



Ministry of International Trade and Industry

Weekly Bulletin

DRIVING TRANSFORMATION, POWERING GROWTH

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Congratulation

**Prime Minister of Malaysia, Datuk Seri Najib Razak
has been conferred Bahrain's highest award :
King Hamad Order for Development
15 December 2017**



Merry Christmas & a Happy New Year 2018 From Minister of International Trade and Industry



I would like to wish all MWB readers a Merry Christmas and a Happy New Year. This is always a hopeful time of the year, as we celebrate the end of one year and the beginning of another.

We shall begin this new year by reminiscing the blessings and our achievements as the fruits of all the hard work and challenges we endured throughout 2017.

A major milestone achieved in 2017 was the launch of the Digital Free Trade Zone (DFTZ) with almost 2,000 Malaysian SMEs onboard the Alibaba platform, surpassing the initial target of 1,500 SMEs. This is the world's first DFTZ outside of China which merges physical and virtual zones, with additional online and digital services to facilitate eCommerce and invigorate internet-based innovation. Through the DFTZ, we aim to position Malaysia as a regional hub for eCommerce logistics and the preferred gateway of choice for global brands and marketplaces into ASEAN.

Malaysia continued to register a trade surplus for 240 months consecutively. We have also improved our ranking in the Global Competitiveness 2017 – 2018 Report to 23rd from the 25th position in the previous report.

I foresee that 2018 will be another interesting and challenging year. The biggest challenge for our industries lies in embracing transformation and our immersion in Industry 4.0. Disruptive technologies continue to pose challenges and change is the only constant. MITI will redouble our efforts to work hand-in-hand with SMEs in preparing and facilitating them to address these challenges for which a budget of RM22.2 billion has been earmarked for SMEs development in 2018.

In celebrating the spirit of giving and receiving during this Christmas season and taking a step into a new year, we should reflect all the blessings endowed upon us as a nation. What we enjoyed today reflects the beauty of diversity, tolerance and great values shared among Malaysians in making our country stronger and more prosperous. Above all, we must continue to strengthen empathy in the workplace so that we have a workforce that is motivated, inclusive and no one is left behind.

Let's welcome 2018 with openness and a willingness to transform towards greater prosperity. Wisdom instilled through lessons and experience in previous years will equip us with substantial knowledge, determination, courage and tenacity to face and overcome the many 'disruptive' challenges of the years to come.

Dato' Sri Mustapa Mohamed
Minister of International Trade and Industry, Malaysia





MEDIA RELEASE

MINISTRY OF FINANCE MALAYSIA PRESS RELEASE BY MENTERI KEWANGAN II MALAYSIA'S INTERNATIONAL RESERVES (2013-2015)

1. I refer to an allegation by Tun Mahathir recently in a video posted on YouTube that Bank Negara Malaysia (BNM) lost USD39.6 billion between the period 2013 and 2015 in managing the country's international reserves. This allegation has caused much consternation among the public and I wish to set the facts right.

2. The so-called USD39.6 billion loss as alleged was actually an amount that reflected the decline in international reserves due to outflows of foreign funds from Malaysia and not losses due to forex trading. These outflows were due to concerns over weak global growth prospects, anticipation of monetary policy normalization in the US and the sharp decline in global oil prices. During this period, capital outflows were not only unique to Malaysia but also affected other emerging markets including Indonesia, Philippines, Singapore, Thailand, India, China, South Korea and Taiwan.

3. All these external factors practically pushed foreign investors to liquidate their investments in our stock and bond markets. This in turn led to greater demands for the USD vis-à-vis the ringgit when foreign investors converted such funds into the USD and repatriated the same to their respective countries. During this period, BNM provided USD liquidity to foreign investors in exchange for the ringgit and this was certainly different from the heavy speculative forex trading activities undertaken in the early 1990s.

4. The current reserve management system by BNM has worked remarkably well and the financial markets were orderly and stable notwithstanding the large capital outflows. Given our solid fundamentals, the decline in reserves during the period 2013-2015 had no material impact to the functioning of the Malaysian economy as well as the financial position of the central bank. In fact, BNM continues to record healthy net profits throughout the period unlike in 1993 when a net operating loss was recorded due to speculative forex trading activities.

5. I must stress that international reserves remain as a crucial buffer against external shocks and is essential in maintaining stable operating environment in the domestic economy. Since then, Malaysia's international reserves has been on the increase. As at end November 2017, our international reserves stood at USD101.9 billion and is sufficient to support 7.5 months of retained imports. The current amount of reserves is five times larger than the USD21.7 billion recorded in 1997 which can only support 3.4 months of retained imports.

6. The insinuation made in the video that BNM had been negligent in managing international reserves during period 2013-2015 was not only reckless but was also an attempt to undermine BNM's institutional mandate to safeguard the economic and financial stability of the nation by creating doubts and misperception among the general public. Instead falling for such ruse which could potentially divide us further, it would be in the best interest of all Malaysians that we work together to engender a robust and sustainable economy for the benefit of our future generation.

DATUK SERI JOHARI ABDUL GHANI
MENTERI KEWANGAN II
Putrajaya
19 DECEMBER 2017

MALAYSIA

Labour Market, October 2017

Labour Force

Oct 2017 : 15.09 mil
 Oct 2016 : 14.77 mil
 2.2%



2.3%



EMPLOYMENT

Oct 2017 : 14.58 mil
 Oct 2016 : 14.25 mil



UNEMPLOYED

Oct 2017 : 0.508mil
 Oct 2016 : 0.511mil

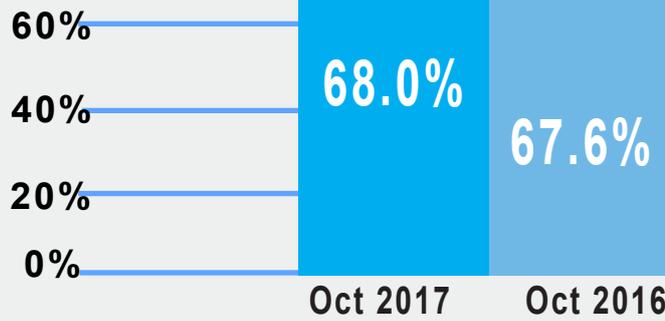
0.6%



Labour Force Participation Rate



0.4%



Notes :

Labour force participation rate is defined as the ratio of labour force to the working age population, expressed as percentage.

Unemployment Rate*, Jan 2016 - Oct 2017



NOTE: *Unemployment rate is the proportion of unemployed population to the total population in labour force.

Source : Department of Statistics, Malaysia

Statistics on Women Empowerment in Malaysia, 2016

Malaysia Gender Gap Index (MGGI)

The score of 1.00 (100%) is defined as no gap between men and women

NOTE:

Economic participation and opportunity
 – outcomes on salaries, participation levels and access to high-skilled employment
Educational attainment
 – outcomes on access to basic and higher level education
Political empowerment
 – outcomes on representation in decision-making structures
Health and survival
 – outcomes on life expectancy and sex ratio

Economic participation & Opportunity
0.659

Educational Attainment
1.092



Health & Survival
0.957

Political Empowerment
0.061

Economic Participation & Opportunity

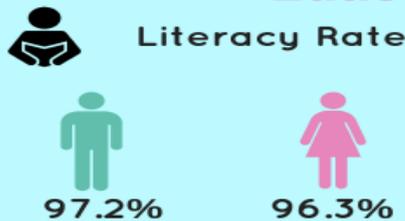


3 Industries with the highest participation of employed women



Note: LFPR- Labour Force Participation Rate

Educational Attainment



The difference in literacy rate for men and women for the age group 15-64 years is 0.9 percentage points



Health & Survival

Life expectancy at birth



Women are expected to live 4.7 years longer than men

AIDS



1 out of 5 infected persons with AIDS are women

Political Empowerment

Senate
22.4%



House of Representative
10.8%

Almost 11 out of 100 representative are women in the House of Representative

Cabinet Minister
8.6%



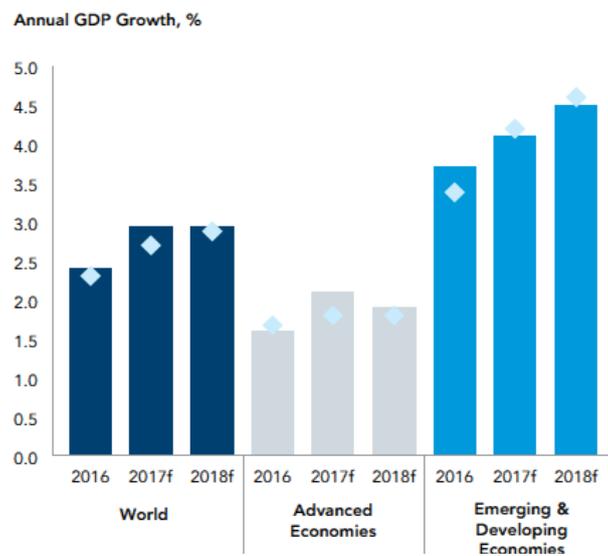
Deputy Minister
17.6%

Source : Department of Statistics, Malaysia

Economic outlook

With strong domestic and external demand, Malaysia's growth is expected to remain strong into 2018

Robust global growth is expected to continue into 2018



Source: World Bank staff calculations and projections
Note: Columns indicate current estimates

Consensus forecasts for Malaysia's growth have moved sharply upwards



Source: Consensus Economics and World Bank staff calculations and projections

GDP growth and contribution to growth

Growth Rates (y/y, %)

Contribution to GDP Growth (% points)

