ON TRACK TO BECOMING A HIGH-INCOME NATION

This is the full text of the keynote address by **PRIME MINISTER DATUK SERI NAJIB RAZAK** at Invest Malaysia 2017 yesterday. Speaking to an audience of investors and business figures from around the world, the prime minister noted that he had first introduced Malaysia's New Economic Model at the same forum seven years ago, and highlighted the significant progress that has been made towards meeting its objectives, which are: transforming Malaysia into a high-income nation; a more inclusive, equitable and sustainable society with no one left behind; opportunity made available for all; and, the right fundamentals put in place to secure a stable and successful future

Prime Minister Datuk Seri Najib Razak delivering a keynote address during Invest Malaysia 2017 at Shangri-La Hotel in Kuala Lumpur yesterday. PIC BY AIZUDDIN SAAD

> *The markets, the business community and companies like strength and stability. They want the certainty provided by a government that understands that the prosperity of its people is best served by being business-friendly, and that sovereignty is not compromised one inch by the record foreign direct investment this government has secured.*

BISMILLAHIRRAHMAN-NIRRAHIM. Assalamualaikum Warahmatullahi Wabarakatuh.

Distinguished guests,

Ladies and gentlemen,

Seven years ago, in 2010, I introduced our New Economic Model — right here, at Invest Malaysia. This model was designed to transform Malaysia into a high-income nation, and our country into a more inclusive, equitable and sustainable society, with no one left behind, opportunity made available for all, and the right fundamentals put in place to secure a stable and successful future.

We had a plan of reform, economic transformation and taking the tough but responsible choices. And, it is clear today, that, aided by the hard work of millions of Malaysians, the plan has worked and is continuing to work.

Let the facts speak for themselves:

Between 2009 and 2016, gross national income (GNI) has increased by nearly 50 per cent, and GNI per capita using the Atlas method increased to US$9,850 (RM42,000). Based on the World Bank's latest high income threshold of US$12,235, we have narrowed the gap towards the high income target from 33 per cent to 19 per cent.

2.26 million jobs have been created, which represents 69 per cent of the 3.3 million target we want to reach by 2020.

Clearly, we are making the right progress towards those goals.

Inflation and unemployment have been kept low. We have attracted unprecedented levels of foreign direct investment, which shows the confidence the world has in Malaysia.

But, no wonder. For our growth has been the envy of the advanced economies, even during years of turmoil for the global economy. This year, the World Bank has upped its estimate. We are expected to record a rise in GDP (gross domestic product) of 4.9 per cent, considerably higher than their earlier prediction of 4.3 per cent.

Others have also increased their predictions — Morgan Stanley now says 5 per cent, while Nomura's forecast is for the Malaysian economy to grow by 5.3 per cent this year. Only yesterday, the IMF (International Monetary Fund) has reviewed its forecast from 4.5 per cent to 4.8 per cent. And, growth is expected to be higher next year. So, we are on the right trajectory.

Other sets of figures support confidence in Malaysia. In the first quarter of 2017 our trade, for instance, recorded an increase of 24.3 per cent — up to RM430.5 billion — compared with the same period last year.

In March, exports breached the RM80 billion mark for the first time. At RM82.63 billion, it was the highest monthly figure for Malaysian exports ever recorded.

The capital market increased by nine per cent to a level of RM3,321 billion in the first six months of this year, and now ranks fifth in Asia relative to GDP. It continues to attract wide interest from both domestic and foreign investors. In fact, in the equity market, there were net inflows of RM1 billion in the first half of 2017, compared with RM3 billion of net outflows during the whole of 2016.

The Malaysian bond market grew to RM1.2 trillion in 2016, while our Islamic capital market has recorded a hugely impressive average annual growth of 10 per cent over the last six years, reaching RM1.8 trillion in June 2017.

Ladies and gentlemen,

Malaysia is also home to the largest number of listed companies in Asean. At US$29 billion, Bursa Malaysia also recorded the highest amount of funds raised in the last five years in any country in our 10-nation association.

And, our currency, the ringgit, has been described by Bloomberg recently as, and I quote: "Easily the strongest major Asian currency this quarter, climbing twice as much as the next best, the Chinese yuan".

All of this can point to only one conclusion — our economy continues to prosper, and we are stronger than ever as a result of the reforms and the programmes the government has put in place.

