

**SPEECH BY YB DATO' SRI LIOW TIONG LAI
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AT
THE OPENING CEREMONY OF THE
56TH FIATA WORLD CONGRESS 2017
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Distinguished Delegates & Congress Participants

Members of the Media

Ladies & Gentlemen

1. It is a pleasure to be with all of you here today, and first of all let me express my sincere appreciation to be invited to officiate the 56th FIATA World Congress this morning.
2. I am pleased to see the gathering and congregation of so many important and key players in the logistics fraternity as well as experts both local and international gathering in this hall. To our international guests, I wish you Selamat Datang – Welcome to Malaysia.
3. I am glad that FIATA, an international non-governmental organisation representing 40,000 members and employing over 10 million people in 150 countries has chosen to gather here in Kuala Lumpur this year.
4. Needless to say, Malaysia is honoured to host this very timely and important Congress. The FIATA World Congress is one of the largest and most important events in the world logistics industry calendar.
5. I would like to thank and record my appreciation to FIATA for your undivided support in our bid to host this Congress back in 2015 albeit the tough competition from other progressing nations like India and South Africa.
6. I am pleased that the Federation of Malaysian Freight Forwarders (FMFF) and the Ministry of Transport (MOT) is working together to co-host this prestigious event.
7. As Malaysia's leading apex body for the logistics industry with the backing of the regulator like Ministry of Transport, I believe both the MOT and FMFF have the credentials for the job at hand, and will ensure that you will have a fruitful Congress and memorable stay in Malaysia.

Ladies and Gentlemen,

8. In today's economic climate, and as international business becomes increasingly borderless, logistics operations are vital in the facilitation of trade across global frontiers.

9. The International Transport Forum (ITF) has projected that international trade will constitute 50% of global GDP, an increase of 350% by 2050. In particular, the emerging economies will contribute one third of total trade by 2060, compared with only 15% today.

10. Assuming these estimates realised, the theme for this Congress, 'Logistics Bridging Global Trade' is very fitting to disseminate new ideas as well as share best practices on logistics that facilitate efficient movement of goods across borders.

11. With global merchandise exports valued at US\$15.46 trillion in 2016, the World Trade Organisation (WTO) is expecting a trade recovery and rebound of around 2.4% in 2017.

12. This augurs well for global logistics players, as agents of trade facilitation. An interesting statistic from the World Trade Statistical Review shows that the value of world exports of commercial services, valued at US\$4.77 trillion in 2016, recorded Asia as the strongest performer at 0.9%.

13. Asia also outpaced other regions on the imports with a growth rate of 2.6%, reflecting the continued strong performance of trade in this region.

14. The demands for efficient logistics today necessitate cutting-edge precision processes and continuous innovations to meet increasingly sophisticated consumer requirements.

15. Likewise, the demands for speed, reliability and value-driven services is ever increasing in today's fast moving and rapidly evolving business eco-system.

16. Thus, the gathering of the logistics experts from around the globe here in this Congress is opportune to bring the logistics industry to greater heights.

17. As trade becomes increasingly borderless, trade facilitation regulations and processes too need to change. The policies and regulations pertaining to customs, transport, technology, security, safety

and training should also move in tandem with the quantum increase in borderless trade.

18. In fact, the Supply Chain Connectivity Framework Action Plan by Asia-Pacific Economic Cooperation (APEC) has identified eight chokepoints that pose challenges towards an efficient and robust supply chain connectivity.

19. This ranges from inefficient or inadequate transport infrastructure to lack of regional cross-border customs transit arrangements. These chokepoints have been the critical bottlenecks plaguing the logistics industry and require intervention of governments to improve cross border trade.

20. Hence, I believe FIATA plays a vital leadership role in innovating and setting new standards in these areas for the benefit of the logistics community worldwide consistent with its global custodian for freight logistics.

Ladies and Gentlemen,

21. Moving goods across borders poses challenges to traders due to bureaucratic requirements and bottlenecks. Estimates show that the Trade Facilitation Agreement (TFA), when fully implemented, can reduce trade costs by an average of 14.3% and boost global trade up to \$1 trillion annually, with the biggest gains going to the developing countries.

