NATIONAL ECONOMIC OUTLOOK CONFERENCE (NEOC) REPORT

Organised by:

MALAYSIAN INSTITUTE OF ECONOMIC RESEARCH

Supporting Partner:

AFFIN

NATIONAL ECONOMIC OUTLOOK CONFERENCE (NEOC)

The Malaysian Economy in 2024: What's Ahead for Business and Government

27 & 28 November 2023
Auditorium, Menara Affin @ TRX, Kuala Lumpur

Opening Ceremony and Keynote Address

YB Tuan Mohd Rafizi Bin Ramli
Minister of Economy, Malaysia

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'The Malaysian Economy in 2024 : What's Ahead for Business and Government'

NATIONAL ECONOMIC OUTLOOK CONFERENCE (NEOC)

PROGRAMME
Day 1 : 27 November 2023 (Monday)

8:00am - 9:00am	**Registration**
9:00am - 9:10am	**Opening Remarks** Tan Sri Mohd Effendi Bin Norwawi Chairman, MIER
9:10am - 9:30am	**Malaysian Economic Outlook** Tan Sri Dato' Seri Dr Sulaiman Mahbob MIER Board Member
9:30am - 10:00am	**Refreshments**
SESSION 1 : **Panel Discussion**	**"Shifting Global Economic Landscape: Insights and Projections for 2024 and Beyond"**
10:00am - 11:20am	**Moderator:** Distinguished Professor Dato' Dr. Rajah Rasiah, Executive Director, Asia-Europe Institute, Universiti Malaya **Panellists:** 1. Fraziali Ismail, Assistant Governor, Bank Negara Malaysia (BNM) 2. Abdul Abiad, Director, Economic Research and Development Impact Department, Asian Development Bank(ADB), Philippines 3. Prasenjit K Basu, Founder-Chief Economist REAL-Economics.com, New Delhi, India 4. Alan Tan Chew Leong, Group Chief Economist, Affin Bank Berhad **Q & A**
11:20am - 11:30am	**Official Opening** Negaraku Doa
11:30am - 11:40am	**Welcoming Speech** Tan Sri Mohd Effendi Bin Norwawi Chairman, MIER
11:40am - 12:00pm	**Keynote Address and Official Opening** YB Tuan Mohd Rafizi Bin Ramli Minister of Economy, Malaysia
12:00pm – 2:00pm	**Lunch**

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PROGRAMME
Day 1 : 27 November 2023 (Monday)

SESSION 2: Panel Discussion

"Thriving in the Digital Economy"

2:00pm - 2:45pm

Moderator:
Aiza Azreen
Executive Board Member, EVOLVE Precision Healthcare - Digital Wellness and Health Tech

Panellists:

1. Amar Huzaimi Md Deris, Managing Director/ Group Chief Executive Officer, Telekom Malaysia Berhad
2. Mahadhir Aziz, Chief Executive Officer, Malaysia Digital Economy Corporation (MDEC)
3. Dr Renato Lima de Oliveira, Assistant Professor of Business and Society, Asia School of Business(ASB)
4. Dr Kelvin Goh, Founder and CEO, Vodus Research Sdn Bhd

2:45pm – 3:30pm

Q & A

Refreshments

SESSION 3: Panel Discussion

"Artificial Intelligence : Empowering the Future"

3:45pm – 4:15pm

Aditya Paul Berlia,
Co-Founder Apeejay Stya and Svran Group

4:15pm – 4:50pm

Moderator:
Raja Segaran, Director, Strategy, Research & Insights Malaysia Digital Economy Corporation (MDEC)

Panellists:

1. Dr Jasmine Begum, Regional Director, Legal, Government & Corporate Affairs, Microsoft Malaysia
2. Chester Chua, Head of Government Affairs & Public Policy, Google Cloud
3. Ts. Jacky Cheong, Head of Enterprise Data Governance at CelcomDigi

4:50pm – 5:30pm

Q & A

5:30pm

End of Day 1

'The Malaysian Economy in 2024 : What's Ahead for Business and Government'

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PROGRAMME
Day 2 : 28 November 2023 (Tuesday)

Session 4: Panel Discussion

"Transitioning into the Green Economy"

9:00am - 9:45am

Moderator:
Aina Zahari
Director of Corporate Strategy
Bursa Malaysia Berhad

Panellists:

1. Dr Gary William Theseira, Technical Advisor, Malaysian Green Technology & Climate Change Centre (MGTC)
2. Nelson Samuel Wilson, Director of Green Technology Division, Malaysian Investment Development Authority (MIDA)
3. Manon Bernier, UNDP Deputy Resident Representative UNDP Malaysia, Singapore, Brunei Darussalam
4. Adam Ng, Asia-Pacific Regional & Technical Lead (Greening Financial Regulation Initiative), WWF-Malaysia

9:45am – 10:30am

Q & A

Refreshments

SESSION 5: Panel Discussion

"Social Protection for an Inclusive Future"

11:00am – 11:55am

Moderator:
Zarina Nalla
Chief Operating Officer & Acting Chief Executive Officer
Malaysian Institute of Economic Research (MIER)

Panellists:

1. Professor Emeritus Datuk Norma Mansor, Director, Social Wellbeing Research Centre, Universiti Malaya
2. Edmund Cheong Peck Huang, Chief Strategy and Transformation Officer of Social Security Organization (PERKESO)
3. Dr Matthew Dornan, Senior Economist, World Bank, Malaysia
4. Professor Joseph Cherian, Deputy Chief Executive Officer and Professor of Practice in Finance, Asia School of Business (ASB)
5. Niloy Banerjee, UNDP Resident Representative for Malaysia, Singapore and Brunei Darussalam

11:55am - 12:45pm

Q & A

'The Malaysian Economy in 2024 : What's Ahead for Business and Government'

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PROGRAMME
Day 2 : 28 November 2023 (Tuesday)

CLOSING SESSION

12:45pm – 12:55pm	**Summary of Proceedings** Dato' Seri Dr Hamzah Kassim MIER Board Member
12:55pm – 1:10pm	**Closing Address** Datuk Johan Mahmood Merican Secretary General of Treasury Ministry of Finance Malaysia
1:10pm - 2:00pm	**Lunch**

End of Programme

MIER
Keynote Addresses

KEYNOTE ADDRESS BY
TAN SRI MOHD EFFENDI NORWAWI
AT THE NATIONAL ECONOMIC OUTLOOK CONFERENCE 2023
27 NOVEMBER 2023 | 9.00 AM AUDITORIUM, MENARA AFFIN @ TRX, KUALA LUMPUR

[Salutations]

Bismillahirrahmanirrahim.
Assalamualaikum Warahmatullahi Wabarakatuh, Salam Sejahtera dan Salam Malaysia MADANI.

It is indeed a great honour to have YB Tuan Rafizi Ramli, Minister of Economy, in our midst today. I am most delighted to welcome him to our National Economic Outlook Conference (NEOC). I can't thank him enough for taking time off from his very busy schedule to attend this important event of ours.

YB Rafizi, we understand you were not been well recently. We are touched and appreciate deeply that despite this, you made the special effort to be with us this morning to deliver your keynote address.

Thank you, YB Tuan Rafizi.

May I also thank all distinguished participants for joining this outlook conference.

We know how precious time is to you, so our team has worked very hard to ensure the content of this 2-day conference will give you an optimum ROI for investing your time with us.

