

MCA 10 Economic Strategic Directions Conference 2016
**“Conquering The New Economic Frontiers:
Empowering Youths”**

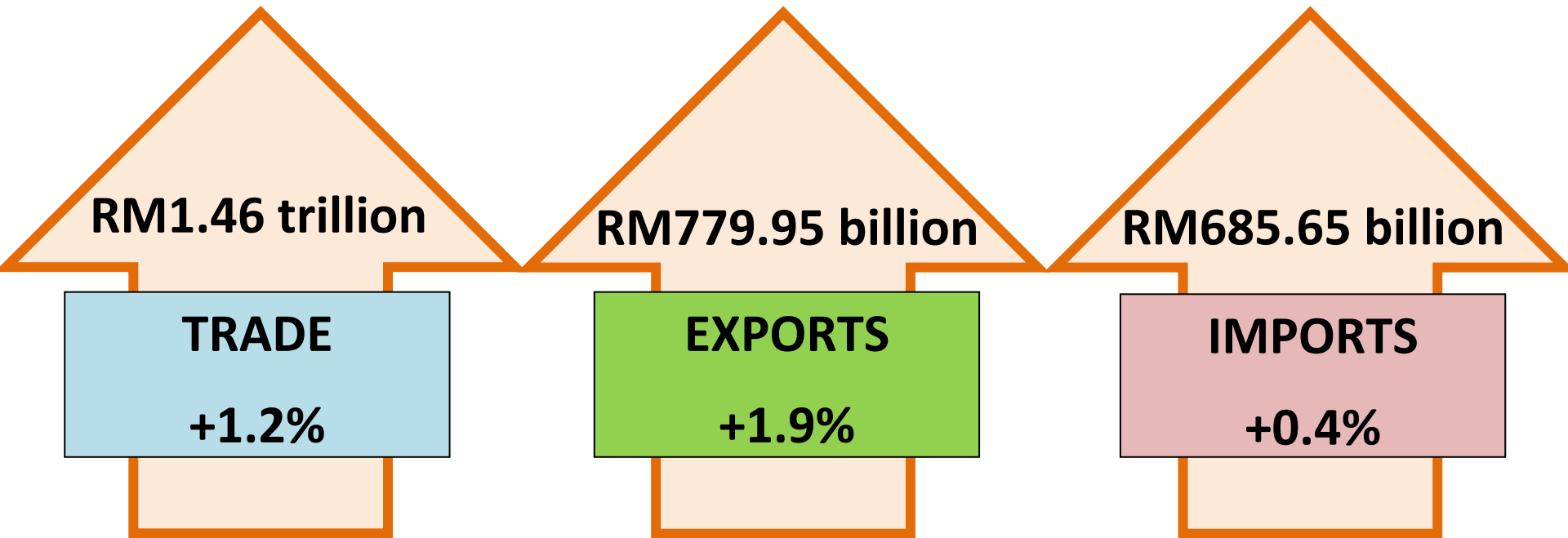
by

YB Dato' Seri Ong Ka Chuan
13 August 2016

Malaysia is an Open Economy

- Malaysia has been a **WTO member** since 1 January 1995.
- In 2015, Malaysia was ranked the **22nd largest exporting and 26th largest importing country** in the world.
 - ❖ Singapore: Exporter - 14, Importer - 16
 - ❖ Thailand: Exporter - 20, Importer - 21
 - ❖ Indonesia: Exporter - 30, Importer – 30
- **Small domestic market**- need to export and to source FDIs to develop industries & create jobs.

In 2015, exports recorded commendable growth in the face of global uncertainties.



*>> Trade Surplus remained high (RM94.29 billion).
>> 18 years of trade surplus since 1998.*

Export of Manufactured Goods 2015



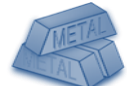
Electric & Electronics - RM 277.92 bil (35.6% of total exports)



Chemicals & Chemical Products- RM 55.14 bil (7.1%)



Machinery & Equipment- RM 36.14 bil (4.6%)



Manufactures of Metal- RM 34.89 bil (4.5%)



Optical & Scientific Products- RM 26.11 bil (3.3%)



Rubber Products- RM 20.18 bil (2.6%)



Processed Food- RM 18.02 bil (2.3%)



Transport Equipment- RM 12.01 bil (2.0%)

Manufactured goods contributed to 80.2% (RM625.46 bil) of total export

Export of Commodities 2015



LNG- RM 47.07 bil (6% of total exports)



Palm Oil - RM 40.14 bil (5.1%)



Crude Petroleum- RM 26.08 bil (3.3%)



Natural Rubber- RM 4.03 bil (0.5%)

