

INVEST MALAYSIA 2016

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MENTERI MALAYSIA

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Bismillahirrahman Nirrahim.

Assalammualaikum Warahmatullahi Wabarakatuh,

A very good morning and Salam 1 Malaysia.

Yang Berbahagia Tan Sri Amirsham Abdul Aziz;

Chairman Bursa Malaysia,

Distinguished guests,

Ladies and gentlemen,

1. In 2010, just six years ago, I introduced our New Economic Model - standing right here at Invest Malaysia. This model was designed to transform Malaysia into a high income nation, inclusive of all Malaysians, with no one left behind, and built on sustainable foundations that would serve both the people and generations to come.
2. We had an economic plan. And - aided by the twin pillars; the six Strategic Reform Initiatives; the twelve National Key Economic Areas of the Economic Transformation Programme that we launched the following year; and of course aided by the hard work of millions of Malaysians - we can say with certainty: our economic plan is working.
3. The facts speak for themselves.

4. Between 2009 and 2015, Gross National Income has increased by nearly 50 percent. 1.8 million jobs have been created. Inflation has been kept low. Foreign Direct Investment has been growing at more than 22 percent per annum.
5. Our government-linked companies, or GLCs as we call them, have graduated from their Transformation Programme and become regional leaders. The top 20 GLCs, have, on average, returned 11 percent per annum.
6. Growth last year was five percent, slightly higher than predicted during a time of turmoil for the world economy, making Malaysia one of the fastest-growing countries in the region. The OECD forecasts us to average that same healthy rate - far higher than the global average - over the next four years.
7. We can see that our plan is still working. Malaysia's export growth in February 2016 rebounded by 6.7 percent to RM56.72 billion, after posting negative growth of 2.8 percent year-on-year in January 2016. Imports increased by 1.6 percent to RM49.4 billion from RM48.2 billion.
8. The trade surplus widened to RM7.5 billion in February 2016 from RM5.4 billion in January - making it the 220th consecutive month of trade surplus since November 1997. This achievement is particularly encouraging considering the challenges posed by low commodity prices, currency fluctuation and economic slowdown in China.
9. Other parts of Malaysia's economy have demonstrated similar resilience. The overall size of the capital market increased to RM2.8 trillion in 2015, standing at two and a half times Malaysian GDP - that's up 150 percent since 2009, when I took office. During the same period, the equity market expanded by 69.6 percent to RM1.7 trillion, while the bond and sukuk market grew 74.4 percent to a size of RM1.1 trillion.

10. The Malaysian capital market remains an important facilitator for financing business growth. In 2015, RM90 billion was raised in the primary market, a level consistent with previous years.
11. Our RM1.7 trillion Islamic capital market registered steady growth of 6.7 percent last year, retaining its overwhelming lead in the global sukuk arena.
12. The ringgit is Asia's best performing currency this year to-date. This may surprise my political opponents, who said that if I continued in my job the ringgit would fall to 4.80 to the dollar. Now it's 3.88 to the dollar!
13. As Bloomberg reported just under two weeks ago, "Overseas inflows into Malaysia are the biggest in Southeast Asia" and "Kuala Lumpur has the lowest volatility among the region's markets".
14. And the world's longest bull market continues at Bursa Malaysia - aided, according to some, by my Cabinet reshuffle on 28th July 2015!
15. It's very clear that the markets like strong leadership, political stability and a credible economic plan.
16. Now I know that there are some who would like you to think that our economy is in trouble. Some who, against their own principles, even asked for foreign intervention! Some who ought to know better have been talking Malaysia down. Indeed, they do know better. Malaysia is sustainable at the core. Because the facts - including those that I have just outlined to you - are indisputable.

17. But they have their own agenda and personal interests, which they have placed above the interests of the country. To them, damage to the country is just collateral. To them, the end always justifies the means. They have been airing all sorts of wild allegations, including about 1MDB, for instance. So let us be totally clear about that.

18. The Public Accounts Committee last week submitted its report to Parliament. It identified weaknesses in 1MDB's structure and management, and as I said last week, we must ensure that lessons are learned. Action will be taken if any evidence of wrongdoing is found. In addition, 1MDB's board of directors has offered their resignation.

19. There has been and will be accountability. We are insistent on that in Malaysia. The success of our GLCs and our years of consistent growth would not be possible without it.

20. But the report also shows that the allegations of 42 billion going missing, as some claimed, are false. Completely false. Malaysia's name has been unfairly dragged through the mud.

21. The reality is that there is a rationalisation process, and it is working. Substantial debts have already been cleared - including the recent repayment of a RM950 million standby credit facility provided by the government last year.

22. Its assets are more than its liabilities, and those assets are real, as can be seen by the prices they are fetching.

23. The uses to which some of those assets will be put will be evident in the future, when two vibrant new centres will spring up in Kuala Lumpur, at the

Tun Razak Exchange not far from here, and at Bandar Malaysia, in the south of the city.