Ladies and gentlemen,

The markets, the business community and companies like strength and stability. They want the certainty provided by a government that understands that the prosperity of its people is best served by being business-friendly, and that sovereignty is not compromised one inch by the record foreign direct investment this government has secured.

No. It will help build the new Malaysia of the 21st century, and bring many benefits, from knowledge and skills transfers, to a rise in the standard of living for the people.

The business community wants the certainty of knowing that the government is committed to the necessary reforms and is committed to fostering a culture of entrepreneurship, and to transparency, accountability and good regulation.

On that note, I can announce that the government has, in principle, agreed to the establishment of an Integrity and Governance Unit at all GLCs (government-linked companies), and state and ministry-owned business entities, under the supervision of the Malaysian Anti-Corruption Commission, precisely to strengthen the confidence all can, should, and do have in Malaysia.

The international business community knows that it has that certainty with this government.

Indeed, they are voting with their feet. HSBC is investing over RM1 billion to build its future regional headquarters in Tun Razak Exchange, recognising Malaysia's increasing status as an international financial and business centre.

Broadcom Ltd, one of the world's largest semiconductor companies with a market capitalisation of nearly half a trillion dollars, is going to transfer its Global Distribution Hub from Singapore to Malaysia in 2017, from where it will manage the group's global inventory of RM64 billion a year.

Huawei, a leading global ICT (information and communications technology) solutions provider, which serves more than one third of the world's population, has made Malaysia its global operations headquarters, data hosting centre and global training centre, with a total project cost of RM2.2 billion and employing more than 2,370 people.

Saudi Aramco is investing US$7 billion — that's its biggest downstream investment outside the kingdom — for a 50 per cent stake in Petronas's Refinery and Petrochemical Integrated Development in Johor. That is the single largest investment in Malaysia, and shows the confidence Saudi Arabia has in our people, our technology and our ability to be a strong partner with their most important business.

Others who are already here are expanding their operations. Finisar Corporation, a global technology leader in optical communications, will invest a further RM810 million in its operation in Perak — bringing its total investment in Malaysia to RM1 billion.

Coca-Cola has already invested RM1 billion in Malaysia since 2010. It announced in March an additional RM500 million investment to expand the size and production capacity of its plant in Bandar Enstek.

I could go on and on. The point is that the confidence and certainty global businesses have in Malaysia bring jobs, investment and help our workforce upskill.

But, ladies and gentlemen,

it is this government that offers that certainty to businesses both in Malaysia and overseas. The opposition offers none at all. They are in chaos. Two leading members of one party have left the old opposition alliance still exists in the state of Selangor. Yes, it does," says one. "No, it doesn't," says the other. It's like a bunch and daddy show!

And, the latest leadership structure the opposition announced is farcical, sounding a bit like a return-to-work programme for old age political pensioners!

It is also cynical and deceptive, with three being the number one on who has executive powers among them, and DAP kept deliberately vague on the issue of trolling the opposition behind the scenes with the vast majority of their parliamentary seats.

As for their prime minister candidate, the opposition is so desperate that it is now trying to make the people believe it will be a nonagenarian — who isn't even a member of parliament, and whose party has just one seat!

But, the truth is that in democracy, numbers don't lie, and DAP remains by far the most dominant party in the opposition. The DAP leader of the last half century is now hiding behind the man who jailed him, trying to deceive Malays into thinking that the former leader is their interim candidate for prime minister.

Ladies and gentlemen,

Neither can the word of the opposition be relied on. Just recently, a leading member in one party said that, if Malaysia had such good relations with Saudi Arabia, why had the haj quota not been increased? But, it had. This year, from 22,230 to 27,900 and then up to 30,200.

That's another example of the benefits this government's policies bring to the people of Malaysia — in this case, our foreign policy of forging friendships abroad, rather than holding grudges for decades, as that certain former leader still does.

But, you won't hear about the very real benefits from our engagement with Saudi Arabia, China, India or anywhere else from the opposition. In fact they'll tell barefaced lies about it, just as they have been feeding lies about the economy and stoking fears of economic disaster in Malaysia.

There has, in fact, been a concerted campaign to send such misinformation overseas to damage Malaysia's economy for their own selfish political objectives. So, if you receive these smears, or you read it in publications that do not check the facts properly, please be aware.