Exports of major commodities
contributed 15% to total exports or RM117.32 bil

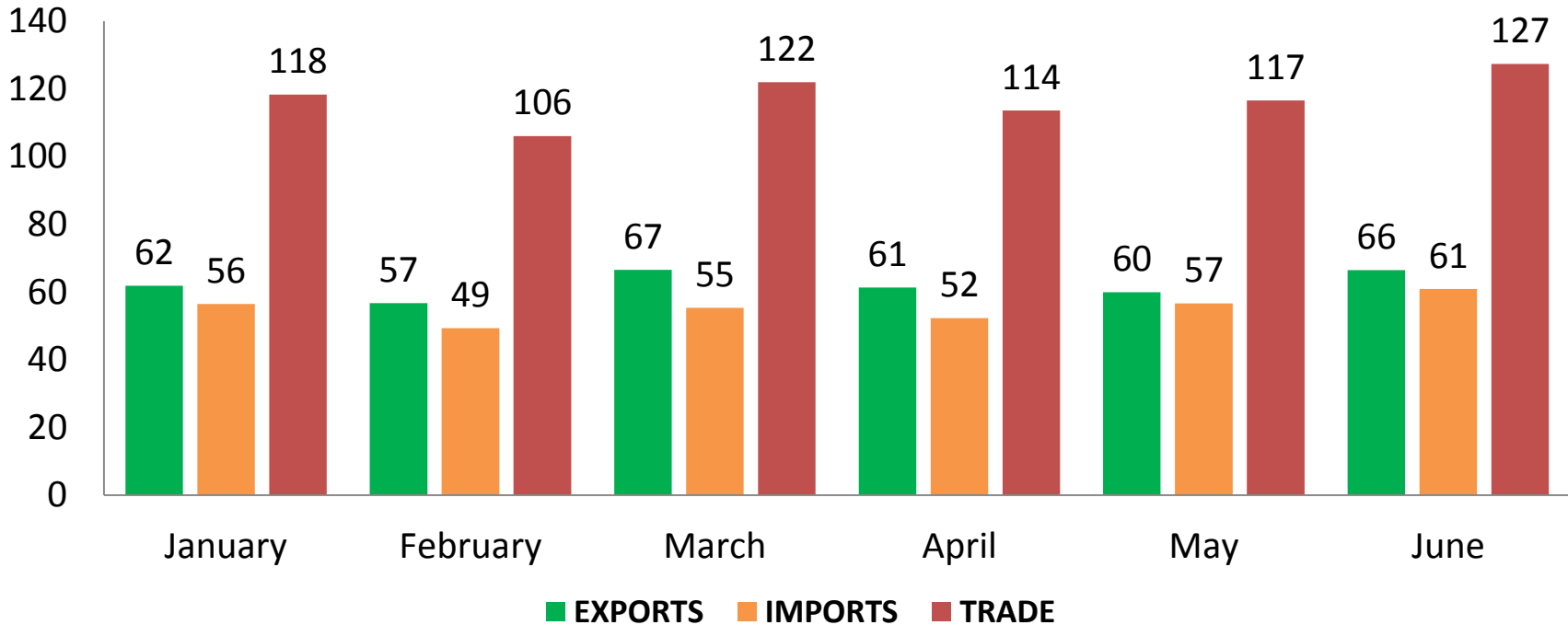
Malaysia's Trade Performance 2011-2015

RM billion



Malaysia's Trade Performance 1Half 2016

RM billion



Source: Department of Statistics, Malaysia

Foreign Fund Flow to Asia has showed sign of receding after 3 consecutive weeks of robust net inflow.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

