

**SPEECH (WITH CORRESPONDING SLIDES)
FOR YB DARELL LEIKING
MINISTER OF INTERNATIONAL TRADE AND INDUSTRY
NETWORKING SESSION WITH CHAMBERS OF COMMERCE
AND BUSINESS & INDUSTRY ASSOCIATIONS
13 AUGUST 2018, DEWAN PERDANA MITI**

Introduction

YB Dr. Ong Kian Ming, Deputy Minister; Datin Talaga, TKSUI; Datuk Norazman TKSUP,

Ladies and Gentlemen,

1. It is a great pleasure for me to be here this afternoon to meet all of you in my capacity as the Minister of International Trade and Industry Malaysia. Together with me today is YB Dr. Ong Kian Ming, Deputy Minister MITI as well as senior officers from MITI and its agencies.
2. I am happy to note that we have about 150 officials here today representing a total of 74 national and international chambers of commerce and business & industry associations in Malaysia. I warmly welcome all of you to MITI.
3. In line with the Government's aspiration to instil the spirit of inclusiveness in policy making, I believe the networking session today will bring MITI into a new era. It will serve as the first of

many meetings, discussions and dialogues between MITI and business communities in Malaysia.

Open Economy, Business Friendly

4. I would like to take this opportunity, in the presence of many prominent members of the business communities today, to reiterate and provide assurance that Malaysia will continue to be an open economy with business friendly environment, and MITI will strive to work hard in making Malaysia the preferred investment destination and among the most globally competitive trading nations in the world.

5. Last year, the global economy proved fairly resilient in the face of challenges. Global economic growth was at 3.2¹ percent while Malaysia's GDP growth was at 5.9 percent. Despite being affected by major policy changes and inward looking policies by some economies, the year turned out to be better than expected and amid the phase of global uncertainty, it is heartening to note that Malaysia retained its standing as a key competitive nation.

Trade

Ladies and Gentlemen,

6. Trade is our lifeline and central to our vision to move into the ranks of an advanced developed nation. Malaysia has been a major beneficiary of an open market economy and globalisation, and with

¹ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

our trade to gross domestic product (GDP) ratio of 136 percent², naturally the Government will continue the practice of an open economy to encourage and facilitate businesses.

7. In 2017, trade registered stellar performance, growing the highest rate in 13 years. Malaysian trade recorded high of RM1.77 trillion, which is a surge of 19.4 percent compared to the previous year. As a trading nation, the year 2018 has so far been a challenging year for Malaysia. Nevertheless, the Government is committed to lead Malaysia navigating forward, against the backdrop of increasingly protectionist and uncertain global trading landscape.

Investments

8. In terms of investments, the Malaysian economy continues to evolve and tap on the opportunities arising from global trade patterns and higher market integration. The investment performance demonstrates continued investor confidence in Malaysia. In 2017, Malaysia recorded approved investments amounting to RM197.1 billion in overall economic sectors i.e. services, manufacturing and primary sector.
9. Despite the multiple challenges faced by the global economy, Malaysia remains a resilient nation. We have a well-diversified economy resting on the back of its solid economic fundamentals. I am confident that with Malaysia's pro-business, prudent and pragmatic policies, we will continue to be the profit centre in Asia.

² <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>

10. Industry players are encouraged to leverage on new sources of growth and venture into more complex products and services. This will contribute to enhancing the nation's technological capabilities, developing the local supply chain and increasing Malaysia's competitiveness in the market place.
11. The Government, particularly MITI will ensure that there is a significant leap in investment activities. The ecosystem approach will continue to be adapted and enhanced for both the manufacturing and services sectors to raise the profile of investments in these areas.

Competitiveness

12. On the area of competitiveness, Malaysia has been consistently ranked among the top countries to do business. In the World Bank Doing Business 2018 report, Malaysia ranked at 24th best place in the world. The World Bank's competitiveness criteria in the Doing Business ranking include ease of starting a business, licensing approvals and ease of cross-border trading.
13. Malaysia's favourable performance in the various competitiveness reports suggest that the country offers a conducive business environment that allows business communities to operate effectively and efficiently. Nevertheless, this is an area where we want to continuously improve, and the Government will take the necessary efforts to improve the rankings.

SME Development

14. On SMEs, in the last 14 years (2004 - 2017), real GDP growth of SME has consistently outperformed the overall economy, averaging at 6.6 percent compared to 5.1 percent growth for the overall GDP. In 2017, SMEs contributed RM435.1 billion, recording a higher real GDP growth of 7.2 percent as compared to the overall GDP growth of 5.9 percent.
15. Moving forward, SME Corp. Malaysia plans to undertake a new long-term plan to chart entrepreneurship and SME development beyond 2020. The proposed SME Master plan 2.0 will lay out strategies for entrepreneurship and SME development for business sustainability and competitiveness in order to compete in more globalised and high tech marketplace.