It is not fair to the Malaysian people, and it's not fair to the business community, both at home and abroad.

They, and you, deserve the truth. So let me tell you what a cross-section of respected international bodies have to say about this government's record.

The OECD's (Organisation for Economic Cooperation and Development) most recent economic assessment of Malaysia stated, and I quote: ***"Malaysia is one of the most successful Southeast Asian economies... thanks to sound macroeconomic fundamentals and its success in transforming its economy into a well-diversified and inclusive one."***

We are ranked second in Asean in the World Bank's Doing Business Report 2017 — and 23rd overall, among 190 economies globally.

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Prime Minister Datuk Seri Najib Razak says the Mass Rapid Transit project has created 130,000 new jobs, of which 70,000 are direct employment. FILE PIC

'Economy progressing from position of strength'

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We were ranked second among the Southeast Asian nations in the World Economic Forum's Human Capital Index 2016, up one place from last year's third spot.

We are ranked third among 190 economies, worldwide, for protecting minority investors, by the World Bank Doing Business Report 2017.

The World Economic Forum's Global Competitiveness Report 2016-2017 ranks Malaysia fourth among 138 economies for strength of investor protection.

We rank eleventh out of 125 countries in the Venture Capital and Private Equity Attractiveness Index, by the IESE Business School in Spain.

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

And, a recent survey by BAV Consulting and the Wharton School at the University of Pennsylvania declared Malaysia to be the "Best Country to Invest In". It said, and I quote: "Malaysia is the clear frontrunner in this ranking, scoring at least 30 points more than any other country on a 100 point scale."

Ladies and gentlemen,

There is clear international unanimity that Malaysia is on the right course, and the figures and accolades I have reported to you today are the direct result of this government's steering of the economy through uncertain and choppy global waters.

IMF reported that the resilience of our economy was due, and I quote, to ***"sound macroeconomic policy responses in the face of significant headwinds and risks"***. And, these sound policies are the reason why they said: ***"Malaysia is among the fastest growing economies among peers."***

And lastly, the World Bank has stated that it agrees as well. In its latest report, issued just last month, it said that the government's "macroeconomic management has been constantly proactive and effective in navigating near-term challenges in the economic environment".

It concluded that, and I quote: ***"The Malaysian economy is progressing from a position of strength."***

Does that really sound like the Malaysian economy is failing, and that we are in danger of going bankrupt, as the opposition would have you believe?

I think the World Bank, the OECD and the IMF know what they are talking about — and I'm sure, ladies and gentlemen, that you do, too.

Yes, ladies and gentlemen,

We have only arrived at that position of strength because we put in place a far-reaching economic plan, and because we have been unafraid to take the tough decisions to build up the resilience of the Malaysian economy.

We have diversified government sources of income, including reducing reliance on oil and gas revenues from 41 per cent in 2009 to 14 per cent today. Given the huge drop in the price of oil, just imagine how we would be suffering if we had not done this.

We also needed to widen the tax base, and so, in common with around 160 other countries, we introduced a Goods and Services Tax, or GST. It was not popular, but it was the right thing to do — as every reputable economist has confirmed.

GST has helped us in our determination to reduce and manage the deficit — we are on course to reduce it to three per cent this year, from 6.7 per cent in 2009 — and GST has been crucial to retaining our good assessments by the international ratings agencies.

Yet, the opposition said it would abolish it.

Tell me, from where exactly would they produce the RM41 billion collected in GST revenue last year? Out of a hat?

If GST was abolished, it would not just be a matter of a revenue shortfall. The deficit would rise from 3.1 per cent to 5 per cent. Our ability to fund the construction of schools, hospitals and other essentials would be affected.

Government debt would rise above our self-imposed limit of 55 per cent of GDP. Our sovereign credit ratings would then be downgraded. Lending costs for all, such as loans for personal use, for business and for housing, would increase. The people would suffer, and they would suffer direly.

One of Malaysia's prominent economists, Jomo Kwame Sundaram, professor of Economics at the Institute of Strategic and International Studies Malaysia, had it right when he said the idea of getting rid of GST was, and I quote, "preposterous" and "economically nonsensical". "I don't think anyone in their right mind would want to do that," he said.

