

# Keynote Address of Tan Sri Rafidah Aziz, Advisor & Patron of the Malaysia-Europe Forum at THE INAUGURAL MEF-BRUSSELS SPRING ROUNDTABLE 2009

## Theme : Towards Sustainable Business

Thanks to all participants.

Welcome to this Inaugural Malaysia-Europe Forum Spring Roundtable – an initiative to strengthen already established linkages, between Malaysia and Europe Forum, and to seek new bridges and conduit, which serve to move those linkages forward, and up to a higher plane.

No relationships between and amongst nations, can expect to remain strong, simply based upon factors which prevailed many decades ago- and which at that time forged the various linkages – whether political or economic.

There are new dynamics – internal and external, which dictate that fresh reviews be undertaken to ensure that nothing is taken for granted, in those relationships. Today, political and economic factors are inter-twined with socio-cultural and even religious factors, for example, a socio-religious misstep somewhere, can result in trade boycotts, and political ramifications, for example, also when particular sensitivities are not realised, or addressed, then there can be breakdowns in relationships, and misunderstandings occur.

In addition, there are new elements to be factored in, which require new approaches, in doing business, and failure to do so, can result in market access being denied, into any particular country.

Doing business today is not merely to enable supply to meet demand, nor is market forces a function of supply and demand per se.

New socio cultural and socio economic norms have begun to dictate both supply and demand, and increasingly, there are new elements, which change the profile of market competition. It is no longer sufficient for market entities to be adapted at promotions and marketing of their products and services – now there are new demands which they must address, for example:

- Corporate Social Responsibility;
- Care for the environment;
- Internationally accepted Labour Standards;
- Integrity of products or services, in line with enhanced standards of consumer expectation and satisfaction.

In fact it can not be “business as usual” for businesses – particularly when, in various places the world over, corporate misdemeanour and irresponsibility, have led to increasing aversion, by society and the marketplace, to such behaviour by companies, especially those whose products reach the global market. These range from, for example ;

- i. The rape of the soil and the environment, as a result of indiscriminate mining, and extraction of natural resources without any efforts at reparation or reforestation;
- ii. The marketing of so-called “conflict diamonds”, which is at severe aberration from the norm;
- iii. Sale of products contaminated with toxic and dangerous ingredients
- iv. Manufacture of products, which include processes that do damage to the environment.

Certainly countries in the developed world, have been in the forefront, in addressing the new market dictate, and coming up with various rules and regulations, for producers, manufacturers and exporters to adhere to.


The EU have already put into place such decrees, which effectively prohibit market access, for products, which do not meet the prescribed criteria and conditions. Such rulings have covered the export into Europe of products derived from tropical hardwoods, vegetable oils, chemicals, and also electronics products.

Certainly there is validity for any market, to prescribe particular rules and regulations, to determine market access for imports, especially if it is to protect consumers, and to subscribe to care for the environment.

In fact every country should have rules and regulations in place, to prevent imports of substandard products and services, which can jeopardise domestic industries, which do practice acceptable corporate and market behaviour.

However, there are tendencies for some of these rulings and decrees to assume protectionist, features and act as effective barriers, to market access. This happens when product and services from elsewhere, simply can not meet every stringent demands, in terms of the production processes involved, due to reasons such as :

- i. Inability of manufacturers to have access to the technology involved, to meet the requirement of the rulings; and
- ii. The exorbitant cost involve in adhering to the various dictates rendering it almost a non-starter, to export to the market concerned.



It is thus important to ensure that such rules and regulations do not constitute non-tariff barriers, which serve to cut-off market access from countries, such as those in the developing world.

In this context, there must be mechanisms instituted, between and amongst countries, to enable dialogue and discussions at both corporate and Government levels, before any new rule or regulations are put into place, which can be construed as non-tariff barriers by others.

In the case of the EU and Malaysia, in the context of the EU and ASEAN, several decrees issued by the EU, unilaterally have resulted, in Malaysia, and ASEAN, making representations for amendments to be made, or even for waivers.

In some cases, rules prescribed by particular countries, have resulted in the aggrieved parties bringing the issue to the WTO Panels, as a result of it becoming a trade dispute.

Today, new issues have been arisen, which, if not collectively managed at the multilateral levels can distort market competition, and even complicate it.

For example, there is an issue Genetically Modified Organisms or GMOs with particular reference to the agriculture sector.

There are still pervasive standoffs in the positions of countries regarding this, particularly between the EU and the US. Many countries in the developing world are still quite unaware of the ramifications of the GMO issue.

Until there is multilateral consensus, then investment and trade in products that led themselves to GMO processes, cannot and will not happen – no matter how commercially viable, some proponents say, such investment can be.

Malaysia is a nation with an open economy, and has been a recipient of foreign direct investments, in particularly from Europe for many decades. Such investments have created a diverse and strong export base for the country, and have also helped nurture a resilient domestic industrial and business fraternity.

Malaysia's strong economic fundamentals and political stability have always been strong pull factors and attract investments in a wide range of economic sectors, from plantation and mining in the early days to manufacturing and services, information technology and biotechnology sectors.

In fact, Malaysia is now an integral part of the global supply chain, and has a vast global trade and investment interlinkages.

As a result, Malaysia and Malaysian-based enterprises, need to constantly be apprised of, and sensitise to any change and development in any market globally.

In this context, touching base on a regular basis, with trading partners, at both public and private sector levels, is important.

With the EU, in particular, there is much to discuss with, and to learn from, in the context of new developments in the EU itself, as well as globally,

Thus, this Roundtable can serve as an important platform for such discussion and dialogue – and perhaps as a conduit for channeling any issues for resolution, as well as, any good proposal for follow-up, by respective Governments.

Today, countries and Governments are grappling with the impact of the global economic crisis; and all are united in their call and demand, for effective multilateral governance and authority, over the global financial market and market players.

Clearly corporate responsibility is no longer within the limited domain of individual firms, or individual countries.

As is the case of global trade in goods which is regulated by WTO, so should Corporate Responsibility, encompassing corporate ethics and behavior, be subjected to a global regulatory framework.

In the highly interdependent fraternity of nations, there is justification to ensure that the corporate world subscribe to universally accepted and enforced set of rules and parameters.

It is hoped that this Roundtable can try to address all these issues of common concern.