

**SPEECH BY THE
YAB DATO' SRI MOHD NAJIB TUN HAJI ABDUL RAZAK
PRIME MINISTER OF MALAYSIA
AT THE OFFICIAL LAUNCH OF THE
MALAYSIA EUROPE FORUM
ON NOVEMBER 12, 2009 (THURSDAY), AT 12.30 PM
BERJAYA TIMES SQUARE HOTEL**

Yang Berhormat Tan Sri Rafidah Aziz;
Advisor & Patron, The Malaysia-Europe Forum, and its Board of Trustees,

Her Excellency Ms Helena Sangeland ;
Swedish Ambassador to Malaysia representing the Swedish EU Presidency,

Excellencies,

Distinguished Guests,

Ladies and Gentlemen,

Assalamualaikum Warahmatullahi Wabarakatuh, and a very good morning.

1. Before I begin, I wish to thank the Malaysia-Europe Forum, its advisors, board of trustees, and partners, for inviting me to address you today. It is an honor for me to be here and to support your efforts to build better relations between Malaysia and a growing Europe.
2. It is my sincere hope that this Forum will serve as an important vehicle for the ongoing development of cordial bilateral relations and inter-EU and Malaysia dialogue, thereby creating avenues for the resolution of conflict and the growth of trade and business linkages. Organizations such as the MEF are increasingly relevant in a society which has become more complex and where issues need to be addressed through proactive relationships and communications.
3. To our distinguished guests from overseas, as well as to the entourage of EU Foreign Missions, I welcome you with our traditional greeting, *Selamat Datang*. I do hope that your stay in Malaysia will be enjoyable and that you will take home pleasant memories and experiences of our renowned hospitality.
4. I would like to focus my comments today on several areas. First, on the importance of the EU to Malaysia and to ASEAN as a whole. Second, I would like to address the Free Trade Agreement between the EU and ASEAN. And third, I would like

to touch on some of the most common issues EU businesses have raised concerning doing business in Malaysia and what we are doing to solve such issues.

Ladies & Gentlemen,

5. My government is committed to the broadening and deepening of our relationships with the EU Community. Who can afford to ignore the European Union, a powerful global actor on the world stage; one of the world's leading economic superpowers? Who can fail to recognize its international reach, with the collective weight of 27 countries behind it. In addition to its economic impact, the EU is a highly successful model of regional integration and international diplomacy. I believe the EU will increasingly become more involved with the broader world order by playing out its full role in the global economy, and by demonstrating its leadership in the diverse areas of unity and integration, community and pluralism, governance and policymaking.

6. The EU's track record in integrating old and new European states into a dynamic community of nations with its single market concept is to be commended and admired. Despite the different histories, cultures and religious beliefs of these various peoples, despite the ethnic diversity, despite past wars and conflicts, Europe's countries have come together, inspired by one mission.

7. In many ways, we are like the EU here in Malaysia. We are also 50 years old, and we enjoy ethnic diversity and pluralism here in our country. While we have had our own successes in ethnic integration and in building one community of Malaysians of various Asian and European origins, we are also now evolving and moving towards greater integration with our 1Malaysia concept, where we should accept one another, learn from one another and come together with faith and trust, to build a common future just as has happened in the EU.

8. ASEAN too, can learn from the EU, particularly from the stance of how it has achieved a single identity through disciplined efforts towards internal coherence of policies, and the maintenance of a consistent external image. ASEAN too has a colourful history, and while we may not be at the level of EU integration today, ASEAN has much to offer the world going forward. Though just over 30 years old, the level of commitment to moving this organization into the 21st century is very much shared by the members. Our ASEAN Vision 2020 seeks to create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and capital. Equitable economic development and the reduction of poverty remain very much a priority.

9. While economic integration remains a goal still, and there is a roadmap in place, there is an ASEAN Free Trade Area (AFTA) which aims to promote the region's competitive advantage as a single production unit. We are well on our way to achieving the aspirations for an ASEAN Economic Community and we take strength from the fact that in 2007, ASEAN recorded a total of USD62 billion in FDI flows. This is the highest to date, despite a contracting global economy. The EU as a major dialogue partner was the single largest source of FDI, at USD14.3 billion.

10. At our 40th ASEAN Economic Ministers' Meeting in Singapore in August last year, it was further noted that the EU continues to be our largest trading partner. In 2007, the share of ASEAN trade with the EU was 11.5% of total trade. As a community of more than half a billion peoples, representing many of the most progressive economies of Asia,

we look forward to moving the ASEAN-EU agenda along, to ensure that we improve our diplomatic ties, as well as our trade and economic linkages. The EU is no doubt a principal dialogue partner of ASEAN, based on the principles of equal partnership and mutual respect. Therefore, this Forum, under the theme '**Towards A New Era in EU-Malaysia Relationships**', is entirely appropriate in that it supports my administration's efforts in furthering EU-Malaysia and EU-ASEAN ties.

Ladies and Gentlemen,

11. This brings me to the EU-ASEAN Free Trade Agreement. As a founding member of ASEAN, Malaysia has a vested interest in the EU-ASEAN FTA, which, despite the best efforts of all parties involved, has not yet come to fruition. I note that the talks for this FTA have stalled, due in part to the inherent difficulties involved in such a complex undertaking, some of which are issues related to cultural differences and others to gaps in governance, transparency and negotiation styles.