It is another example of what the opposition does when faced with tough decisions: it seeks the easy or the populist way out, regardless of whether it makes sense or is even possible. It is not being straight with the Malaysian people.

This government, however, will always be straight with the people and we will always do right by the people. We will always take the tough decisions, from economic welfare to security. Even if it is not the most popular thing to do, we will not hesitate — because it is the responsible thing to do for the economy.

This is also one of the reasons I am not very popular with that certain nonagenarian. Under his leadership, many corners were cut, and the Malaysian people had to pay a very high price so that a few of his friends benefited, even when symbols of national pride had horrendous and catastrophic decisions inflicted on them.

Bu I say to you now: that under this government, we are cracking down on crony capitalism. No more sweetheart deals. No more national follies kept going to stroke the ego of one man. No more treating national companies as though they were personal property.

Because it is the people who suffer, and we will not tolerate a few succeeding — and not on their own merits — while the many are denied opportunities, for the interests of a selfish few.

Now, some of you may be thinking that I have not mentioned national companies where there have been issues. At 1MDB (Malaysia Development Bhd), it is now clear that there were lapses in governance.

However, rather than bury our heads in the sand, we ordered investigations into what went on at a scale unprecedented in our nation's history. Rather than hinder good money after bad to cover up any issues 1MDB may have faced — I recommended to the former leader — I instructed the rationalisation of the company.

This process is nearly complete. Indeed, many of the assets formerly owned by 1MDB are thriving. One only needs to drive past Tun Razak Exchange to see the construction that is underway.

But, let's not forget that while there were issues at 1MDB, certain politicians blew them out of proportion and tried to sabotage the company, in the process, to topple the government in between election cycles.

At the end of the day, we knew the real issue was not 1MDB, and that if 1MDB hadn't been around, there would have chosen another line of attack to try to illegitimately change the government. So, we stood steadfast and resolute in the face of this orchestrated campaign. Because we will not be deterred from our duty, as the democratically-elected government, to serve the nation.

Our priorities were made crystal clear when we introduced the concepts of the "capital economy" — which refers to the macro perspective — and the "people economy", which is focused entirely on the people, the most precious asset of our great country.

We face challenges ahead, of course. We need to improve productivity. We need to raise the levels of education and skills. We need to put innovation and creativity at the heart of the economy of the future.

This why we have partnered with the Chinese technology leader Alibaba to create the Digital Free Trade Zone, the world's first special trade zone that will promote the growth of e-commerce, and provide a state-of-the-art platform for both SMEs (small- and medium-scale enterprises) and larger enterprises to conduct their digital transactions and services.

The initiative is part of the digital road map which aims to double e-commerce growth from 10.8 per cent to 20.8 per cent by 2020.

But, we can only achieve such targets with the people, and by empowering the people. To ensure the dignity of all, we have virtually eliminated poverty, to less than one per cent. We are delighted that the income of the bottom 40 per cent households has been increasing at a compound annual growth rate of 7.5 per cent since 2009, when I took office.

But, we know that cost of living issues hit those on low incomes the hardest, which is why we distributed RM5.36 billion in 1Malaysia People's Aid, or BRIM, to 7.28 million households in 2016. This is why we ensured that more than RM40 billion in essential foods and necessities are zero-rated for GST.

At the same time, we have many agencies promoting affordable housing programmes, and why we built and restored nearly 165,000 houses for the rural poor last year. Other affordable housing projects include PPAIM (1Malaysia Civil Servants Housing) for civil servants, PHIMA (1Malaysia People's Housing) for the urban middle-income group, and PPR (1Malaysia Housing Programme for the low-income group, or Bottom 40, with monthly rents as low as RM124.

Infrastructure, too, is absolutely vital. It is crucial for our cities, and life-changing for rural communities. From 2010 to 2016, we delivered 6,042km of new rural roads, provided 350,000 houses with access to clean water, and connected 154,000 houses to electrical services.

At the end of last year, the first phase of the Mass Rapid Transit (MRT) project was completed, and recently, the second phase of the Sungai Buloh-Kajang MRT Line has been launched. We now have 51km of operational line with 31 stations.

This will take 160,000 cars off the road, making Kuala Lumpur more liveable. It created 130,000 new jobs, of which 70,000 are direct employment. And now that it was completed ahead of schedule and RM2 billion below budget. We are now planning for MRT 2 and 3.

