

# News Release

## Pivotal moment for UK-Malaysia trade

**Kuala Lumpur, 27 June 2016** - Some 30,000 delegates from nearly 100 countries<sup>1</sup> including Malaysia will be in Liverpool, England this month for one of the world's biggest business events, The International Festival for Business (IFB2016), which will see three weeks of debate, discussion and – crucially – deals.

Though the festival is truly global, some of the biggest delegations are from Asia. The number of delegations that are coming to IFB2016 with a keen interest in forging links with British SMEs, start-ups and entrepreneurs is a true testament to the significance of this festival. The warm welcome being prepared for them by the UK hosts is a further sign of the appetite on both sides to build on mutual trade and investment ties.

It is easy to understand why many British exporters are keen. While economic growth in the UK's traditional trading partners such as the US and Europe remains relatively modest, Asia's share of global exports is set to rise to 46 per cent by 2050 from about 33 per cent today<sup>2</sup>, according to HSBC forecasts. What's more, Asia has reached a point in its economic transformation which presents opportunities in areas of UK expertise.

With urbanisation set to continue<sup>3</sup>, Asia will be home to two-thirds of the global middle class by 2030, according to the Organisation for Economic Co-operation and Development<sup>4</sup>. In the ASEAN region alone, the number of middle class households will top 120 million by 2025, roughly doubling compared to 2010<sup>5</sup>. British producers of everything from food to handbags are hoping that the strength of their brands, coupled with a reputation for quality, can help them appeal to this growing consumer base.

At the same time, the growing sophistication of many Asian economies, such as Malaysia, has the potential to boost demand for services. Investors are encouraged to look at Malaysia as a gateway to the ASEAN market and major economies in the world including China. This is because Malaysia offers advantages in terms of its location in the heart of ASEAN, unmatched connectivity, as well as pragmatic, prudent and business-friendly policies.

"With its strong historic ties, UK investors should leverage on Malaysia's strategic location, either by setting up regional establishments to serve related companies in the region, or by using Malaysia as the launch pad to penetrate ASEAN, which is already the seventh largest economy in the world," said Mukhtar Hussain, Chief Executive Officer of HSBC Bank Malaysia Berhad.

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<sup>1</sup> Promotional IFB pullout with Times, 22 May

<sup>2</sup> Trade Winds, page 22

<sup>3</sup> See for example China and the World, HSBC Global Research, May 2016: "Another decade of higher-quality urbanisation is key to escaping the 'middle income' trap" <https://research.uk.hibm.hsbc/R/10/QGnjNRzUs8S0>

<sup>4</sup> OECD Observer first published 2012, accessed 2016:  
[http://www.oecdobserver.org/news/fullstory.php/aid/3681/An\\_emerging\\_middle\\_class.html](http://www.oecdobserver.org/news/fullstory.php/aid/3681/An_emerging_middle_class.html)

<sup>5</sup> McKinsey: [http://www.mckinsey.com/insights/public\\_sector/understanding\\_asean\\_seven\\_things\\_you\\_need\\_to\\_know](http://www.mckinsey.com/insights/public_sector/understanding_asean_seven_things_you_need_to_know)

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“With a skilled workforce and a youthful population providing a strong foundation for future growth, the region is playing an increasingly prominent role on the world economic stage. With the UK as a world leader in sectors such as design and architecture, law and accountancy and gaming and music, many British businesses are hoping to capitalise on technology to make it easier for these services to cross borders.”

As for trade in services, it has in fact been a bright spot for global trade over recent years despite subdued conditions overall<sup>6</sup>. Malaysia is the UK’s second largest trading partner in the ASEAN region with total trade between the two countries amounting to £2.76 billion (RM16.07 billion) in 2015. The increasingly close relationship has been reflected in growing levels of investment in both directions. FDI stock from Malaysia to the UK grew by 161 per cent from 2009 to the end of 2014 – from £1.7 billion to £3.7 billion<sup>7</sup>.

“Besides trade with the UK, Malaysia and the UK organisations are benefitting from mutual investments in each other’s countries with Malaysians having invested in everything from water companies to hotels, and in iconic UK brands such as Laura Ashley and Lotus. Iconic projects such as the Battersea Power Station and three prime waterfront sites in London between EcoWorld International Bhd and Ballymore Group contribute to creating thousands of jobs. These projects will assist to raise Malaysia to high-income nation status by 2020,” added Mukhtar.

