

**ADDRESS BY
HIS ROYAL HIGHNESS
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THE CROWN PRINCE OF PERAK, MALAYSIA
AT THE
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Good morning ladies and gentlemen.

I am pleased to be here at the Reliant Centre in Houston, Texas to address this Offshore Technology Conference. This conference is a truly impressive enterprise and I would like to thank the US Department of Commerce and the Board of Directors of the OTC for the very kind invitation for me to speak on the subject of Malaysia, where the country is at present, and where it wants to be in the future.

2. In the last four decades, Malaysia has recorded respectable economic growth and has made great strides in poverty eradication, infrastructure development and in enhancing the living standards of Malaysians. Today, we have more creative forces at our disposal than ever before. In unlocking them, Malaysia will be well on a path towards attaining greater prosperity; to be a country that is not just vibrant economically; but also one with high quality of life, with social cohesion, social justice, high ethical and professional standards, environmental sustainability and prolonged stability. This is the Vision 2020 that has been at the heart of the country's mission since 1990. In short, we are planning for strategic national transformation, and we invite you

to be a participant in what should be a truly invigorating and interesting venture.

3. But let me not get ahead of myself. Let me start with where we are at the moment. Malaysia is a country of 28.5 million people, making us the 44th largest country in the world. Some would consider us small, and others medium-sized by global standards. The country comprises multiple ethnic groups, of which the Malays make up just over 50 per cent, the Chinese not quite 24, Indians around 7 per cent, and the balance distributed over more than 50 distinct ethno-linguistic groups. Our cultural diversity is a treasured national asset and we recognize the need to defend it and carefully manage it. We are fully aware of the risk of friction between groups in matters related to religious and cultural differences and, therefore, make conscious efforts to prevent any form of fragmentation that could ensue. In the past, we have had to legislate laws to circumvent the disruption of harmony. Being a fairly young nation, having achieved independence just 54 years ago, a key component in our nation building is the forging of a strong and viable national identity while respecting cultural diversity. Our diversity has been and remains a contributory factor in our development as well as an attractive feature to visitors. Malaysia was among the 10 most visited countries in the world in 2009.

4. Not only is Malaysia a young nation, demographically we are also youthful. Less than 5 percent of the population is above 65 years of age. Given current demographic trends, we do not expect to see the beginnings of an aging workforce anytime in the foreseeable future. Even by 2050, the share of working age population is still expected to be rising¹. Given the positive correlation that exists between economic growth and the share of the working

¹ Japan Centre for Economic Research, 'Demographic Change and the Asian Economy' (Tokyo: 2007)

age population, Malaysia should therefore be reaping the so-called 'demographic dividend' for at least the next four decades.

5. Malaysia's relatively compact size has made many of the common problems that afflict emerging economies more manageable. For example, we have managed to bring down the rate of poverty-stricken households from over 50 percent four decades ago, to less than 5 percent at present. We have also been able to provide social services such as education, health, clean water and public infrastructure to a high proportion of our population. It has enabled Malaysia to be among a select number of countries that has either achieved or is on track to achieve the United Nation's Millennium Development Goals at the aggregate level by 2015². The government is now committed to an MDG 'Plus' agenda where the goals set out are exceeded.

6. At around US\$ 240 billion in 2010, Malaysia's gross domestic product placed 37th out of 181 countries. Per capita income grew to around US\$8,500 in 2010, equivalent to US\$14,700 in purchasing power parity terms, or 65th position. This is a standard of living that roughly lies somewhere between Chile and Mexico. Having now reached middle-income status, we are determined not to stay there. In the second part of my address I will speak about the two great transformations that the government is embarking on to escape the dreaded middle-income trap.

7. The country's limited domestic market has meant that Malaysia has been forced to look abroad for markets, capital and technology. Malaysia's total trade ratio is at 1.8 times GDP, among the highest in the world. Trade dependency has been a definite advantage. It has enabled the country to

² Malaysia: The Millennium Development Goals at 2010 (Economic Planning Unit & UN Country Team Malaysia: 2011), p. 3.

consistently earn foreign exchange, thereby overcoming the hard currency constraints that afflict so many emerging economies. In 2010, the current account surplus of the balance of payments amounted to 12 percent of GDP. Since 2007, the country has been a net direct investor abroad, including investments in advanced countries.

8. This strong external orientation is not only apparent in economic statistics. It also conditions government policies, institutional priorities and is even ingrained in the DNA of society. Collectively, these factors enable the country to punch much above its economic weight class. And this is the opinion of respected independent bodies that compile international rankings of countries and economic regions.

9. Malaysia ranked 26 out of 139 countries in the 2010 Global Competitiveness Index compiled by the Geneva-based World Economic Forum. Of the 29 countries in the US\$3,000 to US\$9,000 per capita income bracket, it came in first. Among 8 of the 10 Southeast Asian countries surveyed, it came in second, behind Singapore. And of 22 Asia-Pacific countries, it was the 8th most competitive. Malaysia scored particularly well in terms of legal rights, investor protection, financial market development, business sophistication and innovation.

10. In the World Bank's 'Ease of Doing Business 2011', Malaysia ranks 21 out of 183 countries. The country again scores high in investor protection, access to credit and ease of filing taxes. It also greatly improved in terms of ease of registering property. Malaysia moved up 8 places to occupy 10th position in the World Competitiveness Yearbook 2010. I could go on but I think this is sufficient to establish that Malaysia is a country that is well regarded by investors.

