

## **MEDIA RELEASE**

### **MALAYSIA REMAINS THE MOST COMPETITIVE ECONOMY AMONG DEVELOPING COUNTRIES IN ASIA DESPITE A DROP IN RANKING**

1. Malaysia continues to be ranked by the World Economic Forum's Global Competitiveness Report (GCR) as the most competitive economy among developing countries in Asia. Malaysia remains ahead of economies such as Republic of Korea, Iceland and China. However in this latest ranking, Malaysia was overtaken by Belgium, Austria, Luxembourg, France, Australia, Ireland and Israel. It is important to note that all countries ranked above Malaysia are developed and high income economies.

2. In the GCR 2016-17, Malaysia was ranked 25th among the 138 economies, down from 18th last year. In terms of scores, our performance came down from 5.23 to 5.16 out of a maximum of 7. Meanwhile, countries and territories that also slipped in their ranking include Germany, Japan, Hong Kong SAR, Finland, Canada, France, Thailand, Indonesia and the Philippines.

3. The GCR is an annual report published by the WEF based on the Global Competitiveness Index (GCI). The GCI combines 114 indicators that integrate both macro and micro economic aspects of competitiveness. These indicators are grouped into 12 pillars comprising Institutions, Infrastructure, Macroeconomic Environment, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Development, Technological Readiness, Market Size, Business Sophistication and Innovation. The GCI is based on statistical data from internationally recognised organisations for 30% or 34 indicators. For the rest of the 80 indicators, qualitative assessments were made based on the World Economic Forum's Executive Opinion Survey.

4. Overall, the report ranked Switzerland as the most competitive economy in the world for the eighth consecutive year, ahead of Singapore and the United States, followed by the Netherlands and Germany.

5. Malaysia ranked in the top 50 in each of the total 12 pillars, despite the decline in 8 of them. Malaysia performed most strongly in Goods Market Efficiency (12th) and Financial Market Development (13th). In the Technological Readiness pillar, Malaysia advanced by 4 places to 43rd and Market Size pillar gained 2 positions to 24th.

6. International Trade and Industry Minister Dato' Sri Mustapa Mohamed said external factors beyond the control of policy makers were partly responsible for the decline in Malaysia's ranking. "The global economic uncertainty, the strong US Dollar, the fall in commodity prices and the slowdown in China's economy are beyond our ambit," he said.

7. The minister added, "There is also the issue of perception due to irresponsible act of certain parties which continue to spread unfounded and baseless allegations

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about domestic political developments and the state of our economy. The fact is Malaysia remains politically stable and the economic fundamentals remain strong. This perception issue must be taken seriously and the Government will continue engaging with various stakeholders to address it,"

8. Dato' Sri Mustapa said that, although the latest ranking is disappointing, it strengthens the Government's resolve in undertaking necessary measures at a much faster pace to improve the country's competitiveness. As pointed out by the WEF, for emerging economies, updated business practices and investments in innovation are now as important as infrastructure, skills and efficient markets. The outcome of this report is not to be taken lightly - the Government will address the shortcomings highlighted in the report, and consolidate efforts across ministries towards maintaining Malaysia's status as a preferred investment destination. Malaysia will continue to benchmark itself against the best performers in the report.

9. As it stands, Malaysia is already addressing areas such as improving productivity, enabling innovation especially in SMEs and revolutionizing manufacturing services, enhanced automation and digitalization to increase efficiency, optimization of logistics and making prices more transparent and competitive taking cognizance of the Fourth Industrial Revolution. Preparing the SMEs against the backdrop of a more open environment and numerous Free Trade Agreements that we are involved in, as well as the deeper economic trade integration in ASEAN, has become a priority for the Government. At the same time, the Government is also working closely with experts and Industry players in finalizing the Malaysia Productivity Blueprint to address issues and challenges on productivity in a comprehensive manner.

10. Dato' Sri Mustapa also urged the companies to innovate fast given the prospect of being overtaken by the market. The private sector will define the competitiveness of Malaysia.

11. The report also underscores the importance of avoiding the middle-income trap by placing increasing attention to business sophistication and innovation. "Innovation is the name of the game and we will continue to embrace this new reality. Several strategies which are being implemented to promote innovation at enterprise and societal levels under the 11th Malaysia Plan are expected to enhance the national innovation ecosystem. Hopefully this will help us to improve our ranking in the coming report," the minister added.

12. Dato' Sri Mustapa cautioned that going forward, competition will become more intense in the years ahead as all countries are working towards lifting their competitiveness. "Technology enabled platforms, such as sensors that ease sharing and on-demand economies, are disrupting business models and forcing countries to rethink how they formulate economic policies," he said.

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13. Both the Government and the private sector need to work more closely with each other to create a more competitive environment. On this the Government will step up the momentum to innovate. "Malaysia is already in the right trajectory clearly as defined in the 11th Malaysia Plan, which focuses on wealth creation through innovation by strengthening the relational capital through an improved collaboration among all stakeholders. In this context, high impact initiatives by PEMUDAH, the Government Transformation Programme (GTP) and Economic Transformation Programme (ETP) will continue to support the private sector to enhance Malaysia' competitiveness," he stressed.

**Ministry of International Trade and Industry**  
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- [Presentation Slide – Malaysia in the Global Competitiveness Report 2016 - 2017](#)