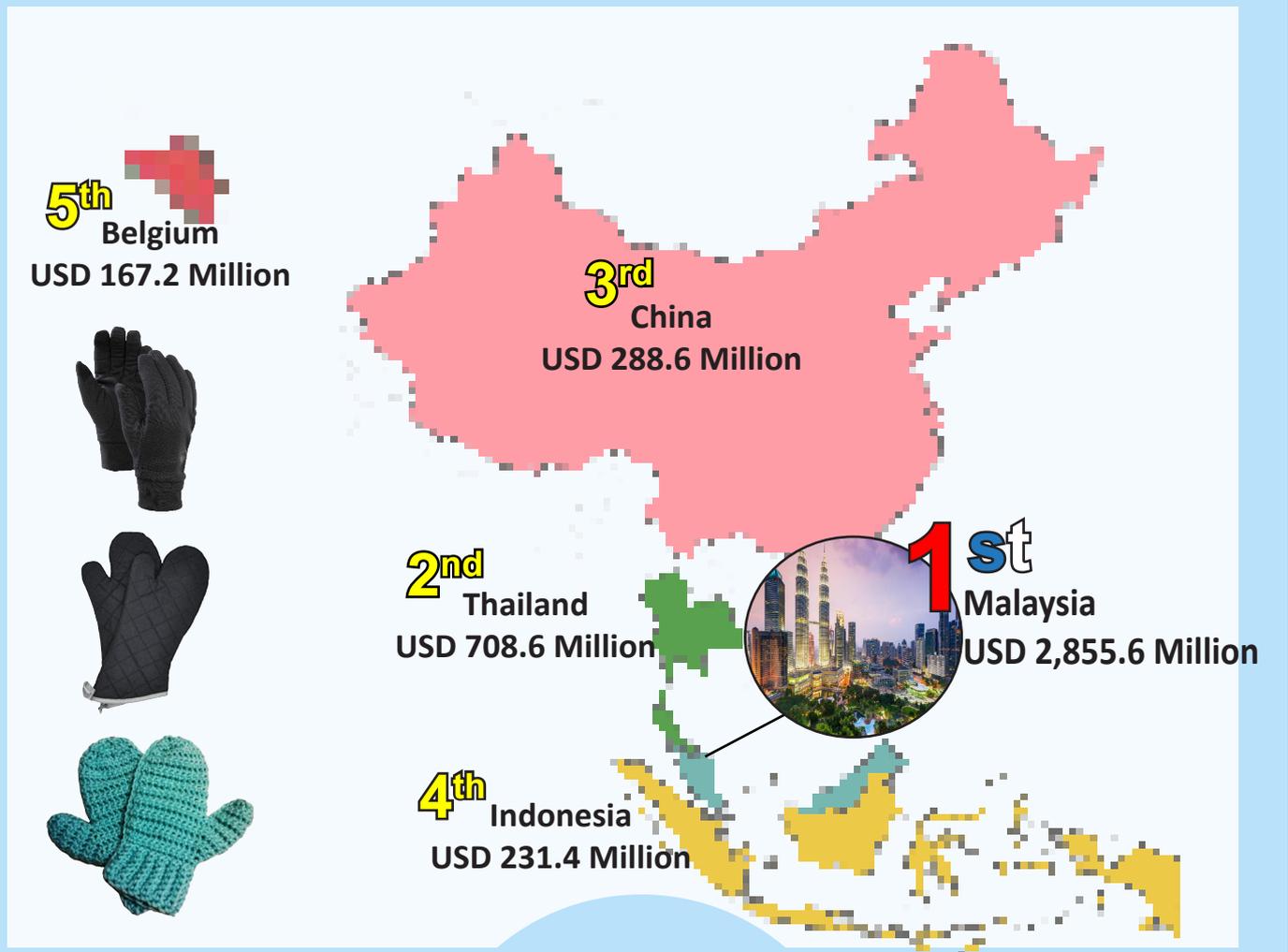
	2016	2017f	2018f	2019f		2016	2017f	2018f	2019f
GDP	4.2	5.8	5.2	5.0	GDP	4.2	5.8	5.2	5.0
Domestic Demand (including stocks)	4.5	6.4	5.7	5.2	Domestic Demand (including stocks)	4.1	5.8	5.3	4.9
Final Consumption	4.9	6.3	6.0	5.9	Final Consumption	3.2	4.2	4.0	4.0
Private Sector	6.0	6.9	6.6	6.5	Private Sector	3.1	3.7	3.6	3.6
Public Sector	0.9	3.7	3.3	3.3	Public Sector	0.1	0.5	0.4	0.4
Gross Fixed Capital Formation	2.7	6.8	4.9	4.5	Gross Fixed Capital Formation	0.7	1.7	1.3	1.2
					Change in Stocks	0.2	-0.1	0.0	-0.3
External Demand	1.5	-0.8	-0.7	1.4	External Demand	0.1	-0.1	-0.1	0.1
Exports of Goods & Services	1.1	10.2	4.1	3.9	Exports of Goods & Services	0.8	7.2	3.0	2.8
Imports of Goods & Services	1.1	11.7	4.7	4.2	Imports of Goods & Services	-0.7	-7.2	-3.1	-2.7

Source: World Bank staff calculations

Source: <http://www.worldbank.org/en/country/malaysia/publication/malaysia-economic-monitor-reports>

International Report

IN 2016, MALAYSIA WAS THE LARGEST EXPORTER OF GLOVES, MITTENS AND MITTS*



United States
USD 961.8 Million

1

TOP FIVE EXPORT DESTINATIONS

5

Brazil
USD 130.3 Million

2

Germany
USD 243.3 Million

4

United Kingdom
USD 131.1 Million

3

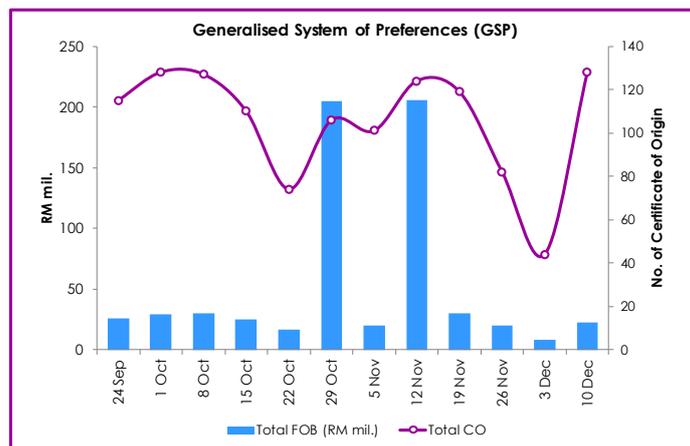
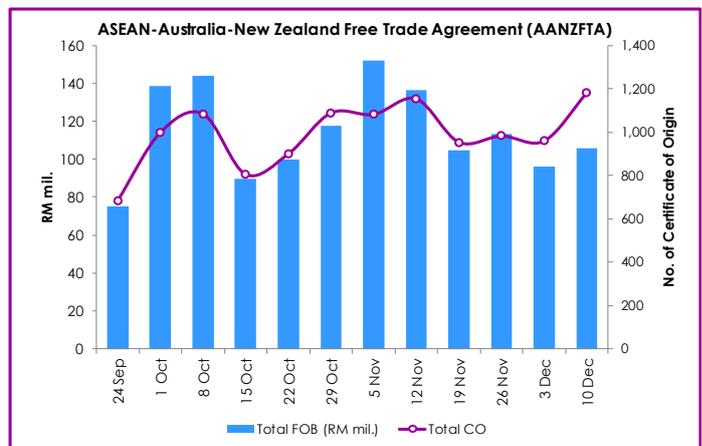
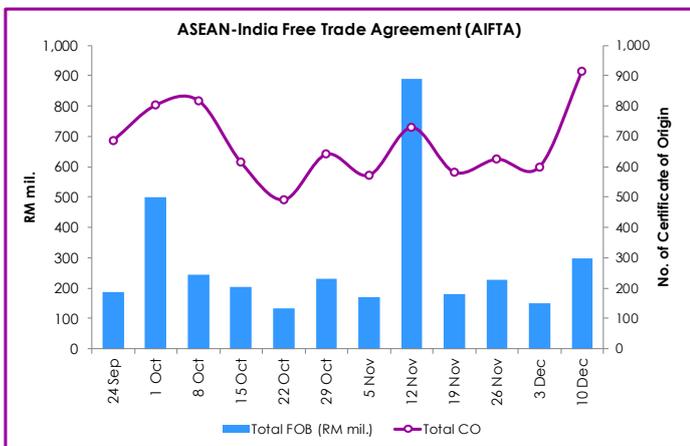
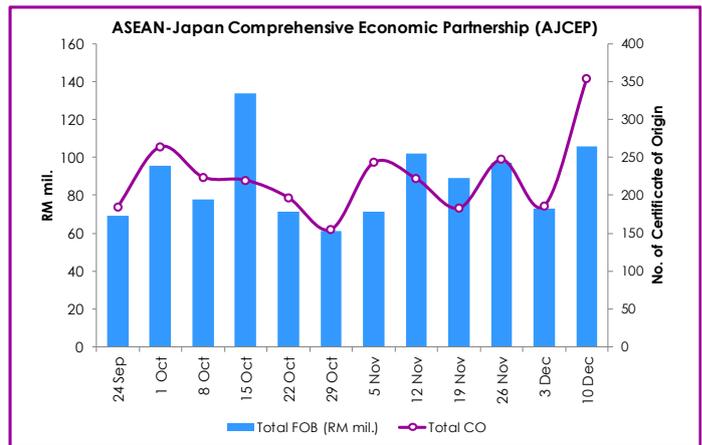
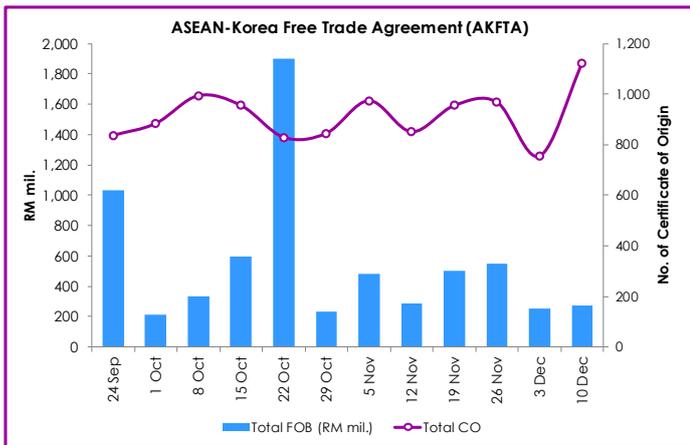
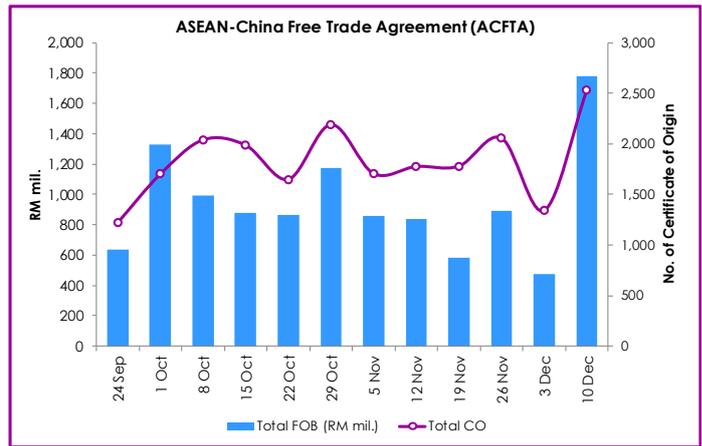
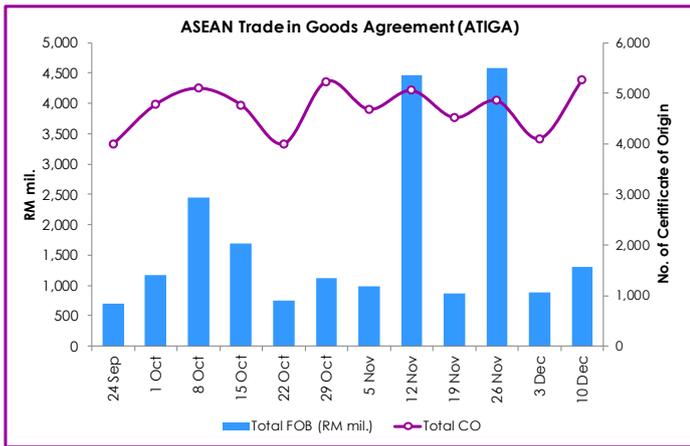
Japan
USD 186.6 Million

