MALAYSIA
Paradise and profits

The richly diverse yet united population of Malaysia has created a vibrant and dynamic economy, with record trade figures and exciting prospects for growth

Twenty years ago, Malaysia's then Prime Minister, Dr. Tun Mahathir bin Mohamad, laid out a vision for the future. Wawasan 2020, or Vision 2020, was intended to set Malaysia on the path to becoming a fully developed, high-income country by the end of the second decade of the new century.

Today, with eight years to go, the process has been given new impetus. A major transformation of the economy has boosted Malaysia's economic performance. The focus is on competitiveness – and record trade and investment figures testify to what is being achieved.

Malaysia has one of the most dynamic economies in Southeast Asia, one of the fastest growing regions in the world, and is well positioned to capitalize on the tremendous potential on offer.

Over the years, a nation once dependent on exporting resource-based commodities, such as tin, rubber, and palm oil, has developed a multi-sector economy, with high value-added industries and technology-driven enterprise. Set on creating a knowledge-based economy, Malaysia has become regionally and, in some instances, even globally competitive. It is, for example, one of the world's largest exporters of semiconductor devices, electrical goods, solar panels, and information and communication technology products.

Malaysia proved resilient in the global financial crisis and, while not immune from the global slowdown, is still registering a rate of growth many countries would envy.

GDP grew 5.1% last year from 7.2% in 2010. For this year, the central bank is forecasting steady 4-5% growth, given a global environment affected by the Eurozone debt crisis and the slowdown in some of Malaysia's major trade partners, including the United States. However, domestic demand – the main driver of the economy – and private consumption are expected to continue to be the anchors for growth.

The bank says fiscal policies will be geared towards stimulating domestic economic activity and implementing projects under the Economic Transformation Program (ETP), launched by the Barisan Nasional government of Prime Minister Najib Razak in 2010.

Rahamat Bivi Binti Yusoff, Director General of the Economic Planning Unit, says the aim is to develop high value-added industries that not only generate higher growth, but also provide better paid jobs.

"We are focusing on innovation and creativity so that we can promote sustainability within the economy which will lead to further economic growth and achieve our national aspiration to become a developed nation by 2020. Our aspiration is that by 2020, we will have an average income of $17,000 per capita per annum, compared with the $8,000 average income we have now."

The government has also launched 1Malaysia, the New Economic Model (NEM), and the Government Transformation Plan (GTP), variously aimed at enhancing the delivery of government services, removing barriers to investment, catalyzing change, and initiating a series of high-value, high-impact projects.

Prime Minister Najib, who has been in power since 2009, faces elections this year or early next year. When he goes to the polls, he will be pointing to what has been achieved and emphasizing the importance of stability.

Malaysia has a longstanding and expanding relationship with the United States, which regards it as a progressive Islamic nation. Politically stable, Malaysia is a federal parliamentary democracy, comprising 13 states, and three federal territories. Its multi-racial population, 28 million strong, is a largely harmonious mix of Malays and indigenous groups, Chinese, Indian, and others.

Malaysia is an important regional player. It is one of the most prominent economies in the Association of Southeast Asian Nations (ASEAN), which is working towards becoming a single market in 2015. It is also a member in Asia-Pacific Economic Cooperation (APEC), and developing closer economic relationships with China, India, and the European Union.

President Obama has met frequently with Prime Minister Najib, and says the U.S. wants to be a strong partner with Malaysia. Economic ties between the two countries are developing through increasing levels of trade and investment.

The United States has made the largest overall commitment to Malaysia of any foreign investor, and was the third-largest source of new foreign direct investment in Malaysia in 2011. Total U.S. FDI in Malaysia is now in excess of $19 billion, with American companies focusing principally on the manufacturing, mining, and banking sectors.

Trade between the two nations has expanded to a value of nearly $40 billion a year, and is likely to be boosted further with the signing – hopefully this year – of the Trans-Pacific Partnership (TPP), a multilateral free trade deal currently being negotiated between the United States and nine other nations, including Malaysia.

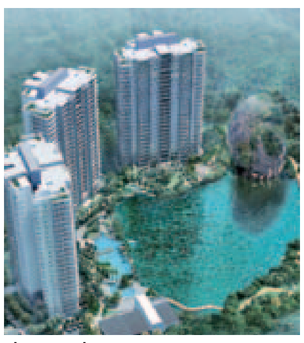
Paul W. Jones, the U.S. ambassador in Kuala Lumpur, recently described the partnership with Malaysia as "one of our most promising in all of Southeast Asia". He is confident that bilateral trade will continue to grow this year, and that the successful completion of the TPP will promote Malaysia as "an investment destination of choice for American companies looking to invest in Asia."

He says, "Looking ahead, we will be working in 2012 to further expand four critical aspects of our relationship: our economic partnership, our work to strengthen East Asian institutions, our joint efforts to solve global problems, and the strong people-to-people ties that underlie everything we hope to accomplish together."

Naturally exquisite, surprisingly affordable

Set against a stunningly beautiful and pristine backdrop, The Haven offers residents top-of-the-line luxury without breaking the bank

PETER CHAN
CEO of The Haven Lakeside Residences



Three condominium towers gaze out across the lake onto virgin forests and a 280 million-year-old limestone rock

An award-winning resort-style hideaway just a stone's throw from downtown, The Haven Lakeside Residences is conveniently located in beautiful Ipoh, midway between Kuala Lumpur and Penang. Three eco-friendly 26-storey buildings combining luxury with value tower above 5.4 hectares of magnificent scenery featuring a lake and a 280 million-year-old 14-storey limestone formation. Outside the development, virgin forest spreads as far as the eye can see.

"If you look at the flora and fauna around, it is out of this world. We are 10 minutes from the city, and this is the magic about this place," says Peter Chan, CEO of The Haven.

Though not due for completion until November 2013, more than 70% of the 497 units, which will boast five-level security, five-star facilities, and five-star management by Best Western International, have already been sold. The buyer profile is predominantly Malaysian, yet about one-fifth of the buyers hail from overseas.

This extraordinary "condotel" resort boasts an infinity pool, a lap pool, a wading pool, and a hot tub, all overlooking the lake and its jogging track, and the lush green surroundings. Conference facilities, supported by an executive shuttle service, cater to business-minded guests, while The Haven's harvesting of renewable energy and location in one of Malaysia's most beautiful yet affordable cities keep the cost-conscious at heart. Indeed, the most expensive unit has a surprisingly low price tag of $860,000. Each condominium is tastefully appointed with top-quality materials and designer finishes, and styles range from bungalow-in-the-sky (968 ft^2) to penthouses (up to 5,350 ft^2).

Given the quality, services and luxury, Mr. Chan said that several publications have described The Haven as "the best value condominium in the world".

In 2011, the resort and raked up a series of awards, including Best Resort Condominium and Best Developer from SC Cheah Choice® Awards 2011 Malaysia, the International Arch of Europe (Gold Category) for Quality and Innovation 2011 in Frankfurt and The Diamond Eye Award for Quality and Excellence 2011 in Geneva.

Having made quite a name for itself with The Haven, developer Superboom Projects Sdn Bhd is now being sought out by landowners from the capital, Indonesia and as far away as Australia. A "must-see" project, it is an ideal location for both retirement and vacation home.

A uniquely diverse mix

The largest political party in Malaysia and a founder of the ruling Barisan Nasional (BN) coalition, the United Malays National Organization (UMNO) aims to build on its diversity

Diversity permeates Malaysia, whether you look at the country from a social, political, or geographical standpoint. The topography of peninsular Malaysia is characterized by central mountain ranges running from north to south, with its highest peak Gunung Tahan rising 7,175ft above sea level. Lush jungle carpets the Cameron Highlands, one of the country's most extensive hill stations, and contrasts with the fine sandy beaches that line its coasts and islands.

Malaysia's multi-ethnic multi-religious society is made up of a population comprising around 60% Malay, 26% Chinese, and 14% Indian people. A census in 2000 found the country's religious make-up to be 60.4% Muslim (or Islam – the official religion in Malaysia); then Buddhist 19.2%; Christian 9.1%; Hindu 6.3%; Confucianism, Taoism, and other traditional Chinese religions 2.6%; other or unknown religions 1.5%; and those declaring none comprising 0.8% of the population.

These communities exist in relative harmony. However, while Malays have benefitted over the past few decades from positive discrimination in areas of business, education and the civil service, Indians are still among the poorest people in Malaysia, and the economically powerful Chinese community remain the more dominant group in politics.

"Malaysia is good when it comes to unity and diversity because our nation is so diverse in terms of the country, our way of life, and our religion, and that is what Malaysia is all about," says Datuk Seri Tengku Adnan B. Tengku Mansor, Secretary General of the ruling United Malays National Organization (UMNO).

The country's disparate political arena is no less of a kaleidoscope reflecting this mosaic society. Malayasia has been a multi-party state since its inception, and both the government and the opposition are traditionally formed by coalitions of parties, with each group campaigning both separately yet also together for the whole party at the same time. Two large coalitions currently dominate the political scene: the incumbent Barisan Nasional (National Front), known by its initials BN and comprising 13 political parties, and the opposition Pakatan Rakyat (People's Alliance), referred to as the PA or Pakatan, which is comprised of three political groups.

So in order to rule effectively, consensus building and negotiation are essential, as governments form compacts between numerous individual groups, giving a unique angle to Malaysian politics. The unusual system is a reflection of the ethnic and religious composition of the country.

