

MALAYSIA'S GLOBAL COMPETITIVENESS

Where We Rank Amongst our Peers?

16th / 169 in trade connectivity (second among Asia-Pacific countries)
Source: DHL Global Connectedness Index (GCI) 2020



4th / 17 assessment comparing the economy's competitiveness as a manufacturing hub
Source: KPMG and the Manufacturing Institute in the United States, "Cost of Manufacturing Operations Around The Globe"

12th in World Bank's Doing Business 2020

25th in the IMD World Competitiveness 2020

Malaysia, a land of opportunities

Despite the recent global health and economic crises, Malaysia is ramping up efforts to nurture a future forward economy. As one of the most technologically developed countries among industrialising nations in the ASEAN region, Malaysia's persistent drive to engage modern technologies proves to be a great advantage for investors.

Key points behind the reason why our country remains a competitive destination for investors include:

Given that these rankings are published by reputable international agencies, is there any doubt that Malaysia's ongoing reform initiatives are on the right track to further enhance Malaysia's competitiveness, productivity and governance? Now, let's zoom into a more specific key point which will help us uncover Malaysia's future fueled by efforts to help promote investment and accelerate national economic development.

These rankings emphasised that Malaysia must be prepared to address the challenges brought on by shifts in the global landscape driven by geopolitical, economic, social, and environment shifts and at the same time, take advantage of new opportunities arising from it.

Defining the 3Cs



COMPETITIVENESS

Defined as the need for Malaysia to keep abreast with the changing environment and to be on par with other advanced economies. Improving our country's ranking in the Global Competitiveness Index (GCI) involves improvement in all parameters of the index and to realise national aspiration as a high-income nation.



CAPABILITIES

This refers to the need for workers and firms to strengthen their ability to adopt and use new technologies driving productivity growth and produce higher value-added products and services driven by R&D and innovation. More importantly, it is interesting to note that Malaysia's industry players are not at risk of being disadvantaged by the impact of Industry 4.0 Revolution and are able to capitalise on opportunities to increase the competitiveness of the nation.

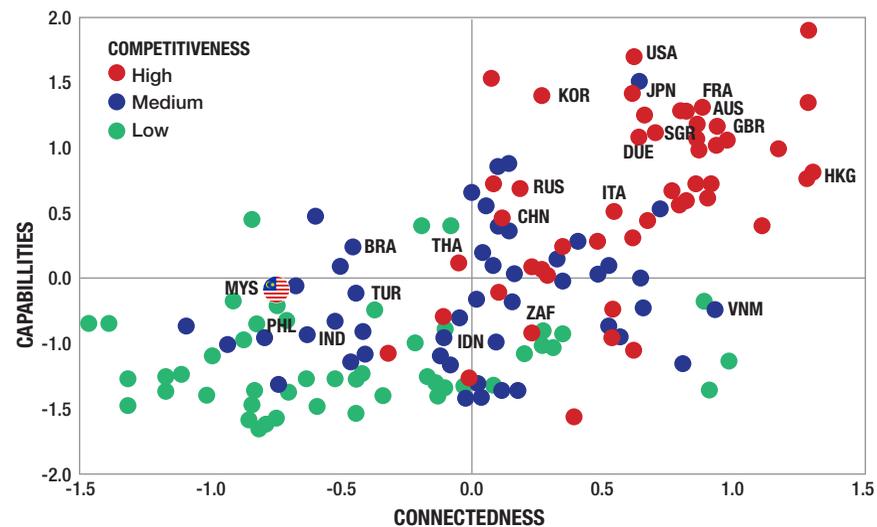


CONNECTEDNESS

This extends beyond physical connectedness such as transportation and logistics, but may also include supply-chain, cross-industry synergy and digital connectivity.

Strengthening Competitiveness, Capabilities, and Connectedness (3Cs) are key strategies to adapt to manufacturing-led development and challenges. Overall, these changes are brought on by an evolving environment led by Industry 4.0 technologies, servicification of manufacturing and shifting trade patterns. A World Bank report shows that:

- Malaysia is characterised by "high competitiveness-low capabilities-low connectedness"
- Evidenced by the fact that the competitiveness of our nation's business environment is not matched by the capabilities of its firms and workers, nor by its connectedness to markets
- Backed by cross-country data demonstrating the variations in countries' performance in the 3Cs space which highlights Malaysia's overall preparedness relative to competitors
- The conclusion? It is imperative for Malaysia to improve its capabilities and connectedness while maintaining high competitiveness on par with the countries occupying the upper-right quadrant.



