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DFTZ – the wheels of change

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Malaysia's logistics industry needs a disruptive innovation to ensure its sustainability.

I RECENTLY read a very interesting interview by the managing director of Daimler-Benz who noted that there have always been three constants in life: death, taxes and CHANGE!

The concept of "change" is often scary, hard and uncomfortable. As we enter the digital economy, change is something that is necessary and unavoidable, for the betterment of the country and all Malaysians.

Forty years ago, as the fundamentals of our economy transitioned from mining and agriculture to manufacturing, the local logistics industry grew in importance and became the backbone of trade for the country.

As trade grew, we became the 23rd largest exporting nation in the world.

However, on the back of underdeveloped transport and logistics services and a slow, strict regulatory environment for dealing with exported and imported goods, the logistics industry struggled to keep up with the growth in trade.

To ensure the sustainability of the industry, we took on the visionary Logistics and Trade Facilitation



Movers and shakers: Prime Minister Datuk Seri Najib Tun Razak shaking hands with Alibaba founder Jack Ma at the launch of the world's first Digital Free Trade Zone.

Masterplan in 2015, which has successfully facilitated the logistics industry, simplified many processes and procedures, and strengthened partnerships with the private sector.

Despite being on track to reinvigorate the logistics industry, we are also equally aware of the need to

ensure the sustainability of the sector.

With the economy projected to grow progressively, we require a disruptive change within the industry to continue to support the nation's growth and achieve the key results laid down in the masterplan.

The first of its kind, the Digital

Free Trade Zone (DFTZ), will create this much-needed disruptive innovation for the logistics ecosystem.

The Digital Free Trade Zone

Combining both physical and virtual zones, the e-hub jointly established by Alibaba Group and Malaysia Digital Economy Corp will comprise three main components.

The first component of DFTZ is a 17.5-ha e-fulfilment hub. The hub will allow Internet retailers to manage the end-to-end of the supply chain at a central location.

Strategically located at KLIA Aeropolis, the DFTZ's e-fulfilment hub will speed up import and export for e-traders and ease accessibility towards key central locations around Kuala Lumpur and within the region.

In fact, it is expected to deliver packages within 72 hours to Asean countries through the good air connectivity at KLIA and sea connectivity at Port Klang.

Furthermore, with Port Klang already being one of the best seaports among the Asean countries, many overseas suppliers could ship to Malaysia by sea instead of air to reduce costs.

Upon full completion of DFTZ by 2025, the e-fulfilment hub is anticipated to handle and move up to US\$65bil (RM280.8bil) worth of goods around the Asean region.

More importantly, the e-fulfilment hub will transform how local traders, especially small and medium enterprises (SMEs), in Malaysia conduct their business.

Today, around 97% of businesses in Malaysia are either SMEs or micro businesses and they collectively contribute only 37% of the gross domestic product. With the tilt towards DFTZ, local traders will now be able to market their products to the global market easily via e-commerce and an improved logistics ecosystem.

The second key component of DFTZ is the 500,000-sq ft Satellite Services Hub in Bandar Malaysia's Kuala Lumpur Internet City. The DFTZ's Satellite Services Hub will bring together global and local Internet-related companies, specifically service providers in cross-border trade, such as financing, last-mile fulfilment, insurance and other services.