

YBM's KEYNOTE ADDRESS AT THE LATIN AMERICAN BUSINESS DAY

1 AUGUST 2017

[Salutations]

Welcoming remarks

1. Let me start by saying how very pleased I am to be standing before all of you today at the inaugural Latin American Business Day.
2. To our guests from Latin America who have flown all the way around the globe to be here, and to our speakers and all participants who have come from near and far *Selamat Datang*.

Theme: Bridging Latin America and Malaysia

3. The theme that is overarching our event today is “Bridging Latin America and Malaysia”. In this globalised and borderless world, bridging gaps and bridging differences are imperatives that all economies cannot do without. In ASEAN, this is best exemplified through our ASEAN Economic Community. In Latin America, there are three major economic integration mechanisms namely the Bolivarian Alliance for the Peoples of Our America or ALBA; the Southern Common Market or better known by its Spanish acronym MERCOSUR; and the Pacific Alliance.
4. Therefore, it is very much in our interest, Malaysia and Latin American economies to bridge all divides so that we are not saddled by any limiting outdated mindsets. We need to continue re-defining and expanding the parameters of external trade relations, in order to grow together.
5. Inter-regional integration is critical to ensure that our intra-regional integration remains viable. So, I would like to congratulate all of you. Today, you will all be making important strides to promote closer economic integration between Malaysia and Latin America. This is certainly not an easy feat, considering the fact that we are located in the opposite sides of the globe.

Ladies and Gentlemen,

Malaysia-Latin America Trade Overview

6. Malaysia established diplomatic ties with the Latin American countries since the late 1950s.

7. Over the last 10 years (2007-2016), Malaysia's total trade with the Latin American region grew at an average of 6.49% annually (CAGR). Total trade in 2007 was RM18.4 billion (USD5.4 billion) and in 2016 it registered at RM32.4 billion (USD7.9 billion).
8. Malaysia's exports to the region grew 5.8% annually registering RM15.4 billion (USD3.8 billion) in 2016 from RM9.3 billion (USD2.7 billion) in 2007.
9. Malaysia's imports from the region grew 7.2% annually registering RM17.0 billion (USD4.1 billion) in 2016 from RM9.1 billion (USD2.7 billion) in 2007.
10. In 2010, the Malaysia-Chile FTA was signed. This was our first FTA with a Latin American country. Following this, we had started negotiations to widen our scope for market liberalisation between Malaysia and a few Latin American countries namely Mexico, Peru and Chile through TPPA. Since the TPP has been put on hold, it is important that we maintain the momentum and continue our endeavours in furthering our cooperation. These include through other multilateral fora such as APEC and press on with the liberalisation of our markets through targeted programmes like this Business Day.
11. In 2016, Malaysia's exports to the region registered a double digit growth of 10.2% to RM 15.3 billion (USD3.7 billion) [2015:RM13.9 billion; USD3.6 billion). The region accounted for a higher share of Malaysia's total exports at 2.0% compared with a share of 1.8% in 2015. Notably, Mexico, Brazil, Argentina, Chile and Peru remained as Malaysia's top five export destinations in the region.
12. Imports from the region rose by 2.1% to RM17.0 billion (USD4.1 billion). Brazil, Argentina, Mexico, Venezuela and Chile were Malaysia's top five import sources.
13. The Latin American region's top demands for Malaysian products are electric and electronics products; rubber products; machinery, equipment and parts; chemical and chemical products; and processed food.
14. Malaysia's top demands for Latin American products are processed food; metalliferous ores & metal scrap; electric and electronics products; crude petroleum; and agriculture products such as corn and soy bean.

Malaysia-Latin America Investments

15. Malaysian companies have established significant footprints in Latin America in the hotel and tourism, oil and gas, construction, property and infrastructure, stationary, medical devices, infrastructure, transportation, engineering and F&B sectors.
16. Our main players are Petronas, Careglove, Likom Caseworks, Sapura Kenchana, Scomi, IJM, Sri Inderajaya and DXN Holdings. Although we cannot be sure of the exact figure, Malaysian investments in Latin America surpass USD3.5 billion.