Digital Economy

Ladies and Gentlemen,

16. The internet and digital economy are creating new opportunities and is fast rising, becoming an essential component in current and future economic growth for many economies especially in ASEAN.
17. In 2016, digital economy contributed 18.2 percent to Malaysia's gross domestic product and is expected to reach 20 percent by 2020. We must embrace and adapt to new technology and innovation in order to remain relevant and competitive.

18. The Digital Free Trade Zone (DFTZ) Pilot Project, launched in November 2017 has further accelerated the growth of eCommerce activities by providing the platform for local SMEs and enterprises to conduct their business and services. These include physical and virtual zones to support SMEs to trade goods, provide services, innovate and co-create solutions.
19. To date, the DFTZ has already attracted participation from more than 3,000 Malaysian SMEs from across the country. The Government remains committed to encourage industry players such as eMarketplaces and local and international logistics players to participate in the DFTZ.

Industry 4.0

20. The Fourth Industrial Revolution is reshaping economies around the world with rapid technological advancements. We have completed the drafting of the National Policy on Industry 4.0 where the Government will serve as an enabler in driving the digital transformation in the manufacturing and related services sector. I believe that by providing an enabling ecosystem for the manufacturing sector to thrive by adopting new technologies, we can ensure that Malaysia will remain as an attractive prospect for high-technology, innovative and high value-added industries in years to come.
21. The Government has undertaken all due processes in finalising the draft Policy including engaging as many stakeholders as possible, and we will continue with these engagements more so during the

implementation phase later on. The Government will make an announcement on the National Policy on Industry 4.0 very soon.

ASEAN

22. In the regional front, the ASEAN Economic Community (AEC) has enabled ASEAN to tap into its inherent potential and generate growth within the region. The AEC has provided a sound basis for increasing intra-ASEAN trade and investments flows and has also enabled ASEAN to be an important destination for foreign direct investment (FDI).
23. ASEAN is not only a market of 641 million people (3rd largest after China and India), but is also a gateway to a market of over 3 billion people created by the various ASEAN + 1 FTAs with China, Japan, Korea, India, Australia, New Zealand and Hong Kong.
24. Malaysia has been benefiting from the various economic integration initiatives implemented under the AEC especially in terms of trade, investment and employment opportunities. ASEAN economic integration has provided the opportunities for Malaysian companies to expand business to other ASEAN countries, not only as a major key export and import market but also an important destination for Malaysia's outward investments.

Free Trade Agreements

25. Malaysia has already signed and implemented 7 bilateral FTAs and 6 FTAs at the ASEAN level. ASEAN-Hong Kong FTA

(AHKFTA) is the latest FTA concluded in 2017 and it is expected to enter into force in January 2019. FTAs help to enhance our competitive advantage, increase market access for goods and services, strengthen investors' confidence and to a large extent, build Malaysia's economic sustainability.

26. Malaysia is keen to explore new opportunities that arise amidst these challenging yet exciting times. Apart from deepening the existing trade and economic ties with all our trading partners, the Government seeks to facilitate business communities in penetrating into new and wider markets through new trade agreements.

RCEP

27. As many of you know, Malaysia is currently involved in the Regional Comprehensive Economic Partnership (RCEP) agreement negotiation which is driven by ASEAN and has the potential to be the world's largest mega-FTA. When implemented, RCEP will create the largest integrated market of 3.5 billion people and open up huge opportunities for trade and investment. RCEP can contribute significantly to growth in global trade and investments.
28. It is our hope that negotiations on RCEP can be concluded in the immediate future so that the benefits of this mega FTA can be maximized by the private sector and lead to increase in trade and investment, and help to boost regional growth integration.

CPTPP

29. As you are aware, after the US withdrawal, Malaysia and the other 10 countries have signed the Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) early this year. The process of ratification is currently on-going and at the moment Mexico, Japan and Singapore have ratified the agreement.
30. For Malaysia, the Government needs more time to understand and evaluate this Agreement and its benefits and impacts to Malaysia as a whole. It is very likely that the Government will make a clear decision on Malaysia's involvement in CPTPP in the coming weeks.

Malaysia-China Relations

31. China is Malaysia's largest trading partner for 9 consecutive years since 2009. China is also consistently among the top five countries with the largest foreign investment into Malaysia for the manufacturing sector.
32. Malaysia will continue to engage with China and moving forward, both countries will continue to advance each other's economies together by upholding the principles of mutual respect, mutual beneficial and win-win across all fronts.
33. Malaysia welcomes collaboration between companies from China and Malaysia in high value investment which will move Malaysian

companies up the local value chain in key segments of our manufacturing and services sectors.

34. For information, YAB Prime Minister will be making a working visit to Hangzhou and Beijing from 17-21 August 2018 to further strengthen bilateral ties between the two nations. I will be joining the Prime Minister for the trip.
35. As for other countries, please do not feel alarmed, Malaysia will continue to engage our bilateral partners. I have already planned for a number of trade missions and bilateral visits this year. I look forward to all the engagements planned this year and the future.