"UMNO HAS A VERY GOOD ORGANIZATION STRUCTURE FOR DEVELOPING GOOD RELATIONSHIPS WITH THE ISLAMIC COMMUNITY. WE HAVE A PROGRESSIVE VIEW. WE ARE NOT ONLY ABOUT WHAT HAPPENED YESTERDAY, BUT ALSO TODAY AND TOMORROW."

DATUK SERI TENGKU ADNAN BIN TENGKU MANSOR,
Secretary General of UMNO

"When I came to UMNO, I understood the rituals [of parties fighting against other parties]," says Mr. Tengku, who served as Minister of Tourism from 2006 to 2008 before being appointed as the party's Secretary General in March 2008. "UMNO has a very good structure of organization for developing good relationships with the Islamic community. We are currently having some problems and challenges in various fields, but of course we care for our people, and it is good that they understand things have improved and they are changing for the better."

BN won the last election in 2008, and is expected to win the next round slated for 2013 (although the Economist Intelligence Unit suspects it may come earlier and reports that the BN hopes to win with a two-thirds majority).

UMNO is Malaysia's largest political party and a founding member of the BN. Established in 1946, it allied with the Malaysian Chinese Association (MCA) in 1951, then later in 1954 the Malaysian Indian Congress also joined the UMNO coalition, giving it a far-reaching appeal across the country's ethnic mix. It has played a major part in Malaysia's political development since its independence from the U.K. in 1957.

UMNO emphasizes the struggle to uphold Malay nationalism and the dignity of race, religion and country as being at the core of its foundation. The party also aspires to protect the Malay culture as the national culture, and to uphold, defend and expand Islam. It has raised the profile of Shari'a (Islamic law) in Malaysian law, politics, and society to gain support among its Malay constituency, which is predominantly Sunni Muslim. However, the organization's advocacy of the rights of Malays as taking precedence is sometimes viewed by non-Malays as coming at the expense of non-Malay rights.

The party defines itself as Malay nationalist, moderate Islamist, and conservative, representing the Malays of Malaysia. However, membership is open to any *Bumiputra* (indigenous Malaysian), including people such as the non-Malay and usually non-Muslim Kadazan, Iban, and Dayak of East Malaysia.

"We have a progressive view. What's good about our organization is we want to move forward. We are not only about what happened yesterday, but also today and tomorrow," says Mr. Tengku. "I go out every night and try to listen to what the youth has to say. I listen to their feedback and opinions."

The government's national plan for future development is called 1Malaysia. Announced in September 2008, it calls for governmental agencies and civil servants to more strongly emphasize ethnic harmony, national unity and efficient governance. The ethos has been incorporated into IMNO's official ideology, as well as 1Malaysia's philosophy of 'people first, performance now.'

Eco-friendly forward thinking

Ideas generated by ASLI, and policies implemented by Minister for Energy, Green Technology and Water, Mr. Peter Chin Fah Kui, showcase Malaysia's attitude towards thoughtful, sustainable development

The Asian Strategies and Leadership Institute, or ASLI, is a non-profit foundation which was initially set up to promote leadership development and strategic thinking across South East Asia, as well as to channel donations to charitable causes and scholarship programs. Established in 1993, ASLI has also grown into Malaysia's leading conference organiser and is increasingly being recognized as a source of ideas and strategic inputs for leaders in government and business.

Over the past 10 years the foundation has brought together over 30,000 business men and women from across Asia at their events and conferences. The ASLI promotes strategic thinking and leadership as key imperatives to enhance business competitiveness. Over the years it has carried out several research studies and political analyses as well as creating special publications, TV programs and membership programs to meet the needs for those seeking up-to-date information regarding business throughout Malaysia and South East Asia as a whole.

As a source of information, ASLI promotes the interchange of ideas and the sharing of insights and perspectives among management practitioners, decision-makers and corporate leaders.

Speaking recently about the inception of the ASLI and its current goals and aims, the founder and current ASLI CEO Mr. Michael Yeoh said, "We will be 20 years old next year. It was established because there was a feeling that there was a need for an independent private think-tank in the country to provide independent views."

Mr. Yeoh also stresses the difference between ASLI and a similar body, the Institute of Strategic and International Studies (ISIS). "We have a different focus to ISIS – ISIS focuses a lot on security and international issues and we focus more on the economy and business. We have different, independent views which we put forward."

Working closely with Mr. Yeoh in regards to Malaysian energy efficiency is the current Minister of Energy, Green Technology and Water, Mr. Peter Chin Fah Kui, who has been busy promoting this year's International Greentech and Eco Products Exhibition, known as IGEM2012 which will take place in the Kuala Lumpur Convention Centre (KLCC) in October.

The theme for this third exhibition and conference is 'Greentech for Growth.' The conference aims to bring together government officials, ministers and private sector investors to help push the rapid adoption of green technology in order to deliver the double impact of sustainable economic growth while addressing the current environmental and energy security issues affecting Malaysia.

Having already established itself as the largest 'green' exhibition in the region, IGEM2012 will continue its pursuit to gather like-minded industry players and professionals from various sectors, public and private, big and small, local and foreign, new as well as established, to explore and seize the opportunities from the exciting and emerging green market in the country and the region. Sustainable energy and green technology has been at the forefront of Mr. Chin Fah Kui's political agenda for a number of years and the Minister is determined to see Malaysia lead the way for other South East Asian countries as far as renewable energy is concerned. The Minister recently spoke about the importance, from a business and moral point of view, for the area as a whole to start adopting green energy. "Renewable energy such as that can be obtained from biomass, solar, wind, hydro and thermal sources is becoming more and more important in the energy equation of most countries. The fact that the climate change issue is catching the attention of world leaders, collectively as well as individually, has spurred interest and actions leading to a new industry that in turn provides impetus for more definitive actions all round. This trend is good and will become even stronger and vigorous going forward. Thus it is important that as Malaysians we are not left out."

"RENEWABLE ENERGY... IS BECOMING MORE AND MORE IMPORTANT IN THE ENERGY EQUATION OF MOST COUNTRIES... THIS TREND IS GOOD AND WILL BECOME EVEN STRONGER AND VIGOROUS GOING FORWARD. THUS IT IS IMPORTANT THAT AS MALAYSIANS WE ARE NOT LEFT OUT."

MR. PETER CHIN FAH KUI, Minister of Energy, Green Technology and Water

Connecting Malaysia to the world

MACROKIOSK's cellular services offer clients access to nearly a billion billable mobile subscribers

Malaysian mobile technology company MACROKIOSK empowers its customers to reach greater horizons by leveraging sustainable and expandable cellular services.

"The company's tagline – POWERING CONNECTIVITY – says it all. The numbers are highly impressive too: by engaging with MACROKIOSK, clients will gain immediate direct access to 14 different markets namely Australia, Brunei, China, Hong Kong, India, Indonesia, Macau, Malaysia, Philippines, Singapore, Taiwan, Thailand, UAE and Vietnam, which provides a market size of more than 900 million billable cellular subscribers", says Mr. Henry Goh, COO.

The Goh brothers, Founders of MACROKIOSK

"MACROKIOSK is a brand with regional presence and is poised to become an international company", says Mr. Kenny Goh, CEO.

ARL Global greater than the sum of its parts

Established in 1991, ARL Global comprises of a group of companies fully owned by Bumiputera (indigenous people of the Malay archipelago). Its main lines of activity include power generation, renewables (waste-to-energy), waste and terminal management, oil and gas delivery, and leisure and sports management businesses.

In the power division, ARL Power owns and operates a 50MW medium fuel oil power plant supplying electrical energy to Sabah Electricity Sdn Bhd (SESB).

ARL Janakuasa Letrik Sdn Bhd (ARLJL) is the operations and maintenance contractor (O&M) for the plant.

Petrojadi spearheads the group's hazardous waste management and thrust into waste-to-energy activities, while ARL Promotions Sdn Bhd manages its leisure and sporting events activities.

Defense industry hitting the target

Military spending among ASEAN nations is running at $25 billion a year. Malaysia is putting itself forward as a regional leader in the defense industry, setting its sights on profit and cutting its import bill

"WE ARE PLANNING TO TURN THE DEFENSE SECTOR INTO A PROFIT SECTOR. WE ARE NOT JUST GOING TO SPEND IN ORDER TO ACQUIRE THE ASSETS AND EQUIPMENT, WE WANT ALSO TO CONTRIBUTE TO THE DEVELOPMENT OF MALAYSIA."

DATO' SERI DR. AHMAD ZAHID HAMIDI
Minister of Defense

Lightweight, reliable, and accurate, the Colt M4 is the weapon of choice of the United States armed forces, and the only 5.56mm carbine in the world that meets their exacting performance specifications. The same assault rifle is carried by thousands of members of Malaysian service personnel and police officers, but it does not have to be imported – it is made by a Malaysian company.

SME Ordnance Sdn Bhd (SME), a subsidiary of National Aerospace & Defense Industries (NADI), first produced the M4 under license from Colt Defense in 2007. Last year, SME signed a new contract to produce an additional 116,000 carbines, a deal that also gives it the right to market the weapon to other countries in the Association of Southeast Asian Nations (ASEAN).

Malaysia is keen to tap into the massive military spending in the region, seeing itself as a future hub for the ASEAN defense market. The government is promoting the country to international defense companies as a base for regional activities through strategic alliances in manufacturing, co-manufacturing, outsourcing, or research and development.

