

Sarawak-China Business Forum
6-7 August 2018
Accelerating Sarawak Economy at the Global Arena through
Digital Economy Initiatives

Keynote Address

His Excellency Cheng GuangZhong Consul General of The People Republic of China in Kuching.

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All Ministers and Assistant Ministers

Welcome

I wish to extend my warmest welcome to all the speakers especially those from China who are able to be with us for this two-day forum. Also to the local speakers representing the various government agencies and the private companies. Welcome to Sarawak and thank you for your support.

Once again, it is my pleasure to welcome everyone especially the participants to this inaugural Sarawak China Business Forum organised by the Ministry of International Trade and eCommerce Sarawak with the support from the Consulate General of People's Republic of China and Sarawak Development Institute.

History of Malaysia China

Since 1974, Malaysia and China bilateral relationship have grown steadily over the years to its current status. Malaysia is China's largest trading partner among Southeast Asia countries. China is also the leading source of FDI for Malaysia at USD3.38 billion ahead of U.S, Japan and Singapore. (Source: The Diplomat)

Malaysia's export to China was recorded at 13.15% of the total export with the value of RM53.1 billion and China is the biggest importing country for Malaysia at 19.81% with the value of RM69.2 billion in the first half year of 2018.

With the growth and advancement of China's economy, Malaysia or Sarawak specifically hopes to advance and prosper together through the strong bilateral trade relationship with China in years to come. This is further strengthened by the Belt and Road Initiatives and cooperation.

China of today has risen beyond "Factory of the world" and now is at the forefront of new economy innovations like cashless payment, inclusive and sustainable development initiatives, sharing economy, smart city and urban solutions. (World Cities Summit 2018)

The setting of Digital Free Trade Zone (KLIA Aeropolis DFTZ Park), in Malaysia last year, is Alibaba's first regional e-Fulfillment hub outside China, also highlighted the strategic partnership between the two countries. This DFTZ is set to spur growth in the internet based innovation and infrastructure which will benefit the local SMEs especially in increasing the export.

Sarawak-China

Sarawak and China's bilateral relationship could be dated back to 15th century ago when Chinese Admiral Cheng Ho explored South East Asia.

Our past good relationship was well documented in the Chinese Museum which showcased the history of Chinese settlements in Sarawak. The Friendship Park was also built to commemorate the special bilateral friendship between China and Sarawak. There were many artefacts which were found to prove the trade exchange between the local Sarawak communities with the traders from China.

Porcelain like jars were prized commodity for the Malay and Dayak community. Products such as fabrics, herbs, were also exchanged with rubbers, peppers, and other agricultural products from Sarawak. Many of these business exchange were conducted in the interior part of the Sarawak. In the past, Chinese traders looked for business opportunity until the interior areas through 'tongkang' and sampan.

Some ever settle in the interior and set up a small sundry shop that provide services to rural people. The formation of bazaar was a legacy of the Chinese traders when they settled down permanently in the rural areas. They used the credit system widely as cash was not easily available in the rural areas the small book, 3 "5" was used to credit the purchases and it was settled later when commodity like rubbers or peppers were harvested. This system worked because of the trust and close relationship between them. This was the common

scenario through Sarawak which still on going until now in the rural areas.

Apart from surviving economic activities, this close relationship, there were many intermarriages between Chinese and the local community. This indeed brought them closer and the Chinese adapted to the local environment by picking up the local languages. In Sarawak, it's a common occurrence where the Chinese can speak fluently in Iban, Melanau, Bidayuh, Kayan, Kelabit and so on.

Sarawak and China Bilateral relationship was formalised 44 years ago (diplomatic relations).

My first visit to China as the Chief Minister of Sarawak in March in 2017 was a personal testimony of my high respect for China and I believe that we can work together to deepen this bilateral relationship further.

Currently, business collaboration between China and Sarawak are namely in LNG (Liquefied natural gas) and petroleum products, palm oil, timber products and electrical components, manufactured goods, machinery and food. The value of trade between Sarawak and China was recorded RM15.8 billion in 2017. Sarawak States' export to China was RM10.1 billion while imports amounted to RM5.7 billion in 2017.

Sarawak and China have signed numerous MoUs on investment, trade and economic cooperation namely with Yunnan Province Department of Commerce, Fujian Province in recent years to strengthen business collaborations. The most prominent one recently was with Xian LONGi Materials with estimated investment of RM1.06 billion and also with Comtec Solar Systems Group Ltd which estimated investment value of RM1.2 billion.