US-China Trade Conflict

36. Malaysia is concerned with the rising trade conflict, stemming from the US-China trade measures. The protectionist cycle poses threats to world trade as it is now evidenced with many countries taking retaliatory measures to protect their trade interests. Trade conflict is not a beneficial move simply because trade restrictions and retaliatory measures hurt everyone, especially small trading nations.
37. In the spirit of trade liberalisation, countries should halt the spread of protectionism and instead be committed in finding potential solutions so that trade policy can be effective in strengthening the multilateral trading system.

38. MITI has taken a proactive step in trying to address this issue by establishing a Task Force on US-China Trade Conflict in July 2018 to monitor and address the developments of the US-China trade conflict, as well as to coordinate inputs and feedback arising from these developments. Companies operating in Malaysia are encouraged to reach out to this Task Force on any challenges they are facing due to the on-going trade tension. The Task Force can be reached at taskforce.tc@miti.gov.my.

APEC 2020

39. Malaysia will be hosting the Asia-Pacific Economic Cooperation (APEC) Summit and all related meetings in 2020. The last time Malaysia hosted APEC was in 1998, about 22 years ago. For that, MITI has established a dedicated working team or APEC 2020 Secretariat to lead the preparation for the hosting of APEC 2020. At the same time, I will be chairing the National Organizing Committee that will have the oversight over the whole organization of the APEC 2020.
40. In preparation for APEC 2020 in Malaysia, MITI has identified several broad areas that cover economic integration, the digital economy and inclusiveness.
41. From this point forward until 2020, MITI will actively engage various stakeholders for ideas and critiques in drafting Malaysia's viewpoint especially in directing the future of APEC post-2020. The Chambers of Commerce and business community at large assume an important role, as a large portion of the work in APEC is

focused on addressing challenges that impede business and trade growth, as well as creating opportunities in this new economic environment of technology advancement.

Inclusiveness of Sabah and Sarawak

Ladies and Gentlemen,

42. The Government is mindful on the developmental gap between West and East Malaysia and is working towards narrowing the gap.
43. As for MITI, we want to increase the level of investment in Sabah and Sarawak as well as intensifying more trade activities from these states. The role of MITI Sabah and Sarawak along with its agencies will be enhanced to ensure that Sabah and Sarawak will be able reap the benefits of economic development, increased market share in terms of exports and increased FDIs.

Closing Remarks and Way Forward

44. The Government is pleased to create the enabling environment and MITI continues with a supportive, trade-facilitative and business friendly policies overall. At the same time, MITI will continue to support and encourage the private sector to take lead and spearhead the industrial development of the country.
45. On that note, I am happy to announce that MITI is planning to formulate a new industrial master plan post 2020. Main focus will

be on sustainable development of industries, including on green technology initiatives along the horizontal and vertical value chain of the manufacturing sector. Manufacturing practices worldwide are implementing various concepts, practices and introduce performances measurement to become environmentally sustainable and this is something we want to look into in drafting our new plan. We will take stock of current plan and initiatives in place and will undertake consultation with various stakeholders in due course.

46. I would like to take this opportunity to inform that EXIM Bank Malaysia will be placed under MITI soon. As a Development Financial Institution (DFI), EXIM Bank would be able to complement our existing agency, MATRADE in facilitating Malaysia's global businesses by providing necessary banking and credit support in cross-border business ventures. This move is consistent with MITI's efforts to make Malaysia a globally competitive trading nation and promoting Malaysia's Enterprises to the world.
47. As I mentioned earlier, this networking session will be the first of many meetings and consultations with the business communities. This process must continue as we try to improve the ease of doing business in Malaysia. It is my aim for Malaysia to improve its global ranking in the *World Bank's Ease of Doing Business* for the year 2018 and onwards.
48. It is also crucial for this Government to ensure that all trade and investment policies and initiatives meet the demands and expectation of the industry, especially in enhancing our

competitiveness. It will be also my personal aspiration as MITI Minister to improve Malaysia's position in the *IMD's World Competitiveness Ranking* and *WEF's World Competitiveness Report* during my tenure in MITI.

49. In doing so, I would like to highlight that I have requested the Ministry to organise a comprehensive consultation session with our stakeholders. This session that shall be named "MITI Consultative Dialogue" will be organised in the first quarter of 2019. I believe it is crucial for my Ministry to not just listen to the issues during this Dialogue, but also take necessary steps to ensure that the solutions to the issues are beneficial to all stakeholders and business environment, be it at domestic and global levels.

50. With that, I would like to conclude with a popular business quote – "If you want to go fast, you go alone. If you want to go far, we go together." Evidently, the synergy between the Government and the private sector would ultimately decide how far we could advance collectively.

Thank you.