

**LSE ASIA
FORUM 2014:
Building Asian futures: integration,
welfare and growth?**

KEYNOTE ADDRESS

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SHANGRI LA KUALA LUMPUR**

I am reading the following speech on behalf of the Prime Minister, who is currently in Australia meeting with those involved in the search for MH370.

Ladies and gentlemen,

1. I must begin my remarks today on a sombre note. In the vastness of the Indian Ocean, the search for MH370 continues. This has been an extraordinarily difficult time for the families of the passengers and crew; we hope and pray that the search operation is successful, so that they may begin to find some closure.
2. The search effort has been truly multinational, with an enormous contribution from our friends and allies around the world, and especially those here in Asia. We have been grateful and impressed in equal measure by the co-operation we have received.

Ladies and gentlemen,

3. It is an honour to be invited to address the LSE Asia Forum, which has done much to strengthen the connection between Clare Market and our continent.
4. LSE's most valuable export has always been its alumni; the people who have gone on to make their mark in politics, in economics, and civil society.
5. Five Asian countries have been led by LSE graduates; Malaysia's 14th king was an LSE man. In our region, as in the world, your institution has been an oversized presence in the halls of power. So it is with pleasure that we host the sixth LSE Asia Forum, and that I take this chance to talk about the future of Asian development.
6. Fifty years ago, Asia accounted for less than 15% of global output; today it is more than 40%. Within a single generation, the most populous region on earth became one of the most prosperous. Fifty years ago, South Korea's economy was smaller than Mozambique's; today it is almost equal to the whole of sub-Saharan Africa. Fifty years ago, Kuala Lumpur was not even classed as a city; today it is twice as big as San Francisco.

7. Asia's remarkable economic development – perhaps the fastest in history – has been accompanied by waves of political reform. A few decades ago, there were only a handful of free societies in Asia. Today, the Philippines, Taiwan, Korea, Malaysia and Indonesia – between them, home to 400 million people – have joined the growing list of vibrant Asian democracies.
8. Much has been written about this extraordinary phase in Asia's development, and what it means for the global order; often from the perspective of the main protagonists – a surging China, and a resurgent America. But Asia – the world's most populous region – is about much more than one country, or one relationship. New centres of wealth and influence – and new pressures and hotspots – are emerging throughout the continent. It is too complex a picture to see through the lens of US/China relations alone.
9. Asia's 4.3 billion people speak hundreds of languages; they live amongst the world's biggest cities, highest mountains, and most remote islands. Asia has a larger middle class than Europe, and is home to more billionaires than North America; yet a quarter of its people live on less than \$2 a day, and pressure on its resources is relentless.
10. It is a vast and varied continent. More than four thousand miles separate Karachi from Kyoto, but the cultural and economic distance between them is greater still. To understand the implications of Asia's rise, and to build an image of what it will look like in the future, we must take multiple exposures and combine them into one. It is with this principle in mind that I would like to offer you my thoughts on Asian development, as seen from a Malaysian perspective.

Ladies and gentlemen,

11. Our nation is a bridge between cultures, markets and ideas; home to indigenous communities living in longhouses and Asia's first internationally linked stock exchange. And by 2020, it is set to become one of the first nations this century to make the leap from the developing to the developed world.

12. Many of the issues facing Asian societies – from the best recipe for economic development to the nature of sustainable growth – are being explored here in Malaysia. It is a useful lens through which to examine the rise of Asia; and to consider the opportunities and challenges of economic development, starting with our own.
13. In the fifty years since independence, Malaysia's GDP has increased more than a hundredfold. Over the past four decades, we have averaged nearly 7% annual growth. Poverty rates have fallen from 49% to less than 2%. And per-capita GNI has risen from US\$389 to US\$10,000.
14. This growth has been matched by a fundamental change in the structure of our economy. Like many Asian countries, we have moved from an economy based on agriculture and raw commodities to a multi-sector economy driven by services and manufacturing.
15. This shift has been driven by government, which has set a clear direction for the country, using macroeconomic policy to achieve strategic aims. Our economy has been more centrally planned than some Western nations are used to. And we have defied economic orthodoxy on occasion, too; during the Asian financial crisis, we rejected the IMF's erroneous prescriptions, and recovered faster than our neighbours.
16. But our story is neither one of the state choking off the private sector, nor a 'big bang' of deregulation: it is about gradual and managed reform. It is our belief that by opening up, both politically and economically, we can remain competitive in an increasingly connected world – and on course to reach developed nation status.

Ladies and gentlemen,

17. When that threshold is crossed, it will be a significant moment in our nation's history. But we understand that development at the expense of people or the environment cannot be lasting. For Malaysia, and for Asia, development must be both inclusive and sustainable. The new economic powers cannot repeat the mistakes of the old.