The collaboration between Sarawak and China was not only in the area of economic and trade, but also covered in the field of Tourism, Culture and Education. For example: Friendship City Agreement between Kuching North City Commission (DBKU) and Dali City; education cooperation between Universiti Malaysia Sarawak (Unimas) and Yunnan University as well as literary cooperation between Pustaka Negeri Sarawak and Yunnan Provincial Library. The Chief Minister Department has also have an MOU with Huawei in assisting the State in Digital Trainings and Infrastructures.

As mentioned earlier, China is leading in innovations and showcases of how the Digital Economy has accelerated its economic transformation. China is now home to some of the biggest names in eCommerce and online retail commerce. Name like Jack Ma needs no introduction and everyone wants to be the next Jack Ma. According to him 80% of the retail will be online and only 20% of the business will be conventional and these figures will only increase and decrease respectively further into the future or balanced out depending on the trend.

The highly successful festive online shopping like the Single's day and 618 are charting the new ways to do business for online merchants which billion in sales value were transacted in a matter of days. Their innovation of mobile payments is further accelerating the penetration of eCommerce among the people.

These are massive opportunities for brand recognition and revenue generation of online merchants who are able to penetrate the markets.

Sarawak believes there are opportunities for us to learn from China in transforming Sarawak economy through Digital Economy. Especially the Small and medium Industries (SMEs) need to benchmark or adopt similar business model in order to be successful in eCommerce. With online presence, the world is our market.

Sarawak is aiming for the Digital Economy to contribute 17.4% to the Gross Domestic Product by 2025. For 2018, the contribution of DE to GDP is expected to be at 2.3%. (The Star, 25 Nov 2017).

Currently, it's reported that eCommerce user penetration in Malaysia is 61.6% in 2018 and is expected to hit 63.2% by 2022 (statista.com). Malaysia Revenue in the eCommerce market amounts to US\$1,380m in 2018. (Statista.com)

The national target is to achieve 20.8% eCommerce growth rate in 2020. MDEC is quite confident that Malaysia is on track to achieve this target. (MDEC).

Moving Forward

The digital revolution is moving at a rapid speed and now the world is already talking about 4.0 Revolution where smart data, artificial intelligence, augmented reality, facial recognition are the order of the day.

Cyberspace is deemed as the new frontier, which is why Sarawak is embarking on transforming the local economy through this initiatives.

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There are many new key trends for eCommerce that Sarawak needs to pay heed to like the emergence of online to offline (O2O), digital payment, social media presence and platform, and a new retail model.

Sarawak already embarked on e-wallet, Sarawak Pay as the first step to be a contender in this competitive field.

There are also move already towards cashless services where Kuching International Airport (KIA) has collaborated with Malaysia Airport Holdings Bhd. (MAHB) to standardize the use of VCASH apps by DIGI in all retail outlets in KIA. The increasing allocation of international flight landed at KIA calls out the needs for innovation to turn cashless, equip with the high-speed wireless network to support the usability of the e-wallet initiative.

China and Sarawak also shared similar challenges in engaging the rural community into eCommerce. Sarawak will be focusing on providing the necessary infrastructure to enable all communities to participate in Digital Economy. We need the rural community especially the younger generation to be uplifted in term of their socio-economic well being so that they will enjoy their great livelihood and reduced rural-urban migration.

With high penetration of mobile phone users in Malaysia and in Sarawak in particular, we need innovative solution to reach the people in rural areas. We believe these are some of the areas that Sarawak and China can work together. Other areas of cooperation are services in agriculture, tourism, health, education, construction of mega structures and eCommerce platforms.

As the world get more connected than ever, the future is a shared future for everyone. We need to work closely with each other to ensure everyone is able to participate in eCommerce. No doubt the value of digital economy is huge, however we must ensure it is inclusive and fair trade.

Security of personal data is one of the paramount concerns and we need greater policy and protocols governance to minimise abuse and leakage. I am happy to note that this is an area that we will address widely during this forum.

As the eCommerce grow rapidly, there is a need for a more transient, flexible and dynamic models of operation. Gone are the days where bureaucracy rules. The eCommerce is driven by consumers' choices, thus creative solutions will win over conventional solutions. These are evident in innovative apps like Abnb, Grab, Uber etc.

With the 4th Industrial Revolution, things are going to move much faster and we need to measure up or be left behind. Sarawak has launched the Digital Economy Strategies to enable Sarawak to plan ahead and anticipate the necessary capacity and infrastructure. This is a work in progress and I believe the outcome from this forum will further enhance what the state has put in place for now.

Once again I wish to reiterate that China is a strong ally for Sarawak in business as well as cultural. We are confident that with their support and cooperation Sarawak is able to realise the transformation of the state's economy through Digital Economy initiatives. We are going to integrate friendship and interests together for a better shared future for the new generation. Sarawak look forward to more mutual collaborations and partnership especially on leveraging the digital economy initiatives.

Thank you.