developing worlds – how that gap developed, how it grew, and how at various times and in various ways we have sought to shrink it.

5. On one side of this divide were the developed nations – the United States of America and parts of Europe. These were countries that had been at the forefront of the industrial revolution and that had gone on to become the most prosperous societies the world had ever known. They led in agriculture, they led in manufacturing, they led in the mastery of science and technology, and they led as drivers of consumer demand.

6. On the other side was the less developed, some would say underdeveloped, world – most of the Middle East, Africa, South America and Asia. Serving as something of a hinterland, it supplied the raw materials to feed the factories and the peoples in the West. The Middle East supplied the energy and Africa, South America and Asia supplied the minerals, the agricultural produce and the labour that kept the wheels of industry turning in the more prosperous half – or to be precise, the more prosperous 30 per cent! – of the global population.

7. So how do we explain this great divide? Why do some nations succeed where others fail? And – perhaps most relevant of all to our discussions today – how is it that some less developed countries are able to make the transition to fully developed status while others are constantly halted in their tracks?

Ladies and Gentlemen,

8. Whole volumes have been written on this subject – indeed, eminent scholars have spent their whole careers researching it. There are, of course, no easy explanations and we must be very careful to avoid simplistic answers.

9. Nonetheless there is one feature of the path towards development that all observers agree is central to success – the ability of developing nations to use their surplus wealth in a purposeful way. In other words, those countries that have successfully made the transition have learned how to invest, and to invest well. They have invested in agriculture. They have invested in manufacturing. They have invested in infrastructure, in technology, in education, training and R&D. In short, it has been the acquisition of this most basic of capitalism’s skills that has enabled these societies to become more prosperous and to develop.

10. Today, while the divide between the developed and non-developed world remains, the line that separates them is growing ever less distinct. The march of progress has touched new corners of the globe, with a number of poor nations becoming less poor and not a few middle income nations joining the ranks of the rich. More and more of us have become acquainted with terms like “emerging markets” and “emerging economies”, and under-developed economies like China and India are on the rise. The talk these days is about the start of a Pacific Century – though still too often it is a term used to refer to countries on only one side of the Pacific.

11. All of these observations point to just one thing: a systemic shift from west to east in the global distribution of economic wealth and power. And, while it is difficult to predict how far that shift will go, it seems fair to say that it is unrelenting.

Ladies and Gentlemen,

12. What are the implications of these changes for us: for the oil producing countries of the Middle East, and for emerging economies like Malaysia?

13. They affect us, I would argue, on two levels. At a global level, we are seeing a shift in the pattern of demand for resources that nations need to develop and grow – energy, raw materials like minerals, agricultural produce as well as manufactured and consumer goods. As such, supply chains that stretch across the globe have no choice but to adjust to the new pattern of flow in goods and services.

14. Equally, at a national level, no country is immune to the ramifications of the global restructuring process that is taking place – and each of us will have to adapt our strategies to better fit the contours of the new global economy.

15. The Middle East will remain important because of its vast oil reserves. But even as it continues to meet the needs of its traditional markets in the West, it must respond also to the growing needs of a new and more confident Asia – for this is not a market that is easily ignored. Billions of dollars are being spent to modernise economies in this part of the world, millions of people are moving out of poverty and taking their place among the middle classes, and consumer spending is set to soar.

16. All of this means tremendous investment opportunities abound in these emerging markets – and today the question is, can countries in the Middle East afford to be mere suppliers of energy to this part of the world without taking a stake in its development? Can they just sell to Asia without investing in it?
Ladies and Gentlemen,

17. Let me return here to the point I made at the beginning – that the long-term economic success of any nation depends on its ability to invest surplus resources wisely. In the past, many oil-producing countries in the Middle East chose to park their surplus petrodollars in the West. Given the limited options available for investment at the time, that was understandable.

18. But the situation today is different. With growth in the emerging economies of Asia outpacing expansion in Europe and the United States, and with the Asian Development Bank forecasting expansion of just 1.1 per cent this year and 1.7 per cent next year in the world's developed economies, there are plenty of opportunities to be seized in Asia.

19. In contrast to widespread poor performance in the West, the ADB predicts that the economies of developing Asia – including China, India and the Southeast Asian countries – will expand by 6.9 per cent this year, accelerating to 7.3 per cent next year. Whichever way you cut it, it seems clear that the developing world is bringing buoyancy to the world economy and leading the march towards growth.
Ladies and Gentlemen,

20. All of this brings me to make the case that the oil-producing countries of the Middle East should invest more in this new Asia. You have a part to play in our development and you stand

to gain much from a stake in our future. In the past you have thought it safe and profitable to invest your surplus capital in the West. It is now time to do the same here in the East.

21. I would also like to suggest that, if you are looking to enter the Asian market, there can be no better launch pad than Malaysia. When the ASEAN Economic Community takes off in 2015, Malaysia will become the gateway to a regional market of almost 600 million people with zero tariffs for 99.4 per cent of all tradable products. That is the marketing reach you will enjoy when you base your business in Malaysia.

22. I hope you will agree it is impressive – but that is not all. ASEAN's free trade agreements with all of the major economies of Asia mean this preferential marketing now reaches 3.2 billion people, including the populations of India, China, Korea, Australia and New Zealand. It is a market where standards of living are on the rise and spending on consumer goods is steadily increasing. That is what I mean when I say that doing business with Asia through Malaysia gives you a major strategic advantage.
Ladies and Gentlemen,

23. My final point is about Malaysia itself, and about why we want to work more closely with our friends from the OIC and encourage you to invest here. First and foremost, if you want to do business with people in Asia who share your cultural, political and social outlook I think we fit the bill.

24. We are also a reliable partner, with a proven track record of protecting the rights and the interests of our investors. We believe in free enterprise and in the operations of the open market, and we make it a point of pride to maintain an environment that is conducive to business and to conducting trade. The World Bank has ranked us the 18th most competitive nation out of the 183 economies it surveyed, and the AT Kearney 2012 FDI Confidence Index has placed us among the top 10 FDI destinations in the world. I think these independent findings give you a good sense of how investors feel about doing business in Malaysia.

25. We are also a buoyant economy. As some of you may already know, we are now into the second year of our Economic Transformation Programme, a development programme of unprecedented scale that is designed to double our per capita income to USD15,000 by 2020.

26. The programme calls for huge investments in a number of key sectors – advanced technologies, including green and renewable technology, healthcare, education and tourism and hospitality. Most of the funding needed for the ETP will come from domestic sources, but we also looking to FDI to complement this effort.

27. With that in mind, I would like once again to invite investors from OIC countries to consider these projects as safe a home for their surplus cash. An investment here is not only an investment in Malaysia, it is an investment in a new Asia – an Asia that will also be yours.
Thank you.
Wabillahitaufik Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.