Forty years after Malaysia took its first steps towards creating its own defense industry in the 1970s, indigenous companies have developed capabilities that make them regionally competitive, especially in system integration, in maintenance, repair and operations (MRO), and in manufacturing and catering to the requirements of foreign original equipment manufacturers (OEMs). The industry continues to develop through the transfer of technology, an offset program, and innovation (R&D).

"We are planning to turn the defense sector into a profit sector," says Dr. Ahmad Zahid Hamidi, the Minister of Defense. "We are not just going to spend in order to acquire the assets and equipment, we want also to contribute to the development of Malaysia."

At Sungkai, in Perak State, the Malaysia Defense and Security Technology Park is being established. The first of its kind in the region, the 3,115-acre zone is dedicated exclusively to providing hi-tech manufacturing facilities and services for local, regional, and global defense and security companies, and has attracted substantial international investment.

Military expenditure by ASEAN states is rising and currently amounts to around $25 billion per year. Malaysia is one of four ASEAN countries with established defense industries—the others are Thailand, Indonesia, and Singapore—but, like the region as a whole, is a net importer of weapons and systems.

The government is budgeting to spend marginally less on defense this year, but the bill will still total $4.41 billion. With a commitment to modernize the armed forces, spending is set to reach $5.6 billion annually by 2016—some of it on major procurements, notably a new multi-role combat aircraft (MRCA) and for the navy's new second-generation patrol vessel (SGPV).

At the ASEAN Defense Ministers Meeting held in Jakarta last May, Minister Zahid put forward a plan for collaboration between ASEAN defense industries, which it is hoped could lead to a halving of spending on regional defense imports to $12.5 billion a year.

"We are collaborating with other ASEAN countries to manufacture and market products," he says. It has been suggested, for example, that Indonesia and Thailand could share in the production of the Colt rifles they buy from Malaysia by supplying component parts.

Defense trade between ASEAN nations is currently at only a modest level. However, Dr. Zahid says the members of the regional bloc face common threats and challenges, and should aim to be self-sufficient in defense by 2030.

He wants ASEAN companies to develop niche capabilities, enter the global supply chain, and engage in offset programs. The minister acknowledges that it will be challenging, requiring uniformity of operation and common production standards in defense industries across the region.

It could also require guarantees of a balanced quid pro quo in terms of defense trading between ASEAN nations. Dr. Zahid points out that while Malaysia has bought CN-235 aircraft and Super Puma helicopters from Indonesia, the latter has bought only 200 of the 2,000 Proton Saga sedans it promised to purchase from Malaysia in return.

Educating tomorrow's leaders

NDUM grooms students to become self-disciplined individuals with strong leadership qualities

With a student base of 80% military cadets and 20% civilians, National Defense University of Malaysia's multi-disciplinary educational programs, professional exchanges, research and outreach all ensure that Malaysia's future leaders are prepared to better address issues relating to defense and security.

Thousands of applicants vie for a highly valued spot in the university's specialized faculties of Defense Studies and Management, Defense Science and Technology, Engineering as well as Medicine and Defense Health. This year, in collaboration with Warwick University and Cranfield University of the U.K., NDUM has started offering a Master of Engineering Business Management for Defense and Security.

LT GEN DATO' WIRA ALLATIF BIN MOHD NOOR, Vice Chancellor of NDUM

The competition is fierce, but the rewards are tangible. "Unlike other universities with thousands of graduates who do not always get employment, our graduates leave and get meaningful careers soon after graduation. It goes to show that despite NDUM's boutique orientation, its graduates are highly marketable," says Vice Chancellor Lt Gen Dato' Wira Allatif Mohd Noor.

Thinking globally, right from the start

Established only six years ago, Strand is pitching its hi-tech designs to a huge international market

Already considered a strong manufacturing country, Malaysia is stepping up and gaining a reputation as an engineering services hub too, thanks to companies like Strand Aerospace Malaysia (SAM). A member of the Strand Group of Companies, SAM is considered a 'pure play' engineering services provider, meaning that it employs people and computers for design and analysis rather than for labor-intensive manufacturing.

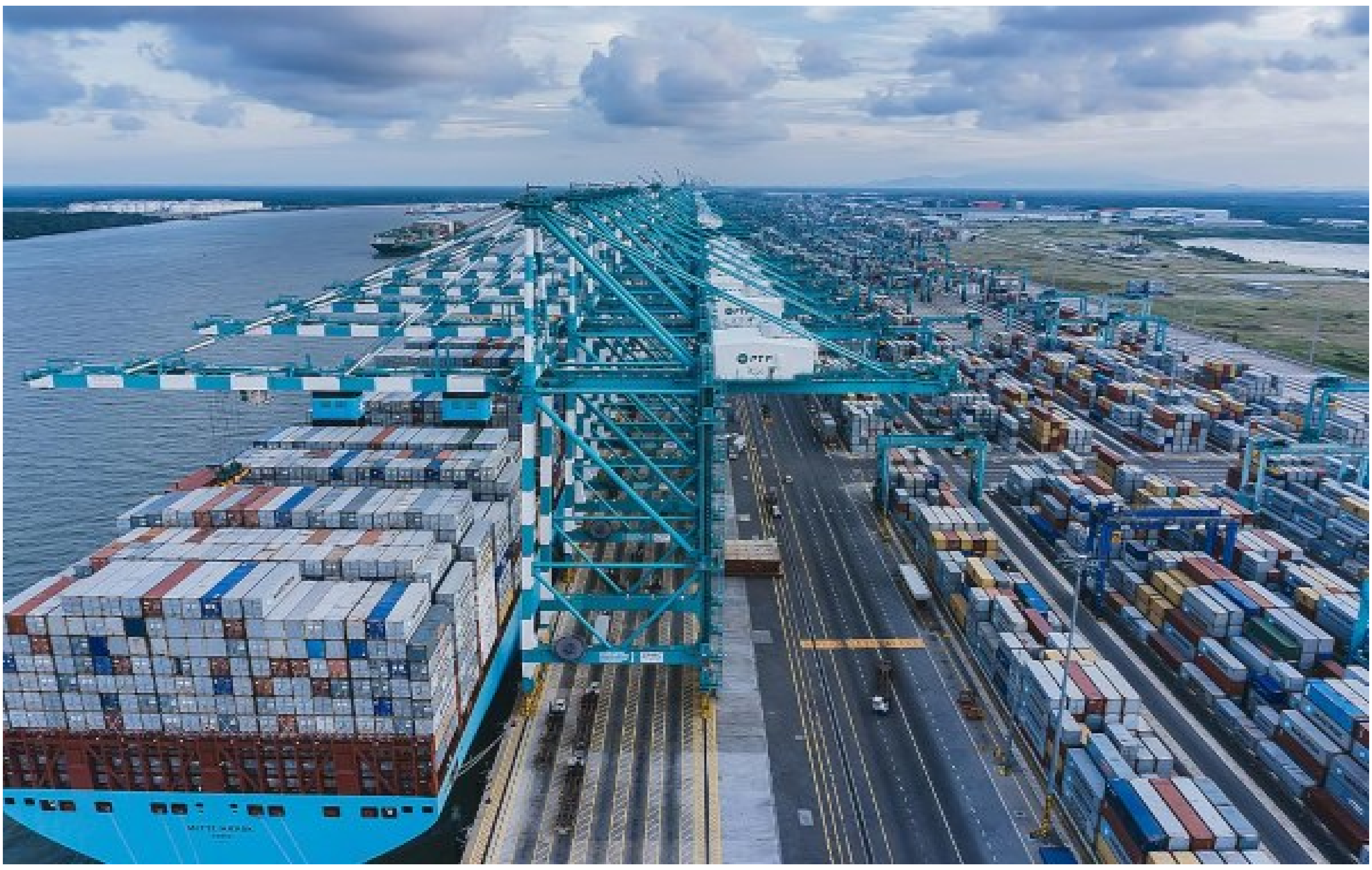
"We focused on delivering European standards of work from day one," says COO of SAM Naguib Bin Mohd Nor, who worked in the U.K. prior to returning to Malaysia. "What differentiates SAM is its ability to design complex primary structures for companies like Airbus, using only purely Malaysian engineers working from Malaysia."

NAGUIB BIN MOHD NOR, Co-founder and Chief Operating Officer of SAM

Initially created in 2006 by the COO and four hand-selected local engineers, SAM now has 48 employees and expects to employ 160 by the end of 2012, capitalizing on the country's vast pool of unutilized engineers. Around 20,000 engineering students graduate every year from Malaysian universities, in addition to another 2,000 Malaysians sent to study abroad.

As part of the government's Economic Transformation Program (ETP), a total of RM177 million ($59 million) in private investment in training and development will help turn the country into a center for high-value engineering services.

"Invest in Malaysia and you'll get the whole of Asia. It is really is as simple as that," says Zainal Amanshah, CEO of InvestKL, a one-stop liaison helping promote SMEs' export capabilities and multinational corporations identify business opportunities, especially in the Greater Kuala Lumpur area. "We can offer investors various customizable incentives, talent availability and upskilling of graduates, easy and cost-effective business, and a very pro-business government."



Navigating a new passage

BHIC is the country's leading shipbuilding and repair operation, with increasing involvement in the defense sector

With shipyards in Perak, Penang and Kedah, Boustead Heavy Industries Corporation (BHIC) is the foremost shipbuilding, ship repair, maritime engineering and defense-related service-provider based in Malaysia. Since August 2005 the company has been captained by Tan Sri Ahmad Ramli Mohd Nor, who serves as BHIC's Executive Deputy Chairman and Managing Director.