18. As Asian states such as my own strive to become high-income developed nations, and as emerging economies push for a place on the middle-income ladder, they must ensure social development is not sacrificed in the name of growth.
19. For all the extraordinary statistics about investment and expansion, Asia remains home to two thirds of the world's poorest people. In many cases, the gap between the haves and the have nots is widening, as wealth concentrates in the hands of the wealthy. Divides are opening up between urban and rural populations. Locked out of economic opportunity, too many Asian people lack access to basic social infrastructure – sanitation, healthcare and housing.
20. If we do not give all of our citizens a stake in our region's future, we risk encouraging ethnic tensions, religious extremism, and political instability. That in turn imperils the very objective we seek: a more prosperous and harmonious Asia. So we must ensure development brings economic opportunity for all, not riches for a few; that it expands not just nominal GDP figures, but also critical social infrastructure. That means understanding the structural drivers of inequality – whether cultural, political or economic – and then acting on them.
21. One such driver is corruption. Many Asian economies are affected by corruption, which crushes individual endeavour and harms social cohesion. Corruption not only eats away at people's confidence in the institutions of the state; it also suppresses meritocratic opportunity, choking off entrepreneurialism and driving our talent abroad.
22. If Asia is to capitalise on the promise of the 21st century, we must consign corruption to the history books. It can be done; as Hong Kong has shown, it is possible to stem even the strongest tides. It takes decades, not years, and it requires near-universal commitment and thorough enforcement. But the reward is a more open and transparent business environment, with more vibrant markets, greater individual opportunity, and stronger belief in government's ability to effect change for the better – each of which is crucial if Asia's development is to continue apace.

23. I also believe Asian states must look to build stronger, more lasting economic connections – both within our region, and with the outside world. As you will discuss in one of the plenary sessions in this conference, greater financial integration across borders can not only help developing nations climb the ladder, but also ensure fewer citizens are left behind, as common standards and entry requirements filter back into domestic policy.
24. As a founding member of the Association of Southeast Asian Nations, Malaysia supports the push to create a single market in Southeast Asia. It is my hope that the ASEAN economic community will bind us together in the service of common goals, providing greater depth of opportunity for citizens across the region.
25. A thriving single market will support jobs, growth and increase the standard of living for more than half a billion people. It will also ensure that Asia's remarkable growth story spills across into all member states. That in turn is the ultimate guarantor of Asia's success; not just in base economic terms, but in meeting the highest ambitions for its development.
26. But in an interdependent global economy, the benefits of greater co-operation extend far beyond Asia's borders. That is why I look forward to the completion of the Trans-Pacific Partnership, which will strengthen our ties with the wider world; and the Regional Comprehensive Economic Partnership, which will bring three of the largest economies into the world's largest trading bloc.
27. For Asian economies, integration offers significant benefits; including the ability to negotiate together; pursued prudently, it can increase the power of middle nations, and raise living standards for all. Yet as Asian nations open up to the global economy, we must also do our best to encourage and practice a more accountable capitalism.
28. Around the world, there is an on-going discussion about the nature of the modern market economy; about how capitalism can serve people and nations, not just businesses. Not only public confidence in financial industries has been shaken, but commentators are asking whether the business model that puts shareholder value above all else is truly sustainable.

29. Many policymakers are now preoccupied with the quality of growth. The common concern here is a greater corporate accountability; not just to the immediate bottom line, but also to the society which enables transactions to take place.
30. One of the primary lessons from the 2008 financial crisis was that short-term business decisions can fatally undermine the health not just of companies, but of whole economies. It is incumbent on policymakers to guard against them, and on corporate leaders to avoid them. As Asian economies mature, and compete for a greater share of financial services markets, we must learn from past events.
31. In Malaysia, for example, we want a vibrant and dynamic financial sector; but we have also set up clear regulatory structures, giving our central bank greater supervisory oversight and enhanced financial surveillance. Having been through a financial crisis in the last century, we were more prepared for the 2008 crash: with better governance, capitalisation and liquidity requirements for financial institutions.
32. Similarly, having seen what happened in some European countries whose deficits rose in the good times and soared in the bad, we have taken steps to bring our finances under control by reducing our subsidy bill and trimming expenditure. We are also looking to safeguard the economy by increasing corporate diversity. By 2016, 30% of boards of directors in Malaysian companies must be women; as academic studies have shown, that will make for healthier, more profitable firms – and in turn, will strengthen our economy.

Ladies and gentlemen,

33. Asia's development depends on our ability to act – to reduce inequality, to build stronger economic connections, to commit to a more accountable capitalism. The challenges of economic development and sustainable growth will test Asia's capability, and its resolve. They will not be met without a commitment to co-operation; without the investment of time, resources, and political will.

34. But I believe we will do it. I believe in Asia's potential. I believe in Asia's ability to find sustainable growth models, not unbalanced ones; to create opportunities for all, rather than wealth for a few. I believe we can make the hard calls required to sustain peace and prosperity in an age of dizzying ascendance.
35. Over the past decades, great change has come to Asia; even greater change awaits. By choosing to work together, to look not for dividing lines but for common ground, we can ensure that change brings better lives for our citizens, and better futures for our countries. Thank you.