22. The TFA will be able to reduce the time required for importing goods by one and half day, and exporting goods by two days – which is very crucial. The TFA aims to simplify, modernise and harmonise export and import processes by expediting the movement, release and clearance of goods including goods-in-transit.

23. It also sets out measures for effective cooperation between customs and other authorities on trade facilitation and customs compliance. I am happy to note that Malaysia has committed to the implementation of TFA.

Ladies and Gentlemen,

24. At the ASEAN level, the Master Plan on ASEAN Connectivity (MPAC) focuses on five strategic areas – sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence and people mobility.

25. On seamless logistics, its objectives are to lower supply chain costs, improve speed and reliability of the supply chain in ASEAN Member States (AMS).

26. The masterplan has also identified the underlying challenges on coordination between government departments and a lack of sharing of best practices. It has proposed that a Logistics Coordination Council (LCC) or an equivalent body to be established.

27. In this regard, I am happy to note that in Malaysia, we have established the National Logistics Task Force (NLTF) led by the Ministry of Transport (MOT) to coordinate various government departments, institutions, logistics associations and private sector in implementing seamless logistics.

Ladies and Gentlemen,

28. Forty years ago, as the fundamentals of our economy transitioned to manufacturing, the local logistics industry grew and became the backbone of trade for the country. As trade grew, we became the 23rd largest exporting nation in the world.

29. 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.

30. To ensure the sustainability of the industry, Malaysia developed the Logistics and Trade Facilitation Masterplan in 2015, led by the Ministry of Transport, which has successfully facilitated the logistics industry, simplified many processes and procedures, and strengthened partnerships with the private sector.

31. There is no doubt we are currently facing a challenging global economy, which has a significant effect on the nation's economy. However, in the midst of this, we also observe the global shift in that the global economy is increasingly becoming digital.

32. The worldwide digital economy has been growing at an impressive rate of 10 percent a year – more than triple the rate of overall global economic growth. It is estimated that a 20% increase in ICT investment will result in 1% of GDP growth of a country. For Malaysia, the figure is even higher at around 1.4%.

33. This is more so as we are now seeing more and more cross-border e-Commerce trading taking place. E-Commerce in Malaysia is expected to grow to RM114 billion by 2020 or 6.4% of GDP with the implementation of the National e-Commerce Strategic Roadmap.

34. In addition, Malaysia has excellent logistics infrastructure such as ports, airports, roads, container depots, and Free Trade Zones (FTZ) to facilitate trade. It is endowed well with our strategic location in South East Asia and is well connected to Asia and the world.

Ladies and Gentlemen,

35. Today, Malaysian ports are equipped with world-class facilities and well connected with other modes of transportation, making movement of goods seamless and efficient.

36. And I wish to give you the government's commitment to continuously enhancing and improving our infrastructure to support growing industry like logistics.

37. This includes future expansion of airports, developments of several ports including development of the 3rd terminal of Port Klang in Carey Island; the new Malacca Gateway Port in Malacca; the re-development of the Sepanggar Port in Kota Kinabalu; and the development of the new Mega Port in Kuantan to name but a few.

38. Beyond that, Malaysia is now actively embarking on massive rail projects that will undoubtedly be a significant catalyst to the logistics industry.

39. The electrified double track project from Kuala Lumpur to Padang Besar in the north, the Gemas – Johor Bharu double track project connecting Kuala Lumpur to the southern peninsular, the recently launched East Coast Rail Link connecting east coast states to Port Klang as well as the High Speed Rail from Kuala Lumpur to Singapore to name but a few.

40. Once completed, I can guarantee we will have the best network of rail, road, sea and air transport to support the fast growing logistics industry.

Ladies and Gentlemen

41. With the projected 100 billion connections in the next 10 years, digital technology will have a larger role in the economy. In order to brace for these challenges, governments worldwide are pro-actively taking measures to develop their digital plans, marking a decisive step towards digitizing traditional industries like commodities and manufacturing.