24. In the years to come, they will be the real legacy of 1MDB. They will be what is remembered. And history will show that the shameful politically-motivated allegations made to unseat a democratically-elected government were false.

Ladies and gentlemen,

25. We have proved the sceptics wrong. Now it is time to move on, and to refocus on further strengthening Malaysia's economy and on the good news about our country. But don't just take my word for it. Let me tell you what a cross-section of respected international bodies have to say.

26. They have confidence in Malaysia. And so they should, because that confidence is borne out by the facts.

27. The ratings agency Fitch recently reaffirmed our A- rating and stable outlook.

28. Last year, Malaysia rose to 18th out of 140 countries in the World Economic Forum's Global Competitiveness Report.

29. The World Bank ranked Malaysia as the 18th easiest place to do business out of 189 economies in 2015.

30. In the IMD's Yearbook, Malaysia was ranked as the 14th most competitive country out of 61 economies surveyed.

31. We were placed 9th in the world for Financial Market Development by the World Economic Forum Global Competitiveness Ranking 2015-2016. Malaysia was the only emerging market in the top 10.
32. We were listed 4th in the world for Investor Protection by the World Bank Doing Business Report 2016.
33. Our Securities Market was declared the 20th Best Regulated in the World Economic Forum Global Competitiveness Ranking 2015-2016.
34. A recent study by ACCA and KPMG on corporate governance ranked Malaysia joint first among 15 developing countries surveyed. Overall, Malaysia emerged fourth - along with India and Australia - out of 25 countries, scoring just below the UK, US and Singapore.
35. And we were ranked top of the Global Islamic Economy Indicator list.
36. That's just a few. I could go on!
37. The truth is, as the World Bank regional director for Southeast Asia said last December, and I quote: "The international community continues to have confidence in Malaysia. That's why Malaysia continues to attract interest from businesses - both domestic and foreign."
38. The International Monetary Fund shares that confidence. In their most recent report, earlier this year, they said: "Malaysia's economy continues to perform well. The authorities have been able to maintain macroeconomic and financial stability, while making significant progress in improving the foundations for sustained economic growth."

39. The IMF praised our “prudent monetary policy”. They noted that the implementation of GST - our Goods and Services Tax - largely offset the impact of low oil prices on government revenues. And they said that “Malaysia’s recent strong growth, high investment and improvements in business environment scorecards are impressive.”

Ladies and gentlemen,

40. We are very appreciative of these accolades. But they are recognition of achievements that have not come to pass by chance or good luck. They are the result of our economic plan, and of the government’s continuous efforts to make Malaysia a business-friendly environment. They are the result of our strong commitment to strengthen, liberalise and open up our economy.

41. That has involved reforms, and diversifying both the economy and government revenues. This is why we introduced GST last year. Now, no one likes paying a new tax - although it isn’t actually new, but rather a replacement for the Sales and Services tax. Regardless, we knew it would not be popular.

42. But it was necessary, as every serious economist around the world has acknowledged. A responsible government will take the tough decisions that are right for the country, regardless of there being a short term cost in terms of popularity.

43. It is just as well we did. For with the plummeting price of oil, GST has been our saviour. Other countries are following suit. Saudi Arabia and India are both expected to introduce a similar tax, for instance. There is nothing controversial or strange about it - it is a widely used method for broadening the tax base.

44. The people who opposed it here for purely political reasons know that they were wrong, for populism and opportunism can never be the right reasons for governments to take action.

45. We, however, will never hesitate to take the correct measures - a point that Jim Yong Kim, the President of the World Bank, made when he cited Malaysia as a country that implemented strong, growth-promoting reforms during the IMF/ World Bank Annual Meetings in Peru last October.

46. He praised us for setting up the Special Economic Committee; for eliminating subsidies on gas and diesel; for continuing to fund key infrastructure programmes such as the Mass Rapid Transit system; and for directing more public resources towards enhancing our productivity, competitiveness and resilience.

Ladies and gentlemen,

47. These actions are consistent with our approach. What we have achieved would not have been possible if the country was not administered with proper governance and a strong sense of responsibility towards Malaysia and its people.

48. This government is dedicated to serving the people, and I can assure you that we will continue to put their interests and their future first. Every time.