MIER has had a long history and role in the nation-building process for the last 37 years since its inception. MIER has constantly engaged with the government and the private sector, often playing a bridge between both sectors. And we do this while maintaining our independence.

Going forward, we see a new world emerging – a world of Chatgpt, IR4.0 and 6G rollout. This is a world full of challenges. As the economy becomes increasingly complex, we will require new capacities and perspectives to manage technological and economic complexities as well as risks and opportunities in geopolitical developments. MIER has a crucial role to play as an independent think tank in addressing the above.

Hence, MIER plans to focus and specialise in the following areas:

- *Econometric modelling*
- *Impact analysis*
- *Business environment*
- *Human capital and*
- *Innovation economics*

MIER over the years has developed a specialisation in forecasting and input-output analysis, which can be extended to work in impact analysis and in monitoring implementation processes. Research work in these areas will allow us to provide more empirically-based input in our engagement with the different stakeholders. Innovation economics is an important area because with that Malaysia can propel itself out of the middle-income trap.

To achieve the above, MIER now has to build a new set of capabilities and talent. WE WILL NEED FUNDING.

MIER proposes to launch a set of endowment funds where corporations, GLCs and financial institutions can help us establish specialised research areas close to their heart and for the betterment of the country. Perhaps with YB Rafizi's kind influence, we hope the government will consider giving MIER matching grants for this endowment fund.

With this funding, we can put together the best Malaysian and international experts to carry out high-quality research in various sectors of interest to our benefactors for the overall development of the economy. We are also open to naming the endowments after the founders of the donor institutions.

The Madani government is firmly committed to achieving inclusive, equitable socioeconomic development, regional stewardship and sustainable outcomes for all. We, at MIER share similar values, and as a partner of the government look forward to working with the government, with you YB Tuan Rafizi and, of course, the Prime Minister, in building a greater Malaysia.

Finally, can I extend my personal gratitude to members of our board of trustees - for volunteering so much time, ideas and effort - pro bono. We share a common commitment to restrengthen MIER so it can continue to play its crucial role in the economic and social development of the nation.

May I please recognise our board of trustees? Number 1, Tan Sri Ghani Othman - our statesman and scholar. 2, Tan Sri Yong Poh Kon - patron of commercial associations, and who has played many distinguished roles linking the government and private sector. Number 3, Tan Sri Sulaiman Mahbob - eminent economist, distinguished former civil servant, and now chairman of MIDA. 4, Dato Sri Dr Hamzah Kassim - a prominent thought leader on public policy. Number 5, Dato Dr Shan - former member of senior management of MOF, whose insights are invaluable in our deliberations.

May I also express sincere gratitude to MIER management for their tireless effort over the last few months in ensuring the success of this conference.

Please may I also extend special thanks to the chairman, board members, CEO and management of AFFIN Bank for supporting this event so generously. And finally, once again, our very sincerest thanks to YB Tuan Rafizi Ramli - our minister of economy, for honouring us with his kind presence today.

I wish everyone a most successful conference.
Thank you.

NEOC OUTLOOK ADDRESS BY
TAN SRI DR. SULAIMAN MAHBOB
AT THE NATIONAL ECONOMIC OUTLOOK CONFERENCE 2023
27 NOVEMBER 2023 | 9.00 AM
AUDITORIUM, MENARA AFFIN @ TRX, KUALA LUMPUR

[Salutations]

Bismillahirrahmanirrahim.

Assalamualaikum Warahmatullahi Wabarakatuh, Salam Sejahtera dan Salam Malaysia MADANI.

Data that was recently released by Bank Negara and the Department of Statistics showed that the GDP grew by 3.3 per cent for the third quarter. This was a rise over the 2.9 per cent recorded for the second quarter. The growth rate that was achieved exceeded general expectations and it came in the face of weak export figures. There is no doubt that these numbers could not have been achieved without strong domestic demand and sustained consumer spending. This indicates that our economy is resilient.

I am therefore positive that we would be very close to achieving the range that was set for 2023. The Ministry of Finance expects growth for this year to be within 4 to 5 per cent. With the third quarter figures that have been released, I am confident that we can achieve no less than 3.9 per cent for 2023.

For context, let us bear in mind that the IMF has a growth forecast for the world at 3.0 per cent for 2023. The US is projected to record 1.8 per cent, with weak numbers for the EU (0.9) and Japan (1.4). China and India will perform far better at 5.2 and 6.1 per cent for the whole year (2023).

Our recovery from the COVID years has not been easy, but with the government's intervention and the determination of the private sector, we have managed to demonstrate progress. It is heartening that the domestic sector has been able to effectively drive growth.

If we look at real GDP from the perspective of expenditure components, we find that for the first quarter of this year, private consumption growth was 5.9 per cent (y-o-y), once again showing the importance of private consumption in sustaining growth. Gross fixed capital formation has been on an upward trend since 2022, rising against the negative figure of 0.8 per cent for 2021. The first half of 2022 has shown capital formation to grow by about 4.6 per cent.

I must confess that if we examined real GDP by expenditure, the external sector was in negative territory for the first half of 2022 and even in the second quarter of 2022. But net exports gained tremendously in the first quarter of this year, although it might be difficult to maintain those figures throughout the other quarters of 2023.

Taking a sectoral perspective, the highest percentage change year-on-year for real GDP was found in the services sector in the first half of the year. However, the percentage share of GDP remained steady for the manufacturing sector. In fact, manufacturing has stayed at about 24 per cent of total real GDP from 2021 to recent quarters, at which point has declined slightly.

The percentage point contribution to GDP has decreased for agriculture, as well as for mining and quarrying, and it has increased marginally for services. The contribution to GDP increased by 2.7 percentage points for services in the second quarter.

The government's measures for controlling inflation have been successful, resulting in a moderation of headline inflation. Compared to the monthly figures for headline inflation in 2022, particularly in the second half, inflation has been flattening, tending to 2 per cent. Most of the core components are under control. Food, however, remains elevated and so does eating out of the home. The rate for restaurants and hotels is higher in recent quarters than it was in early 2022. Core inflation has also shown some signs of reduction.

The labour market is also showing positive signs and is exhibiting more stability. The labour force has been growing rapidly since the post-Covid period. Thus, we see a labour force of slightly more than 16 million persons in July 2021 increasing to about 16.9 million in August 2023. The unemployment rate is also moderating. From an unemployment rate of 4.9 per cent in January 2021 we were experiencing an unemployment rate of 3.4 per cent in August 2023 per cent. This is another positive development and it shows that the government's policy measures have been successful in addressing the Covid labour market disruption.

However, our performance in the external sector could be better. Since we are dependent on global markets, our trade numbers have been declining, a reflection of the softer global

demand. This has been the case since mid-2022, and it has been extending into the second half of 2023. So, although exports and imports have been on the downtrend, our trade balance has been positive, and actually increasing on a year-on-year basis since April 2023.

Two factors stand out. First, the global semiconductor industry has not performed well over the years due to weak electronics demand. Second, China's consumer spending has been dented and this has had an impact on our exports.

The falling Ringgit has been a matter of concerns this year. The rate hikes by the Fed have not helped us. We have had to deal with the divergence in rates between the US and Malaysia. Bank Negara Malaysia has attempted to handle this issue judiciously. One needs to be reminded that this is a problem that has affected countries throughout the world.