Having first trained as a Cadet Officer at the Britannia Naval College in Dartmouth, United Kingdom, Tan Sri Ahmad Ramli Mohd Nor has been a member of the Armed Forces since 1964. Over the decades he rose through the ranks from Acting Sub-Lieutenant to Vice-Admiral and Chief of the Royal Malaysian Navy. Having served the RMN for over 34 years, Tan Sri Ahmad Ramli Mohd Nor retired as the Chief of the Royal Malaysian Navy in 1999.

Throughout his impressive military career, Tan Sri Ahmad Ramli Mohd Nor also went on to acquire a Masters in Public Administration from Harvard University, as well as a Masters in Defense Management from the Naval War College, United States.

He recently spoke about the influence his military and academic background have had on the day to day running of BHIC, saying: "34 years is a long time. As you know in the military, we are always exposed to new training and new technologies and that has helped me along the way... plus the fact that I spent a long time in the planning area combined with management training – this all helps."

At present, Boustead Heavy Industries Corporation caters to naval and commercial vessels, as well as privately-owned boats, with the capability to build vessels of up to 120 meters in length and 10,000 deadweight tonnes (DWT).

Spread over its three shipyards, the company has experienced and efficient manpower in shipbuilding and related services having recently built a number of vessels, including six new generation patrol boats for the Royal Malaysian Navy and fast-troop ships.

BHIC can build commercial vessels and private boats, anchor handling tugboats, twin-screw tug boats, offshore supply vessels, aluminum high speed vessels, vehicular ferries, and luxury yachts.

"We feel that we have the advantage that Malaysia is a maritime nation with such a strategic location as well as having a lot of marine operations in terms of transportation of trade, oil exploitation etc," Tan Sri Ahmad Ramli Mohd Nor recently commented when asked about BHIC's outlook on the defense industry, before going on to say that, "There is a definite need for us to play a role in the defense industry, especially in the area of marine operations... we are now working on a project which will enhance our defense industry further in terms of ships, and producing and integrating a lot for defense-related electronics."

Over the past number of years the BHIC shipyards have become a one-stop-shop for defense and naval vessels in South East Asia carrying out services, maintenance, repair and occasionally complete overhauls of naval and ground electronic equipments and systems for Malaysian as well as international navies.

With fierce competition around the South China Sea and Gulf of Thailand, BHIC's boss is proud to show the international maritime community what his country's shipyards have to offer, "Malaysia is a country which is well-positioned as a conduit for a number of things – physically, culturally and to some extent academically as well. We are East meeting West here."

"MALAYSIA IS A COUNTRY WHICH IS WELL-POSITIONED AS A CONDUIT FOR A NUMBER OF THINGS – PHYSICALLY, CULTURALLY AND TO SOME EXTENT ACADEMICALLY AS WELL. WE ARE EAST MEETING WEST HERE."

TAN SRI AHMAD RAMLI MOHD NOR, Executive Deputy Chairman and Managing Director of BHIC

Future player on the radar

With lucrative domestic military contracts, real pulling power within ASEAN, and top notch U.S. and U.K. associates, Zetro is set to be a dominant global force in the avionics, ground electronics, missile and radar communications industries

Zetro Aerospace Corporation (ZAC) has its roots in Zet Aero Trading, founded in 1981 by Dato' Hj. Mohd Zamri bin Hj. Muda. Initial operations focused on the provision of aircraft and spare parts for the Royal Malaysian Air Force (RMAF). Zet Aero Engineering was established in 1984, after which Zetro concentrated on the avionics and electronics aspects of the industry – in line with the Malaysian Aerospace Industry Blueprint.

In 1994, Zetro Corporation established itself as a significant player in the aerospace world by setting up in-country facilities to maintain and repair avionics, air traffic and air defense radar, navigational aids and communication systems. ZAC is now one of the major players in Malaysian Aerospace and is a leading technology provider in the region in ground electronics and avionics. A government-appointed Defense Electronic contractor, it includes among its associates in the USA Gilcron Corporation (ITT Industries Inc.), Rockwell Collins and Thales Raytheon Systems. In 2003, Zetro Services Sdn Bhd obtained its MS ISO 9001:2000 certificate, and in 2009 was accredited with MS ISO9001:2008. It is also IQ Net certified.

"THE WEST IS STILL LEADING IN TERMS OF TECHNOLOGY, AND WE WANT TO BE THERE AT THE CUTTING EDGE, TOGETHER WITH US AND EUROPEAN PARTNERS."

DATO' HJ. MOHD ZAMRI BIN HJ. MUDA, Managing Director of Zetro Aerospace

ZAC successfully upgraded ATC Systems in Kuantan (2006) and Butterworth (2008) airports, and successfully installed upgraded Air Defense Display Systems at RMAF Air Defense Units. It provides helicopter maintenance, repair and overhaul services for light helicopters throughout the region, including Singapore, Indonesia and Vietnam. Zetro has also become the only private company in the region with rights to an Air Defense Radar System, and has acquired – through the recent acquisition of a specialist U.K. company – the technology necessary to venture into missile development.

The Company's Center of Excellence, situated in the Malaysian International Aerospace Center, at Sultan Abdul Aziz Shah Airport in Subang, is equipped with state-of-the-art test equipment and facilities, making it a leader in its field within the massive ASEAN market. As Dato' HJ. Mohd Zamri Bin HJ. Muda explains: "We are talking here about a population of 400 to 500 million... Our Minister of Defense has been quite bold in terms of enhancing future cooperation amongst member countries. We are not talking about fulfilling ASEAN's entire defense requirements, but we are talking at least about 30 to 40%..."

He continues: "At Zetro we anticipate, plan and respond tactically. Our future equipment will be based on our own design and blueprint as well as our own way of thinking in terms of where we want to bring the industry and country in the future".

His workforce is disciplined and supremely focused: "Most of our workforce comes from the military. At the same time, we also train our technical people based on the equipment we will be using in the future. We plan to be ready for any and all technological advancements".

He elaborates on future plans and partnerships: "If foreign companies come here, they will be considered as the 'technology owners.' We think it would be a very good idea for them to have reputable and visionary local partners."

He continues: "We are one of the future players. But we do not want to be solely in the Malaysian or ASEAN loop. We are pragmatic and far seeing – the West is still leading in terms of technology, and we want to be there at the cutting edge together with U.S. and European partners."

International trade hits record high

Malaysia looks to China, ASEAN, and India to drive export growth

Malaysia enjoyed its 14th consecutive year of trade surplus last year, while its total trade was the highest ever recorded. What makes this international trading performance even more impressive is that it took place against a background of less than favorable global trading conditions.

A rise in demand from Asia for Malaysia's goods and services mitigated the effects of slow economic recovery in the United States, the Eurozone debt crisis, unrest in West Asia following the Arab Spring, and supply chain disruptions caused by the tsunami in Japan and floods in Thailand. Asia absorbed 71.3% of Malaysia's exports.

According to the government, Malaysia's total trade reached 1.269 trillion ringgit ($422 billion) in 2011, an increase of 8.7% compared with 2010. Exports rose 8.7% to 694.55 billion ringgit, while imports increased 8.6% to 574.23 billion ringgit. The trade surplus was up 9.4% to 120.31 billion ringgit.

Malaysia's main trading partners are China, Singapore, Japan, and the United States. It exports electronic equipment, petroleum and liquefied natural gas, wood and wood products, palm oil, rubber, textiles, and chemicals, and imports mostly manufactured goods, including electric and electronic products, chemicals and chemical products, and machinery, appliances, and parts.

China, the ASEAN nations, and India are seen as the major drivers of the country's future export growth, and promotion of Malaysia's goods and services is being stepped up in those markets. The Malaysia External Trade Development Corp. (Matrade) plans to undertake more than 120 export promotional activities this year.

Mustapa Mohamed, Minister of International Trade and Industry, says that to achieve its ambition to become a high-income economy by 2020 Malaysia needs to make itself more productive, innovative, and competitive. "Integral to this is our reaching out to companies and countries around the globe to market our products and convince our customers that we are business-friendly."

The minister is particularly keen to see small and medium enterprises, SMEs, to promote their products. "Given that SMEs play a key role in our economy, it is important that we help them to grow and succeed both at home and abroad," he says.

According to the U.S. Department of State, the United States is Malaysia's fourth-largest trading partner, while Malaysia is the 22nd-largest trading partner of the United States. Trade between the two nations has grown to around $40 billion a year.

Malaysia has no bilateral free trade agreement with the United States, but joined negotiations for a Trans-Pacific Partnership free trade agreement in 2010. Efforts are being made to finalize the agreement this year.

Malaysian exports to the U.S. were down by 5.5% last year, a drop of 3.37 billion ringgit to 57.58 billion ringgit. There was a marked decline in sales of the electrical and electronic products that make up about half of U.S.-bound exports.

However, sales of semiconductor devices continued to grow, along with palm oil, chemicals and chemical products, textiles and clothing, and rubber products, and recent indications that the world's largest economy is on the road to recovery hold out better prospects for exports next year.

Exports to India surged by more than 34% last year, but China remains Malaysia's largest trading partner. Last year also saw China displace Singapore for the first time as Malaysia's largest export market. According to MITI, exports to China reached a value of 91.25 billion ringgit, an increase of 13.9% or 11.14 billion ringgit, compared with 2010.

Exports to co-member states in the Association of Southeast Asian Nations (ASEAN) account for almost a quarter (24.7%) of Malaysia's total exports.

Last year, exports increased to all ASEAN markets, except Laos, with increased sales of refined petroleum products, palm oil, chemicals and chemical products, as well as machinery, appliances and parts pushing the total value up 5.8% to 171.54 billion ringgit.