Notes : Data taken are from year 2016

* Refers to HS 401519

Source : <http://www.trademap.org/Index.aspx>

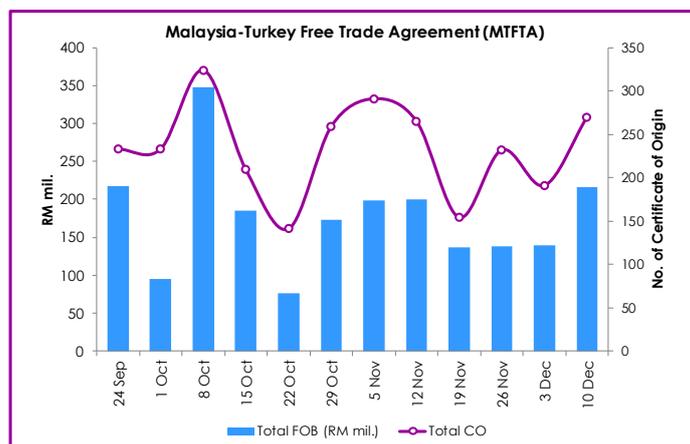
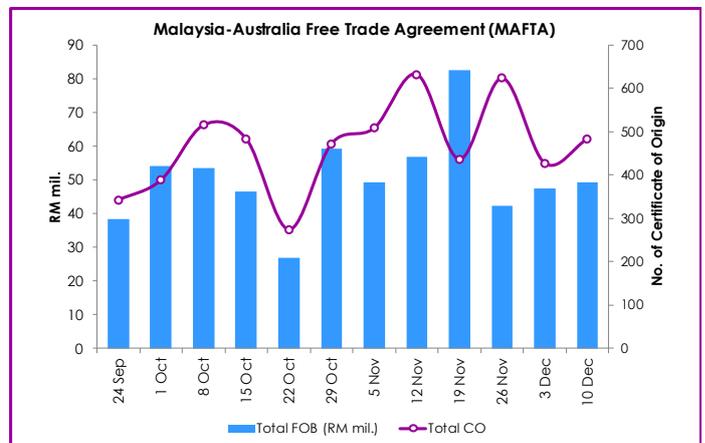
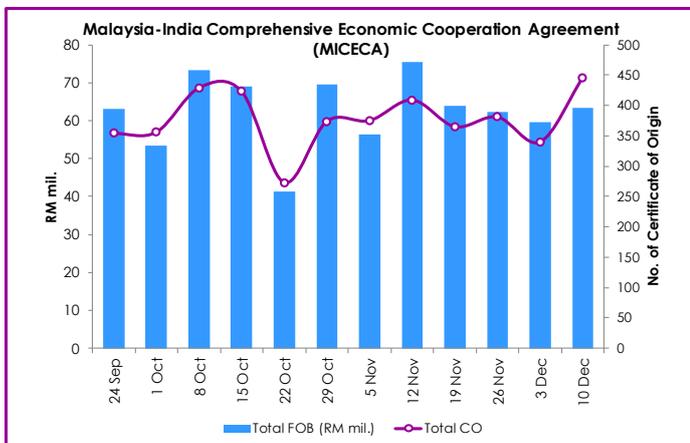
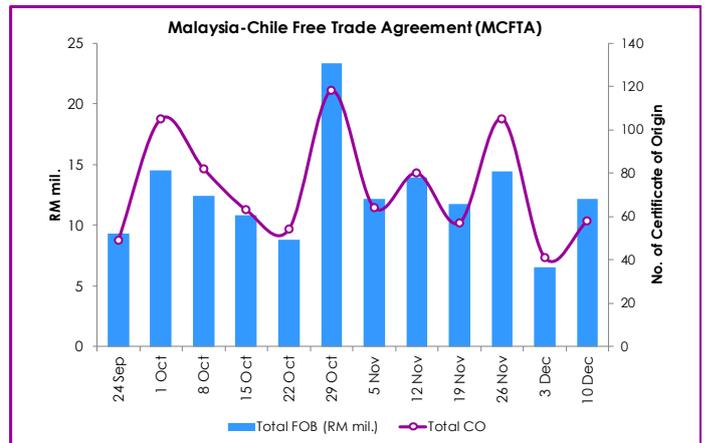
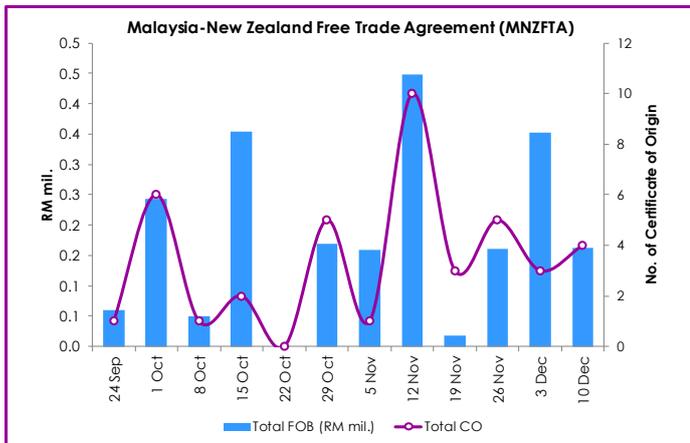
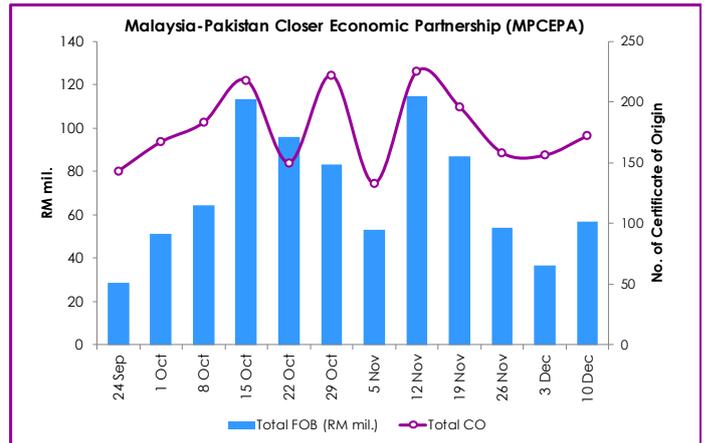
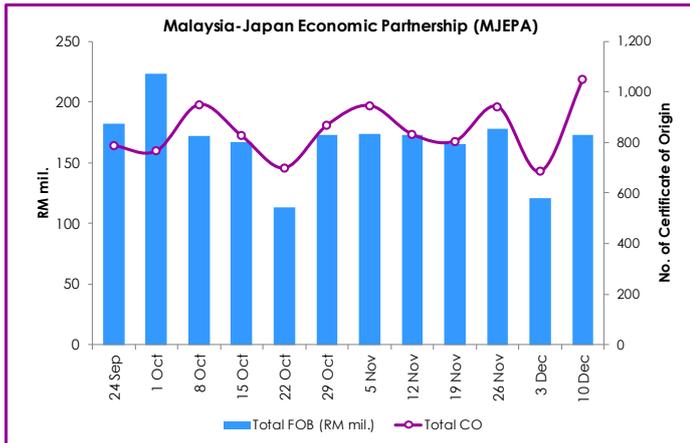
Number and Value of Preferential Certificates of Origin (PCOs)



Note: The preference giving countries under the GSP scheme are Liechtenstein, the Russian Federation, Japan, Switzerland, Belarus, Kazakhstan and Norway.

