<u>**Basic Investment Requirements**</u>

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Mr. Chairman,

Thank you for allowing me to spend a few minutes to share my personal experience as a portfolio manager who has had, in the past, to choose countries, companies and investment instruments to invest in.

Indeed, many of the criteria used by portfolio or 'hot money' managers are less strict than those used by foreign direct investors but reside on three basic principles:

1. Preservation of capital
2. Minimum acceptable rates of return, and
3. Maximum tolerable risks

Transposed onto a direct investor, requirements for them in country selection on a common, basic level would include:

1. The target country's own domestic market and economic dynamism ~ success breeds more success and attracts more players
2. Transparency in decision-making, enforcement, efficiency of public institutions, and timely information flows
3. Infrastructure availability, especially of transport, real estate, and banking systems, and
4. Stability of governments, interest rates, foreign exchange, labor supply, and overall costs.

As the economy moves to higher levels of manufacturing, services, and begins to embrace knowledge-based industries, what becomes more crucial would be higher levels of local education, supply of highly-skilled labor, and social support infrastructure for expatriate specialists to live in.

Indeed, to touch on the imbalance between trade and investment that Professor Qin Yaqing has pointed out, such an imbalance seems natural at this point as an FDI investor, as is a portfolio investor, is a stakeholder to the country or company they invest in, whereas a trader risks but the consignment of goods to send to another country until they get paid. Traders need not feel comfortable with another country; investors need to.

Hence, investors are much more choosy and yet spoilt for choice. The world is their oyster and they can afford to ignore those that don't meet their criteria. This contributes to, if not is the main factor behind another imbalance that Professor Qin Yaqing mentioned, that of demand and supply.

This then points to the need of investment seeking countries to make their investment environments so attractive that suitors beat a path to their doors. As a friend once said, "one needs to think like a woman'.

Indeed, Malaysia's own investment successes of the past have been accredited to our lady Trade and Investment Minister.

Nonetheless, the mere adoption of Western standards or piecemeal copying of another nation's competitive policies may very well backfire. Hence, can I also suggest that the Asian Development Bank, as suggested by Dr. Passadilla, or an East Asian Investment Bank as suggested by Dr. Paisan, be reformed into or formed as a 'knowledge bank' that could advise countries on the 'how to' question; 'how to' grow economically, 'how to' attract investments, 'how to' handle the socio-political dynamics involved in rapid economic growth, and 'how to' make intra-East Asian investment dynamism a naturally-occurring reality.

Could I also add a further suggestion to strengthen investment destinations and targets, improve investor confidence, and bring to light the unique, smaller East Asian companies to the investing world? Could I suggest the creation of an East Asian Rating Agency that specifically focuses on the needs of the smaller East Asian company that are usually under the radar of the other global ratings agencies?

The acid test is simply that East Asian destinations will be the preferred, if not only, destination of choice for investors from East Asia.

May it happen.

Thank you.