This upward trend in inter-regional trade is set to continue as the members of ASEAN move towards establishing a single market by 2015.

"GIVEN THAT SMEs PLAY A KEY ROLE IN OUR ECONOMY, IT IS IMPORTANT THAT WE HELP THEM TO GROW AND SUCCEED, BOTH AT HOME AND ABROAD."

DATUK SERI MUSTAPA MOHAMED,
Minister of International Trade and Industry

A better place to do business

Business-friendly Malaysia attracted its largest ever foreign direct investment last year, and is steadily moving up the international competitiveness rankings

Ask Noharuddin Nordin, CEO of the Malaysian Investment Development Authority (MIDA), why investors are showing increasing confidence in Malaysia and he points to the underlying strength of the economy.

"Malaysia's economic fundamentals remain strong," he says. "Despite uncertainties in the global economy, Malaysia's economic performance registered 5.1% growth in 2011."

Add to that political stability, the government's economic reform agenda, and government initiatives through MIDA to create a conducive business environment and it's easy to see why Malaysia is succeeding in gaining the quality investments in the manufacturing, services and primary sectors it needs to drive its Economic Transformation Program (ETP), despite a challenging international environment.

Jakarta-based MIDA has offices across the globe and is spearheading efforts to target and attract investment into new growth areas, emerging technologies, high value-added industries, high technology and capital intensive industries and R&D activities.

Its efforts are paying off – Malaysia is being seen as a better place to do business and is moving up the international competitiveness rankings.

UNCTAD ranks Malaysia one of the top host economies for FDI in 2011-2013. The World Bank's Ease of Doing Business Report for 2012 raises Malaysia up five places to 18th position – ahead of Germany, Japan, Switzerland and Belgium. In the most recent Global Competitiveness Report issued by World Economic forum in Geneva, the country is positioned five places higher in 21st position, for "improvements across the board".

Mustapa Mohamed, the Minister of International Trade and Industry, says a stable macroeconomic environment, political stability and government policies are the secret of Malaysia's success.

"We are an open economy, we are reforming and transforming," he says. "We've been opening up – for example, in manufacturing, 100 % foreign ownership. Services have been liberalizing. We are investor-friendly. We engage a lot with the private sector, there is a lot of communication. The fact that we have so many companies from around the world speaks for itself."

Malaysia attracted 32.9 billion ringgit (around $10.7 billion) in foreign direct investments last year, the highest ever recorded, and an increase of 12.3%. The largest share—just over half—went to the manufacturing sector, with most of the remainder distributed between the services sector, and mining and quarrying.

Japan was by some distance the leading investor, with investments totaling 10.1 billion ringgit, followed by South Korea, the United States, Singapore, and Saudi Arabia.

However, domestic investors were even more active than their foreign counterparts. Domestic investment in 2011 exceeded FDI, accounting for 82.3 billion ringgit or 55.4% of the total approved investments. Under the ETP, domestic investment is targeted to account for 73% of total investments by 2020.

Total investments approved in the manufacturing, services, and primary sectors surged by 40.7% from 105.6 billion ringgit in 2010 to reach 148.6 billion ringgit in 2011, according to government statistics.

"This is a testament to investors' confidence in the local business environment," says Mustapa Mohamed. "This significant achievement also indicates that Malaysia is on track to attain the investment targets set under the Economic Transformation Program by 2020."

The impact of the new investment projects is being seen in the creation of new jobs, development of new growth areas in the solar, aerospace, automotive, and biochemical industries, and Malaysia's position as trading nation is being strengthened by the high percentage of export-oriented projects being approved.

SMEs have an ally in government

In any given country, small and medium enterprises (SMEs) make up the vast majority of all companies. In Malaysia, the percentage of total businesses stands at 99.2%

Due to their enormous role in the economy, the government deemed necessary a specialized agency that could provide infrastructure facilities, financial assistance, advisory services, market access and other support programs to help spur SME development and competitiveness within the global market. Thus was born the Small and Medium Industries Development Corporation (SMIDEC) in 1996, which in 2009 was restructured and renamed SME Corp. Malaysia.

SME Corp. Malaysia is today the central point of reference for information and advisory services for all SMEs in Malaysia.

Dato' Hafsah Hashim, CEO of the corporation, says that the way Malaysia defines an SME allows for a higher number of businesses to receive SME Corp. Malaysia's assistance.

"In Malaysia we decided to use the number of employees or turnover," she explains. "Our definition makes it very flexible for a company to be defined as an SME. For example, in manufacturing it's defined as 150 full-time employees or RM25 million in sales turnover. If a company has 200 employees but is only generating RM10 million in sales, it's still categorized as an SME. A company only stops being an SME when it reaches both parameters."

In order to keep SMEs on their toes and better address their needs, SME Corp. Malaysia has devised a tool to measure their competition. With this information, SME Corp. Malaysia can then determine the amount of government funding a business requires and how this funding later changes the business' behaviour, capitalization, levels of automation and productivity.

A logical partner of the country's economic corridors, SME Corp. Malaysia fits neatly into the Economic Transformation Program (ETP), one part of Malaysia's multi-faceted transformation plan. The corporation's three goals (to enhance business formation, to create innovative and high growth companies, and to increase the productivity of companies) should help the country realize its Vision 2020 of becoming a high-income economy, by enabling businesses to successfully compete in the global market and by reducing the size of the informal sector.

Helping the local go global

Matrade, Malaysia's national export promotion agency, is responsible for assisting Malaysian companies succeed in the international market

In the words of Dr. Wong Lai Sum, "Malaysia has something valuable to offer everyone." As CEO of Malaysia External Trade Development Corporation (Matrade), Dr. Wong is an expert on what her country produces and exports, and is proud of how Malaysia has pushed its industries up the value chain, introducing higher levels of innovation, technology and expertise.

With the government's recent announcement of its intention to double exports and trade by 2015, Matrade will certainly have its hands full.

Established in 1993, the corporation promotes Malaysia's external trade with a particular emphasis on manufactured and semi-manufactured products and services. As such, it is in close contact with the country's five economic corridors, serving as a link for local producers (most of whom are small and medium enterprises, or SMEs) with foreign suppliers and importers.

"For example, we help source inputs for their respective industries so that they can produce in a more cost-effective manner," explains Dr. Wong. "We have the database, the sources, and we know the companies, but our major role is to help local companies export."

In order to reach out to more businesses, Matrade runs "trade clinics" in all five corridors. In these clinics, which the CEO describes as having a personal touch, Matrade meets and mingles with the trading community and provides information on its services. To get the word out overseas, Matrade works with industry associations, such as chambers of commerce, advising them on how to benefit from free trade agreements, how to expedite trade flows, and connecting them with Malaysian firms and manufacturers that meet their precise needs.

In keeping with Malaysia's progress and modernity, Dr. Wong says that Matrade runs e-commerce seminars to teach companies how to connect using the Internet. "We encourage SMEs to provide links for e-transactions so that orders can be made online and more quickly," she explains.

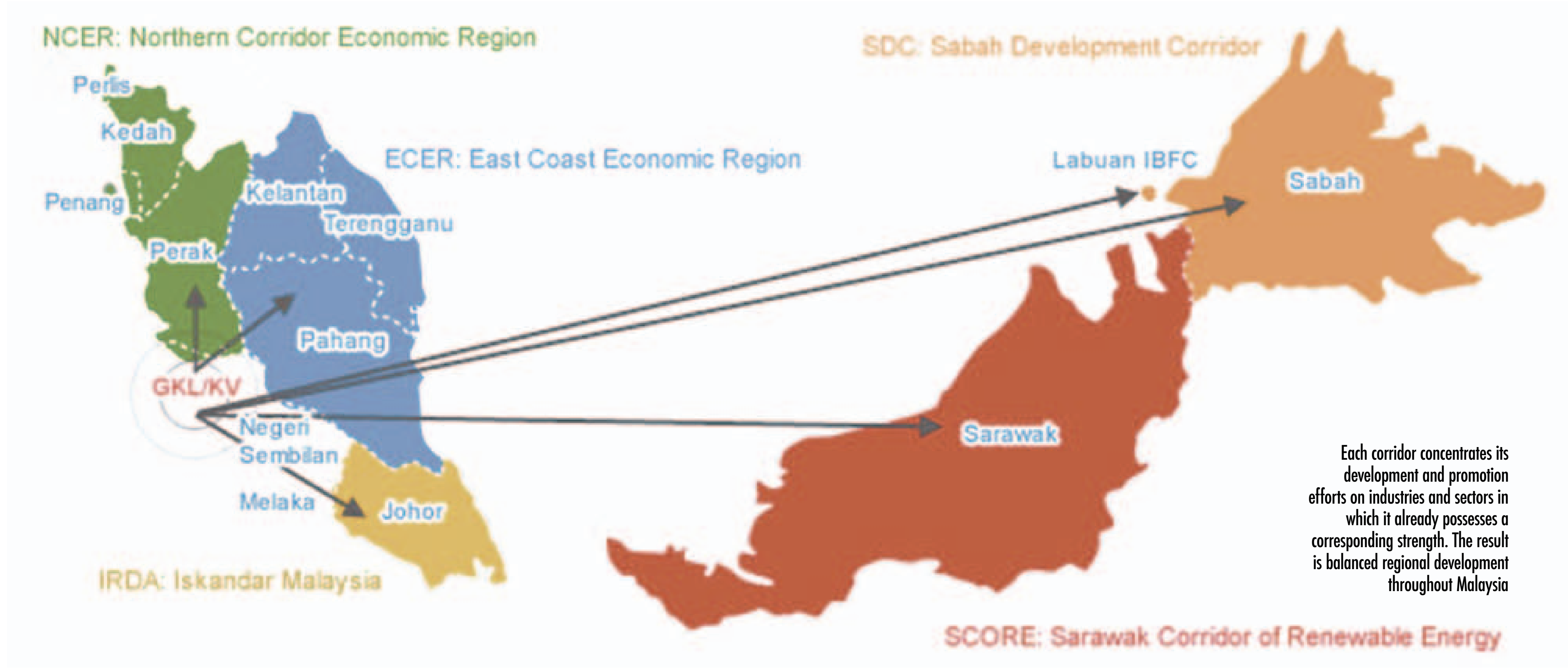
For more information on Matrade and its services, visit:

