INVEST MALAYSIA 2011
***(Speech by Dato' Sri Mohd Najib Bin Tun Hj. Abdul Razak,Perdana Menteri Malaysia at* Shangri-La Hotel, Kuala Lumpur)**

I am delighted to be here with you today and to have this opportunity to address so many distinguished captains of industry, fund managers and institutional investors – more than 850 delegates from over 200 corporations and from countries right across the world.

Maybe it's my background in industrial economics, but thinking about this conference over the last few days I've been reminded of the great industrialist Henry Ford. It was Ford who once observed that "coming is a beginning, staying together is progress, and working together is success" – and since Invest Malaysia first came together back in 2005 we have not only stayed together, we have worked together to further our common interests and to make this conference the huge success it is today.

It was also Ford, of course, who invented mass production, but what is perhaps less widely known is that a big part of his success was down to his radical decision to pay his workers more – a move that caused widespread bemusement among his fellow industrialists at the time! It was, as it turned out, a very good call – a bold and far-sighted decision that meant Ford succeeded in creating his own market as manual workers were able for the first time to afford cars of their own.

You might think those days are long gone, and with the advent of the new knowledge economy we are certainly very much in a post-industrial age, but this remains, it seems to me, a pretty good illustration of why the interests of Government and the interests of business go hand in hand – or to put it more bluntly, why improving living standards and increasing profitability are two sides of the same coin.

So what I'm saying is that I want what you want, and the chance to have this conversation with all of you this morning is one I cherish. In six short years, Invest Malaysia has grown to become our country's most high-profile showcase of Malaysia PLC, and today it is a force to be reckoned with. I'm told that last year the market moved upwards for several days on the strength of the deliberations and discussions that happened here – so I guess I'd better be careful what I say this morning!

But open, transparent, even-handed economic stewardship has always been our hallmark in Malaysia. That is what matters to business, that is what matters to me, and that is why I have put in place a number of plans to map the nation's path through the next decade and to build the momentum for growth.

There's the GTP, the ETP, the NEM. When talking to an international audience like this I sometimes have to remind myself that not all of our acronyms will be familiar! We've found that the trick to understanding them all is to start young… in some countries children go to school to learn their ABC; here in Malaysia they go to school to learn their GTP. In case you're wondering, we do still teach them their ABC as well – better known to some of us as Air Batu Campur! – and thanks to education being made one of our NKRAs, we've now achieved literacy rates of 85 per cent amongst primary one students.

But whilst it's easy to joke – and I haven't even mentioned the NKEAs, the EPPs or the SRIs! – I'm completely serious about the work these programmes do and the results that they produce. Malaysia in fact has a long history of using national development plans to great effect, accelerating both our economic growth and the social development of our country.

Back in the 1960s the early plans were focused on the modernisation of traditional sectors like agriculture and mining. In the 70s and 80s poverty alleviation and income distribution became the issues of the day, with emphasis shifting to the development of large scale infrastructure projects like the North South Highway and the Penang Bridge. The 90s were all about boosting industrial and manufacturing capacity and capability, and since 2000 we have been relentless in our focus on knowledge management, human capital development and ICT.

So the introduction of the Government Transformation Programme, the New Economic Model, the 10th Malaysia Plan and the Economic Transformation Programme over the past 2 years has in some ways been a continuation of a winning formula, but in others it has been a radical departure from the past. What is different this time around is the widespread public consultation, the emphasis on transparency and meritocracy, and the clear roadmaps and benchmarks for the outcomes on which we will be judged.

I am determined to drive through these transformations and transitions – to the extent that I'm now referred to by some of my staff as No 1 Transformer, or Optimus Prime [*pause*] Minister! But each of these plans addresses a different aspect of the work we know we need to do to take our place amongst the world's high income nations – enhancing the delivery of government services, removing barriers to investment, catalysing change and initiating a series of high-value, high-impact projects.