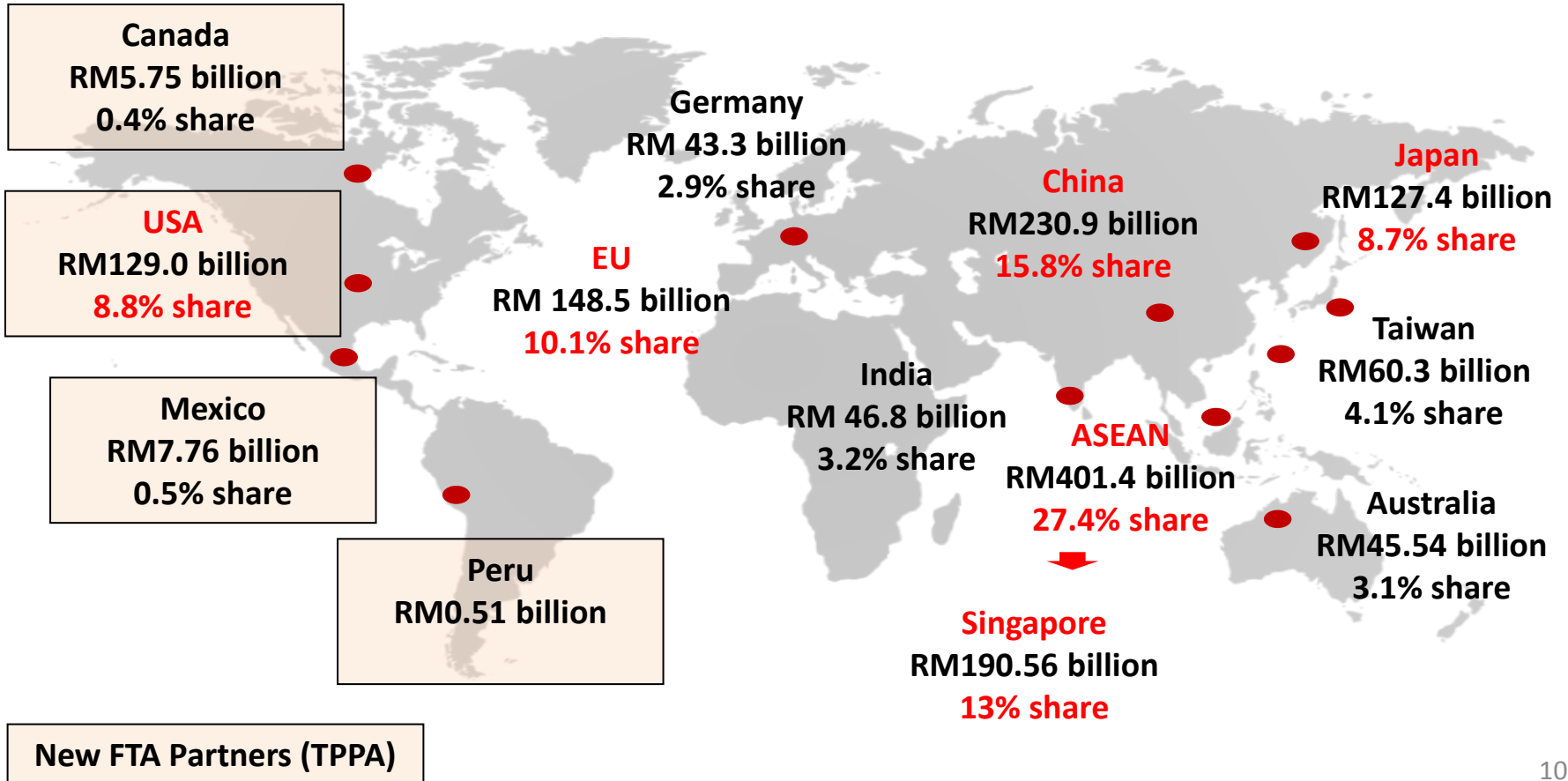
WEEK	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
June 24	-131.3	40.6	107.8	92.7	-71.6	259.5	-32.40	265.1
July 1	159.7	204.4	449.5	125.0	159.7	902.1	0.75	2001.1
July 8	-108.1	162.9	0.0	62.1	95.9	-243.8	23.57	-7.5
July 15	1722.3	464.1	433.3	157.5	598.2	1881.4	193.08	5449.9
July 22	815.8	275.6	150.7	78.6	406.8	2145.5	8.55	3881.4
July 29	998.2	363.9	246.3	78.0	627.8	1222.3	25.79	3562.2
August 5	300.7	47.7	470.1 ^a	66.8	311.3 ^a	921.1	74.89	2192.6

Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

a: Figure was updated until last Thursday.

Expanding Market Access

Malaysia's Major Trading Partners 2015



Malaysia has signed 14 FTAs



MULTILATERAL/ BILATERAL FTAs



China



Japan



Pakistan



Korea



India



Australia



New Zealand



Chile



Turkey

MULTILATERAL

1. ASEAN Free Trade Area (1992)
2. ASEAN-China (2004)
3. ASEAN-Korea (2006)
4. ASEAN-Japan (2008)
5. ASEAN-India (2009)
6. ASEAN-Australia-New Zealand (2009)
7. Trans-Pacific Partnership Agreement (2016)

BILATERAL

1. Japan (2005)
2. Pakistan (2007)
3. New Zealand (2009)
4. Chile (2010)
5. India (2011)
6. Australia (2012)
7. Turkey (1.8.2015)

Under negotiation: RCEP, Malaysia-EU, Malaysia-EFTA (Iceland, Norway, Switzerland, Liechtenstein) and ASEAN-Hong Kong