Innovation on the roads

Hopetech's hi-tech revenue-collection solutions for transportation

Hopetech uses the latest technology and innovation to provide state-of-the-art solutions for automated revenue-collection systems. It has successfully implemented secure toll systems for numerous concessionaires, involving cash, stored-value tickets and electronic methods of payment. With offices in Kuala Lumpur, Jakarta, Manila, Bangkok and New Delhi, the company has expanded rapidly and aims to maximize collaborations with strategic partners to penetrate more markets. "You have to be open minded," says Mohamed Zafril Zabidin, Group CEO and Executive Director of Hopetech. "Indonesia, Thailand and the Philippines are where we are aggressively working with local partners and looking into technology transfers."

MOHAMED ZAFRIL ZABIDIN
Group CEO and Executive Director of Hopetech



Each corridor concentrates its development and promotion efforts on industries and sectors in which it already possesses a corresponding strength. The result is balanced regional development throughout Malaysia

Better days ahead for nation's poorest state

An 18-year plan aims to attract the private-sector investment needed to transform Sabah, one of Malaysia's least developed states, into a gateway for trade, investment and tourism in the region

Located at the top of the beautiful island of Borneo, Sabah, is Malaysia's easternmost state, and the second largest after its neighbor, Sarawak. A natural paradise, it is probably best known for nature tourism and scuba diving – it boasts some of the world's top diving sites.

Sabah is rich in natural resources – from its famously diverse flora, fauna and marine life to oil and gas reserves, vast areas of forest timber, oil palm, rubber and cocoa – and it makes a significant contribution to the national economy, contributing the sixth highest amount to Malaysia's GDP. Yet it is the poorest state in the country. Incomes are low and unemployment high, and its people struggle to make ends meet.

In the not too distant future, however, things could be very different. The Sabah Development Corridor (SDC) was launched in 2008, one of five such economic corridors initiated under the Ninth Malaysia Plan intended to bridge development imbalances in Malaysia and spur economic growth through public-private partnerships.

By 2025, the SDC's 18-year plan could transform Sabah into a gateway for trade, investment and tourism in the region.

Its success or failure depends on attracting substantial private-sector led investment, and the federal government is contributing billions of dollars to improve the state's infrastructure and reduce the cost of doing business.

By promoting sectors such as agriculture, tourism and logistics, services, and manufacturing, it is hoped to quadruple Sabah's GDP to 63 billlion ringgit ($20 billion). Over the three phases of the plan, total investment is forecast to reach 105 billion ringgit, and more than 900,000 new jobs are expected to be created. The plan includes a waterfront city, tourism projects, and a new railway terminal.

The responsibility for ensuring all this comes about rests with the Sabah Economic Development and Investment Authority (SEDIA). Yaakub Johari, SEDIA's president and chief executive officer, says the SDC will enable Sabah to catch up with the rest of the nation.

"The idea is to tap into the private sector's capacity, but it has also been recognized that in order to get the private sector to come in, we need to get the infrastructure in place and the investment climate properly developed. This is basically what we were doing during the first phase. The private sector is expected to come in at a later stage to provide sustainability."

He says the first phase, which ran from 2008 to 2010, attracted investor interest from Brunei, Middle Eastern countries, the United States, the United Kingdom, Australia, China, India, South Korea, and Japan. The SDC managed to secure a record 30.6 billion ringgit in investments, whereby 11.95 billion ringgit was realized, surpassing the target of 11.3 billion ringgit. Implementation of SDC projects generated new business and investment opportunities, and created tens of thousands of jobs – 32,900 in 2008, and 40,000 in 2009.

The ongoing second phase, from 2011-2015, will see accelerated economic growth with greater private investment and development of the state's human resources.

"During this phase, our main focus will be to attract private investment into SDC," says Dr. Yaakub. SEDIA will continue to implement outstanding SDC projects and carry out new ones, including entry point projects under the federal government's Economic Transformation Program.

By the end of phase two, tourism is expected to account for 10% of the state's GDP and the state should see the emergence of small and medium sized enterprises serving downstream manufacturing companies and agribusinesses producing value-added farming products.

By the completion of the third phase, from 2016 to 2025, it is hoped Sabah will have emerged as one of Malaysia's leading economic regions, particularly, in resource-based industries. Dr. Yaakub envisions Kota Kinabalu, the state capital, becoming one of the most liveable cities in Asia, a magnet for talent, capital, and companies.

"We have a unique value proposition and we are positioning ourselves as a preferred location for business, culture and nature," he says. "We are realistic about our potential, so we are working on the areas that we can leverage economically. It is very difficult even for other regions in Malaysia to say that they are like Sabah, and the same goes for our neighboring countries. This is the key element that we like to project."

"THE IDEA IS TO TAP INTO THE PRIVATE SECTOR'S CAPACITY, BUT IT HAS ALSO BEEN RECOGNIZED THAT IN ORDER TO GET THE PRIVATE SECTOR TO COME IN, WE NEED TO GET THE INFRASTRUCTURE IN PLACE AND THE INVESTMENT CLIMATE PROPERLY DEVELOPED."

YAAKUB JOHARI, President and CEO of Sedia

Plan highlights need to climb value chain

Five economic corridors have been created to attract investment, create job opportunities, widen business activities, and improve Malaysians' quality of life

In 2006, the government drafted the Ninth Malaysia Plan (9MP) to allocate funds to all economic sectors in Malaysia in order to move the economy up the value chain, encourage innovation for a knowledge-based economy, and improve quality of life.

Five economic corridors were created as vehicles for achieving balanced development, beginning with Iskandar Malaysia (IM) in Johor, followed by East Coast Economic Region (ECER), Sabah Development Corridor (SDR), Sarawak Corridor of Renewable Energy (SCORE), and Northern Corridor Economic Region (NCER).

Development of the five corridors is on schedule, according to government sources, and to date the government has fulfilled 75% of its budgetary commitment (RM 244.3 billion, or $79.6 billion). The remaining 25% will be continued under the 10th Malaysia Plan.

Each zone is administered by a separate authority and offers investment opportunities, as well as incentives, for local and foreign entrepreneurs alike. For example, investors in the ECER, which covers the states of Kelantan, Terengganu and Pahang as well as the district of Mersing in Johor State, enjoy a 10-year tax exemption, 100% investment tax allowance, and exemptions from import and export duties.

Although hydrocarbon-rich ECER was established in 2007 to attract oil and gas companies and petrochemical industries (the master planner for ECER is, after all, Petronas), a wide variety of activities are also being promoted. Indeed, ECER's master plan envisions the area's transformation into a major international and local tourism destination, an exporter of resource based and manufacturing products, a vibrant trading center and an infrastructure and logistics hub.

South of ECER, Iskandar Malaysia (formerly known as Iskandar Development Region and South Johor Economic Region) actively promotes shipping, electronics, tourism and real estate. Strategically located on the border with Singapore, IM is also ideally positioned to absorb run over from its costlier neighbor, although in practice Singapore and Iskandar complement each other rather than compete.

The state-of-the-art telecommunications, transparent public institutional framework, and dynamic knowledge-based clusters (including overseas campuses for Newcastle University, Marlborough College, and the University of Southampton) that IM boasts today all attest to the corridor's evolution since 2006.

"The progress that has been achieved so far in Iskandar Malaysia is highly laudable but it is just the beginning, with more key developments to be launched and many others over the duration of the region's 20-year development horizon," said Dato' Sri Mohd Najib bin Tun Abdul Razak, Malaysia's Prime Minister and Co-Chairman of the Iskandar Regional Development Authority.

Northwest of Iskandar and ECER is the Northern Corridor, which has identified public and private sector-driven projects in the key economic sectors of agriculture, manufacturing, tourism and logistics services. Already having proven its strength in these activities, NCER welcomes investors to tap into related projects and help move the sectors up the value chain. In agriculture, for example, the development plan calls for farmers to deliver better yields of high quality products, while in manufacturing, NCER aims to retain its lead by constantly reinventing itself through "Centers of Excellence".

The largest of the economic corridors, Sarawak Corridor of Renewable Energy was launched in early 2008. As its name suggests, the core focus of this area is on harnessing its renewables – namely hydropower – although coal and natural gas also play an important role as they are found in abundance in the region. Consequently, investors in SCORE enjoy competitively priced power to run their businesses.

SCORE has identified 67 different industries to be developed, of which 10 are considered priorities: aluminum, glass, steel, oil, palm oil, fishing and aquaculture, livestock, forestry, marine engineering, and tourism. These industries, which are being developed extensively through private sector participation, have the highest economic impact on the corridor as they take on an increasingly value-added profile.