49. Every time.

Ladies and gentlemen,

50. Our achievements have also been based on three principles: sustainability, inclusivity and innovation.
51. A sustainable economy is one in which we take care of our environment; and we are doing so.
52. Of course, sometimes we make mistakes - the bauxite contamination on our East Coast is an example. But we are taking steps to deal with it - we have just extended the ban on mining for another three months, and we will insist that strict guidelines are put in place before it is lifted.
53. In the past five years we have implemented close to 200 flood mitigation projects, which shielded nearly one million people from floods; and many hazard maps were developed to facilitate disaster prevention and development planning in high-risk areas.
54. Our Green Technology Financing Scheme has successfully supported 188 projects, which have helped to create nearly 4,000 jobs and have saved the equivalent of 2.31 million metric tonnes of carbon emissions.
55. We have set a target of recycling 40 percent of our waste by 2020. We have also pledged to reduce our national carbon emissions by 40 percent by the same year - although I am told that by the end of 2015 we had already achieved a reduction of 35 percent. We take these targets seriously, and this shows the work that goes into meeting them.
56. We have introduced tax incentives to encourage industries to adopt green technology; set targets for installed capacity of renewable energy; and made green growth an integral part of the 11th Malaysia Plan, which will guide us over the next four years.

57. The government has also encouraged an ecosystem that facilitates the financing of socially-beneficial and sustainable ventures, such as the Sustainable and Responsible Investment Sukuk framework introduced by the Securities Commission, and the Environmental, Social and Governance, or ESG, Index launched by Bursa Malaysia.
58. I am pleased to see that there has been a steady increase in the number of companies participating in the ESG Index; there are now 34, which is a 42 percent increase from the year before.
59. In fact, since the launch of the ESG Index - or the FTSE4Good Bursa Malaysia Index, to use its full name - 16 months ago, Bursa Malaysia has been working with FTSE Russell to develop a similar index for ASEAN.
60. Today I can also share with you the rolling out of the new FTSE4Good ASEAN 5 Index, or the ASEAN ESG Index, which will mean that companies listed on the exchanges of Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam which meet the ESG standards will be eligible for inclusion.
61. In addition, Malaysia continues to develop new financial assets, such as carbon credit-based solutions along the principles of Islamic finance. These assets are sustainable and reward-generating to investors, underpinned by real economic activities; they are end-to-end Shariah-compliant, and can be sold to the world's carbon buyers.
62. To this effect, we will consider providing incentives to companies that offset their carbon footprint with Malaysian rainforest credit.
63. These are further examples of how sustainability and green growth are not just about doing what is right - protecting one of our greatest assets, our spectacular land and sea-scapes. We are the custodians of this magnificent

country, in all its astounding variety, and our natural heritage is at the heart of our thriving tourist industry, which we should further strengthen. But sustainability also makes financial sense. Conserving and recycling save money, and new green businesses offer huge and growing opportunities.

Ladies and gentlemen,

64. The same goes for inclusivity. This is why we came up with the concepts of the “capital economy” - which refers to the macro perspective - and the “people economy”, which is completely focussed on the rakyat, the people - who truly are our greatest asset.

65. Ensuring our people have the right skills, investing in training, making sure that basic foodstuffs, housing, healthcare and other necessities are available at low prices - these are all policies that we have enacted and are still working on.

66. The results have been good. We have virtually eliminated absolute poverty to less than one percent. The income of the bottom 40 percent households has increased by a compound annual growth rate of 12 percent, even higher than the national average of 8 percent, since 2009 when I took office. And through the implementation of minimum wage legislation, the government has lifted 2.9 million people immediately out of absolute poverty.

67. But we want to continue to raise income levels so that all share in the fruits of our success and are able to cope with rising costs of living.

68. Let us face the facts: there are medium and long-term challenges in doing so. We have to reduce our dependence on cheap foreign labour. In particular, we need to be very serious about raising the level of education

and skills in our country, so that growth and higher wages come from increases in productivity.

69. We need a real focus on research and development and on better processes in industry. We need a focus not just on innovation, but on commercialising innovation. And we need a focus on being at the forefront of using - and inventing - new technology, so that we gain and maintain a long term competitive edge.

70. These are big tasks - and they cannot all just be a matter for government.

71. The private sector must play its part, including in training at all stages of life. The government will continue to assist and support, of course. But we do need to form a new partnership so that all significant actors in our economy are united in making Malaysia the destination for investment. And that means our citizens being empowered by having the skills and aptitude to adapt to a world in which standing still is not an option.

72. Making sure that no one is left behind is not just a matter of our duty to our fellow citizens. It also benefits the whole economy if as many people as possible live useful, productive lives.

73. The same applies to women. As I have said before, when women succeed, we all succeed. They are crucial to the health and the prosperity of the nation, and as you know, here in Malaysia many of our top corporate and public leadership positions are held by women. But we want to do more.

74. So I am pleased that starting this year, it is now mandatory for public listed companies to disclose in their annual reports the gender representation of their board members and key senior management, on top of the existing requirements to disclose policy on board diversity.

75. In addition, the Securities Commission is currently working on strengthening its recommendations on gender diversity in the revision of the Malaysian Code of Corporate Governance that will be released later this year.