12. Additionally, there have been concerns over the issue of human rights in one of ASEAN's member-nations, Myanmar. The EU has expressed concern that dealing with ASEAN would be tantamount to condoning the actions of those ASEAN members which do not subscribe fully to democratic principles. I understand that the United Kingdom has made its stand clear that Myanmar should not benefit from the EU-ASEAN FTA. The position that ASEAN has taken is that these should not be an impediment to the completion of the FTA, as both parties stand to benefit under the theory that greater trade opens the door to political reform. My administration is fully committed to helping get the issues to the table and I hope that there will be sufficient motivation from both the EU and ASEAN teams to resume discussions as soon as possible.

13. The EU-ASEAN FTA will serve as a gateway for our two communities to benefit from the rich cultural, political, institutional and economic opportunities that we might provide to one another. Malaysia will play a leading role in moving the stalled EU-ASEAN FTA negotiations along and expects the catalyst may well come from the potential for the FTA to rebuild the wealth that has been lost during this most recent economic crisis.

Ladies and Gentlemen,

14. I also wish to use this opportunity to briefly address concerns raised in the past about the level of protectionism extended to certain Malaysian industries, some of which have come from our EU friends and business partners. These policies have been perceived as stumbling blocks towards FDI flows to Malaysia, exacerbated by the Foreign Investment Committee regulations pertaining to issues such as Bumiputera equity.

15. However, times change and the Malaysian government must change with them. While taking stock of the economic participation of the Bumiputeras over the past few decades, we note the positive impact of our affirmative action policies, and this has permitted my government to introduce sweeping liberalisation measures aimed at opening up formerly protected industries. Earlier this year, you may remember, the Bumiputera equity requirement was liberalized for 27 services sub-sectors, including the financial sector, allowing foreign equity into our formerly-protected financial sector.

Considering that the services sector is on track to account for 60 per cent of GDP by 2020, this is an opportunity I urge European investors to capitalize upon.

16. At this point, I wish to reassure you of the importance of the EU to Malaysia. The EU in 2008 was Malaysia's fourth largest trading partner, following Singapore, the United States, and Japan. Total trade between the EU and Malaysia in 2008 amounted to USD41.0 billion which was a record for us. There is obvious benefit to improving relationships between our two regions, for the benefit of businesses, both large and small.

17. But in order to do so, we need to enhance our understanding of one another, of how we operate, how we perceive the world, and how we do business. By this I mean to recognize there are fundamental differences between an Anglo-Saxon model of business, which is how the EU is organized, and the Asian model of business, which is a mixture of family enterprises, eastern philosophies and Asian work ethics, whose governance systems and culture may not yet be at a level that meets EU expectations.

18. To cite an example, there exists an opportunity for better understanding in the West in regard to how Asia - Malaysia and Indonesia in particular - develop our palm oil industry. While the benefits of palm oil have been scientifically proven, and the ubiquitous palm oil is used in abundance in the production of food and non-food products, there is a perception that our cultivation and production methods are suspect. I wish to call on any skeptics who doubt that our palm oil is cultivated and harvested in a way that meets the highest standards of sustainability, to come and visit us, tour and inspect our plantations, see if there are gaps in our governance and our standards, and help us repair those gaps, should they exist.

19. Another challenge in EU-Malaysia relations relates to the logging of tropical timber. Our timber industry, like our palm oil industry, is more than a hundred years old. Nevertheless, allow me to say that we continue to take steps to ensure that logging activities in Malaysia are conducted in line with internationally-recognized best practices. Even as those benchmarks evolve, we are committed to meeting them. Sustainable food production –related in particular to seafood and fishing – has also come under EU scrutiny and I call on those responsible for food production in Malaysia to ensure EU standards are met if we wish to sell to the single market.

20. I see the EU as being a responsible leader in setting standards for quality in various industries and I would urge Malaysian companies to work with their EU counterparts to resolve their differences and identify gaps so that improvements can be made. The era of distrust and assigning blame is over. I call on our Malaysian oil-palm producers, such as Sime Darby, to adopt a stronger leadership role in educating global stakeholders about this key industry sector. If we believe we are doing well in sustainable land use and industry, then let us do better. Let us learn where we can, from EU's pioneering work in the environment. Let's work together in the spirit of genuine dialogue, to bring about changes in perceptions – of both West towards East and East towards West.

21. In this regard, we can look to networks such as The Malaysia-Europe Forum to play a vital role in the relationship-building process. As mentioned earlier, the initiative taken by the MEF is exemplary and timely, and will go a long way towards enhancing EU-Malaysia ties. The MEF is also fortunate to have a patron of the caliber and stature

of Tan Sri Rafidah Aziz, a long-time member of our Cabinet as well as the longest-serving Minister of International Trade and Industry. To our foreign guests who may not be familiar with her contributions, Tan Sri Rafidah, now a current Member of Parliament has had a long and illustrious career with the Malaysian Government. Although now retired from mainstream governance, I believe that her vast experience and wisdom will be brought to bear on the MEF, and I hope that she will now lead a new generation of civil-society citizen-diplomats, who will help take Malaysia-EU relations to a new level.

22. Through the efforts of the MEF, I believe that we will see more creativity in growing our links with the EU at a variety of levels. I applaud the MEF on their efforts and wish them every success. I trust you will continue to receive the support and participation of the private sector. It is my pleasure to now declare the inaugural Malaysia-Europe Forum open.

Thank you.

Prime Minister's Office

Putrajaya

November 12, 2009