At the same time, UK investments in Malaysia amounted to £3.4 billion. In the manufacturing sector, realised investments totalled £1.1 billion in 433 projects at the end of 2015. Approximately half of the investments are in the chemicals and petroleum products industries, with another 14 per cent in electrical and electronics.<sup>8</sup>

Malaysia is also fast becoming an ‘Educational Hub’ of the ASEAN region. British products and services linked to education and training are worth over £280 million a year with the UK having the highest number of branch campuses in Malaysia.<sup>9</sup> Malaysia is also home to an estimated half a million UK alumni and are key to continuing the strong educational and trade links between the UK and Malaysia.<sup>10</sup> In 2014/15, Malaysia ranked fourth amongst non-EU sending countries by having 17,060 students in UK higher education.<sup>11</sup>

Mukhtar also shared that working in partnership with UK firms may present particular opportunities for Malaysian companies aiming to move into higher-value products. The UK’s strengths in science and technology, for example, support innovative businesses in fast-growing sectors such as software, technology and materials.

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<sup>6</sup> <http://www.gbm.hsbc.com/insights/economics/a-bright-spot-for-trade>

<sup>7</sup> <https://www.najibrazak.com/en/blog/the-malaysia-uk-investor-showcase/>

<sup>8</sup> <http://exportbritain.org.uk/international-directory/asia/malaysia.html>

<sup>9</sup> <https://www.gov.uk/government/publications/exporting-to-malaysia/exporting-to-malaysia>

<sup>10</sup> <https://www.britishcouncil.my/study-uk/uk-alumni>

<sup>11</sup> [http://institutions.ukcisa.org.uk/info-for-universities-colleges--schools/policy-research--statistics/research--statistics/international-students-in-uk-he/#International-\(non-UK\)-students-in-UK-HE-in-2014-15](http://institutions.ukcisa.org.uk/info-for-universities-colleges--schools/policy-research--statistics/research--statistics/international-students-in-uk-he/#International-(non-UK)-students-in-UK-HE-in-2014-15)

In the short term, tough global trading conditions could affect the development of UK-Malaysia links. Equally, businesses from many other nations are ready to compete with UK firms for their share of growing Asian markets. On some measures, they have made a quicker start: the value of German goods exported to China is about three times higher than the UK's<sup>12</sup>, for example.

"Whatever the challenges, the IFB2016 shows that many companies in Malaysia and the UK recognise the potential benefits of closer ties. For banks such as HSBC, it is an opportunity to build on a long history of connecting customers to opportunities around the world," concluded Mukhtar.

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**About HSBC Group**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,100 offices in 72 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,572bn at 30 June 2015, HSBC is one of the world's largest banking and financial services organisations.

**About HSBC in Malaysia**

HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited (a company under the HSBC Group). In 2007, HSBC Bank Malaysia was the first locally incorporated foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, and HSBC Amanah Malaysia Berhad, a full-fledged Islamic bank wholly owned by HSBC Bank Malaysia, commenced operations in August 2008.

HSBC in Malaysia has a network of 68 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Amanah Malaysia Berhad also has offsite ATMs established in 25 locations nationwide. In 2006, HSBC was the first foreign bank to be awarded a Takaful (Islamic insurance) license in Malaysia. HSBC Amanah Takaful (Malaysia) Sdn Bhd, a joint venture between HSBC Insurance (Asia Pacific) Holdings Limited (49% shareholding), Jerneh Asia Berhad (31% shareholding) and Employees Provident Fund Board of Malaysia (20% shareholding) commenced operations in August 2006.

**The Hongkong and Shanghai Banking Corporation Limited**

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group, which serves over 47 million customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. The Group serves customers worldwide from over 6,000 offices in 71 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,596bn at 31 March 2016, HSBC is one of the world's largest banking and financial services organisations.

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<sup>12</sup> WTO profiles – Germany's good exports in 2014 at USD1.5 trillion are about three times higher in value than the UK's at USD500 billion, and German sends 6.6% of exports to China, compared with an equivalent figure for the UK of 5.1%:  
<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=F&Country=DE>