42. Examples include China's Internet Plus, the UK's Digital Transformation Plan and Germany's Industry 4.0, each representing the

ICT framework to accelerate their digital economy agenda. Malaysia is by no means an exception.

43. Despite being on track to reinvigorate the logistics industry, we are also equally aware of the need to ensure the sustainability of the sector.

44. 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.

45. The first of its kind, the Digital Free Trade Zone (DFTZ), will create this much-needed disruptive innovation for the logistics ecosystem.

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

I. First, a 17.5-ha e-fulfilment hub;

II. Second, the 500,000-sq ft Satellite Services Hub in Bandar Malaysia's Kuala Lumpur Internet City; and

III. Third, a virtual zone, which is the E-Services Platform

47. To facilitate e-Commerce logistics, Malaysia has set up a Digital Free Trade Zone (DFTZ) in March this year. Located in KLIA, the DFTZ is a special trade zone designed to promote the growth of e-commerce and to capitalise on the exponential growth of the internet economy, making Malaysia the regional fulfilment hub for ASEAN consumers.

48. It will serve to facilitate seamless cross-border trade and enable local businesses, especially SMEs, to export their goods easily with the help of leading fulfilment service providers.

49. It connects such businesses with leading players who offer services like financing, last-mile fulfilment, insurance and other services important to cross-border trade. The DFTZ provides an efficient cargo clearance facility and other processes required for efficient cross-border trade.

50. Just recently, we proudly launched the KLIA Aeropolis. All four of the major integrators and 20 of the world's top-25 freight forwarders have operations here. It will be our gateway for South East Asia with connectivity of over 1,250 weekly flights within South East Asia.

51. There are also on-going efforts to enhance KLIA Aeropolis as an integrated air cargo network via a mix of air, sea and land facilities, to position it as the main distribution gateway within the ASEAN region.

52. With the KLIA Aeropolis, Malaysia is focused on increasing its cargo and logistics traffic. We are targeting to increase our cargo volume by 2.5 million to 3 million tonnes by 2050 from the current 726,000 tonnes, capitalising on the lucrative e-Commerce market and its position as a regional distribution hub.

53. The Alibaba Group is setting up its South East Asia e-Commerce hub at KLIA Aeropolis, to serve its e-Commerce B2C and B2B operations for South East Asia and beyond.

54. It involves an investment of over RM500 million within the first two years on a 60-acre plot of land at KLIA through a joint venture between Malaysia Airports and Cainio Network, Alibaba's logistics arm.

55. With their vast volume of trade, this is set to turn KLIA Aeropolis into the region's e-fulfilment hub for cross-border e-Commerce. I would like urge you to take this golden opportunity to establish your operations in the DFTZ and KLIA Aeropolis.

56. Collectively, these components will create a holistic logistics ecosystem, thereby reducing cost of trade and increasing trade volumes.

57. Therefore, once completed, it is expected that packages will be delivered within 72 hours to ASEAN countries through the good air connectivity at KLIA and sea connectivity at Port Klang.

58. 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.

59. Malaysia is poised to benefit immensely if we exploit the full potential of the digital economy. In 2015, Malaysia's digital economy contribution to the GDP was 17.8 percent.

60. I am excited about the opportunities that will be available for all Malaysians.

Ladies and Gentlemen,

61. The world is currently experiencing an immensely increasing demand for halal logistics particularly from the Muslim community around the globe.

62. Halal logistics focus on ensuring that halal products are delivered within and across borders from the point of origin to the destination in accordance with the Shariah requirements.

63. According to the Global Economic Report 2016/17 by Thomson Reuters, in 2015, the Global Muslim Market spent US\$1,173 billion on halal food products – that is 17% of global expenditure on food.

64. It is projected to grow to \$1,914 billion by 2021, a 63 per cent increase. Besides food products, there is a fast-growing market in halal fashion, pharmaceuticals and other lifestyle products that provides vast opportunities for freight logistics players.

65. Beyond its strategic location, being a Muslim nation has certainly lent Malaysia an advantage in the Halal logistics industry. Furthermore, Malaysia Logistics service providers have the capabilities and knowledge to operate halal logistics stipulated by the shariah laws.