Another radical initiative – and one of which I am especially proud – is the introduction of the 1Malaysia policy as a new national banner behind which all Malaysians can unite. Malaysia's cultural diversity is a striking feature of our country that sits alongside our story of economic liberalisation and reform, and since taking office I have resolved to build an inclusive, open and equitable society in which all of our citizens have an opportunity to flourish. 1Malaysia is about uniting everyone behind our country's transformation and about putting our people first, but it is also about clear-headed, performance-based management – for I have long believed that history favours leaders who produce results over those who are great orators but who fall short when it comes to delivering on the promises they make.

So 1Malaysia is about furthering national unity and social justice, but I make no apologies for saying that it is also about leveraging our economic strength. For the first time ever Malaysia is now ranked amongst the ten most competitive countries in the world, but if we are to continue to compete in the new global economy we must make the most of the talents of all our people and not just some of them – reaching out to Malays, Chinese, Indians, Ibans, Kadazans, Orang Asli and other minority groups and uniting in the spirit of 1Malaysia to enable each to play their part.

Because there is no doubt that Malaysia draws great strength from our diversity. We are geographically and culturally unique, with links to China, India and the Middle East – and that means we are able to engage with new and emerging centres of economic growth at the same time as dealing with the West. We are also, of course, the gateway to ASEAN: 10 nations, 600 million people and a market growth rate of 6% last year. Invest in Malaysia and you get the whole of Asia, it really is as simple as that!

So we are paving the way not only for a more equitable society but for a Malaysia that is more stable, more transparent and more market friendly, boosting our traditional strengths in planning with the introduction of performance metrics like KPIs, NKEAs and NKRAs to ensure even greater transparency and accountability in implementation. At Invest Malaysia last year I announced a number of initiatives, and I would like at this point to take the opportunity to update you on the progress we have made. I think it is best to let the numbers speak for themselves.

Liberalisation of key services

Two years ago I announced the liberalisation of 27 service sub-sectors, allowing foreign investors unrestricted market access with 100 per cent equity. It was an enterprising move, undertaken at the height of the financial crisis to send a clear signal to the world that Malaysia – the outward-looking face of South East Asia – was open for business at a time when others were turning inwards and taking refuge in the short-term comforts of protectionism.

Since then we have scrutinised the full range of our domestic regulations to ensure that they do nothing to obstruct the liberalisation measures we have put in place. And we are taking a number of steps to boost the development of Malaysia's service industries, including drawing up a roadmap of capacity building for our service SMEs. So far it seems to be working: last year saw the total trade in services rise to RM207 billion compared to RM194 billion in 2009, with service exports increasing by 5.6 per cent to RM104 billion over the same period.

Ekuinas

Ekuinas – established in 2009 as a government-linked private equity fund manager promoting sustainable, meaningful and effective Bumiputra economic participation – will receive a total allocation of RM4.5 billion between now and 2015 as part of the 10th Malaysia Plan.

To date Ekuinas has invested RM483 million in four growth companies, facilitating a total capital deployment of more than RM600 million into the Malaysian economy. Under its Outsourced Programme, it has also successfully raised RM513 million for investments in small to mid-sized Malaysian companies with high-growth potential – a testament to what has been an incredibly successful public-private partnership. Ekuinas will be announcing its 2010 financial results by the end of April 2011. For the current financial year, it is planning to invest up to RM600 million, enabling a total economic capital deployment up to RM 1 billion in 2011 into the Malaysian economy.

Disposal of non-core assets

In line with the aspirations set out in the New Economic Model, the Government, Malaysia's state owned investment fund, Khazanah Nasional Berhad and other GLICs, are gradually divesting their non-core holdings and non-competitive assets, including 26 parcels of Government land. At least ten companies earmarked for divestment are expected to complete the process by the end of this year. In addition, four lots of Government land are being sold, with estimated proceeds in excess of RM1 billion.