Note: *Provisional Data
Source: Ministry of International Trade and Industry, Malaysia

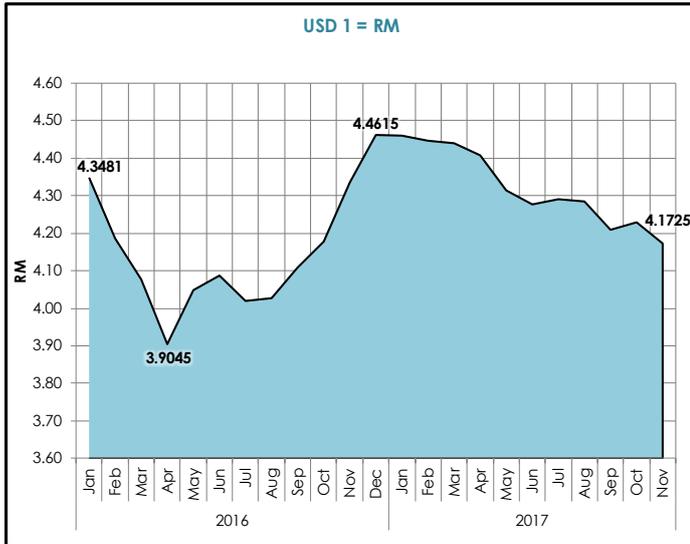
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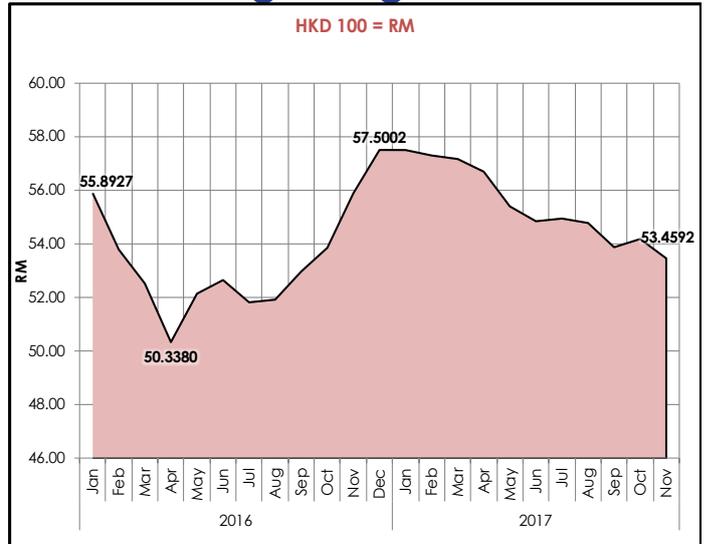
Note: *Provisional Data
Source: Ministry of International Trade and Industry, Malaysia

Malaysian Ringgit Exchange Rate with Selected Countries, January 2016 - November 2017