Access to ASEAN Market

Population 620 million
(2015)
Youth 60%

Tourist Arrivals
105 million
(2014)
Intra-ASEAN 48 million

Total FDI USD 136.2 billion
(2014)
Intra ASEAN USD24.4 billion
(17.9%)



Total Exports USD1.3 trillion
Intra ASEAN 25.5%

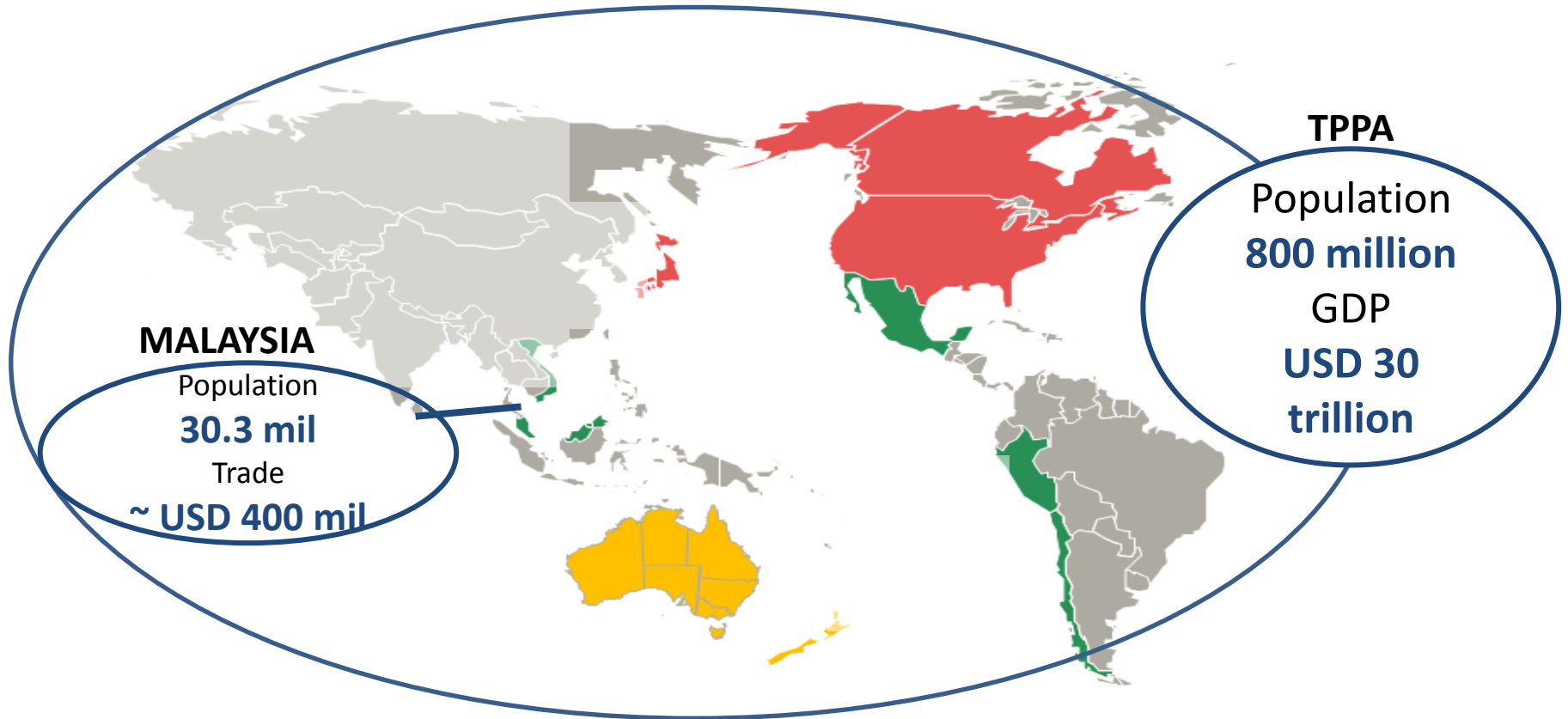
GDP USD2.57 trillion
GDP growth: 4.6% (2015);
5.1% (2016)
Per capita USD 4,130 (2014)

7th largest economy
(4th by 2050)

ASEAN Dialogue Partners

- Australia
- Canada
- China
- India
- Japan
- Korea
- New Zealand
- European Union (EU)
- Russia
- USA
- UNDP

