

ASLI 3rd NATIONAL ECONOMIC SUMMIT

“MALAYSIA’S TRADE & INVESTMENT STRATEGIES: THE WAY FORWARD IN AN UNCERTAIN WORLD”

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Distinguished Panel of Speakers

Honourable Guests

Ladies and Gentlemen,

Good Morning,

1. I am delighted to be here today to address the Third National Economic Summit, entitled “***Economic Reforms - Reaction, Impact, Priorities and Opportunities***”
2. I would firstly like to congratulate ASLI and the Malaysian Economic Association (MEA) for hosting this event, and for its role in actively promoting discourse on economic issues.
3. These discourses have provided useful feedback to policy makers in dealing with issues of the day.

Ladies and Gentlemen,

4. Allow me to first briefly cover some international and regional issues before moving on to the domestic economic situation. The Global Financial Crisis (GFC) of 2008 was one of the factors in undermining the confidence in the established global political and economic order. As the world economy was starting to show some evidence of recovery, recent events, in the last couple of

years, such as the Brexit referendum and Trump's elevation to President, have highlighted that the centre is now an existential battle against both left and right populism.

5. There is a huge question mark on the relevance and role of a number of international economic and political organisations. Global growth has been sluggish since the GFC. Much of the world is now reliant on central bank lending and growing amounts of debt in order to stay afloat.
6. Some parts of the world appear to be gravitating toward isolationism, insularism, xenophobia, and *us vs. them* rhetoric. The benefits of globalisation are being questioned. Faith in the multilateral system is gradually being eroded.
7. The fate of the 12-member Trans-Pacific Partnership Agreement (TPP) which was painfully negotiated over more than five years is now very uncertain, and some say it is dead.
8. With the withdrawal by the Trump administration from the pact, the other signatories are now looking at options to bring the agreement into force. The remaining 11 countries met in Hakone last week to finalise options which will be considered by the TPP Ministers in November.
9. My ministry, and the Malaysian team, fought hard for a fair deal that was in the best interest of Malaysia while also adhering to the principles of fair and open trade.
10. The result is a disappointment to say the least as the TPP would have brought about additional growth not only to Malaysia, but the region as a whole, as well as imposing higher, more streamlined standards across some parts of the globe.
11. Albeit, this experience will strengthen our resolve and we will not become disillusioned in continuing to pursue regional bilateral agreements with our trading partners as well as multilateral trade pacts that will be of economic and social benefit to us.
12. There are many lessons we can learn from all these developments. Globalisation of course, is not perfect. It is to some extent true that some countries, especially the developing

and less developed countries have been marginalised. It is also true within some countries; the issues of income distribution and stagnating wage level have taken the centre stage.

13. But the answer to all these is not to retreat. For that reason, Malaysia continues to be pragmatic in engaging with the world.
14. The other lesson we learn is that there is a need to enhance our regional arrangements. Closer to home, ASEAN remains an important grouping. This regional grouping has brought a lot of benefits to Malaysia and other members, through closer economic, political and socio-cultural integration.
15. Our focus is now on the Region Comprehensive Economic Partnership (RCEP), which could potentially be finalised early next year. This is a grouping of 16 countries, with ASEAN as the main driver. To date, they have met a number of times and the next meeting will be in Hyderabad next week. Some progress towards achieving substantial conclusion has been made and this will be further discussed at the next meeting.

Ladies and Gentlemen,

16. It is here in ASEAN that we should continue to pursue growth opportunities. We are home to a young, a large working age population and a growing middle class. Intra ASEAN trade and investment have been growing at a fairly robust rate and ASEAN member states are committed to speed up the process of this integration.
17. We are now even committed to further liberalise trade and investment environment by addressing non-tariff measures and investment regulations. The ASEAN High-level Taskforce will be meeting in early August to consider Malaysia's proposal to have greater transparency notification as well as voluntary elimination of non-tariff barriers. Efforts will also be made to have a common definition of non-tariff measures.
18. However, to get to the 60% plus levels [A1] seen in the EU NAFTA, we will need to address the issue of incompatible economic structures. This includes ongoing tariff and non-tariff barriers, protectionism, disparities in market maturity, weak

infrastructure links, and inconsistent regulation and policy across countries.

19. Despite all this, and against the backdrop of global stagnation, the ASEAN economies have stayed relatively resilient. Growth the region was 4.6% last year, and is expected to grow by 5.2% on average till 2020.