Pos Malaysia & GLC performance

As announced last year, the disposal of Pos Malaysia is now in its final stage. Evaluation has been completed and recommendations will shortly be made to the Khazanah board. I am happy to note that the process has been conducted in a transparent and market-friendly manner with a robust bidding process. I am also pleased that Malaysian Government Linked Companies continue to make good progress. In the last financial year, our 20 largest GLCs posted strong performance with aggregate earnings of RM17.3 billion, growth of almost 50% compared to 2009. These top performing 20 companies continue to show strong performance, registering annual Total Shareholder Returns of 16.4% over the period of the GLC Transformation Program from 2004 to 2010, significantly outpacing the Bursa Malaysia average.

Listing of Petronas subsidiaries

Last year at Invest Malaysia I announced that Petronas had identified two sizable subsidiaries for listing. Since I spoke to you, Malaysia Marine and Heavy Engineering Sdn. Bhd (MHB) and Petronas Chemicals Group (PCG) have gone on to be listed. This transaction makes PCG the world’s largest chemical company IPO and the largest IPO offering out of South East Asia.

Every listing is good for the Malaysian market. Every big listing is even better, attracting interest from domestic and foreign investors alike, as the huge oversubscription rates for MHB and PCG – 28 times and 17 respectively – attest. Today, the PETRONAS Group accounts for over 10 per cent of BURSA Malaysia’s total market capitalisation, standing as a proud example of our commitment to reducing the Government's presence in business activities that are best left to the people who do them best.

Listing of Felda Sugar

I can also officially announce today that, in line with its corporate vision to become an integrated and diversified multinational, Felda Global Ventures Holdings is undertaking a listing exercise of its sugar business, the first ever within the Felda Group. This listing will enhance Felda’s leading position in the sugar industry, providing the Group with an opportunity to gain recognition in the capital markets and allowing it to realise its investment whilst retaining control of its asset. This means investors will be able to participate in a key industry, and it is a very positive development for the Government’s objective of promoting Malaysia’s capital markets. The listing of Felda sugar on the Main Market of Bursa KL is expected to take place by July this year.

ETP and GTP updates

Last October we launched the Economic Transformation Programme, a long-term project designed to turn Malaysia into a high-income, fully developed nation by 2020. We have identified 12 key areas that can drive economic growth in Malaysia, and have developed 131 Entry Point Projects, or EPPs, to kick-start development across those sectors.

From building a home appliance manufacturing hub to accelerating the replanting of oil palms, and from ensuring broadband for all to positioning Malaysia as a centre for duty-free shopping, we are investing billions and billions of ringgits in our country’s economic future. It is less than six months since we started this process, but already we have launched 60 projects and initiatives across 46 separate EPPs. 30 of these are work-in-progress, 4 are already complete and 26 are underway.

The total investment commitment so far stands at RM95 billion, which will create almost 225,000 jobs over the next ten years. But it’s not just the government investing in Malaysia, ordinary Malaysians are investing too. Everywhere you look, domestic spending figures are rising: retail sales up 8.0 per cent, sales of motor vehicles up 13 per cent, and property transactions up a staggering 33 per cent to almost RM100 billion.

Internationally, the picture is even better. Foreign direct investment rose by more than 400 per cent from USD1.7 billion to USD7 billion last year, whilst trade again broke through the one trillion ringgit mark.

And as an illustration of rising investor confidence in one of our National Key Economic Areas, the healthcare sector, Khazanah last week announced a RM3.3bn investment by Mitsui and Co. for a 30 per cent stake in Integrated Healthcare Holdings Sdn Bhd. This investment is an enormous deal for us – the largest foreign acquisition of a stake in a Malaysian company so far this year – and the decision of a major international investor like Mitsui to buy into a Malaysian-led multinational corporation is a clear reflection of their belief in our good governance. The proceeds raised through this transaction will drive the implementation of more than RM1bn worth of healthcare projects right across Malaysia.

Of course, there is more to being a developed nation than simply economics. That is why, in accordance with the “people first, performance now” principles of 1Malaysia, we launched the Government Transformation Programme, which will radically change the way we deliver services and support citizens.