EACH OF THE FIVE CORRIDORS IS POISED TO BECOME A PLATFORM TO ATTRACT MORE FOREIGN DIRECT INVESTMENT THAT CAN ACCELERATE MALAYSIA'S ECONOMIC GROWTH OVER THE NEXT DECADE

For more information on the Sabah Development Corridor, please refer to its featured article on the left.

Adding value key to further growth

Turning cocoa into chocolate, and extracting Vitamin E from palm oil are examples of how Malaysia's thriving agricultural sector can progress

Tan Sri Bernard Giluk Dompok, Minister for Plantation Industries and Commodities, enjoys a light moment at the Malaysian Cocoa and Chocolate Fair 2010

"WE WILL USE THE RESOURCES AVAILABLE TO US BECOME MORE DIVERSE, MORE KNOWLEDGE-BASED AND LESS DEPENDENT ON HARD LABOR. THAT'S THE CHALLENGE FOR US AS A SMALL NATION."

TAN SRI BERNARD GILUK DOMPOK,
Minister for Plantation Industries and Commodities

Palm oil has long been the backbone of Malaysia's agricultural sector but it currently faces serious market challenges because of issues surrounding sustainability, carbon emissions involved in production practices and social aspects. A hugely popular cooking ingredient throughout Africa, South America and all over Asia, palm oil is a highly saturated vegetable oil which contains no cholesterol.

The importance of palm oil to Malaysia cannot be overstated, with export earnings amounting to RM62 billion, and over one million Malaysians employed in the industry. Malaysia has a planted area of 4.9 million hectares of palm trees and is currently the world's largest exporter of palm oil and its second largest producer.

In 2010, Malaysia produced close to 17 million metric tons of palm oil and is exported to more than 100 countries globally. A transformation programme has been created for the Malaysian palm oil industry which aims to see a Gross National Income (GNI) of RM178 billion by the year 2020.

In order to achieve this target eight Entry Point Projects (EPPs) have been implemented in both the upstream and downstream sectors. In the upstream sector, the EPPs focus on accelerating replanting, increasing palm fruit yield per hectare, improving oil extraction rate and streamlining labor productivity.

The EPPs for the downstream sector will focus on the production of biogas at the palm oil mills – a gas produced by the biological breakdown of organic matter which can be used as a biofuel. The Malaysian government, particularly Tan Sri Bernard Giluk Dompok, the Minister for Plantation Industries and Commodities, is also looking into technologies which would allow them to extract extremely valuable vitamins and minerals from their vast supply of palm oil.

The Minister recently announced, "We have 17.6 million tons of oil, and there is vitamin E in oil. More than 99% is oil, but there is that one percent. If we can get that, the oil becomes a byproduct and the expensive vitamins will become an item that will bring in the money. That's an example of a transformation program we would use to transform the economy. We will use the resources available to us become more diverse, more knowledge-based and less dependent on hard labor. That's the challenge for us as a small nation."

As well as palm oil, the cocoa industry has made progress. Currently, Malaysia is the fifth largest cocoa processor in the world: commercial production dates back to the 1950s, while processing began in the 1970s. Over the years, the planting sector has slowed, but the processing sector (turning the raw material into cocoa butter, powder and chocolate) has seen tremendous growth.

Malaysian cocoa products are now exported to over 80 countries – and one the characteristics of Malaysian cocoa butter is its high melting point, which makes it perfect for chocolate products destined for warm countries.

In recent years another food product has also shown great promise on the export market – pepper. At present pepper prices are soaring, boosted by the tight global supply as farmers hold back their stocks in anticipation of higher prices. Pepper is grown predominantly in the state of Sarawak, which accounts for around 95% of local production. Annual production is approximately 25,000 metric tons of which 90% is exported.

But whether it is palm oil, rubber, pepper or cocoa, with the help of the MPIC, Malaysia's agricultural sector is flourishing as Tan Sri Bernard Giluk Dompok is keen to point out: "Malaysia is a nation that is part and parcel of the world economy. One of the reasons prices are going down is because of the economic crisis in Europe – we are affected by all this. We want to work with everybody and we look for greater co-operation from the rest of the world. We are very concerned with sustainable development and we are working towards ensuring that the three concerns of everyone in the world – people, planet, profit – are very important to us."

Back in 1972 the Ministry of Primary Industries (as it was then known) was initially only responsible for the development of tin ore and rubber, the two main commodities back in those days. The Ministry's role later expanded to include the development of other commodities such as palm oil, cocoa, forestry, minerals, pineapple and tobacco which also contributed to the country's burgeoning economy.

Over forty years later the Ministry was restructured and renamed as the Ministry of Plantation Industries and Commodities (MPIC). Under the new structure, the Pepper Marketing Board, formerly under the ambit of the Ministry of Agriculture, was included in MPIC while matters relating to forestry, mineral and geosciences were transferred to the Ministry of Natural Resources and Environment.

Today, Malaysia's Ministry of Plantation Industries and Commodities is responsible for the development of the plantation industries – namely palm oil, rubber, timber, cocoa, tobacco, kenaf, pepper and sago.

The main function of the Ministry is to formulate policies and strategies for the overall development of the plantation and commodity sectors, and to supervise departments and agencies under the ministry on financial management and implementation of development programs.

At present the MPIC is also exploring the development of new sources and areas for growth, including kenaf and jatropha cultivation which both have the potential to contribute towards the country's rapidly growing economy.

Palm oil as a model for sustainable growth

Finding equilibrium between business and environmental preservation has presented a challenge, but through great initiative Malaysia's palm oil industry is achieving the balance

DR. YUSOF BASIRON, CEO of MPOC

The Malaysian Palm Oil Council (MPOC) leads a host of initiatives to ensure a sustainable and balanced future for the industry, for growers reliant upon the crop, and for the environment itself. While the ecological effects of palm oil production have been the subject of debate for several years, Malaysia has much to be proud of in this regard, with 56% of its area under strict protection and set aside for conservation.

In addition, environmentalists claiming the previous loss of the natural habitat of animals such as the orang-utan and Borneo pygmy elephant, can now be assured that the MPOC is heading up various programs through its Malaysian Palm Oil Wildlife Conservation Fund (MPOWCF). For example, the fund is operating the country's first ever Wildlife Rescue Center. The MPOWCF also carries out projects and studies on wildlife, biodiversity and environmental conservation and the palm oil industry's effect on these.

The palm oil industry is the country's biggest cash crop, employing 560,000 workers directly, including 40% who are small farmers, while contributing 7.5% to Malaysia's gross domestic product.

Furthermore, palm oil production spins off into various other industries, thereby employing an even greater number of people. "Palm oil in Malaysia has been a true success story for societal advancement and poverty alleviation, ensuring that Malaysians are now able to build better, stronger and wealthier communities," explains Tan Sri Datuk Dr. Yusof Basiron, CEO of MPOC.

He believes international organizations would do right by focusing on both the positive impact the commodity has had on thousands of people and the potential it holds for contributing to a greener planet.

Meanwhile, conflicting studies certainly haven't helped palm oil's cause: while the U.S. EPA alleges that palm oil provides greenhouse gas reductions of just 17% compared to traditional diesel fuel (20% is the lower limit to qualify under the EPA's Renewable Fuel Standard), a Finland-based study by Neste Oil found that the reductions were in fact 52%.

"It is clear that the EPA decision represents an opinion, driven by domestic interests and the environmental lobby. This will deny the U.S. of a highly efficient and cost-effective source of renewable energy," laments Dr. Basiron.

What the CEO is referring to is palm oil's "unparalleled efficiency and productivity" as a biofuel. "Palm oil uses less land, energy, and fertilizer, and produces more energy per hectare than any other vegetable oil crop. Palm oil generates nearly 10 times the energy it consumes whereas soybeans found in the U.S. and South America generate only three times the amount, and European rapeseed only 2.5 times," he says.

With organizations like the MPOC looking out for the industry and the environment alike, Malaysia is in an excellent position to grow its economy sustainably.

Bouncing back

Strong prices, and international interest in eco-friendly produce, have helped Malaysia's rubber industry increase its exports by 30% last year

DATUK DR. SALMIAH AHMAD, Director General of the MRB

Established on 1 January 1998, the Malaysian Rubber Board (MRB) is a government body which oversees all aspects of rubber production and exporting in Malaysia. While it once comprised of a trinity of agencies – the Rubber Research Institute Malaysia (RRIM), the Malaysian Rubber Research and Development Board (MRRDB) and the Malaysian Rubber Exchange and Licensing Board (MRELB) – the separate bodies have now been merged into one.

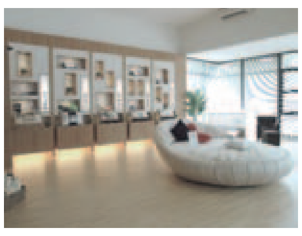
After a three decade slump, the Malaysian rubber industry is on the up once again, with rubber exports increasing by 30% to RM32 billion last year. Datuk Dr. Salmiah Ahmad, the Director General of the MRB recently stated that "We've seen more enquiries and a renewed interest in rubber," and estimated that around 5,000 hectares of oil palm estates and small holdings were converted to rubber plantations in 2010.

"R&D (Research and Development) is our main focus, and when we talk about it, we look at all the sectors that are within the rubber industry... our strategy is to produce high value-added products, and to supply a high value raw material that can be used to produce high value materials. We anticipate people wanting green materials in the future. So we will supply the green raw material to all these countries."