Stock of Foreign Direct Investments (FDI) from Latin America by Country

17. In 2016, stock FDI from Latin America countries into Malaysia totalled RM923.13 million (USD225 million).
18. The services sector recorded the largest share of total investments, contributing 37.3% or RM345.22 million (USD84.2mil), followed by mining & quarrying sector with investments of RM302.85 million (USD73.9 mil) or 32.8%, while the manufacturing sector contributed investments of RM259.9 million (USD63.4 mil) (28.1%). The rest is in construction, with the value of RM15.09 million (USD 3.7 mil) (1.6%).
19. Major Latin American companies here are Vale, Mission Foods, Dan Kaffe, Kidzania and more recently BRF.
20. Admittedly, there is room for improvement here. We need to unearth the opportunities that lay untapped between our countries. I am convinced that this Business Day can shed some light on them.

Ladies and Gentlemen,

Opportunities for Latin America in Malaysia

21. Presently, we are witnessing a growing middle class, increasing openness and a series of economic reforms across the Latin American economies. To Malaysia, Latin America as a region, holds much potential.
22. Over the years, Malaysia has established good trade relations with our major trading partners of Argentina, Brazil, Chile Mexico and Peru particularly in the mining sector, healthcare, medical devices, palm oil, aerospace and aviation, automotive and agribusiness.

23. Indeed, Malaysia's trade and investment ties are more apparent with certain Latin American countries and in certain sectors. Hence I mooted the idea of this Latin American Business Day. It is meant to be a precursor to the expansion of economic ties with more Latin American countries. This is also an avenue for us to delve into other untapped opportunities while we strengthen existing bonds.
24. To facilitate this process, we have outlined sector-specific discussions in Energy, Oil and Gas; Mining and Construction Services; Aerospace; E&E and ICT; Medical Equipment and Pharmaceutical; Agribusiness, F&B; Halal; as well as Automotive and Auto Parts.

Education

25. In addition, I wanted an education related programme to be included in this Business Day. Through the exchange of ideas between the academia of our countries, we can enlarge the scope of our relations beyond trade and investment. We presently have a small but thriving community of approximately 250 students from Latin America studying in our institutes of higher learning.
26. In line with the objective of this Business Day, it is important that we appreciate the role and relevance of the institutions of higher learning in benefiting the businesses. Researches being undertaken by the various centres dedicated to Latin American studies in Malaysia can be useful to businesses as market intelligence. Malaysian students who have had exposure to Latin America can also be potential employees to Latin American businesses in Malaysia along with the Latin American students who are studying here.
27. At present, our public universities namely Universiti Teknologi Malaysia and Universiti Malaya have initiated student exchange and research programmes with their counterparts in Latin America. With increasing importance being given to education in the Latin American region through higher educational investments and facilitative policies for studying abroad, more doors are being opened up for collaborations between institutions here and in Latin America. Taking advantage of these developments, private universities have also begun talks on collaborations between our countries in the education sector.

Market Access through ASEAN

28. During my Trade and Investment Mission to Chile, Mexico and Peru in May 2016, I met with Latin American businesses that are keen to make Malaysia a regional hub

for marketing and distributing their products in this region. Much interest was shown to make Malaysia their import source for intermediate goods.

