

## **NCCIM ECONOMIC FORUM 2017**

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This morning, when officiating the National Chamber of Commerce and Industry of Malaysia Economic Forum 2017, I reflected on where we are now and what we have achieved over the last few years.

In 2010, we launched the Economic Transformation Programme, as part of the National Transformation Programme, with the aim of Malaysia becoming a high income status nation by 2020.

Since then, Gross National Income has increased by nearly 51.8 percent, and GNI per capita using the Atlas method increased to US\$9,850. Based on the World Bank's latest high income threshold of US\$12,235, we have narrowed the gap towards the high income target from 38 percent to 19 percent.

2.26 million jobs have been created, which represents 69 percent of the 3.3 million target we want to reach by 2020. We are making the right progress towards those goals. This year, both the World Bank and the IMF have upped their estimates. We are expected to record a rise in GDP of nearly 5 percent.

As it is, we recorded spectacular growth of 5.6 percent in the first quarter of 2017. Total exports, meanwhile, breached the RM80 billion mark in March for the first time on record.

No wonder a World Bank report recently concluded: "The Malaysian economy is progressing from a position of strength."

None of this has come about by chance. We had a plan. And that plan has delivered and is continuing to deliver.

The ETP's focus on 12 National Key Economic Areas and six Strategic Reform Initiatives has unlocked private sector dynamism. It has led to private investment growth doubling to a

compounded annual growth of 10.7 percent between 2011 and 2016, against 5.5 percent from 2006 to 2010.

The hard decisions we took over subsidy rationalisation and GST have paid off. The Government's fiscal position is being rebuilt, with a wider revenue base and reduced reliance on oil and gas, from 41 percent of Government revenue in 2009 to 14 percent today.

We are on course to reduce the deficit to 3 percent this year, from 6.7 percent in 2009. And our currency, the ringgit, was recently described by Bloomberg as "easily the strongest major Asian currency this quarter".

The IMF, the World Bank and the OECD have all praised the Government's transformation of the economy, and a recent survey by BAV Consulting and the Wharton School at the University of Pennsylvania declared Malaysia to be the "Best Country to Invest In". It stated "Malaysia is the clear frontrunner in this ranking, scoring at least 30 points more than any other country on a 100 point scale."

Even as Malaysia's foreign direct investment, with special reference to Chinese investments into Malaysia has been increasingly politicised and blown out of proportion, we continue to welcome foreign investment from around the world, whether that be from China, Japan, India, Saudi Arabia, Europe or the Americas.

We are an open, friendly and business-conducive country, which is why between 2010 and 2016, FDI investment flows into Malaysia expanded by an average of RM36 billion per annum. This is a strong testament to the confidence foreign countries have in us, and it is a record we should be proud of.

It is certainly true that China has gained prominence as a major foreign investor in Malaysia across a broad base of sectors, including manufacturing, services, ports, railways, real estate, construction, education and energy.

In May this year, nine business agreements were signed between Malaysian and Chinese companies, with proposed investments estimated at RM31.3 billion. This is in addition to

14 Memorandums of Understanding relating to the defence, agriculture, education, finance and construction sectors worth RM143.6 billion signed on 2 November 2016.

China's massive investment commitment demonstrates the real and transformative results of the excellent relations that Malaysia and China have built. China is Malaysia's largest trading partner, while Malaysia is China's eighth largest trading partner, and the second largest in ASEAN.

We believe that China's Belt and Road initiative will be a game changer for the regional economy, creating enormous trade and investment prospects via greater connectivity in sea and land links.

China is the world's second largest economy and a trading nation that is looking increasingly outwards. So it makes no economic sense for Malaysia to turn away Chinese FDI, as some politicians are suggesting. Such a myopic and narrow-minded view betrays a fundamental misunderstanding of economics, and would only be bad for this country. The Government will not compromise on even one inch of the country's sovereignty.

In fact, as of the first quarter of this year, according to data sourced by the Department of Statistics, investment from China represented merely 2 per cent of total foreign direct investment (FDI) stock in Malaysia, or number ten among the top ten FDI nations in Malaysia.

It is our responsibility to protect the interests of Malaysians and of local businesses. We will ensure that there will be mutually beneficial commercial partnerships, employment creation, market access, SME development and local procurement of raw materials.

The same opposition politicians who warn about Chinese investment are the same politicians who want to abolish GST – with no answer at all about how they would find the RM41 billion in revenue that GST brought in last year.

They are scaremongering and spreading lies for their own selfish political reasons. They do not have the good of Malaysia and its people at heart.

But this Government will continue its reform programme which has been hailed by experts around the world, in order to serve the rakyat, and to ensure that Malaysia continues on its journey towards becoming a high income nation.

Even as I have mentioned about what we have done, and the results of our reforms and programmes, this is what we must do, going forward.

A sustainable and inclusive future for our country will depend not only on good economic policies and decision making processes, it will also involve integrating new technologies and being an innovative and entrepreneurial society.

Unlocking productivity is critical for boosting high growth potential and sustaining competitiveness. Malaysia's productivity growth has decelerated in recent years.

This trend must be addressed immediately before it impedes growth potential. This is why we formulated the Malaysia Productivity Blueprint which aims to double productivity growth to 3.7 percent per annum during the Eleventh Malaysia Plan.

In addition, the National eCommerce Strategic Roadmap, spearheaded by Malaysia Digital Economy Corporation, or MDEC, is mandated to map out actionable programmes that will lead to Malaysian businesses eventually becoming global eCommerce champions.

As it is Malaysia's eCommerce grew by 12.8 percent per annum between 2012 and 2015 to RM68 billion, making up 5.9 percent of GDP. With the Government's policy intervention via the roadmap, we are aiming to double growth to 20.8 percent per annum to RM170 billion in 2020.

We believe that eCommerce has a very bright future in Malaysia, especially with the establishment of the world's first Digital Free Trade Zone.

With the Alibaba Group chairman, Mr Jack Ma, as Malaysia's digital economy adviser, we can draw on his vision and foresight to guide Malaysian SMEs on how to gain from the limitless eCommerce market.

SME Corp Malaysia is targeting 1,500 new SMEs to join the DFTZ platform this year. This is in addition to the 50,000 Malaysian SMEs who currently hold active accounts on the Alibaba e-commerce platform. And next year, SME Corp will target 8,000 new SMEs to join the DFTZ platform.

I am happy that the chambers of commerce rose to the occasion in partnering the Government in promoting and developing the digital economy. In this regard, the launch of the DPMM's Digital Strategy, supported by the NCCIM, is timely and will be a big boost to our SMEs and consequently to the welfare of the rakyat.

With Transformasi Nasional or TN50, our new 30-year transformation plan, which I first raised during the 2017 Budget, the Government aims to transform Malaysia into a nation of excellence – a top 20 country by the year 2050. We have been taking a bottom up approach, instead of a top down one, to draw up the TN50 implementation plan because we want the new vision to be felt by the rakyat – for it to be theirs and I welcome all of your suggestions and encourage you to think outside the box in helping us realise collectively our plan and mission for the future.

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