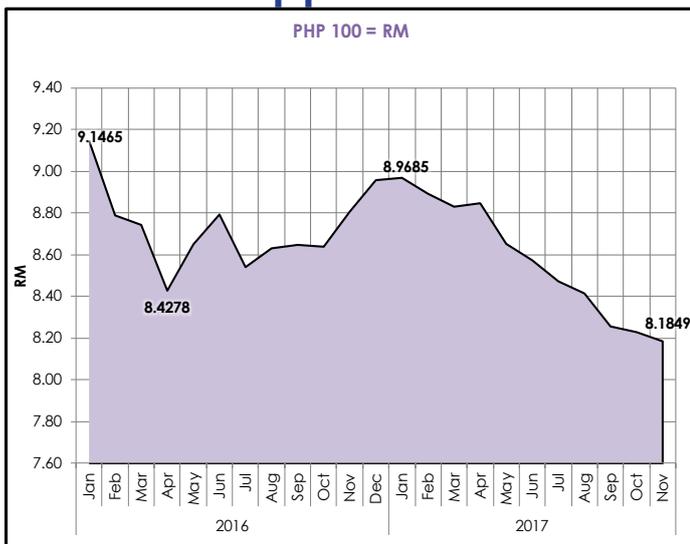
US Dollar



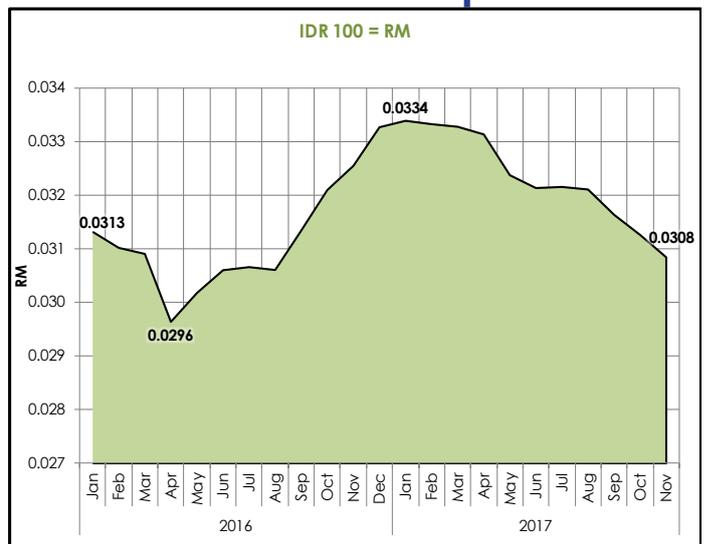
Hong Kong Dollar



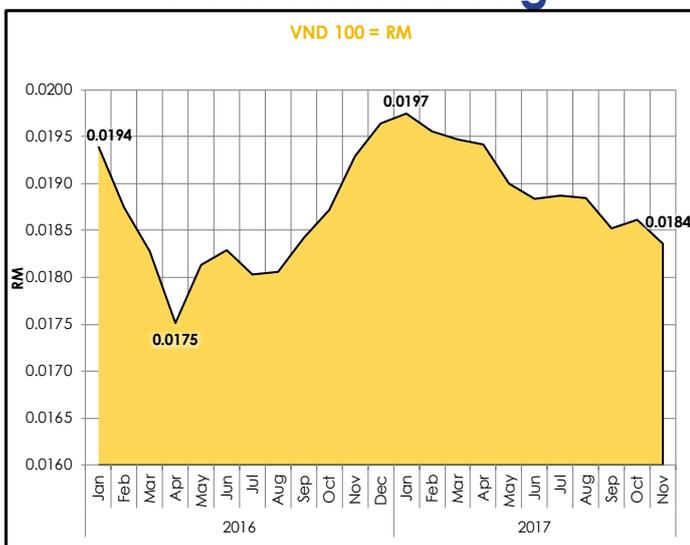
Philippine Peso



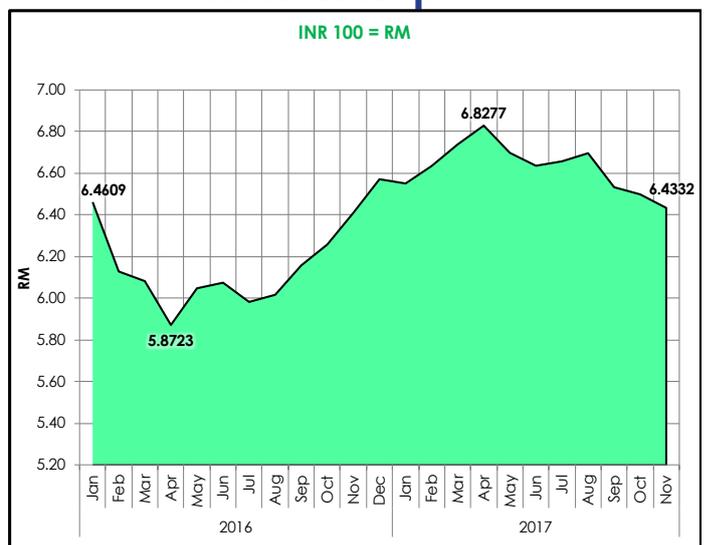
Indonesian Rupiah



Vietnamese Dong



Indian Rupee



Source : Bank Negara, Malaysia

Commodity Prices



CRUDE PETROLEUM (BRENT) -per bbl-

15 Dec 2017 : US\$63.2, ▼ 0.3%*
Average Priceⁱ: 2016: US\$45.3
2015: US\$53.6



CRUDE PALM OIL -per MT-

15 Dec 2017 : US\$676.5, ▼ 2.4%*
Average Priceⁱ: 2016: US\$702.2
2015: US\$616.9



SUGAR -per lbs-

15 Dec 2017 : US¢ 13.7, ▼ 2.8%*
Average Priceⁱ: 2016: US¢18.2
2015: US¢13.2

RUBBER SMR 20 -per MT-

15 Dec 2017 : US\$1,462.0, ▲ 3.2%*
Average Priceⁱ: 2016: US\$1,394.5
2015: US\$1,364.3



COCOA SMC 2 -per MT-

15 Dec 2017 : US\$1,320.6, ▲ 4.8%*
Average Priceⁱ: 2016: US\$1,609.8
2015: US\$2,077.0



COAL -per MT-

15 Dec 2017 : US\$65.0, unchanged
Average Priceⁱ: 2016: US\$45.6
2015: US\$49.9



SCRAP IRON HMS -per MT-

15 Dec 2017 : US\$350.0 (high), unchanged
US\$340.0 (low), unchanged
Average Priceⁱ: 2016: US\$243.2
2015: US\$239.6



HIGHEST and LOWEST 2016/2017

Crude Petroleum (Brent) -per bbl-



Highest

24 Nov 2017 : US\$63.9
30 Dec 2016 : US\$56.8

Lowest

23 June 2017 : US\$45.5
15 Jan 2016 : US\$28.9

Crude Palm Oil -per MT-



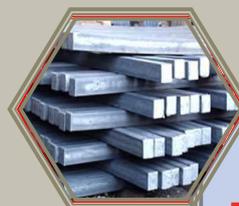
Highest

20 Jan 2017 : US\$843.0
30 Dec 2016 : US\$797.5

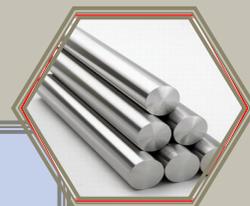
Lowest

30 June 2017 : US\$650.0
15 Jan 2016 : US\$545.5

Domestic Prices 15 Dec 2017



Billets
(per MT)
RM2,200 – RM2,300



Steel Bars
(per MT)
RM2,550 – RM2,700

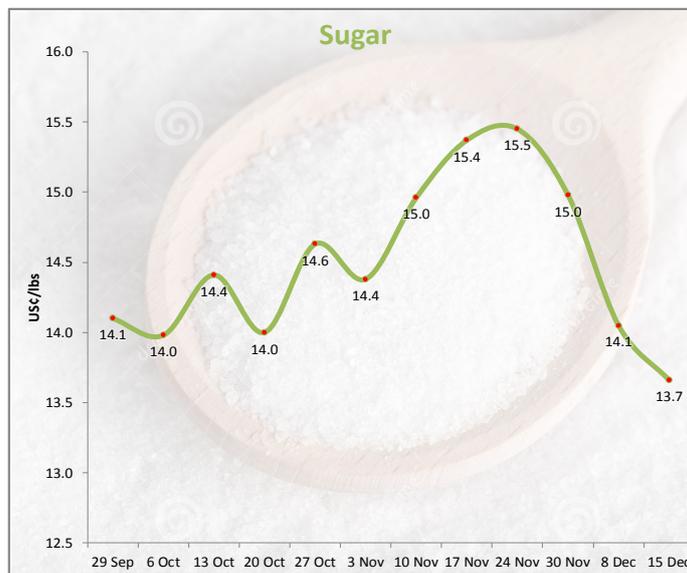
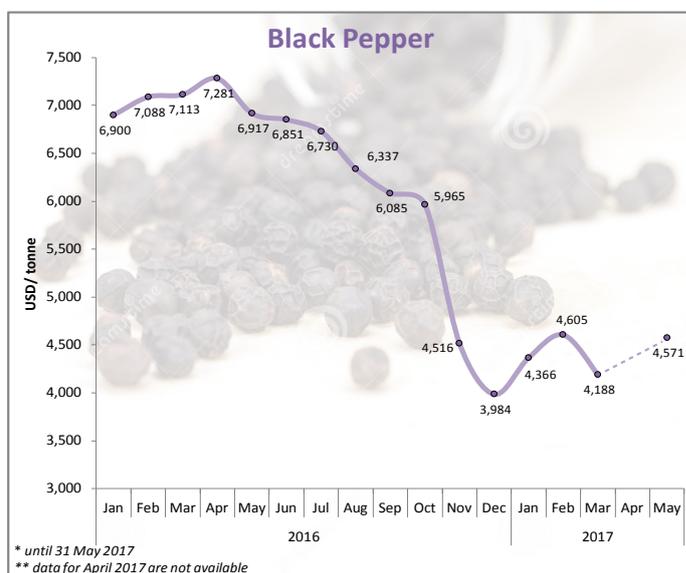
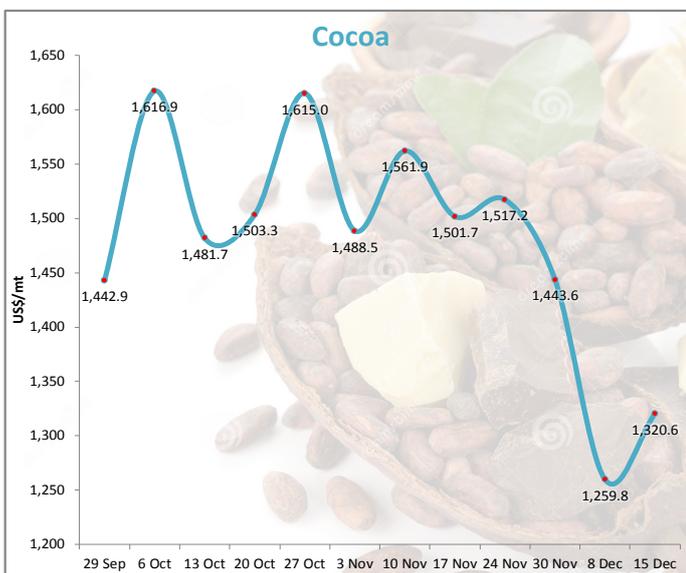
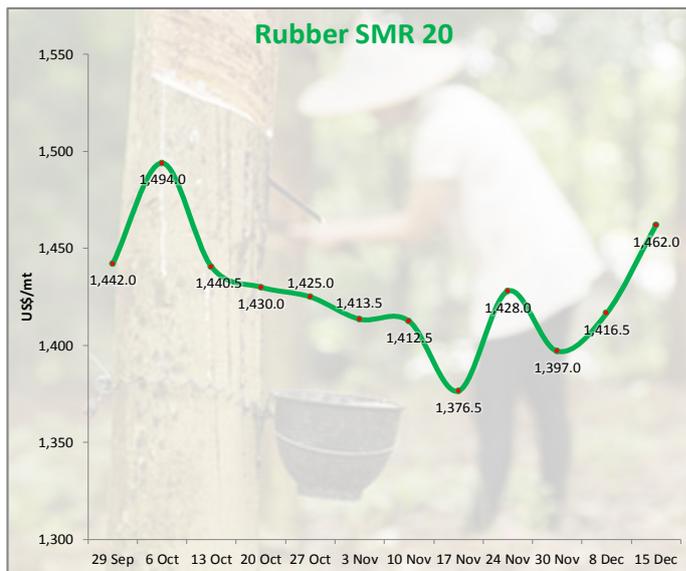
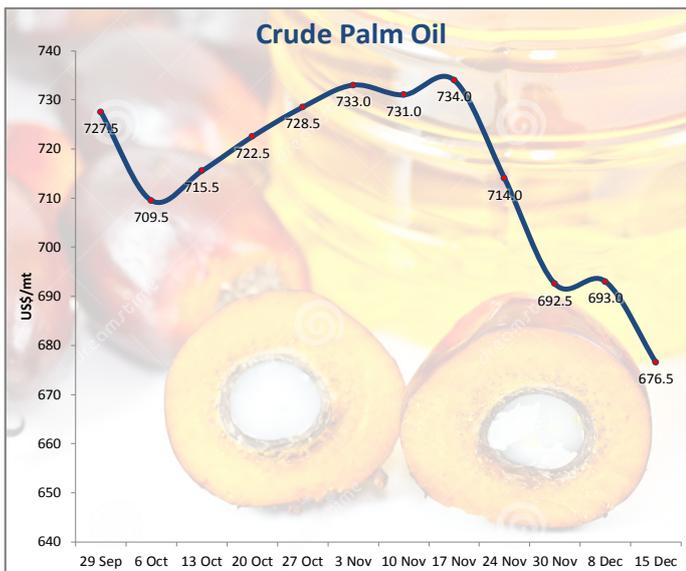
Notes: All figures have been rounded to the nearest decimal point

* Refer to % change from the previous week's price

ⁱ Average price in the year except otherwise indicated

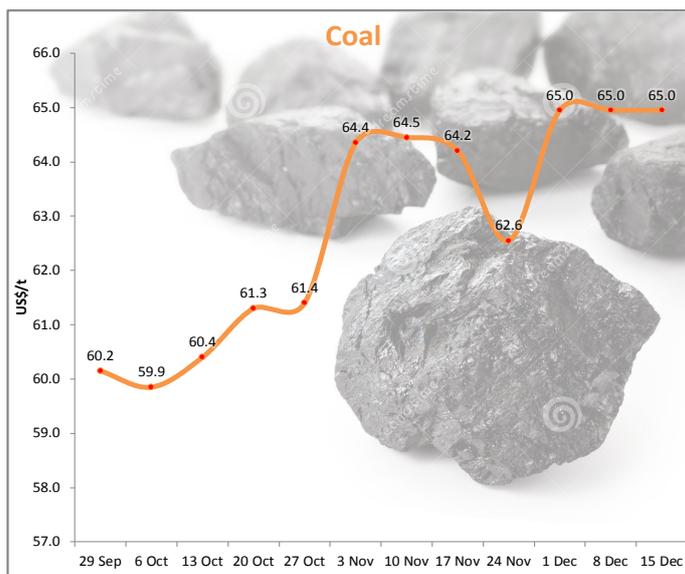
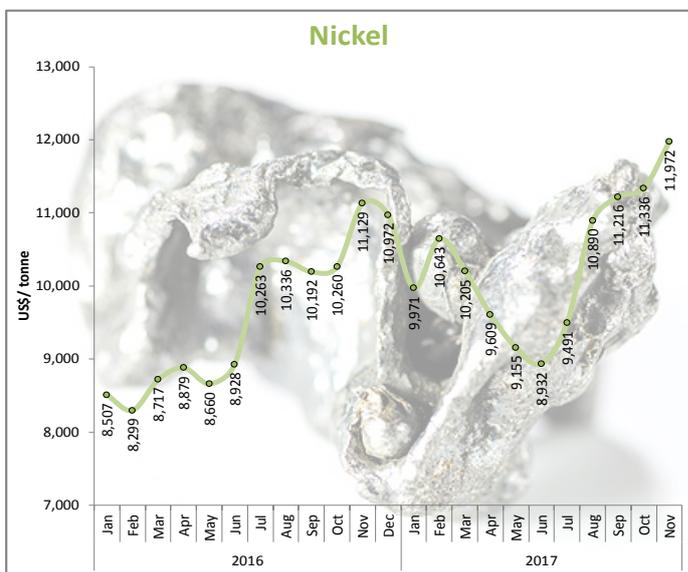
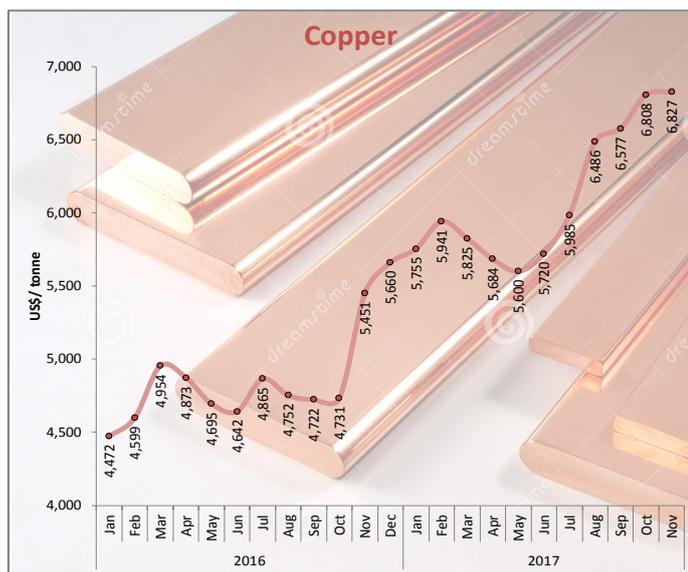
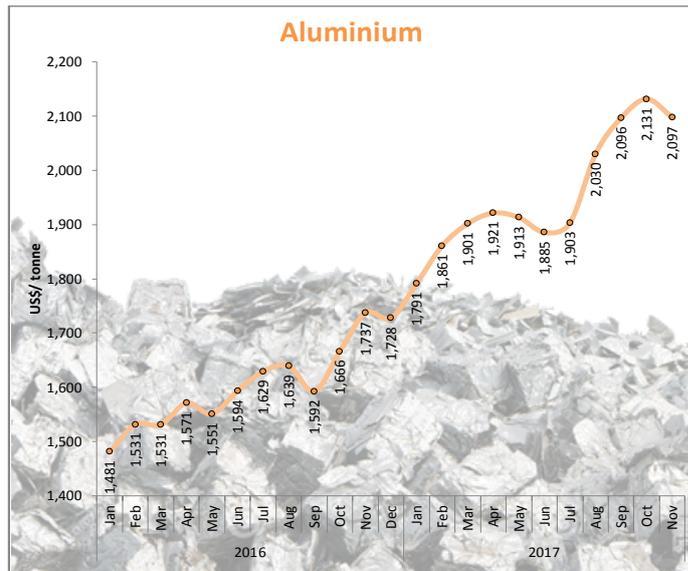
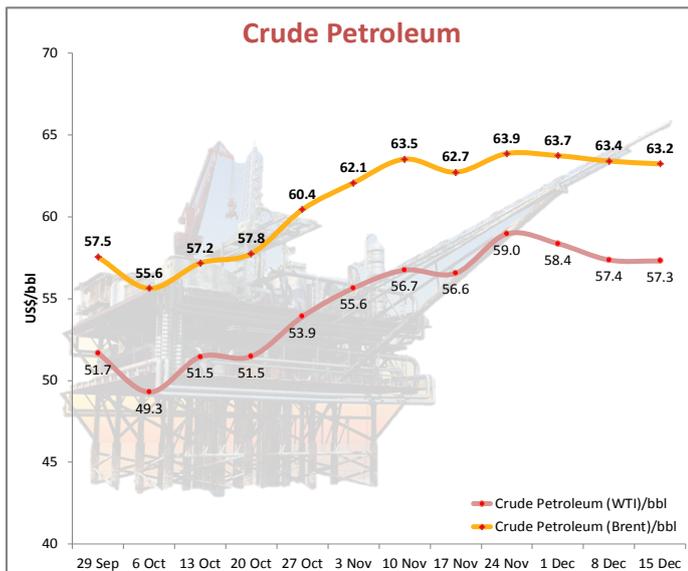
Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Iron and Steel Industry Federation, and Bloomberg.

