

DATO' SRI MOHD NAJIB BIN TUN HAJI ABDUL RAZAK
PERDANA MENTERI MALAYSIA
SHANGRI-LA HOTEL, KUALA LUMPUR
29/05/2012
INVEST MALAYSIA 2012
"CAPITALISE ON ASEAN'S MULTINATIONAL MARKETPLACE"

1. There is no-one who walks to the podium more confidently than a man with a great story to tell – and the story of Malaysia's capital markets is one that, in many ways, mirrors our country's history. From the creation of the Malayan Stock Exchange in 1960 – the same year that the first FELDA settlers landed in Lurah Bilut, Pahang – to the formation of the Stock Exchange of Malaysia at the time that our nation was born, and of Bursa Malaysia many decades after that, it is a story that has seen our fortunes go in one direction: up.

2. Don't get me wrong, there have been some peaks and troughs along the way. A huge market expansion in the early 1990s, which saw the listing of Telekom Malaysia, Tenaga Nasional, Petronas Gas and Proton amongst other household names, was followed by the imposition of capital controls as we faced the Asian Crisis towards the turn of the Millennium. But we surveyed the challenges inherent in this changing landscape and introduced the Capital Market Masterplan as we sought to overcome them.

3. Then last year – in recognition of the capital market's fundamental role in the next stage of our development, and to ensure we had in place the right strategy for these turbulent economic times – I introduced Capital Masterplan Two. It has been fully born out in the twelve months since, which have seen Malaysia take our place as a major economic player on the global stage.

4. Bursa Malaysia has reached a record high. We have seen net foreign investment inflows for the seventh straight month in a row. And in less than a month's time – 52 years after those first settlers touched down in Pahang – FELDA Global Ventures will become a listed public company in what is set to be the biggest public offering in Asia this year. It is, I hope you will agree, a testament to just how far we've come and to how much, together, we've achieved.

5. So it gives me great pleasure to be here this morning and to have this opportunity to share with you my vision for the next chapter of that story and for the future of Malaysia's capital market. Now in its eighth successful year – although I can only claim credit for four of them! – Invest Malaysia has played a hugely significant role in making our country's capital market the force it is today – and it is certainly a privilege to address such an esteemed audience of fund managers, institutional investors and capital market drivers.

Ladies and gentlemen,

6. Keynes once remarked that "investment is like those newspaper competitions where competitors have to pick out the six prettiest faces from a hundred photographs" – the prize being awarded to the person whose choice most closely fits the average! Of course, I'm not suggesting for a moment that any of you are average – quite the opposite, you are at the very top of your game. But while it is with deep regret that I didn't make the top six of the World's Best Looking Heads of State – that particular accolade went to Jens Stoltenberg, the Prime Minister of Norway! – I think it's fair to say that Malaysia is becoming an increasingly attractive destination for investors.

7. Indeed, with global financial markets still in something of a quandary and almost every day bringing news of a fresh crisis in the Eurozone, one could even say investors are already living in the Asian Century – that golden age predicted in the 1980s by Rajiv Gandhi and Deng Xiaoping. The last ten years have seen growth in China far outstrip that of the world economy, capturing the imagination of economists, policymakers and commentators around the globe. Now, many of those same experts are

predicting that India will be the next big thing – but, looking a little further down the line, the great hope is surely ASEAN.

8. John Galbraith once quipped that “the only function of economic forecasting is to make astrology look respectable” – and as an economic advisor to no fewer than five US presidents he should know! But while economics may be an imprecise science at times, some predictions are worth making, especially if they are supported by the facts – and when it comes to predicting ASEAN’s future the facts speak for themselves.

9. Roughly half the size of China, ASEAN is a 2.0 trillion dollar market of 600 million people – and there is not another trade bloc with momentum like it in the world today. Malaysia lies at the very heart of ASEAN geographically, but we are also contributing significantly to the strong and steady beat of ASEAN economically. Last year growth in the Malaysian economy exceeded forecasts, expanding a robust 5.1 per cent – a trend that continued in the first quarter of this year as strong domestic demand and sustained trade saw our economy expand a further 4.7 per cent.

10. And this push for growth is being matched by a firm commitment on the part of Government to the prudent management of our nation’s finances. To that end we will ensure that our debt limit does not exceed 55 per cent of GDP and taken steps to reduce our fiscal deficit that last year stood at 4.8 per cent of GDP. (vs 5% before the rebase)

11. Going forward, I am determined to put our capital market in the best possible position to continue to drive Malaysia’s economic growth and to put us a step ahead of the rest. We have made great strides with the various capital market reforms that we have introduced over the last few years, and already they are making a big difference on the ground. Just two years ago, for example, Malaysia did not have a single top 5 ASEAN investment bank. Today we’re home to three of them. But these measures alone are not enough – which is why we need the ASEAN Economic Community blueprint to keep progressing.