Today, the Malaysian rubber industry produces a broad range of products from natural rubber including latex products, tyres and tubes, industrial and general rubber products, and footwear as well as rubber wood products. The country remains the world's leading producer and exporter of natural rubber medical gloves, catheters and latex thread.

Malaysian rubber synonymous with sleep

Getha's world-class mattresses do wonders in promoting Malaysian rubber



Getha's Sleep Therapy Centers offer "food" for all five senses

Some of the world's best mattresses hail from Europe, from the U.S., and from…drum roll… Malaysia. Surprised? Considering rubber is one of Malaysia's main products and latex comes from rubber, it makes good sense. Specifically, Malaysian manufacturer Getha creates extremely comfortable, supportive yet resistant, and simply luxurious mattresses.

"We are using Malaysia's natural heritage: rubber," explains Mei Yong, VP of Operations. "We don't compromise by using Thai or Indonesian rubber, which are cheaper. We remain true to our roots and we have done that from the beginning."

Established in 1969 as an original equipment manufacturer, award-winning Getha has only been around as a brand for 10 years. Since then, it has become highly marketing and branding oriented, choosing its markets and retailers carefully to avoid price slashing in places like Singapore or China, while maintaining a reputation for quality both at home and abroad.

"We control our prices and protect our customers," says Ms. Yong, who adds that Getha also raises awareness of the quality of Malaysian rubber domestically. "We want Malaysians to realize that homegrown brands are good enough, and better than many others."

One of Getha's more interesting marketing moves has been to open a small chain of unique Sleep Therapy Centers.

"Nowhere in the world is there a center like ours. We are trying to promote the five senses – when you walk in here, we'd like you to feel and touch things, smell it and hear soothing music. We want to create an experience for our discerning shoppers," says Ms. Yong.

Paradise found

Malaysia offers visitors – among them scuba-divers, golfers, foodies, Formula One fans, eco-tourists and those who just want to lie on a beautiful beach – a unique blend of modern sophistication and timeless Zen-Buddhist tranquillity

According to the United Nations World Tourism Organization (UNWTO), in 2010 a total of 24.58 million people visited Malaysia – making it the ninth most popular destination on the planet. Those visitors are staying longer, and spending more, helping make tourism the country's second largest industry (after manufacturing).

The sector has been growing steadily since 2000, with international arrivals increasing by 9% per year. By 2020, it is expected 36 million tourists will visit each year.

The domestic travel sector is also thriving, registering an average growth of 20%. A choice of accommodation (i.e. excellent value-for-money five-star hotels, alongside traditional style family run guesthouses), better infrastructure (especially the development of several regional as well as the eight state-of-the-art international airports), increased GDP and fuller employment, have also seen domestic tourism figures rise.

In 2009 for example, revenue reached RM25.98 billion, an increase of 23% compared with 2008. That same year, 90.5 million visitors enjoyed the country's local tourist destinations (beautiful Sarawak, the astonishing Batu Caves, Genting Highlands, Cameron Highlands, the paradise islands of Langkawi, Kota Kinabulu), compared with 63.3 million the previous year.

The city of Kuala Lumpur (or KL) now hosts over 12 million domestic visitors annually, and was also the No.1 destination among foreigners. KL's allure lies in the fact that it is an ultra-modern city that has managed to retain its original charm. Colonial wooden buildings on stilts co-exist with stunning skyscrapers, and KL's Chinatown district is among the world's most vibrant.

The city – which offers unrivalled museums and first class shopping opportunities (in particular for electronic goods) – is best viewed from the top of the Petronas Towers, until recently the tallest buildings in the world. As the *Lonely Planet* guide says, "Beautiful heritage, stunning modern architecture, delicious streetside meals, masses of markets and malls, and an engaging mix of cultures wait to be discovered in KL..." No wonder so many overseas visitors are choosing it as a second home.

The current healthy state of tourism is the result of long-term planning: government programs such as 'Malaysia, Truly Asia' (1999) contributed to a growing awareness of what the country had to offer. Cognizant of the growing trend for ecotourism, the Government more recently launched a campaign called 'Malaysia Green, Malaysia Clean'.

This initiative has attracted, among others, those interested in diving, and Malaysia is fast becoming one of the world's leading destinations for enthusiastic divers. The incredible bio-diversity of marine life (hammerhead sharks, barracudas, turtles, Frogfish, Ghost Pipefish) coupled with copious wrecks, undisturbed coral reefs, and clear warm waters, keep divers coming back. The country's dive centers are numerous, well equipped and certified by all the internationally recognized agencies (PADI, SSI and SSAC).

Malaysia's islands are equally fascinating. Penang, where the British first established a foothold, boasts elaborate colonial architecture as well as a notable Chinese influence. The island's main center of Georgetown has several noteworthy sites, and once again the bewildering mix of biodiversity yields pristine beaches on the north coast, jungle in the interior and a breathtaking new national park on the northwest headland.

Visitors wishing to escape the heat usually head for The Cameron Highlands in the center of the Malay peninsular. The Highlands, a series of hill stations at 5,000 to 6,000 feet, were established by the British during colonial rule. This fertile area is the heart of Malaysia's tea industry and offers calming shaded gardens, jungle trekking and ice cold waterfalls.

In stark contrast, the Formula One program in Sepang attracts those seeking a very different kind of high-octane experience. However, it has been noted that these visitors are extending their stays, doubling up on Formula One/golfing packages, and bringing an estimated RM 200m to the economy per year.

Indeed, Malaysia is rapidly emerging as South East Asia's golfing haven. With nearly 200 golf courses, Malaysia has bloomed as the ideal destination for combining a memorable vacation with a few exciting rounds of golf. "Whether one chooses to tee-off in the cool highlands, amidst lush greenery or by the fringe of the South China Sea, one can do so in superbly-designed, international standard golf courses" (*Golfworld*).

Malaysian food is most certainly a factor in people extending their visits, or planning returns. The cuisine is astonishing in its variety – with Malay, Chinese, Indian, Thai, Indonesian and Portuguese influences – and in its use of fresh ingredients, seafood and aromatic herbs and spices. Popular Malaysian dishes include satay, nasi lemak, rendang, roti canai, murtabak, laksa, chicken rice, and fried noodles. The standard – even at roadside bazaars – is superb, and prices, like much else in this increasingly popular but as yet unspoilt paradise, are very attractive.

Malaysia now ranks in the world's top ten tourist destinations

The Malaysian Grand Prix at Sepang attracts nearly 120,000 spectators

A variety of influences have helped create a unique – and delicious – local cuisine

Kuala Lumpur's best address

One name truly stands out in Kuala Lumpur's property market: KLCC (Holdings) Sdn Bhd (KLCCH), trendsetter, pace setter and agent of luxury

Amenities and facilities at The Binjai at the Park are first rate

Owner of the iconic PETRONAS Twin Towers and developer of Kuala Lumpur City Center project (one of the largest real estate developments in the world), KLCCH is a trendsetter, further adding style and elegance to Malaysia's vibrant capital city.

One of KLCCH's newest and most luxurious projects is The Binjai on the Park, a residential property set on the edge of the lush 50-acre KLCC Park. Commanding excellent views of the PETRONAS towers, The Binjai's 44 and 45-storey residential towers offer the finest freehold accommodations and facilities, including a swimming pool, a gymnasium, tennis and squash courts, broadband Internet, concierge services, and an integrated security system.

"People buy at The Binjai as a trophy asset, rather than as a second or retirement home," says Hashim Wahir, CEO at KLCCH. "Buyers come from all over: from the U.K., Hong Kong, Canada, the Middle East, and Malaysia, to name a few. However, the most important vision about the KLCC master plan is that we are not touching the park. The park is sacred. This helps make The Binjai unique – it has the park on its doorstep."

The company's other distinctive properties in Kuala Lumpur include the five-star Mandarin Oriental Hotel, Suria KLCC (a landmark shopping center located at the base of the PETRONAS towers) and various office buildings. Focusing on quality rather than quantity, KLCCH's addresses do not come cheap. Mr. Wahir says that his properties are 20 to 30% above the market in rental rates for the area.

"The reason is not only location, but because we built quality offices integrated with infrastructure. The city center is where people can live, work, relax, enjoy and play. It is also well connected in terms of transport from here to the airport," he explains.

KLCCH's select properties can also be seen outside the capital city. For example, to help Malaysia in its efforts to shift population southwards to Putrajaya, the new administrative seat of government, KLCCH is building homes and has even brought in Heriot-Watt University (U.K.) to set up a campus here, through Putrajaya Holdings, in which KLCCH holds a majority share.

The place to stay in the capital

JW Marriott Kuala Lumpur aims to ensure that every guest leaves satisfied

Kuala Lumpur's 5-star deluxe JW Marriott Kuala Lumpur set new standards in hospitality when it opened its doors in Malaysia's capital in 1997, and has continued to redefine quality with the years.

Located in the heart of the city's business and shopping district, within the exciting Golden Triangle on Bintang Walk, the hotel's 561 well-appointed guest rooms host holidaymakers and business travelers alike, offering spacious designs with top quality facilities.

Guest rooms at JW Marriott Kuala Lumpur offer comfort and convenience

JW Marriott is the ideal venue for hosting business meetings. The hotel has 22 meeting rooms, a Business Center, and the 888 square meter Mayangsari Grand Ballroom – as well as fitness, spa and recreational facilities.

Culinary delights await every discerning guest's palette, with dining options ranging from Starhill Gallery's Feast Village to Shanghai, the hotel's premier restaurant and the only Chinese establishment in KL that specializes in superb Shanghainese cuisine.