Commodity Price Trends



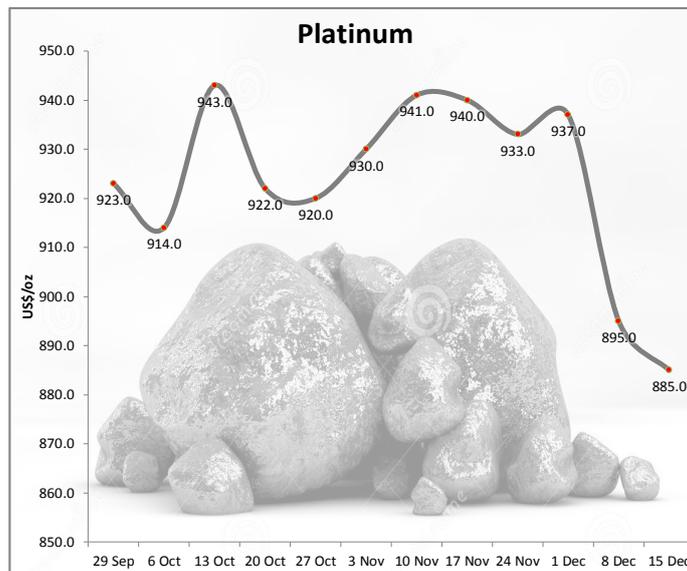
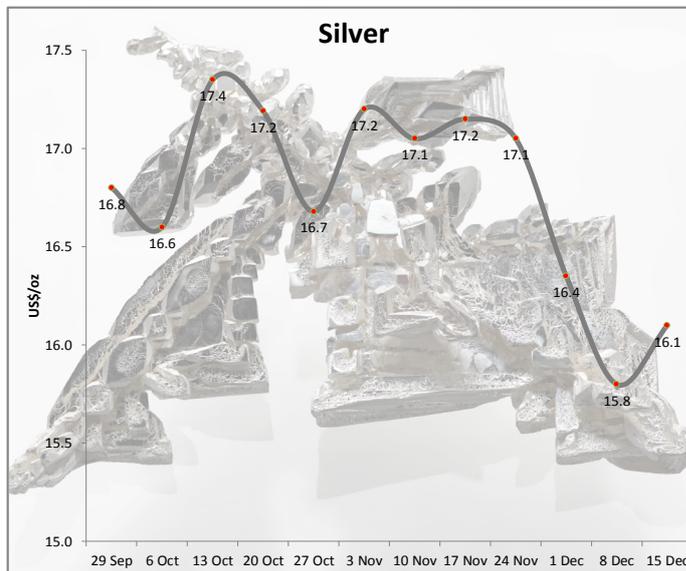
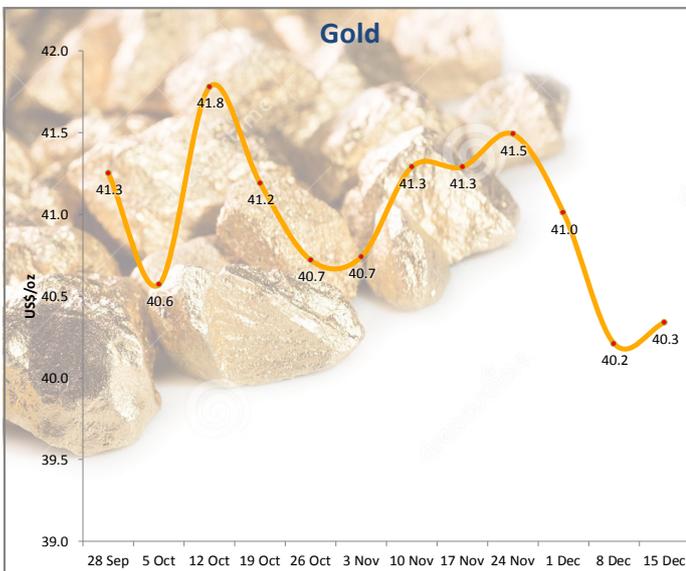
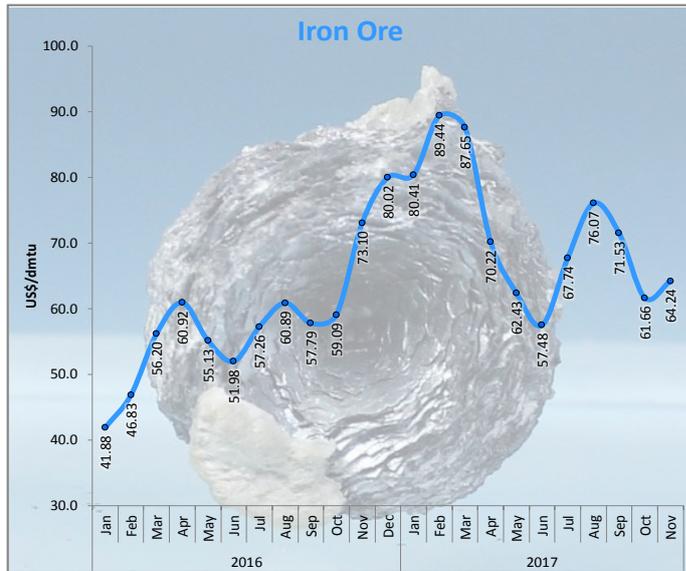
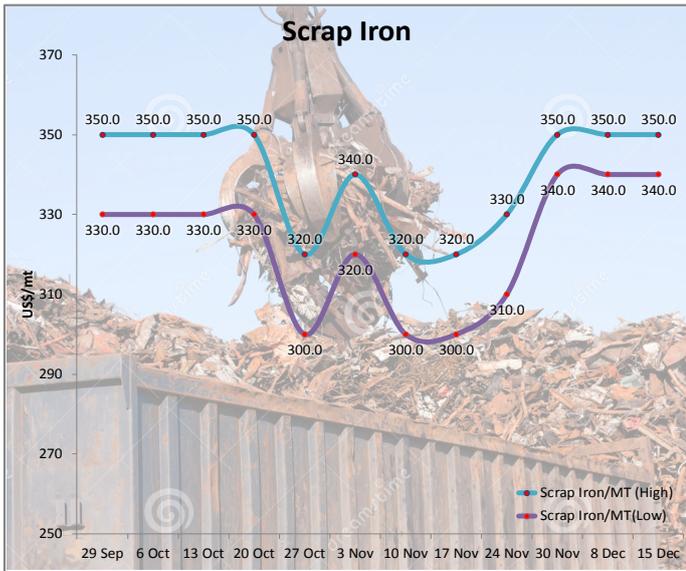
Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Pepper Board, Bloomberg and Czarnikow Group, World Bank, World Gold Council, The Wall Street Journal.

Commodity Price Trends



Sources: Ministry of International Trade and Industry Malaysia, Malaysian Iron and Steel Industry Federation, Bloomberg and Czarnikow Group, World Bank, World Gold Council, The Wall Street Journal.

Commodity Price Trends



Sources: Ministry of International Trade and Industry Malaysia, Malaysian Iron and Steel Industry Federation, Bloomberg and Czarnikow Group, World Bank.

