

**TALKING POINTS FOR
YB DR. ONG KIAN MING
DEPUTY MINISTER, MINISTRY OF INTERNATIONAL TRADE & INVESTMENT
(MITI)
INVESTMENT OPPORTUNITIES IN
E-COMMERCE FULFILLMENT INDUSTRY
10 JULY 2019, PERDANA HALL, MITI**

Salutations

A very good morning to

YBrs. Encik Hairil Yahri Yaacob

Deputy Secretary General (Investment) of MITI

YBhg. Dato' Mathialakan Chelliah

Acting Chairman of MDEC

YBrs. Encik Arham Abdul Rahman

Deputy Chief Executive Officer of MIDA

YBrs. Encik Aidid Tajuddin

Acting Director of Customs Division, Royal Malaysian Customs Department

Distinguished Speakers and Panelists

Members of the Media

Ladies and Gentlemen,

1. It is an honor to be with all industry players here, today. Congratulations to the National e-Commerce Council (NeCC), MITI, MIDA and MDEC for making this seminar a success.
2. Given the line-up of today's speakers and activities, I trust that all of us will benefit from the exchange of ideas and information from the sessions after this.

3. The objective of this seminar is to highlight the Government's initiatives in positioning Malaysia as an “**e-fulfillment hub**” and the potential opportunities that can be leveraged to support the rapid growth of the e-commerce.
4. Today, I would like to highlight three points:
 - a. The promising growth of the logistics sector
 - b. Digital Free Trade Zone (DFTZ), a strong proponent for the logistics industry
 - c. Continuous innovations to sustain the competitiveness of the logistics industry in Malaysia

Ladies and Gentlemen,

5. Malaysia is one of the most diversified economies in the world with the services, manufacturing, agriculture and mining sectors providing the right balance to the economy. Being the world's 24th largest trading nation, Malaysia's logistics industry plays an integral role in enabling the growth of the country's supply chain.
6. In Q1 2019, the logistics sector contributed in terms of approved investments worth RM50.5 million where most of the investments came from domestic companies.
7. We recognise that logistics industry today is being revolutionised by emerging technologies, resulting in new growth areas such as e-commerce and the last mile delivery markets. The rapid growth of e-commerce, particularly in Malaysia today, has created many positive outcomes such as technology adoption among communities and industry players, increasing trade and supply chain activities, growth of SMEs and talent development.
8. Many companies are starting to explore towards establishing their regional fulfilment operations in Malaysia to serve their global supply chain activities due to Malaysia's strategic geographical location and the increasing adoption of technology in the country that makes the supply chain process seamless and efficient.

9. In light of the projected double-digit growth of e-commerce in the region, Malaysia is ready to take part in transforming the existing digital landscape into a bright digital future as charted by Malaysia's National e-Commerce Strategic Roadmap (NESR), which targets on doubling the country's e-commerce growth to 20.8 per cent by 2020, compared to the 11 percent CAGR at present.
10. In support of the growing supply and demand of e-commerce activities, particularly to encourage logistics companies to adopt technology in their operations and to position themselves as regional e- Fulfilment hub providers in Malaysia, the Government through MIDA has expanded the logistics incentive scheme by introducing the second round ILS (Integrated Logistics Services) incentive in 2017. As of March 2019, MIDA is has approved eight e-Fulfilment projects in which seven of these projects are locally owned.
11. The Government has allocated RM210 million from 2019 to 2021 to support the transition and migration to Industry 4.0. The Government through the Malaysia Productivity Corporation (MPC) is carrying out Readiness Assessments to assist up to 500 SMEs through the Industry4wrld Readiness Assessment (Industry4WRD-RA), to understand their present capabilities and gaps, which will enable firms to prepare feasible strategies and plans to move towards e-fulfilment hub providers.
12. With these schemes in place, we hope that more logistics companies will be motivated to position themselves as regional e-fulfilment players and thus support the growth of the e-commerce activities in Malaysia.

Ladies and Gentlemen,

13. The DFTZ, launched in 2017 and driven by the Malaysia Digital Economy Corporation MDEC together with MITI, MIDA and relevant agencies, is a key driver to empower local SMEs to export to global markets. The DFTZ focuses on Digitalisation to boost Malaysia's competitiveness across the ecommerce value chain.
14. This rapid growth in e-commerce presents huge opportunities for SMEs to accelerate and future-proof their business, as e-commerce has lowered the barrier of entry for SMEs to participate in cross border trade.

15. Global e-commerce companies such as Alibaba are already anticipating and preparing for a future where a billion packages are processed in a day, and working towards the goal of 24-hour-delivery anywhere in China and 72 hours globally.
16. The White Paper published by the International Air Transport Association (IATA) in March 2019 on “Air cargo and e-commerce enabling global trade” has acknowledged that eCommerce is a future growth driver for the air cargo industry; and that on aggregation, the industry’s parcel volume more than doubled over the last decade, growing at a rate far above economic growth.
17. I am pleased to report that the joint venture between Malaysia Airports Holdings Berhad (MAHB) with Alibaba’s logistics arm, Cainiao Smart Logistics Network (Hong Kong) Ltd, to develop a regional e-Commerce and logistics hub at KLIA, is progressing well. Investments such as these are expected to increase cargo volume to Malaysia thus bringing more business and jobs to the local logistics industry and the country.
18. It is therefore critical that our local logistics industry to gear up and take advantage of the huge growth opportunities.
19. Needless to say, MITI and MIDA will continue to play a significant role in encouraging logistics players especially local players to embrace the growth opportunities in e-fulfillment in e-commerce within the region.

Ladies and Gentlemen,

20. The logistics industry forms the backbone to the supply chain and is recognised as key to stimulate trade, facilitate business efficiency and spur economic growth. Today, as orders become more complex and the variety of goods increases, going digital is becoming imperative.
21. The interest of companies in emerging areas, such as cold chain logistics, last mile delivery services and halal logistics is growing, due to the high margins and rising demand. The economy of the country is expected to grow between 5% and 6% and this will indeed drive the growth of the logistics industry further.

22. There is a need for continuous investment into infrastructure, such as port upgrades and expansion, road networks, and adoption of advanced technology.
23. The local logistics companies are therefore encouraged to invest and adopt cutting-edge technologies, and to explore potentially disruptive technologies to create new ways of business, as well as to lower cost while enhancing overall efficiency.
24. Some of the key technologies that have been adopted by international logistic players include the usage of Internet of Things (IoT) and robotic in automating warehouse operations, track & trace capabilities and the usage of Big Data Analytic (BDA) to optimise last mile delivery.

Ladies and Gentlemen,

25. I am confident that continuous engagements between the public and private sectors will boost the development of the logistics and e-commerce ecosystem in Malaysia. Our end goal is to create more business and job opportunities for the overall wealth and prosperity of the country. On that note, have a productive day ahead, thank you.