76. I also want to call on the Capital Market today to take the lead in developing a Capacity & Capability Building Programme to accelerate Malaysia's achievements in gender diversity, and to ensure that at least 100 capital market women are ready to take up board positions after the first year of the programme.

77. And I am delighted to be able to say that, right now, in order to achieve our goal of women making up 30 percent of the boards of the top 100 companies in Malaysia, we only need another 130 women. So, get hiring!

Ladies and gentlemen,

78. Over the decades, Malaysia has moved from being primarily an agriculture-based economy, to one with a strong industrial base. We are now strengthening the newer, knowledge-based sector. Throughout our economy, innovation, creativity and improving productivity are key.

79. Our National Blue Ocean Strategy works to break down silos so that ministries, agencies and the private sector can work together and make the best use of their resources. We are introducing a performance-based incentive system for the small and medium enterprises that make up 98 percent of companies in Malaysia.

80. And all the while, we are focussing on sharpening that competitive edge, supporting entrepreneurs in a huge variety of ways, investing in new technology, in education, in providing schemes for retraining, for women,

for people in rural areas, ensuring that opportunity is there for all, as an inclusive, cohesive, forward-looking society.

Ladies and gentlemen,

81. Talking of looking forward, I urge you to think of Malaysia not just as the gateway to ASEAN, with the ASEAN Free Trade Area, but to the future - and I'm not exaggerating. ASEAN is already a market of 625 million people, with ever freer trade as we implement the ASEAN Economic Community. FDI flows to ASEAN are already higher than they are to China.

82. It is already a region whose middle class is expected to number 400 million by 2020, and is expected to be collectively the world's fourth largest economy by 2050 - one forecast put it as early as 2030.

83. But ASEAN is also the gateway to the Regional Comprehensive Economic Partnership that is being negotiated with Australia, China, India, Japan, South Korea and New Zealand. And Malaysia is a gateway to the Trans Pacific Partnership which will give exporters preferential access to a market of 800 million people with a combined GDP of USD27.5 trillion.

84. A study by PriceWaterhouseCoopers predicted that TPP would lead Malaysia's GDP to increase by USD107 to USD211 billion between 2018 and 2027, and would bring additional investment of USD136 to USD 239 billion.

85. So, ladies and gentlemen, come and be part of that story!

86. This is all part of our belief in open regionalism. Where there are opportunities for free trade, we want Malaysia to be part of them. Because we believe that is good for our economy and good for our people.

87. TPP has had some critics, it is true, because under any such system there will be winners and losers. But those who are ready to innovate and improve will reap the advantages. And as a member of the TPP from the start we have the first mover advantage - we have had a key say in the agreement. Later joiners will have none.

88. We have joined on our terms, without sacrificing our domestic agenda. Indeed, the Bumiputera policy is now enshrined in an international treaty. This is a significant achievement in itself, and will safeguard the interests of generations to come.

89. Now, I acknowledge - as must we all - that this is a time of global uncertainty, and there are external factors which we cannot control. For every single US dollar drop in the price of oil, the government loses 450 million ringgit in revenue, for instance. And for every one percent slowdown in the Chinese economy, ours shrinks by 0.4 percent - since China is our biggest trading partner.

90. We can only protect ourselves as best we can against outside volatility. But we are nimble and timely in our responses. This is why we recalibrated the budget earlier this year to take account of changing circumstances; to ensure the economy remains on a strong growth trajectory, and to safeguard the welfare and well-being of the people.

91. We have structured the reduction in government expenditure such that it will not affect public service delivery, and the development projects under the 11th Malaysia Plan remain unaffected. The High Speed Rail link to Singapore; the Pan Borneo Highway; the MRT and LRT, the Pengerang development in Johor - they're all still going ahead. We need them. They are not grandiose mega-projects for show and vanity, as favoured by some. No - these are a part of our future.

92. So it is clear that we have an economic plan, that it has worked, and that it is still working. It is a long-term plan that works for the benefit of Malaysians not just today, but tomorrow, and in the years and decades to come.

93. To take one example: the government has halved our dependency on oil and gas from 41.3 percent of total revenue in 2009 when I took office, to 21.5 percent for 2015. Think where we would be today if we had not done that. That was another tough decision, but we took it because it was right.

94. And that is what you can count on this government to do. The right thing. For the good of the people. For the good of investors. For the future of this country and all whom we are glad to welcome here.

95. That is how we have built a resilient, sustainable and inclusive economy; and that is why I urge you to join the foreign investors who have already bought RM5.5 billion worth of domestic stocks in the first quarter of 2016 - and invest in Malaysia.

Ladies and gentlemen,

96. I hope you will find today's discussions both stimulating and useful, and will further enlighten you about the tremendous opportunities Malaysia offers. Let me welcome you once more to Kuala Lumpur, and I wish you a successful conference.

Thank you.

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