In terms of fundamentals, we remain solid. We have a diversified economy; we have adequate reserves; and we have the right regulatory framework. There is talk from some quarters that this is a crisis. I must reiterate that there is no crisis, and there is no need for a peg or for capital controls. The situation today is vastly different from that in 1987/88. It is misleading to compare the situation then with today.

I am confident about the ringgit going forward. We, at MIER, expect the ringgit to strengthen going into 2024, especially in the second half. There are several factors that will work in our favour. First, with the increase in the SST to 8 per cent as announced in Budget 2024, the government will be able to generate more revenue. This will put our fiscal position on a stronger footing, improving our fiscal metrics with the rating agencies, and therefore confidence in the economy will improve.

With China's economy improving, our trade with the country will pick up, leading to better growth prospects overall. This will be a boost for the ringgit.

Next year, the US rate is less likely to see repeated hikes. In fact, it is possible that the US rates might go down. This will bode well for the ringgit.

Aside from the end of the US interest rate hike cycle and expected Fed rate cuts in 2H 2024 plus our expectation that BNM will keep OPR at 3%, the interest rate differential would narrow which should be Ringgit positive. Further, the key domestic factor that has to be strengthened is the execution and implementation of all mid to long-term masterplans and roadmaps. This will instil confidence in investors which will add to strong economic, fiscal and financial fundamentals, all of which will work favourably for the

Ringgit. Taking these factors into account, we expect the ringgit to strengthen to RM4.40 next year.

First, we have been able to attract considerable foreign direct investment. Something like RM703.7 billion worth of investments have been approved from 2021 to June 2023. We also have commitments for investments from China amounting to RM170 billion and about RM30 billion from Japan. The investment outlook is very positive and the multiplier effects will generate employment, GDP growth and value creation in 2024.

Second, the electronics cycle is expected to pick up in 2024, although signs of an improvement will already take shape in the 4th quarter of 2023. With the semiconductor sector doing better, our export numbers will improve and so will the performance of the manufacturing sector, which has not been bright this year.

Third, there have been announcements that have been made in NIMP 2030 and Budget 2024 for mega projects, mostly in infrastructure. The rollout of these projects will stimulate the economy.

Fourth, more can be expected from tourism and services in 2024. These sectors will add more to GDP growth than they did this year.

We are quite positive about our growth figures for 2024. The third quarter of this year was an improvement over the second quarter, showing a resilient economy. Only strong consumer spending could have made this possible. Notwithstanding the weak external sector, we did well. We see an overall growth rate of 4.0 per cent for 2023. We expect growth to further improve going into 2024. We think it will be at least in the range of 4.3 to 4.6 per cent for 2024.

It is for these reasons that we are quite upbeat about 2024.
Thank you.

Session Summaries

Session 1: Shifting the Global Economic Landscape: Insights and Projections for 2024 and Beyond

Moderator:
Professor Dr Rajah Rasiah (Universiti Malaya, Executive Director)
Panellists:

- **Fraziali Ismail (Bank Negara Malaysia, Assistant Governor)**
- **Dr. Abdul Abiad (Asia Development Bank, Director)**
- **Prasenjit K Basu (REAL-Economics.com, Founder-Chief Economist)**
- **Alan Tan Chew Leong (Affin, Group Chief Economist)**

Global influences on Malaysia's economy

Prasenjit hinted at the potential of policy errors culminating in an inevitable recession in the US by the fourth quarter of 2023. Prasenjit also speculated on the impact of the US demand for Asian goods contracting. He also projected a recovery in Asian exports by 2024 despite a mild recession in the US. On the China front, Prasenjit highlighted a massive investment boom juxtaposed with an ailing monetary banking system. The banking system may be on the brink of collapse due to the real estate sector and the manufacturing sector may suffer from overcapacity. Despite the looming crisis, Prasenjit conjectured that China would intervene to prevent an impending real estate meltdown. This is because China has been a global leader in both aluminium and steel production. China produced 128 million tons of steel in the year 2000. It now produces 1,035 million tons in a year. Similarly, with aluminium and steel, if you look at photovoltaic cells for solar panels, China produces 70% of the world 's demand. Thus, China's strategic move to enhance its technological capabilities will reduce dependence on external sources and strengthen its overall economic resilience.

The Asian economic landscape

Dr. Abdul Abiad, provided crucial insights into the economic landscape of the Asian region, emphasising its dynamic nature. Dr. Abiad highlighted the projected growth rates, indicating a steady ascent from 4.3% in 2022 to 4.7% in 2023 and a further increase to 4.8% in 2024 within developing Asia. Notably, the forecast indicates that South and Southeast Asia are poised to outpace China in terms of development.

Malaysia's structural economic challenges

Prasenjit K Basu, outlined significant structural challenges impeding the growth of the Malaysian Ringgit. Malaysia finds itself ensnared in the middle-income trap, grappling with growth rates consistently under 5% since the financial crisis. Despite a surplus in Malaysia's current account, there is a persistence of capital outflows. Prasenjit emphasised that inflationary issues are a monetary phenomenon, citing a remarkable surge in monetary base growth over two consecutive years. While advocating for a sharp rise in rates, Prasenjit acknowledged the recent restraint due to a year-long period of monetary contraction.

The depreciation of the Ringgit and the Malaysian economy

The insights provided by Fraziali Ismail shed light on several critical factors influencing the Malaysian ringgit. He highlighted the fluctuations in inflation rates and drew attention to the fact that they were trending down. Three key global elements were identified as significant factors affecting the Ringgit. These factors included:

- US Fed funds rate hikes
- China's economic underperformance
- safe-haven assets outflows

Despite prior concerns regarding inflation and potential economic breakdowns, Fraziali expressed optimism, pointing to indicators suggesting that the worst may be in the past. Notably, the struggles faced by the US economy due to inflation increase the likelihood of a controlled economic slowdown rather than a drastic downturn. He also pointed out that there were contrasting approaches between Malaysia's use of the Overnight Policy Rate (OPR), and Singapore's use of exchange rates to combat inflation. He reminded the audience that the inflation rate of Singapore is higher than Malaysia. This is because the Singapore dollar was appreciated to tackle its inflation challenge. Thus, Fraziali asserted that the strength of the currency is not the sole gauge of the nation's economic health, but one must understand the whole economic ecosystem. He further emphasised that consumer and business sentiments, debt repayment structures, and the dynamics of the exchange rate pass-through were crucial considerations.

In his analysis, Alan Tan Chew Leong, provided insights into the anticipated real GDP growth and economic trends expected in developing economies for 2024. Projections indicate an optimistic outlook with expectations of 4-5% growth for the upcoming year. However, concerns arise from Global Purchasing Managing Index indicators signalling a downturn in the manufacturing sector, questioning the realisation of expected growth. Despite this, global semiconductor sales depict a promising shift, forecasted to rise from a previous -10.3% in 2023 to 11.8% in 2024. Alan emphasised Malaysia's GDP growth primarily being anchored by domestic demand, particularly through private consumption and investment. Strengthening this positive outlook are the robust Malaysian economic fundamentals, bolstered by a current account surplus. The focus on fiscal consolidation highlighted in Budget 2024 aims to reduce the fiscal deficit. Additionally, Alan pointed out that the narrowing interest differential between local and US rates is expected to yield more favourable net flows for the local Malaysian economy, contributing to its growth prospects.