66. In this regard, the Malaysian Government provides the necessary halal certification for logistics service providers who fulfil various criteria, from handling, movement and storage of goods, to distribution centre, transportation, tracking shipments, bulk breaking and consolidation of cargo, and delivery to the point of consumption.

67. Therefore, I wish to urge FIATA members to tap on this high potential segment of logistics and I can assure you that the Malaysian government will provide all the necessary assistance to acquire the skills and expertise in venturing into halal logistics.

68. Towards this end, we have established a Halal Park where you can set up your operations. In fact, we have taken the initiative to position Malaysia as the international Halal Hub for the production and distribution of halal products and services and this certainly will benefit you as logistics operator and provider as well as the logistics industry on the whole immensely.

Ladies and Gentlemen,

69. In 2015, Malaysia launched its five-year Logistics and Trade Facilitation Master Plan (LTFM) led by the MOT in our effort to drive greater efficiencies in the economy and to support of our National Transformation Agenda.

70. The Malaysian logistics industry is now undergoing a transformation – from merely supporting the manufacturing sector to a strategic service sector that will contribute significantly to the Malaysian economy.

71. We believe that the logistics sector is crucial to stimulate trade, facilitate business efficiency and spur economic growth. With the successful implementation of the Masterplan, the contribution of the transport and storage sub-sector to the Gross Domestic Product (GDP) is targeted to increase from 3.6% in 2013 to 4.3% in 2020.

72. Cargo volume is projected to grow 8% annually to reach 880 million tonnes by 2020. In addition, an estimated 146,000 new jobs, mostly in the high-skilled category, will be created by 2020.

73. The National Logistics Task Force (NLTF), which I chair, comprising both private and public sector agencies, has the responsibility to drive and monitor the growth of our logistics sector.

74. In this regard, I am happy to note that the Logistics and Trade Facilitation Master Plan (LTFM) Phase 1: Debottlenecking has been successfully implemented in 2016, achieving an impressive 85% performance.

75. These initiatives have started to show positive impacts to Malaysia's logistics sector with improved efficiency and delivery, in line with our aspiration to be the "The Preferred Logistics Gateway to Asia".

Ladies and Gentlemen,

76. To achieve all of the goals we have outlined for our country and people in this sector, we need to work together with all of you, the world-class, logistics experts and operators as well as notable logistics companies from around the world.

77. Indeed we have much to learn from the advances that you have made in growing and developing the logistics segment. I encourage collaborations and cooperation in this sector for the mutual benefit of Malaysia and your businesses.

78. As I alluded to earlier, the potential is limitless, and all that is required is our willingness and readiness to explore opportunities, and the Government will encourage and the Government will act as a catalyst to make all these things happen.

79. I would like to thank once again FIATA, FMFF and my colleagues from the Ministry of Transport for this opportunity to join you in this prestigious congress and to meet with prominent figures in the World Logistics arena.

80. It is also my fervent wish that this congress will be in a position to enhance the mutual cooperation in the field of logistics between all of us

present here in this hall just as the theme of this congress “Logistics Bridging Global Trade”. This is indeed an exciting time for the logistics industry in the region and around the world.

81. I believe this congress will be the first step towards fostering greater cooperation in Logistics partnerships between Malaysia and so many of you here as there are many more initiatives that are required to give Malaysia a competitive edge in the global landscape.

82. Your participation in the Congress, and in the Exhibition, is a clear indicator of your passion as well as the significant role of logistics. There is much to share and learn.

83. I hope each one of you will benefit immensely from the opportunity to network with your colleagues from around the globe, and also meet your Malaysian counterparts. And in continuation of our effort, I am looking forward to the outcome of this Congress.

84. I wish you all a fruitful conference and every success in your deliberations and more importantly I hope that you will enjoy your stay here in Kuala Lumpur and spend some time to visit places of interests as well savour our variety of local delicacies.

85. Ladies and Gentlemen, it is with great pleasure that I now officially declare open the 56th FIATA World Congress 2017.

Thank you.