The GTP is already producing big results. The My Procurement website gives details of successful bidders for 3,500 government contracts, making it easier to identify and to prevent corruption. The Kelana Jaya LRT line, which runs through the heart of Kuala Lumpur, has had its capacity greatly increased, with almost 2.5 million more passengers travelling last year as a result. And more than two million Malaysians living in rural areas now have access to roads, water and electricity, many for the first time ever.

We are also working hard to deliver on the 51 cross-cutting policy measures announced at the end of last year under the concluding part of the New Economic Model report produced by the National Economic Advisory Council. Over the last six weeks we have been conducting a range of labs, attended by more than 300 participants from across the public and private sector. These labs will gauge the full range of opinion and to translate the policy measures set out in the NEM into concrete, tangible, deliverable programmes. The conclusions of the lab report will be presented and deliberated by the Cabinet shortly.

MIDA corporatisation

At last year's Invest Malaysia I announced that MIDA was to get a name change from "*Industrial* Development Authority" to "*Investment* Development Authority" - a small difference in name, but a giant leap in MIDA's scope and responsibilities! As Malaysia’s economic transformation continues, we need to grow our service sector whilst maintaining our high value manufacturing capabilities. So, in order to avoid duplication and confusion, MIDA will be given full empowerment to make decision expeditiously and to co-ordinate all other investment promotion agencies for Malaysia’s manufacturing and service sectors.

But MIDA will not just transform and grow the economy, it will itself be transformed, changing and growing in terms of its capabilities – and I am pleased to announce this morning that the Bill to enable MIDA’s corporatisation has been tabled before the Dewan Rakyat is expected to come into force in July.

Talent Corp

We can deliver the policies, we can deliver the frameworks, but all of our efforts to attract investors will come to nothing unless we can also deliver the highly skilled, expert workforces they need to flourish. In today's knowledge-intense, innovation-led economy we are going to need world-beating, top-flight talent – and as much of it as we can get!

That is why I set up the Talent Corporation Malaysia Berhad at the start of this year – and already, it is starting to deliver. Back in December I announced the introduction of the Residence Pass to help attract and retain top foreign talent, and we have been open for applications since the start of April. The Residence Pass is an enhancement of the employment pass, providing expatriates with a longer tenure of 10 years as well as with greater flexibility. In addition, and again with effect from 1 April 2011, the Ministry of Home Affairs is implementing a number of improvements to the terms of the employment pass, including allowing for a tenure of up to 5 years.

Equally importantly, to promote the return of Malaysian professionals working abroad, Talent Corp will now take the lead on our Returning Experts Programme, the programme parameters and qualifying criteria of which have been revised to better meet the needs of the Economic Transformation Programme. I would like to announce today that the incentive package has also been revised with immediate effect, and I know that Talent Corp will be providing more details later. In brief, however, the existing fiscal incentive under the REP of two cars tax free will now be limited to locally assembled cars. A new transitional income tax incentive will also be introduced, under which returning Malaysian professionals will be eligible for a flat rate of 15 per cent income tax for 5 years. I certainly hope these changes will encourage more Malaysians working abroad, with their varied experience and expertise, to return and play an active part in our country's economic transformation.

Achievements of CMP1

You know better than anyone that the international capital market is the engine of economic growth. We share that belief, which is why, 10 years ago, Malaysia launched the Capital Market Master Plan, or CMP. Containing more than 150 recommendations, it ensured Malaysia's capital market was well-placed to support our national economic growth and to meet the challenges of increasing regional and global competition.

The promise that we identified back then has been borne out with time. Despite starting from the narrowest of bases, Malaysia's capital market is now worth RM2 trillion. Our stock market is home to more PLCs than any other inside ASEAN, our bond market is the third-largest in the whole of Asia when benchmarked against GDP, and our Islamic capital market leads the world.