Challenges in the global economy:

a) **Global food supply chain disruptions and solutions**

One of the foremost concerns addressed during the discussion was the impact of the ongoing Ukraine-Russia war on the global food supply chain. The conflict has led to the disruption of the global food supply chain, with crucial resources like wheat and natural products facing blockades.

b) **The rise of the Chinese yuan**

Geopolitical tensions, particularly between China and the United States, were scrutinised for their potential impact on trading patterns, specifically the use of the Chinese yuan as

an alternative currency. For instance, BRICS countries have begun to adopt the Chinese yuan for international trade.

c) **China's property market**

China's property sector is at risk, exerting a drag on the nation's domestic economy. Moreover, concerns were raised about the confluence of prolonged higher interest rates and escalating debts, foreseeing heightened risks.

d) **Equal access to technologies**

While acknowledging the potential for Artificial Intelligence (AI) to enhance productivity, the challenge lies in ensuring the equitable distribution of these advancements across sectors and demographics, hinting at the possibility of inadequately spread benefits.

Recommendations:

a) **Mitigating the risk of global food supply chain disruptions**

As Malaysia has a sizable domestic market, businesses have the opportunity to diversify their customer base. Relying on domestic demand can act as a buffer during times of global supply chain disruptions, reducing dependence on external markets.

b) **Local currency trade**

The discussion on the rise of the Chinese yuan implied exploring the possibility of entering trade agreements with key partners where transactions are conducted in local currencies rather than the U.S. dollar. This can help promote the use of the Chinese yuan and other currencies in international trade.

c) **Accelerating government's initiatives**

Government initiatives, including the National Investment Aspirations and economic blueprints, have been promoted as strategies to address these global economic challenges. The focus must be on preparing the workforce for the digital era and creating an environment where technology investments become attractive, thereby transforming Malaysia's economy

d) **Advocating the ESG agenda**

The environmental, social, and governance (ESG) factors in shaping economic policies are significant for Malaysia's economic outlook in 2024. Aligning economic growth with sustainable practices, digitalization and ESG factors were deemed pivotal for environmentally responsible economic development especially when in the area of investment.

e) **Harnessing the potential of the Malaysian tourism sector**

It was discussed that the Malaysian tourism industry will have a promising future in 2024. In comparison to the pre-pandemic period, the number of Chinese tourists visiting Malaysia has increased. This is due to the cost advantages of tourism in Malaysia as compared to other countries. Therefore, the government should capitalize on the potential of Malaysian tourism by boosting services, hospitality, and infrastructure development.

f) **Continuous effort to implement Malaysia's 12th Malaysian Plan**

There is a need for continuous efforts to advance economic development beyond the budget 2024. The plans outlined in the 12th Malaysia Plan should be continuously monitored for implementation.

Conclusion

In conclusion, the panellists concurred on the importance of implementing long-term policy reforms, raising investments, and reducing subsidies. The need for a growth rate exceeding the baseline of 3% was emphasised, with a focus on building resilience in supply chains. The panellists expressed confidence in Malaysia's ability to navigate global challenges and maintain stability, highlighting the importance of proactive policy measures and strategic positioning in the face of evolving global economic dynamics. As the world continues to grapple with uncertainties, adaptability and foresight will be key to steering nations toward sustainable economic growth.

Session 5: Comprehensive Analysis of Social Protection, Retirement Planning, and Fiscal Challenges in Malaysia: A National Economic Outlook Conference Panel Discussion

Moderator:
Zarina Nalla, Chief Operating Officer, Malaysian Institute of Economic Research (MIER)
Panellists:

- **Professor Emeritus Datuk Norma Mansor, Director, Social Wellbeing Research Centre, Universiti Malaya**
- **Edmund Cheong Peck Huang, Chief Strategy and Transformation Officer of Social Security Organization (PERKESO)**
- **Dr. Matthew Dornan, Senior Economist, World Bank, Malaysia**
- **Professor Joseph Cherian, Deputy Chief Executive, Officer and Professor of Practice in Finance, Asia School of Business (ASB)**
- **Niloy Banerjee, UNDP Resident Representative for Malaysia, Singapore and Brunei Darussalam**

Social protection challenges and solutions

Professor Norma set the tone by highlighting the inadequacy of social coverage in Malaysia, with only 9.1% of beneficiaries covered compared to regional and global averages. She underscored the challenges of poverty, inequality, and demographic shifts, advocating for a comprehensive life cycle approach to social protection.

Edmund Cheong, representing the Social Security Organization (PERKESO), delved into the three layers of the social protection ecosystem – social assistance, social insurance, and private insurance.

Linking social protection to fiscal policy and global pension index ranking

Linking Social Protection to Fiscal Policy: The discussion underscored the importance of connecting social protection discussions with broader fiscal policy considerations. Reforms and priorities in areas like subsidy reform and tax reform were deemed crucial to supporting universal social protection for all Malaysians.

Comprehensive retirement scheme, mandatory pension plan, and institutional investments

Professor Joseph Cherian emphasised the need for a comprehensive retirement scheme, suggesting a defined contribution plan that converts the accumulated sum into a lifelong retirement income stream. Addressing concerns about Malaysia's high debt and economic challenges, the discussion touched on the idea of implementing a mandatory pension plan. The role of a strong civil service in ensuring the institutionalization and execution of effective social protection programs was highlighted.

Inclusive policies

The Q&A session provided insights into audience concerns, including social protection for mental health issues, medical insurance sustainability, and inclusivity in policies for different groups such as foreign workers, LGBTQ+ individuals, and persons with disabilities. The discussion also explored the gig economy, with a focus on the Self-Employed Social Security Act and efforts to make contributions mandatory for gig workers. While acknowledging the challenges and complexities of enforcing such measures, the panel highlighted progress in covering gig economy workers.

Addressing pension budget concerns, fiscal strategies, and foreign remittances

The issue of foreign remittances contributing to social protection was addressed, with the panel noting the challenges of integrating private remittance flows into official social protection systems.

Challenges in the social protection landscape:

a) **Social insurance and provident fund challenges**

- Coverage Gaps in Social Insurance: The panel identified significant coverage gaps in Malaysia's contributory social insurance system, including organizations like EPF and Perkeso, with over 30% of the labour force remaining uncovered.
- Aging Population and Provident Fund Reform: Malaysia's projection as an ageing nation by 2030 prompted discussions on the need to reform provident funds into more robust pension funds. Successful models from countries like Korea were explored, where a smaller contribution percentage funded a private-sector pension system.
- Job Mismatch: Challenges related to the lack of portability between the government and private sectors and job mismatches, affecting over 50% of individuals, were acknowledged as contributors to the overarching issues.
- Social Protection Benefits: Perkeso's significant annual disbursement of about RM4 billion was highlighted, with studies suggesting a multiplier effect of 2.53 for social protection, positively impacting the entire supply chain.
- Global Commitment to Universal Social Protection: Discussion centred around the global commitment to universal social protection, aligning with Sustainable Development Goal 1.3. The aim is substantial coverage of the poor and vulnerable by 2030, emphasizing the need for alignment with global aspirations.
- Social Protection in Malaysia: While Malaysia boasts a well-developed contributory social insurance system, coverage gaps and adequacy issues exist. Adequacy concerns were particularly emphasized for the poorest income deciles.
- Aging Population Challenges: As Malaysia faces the challenges of an ageing population, issues such as a higher dependency ratio, lower economic growth, and increased reliance on social protection were explored. EPF member savings were noted to be below adequate levels for a comfortable retirement, especially for inactive members and women.