Ladies and Gentlemen,

20. Malaysia registered modest growth of 4.2% in 2016. The first quarter growth of 5.6% is a very good start for the year 2017. In a couple of weeks' time, growth number for Q2 will be out. The outlook for 2017 has been quite positive, on the back of good trade and investment numbers.

21. The interest in the Malaysian economy remains high. Only earlier this year Malaysia was named the Best Country to Invest In, in a report co-authored by the Wharton School at the University of Pennsylvania.

22. The New Economic Model and the Economic Transformation implemented by Dato' Sri Najib Razak at the beginning of his administration has delivered results. A total of 2.26 million jobs have been created, inflation and unemployment have been kept low, the Government's dependence on the oil and gas revenue has been significantly lashed from 41.3% in 2009 to 14.7% in 2016.

23. On the infrastructure front, the MRT and MRT II, the LRT expansion, the High Speed Rail linking Kuala Lumpur and Singapore, the East Coast Railway Link and the construction of the Pan Borneo Highway are very important projects to enhance Malaysia's competitiveness. These are some of the outcomes of the Economic Transformation. The developments in the Iskandar as well as the regional corridors as well as the RAPID project in Johor will provide additional business and job opportunities for Malaysians.

24. The World Bank has revised upwards their prediction for Malaysia's growth in 2017 – to 4.9%, while Citibank Research has just released a report predicting growth will be even higher this year – their figure is 5.2% for 2017.

25. Despite the positive buzz, we must not lose sight on the challenges that we are dealing with. The commodities sector, for example, has been experiencing volatility. There has been a negative perception against palm oil in the EU which has affected our exports to that market. Despite our strong fundamentals, these are areas of concern that we will continue to monitor.
26. While Malaysia is well in the way to achieve developed status and the economic fundamental remains strong, we recognise there are some challenges. I will share with you some of my thoughts on this. It is my hope that the MEA, ASLI, academicians, the private sector will continue to have a healthy debate on some of these challenges.
27. The global environment continues to be uncertain, What is important for us is to enhance our competitive position. This will require continuous improvement in infrastructure, the Government delivery mechanism, further improving the business climate, enhancing transparency and integrity as well as continue to provide certainty and predictability of Government's policies. We have to continue addressing investors' confidence, both among domestic and foreign investors.

Ladies and Gentlemen,

28. Malaysia is continuing efforts to boost domestic demand and reduce the economy's dependence on exports. Nevertheless, exports - particularly of electronics, oil and gas, palm oil and rubber - remain a significant driver of the economy. Gross exports of goods and services constitute more than 73.6% of GDP, with 15.8% of Malaysia's exports going to China, its top trading partner.
29. Malaysia's total trade for 2016 was US\$357.8 billion. In January-May 2017, our total trade grew by 25.4% to RM722.89 billion. Meanwhile exports in May 2017 posted a stronger year-on-year growth compared to imports for the first time since May 2016, growing by 32.5% to RM79.4 billion.
30. With a better export performance this year, we are confident that trade will be a major contributor towards delivering our economic growth target in 2017.

31. Despite the challenging global economic headwinds, foreign investors continue to invest in Malaysia. In 2016, a total of 4,972 projects were approved in the primary, manufacturing and services sectors with proposed investments of RM207.9 billion. Of these, foreign investment contributed to RM59.1 billion, an increase of 63.7% compared to RM36.1 billion recorded in 2015.
32. In the manufacturing sector, a total of 974 projects had commenced operations in 2016, including 331 projects with foreign participation. These include new projects like Longi (Kuching) and Jinko Solar (Penang) in the solar industry and reinvestments by existing foreign investors like Dyson Manufacturing and BASF Chemicals, reinforcing Malaysia as a preferred production base for foreign investors
33. With our 2020 goal sight, and as we move our minds toward TN50, we are well on the way to the transitions that are needed. We are removing our reliance on oil and other commodities, reducing to 20% the total value of these in relation to goods exported abroad.
34. Though painful for the Rakyat in the short term, the gradual removal of subsidies through our rationalisation programme is being done in the interest of the country's economy in the long run.
35. What we now need to do to capitalise on the future and the Fourth Industrial Revolution is to invest in the new digital economy and disruptive technologies. 2017 is the Year of the Internet Economy. To us, that means the digital economy is not merely a component, but is a key catalyst of the real economy of the 21st century. Through this, we can raise productivity, shared wealth, boost domestic sources of growth and reduce external vulnerabilities.

Ladies and Gentlemen,

36. I am certain that there will be informative discourse and deliberations on all the session topics today

37. Before I leave, allow me to once again thank ASLI and MEA and also express my appreciation to all the speakers, participants and partners who have made this event possible.

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