Source: Adapted from Hallward-Driemeier and Nayyar (2017) with updated data World Bank

	COMPETITIVENESS			CAPABILITIES			CONNECTEDNESS		
	Global Competitiveness Index 2019	Economic Complexity Index 2019	World Bank Ease of Doing Business 2020	Bloomberg Innovative Economy 2020	Global Innovation Index 2021	World Bank Human Capital Index 2018	Logistic Performance Index 2018	DHL Global Connectedness Index 2020	Network Readiness Index 2020
	(out of 141 economies)	(out of 133 economies)	(out of 190 economies)	(out of Top 60 economies)	(out of 129 economies)	(out of 157 countries)	(out of 160 countries)	(out of 169 countries)	(out of 121 countries)
China	28	16	31	15	12	47	26	70	40
USA	2	11	6	9	3	27	14	37	8
Russia	43	52	28	26	45	34	75	53	48
Japan	6	1	29	12	13	2	5	44	15
Germany	7	3	22	1	10	12	1	13	9
U.K	9	12	8	18	4	16	9	8	10
France	15	19	32	10	11	23	16	21	17
Italy	30	15	58	19	29	18	19	26	32
Korea	13	4	5	2	5	3	25	22	14
Malaysia	27 (Top 20)*	24 (Top 20)	12 (Top 10)	27 (Top 20)	36 (Top 25)*	57 (Top 30)	41 (Top 25)	10 (Top 10)	34 (Top 25)
Australia	16	86	14	20	25	7	18	34	12
Hong Kong	3	-	3	39	14	4	12	25	22
Singapore	1	5	2	3	8	1	7	2	3

* Source: World Economic Forum, Harvard Growth Lab, the World Bank, Bloomberg, World Intellectual Property Organisation, DHL, Portulan Institute

The upper-right quadrant club: are we there yet?

The "Upper-Right Quadrant" (URQ) club is a group of countries that scored high in the competitiveness, capabilities, and connectedness categories as a result of their robust economies. These include USA, South Korea, Japan, France, Australia, United Kingdom, Singapore, Hong Kong, Germany, Russia, Italy, and China.

Looking at our current standing, Malaysia isn't all that far behind in the competitiveness index table. However, we have been lagging quite significantly in capabilities and connectedness related indexes.

Aspirational peers comprise 33 OECD member countries. These countries provide potentially useful institutional norms against which Malaysia can be compared.



Regional peers

- Cambodia
- Indonesia
- Lao PDR
- Myanmar
- Philippines
- Singapore
- Thailand
- Vietnam

Regional peers comprise fellow ASEAN countries that are also high-growth countries grappling with many of the same challenges facing Malaysia.

Regional peers

- Argentina
- Croatia
- Oman
- Panama
- Puerto Rico
- Saudi Arabia
- Trinidad and Tobago
- Uruguay

Transitional peers comprise 19 countries that achieved high-income status in the last 30 years (1988-2017) and helps elucidate the conditions that prevailed for these countries at the time of transition, which are important to Malaysia's ambitions today.

What is competition if we have no one to look up to? For this matter alone, Malaysia's peers and fellow competitors in the global arena have been rather visible to inspire us during our course of growth.

A recent report by the World Bank entitled "Aiming High - Navigating the Next Stage of Malaysia's Development" (2021) also refers to the above-mentioned countries as "Malaysia's Aspirational Peers". The report highlights that Malaysia will achieve a high-income nation status but at a slower pace compared to our predecessors a.k.a. Aspirational Peers. Our averaged percent growth for the last decade has admittedly been lower than the rates recorded by any of our transitional peers in the last decade preceding their achievement of high-income status. At this rate, it would take us 28 and 43 years, respectively, to reach the current per capita income levels of the Republic of Korea or Singapore.

Source: World Bank staff elaboration