Access to TPPA Market



MALAYSIA

Population

30.3 mil

Trade

~ USD 400 mil

TPPA

Population

800 million

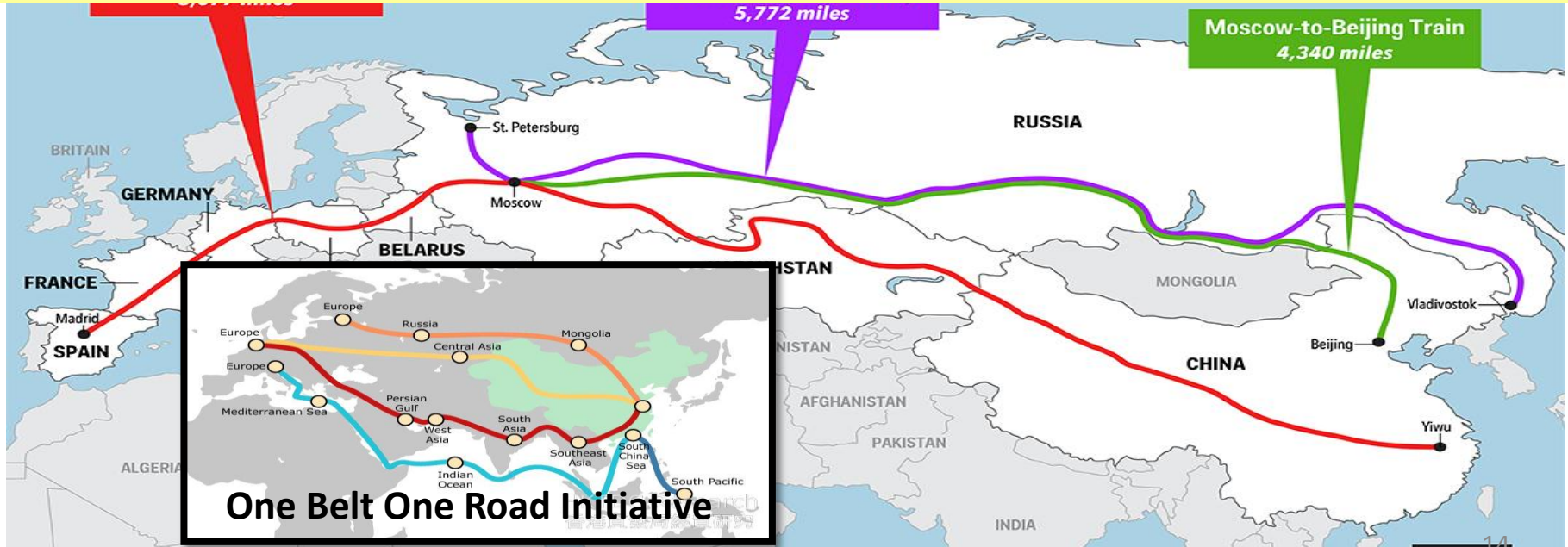
GDP

USD 30

trillion

Yiwu-Madrid Railway Line

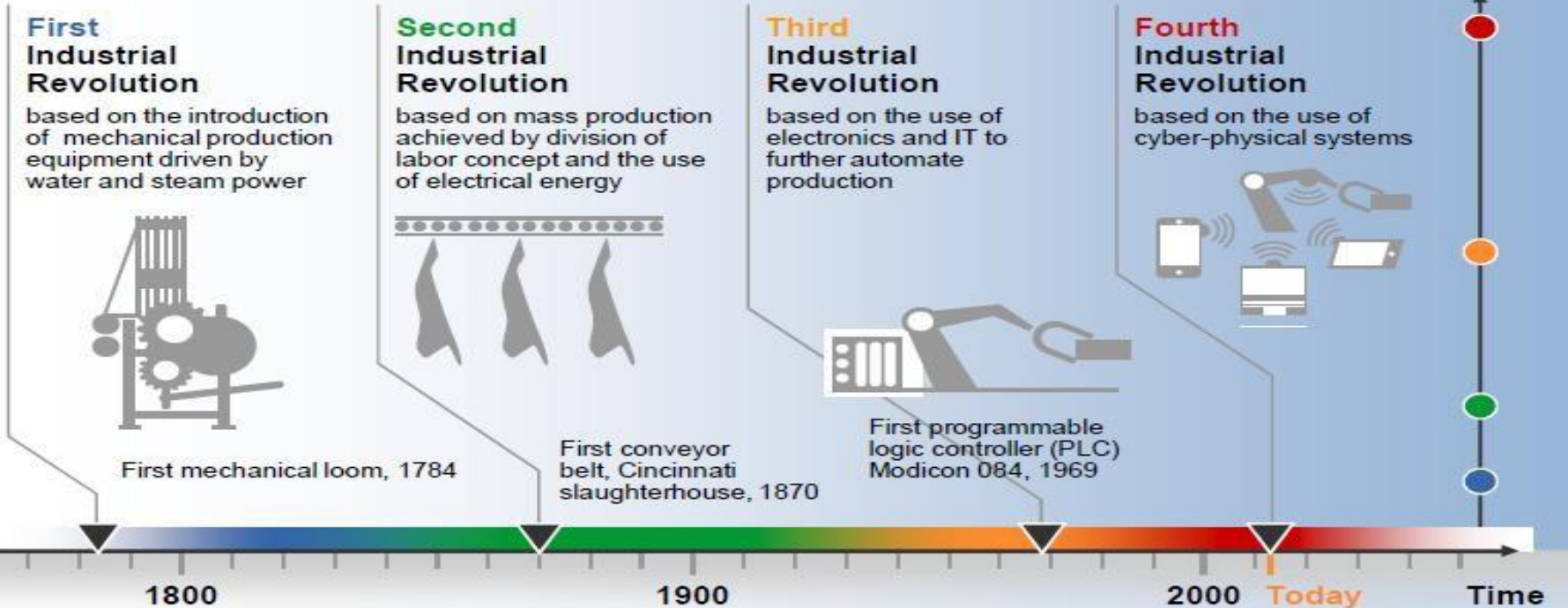
The Yiwu-Madrid Railway Line connects Chinese Yiwu to Spanish Madrid (distance:13,000km, 21 days). The route was opened on 9 December 2014, with trains running between China and Europe, passes through Kazakhstan, Russia, Belarus, Poland, Germany and France, terminating at the Madrid Abroñigal Station.



