

53rd Session of the APO Governing Body
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Inaugural Address

Minister of International Trade and Industry Y.B. Dato' Sri Mustapa Mohamed

Yang Berbahagia Tan Sri Azman Hashim;
Honorable APO Governing Body Chairman, Dr. Dong-Kyu Choi;
Honorable APO Secretary-General Ryuichiro Yamazaki;
Distinguished Heads of National Productivity Organizations;
Yang Berbahagia Tan Sri-Tan Sri, Dato'-Dato';
Ladies and Gentlemen:

Assalamualaikum, Salam 1 Malaysia, good afternoon. To all our international guests, I extend a warm welcome, *selamat datang* to Malaysia. It is a privilege for Malaysia to be hosting this 53rd Session of the Asian Productivity Organization Governing Body Meeting. I am indeed happy to be among the distinguished productivity practitioners in the region as Malaysia is also leveraging productivity as the prime mover in our quest to be a high-income nation by 2020.

The APO, I was informed, is a regional intergovernmental organization which is nonpolitical, nonprofit, and nondiscriminatory, with the mission to contribute to the socioeconomic development of Asia and the Pacific through productivity enhancement. The success in achieving this mission is reflected in the almost three-fold increase in membership from the inaugural eight member countries in 1961 to the current 20 member countries. This year marks the 50th year of APO existence and I believe that with the good work that APO has been doing, the APO has the sustaining power to continue in its quest to enhance productivity in the region through mutual cooperation among the member countries. The member countries have pledged to mutually uphold each other in their productivity efforts through sharing knowledge, information, and expertise and strategically collaborate for value creation. Congratulations to the APO and all member countries on achieving this 50th year milestone.

This 53rd APO Governing Body Meeting is particularly meaningful as Malaysia embarks on a new economic model (NEM) of achieving a high income of US\$15,000–US\$20,000 by 2020 to ensure the quality of life of all Malaysians. For Malaysia to achieve this aspiration, Malaysia must be able to compete regionally and globally and this requires redoubling our efforts to drive productivity and innovation. To contribute to the high-income target, we have to ensure that total factor productivity (TFP) grows by 2.3% per annum to contribute to a 4.6% productivity growth per annum. In the transformation from low to middle income, Malaysia's economic growth was driven predominantly by factor accumulation. A factor-driven growth model is no longer sustainable, given the intensified competition for foreign direct investments and talent as well as the depleting natural resources.

A transformational shift to high income will increasingly be dependent on sustained productivity improvements. I believe that Malaysia, as a member of the APO, has learned valuable productivity lessons from our Asian neighbors and we will continue to intensify our productivity and innovation programs toward the creation of high value-added activities in

the economy. Special emphasis will be given to productivity enablers, specifically focusing on skills development to facilitate industries to move up the value chain; promoting the development of concentrated industrial clusters and supporting ecosystem to enable specialization and economies of scale; increasingly target investment quality which supports higher value-added activities and diffusion of technology as well as increasingly invest into the enablers of innovation, particularly research and development and venture capital funding.

Globalization has created intense competition for business sustainability. With the huge market opportunities in the Asia and Pacific region, it is crucial that we capitalize on these opportunities. In this context, Malaysia has crafted the Economic Transformation Program (ETP) which will transform Malaysia into a market-led, regionally integrated, entrepreneurial, and innovative country. The ETP focuses on key growth engines, relies more heavily on private sector-led growth, emphasizes specific investments and policy actions, and contains a clear implementation roadmap.

The role of the private sector is crucial in ensuring the success of the ETP as investments in the economy will be driven by the private sector while the government will continue to be the facilitator. The key challenge is to stimulate private-sector investments to grow at 12.8% per annum. It is expected that domestic direct investment will account for about 73% of total private investment, with about 23% sourced from foreign direct investment.

To facilitate the private sector, the government will, among others, provide a conducive investment environment to attract investments as well as develop high-quality human capital, which are critical to enable the shift to a higher level of value added and productivity. These are among the key initiatives identified in the Government Transformation Program (GTP) which was launched in 2010 to transform the government to be more effective in its delivery of services, reduce unnecessary red tape, and be accountable for outcomes. The GTP adopts a holistic approach to ensure that all communities benefit from the wealth of the country and also ensures that the pursuit will not compromise future generations.

The focus is on developing technologically capable industries with highly skilled workers. The success of the transformation programs hinges on the close relationship between the public and private sector or public-private partnership (PPP) where the private sector will spearhead economic growth, while the government will be the facilitator that provides a conducive environment to enhance private sector investments.

The ability to leverage innovation as a key driver of growth has become significantly important in enhancing productivity and competitiveness. We need to put in place an enabling environment where productivity, competitiveness, and innovation will drive the creation of high value-added activities in the economy. I am pleased to note that in the Global Competitiveness Report 2010–2011 by the World Economic Forum, various Asian countries, Japan, Republic of Korea, and Singapore were identified as innovation-driven economies. These countries have excellent capacity for innovation; highly sophisticated and innovative companies; business sophistication and innovation; high levels of technology adoption, strong collaboration between academia and business; as well as strong focus on education. Innovation-driven countries thus have the ability to produce innovative products and services using the most advanced methods and are characterized by distinctive producers, a high share of services in the economy, and being quite resilient to external shocks.

In the quest to become a high-income developed economy, we must not lose sight of the importance of stability and unity. This is especially pertinent in Malaysia where ethnic diversity and cultural heritage are viewed as unique assets with significant competitive value. Thus, the 1Malaysia concept which promotes unity is anchored on a set of universal values of excellence, perseverance, acceptance, integrity, loyalty, humility, and mutual respect of the differences and that we can be better than the sum of our individual strengths was formulated by our Honorable Prime Minister. I believe that this is also the basic premise on which the APO is based. So, let us all as a region work toward further strengthening the mutual collaboration, spirit of cooperation, connectivity, and linkages for a stronger and better Asia. With this unified front, I believe that the Asia and Pacific region will be a force to be reckoned with.

With this, I once again would like to congratulate APO for its 50 years of driving the productivity movement in the region and I know that it will continue to strive toward contributing to the socioeconomic development of its members through productivity and innovation. I wish all of you a fruitful discussion during the Governing Body Meeting and with the commitment of all present here today, the APO will overcome any adversities and emerge stronger than ever before. Thank you.