It was CMP1 that laid the framework for this extraordinary growth, but the successes of the past ten years would not have been possible without you. Since 2005, you have been coming to Invest Malaysia and have recognized the unique benefits of doing business in this country. But we all know that the economic challenges facing Malaysia in 2011 are very different to those we faced in 2001.

Launch of CMP2

New problems demand new solutions, which is why I am pleased to announce today the launch of a successor programme, innovatively called CMP2! The next ten years holds a huge amount of promise for Malaysia's capital markets, and CMP2 is our strategy to unlock it. On current forecasts our capital market size will more than double to RM4.5 trillion by 2020, and with greater internationalization this figure could increase to as much as RM5.8 trillion over the same period.

Promoting capital formation

One of the key priorities for CMP2 is to strengthen the role of the capital markets in promoting capital formation from the start-up stage to the financing of innovative ventures, big new projects and cutting-edge green technology. To achieve this, we will allocate more funds to the venture capital and private equity industries through formalizing regulatory oversight and providing targeted incentives and support.

And to boost large-scale transactions, access to the bond market will also be widened, strengthening investor appetite for a wide range of debt products and credit risks, expanding the participation of the investment management industry and retail investors in fixed income investments, and enhancing the market infrastructure.

Increasing intermediation efficiency and liquidity

Malaysia is fortunate in being well-positioned to finance its investment needs through its large pool of accumulated domestic savings. In fact, Malaysia's high savings are expected to drive the rapid growth of the investment management industry, with assets under management projected to rise from RM377.4 billion in 2010 to a very substantial RM1.6 trillion in 2020.

Strong growth within the asset management industry is a key feature of any country in transition to becoming a fully developed nation. As a reflection of the widespread confidence in Malaysia's investment management industry, the penetration rate of the unit trust industry is expected to almost double from 18% in 2010 to 34% in 2020 – levels more commonly associated with developed markets. This will, in turn, substantially increase the creation of income-generating assets to meet the needs of domestic institutional investors.

So to enhance intermediation efficiency in recycling domestic savings into financing the development of a diverse and vibrant economy, I can tell you this morning that there will be a review of the system-wide effects of institutional investment strategies, particularly to ensure the optimal deployment of GLIC funds. More efficient intermediation of national savings will have far-reaching effects on accelerating capital formation, private sector participation, secondary market liquidity, risk-taking and expanding product and service diversity.

A new private pension fund framework enabling the setting up of private retirement schemes approved by the Securities Commission will also be in place by the end of the year. This will promote greater diversity in the management of long-term savings. Alongside this, the ability of fund managers to invest directly will be facilitated through expanding the range of legal structures for the pooling of investments. Efforts will also be made to attract specialist fund managers and to promote greater diversity in investment strategies, strengthening the links between national savings and economic growth.

But to take full advantage of the new opportunities being created under CMP2 and to meet the challenges of the evolving intermediation landscape, we are going to need to build capacity and to foster a spirit of competitiveness, risk-taking and innovation. Intermediaries and individuals, including remisiers, unit trust agents and financial planners, have over the years demonstrated their considerable strengths in providing personalized customer services. We now need to build on these traditional strengths in order to capitalize on the new growth opportunities in a highly electronic intermediation environment.

Expanding the number of products on the derivatives market is another development that will be crucial to deepening market liquidity, improving the ability to trade across markets and to hedge risks. The re-positioning of Malaysia's derivatives market is already underway, with last year's strategic alliance between Bursa Derivatives and the US-based CME Group already widening the distribution of Malaysian derivative products across the world. And annual notional trading value on the derivatives market is expected to grow rapidly from the RM512 billion recorded in 2010 to RM4.2 trillion in 2020, with positive spill over effects for stock market liquidity.

So the development of Malaysia's core intermediation industries is already well advanced. Our challenge going forward will be to shift our focus to nurturing future growth segments, particularly in the ancillary layers supporting intermediation activities – and the Securities Commission will identify and nurture potential hub opportunities across a broad range of middle and back office functions.