The Pan Borneo Highway in Sarawak and Sabah will be a game-changer for our people there, encouraging greater mobility, boosting industry and tourism and creating thousands of new jobs.

In a few years time, we will have the first high-speed rail link connecting Kuala Lumpur to Singapore, which will cut travel time between the two cities to 90 minutes, as compared with more than four hours by car.

And the East Coast Rail Link will bring huge benefits, paving way a new connectedness to the people of Pahang, Terengganu and Kelantan, in particular.

In other areas, we are seeing the benefits of our programmes for all the people. The national pre-school enrolment rate rose to 85.6 per cent in 2016, for instance, as opposed to 67 per cent in 2009; and we have achieved near-universal enrolment at the five years and upwards age group.

Women have seen great strides as well. The female labour force participation rate has increased from 46 per cent in 2009 to 54.3 percent last year. That's over 700,000 more women in the workforce.

And I am delighted to be able to announce that Malaysia has reached its target of women making up 30 per cent of directorships — that's 1,446 women, out of a total of 4,960 in top management excluding CEOs (chief executive officers), as of December 2016.

We want to go further, though, and I will say the date by which we want all publicly listed companies (PLCs) to have at least 30 per cent women at board level. Because we know that when women succeed, we all succeed.

Unfortunately, we still have 17 "top 100" PLCs that have no women at all on their boards. This just is not good enough, and I call on those companies to immediately address this lack of diversity. I would like to announce that, from 2018, the government will name and shame PLCs with no women on their boards.

Ladies and gentlemen,

As many of you will know, SMEs make up 97 per cent of businesses in Malaysia, and one of the hallmarks of my administration has been its support and encouragement for this backbone of our economy.

So, I am pleased to be able to officially launch today the Leading Entrepreneur Accelerator Platform Market, or LEAP Market, by Bursa Malaysia. This is a new qualified market which will offer an alternative way for small and medium companies to raise funds and grow their businesses to the next level.

It is in line with our SME Masterplan, which aims to raise the share of GDP contributed by SMEs, their numbers of employees, and their volume of exports.

And, it is another of the many initiatives that my government has put in place to support this transformation, and that prove our trustworthiness as a business-friendly government of a vibrant economy.

We want you to see Malaysia as a gateway to Asean and the region, and with the eventual conclusion of the Regional Comprehensive Economic Partnership, or RCEP, we want you to see Malaysia as a base from which to access almost 30 per cent of the world's population, and over 30 per cent of global GDP.

Ladies and gentlemen,

This year, we are celebrating the 60th anniversary of independence. From relatively humble beginnings, we have grown and evolved into a modern economy and society with a record to be proud of. But, we are looking to the future as well — which is why we have produced the 2050 National Transformation, or TN50, initiative.

Through TN50, we want to listen to our rakyat. We want them to be heard. And, through our dialogue sessions, we are listening to the aspirations of our youth for what they want the Malaysia of 2050 to be.

> *We face challenges ahead, of course. We need to improve productivity. We need to raise the levels of education and skills. We need to put innovation and creativity at the heart of the economy of the future.*

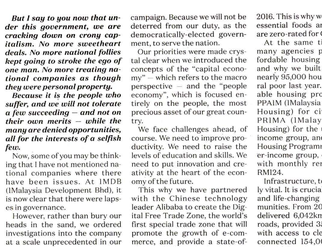
As the prime minister of Malaysia, I want to lay out the foundations needed for our nation to succeed among the very top countries in the world.

I want that competitive edge, and to be a knowledge-based society — one that always work towards those goals in ways that are sustainable, inclusive and equitable. No Malaysian must ever be left behind. All must participate and benefit from this amazing journey that we are on.

I want to be part of that journey, and I hope today we are able to shed light on the tremendous opportunities that Malaysia has to offer. We urge you to look at our economy, to look at the great achievements, the government's Transformation Programme has delivered, and continues to deliver, and invest in Malaysia.

Once again, let me welcome you to Kuala Lumpur. I would like to thank you for this opportunity to the organisers and wish you all a very successful conference.

Thank you.



A 1Malaysia People's Housing (PRIMA) development model on display during the launch of the PRIMA@Sarawak Expo last year. FILE PIC