Nurturing Technology Innovation

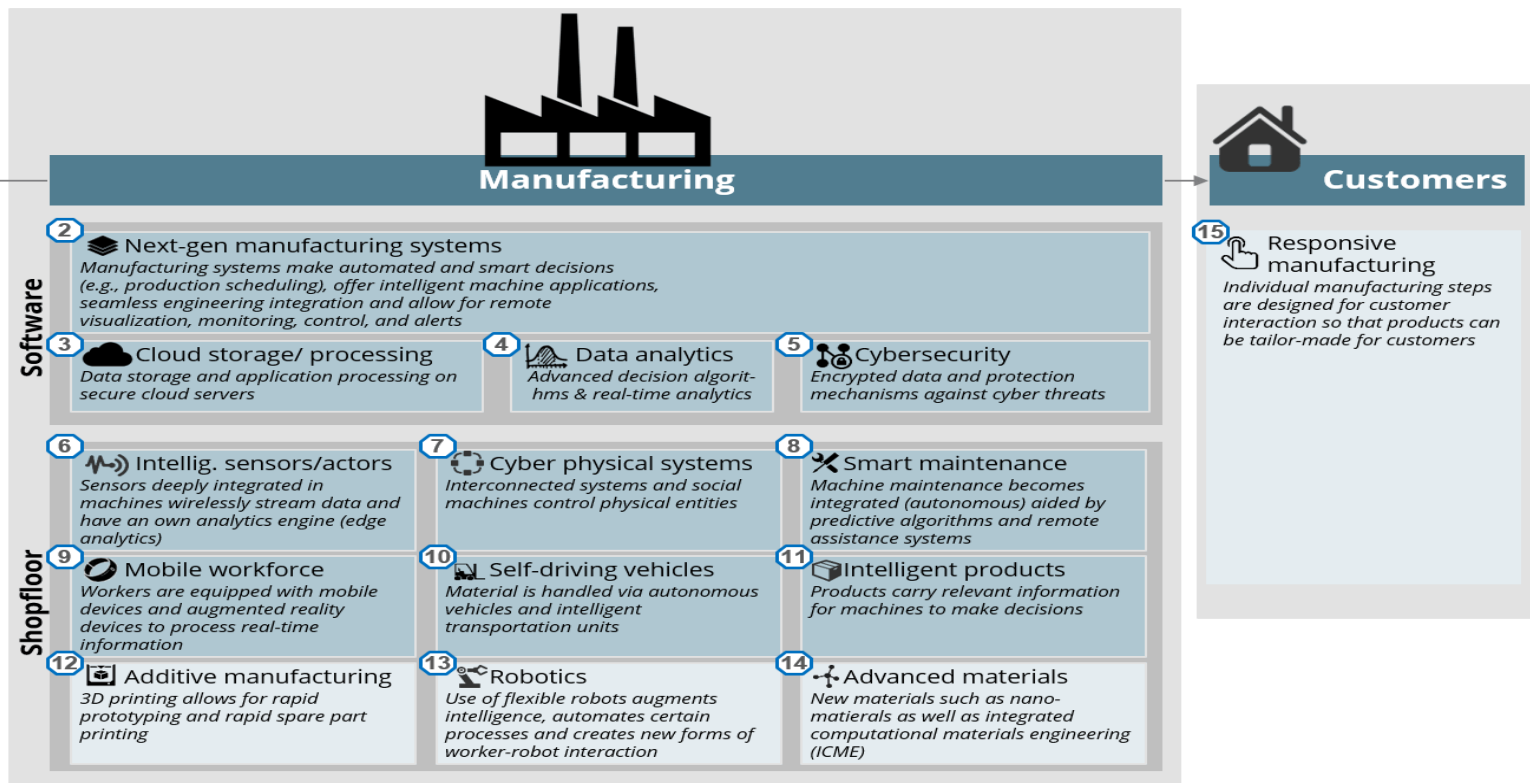
Phases of Industrialization

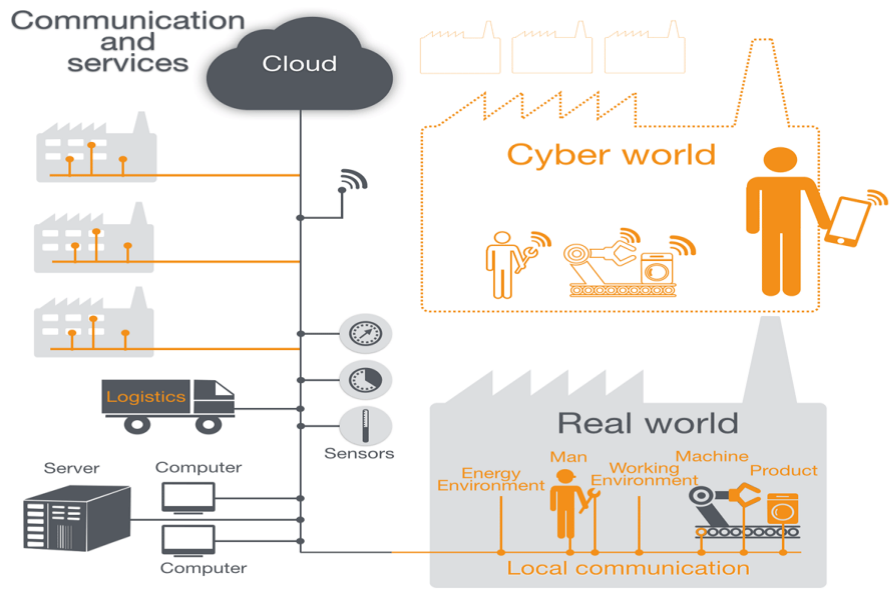
From Industry 1.0 to Industry 4.0



Source: German Research Centre for Artificial Intelligence (DFKI)

15 components of the smart factory of the future





- Social Machines
- Smart Products
- Augmented Operators
- Virtual Productions
- Global Facilities

Smart Factory

Facilitate machine-to-machine and machine-to-product communication and interaction with people, delivering real-time information and data for decisions.



