SPEECH BY
YB DATUK SERI JOHARI BIN ABDUL GHANI
MINISTER OF FINANCE II
OPENING CEREMONY
GLOBAL OFFSET & COUNTERTRADE ASSICIATION (GOCA) ASIA PACIFIC 2017
ON 27TH MARCH 2017 (MONDAY), AT 9.30 AM
AT HOTEL ROYALE CHULAN
KUALA LUMPUR

YBhg Tan Sri Dr Irwan Siregar bin Abdullah
Secretary General of Treasury

YBhg Datuk Seri Hashmuddin bin Mohamad
Deputy Secretary General of Treasury (M)

Mr Cory Victor
Chair of the GOCA Secretariat

Participants of GOCA 2017@ Kuala Lumpur.

Distinguished guests,

And Members of media

Assalamualaikum, Selamat Datang and good morning,

Ladies and Gentlemen

1. Alhamdulillah, marilah kita bersama-sama memanjatkan rasa kesyukuran ke hadrat Allah Subhanahu Wata'ala, kerana dengan izin dan limpah kurniaNya jua, kita dapat bersama-sama pada pagi ini, di

Majlis Perasmian Global Offset & Countertrade Assiciation (GOCA) Asia Pacific 2017 Kuala Lumpur.

2. First and foremost, I would like to welcome all international delegations to beautiful Malaysia and would like to wish all of you a pleasant stay in this country. To local delegations, welcome to GOCA 2017 @ Kuala Lumpur conference which is the first GOCA conference organised in Asia Pacific. We hope that you will reap benefits from this conference to have more knowledge about global offset best-practices and implementations.

3. Malaysia has been actively involved in GOCA since 2011 and participated in many conferences since then. We have been sharing Malaysia's offset policy and experience that we hope will benefits our friends and counterparts out there. Along the line, Malaysia was offered in 2015 by GOCA to organise the GOCA Spring conference in Malaysia and we are honoured to accept it and has been working since then to organise this esteemed conference. Since it is the first one organised in this region, we would like to make sure this conference is a successful one and will be remembered by the delegations.

4. Malaysia is known as an excellent investment destination and we would like to maintain it that way. We have proven that we have excellent governance in particular with regard to Intellectual Properties Right (IPR), physical infrastructure and incentives, ready human capital with the right competency and many more. Further, by

having the National Industrial Collaboration Policy (ICP) published in 2014, Malaysia became more competitive in terms of investment returns and able to create collaborative platforms for sustainable businesses.

Ladies and Gentlemen

5. We have termed the commonly known ‘Offset’ with a new term which is Industrial Collaboration Program (ICP). We believe the term ICP connotes a more positive ‘aura’ which shall contribute to more sustainable outcomes. It is important for Malaysia to be able to create platforms that allow continuity in business activities in order for those businesses to contribute more to local industry and economic development.

6. The ICP Policy have made the ICP implementations mandatory to international and local companies that are given contracts by the Government that surpassed certain threshold value. This policy has gone through continuous review and the latest is the 3rd Edition. I was informed that the Ministry of Finance (MoF) as the policy owner is in the final stage to publish a revised edition soon which envisaged ~~as~~ a more comprehensive, easy to follow and provide clearer guidelines to the readers.

7. From the perspective of implementation, MoF is the policy owner. The operationalization of the policy will be carried out by Technology

Depository Agency (TDA), which is an agency established under the purview of MOF. Therefore, MoF and TDA as the Malaysia's ICP Authority will work hand in hand to ensure ICP implementation in Malaysia that covers defence and non-defence procurement are carried out accordingly.

Ladies and Gentlemen

8. To date, the ICP obligation value in Malaysia is about USD17.5 billion triggered from various Government procurement (defense and non-defense) up to year 2020/21. This number will increase from time to time based on procurement programs by the Government in the future. Currently, we have ongoing implementations of 71 Industrial Collaboration Programs with a total of 265 projects.

