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🕒 Friday, Oct 25 2019



KUALA LUMPUR, Oct 25 -- The permanent reorientation of the global supply chain due to the United States-China trade war can be a golden opportunity to attract new investment and reverse Malaysia's premature deindustrialisation, says Finance Minister Lim Guan Eng.

He said the trade war between the two economic giants has shifted the entire global supply chain, causing a seismic shift in trade, capital flows and technology.

"Various firms today are searching for safe havens to avoid being caught in the trade war between China and the US. Several Southeast Asian countries, including Malaysia, have begun to experience increased foreign investment resulting from trade and investment diversion caused by the trade war.



"Approved foreign investments across all sectors in Malaysia have roughly doubled to RM49.5 billion during the first half of this year from RM25.1 billion in the first half of 2018," he said in his address at the University of California Berkeley in the United States titled 'Charting Malaysia's Digital Future Through a Multilateral Framework, Entrepreneurship, Shared Prosperity' on Oct 21.

Lim said a majority of the approved investment was within the manufacturing sector, with the US being the biggest source of approved investment worth RM11.7 billion, followed by China with RM4.8 billion.

He said Malaysia has been lucky and exhibiting resilience amid external turbulence whereby in the second quarter of 2019, its gross domestic product (GDP) growth accelerated to 4.9 per cent from 4.5 per cent in the first quarter, making it among the few countries in the world that experienced faster GDP growth during the period.

"Nevertheless, I wish to stress despite the short-term gains, that in the long run there are no winners in trade wars. Only losers. If the trade tension persists and worsens, the global pie would shrink. No amount of trade and investment diversion would suffice to counter the potential loss in global output," he said.

Lim said the government sought to draw out an industrial policy to focus Malaysia's reindustrialising efforts, which requires selective state interventions to prioritise investment in strategic sectors and structure incentives around specific economic and social goals.

For Malaysia's reindustrialisation exercise to be successful, he said the country has put in place its national Industry 4.0 policy since last year, identifying five sectors to prioritise in terms of Industry 4.0 technology implementation.

The sectors are electrical and electronics, machinery and equipment, chemical, medical devices and aerospace.

"More generally, Malaysia is upgrading our digital backbone by investing RM21.6 billion in our National Fiberisation and Connectivity Plan (NFCP) from 2019 to 2023 to widen the coverage and raise the speed of broadband internet in the country

"We need the private sector to lead growth. This is where the Entrepreneurial State comes in with a comprehensive 4P partnership between the public sector, private sector, professionals and people to maximise the benefits of the NFCP," he said.

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