General Electrics set up global internet turbine control system based in only three locations- the United States (Houston), Italy (Florence) and Malaysia (Kuala Lumpur-KLCC), which monitors the operation of approximately 8,000 turbines located around the globe.

Internet of Things

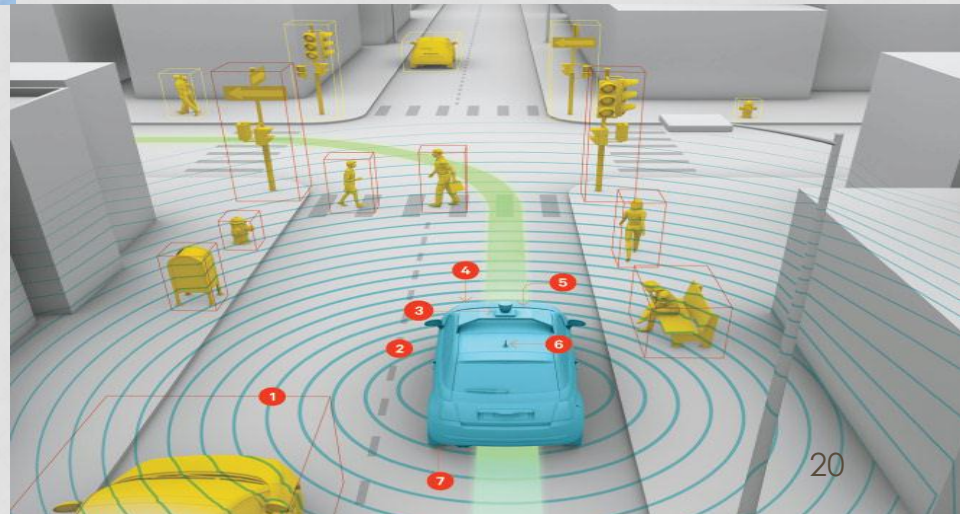




Autonomous Vehicle

By 2017, Volvo's self-driving car will be tested in London, several cities in China, and in Gothenburg, Sweden, with 100 specially equipped XC90s in each country.