9. From this numbers, about 7 programs have been fully completed and registered about USD1.3 billion worth of ICP Credit Value (ICV) which has contributed to the current national economy. The nominal value for these programs is about USD 250 million. The ICV was generated based on the level of impact and effectiveness of the ICP projects to the needs in enhancing local capability to greater height. It is therefore, can be concluded that for every one USD (USD1) that is spent on the procurement, the Government is getting the returns of about USD5.2 in the form of quality investment, job creation (K-Worker), technical enhancement and technology transfer.

10. As a result of current activities, ICP has managed to develop more than 200 companies with the involvement of more than 50 international and local obligors. We foresee that through ICP implementation, the local companies would be able to collaborate with international companies to create opportunities for market access to international market. Apart from opportunities for market access, the ICP also provide platforms for local company to develop their competencies to provide Maintenance, Repair and Overhaul (MRO) services to support the operation of the assets procured by the Government. This is a practical approach to optimize the investment through the procurement made by having the MRO services done by local companies.

11. In support of those capabilities, human capital development is one of Malaysia's interest and will benefit greatly from ICP's implementation. As an example, Malaysia has established Rail Centre of Excellence (RCOE) as spin-off from combination of ICPs to support rail industry. This is important due to a large procurement size in rail related assets, therefore Malaysia need to ensure that we are competent in maintaining them in future. We envisaged that we could do similar approach by creating Center of Excellences for other sectors such as maritime, aerospace, and other emerging technologies.

12. Malaysia has been doing countertrade/offset or similar activities way back in 1980's. However, the rapid evolution has started in 2005 after a study made by the Economic Planning Unit (EPU) in 2001-2002. I

believe, currently Malaysian way of doing ICP is one of the systematic way of doing things and could be shared with other countries particularly in ASEAN. Therefore I would propose that MOF and TDA to promote Malaysia as one of the centre of references when it comes to ICP in this region.

Ladies and Gentlemen

13. Moving towards 2020, it is expected that ICP will create more than USD17.5 billion of economic return to the country. Although this seems quite challenging under current economic uncertainties, the target is achievable provided that there are continuous support from the Government ministries and agencies, international and local industry players, and ICP recipients. Therefore, it is vital for every single stakeholder to work as a team to create the effective collaborative platform in moving towards common goals, in-line with the objectives spelt out in the ICP Policy and Guidelines.

14. It is very important that the stakeholders have the right mindset. For the procuring agency, it shall be deemed as an opportunity to share the economic benefits with other local industry players. For the obligors, this responsibility shall be regarded as opportunities to create a sustainable business platform. For the recipients, this platform shall be regarded as opportunities to create win-win and sustainable businesses in complement with the obligors.

15. I believe that Malaysia would attain great achievements from this ICP implementation provided that every stakeholder put synergy together in ensuring 'value for money' on every RM we spent. MoF and TDA will always be pro-active in facilitating our local industry players to work hand in-hand with globally renowned OEMs and quantum leap them in participating in the global supply chain.

Ladies and Gentlemen

16. My congratulations to the Secretariat of Ministry of Finance, GOCA and Technology Depository Agency (TDA) in organizing the **Global Offset & Countertrade Assiciation (GOCA) Asia Pacific 2017 Kuala Lumpur**.

17. On behalf of the government, the Ministry of Finance is keen to understand the issues faced by the industry in moving forward so I hope that GOCA APAC 2017 will gather as much information as they could throughout this conference and convey the information to the Ministry. This is also appropriate and in line with our vision to transform Malaysia into an advanced high income economy.

18. May I take this opportunity to again express my deepest appreciation to every stakeholders be it from the Government and industry players that are presence in this conference. I hope this conference will be a successful one and I am looking forward for close collaborations

between the stakeholders using ICP platform to create sustainable economic activities.

19. Again, my personal welcome for those who have travelled far to be here today. Thank you for coming. Do spare some time to explore Kuala Lumpur and I wish you a pleasant stay in Malaysia.

20. On this note, and in the name of the Al-Mighty, it is with pleasure that I officially open the **Global Offset & Countertrade Assiciation (GOCA) Asia Pacific 2017 Kuala Lumpur.**

Thank you very much.

Ministry of Finance

Putrajaya

27 Mac 2017