b) **Fragmented nature of existing initiatives across various ministries**
The fragmented structure can lead to confusion for beneficiaries, who may find it challenging to navigate the various programs offered by different ministries. In addition, weakness in coordination among ministries results in duplicated efforts, inefficiencies, and difficulties in tracking the overall impact of social protection programs.

c) **Malaysia's high debt and economic challenges the social protection environment**
High levels of national debt limit the financial resources available for social protection programs. It may also force the government to prioritise spending on debt servicing, leaving limited fiscal space for expanding or sustaining social protection initiatives.

d) **Fiscal challenges related to civil service pensions**
The discussion focused on the fiscal challenges related to civil service pensions, with the speaker highlighting the need to address the issue as the budget outlays for civil service pensions are expected to double by 2050. Concerns were also raise about of politicians receiving pensions after a single term was discussed, raising questions about the sustainability and fairness of such practices.

e) **Foreign remittance**
Malaysia's public social protection system does not currently incorporate data from foreign remittances, excluding a substantial financial inflow that contributes to the country's economy. The absence of foreign remittance data may result in an incomplete understanding of individuals' financial situations, potentially impacting the effectiveness and inclusivity of social protection programs.

Recommendations:

a) **Tax-financed old-age pension and cross-subsidization.**
Tax-financed old-age pensions involve the use of public funds collected through taxation to provide financial support to individuals during their retirement years. While cross-subsidization refers to the practice of using funds from one segment of the population to support another, typically involving redistributing resources to ensure financial support for those in need.

b) **Life cycle approach, covering individuals from birth to old age.**
A life-cycle approach to social protection involves tailoring support mechanisms to address the diverse needs of individuals at various stages of their lives. This addresses the diverse needs and challenges individuals face at different life stages, promoting holistic well-being.

c) **Monetizing assets, and fund management costs**
Monetizing assets, particularly through programs like reverse mortgages, was discussed as a viable strategy to support retirement income streams. Concerns were raised about high fund management costs, especially in retail investment schemes, emphasizing the need for low institutional-level fees for the long-term sustainability of retirement funds.

d) **The MySPC (Malaysia Social Protection Council) to address coordination challenges**
MySPC was established to serve as a coordinating body, bringing together key stakeholders involved in social protection efforts across the nation. MySPC comprises representatives from government agencies, non-governmental organizations, and other relevant stakeholders. The inclusion of diverse perspectives ensures a holistic and inclusive approach to social protection coordination.

e) **Develop mandatory pension fund**
This discussion explores the significance, benefits, and implications of mandatory pension funds as a crucial component of the country's social and economic landscape. By encouraging individuals to save for retirement, mandatory pension funds contribute to long-term economic stability.

f) **Incorporating foreign remittance data into Malaysia's public social protection system**
Forming partnerships with financial institutions involved in foreign remittance transactions can facilitate the integration of data, ensuring accurate and standardized information. Hence, access to comprehensive data allows policymakers to make informed decisions about resource allocation, program design, and the overall enhancement of social protection initiatives.

Conclusion

In summary, the panel discussion comprehensively covered various facets of social protection, retirement planning, and fiscal challenges in Malaysia. The dialogue provided insights into the intricacies of the current system, identified challenges, proposed solutions, and emphasised the importance of a coordinated approach. Key takeaways included recommendations for improving the social protection system, addressing economic challenges, and ensuring inclusivity in policies. The need for sustainable funding sources, institutional investments, and a comprehensive retirement scheme were recurrent themes throughout the discussion. The panel's engagement with audience questions and exploration of diverse topics showcased the ongoing efforts in Malaysia to enhance social protection and create inclusive policies for different segments of the population.

Session 2: Thriving in The Digital Economy

Moderator:
Aiza Azreen (Executive Board Member of EVOLVE Precision Healthcare, Digital Wellness and Health Tech)
Panellists:

- **Amar Huzaimi Md Deris (Managing Director/Group Chief Executive Officer, Telekom Malaysia Berhad)**
- **Mahadhir Aziz (Chief Executive Officer, Malaysia Digital Economy Corporation (MDEC)**
- **Dr. Renato Lima de Oliveira (Assistant Professor of Business and Society, Director of the Center of Technology, Strategy & Sustainability Research Affiliate MIT Sloan School of Management, Asia School of Business (ASB)**
- **Dr Kelvin Goh (Founder and CEO, Vodus Research Sdn Bhd)**

Web 2.0 and 3.0
The moderator Aiza Azreen, kickstarted the session by posing a captivating question: "Has anyone heard of Web 3?" This inquiry served as the gateway to a profound discourse on the current state of the internet and the anticipated introduction of Web 3.0.

With the acknowledgement that we currently inhabit the Web 2.0 era, the moderator prompted contemplation on Malaysia's position within this digital terrain.

Dr. Renato Lima de Oliveira who drew on the origins of the World Wide Web and the visionary work of Tim Berners-Lee, painted a vivid picture of digital evolution. He took the audience on a journey from the animated gifs and HTML of the early web, to the present-day frontier marked by Web 3.0. Dr. Renato underscored the transformative impact of the digital economy, particularly in the era of Industry 4.0, where automation through algorithms has become the norm.

Insights into Malaysia's Digital Development
Mahadhir Aziz, highlighted primary opportunities for businesses and individuals in the digital realm. The core of his message by the strategic development of talents, advocating for individuals to invest in digital technology to remain competitive.

Mahadhir's vision encompassed the inevitability of blockchain and AI, urging early investments driven by discipline and critical thinking. He underscored the profit-driven approach of corporations, emphasising their potential to utilize emerging technologies more effectively. The discussion touched upon a national program for regulating emerging tech, signalling the need for an integrated and proactive regulatory framework.

Strategic vision on the path of digitalisation

Amar delved into the challenge of managing a colossal entity like Telekom Malaysia. Drawing on the concept of being "too big to fail", he stressed the need for a clear vision focused on resilience, innovation, and digitalization, envisioning a digital ecosystem as a growth catalyst. Based on successful models like Singapore's development in Johor, Amar highlighted the necessity of equitable collaboration between the public and private sectors.

Navigating the Post-COVID Digital Landscape

Kelvin Goh, provided a post-COVID perspective, highlighting the shifts in consumer behaviour and the consequential impact on profits. He illustrated that there will be growth in e-wallets and fintech industries.

Kelvin's insights into AI's integration into everyday life and its slow adoption by businesses set the stage for a profound discussion on the benefits and challenges of AI. The potential for government-subsidised AI credits to support SMEs and democratise AI adoption was presented as a pivotal strategy. The narrative focused on Malaysia's strong SME presence, envisioning a future where government incentives propel widespread AI adoption, fostering innovation in businesses of all scales.