The technology used include a complex network of sensors, cloud-based positioning systems and intelligent braking and steering technologies.



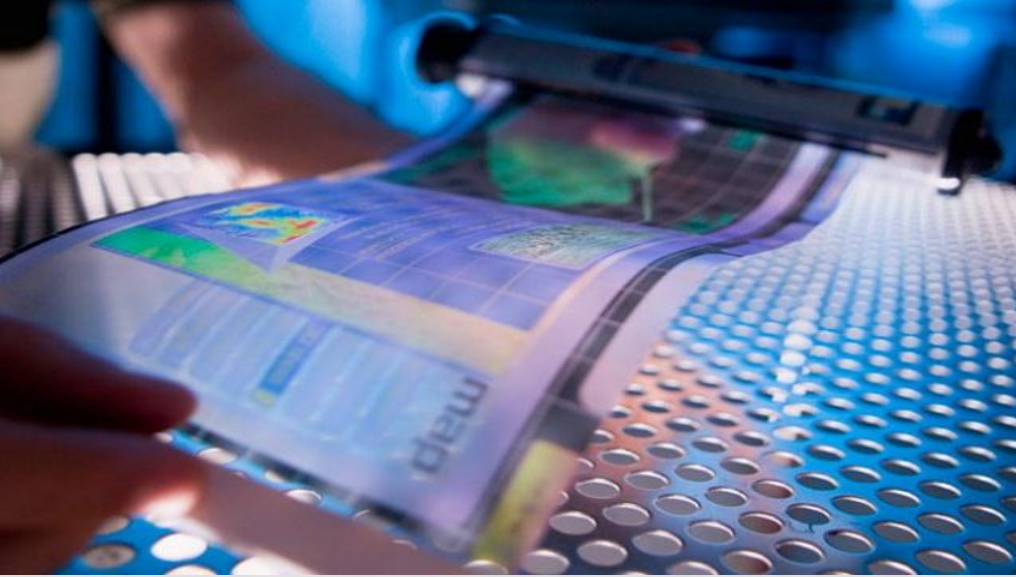
3-D Printing




adidas



Adidas is gradually moving their production bases in Asia back to their automated factory in Germany to produce 3-D printing sneakers.



Graphene is 200x stronger than steel, a million times thinner than human hair, efficient conductor of heat and electricity.

UK supercar manufacturer BAC has become the first vehicle in the world to develop a car which utilises graphene.



Nanomaterial

Examples in Malaysia



Intel and Mitsubishi Electric collaborate to create **next-generation factory automation systems using big data analytics** in its manufacturing facility. The **Kulim** plant of Intel is the pilot project of this collaboration.



Konica Minolta is **introducing ICT and digital manufacturing** in its latest plant in **Melaka** to manufacture multi-functional printers (MFP), which is set to be the most advanced manufacturing plant of Konica Minolta Group.



Equipments used in the manufacturing line in **Penang** are integrated with various types of **sensors that relies heavily on the IoT and Big Data for a seamless machine to machine (M2M) connectivity.**

The manufacturing balance scale has changed

YESTERDAY:

- Cheap Energy
- Cheap Water
- Cheap Waste
- 'Free' Emissions
- Predictable Raw Materials
- Available Talent Pool



- Expensive Controls & Automation Technology
- Expensive Software and IT

TODAY:

- Energy cost swings
- Water cost rising
- Expensive Waste
- Expensive Emissions
- Unpredictable Raw Materials
- Limited Talent Pool



- Cheap Controls & Automation Technology
- Cheap Software and IT
- Capex removal
- Demand based Services Delivery

Malaysia has potentials...

- **Full commitment from industry-** Change attitude from technology user to technology supplier by seriously investing in industry-led R&T. R&D expenditure by companies including MNCs need to be increased.
- **Support from the Government-** MIDA together with MITI, MOSTI, MIMOS and other relevant agencies are promoting and incentivizing the adoption of smart manufacturing, robotics and automation to Malaysian companies.
- **Increase Malaysia's content in manufacturing (localisation)-** remain competitive by developing a strong comparative advantage in the identified focus areas.

Thank you