29. Indeed my hope is that more businesses from Latin America will avail themselves to the market access that Malaysia provides. Malaysia is the perfect gateway to ASEAN and beyond.
30. ASEAN will be 50 on 8 August this year. We take pride in our solid regional standing in ASEAN.
31. I am proud that Malaysia played a key role in making this a reality through the establishment of the ASEAN Economic Community (AEC) in 2015 under Malaysia's chairmanship of ASEAN.
32. The AEC, primarily advocates and embraces a business-friendly and innovation-supporting regional environment. The adoption of common frameworks, standards and mutual co-operation across key areas, such as in agriculture and financial services, competition policy, intellectual property rights, and consumer protection are but a few examples of the significant strides we have made together as a region. The region's of more than 600 million population is young, with a growing middle-class that presents a huge market going forward.
33. ASEAN's economic influence will be widened further once we streamline the 10 ASEAN member states with its 6 trading partners namely China, Japan, Korea, India, Australia and New Zealand under the Regional Comprehensive Economic Partnership (RCEP). The RCEP will further expand ASEAN's reach as a liberalised market to the Asia Pacific region.

Ladies and Gentlemen,

Aerospace and Automotive - 4IR

34. Malaysia is transforming its economy along the path of innovation-led growth. This transformation is closely linked to the catalysis of global evolution spurred by the Fourth Industrial Revolution or known as Industry 4.0.
35. Industry 4.0 is bringing about unparalleled changes in modes of production and patterns of consumption. It has the potential to raise global income levels and improve the quality of life through access to the digital world. The Fourth Industrial Revolution, is paving the way to a future that will also re-shape the manufacturing and services industries worldwide.

36. By the end of the year Malaysia will outline a clear vision of the future of manufacturing in the country, including specific strategies for the sector, taking into account automation, smart manufacturing and the fourth industrial revolution.
37. This will place us in good stead in further advancing our capabilities in high value manufacturing in the automotive and aerospace sectors.
38. Our collaborations in the aerospace sector with Mexico have been immensely beneficial so far. During my visit to Mexico City last year, along with my team from the National Aerospace Industry Coordinating Office (NAICO), I had the opportunity to hold fruitful discussions with representatives of Mexico's highly developed aerospace industry. Two MoUs were signed by MARA AeroTech with the Mexican Aerospace Industry Association (FEMIA) and the Aeronautical University of Queretaro (UNAQ), to collaborate on human capital best practices, as well as joint R&D projects.
39. I am also pleased to note that today we have a prominent aerospace player from Brazil, Embraer who will be at the breakout session on aerospace later. I hope we can also identify areas for strategic cooperation with Embraer moving forward.
40. Malaysia is a reputable regional maintenance, repair and overhaul (MRO) player with world-class facilities. We are also among the leading players in Engineering and services. I hope to see the initiation of niche partnerships between Malaysia and the leading aerospace players from Latin America in the areas of supply chain development, aerospace manufacturing, MRO as well as engineering & design.

Ladies and Gentlemen,

41. The Latin American countries are currently Malaysia's 7th largest export destination for the automotive industry. Our main exports there are automotive parts and components, passenger & commercial vehicles.
42. In 2016, Malaysia exported RM181 million worth of automotive parts and components to Latin American countries, mainly to Argentina [RM29.27 mil; USD7.1 billion], Brazil [RM59.86 mil; USD14.6 billion] and Mexico [RM38.53mil; USD9.4 billion].
43. In addition to automotive parts, we have also made some headway in exporting complete built up vehicles. I am pleased to highlight here that our Proton returned to the region in 2016, specifically in Chile after an 18-year absence through our Proton Prevé. We have a successful partnership in Chile with Andes Motor, a subsidiary of the Chilean distributor Kaufmann Group, who is Proton's distributor there. I hope to

see more Proton models not only in Chile but also on the roads of all Latin American economies soon.

44. As at March 2017, we have exported a total of 170 unit of Proton Preve' to Chile. By the year 2022, we aim to have more than 4,000 Proton Preve on Chilean roads.
45. We would like to tap on the expertise in the Latin American region in terms of technology development especially related to Industry 4.0, supply chain development and human capital development. Apart from the OEM segment, there are also plenty of prospects in the aftermarket segment for our countries. This will all translate into new business ventures for our vendors who can form strategic partnerships for better integration into the global value chain.