Internationalisation

From the days of the Malacca Sultanate Malaysia has been a trading nation, a tradition that will be continued through further internationalization of Malaysia's capital market. Creating new business opportunities for domestic players to intermediate foreign products will be critical to accelerating their learning curve and increasing their competitiveness. Internationalisation is also important for facilitating business models aimed at capturing scale-driven efficiencies or high value-add in niche areas.

Thanks to the foresight of past leaders, Malaysia has had a head start in Islamic finance and today offers comprehensive coverage of Islamic financial services across banking, takaful and the capital market. Our task now is to shift the focus of Islamic finance from serving domestic needs towards tapping the tremendous growth opportunities from intermediating international investments and corporate transactions.

The internationalization of the capital market is a necessary pre-requisite to strengthening Malaysia's Islamic Capital Market hub – set to increase almost threefold from RM1.1 trillion in 2010 to RM2.9 trillion in 2020. CMP2 outlines strategies to enhance the distinctive value propositions offered by Malaysia for a broad range of Islamic intermediation activities, including increasing our capacity to structure cross-border transactions to make further inroads into the international sukuk market.

In addition, the Securities Commission will collaborate with key industry players to expand the range of Shariah-compliant stock broking products and services and build greater critical mass for the development of onshore portfolio management. A seeding strategy will be developed to increase the diversification of Islamic investment strategies, particularly in nurturing high value-add Islamic fund management services such as the Shariah-compliant venture capital and private equity industries that invest based on the Islamic principles of active partnership and socially-responsible investing. The Securities Commission will also work to encourage the wider shift from a Shariah-compliant approach to a Shariah-based approach, promoting higher levels of innovation and international marketability.

Growth with governance

The theme for CMP2 is growth with governance, capturing the essence of Malaysia's journey towards becoming a developed nation – because we must do everything we can to ensure that Malaysia's capital market doesn't just grow, it grows with minimal risks in a well-regulated environment.

To this end, under CMP2 the Securities Commission will begin the process of regulatory reform – streamlining the existing regulatory framework to achieve higher levels of operational efficiency, enhance the standards for fair and ethical business practices, and strengthen internal controls around business conduct and the management of risk.

CMP2 implementation

So we know where we are going and we know how we will get there. And I say this once again: these are not mere plans to languish unread on a dusty shelf. Implementation of CMP2, which will be operationalise under the Securities Commission's annual business plan, will get underway immediately in 2011 with a range of new initiatives including:

- changes to the regulatory framework for fundraising and product regulation to slash unnecessary red tape and lead to faster turn-around of approvals;

- the introduction of a new dual licensing scheme that will make it easier for dealers in the equity market to become licensed to trade in the derivatives market as well;

- and plans to increase the number of Proprietary Day Traders by almost threefold to enable more dealer representatives to become specialised traders.

These are just three of the CMP2 programmes, and they will come into force from the third quarter this year – no distractions, no delays, just swift, effective action.

Concluding remarks

I've talked a lot about my plans for the future, but as the old proverb goes, "talk does not cook rice". It's very easy to make announcements, to publish strategies and to issue grand-sounding statements, but if you actually want to change things you have to take action. You have to deliver.

That's why here in Malaysia we don't just talk about creating an environment that is good for business, we go out there and makes it happen. When you leave today, take a look around you at Kuala Lumpur and you will see in bricks and mortar and steel and glass how our programmes and policies are transforming our country day by day.

So when I say that what matters to business is what matters to me, you know it's more than empty words. When I say I'm putting in place fresh plans to step up our economic progress, you know it means serious investment that is driving real improvements right across the board.As finance and industry emerge from the global economic crisis and look towards the opportunities and the investments of the future, I assure you I am working 24/7 to keep this country on the path towards developed nation status. The world is changing, and Malaysia is no different, but some things do remain the same. I have always been determined to make our country an even better place to invest and to do business – and I promise you, that isn't going to change.