11. Attracting foreign capital and talent is, in fact, taken very seriously. We recognize that if there is to be any transformation it will have to involve investment on a massive scale. Investment is the catalyst needed to turbo-charge the economy. But we know that investment does not occur in a vacuum. There has to be a business ecosystem to attract and utilize investment in the most productive and profitable way. And it is precisely this business ecosystem that the government is now committed to putting in place.

12. On the external front, Malaysia has done, and is doing, more to ensure that international business can be conducted as transparently and seamlessly as possible. Malaysia has pursued multilateral, regional and bilateral economic partnerships. At the regional level, the country is best-known for its leading role in advocating the creation of an ASEAN Economic Community by 2015. With a Free Trade Area already in place since 2010, efforts are now ongoing to broaden the scope of cooperation to include the services sector, investment and skilled human resource. Malaysia also benefits through the ASEAN economic partnership agreements with Australia and New Zealand, China, India, Japan and South Korea.

13. Malaysia has also concluded bilateral economic arrangements with Chile, India, Japan, Pakistan, and New Zealand. We are now in the midst of negotiating the nine-country Trans-Pacific Partnership, of which the United States is a member. Still under negotiations are agreements with Australia, Turkey and the European Union. All these agreements which Malaysia is putting into place serve not only to open up markets and attract investment but also to establish legally binding regimes that facilitate the policy transparency and predictability that serious long-term investors require.

14. Malaysia is situated at the centre of one of the most economically vibrant regions in the world. The grouping of Southeast Asian countries, or ASEAN, has a population of 600 million and a GDP that almost touches US\$2 trillion. In fact, if ASEAN were one country, it would rank the 9th largest economy in the world. ASEAN is, of course, 10 countries but it nevertheless aspires to be one economic community. The idea that there can one day in the not too distant future be a Pan East-Asian Economic Community, something unfathomable just two decades ago, today seems feasible.

15. Malaysia is therefore one of the best gateways to access the ASEAN and East Asian markets. It is endowed with a sophisticated economy, an educated workforce, well-established institutions, and all at reasonable costs.

16. As I stated earlier, Malaysia recognizes that tremendous effort is needed to break free from the forces that keep it inside the middle-income trap. Some of these forces are external, such as the unrelenting competitive pressures as a result of globalization and the huge trade and investment pull from emerging giants such as China, India and Brazil. We recognize that, in light of these challenges, we must remain competitive.

17. The two turbo-thrusters designed to propel the economy into the orbit of high-income economies are: first, the Government Transformation Programme (GTP); and second, the Economic Transformation Programme (ETP). Both Programmes involve coordinated decisions and action plans, public input and feedback, transparent and concrete roadmaps that act as performance contracts with clear delivery principles and a high degree of public accountability.

18. The Government Transformation Programme encompasses six National Key Result Areas; these are reducing crime, fighting corruption, improving educational performance, raising the living standards of low-income households, improving rural infrastructure and improving urban transportation.

19. The Economic Transformation Programme identifies twelve National Key Economic Areas (NKEA) that are targeted to drive the economy. They are oil, gas and energy, palm oil, financial services, tourism, business services, electrical and electronic industries, wholesale and retail trade, education, healthcare, communications content and infrastructure, agriculture and the Greater Kuala Lumpur conurbation. These have been designated high priority and fast-tracked sectors, receiving foremost attention in terms of government support, funding and policy reforms. These reforms include the removal of barriers to competition and the introduction of market liberalization. Entry Point Projects have been identified in each of these sectors. Among these are: the US\$12 billion project to develop a Mass Rapid Transit system in the Greater Kuala Lumpur conurbation; projects in excess of US\$7 billion in the oil and gas sector to ensure sustainable energy supplies; and a US\$ 400 million project to develop a leading centre of excellence for medicine and bioscience in the region.

20. The twelve National Key Economic Areas are being depended on to grow the economy by an average of 6 per cent a year and push up real per capita income to US\$15,000 by 2020, or a doubling of the country's GDP. In all, investment of US\$ 696 billion is called for, of which 92 percent is expected to come from the private sector. Of this amount, a little less than three-quarters is anticipated to come from domestic sources and the rest from foreign investors.

21. The fact that the private sector is expected to contribute the bulk of the investment required says a great deal about the business environment in the coming decade. In order to accommodate this massive amount of investment, a revolution in the way that business is conducted is underway, underlined by the heavy emphasis on performance, transparency and public accountability. In contrast to countries where development is synonymous with protection, the strategy here is to enable new growth areas to flourish by creating a barrier-free, seamless and supportive business environment.

Ladies and gentlemen:

22. I have just given you a broad overview of the Malaysian economy and the reasons why I think it is one of the most strategic economies in the world for investment. My colleagues who are here with me today will go into greater detail to outline Malaysia's many investment opportunities. Among the Malaysian delegation present today are senior officials from the Malaysian Industrial Development Authority (MIDA), PETRONAS (Malaysia's national oil and gas company) as well as representatives from the Malaysian private sector, who will be more than happy to take your questions and elaborate on Malaysia's growth areas. I wish you all a productive session this morning and a fruitful conference.

Thank you for your attention.