

SOUTH CHINA MORNING POST (SCMP) CHINA CONFERENCE 2018
***“CHINA IN SOUTHEAST ASIA:
BUILDING COOPERATION, MANAGING COMPLEXITIES”***

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HILTON KUALA LUMPUR
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Mr. CY Leung,

Vice Chairman of the National Committee of the
Chinese People's Political Consultative Conference;

Mr. Gary Liu,

Chief Executive Officer of SCMP Group;

Ms. Tammy Tam,

Editor-in-Chief of the South China Morning Post;

Distinguished Guests, Ladies and Gentlemen,

A very good afternoon.

1. First and foremost, I would like to express my appreciation to South China Morning Post for giving me the opportunity to be part of this distinguished gathering of thought leaders in politics, academia and industry.
2. Thank you for this invitation to speak at the closing of the China Conference 2018. As the theme would suggest, the discourse on China's role in Southeast Asia must be multi-dimensional, in view of the complexities inherent in the region.

3. I am sure that delegates gained invaluable insights from the substantive and spirited deliberations addressing socio-economic and geopolitical issues. If I may, I would like to share my thoughts on the very broad spectrum of subjects raised.

4. It is well to remember that Malaysia and China share a history that goes back many centuries. For example, the 15th and 16th centuries tell us about the robust trade, social and political relations between Malacca and China.

5. During this time, Malacca was a successful and prosperous major international trading port for the region, riding on the vibrant era of “globalisation” as spearheaded by China back then, when the word was not even heard of.

6. In this regard, I believe a new conception of globalisation is important because, whatever may be the merits of Thomas Friedman’s book, the fact is that the world is NOT flat. As Professor Stiglitz puts it: “Not only is the world not flat, in many ways it has been getting less flat.”

7. In addition, to my mind, the idea of there being a level playing field for all countries in the world is sheer fantasy. We therefore need a more egalitarian form of globalisation. Free trade is fine but it must also be fair.

8. For example, Malaysia and China have significant trade in palm oil. In the period of January to August 2018, trade in Malaysian palm oil was recorded at 1.1 million Metric Tonnes (MT) and valued at RM2.68 billion. Demand for palm oil in China is projected to grow further. The robust trade of palm oil with China is particularly important, bearing in mind the double standard taken by the West against this commodity.

9. Southeast Asia is looking at China as the new economic behemoth with genuine admiration but also with some trepidation because of its military might. In this regard, China's commitment to peaceful development is absolutely crucial for the continued prosperity of the region.

10. On our part, we maintain that the freedom of navigation in the South China Sea must remain unencumbered. The region must remain a zone of peace, freedom and neutrality and must not be allowed to be militarised.

11. In the past, military might was used by certain powers to impose on weaker nations. On the other hand, China traded with Malacca for two centuries in peace. If there had been any imperialist intentions, China could have colonised Malacca then. But it was the Western powers that did that, instead.

12. The bilateral relationship between China and Malaysia, therefore, must be seen from the prism of that long history, signified not by wars or colonisation, but by robust trade and cultural exchanges.

13. Today, we expect China to provide global leadership not just in the economic sphere but in soft power by advancing universal values such as freedom of conscience, mutual respect and justice.

14. Being close to China, geopolitical developments in Southeast Asia are viewed as a bellwether on the effects on trade, diplomacy and security that China's rise is likely to have on the rest of the world.

15. Today's discourse on our bilateral relationship seems to be skewed towards Malaysia's stance on reviewing some of the infrastructure projects. We certainly welcome investments from China. As Prime Minister Tun Dr. Mahathir has stressed, we would like to see FDIs from China that would bring capital, technology, value creation, jobs and skills transfer for Malaysians.

16. As part of our progressive economic reforms, high-impact projects that can generate growth and directly enhance the well-being of the people will be continued. This will deliver both greater social justice and development.

17. We therefore need to recalibrate our economy with the focus on balanced development and a re-prioritising of our projects and programmes.

18. I need to stress that notwithstanding our huge debt-to-GDP ratio, we remain committed to doing all that is necessary to generate economic growth and to exploit all opportunities that would bring benefit to the people.

19. I cannot overstress the importance of growth. I assure you the Government will continue to invest in productive infrastructure, education and technology. This is crucial in order to continue to create value, generate job opportunities and take the economic trajectory to a positive direction.

20. Malaysian companies must therefore continue to explore all possibilities to tap the opportunities. As you know, Khazanah Nasional Berhad is one of the leaders in Malaysian investments in China, along with other Malaysian private corporations and business ventures that have operated successfully for many years.

21. Furthermore, from corporate giants like the Alibaba Group to drone manufacturer DJI to SMEs, there are many opportunities for Malaysian firms to form joint ventures and strategic alliances with Chinese corporate players.

22. Rather than viewing the 'New Malaysia' with anxiety, I urge Chinese businesses to view us through the prism of hope and opportunity. Now, more than ever before, Malaysia is one of the most attractive places in Southeast Asia to do business.

23. Nevertheless, China should not only view Malaysia as a destination for FDI. We are also keen on promoting our products to China. As Tun Dr. Mahathir has said, we want Malaysia to be a country that produces and exports things, not just a country of consumers.

24. As it stands, China remains as Malaysia's single biggest trading partner, contributing 16.4% to our combined total exports and imports in 2017. Last year, the value of bilateral trade between the two countries rose by 20.6% to reach RM290.7 billion.

25. Over the past 30 years, Malaysia has benefitted tremendously from the rise and integration of China into the global economy.

26. Due to its domestic scale and rapid growth, China now accounts for 13.7% of Malaysian exports, overtaking our exports to the United States, at 9.1%. But China's rapid rise from a low-income nation to a level of income comparable to Malaysia has also added a layer of complexity into how we trade, invest and compete with China, and to redefining our role within the global supply chain.

27. China's vibrant economic initiatives will be pivotal in contributing towards greater economic integration in ASEAN with emphasis on infrastructure development and advancements in technology and research as we march along the process of universal digitalisation.

28. In this regard, Malaysia has already embarked on the process of moving towards enhancement of e-commerce, digital economy and smart solutions in line with our move to deal with the challenges of the Fourth Industrial Revolution.

29. It is vital for Malaysian policymakers and firms to adopt practices which can benefit from new complementarities, and mitigate the downside from increasing competition in this complex relationship that we share with China.

30. Next week, the Prime Minister will table to Parliament the Mid-Term Review of the 11th Malaysia Plan with a blueprint for new directions and imperatives to steer the economy in the face of challenges ahead.

31. Some 36 years have passed since Tun Dr. Mahathir first announced his Look East Policy. That policy galvanised Malaysia, as we learned from the practices of East Asian countries like South Korea and Japan. As New Malaysia looks to bring back the Look East Policy on a bigger scale, China should also be a country for us to learn from.

32. In closing, let me once again congratulate South China Morning Post for a very successful forum. I am optimistic that positive developments will ensue, and for the reasons that we have outlined, China and Malaysia's bilateral ties across the board will be on the uptake going forward.

Thank you.