MITI PROGRAMME

Minister MITI Official Working Visit to Sri Lanka 17 December 2017





MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

MEDIA RELEASE

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) IN THE WTO

1. Malaysia on 11 December 2017 joined 55 other WTO Members in calling for the establishment of a Work Programme for Micro, Small and Medium Enterprises (MSMEs) in the WTO.
2. The other countries who supported this initiative are: Afghanistan; Albania; Antigua and Barbuda; Argentina; Australia; Bahrain; Belize; Brazil; Brunei Darussalam; Canada; Chile; China; Colombia; Costa Rica; Dominica; the Dominican Republic; Ecuador; El Salvador; the European Union; Grenada; Guatemala; Hong Kong, China; Honduras; Iceland; Israel; Japan; Kazakhstan; Kenya; the Republic of Korea; Kyrgyz Republic; Lao PDR; Liechtenstein; Mexico; the Republic of Moldova; Montenegro; New Zealand; Nicaragua; Norway; Pakistan; Panama; Paraguay; Peru; the Philippines; Qatar; the Russian Federation; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Singapore; Switzerland; Chinese Taipei; the former Yugoslav Republic of Macedonia; Turkey; Uruguay and Viet Nam.
3. The like-minded group sought for a Ministerial Decision on a Work Programme for Micro, Small and Medium Enterprises (MSMEs) in the WTO. The objective of the formulation of the Work Programme is to enable MSMEs to be integrated into the global value chain and increase participation in international trade. In general, it is recognised that MSMEs are major contributors to economic growth and job creation in most WTO economies.
4. The Work Programme would enable the issue of MSMEs to be dealt comprehensively, and to identify horizontal and non-discriminatory measures that could benefit MSMEs in international trade, taking into account the special needs of developing countries and LDCs.
5. MSMEs in Malaysia accounts for 98.5% of entrepreneurs, contributing to 36.6 percent to GDP and 18.6 percent of exports. In supporting the Work Programme in the WTO, Malaysia suggested that measures in the WTO should facilitate MSMEs to adopt technological changes and embrace industry 4.0, and the digital agenda.

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
13 DECEMBER 2017



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

MEDIA RELEASE

E-COMMERCE IN THE WTO

1. Malaysia on 13 December 2017 joined 69 other WTO Members in reaffirming the importance of global electronic commerce and opportunities it creates for inclusive trade and development in the WTO.

2. The other countries who supported this initiative are: Albania; Argentina; Australia; Bahrain; Brazil; Brunei Darussalam; Cambodia; Canada; Chile; Colombia; Costa Rica; European Union; Guatemala; Hong Kong, China; Iceland; Israel; Japan; Kazakhstan; Korea, Republic of Kuwait; Lao PDR; Liechtenstein; the former Yugoslav Republic of Macedonia; Mexico; Moldova, Republic of Montenegro; Myanmar; New Zealand; Nigeria; Norway; Panama; Paraguay; Peru; Qatar; Russian Federation; Singapore; Switzerland; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; Turkey; Ukraine; United States; and Uruguay.

3. The like-minded group issued a Joint Statement to express their goal to advance electronic commerce work in the WTO to enhance the benefits of electronic commerce for businesses and consumers internationally. This is in recognition of the important role of the WTO in promoting open, transparent, non-discriminatory and predictable regulatory environment in facilitating trade.

4. The group will initiate exploratory work towards future WTO negotiations on trade-related aspects of electronic commerce. Participation shall be open to all WTO Members and will be without prejudice to participants' position in future negotiations. The first meeting by the Group is expected to commence in the first quarter of 2018.

5. Electronic commerce can help lower barriers to entry and operating costs for businesses, particularly Micro, Small and Medium Enterprises (MSMEs). With the recently launched Digital Free Trade Zone (DFTZ) initiative and the National e-Commerce Strategic Roadmap, Malaysia has already institutionalised key trade facilitation measures to boost cross-border exports by SMEs including introducing less burdensome documentation requirements and processes, as well as providing reduced time for cargo clearance to enable SMEs to integrate into the global value chain.

6. Malaysia views the work programme in WTO as an important impetus to facilitate further integration of small businesses into the global trading system.

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
15 DECEMBER 2017

DFTZ™

DIGITAL FREE TRADE ZONE



Help SMEs to export their products globally with ease

Objective



Enable global market places to source from Malaysian manufacturers and sellers



Make Malaysia the regional fulfillment hub for global brands to reach ASEAN buyers



Nurture an ecosystem to drive innovation in e-commerce and internet economy

The three components



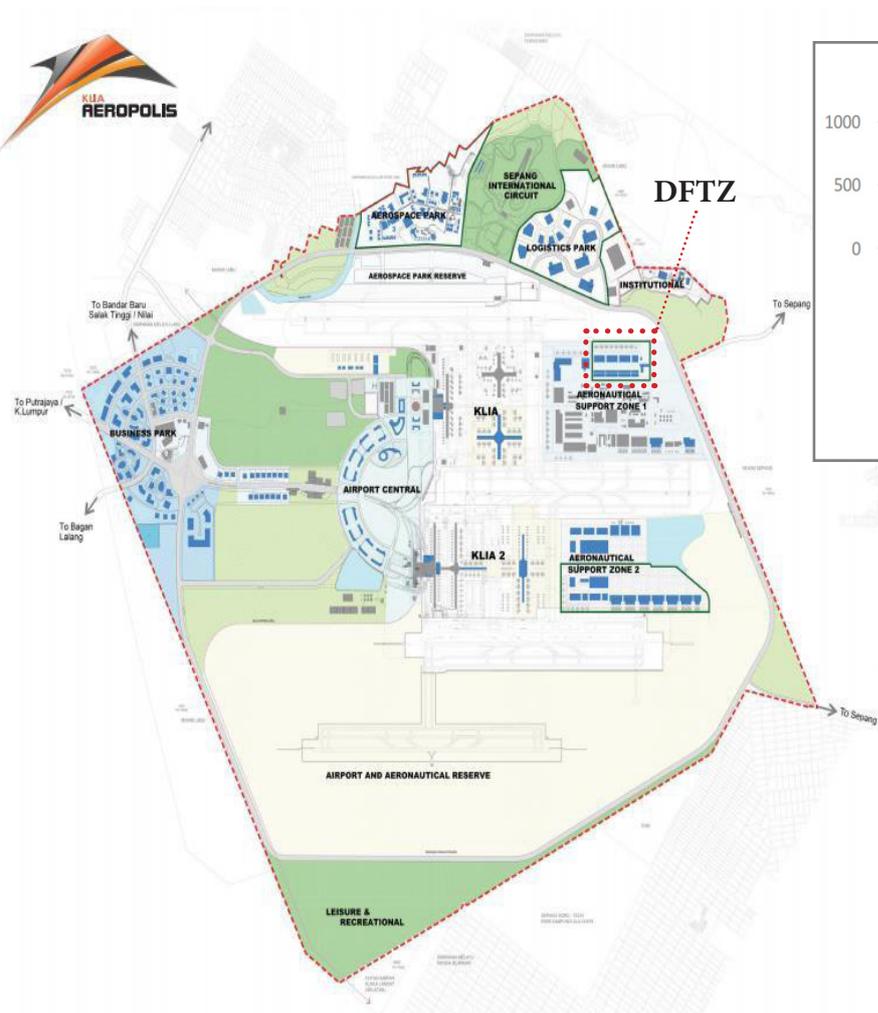
eServices Platform



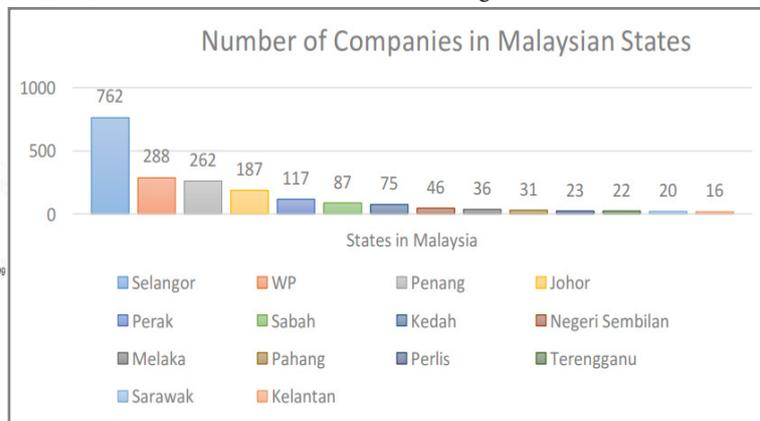
E-Fulfillment Hub



Satellite Services Hub



SMEs breakdown according to states:



Top 10 product categories preferred by Malaysian SMEs on Alibaba:

Industry	No. of Companies
Food & Beverage	385
Beauty & Personal Care	196
Furniture	116
Health & Medical	84
Packaging & Printing	76
Apparel	63
Agriculture	61
Rubber & Plastics	59
Automobiles & Motorcycles	58
Others	225

Kindly visit <https://mydftz.com/dftz-goes-live/> to get more information on DFTZ.