12. As part of the process of deeper economic integration within ASEAN, Bursa Malaysia, Singapore Exchange and the Stock Exchange of Thailand are connecting their markets via the ASEAN Trading Link to create a \$1.3 trillion virtual market. This bigger, stronger trading platform will ensure Bursa Malaysia is best placed to face down competition not only from technology but from cross border trading, dark pools and off-market platforms.

13. So none of us are standing still or taking our lot for granted. The Asian Development Bank is right to caution that the “the Asian century, though plausible, is by no means preordained”, but if we carry on as we are, committed to a steady path of liberalisation and reform, I am confident that this will at least be an Asian Pacific moment.

Ladies and gentlemen,

14. Many of you are playing a direct part in our country’s transformation, and I hope all of you have benefitted from that transformation agenda. The breadth of its vision, the clarity of its purpose and thoroughness of its execution are certainly a source of pride to me – as is the fact that we have been delivering on the promises I made to you here at Invest Malaysia over the last three years.

15. As many of you will know, the Economic Transformation Programme was formulated to create economic opportunities worth 1.3 trillion ringgit in 12 priority sectors and to transform our nation to developed status by 2020 – and we are fully on track to achieve that goal. So, with our transformation programmes – economic, government and political – all ahead of plan, the burning question now is “where do we go from here?”

16. First and foremost we need to ensure our capital market remains competitive and has the depth and breadth required to continue to drive our economic and national growth agenda – so as the nation’s chief executive, I am pleased to announce five new initiatives today:

17. First, to build the competency and capability we need to compete in today's fast-changing capital market landscape, I have tasked Bursa Malaysia with the creation of a new Foundation, made up of key industry stakeholders, to address any growth gaps in our market, with a specific focus on SME growth, marketplace innovation and the development of new and existing talent. To support this, the Capital Market Development Fund will be allocating an RM100 million grant for the establishment of the new Foundation, which will be chaired by the Secretary General of Treasury.

18. Second – and looking a little further into the future – to ensure we have the high-skilled workforce that we need and to help more of our recent graduates achieve their full potential, I am pleased to announce that from the 1st June this year, companies participating in the Skim Latihan 1Malaysia programme will be entitled to a double tax deduction incentive on allowances and on the training expenses that they incur. A private sector-led CSR initiative to enhance the employability of graduates, especially those from rural areas and low income families, SL1M provides both soft skills and on-the-job training, and is already revealing the true competency of thousands of unpolished gems!

19. Third, to promote gender diversity in employment and to support women seeking to return to work, I can announce that, starting in 2013, a double tax deduction incentive will be provided on training expenditure incurred by companies re-employing women after a career break. I would also encourage leading listed corporations to disclose in their annual reports the policies, such as flexible working arrangement, they have put in place to help promote and support women. I am confident this kind of disclosure will help disseminate best practice across corporate Malaysia, and I have asked the Ministry of Women, Family and Community Development, working alongside TalentCorp, to establish new platforms for corporates to share proven practices in this regard.

20. Fourth – and here I am shifting my focus to the question of competitiveness – to eliminate sticking points and to ensure that issuers, intermediaries and investors have access to an efficient, effective and facilitative marketplace, I have asked Minister of Finance II to establish and head a Capital Market Task Force. The Task Force will make recommendations and identify clear implementation programmes to streamline regulatory and market management processes – a process that will be completed by the end of third quarter, with a fully consolidated market framework in place by this time next year.

21. Fifth, to protect both investors and the general public I have asked the Securities Commission to scale-up the existing compensation scheme in the securities market. To this end, a Consolidated Capital Market Compensation Fund will be established to consolidate the existing compensation scheme estimated at over RM420 million as well as to serve as a one-stop centre for investor compensation across the capital market.

22. Taken together, these are the core issues we need to tackle – issues that, left unaddressed, risk undermining the sustainable growth we seek. I am determined to take tough decisions early to eliminate friction and to avoid problems further down the line – because now is the time to embark on an innovative and sustainable capital market development programme that will establish the Malaysian market as ASEAN's multinational marketplace of choice.

Ladies and gentlemen,

23. It's often said that politicians like the sound of their own voice... but you'll be relieved to know that I prefer the sound of yours! I wanted this year to be about me talking less and you talking more, so after – how shall I put this? – rather briefer opening remarks than you've been used to, I would like to invite you now to share your thoughts with me this morning. It goes without saying that your enthusiasm, your commitment and your belief in Malaysia's potential will be paramount to making our capital market the fairest, most competitive and most efficient in the world, so no-one's views are more important to me. I am all ears!

Thank you.

Wabillahitaufik Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh

Source: http://www.pmo.gov.my/?menu=speech&page=1676&news_id=600&speech_cat=2
2012 Copyright Reserved SMPKE, Office of The Prime Minister