Challenges in the digital economy landscape:

a) **The skill gap in Malaysia's digital economy**
   The digital economy is a rapidly evolving sector, and skill gaps in Malaysia's digital workforce have been identified as a challenge. A lack of digital skills can lead to productivity declines, especially as industries increasingly reliant has on digital technologies for efficiency and innovation.

b) **Balancing risk of AI adoption**
   The global mismatch in policies and the advanced state of AI has prompted leaders to request developers to halt progress in AI development. Disparities exist in terms of AI development, adoption, and readiness, creating an imbalance in reaping the benefits of this transformative technology.

c) **Post-pandemic e-commerce affected the most**
   E-commerce is the most affected sector, accentuating the challenges posed by added delivery costs. The growth trends in price-sensitive sectors have led to the decline in groceries and food delivery.

d) **Dependency on external consultants**
   It was brought to attention that even though consultants play a significant role in policy development, however stakeholders or the government should not depend on external consultants. They may not well aware of internal issues face by stakeholders.

e) **The reluctance to adopt digitalisation**
   Cultural norms, ethical considerations, and societal attitudes toward technology can influence the reluctance to adopt AI, posing challenges to seamless integration. One of the perceptions may include that the misconception that AI is all about job loss.

f) **Too much regulation could stifle innovation**
The discussion veered into the challenge of innovative thinking in tech, a challenge exacerbated by increased monitoring by regulatory bodies. The need for a balance between innovation and regulation was emphasised, acknowledging that too much regulation could stifle the very innovation it seeks to govern.

Recommendations:

a) **Fostering digital skills at all levels of society**
AI is necessary to grow talent at all level of society. Further, organisations need to undergo digital transformation, highlighting the significance of internal crowdsourcing, hackathons, and partnerships to groom and adapt the workforce to evolving digital requirements.

b) **Investing in expanding Malaysian digital skills**
There are many opportunities in the digital economy and hence individuals and companies should invest in skills, particularly in emerging technologies like blockchain and artificial intelligence. Investment is important to address the skill gap in digital technology. The approach suggested including investments in capital expenditure (Capex) to enhance workforce capabilities, ensuring that employees are well-equipped to handle digital technology challenges.

c) **Tackling AI mismatch policies to ensure inclusivity**
Policy adaptation involves identifying risks and benefits, building mechanisms for revision, and steering clear of overly restrictive policies that hinder innovation. It is important to invest in digital infrastructure in underserved regions to ensure equal access to AI technologies. Closing the digital divide is essential for creating a level playing field in AI adoption.

d) **Reducing dependency on external consultants**
It was stressed that there will be a shift towards internalisation, highlighting the need for the Malaysian government to develop policies from within the system. The call for internalisation aims to ensure that policy decisions align with the rapidly changing landscape, avoiding excessive dependence on external advice.

e) **Developmental plans to manage new technologies**
AI was emphasised that there is an urgency to implement developmental plans in managing and regulating new technologies. Mentions was made of the contributions of MDEC and MITI. The panellist advocated a forward-thinking approach that looks beyond current e-commerce trends. Cybersecurity was highlighted as an essential aspect, calling for comprehensive industry-specific interventions to ensure a secure digital future.

f) **Digital envisioning emerging as a key strategy to enhance the future landscape**
The impossibility of forcing individuals or businesses to adopt new technologies was acknowledged. Instead, it was iterated the importance of showcasing the value of AI by addressing real-world problems. The increasing competitiveness of Malaysia's economy meant that innovation becomes a necessity to thrive. Furthermore, when economic pressures arise, organizations will be naturally incentivized to innovate. Thus, the transformative power of migrating to a digital ecosystem is necessary where digital envisioning emerged as a key strategy to enhance the future landscape by fostering innovation. For an instance, sales could be skyrocketed by up to 40 times if businesses

adopt the strategy. SMEs were also encouraged to align their digital efforts with priorities and proposed targeted assistance for growth, particularly aligning with government-linked companies (GLCs).

g) **Government intervention to propel digital transformation**
Government plays a significant role in influencing and propelling change just as the rapid transition brought about by the MySejahtera app. Effective subsidy management, and raising the need for awareness, incentives, and interventions are key to facilitating change. Additionally, the government's intervention and capacity to transition SMEs to e-ink invoices showcased a commitment to preparing businesses for digital transformation.

h) **Overcoming resistance towards digital adoption**
To overcome resistance, it was suggested to frame AI as a tool that eliminates mundane tasks, creating high-value jobs. AI is hailed as the best learning tool in history, advocating its accessibility and affordability. The discussion also implied to develop programs that raise awareness about the cultural implications of AI. Ensure that AI technologies respect and consider diverse cultural contexts to avoid biases and enhance acceptance.

Conclusion

In essence, the panel discussions provided comprehensive insights into the challenges and opportunities of the digital economy in Malaysia. The discussions covered a wide range of topics, including Web 3, IR 4.0 adoption, skills gap, government support, responsible AI use, planned adaptation in policies, digital envisioning, and a holistic approach to future-proof SMEs. The synthesis highlighted the importance of sustainable policies, internal capabilities, collaboration, and a positive cultural shift in driving successful digital transformations in Malaysia.

Session 3: Artificial Intelligence: Empowering the Future

Special Address:
Aditya Paul Berlia (Co-Founder Apeejay Stya and Svran Group)
Moderator:
Raja Sagaran (Director of Strategy, Research and Insights, Malaysian Digital Ecosystem Corporation, MDEC)
Panellists:

- **Dr. Jasmine Begum (Regional Director, Legal & Government Affairs, Microsoft ASEAN, Malaysia)**
- **Chester Chua (Head of Government Affairs & Public Policy, Google Cloud)**
- **Ts. Jacky Cheong (Head of Enterprise Data Governance at CelcomDigi)**

Special address: Aditya Paul Berlia (Co-Founder Apeejay Stya and Svran Group)
In a thought-provoking special address, Aditya shared insights into the macro-framework of artificial intelligence (AI) and its potential impact on organizations. He spoke of his inspiring goal of educating one million people in AI.

Aditya began by emphasising that AI is fundamentally about contextualising data within our frameworks. It's not just about the technology; it's about how we input our data, enabling AI to comprehend our unique perspectives and generate more meaningful and tailored outputs. He then delved into the practical applications of AI, specifically highlighting the versatility of ChatGPT.

According to Aditya, ChatGPT, can be harnessed for diverse purposes such as creating websites, crafting CVs, conducting slide analysis, and even capturing data and images. He acknowledged the transformative potential of AI but cautioned that its widespread adoption might take time.

One key takeaway from Aditya's address was the reminder that AI doesn't need to be flawless; it simply needs to be effective. He emphasised the importance of AI in enhancing productivity and discussed how it can be a valuable tool in the hands of companies and CEOs looking to lead their organisations into the future.

Aditya shared practical advice for those considering AI integration, highlighting the necessity of having relevant data. Enthusiasm alone, he warned, is insufficient; without the right data, AI implementation might prove futile.

Aditya highlighted the multitude of prompts that could be given to ChatGPT. These prompts, he explained, could serve as a catalyst for CEOs, propelling them forward and facilitating seamless integration of AI into their business strategies.

Furthermore, Aditya underscored that AI is not merely a sprint; it necessitates a fundamental shift in how businesses operate. He urged organisations to start at the bottom, stressed that reaching the pinnacle of AI success requires a strategic approach.

Addressing concerns about oversight, Aditya raised crucial questions about how we could hold individuals accountable for mistakes made with AI, pointed the need for ethical considerations and responsible use of this powerful technology.

Importance of AI

Dr Jasmine Begum discussed the growing importance of AI in ASEAN, she highlighted the surge in discussions over the past year. She stressed the centrality of data in these conversations and its potential contribution to economic development. Dr. Begum identified economic competitiveness, policy frameworks, and the human element as crucial factors for successful AI integration. She reiterated that the guardrails in the AI landscape are essential to protect government, business, and people's interests. Dr. Begum underscored the importance of being both data-rich and ethically sound, emphasizing 72% transparency in data usage. She concluded by linking AI to sustainable development goals and reiterated that the journey toward sustainability begins with responsible data practices.