Halal

46. The Halal sector has been steadily garnering interest around the globe. This includes non-Muslim-majority countries such as China, Japan, Korea and the United States. In Latin America - Argentina, Brazil, Mexico and Chile have shown keen interest in the Halal sector.
47. This is not surprising, as the Halal sector offers immense opportunities. It has a prospective market of USD 2.3 trillion; projected from the 1.6 billion (23%) Muslim population globally. Indeed, there is a huge potential for the Latin American countries to engage in halal businesses to cater to the unfulfilled demands of the global Halal market.
48. The Halal sector has been identified as the new source of economic growth for Malaysia. In 2016, export of Halal products from Malaysia increased by 6% (compared to 2015) to RM42 billion (USD 10 billion), especially in the processed foods and ingredients sub-sectors.
49. I would therefore, like to invite Latin American enterprises to work with Malaysian companies to source for Halal ingredients supplies such as palm based oils and fats for F&B industries for example. Apart from this, you can also establish your regional office here and explore Malaysia as an alternative production site in Halal Malaysia (HALMAS) Status Parks. Malaysia offers competitive incentives to companies operating in HALMAS Status Halal Parks. To date, there are 15 HALMAS Status Halal Parks in Malaysia with a total investment value of RM 11.9 billion (USD 2.8 billion). You can get more details later in the day at the breakout session on Halal.
50. We are proud that one of the largest meat processing companies in the world from Brazil, i.e. BRF established its regional office in Kuala Lumpur last year to expand its reach into the South-east Asian market as well as into the Halal Middle East market.

Ladies and Gentlemen,

SME Development

51. Our SMEs are critical in bridging our industries and economic sectors.
52. At present, we have embarked on several programmes where we have shared our experience in grooming our SMEs through our agency dedicated for the development of SMEs in the country, namely SME Corp.
53. Malaysia has an MoU with the National Institute of Entrepreneur (INADEM) Mexico related to the exchange of information on key issues pertaining to the development of SMEs, particularly in area of Halal, automotive and auto parts, oil and gas, aerospace, ICT/electrical & electronics, and creative industries.
54. We can further explore collaborations in supply chain, especially in the high growth sectors such as E&E, Biotechnology especially in the field of Neutraceuticals, Medical devices and Aerospace. In addition, cooperation and training in industry standards can facilitate the flow of trade between our countries by minimising non-tariff barriers.

Ladies and Gentlemen,

Challenges

55. Indeed, there are challenges in exploring any new market. And constraints in the form of language barriers, logistics and payment do exist. However, these are not insurmountable. My team has brought in today experts as well as businesses who have successfully made their mark in both Malaysia and Latin America. Through the sharing of experience I hope you will gain a pragmatic perspective on expanding your business.

Moving forward

56. When I envisioned this Business Day, it was with the hope that it will be a prelude to bigger things to come.

57. Although everything is accessible through the World Wide Web, opportunities for interactions such as this still remain essential in initiating meaningful business contacts. As such, I hope this Day will provide a good platform for networking and establishing new linkages useful for your business expansion.
58. I am indeed very pleased with the overwhelming participation at this event, which I am told stands at nearly 800.
59. The measurement of the success of this Day however, is not only confined to the number of people present here, but more importantly by the number of new linkages formed from the contacts made today. The Government is pleased to create the enabling environment - and while we continue with our supportive, trade-facilitative and business friendly policies overall, the next step to be taken following this Business Day lies with the private sector.
60. Hence, I anticipate many spill overs and spin-offs arising from your time here together today. And a true indication of success would be the private sector taking the lead and spearheading this Business Day in the future.
61. With that ladies and gentlemen, I would like to thank everyone involved in making this day a reality and a special thanks to the Latin American Embassies for all the support rendered; and all our sponsors and partners.
62. Last but not least, I would like to commend my team in MITI and MATRADE, together with the Latin American Embassies, for their hard work.
63. I wish you all a fruitful day ahead.

Thank you.