Source: mydftz.com and www.klia.com.my/document/subsidiaries/pdf_aeropolis-master-plan_337427522.pdf

We are pleased to inform that
MyServices Portal has now been migrated to MITI Portal
Kindly visit www.miti.gov.my for further information. Thank you



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Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

For more information on Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) please visit MITI's website via this link: <http://fta.miti.gov.my/index.php/pages/view/71?mid=40>

Withholding Tax

For more information on Withholding Tax, please visit LHDN's website via this link:
http://www.hasil.gov.my/bt_goindex.php?bt_kump=2&bt_skum=6&bt_posi=1&bt_unit=5&bt_sequ=1&bt_lgv=2



FREQUENTLY ASKED QUESTIONS

Industry 4.0

1 What is the difference between Fourth Industrial Revolution and Industry 4.0?

- *The Fourth Industrial Revolution is an overarching industrial transformation that covers every aspect of industries and economic activities including every aspect of living. It is a total transformation of all sectors into new system and/or way of life that will change the way we do businesses. Current technological advances at times also considered as 'disruptive technologies' due to the convergence of the physical, digital and biological worlds.*
- *Industry 4.0 is referred to as production or manufacturing based industries digitalisation transformation, driven by connected technologies. Industry 4.0 introduces what is referred to as "smart factory" in which cyber physical systems monitor real time physical progress of the factory and are able to make decentralized decisions. Other terminology includes Smart Manufacturing. Some regard Industry 4.0 as a subset of the Fourth Industrial Revolution.*

3 What are the benefits of moving on to Industry 4.0?

- *Benefits of industries moving in to Industry 4.0 are:*
 - Increase in flexibility;*
 - Increased productivity, efficiency, quality and reduced time to market;*
 - More R&D activities; and*
 - Development of new skills and talent globally.*

5 What are the Government measures to promote Industry 4.0 adoption in Malaysia?

- *A national policy/framework on Industry 4.0 is currently being formulated by the Government. In May 2017, the Cabinet tasked MITI, MOSTI and MOHE to lead this initiative. A High Level Task Force (HLTF) led by MITI with members from relevant Ministries and Agencies has been established since March 2017 to spearhead development of whole of Government strategy for Industry 4.0 with strong stakeholders' feedback including from the industry.*
- *The Industry 4.0 HLTF has five (5) Technical Working Groups (TWGs):*
 - Digital Infrastructure and Eco-system led by KKMM;*
 - Funding and Incentives led by MOF;*
 - Talent and Human Capital led by MOHR and MOHE;*
 - Technology and Standards led by MOSTI; and*
 - SMEs led by SME Corp.*

2 What are the main pillars of Industry 4.0?

- *The nine (9) technology drives/pillars are:*
 - Autonomous Robots*
 - Big Data Analytics*
 - Cloud Computing*
 - Internet of Things (IoT)*
 - Additive Manufacturing (3D Printing)*
 - System Integration*
 - Cybersecurity*
 - Augmented Reality*
 - Simulation.*

4 What are the major countries that have advanced to Industry 4.0?

- *"Industrie 4.0" is a term coined by the German Government's strategic initiative to transform its secondary industry (manufacturing) as a leader in advanced manufacturing (or cyber physical system) provider as well as for its domestic manufacturing to be more efficient and cost effective. "Industrie 4.0" is a part of the overall High Tech Action Plan 2020 of Germany.*
- *Different countries are using different terms to describe their national strategy in terms of Industry 4.0. Among other terms used include:*
 - "Smart Manufacturing" in the United States;*
 - "Made in China 2025" for China;*
 - "Manufacturing Innovation 3.0" (South Korea);*
 - "Industrial Value Chain Initiative" Japan; and*
 - "Smart Nation Programme" (Singapore).*

6 What are the focus sectors under the proposed National Policy on Industry 4.0?

- *The current economic plans (IMP3 and RMK11) are still relevant and remain as Malaysia's mid-term policy guide until 2020. RMK11(2016-2020) has identified the three (3) catalytic (E&E, M&E and Chemical) plus two (2) new growth (Aerospace and Medical Devices) sectors as game changers for the manufacturing sector. These sectors will continue as the focus sector together with other sectors such as automotive, petrochemicals, textiles and services.*
- *The overall National Policy is still being developed as such the list of focus sectors will be finalized later.*

7 What is the vision for the Industry 4.0 National Policy?

- *The targets and vision is being deliberated in detail with stakeholders and industry before announcement on the policy is made.*

Source: <http://www.miti.gov.my/index.php/pages/view/industry4.0?mid=559>



Industry 4.0 (continue...)

FREQUENTLY ASKED QUESTIONS

Will there be any allocation provided by the Government to promote the adoption of Industry 4.0?

8

- Targeted incentives and funding to promote adoption of Industry 4.0 will be deliberated in detail under the TWG for Incentives and Funding.
- As the benefits of Industry 4.0 adoption impacts directly to companies, the private sector/industry on their own accord should invest in digitalization efforts. Industry efforts already exist but more concerted efforts from industry leaders need to be seen.

What is the current status of our industry?

9

- Malaysia's manufacturing sector as a whole varies in terms of where they are currently ranging between 2.0 (mass production) and 3.0 (automation). However, there are industry leads already in the process of moving towards Industry 4.0 or becoming Industry 4.0 compliant on their own.
- The E&E, aerospace and the automotive sectors are more advanced in terms of Industry 4.0 adoption. The success stories by industry captains will be showcased as Industry 4.0 examples that can be emulated going forward.

What are the major challenges faced by industries in moving towards Industry 4.0 adoption?

10

- Major challenges faced by industries in moving towards Industry 4.0 adoption include:
 - i) Lack of awareness on the concept of Industry 4.0 and its benefits;
 - ii) No clear comprehensive policy and coordination on Industry 4.0 in Malaysia;
 - iii) Infrastructure gaps particularly the digital infrastructure as well as ecosystem gaps;
 - iv) Lack of targeted incentives to incentivize more companies to move to Industry 4.0;
 - v) Mismatch skillsets and lack of right talent/human capital; and
 - vi) Lack of standards resulting in difficulty of integrating different systems and reliability issue.
- There is also different challenges faced between MNCs and SMEs particularly where majority (40%) of SMEs are of the view that they do not need the internet based on FMM's study on its SME members in 2016 done by Monash University.

What are the benefits for a company to adopt Industry 4.0 technologies when cheap/low-skilled labour can be obtained through employing foreign workers?

11

- The Government is committed to move away from low-skilled/foreign workers dependency particularly for the manufacturing sector. Adopting new technology to ensure companies be more efficient and productive will be in tandem with global trends.
- Cheap labour is unsustainable in the long run and prone to human errors thus reducing the quality of products produced. A prime example is China that is moving towards digitalization on a large scale despite the abundance of cheap labour in the country. The adoption of Industry 4.0 in this type of organization will increase efficiency and promote zero-defect outputs.
- A study by The Boston Consulting Group has stated that rapid adoption of Industry 4.0 could boost labour productivity by as much as 30 percent by 2024.

With the fast changing nature of technology, is adopting Industry 4.0 sustainable?

12

- Yes, because every organization needs to constantly reinvent itself and the adoption of Industry 4.0 can be considered as part of the upgrading process.
- To ensure sustainability in the long run, digital transformation must be done with the aim of solving important business issues faced in the manufacturing process.
- Global trends show companies that are not confined to the traditional way of doing things and utilize technology to its advantage have a higher chance of remaining relevant and successful in the long run.

As Industry 4.0 utilizes cyber physical systems, are cyber security risk issues properly addressed and what are the steps taken to eliminate cyber-crime?

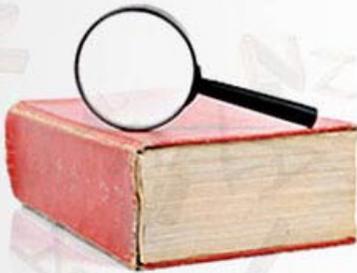
13

- Cyber security is key in achieving a truly digital nation. Hence, one of the technology driver in the nine (9) pillars is Cybersecurity. Our Government through CyberSecurity Malaysia has instituted a broad range of innovation-led cyber security programmes and initiatives to fulfill its mandate accordingly.
- Malaysia is currently ranked third globally among 193 International Telecom Union members, in terms of the level of national commitment to addressing cyber-security risks. Malaysia is also among the top scorers in the Technical Performance Index of the Global Cybersecurity Index 2017.

Is there a starting point/checklist for companies to adopt Industry 4.0?

14

- There is no one size fits all solution in moving towards Industry 4.0 at the firm level as it depends on the aim of each company. Any improvements either incremental or leap frogging towards Industry 4.0 will result in positive improvements at the firm level in terms of productivity and efficiency.
- Each company must decide what would be its end goal before finding out the technological options available for use. More often companies would need to be convinced or test run solutions before they can run with its full implementation. They first need to be aware of where they are currently and to ensure that it has its value stream map/an overall mapping out of the whole production line from sourcing raw materials to production until products are shipped to the intended customers.
- There are various platforms showcasing possible solutions including at Penang Skills Development Centre (PSDC) and German Malaysia Institute (GMI) that can be a starting point for companies to see possible technological solutions currently available.



Glossary

of Technical Terms

AANZFTA

ASEAN-Australia - New Zealand - Free trade Area. The Agreement was signed on 27 February 2009 in Thailand. It entered into force on 1 January 2010

ABAC

APEC Business Advisory Council - provides business-specific advice to APEC Leaders on implementation of the Osaka Action Agenda (OAA), trade and investment liberalization and facilitation (TILF), economic and technical cooperation (ECOTECH), and other priorities specifically related to the business sector. Membership is composed of up to three senior representatives of the business sector from each member economy. Established in 1995 and formally recognized by the APEC Ministers in 2005 as one of the five categories of delegates to attend APEC official meetings.

ABDC

Automotive Business Development Committee – chaired by MITI and discusses incentive applications under the Multi Sourcing Parts Programme(MSP) and Industrial Linkage Programme (ILP) schemes for the automotive industry

ABTC

APEC Business Travel Card - allows business travelers pre-cleared, facilitated short-term entry to participating member economies. Card holders benefit from faster immigration processing on arrival via access to fast-track entry and exit through special APEC lanes at major airports in participating economies. All 21 APEC member economies participate in the ABTC scheme, 18 namely Australia; Brunei Darussalam; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico, New Zealand; Papua New Guinea; Peru; Philippines; Singapore; Chinese Taipei; Thailand and Viet Nam are full members while Canada, the United States and Russia are transitional members

Accumulation

Measure which allows for the consolidation of goods originating in a Member State in the finished goods of the latter Member State for the purpose of preferential treatment.

ACFTA

ASEAN-China Free Trade Agreement

ACIA

The ASEAN Comprehensive Investment Agreement

AD

Automotive Dialogue - serves as a forum for APEC member economy officials and senior industry representatives to work together to map out strategies for increasing the integration and development of the automotive sector within the region. Participants discuss the current status of the automotive sector in the Asia-Pacific region, identify barriers to growth, and develop effective cooperation mechanisms for APEC economies to address and reduce these impediments. The first Automotive Dialogue was held in Bali, Indonesia, in July 1999. Sectoral Division of MITI represents Malaysia at AD.

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1

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