Application of AI

Chester Chua, discussed the transformative impact of Chatbox in breaking down communication barriers and its potential applications in health and the environment. He showcased an AI application aiding those with speech impairments, highlighting technology's role bridging communication gaps, fostering inclusivity. Chester emphasised the societal inclusion of people with disabilities and underscored AI's crucial role in meeting their communication needs. He also explored AI's broader applications in healthcare and environmental initiatives, citing examples of climate risk prediction. Chua traced the "golden age of AI" to 2017, citing Google's commitment to AI-first principles, ethical considerations, and avoiding unfair bias. He concluded with Google's strategic vision for 2023, focusing on driving AI functionality, promoting AI education, assisting in AI policy formulation, and establishing an AI university for widespread accessibility.

AI and data governance

Jacky Cheong explored the intricate relationship between artificial intelligence (AI) and data governance, highlighting the crucial role of quality data in achieving successful AI outcomes. He defined AI as a symbiotic process where input and output are intricately connected, distinguishing between discriminative and generative models and underscoring the importance of labelled data. Cheong addressed the potential threat of data leaks shutting down AI systems, advocating for a balance between data security and technological progress, citing regulatory measures like Italy's ban on ChatGPT. He introduced the GIGO concept (Garbage In, Garbage Out) and outlined five key components of data governance: data quality, data integration, data labelling, data protection, and comprehensive documentation. Jacky emphasised the human intervention required for effective data governance and stressed the need for proper labelling and documentation to ensure seamless integration into the AI framework.

AI: Moving ahead

Dr. Jasmine added depth to the conversation by questioning the drivers behind the transition to AI. She echoed the sentiments of investors who advocate for a competitive regulatory environment. Reiterated the pivotal role of agility in policy-making, she emphasised that being responsible with AI demands more than a mere roadmap; it necessitates agile policies to navigate the complexities and challenges of the digital age.

Shifting the focus to the cloud, Chester Chua prompted a discussion on whether Malaysia is on the right track. Chester highlighted the indispensability of data in the AI landscape and commended Malaysia's success in adopting a cloud-first policy. He sees the cloud as a facilitator, simplifying AI for businesses and the general populace. Chester noted that Malaysia is progressing well in this regard, and encouraged further government initiatives.

The narrative then transitioned to the merger of telecom giants Celcom and Digi. Jacky introduced the idea of AI and the Data Accelerate Program, aiming to integrate two distinct data sets from the merging companies. Jacky acknowledged the uncertainty that mergers bring and emphasised the need for a well-defined trajectory. As the conversation delved into the future, Jacky brought up the intriguing intersection of quantum computing and AI.

Returning to the core theme of people-centric technology, Jasmine reinforced the notion that people are the central focus. She pointed out that the renewability of technology and its role as a competitive asset, particularly in facilitating skill development. Chester interjected, cautioning against hyper-focusing on risks and urging a broader perspective that explores harnessing AI for positive outcomes. He contended that the biggest risk lies not in cybersecurity but in humans failing to unlock AI's true potential.

In a final note, Jacky asserted that AI is not exclusive to big corporations but is also a tool for SMEs and the public. He recommended using AI to steer the narrative towards a future were technology uplifts society at large.

AI as a Friend or Foe?

Dr. Jasmine highlighted the absence of black-and-white answers and stressed the importance of effective management to mitigate risks.

Chester Chua echoed this sentiment, proposing that generative AI could serve as a powerful tool to track malicious files and enhance cybersecurity measures. He mentioned the need for continuous technological development to stay ahead of potential threats.

Jacky contributed a valuable perspective, emphasising the need for organisations to focus not just on AI but on safeguarding their data. He advocated a proactive approach to identifying organizational goals, fostering innovation, and securing data.

Chester Chua cautioned against underestimating the susceptibility of individuals to scams. He stressed the importance of effectively utilizing generative AI to enhance security measures, especially in the face of increasingly sophisticated cyber threats. Jacky sterned the need to identify and protect organizational goals.

Challenges in Malaysia AI landscape:

a) **The inconsistency and inefficiency in technology adoption**
Divergent AI models and frameworks in different applications and systems result in compatibility challenges. For example, toll payment system and parking systems showcased the challenges of standardization. Users encounter friction when transitioning between different systems, this hinders seamless experience that AI intends to provide.

b) **Concerns about data leakage and potential misuse of ChatGPT**
As ChatGPT and similar AI technologies become integral parts of our digital interactions, concerns regarding data privacy and security have rightfully come to the forefront. Privacy concerns arise when users share sensitive or personally identifiable information.

c) **Limited collaboration among industries and stakeholders**
Industries operating in isolation create silos, hindering the seamless exchange of information and best practices. A lack of collaboration perpetuates redundant efforts and slows down the learning curve for AI implementation.

d) **Obstacles for investors**
Investors may perceive AI ventures as high-risk due to evolving technologies, regulatory uncertainties, and the inherent unpredictability associated with innovation. Moreover, lack of clear and standardized regulations for AI technologies can create uncertainty for investors. Additionally, investors may be concerned about the availability of a qualified workforce to execute and sustain AI initiatives.

Recommendations:

a) **A call for responsible regulation in AI development**
As AI technologies continue to evolve, there is a growing consensus that a comprehensive regulatory framework is essential to ensure their ethical use, safeguard individual rights, and mitigate potential risks. This call for regulation is not an impediment to innovation but rather a proactive step to foster a secure and accountable AI landscape.

b) **Adapting AI models for tailored problem-solving solutions**
Tailoring AI models results in improved accuracy and precision for specific tasks, reducing the likelihood of false positives or negatives. In addition, solutions that resonate with end-users and align with their specific needs are more likely to be embraced, fostering greater adoption of AI technologies.

c) **Advocating for standardisation**
Encourage collaboration among industry stakeholders, including government bodies, tech developers, and service providers, to establish common standards. The benefit of standardisation streamlines processes, providing users with a consistent and intuitive experience.

d) **Government-facilitated initiatives**
The government can play a pivotal role in initiating and supporting collaborative initiatives. Fostering partnerships between public institutions, private enterprises, and research organizations can leverage the strengths of different entities for collective progress in AI development.

e) **Investment in AI education**
Building a skilled workforce enhances investor confidence in the availability of qualified professionals. Additionally, to establish a knowledge sharing platform is crucial to facilitate the exchange of knowledge, best practices, and case studies among industries.

Conclusion

Raja Segaran summed up the conversation by urging everyone to take care of their most valuable asset – their data.

Raja Segaran highlighted the need for a strategic position on standardization in AI adoption across sectors. Dr. Jasmine addressed the regulatory aspect, advocating user control and emphasizing the importance of compliance governance. Chester Chua brought attention to the risks associated with using AI applications like ChatGPT for enterprise purposes.

As the discussion turned toward the future of AI, Raja Segaran raised the prospect of quantum computing and its potential impact on commercial applications. Ts. Jacky Cheong provided insights into OpenAI's advancements, highlighting the imminent future of AI.

