

# Furthering economic integration

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PRIME MINISTER OF MALAYSIA



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was appointed as Malaysia's 6th Prime Minister on 3 April 2009. After graduating from the University of Nottingham in industrial economics he returned to Malaysia to work for the national oil company Petronas. Elected to Parliament in 1976 he served as Deputy Minister in a variety of portfolios. Later serving as Minister of Education and Defense he undertook significant reforms of these sectors. In 2009 he became Finance Minister and subsequently Prime Minister when the incumbent decided not to seek re-election.

Malaysia is an open economy and its economic growth and development is driven by international trade and investment. Malaysia has grown to be an export-driven economy spurred on by high technology, knowledge-based and capital-intensive industries.

Amidst the sharp deterioration of the global economic environment, the Malaysian economy registered growth of 4.6 per cent in 2008. Total trade grew 6.8 per cent to reach US\$336 billion in 2008. Exports led largely by commodities and resource-based manufactures expanded by 10.1 per cent to US\$199 billion, while imports comprising mainly intermediate goods and capital goods grew by 6.5 per cent to US\$157 billion. Globally, Malaysia was ranked the 21st largest exporter and the 28th largest importer in 2008. Singapore, the USA, Japan, the People's Republic of China and Thailand are Malaysia's top five trading partners. Malaysia's services sector is increasingly becoming an important sector to the economy, contributing 55 per cent to gross domestic product (GDP) and provide employment to 50 per cent of the workforce. The export of services, which registered a deficit in the past, has begun to record surpluses in the past two years. In 2008, Malaysia was ranked the 30th largest global exporter of services.

FDI plays an important role in propelling the nation from a middle income country to a high income economy. Malaysia continues to be an attractive investment destination for capital and technology intensive and high value-added FDIs. Major sources of FDIs are Australia, the US, Japan, Germany and Taiwan. In addition, investments overseas by Malaysian companies have been increasing in a range of sectors from the oil and gas industry, hotels, manufacturing, and construction, to banking and financial services.

The World Bank forecast that in 2009 the global economy will contract by 1.4 per cent, world trade decline by 10 per cent and FDI inflows to developing countries shrink by 1 per cent. These difficult economic conditions will pose additional challenges for Malaysia as we make the shift from a middle income country to a high income economy. The recovery of the Malaysian economy will depend on how fast the world economy recovers.

To mitigate the impact of the global economic slowdown and to attain higher competitiveness, the

government has not only introduced two fiscal packages to stimulate the economy but has also undertaken liberalisation initiatives and measures to accelerate and boost the growth of trade and investments. They include the liberalisation of the 27 services sub-sectors, the financial services sector and the deregulation of foreign investment guidelines to boost both domestic and foreign investments in the country.

Malaysia is pursuing regional and bilateral free trade agreements and intensifying promotional activities to seek new export markets as well as niche markets for its exports. Overseas trade and investment missions are being undertaken to reassure foreign investors that Malaysia is a conducive, competitive and safe location for investments. Malaysia's trade with the 52 members of the Commonwealth expanded more than five-fold from US\$17.7 billion in 1990 to US\$84.1 billion in 2008, accounting for 24 per cent of Malaysia's total trade. The top five major trading partners from the Commonwealth are Singapore, Australia, India, the UK and Pakistan.

Malaysia would like to call upon members of the Commonwealth to ensure that the global trading and business environment remains open and conducive to economic recovery and growth. As the Commonwealth is an association of 53 members with diverse levels of economic development, the developed and developing countries should enhance cooperation among members. The Commonwealth, with its strong tradition of cooperation in the field of development, is in a unique position to assist its less developed members to build their capacity for growth.

There is a need to increase the economic face of the Commonwealth. Many members are already engaged in some sort-of trade agreement. The Commonwealth Secretariat should initiate further economic integration and convergence among members.

The Commonwealth Secretariat can play a bigger role in enhancing cooperation among members to leverage on countries' expertise to exchange information, on developing human capital, enhancing capacities of industry and business community in trade and investment opportunities. Malaysia, on its part, has collaborated with the Secretariat through hosting pan-Commonwealth and regional training programmes in such areas as public administration, diplomatic training, process re-engineering, customs and excise and poverty alleviation.