The panellists concluded the conversation with key takeaways and messages for the audience. Dr Jasmine raised the centrality of people in technology, highlighting the importance of upskilling to harness the benefits of AI. Chester Chua urged a holistic perspective, urging the audience not to forget the big picture and to focus on integrating AI to achieve human potential. Jacky advocated using AI for the good of the people, especially in reaching underserved populations, which require the need for government support. Raja Segaran underscored the importance of responsible AI use.

Session 4: Embracing the Green Economy: Malaysia's Path Towards Sustainability

Moderator: Aina Zahari, Director of Corporate Strategy, Bursa Malaysia Berhad
Raja Segaran (Director of Strategy, Research and Insights, Malaysian Digital Ecosystem Corporation, MDEC)
Panellists:

- **Dr Gary Williams Theseira, Technical Advisor, Malaysia Green Technology & Climate Change Centre (MGTC)**
- **Nelson Samuel Wilson, Director of Green Technology Division, Malaysian Investment Development Authority (MIDA)**
- **Adam Ng, Asia Pacific Regional & Technical Lead (Greening Financial Regulation Initiative), WWF-Malaysia**

Malaysia's strategic leap towards environmental sustainability

Aina Zahari, the moderator for the session, emphasised the pivotal role of the green economy in fostering a sustainable future for both the planet and society. Aina highlighted Bursa's concerted efforts to incentivise businesses towards adopting eco-friendly practices and transitioning into low-carbon emission entities. Stressing ASEAN's position as the 4th largest energy consumer globally, Aina underlined the region's commitment to reducing greenhouse gas emissions to less than 6%. Notably, 9 out of 10 ASEAN nations have pledged to achieve low carbon emissions, with the majority aiming for net-zero status by 2050.

Aina shed light on Southeast Asia's commitment to slashing emissions by approximately 33% by 2030, necessitating a colossal investment of $1.5 trillion by 2050. Malaysia's bold commitment to achieving net-zero carbon emissions by 2050 is evident from its meticulously planned green economy roadmaps, such as the National Energy Transition Roadmap (NETR), New Industrial Master Plan (NIMP) 2030, and Hala Tuju Ekonomi dan Teknologi Hydrogen (HETR). Moreover, the Budget 2024 announcements revealed strategic measures including tax deductions on ESG expenditures, a review of Green Technology Tax incentives, and extensions for tax incentives promoting EV rentals, signifying Malaysia's earnest drive towards a greener economy.

Challenges posed by climate change

Dr. Gary William Theseira, provided a stark portrayal of the escalating challenges posed by climate change. He highlighted alarming statistics, revealing the staggering surge in global fossil fuel consumption—increasing sixfold from 1850 to 1950 and a further sixfold from 1950 to 2019. Moreover, he drew attention to an 83% rise in climate-related disasters, resulting in annual damages amounting to billions of dollars globally. These losses intensified in terms of economic damage between 2001-2010 and 2011-2020, culminating in a staggering USD 329 billion in global economic loss damages in 2021. The alarming trend persisted into 2023, with Q1-Q3 witnessing USD 198 billion in economic losses.

Dr. Gary underscored the profound impact on Malaysian businesses, highlighting the dual risks of physical implications and transitional challenges. He stressed the necessity of Task Force Climate Recommended Disclosures (TCDF), emphasising governance, strategy, risk management, and the imperative for companies to adhere to emerging international sustainability and climate reporting standards to address these escalating challenges.

Role of investment agencies

Mr. Nelson Samuel Wilson unveiled MIDA's significant role in driving climate change investments in Malaysia. Positioned as the principal investment promotion agency, MIDA serves as a vital intermediary between policymakers, implementing agencies, and investors. In terms of green economy, Nelson highlighted MIDA's pivotal role as a bridge linking the government, investors, and various green-related associations for its operations.

Notably, MIDA achieved a milestone in 2022 by achieving 25% renewable energy installed capacity in the power grid, demonstrating progress toward ambitious targets of 31% by 2025 and 40% by 2030 in renewable energy capacity. Moreover, MIDA initiated a Renewable Energy Power Purchase Program, allowing businesses to engage in selling green energy and encouraging participation in green projects.

Approved renewable energy projects involving solar, biogas, biomass, mini-hydro, and geothermal energy, benefit from fiscal measures such as green investment tax allowances, income tax exemptions, and incentives for recycling activities. This has stimulated considerable investment growth of RM54.7 billion from 2001 to June 2023 across 4,409 projects. MIDA's initiatives underscore its commitment to a thriving green economy in Malaysia.

Financial support and sustainable financing

Mr. Adam Ng provided critical insights into the crucial nexus between financial and real economies. Adam highlighted the role of venture capital and private equity in funding climate finance, which amounted to half a trillion in 2020, and must accelerate tenfold by 2030 to meet ambitious sustainability targets. He underscored the significance of increased private investment alongside public funding to achieve these goals.

Adam elaborated on the paradigm of sustainable financing, citing key frameworks like The Task Force on Climate-related Financial Disclosures (TCFD), Network for Greening the Financial System (NGFS), the Taskforce on Nature-related Financial Disclosures (TNFD), and Paris Agreement Capital Transition Assessment (PACTA), as well as financial instruments such as Dutch Fund for Climate and Development (DFCD) and Green Bonds that drive the financing of green initiatives.

Challenges in Malaysia’s green economy landscape

a) **Obstacles in navigating decarbonization pathways**

As global concerns about climate change intensify, companies face a pressing mandate to decarbonize their operations. This includes technological transition, investment constraints, supply chain complexity and regulatory compliance.

b) **Dynamic landscape of evolving ESG Standards**
Frequent updates on ESG standards may require continuous adjustments, posing financial and operational challenges. Companies may find it challenging to streamline these processes efficiently, leading to a potential reporting burden.

c) **Lack of political will to drive sustainability agenda**
While Malaysia boasts ambitious sustainability blueprints, the challenge lies in translating these visions into actionable policies. The prevailing lack of political will poses a significant obstacle, hindering the execution and implementation of the nation's sustainability agenda.

d) **Investment shortfalls to support Malaysia's green transition**
The absence of sufficient financial incentives and rewards for green investments diminishes the attractiveness of sustainability projects. In addition, investors may perceive green initiatives as high-risk with uncertain returns, deterring them from committing substantial funds.

e) **Transitioning to green energy must not compromise the stability of the national grid**
The transition to a green economy in Malaysia demands a meticulous approach to maintain the stability of the national grid. Renewable energy sources, such as solar and wind are intermittent, posing challenges in maintaining a consistent power supply to the grid. Fluctuations in energy production require innovative solutions to ensure grid stability.

f) **Manufacturing sector hurdles in green transition**
The manufacturing sector will be impacted as Malaysia envisions a transition to a green economy. This is because upgrading manufacturing processes and equipment to align with green standards often involves substantial initial costs. In addition, the integration of sustainable practices across the entire supply chain requires collaboration with suppliers and distributors. The challenge is particularly obvious for SMEs that lack capacity building in the transition model.

Recommendations

a) **Leveraging Tax Incentives for Corporate Decarbonization**
It is essential to implementing tax incentives for companies investing in renewable energy projects, energy-efficient equipment, and sustainable practices. This will reduce the overall tax liability, making decarbonization projects more financially viable. In addition, companies can enjoy tax benefits while contributing to energy efficiency and reduced environmental impact.

b) **Embracing adaptability and integrating sustainability into business practices**
While companies may encounter challenges in keeping pace with changing standards, embracing adaptability and integrating sustainability into the core of business practices positions them to thrive in the evolving ESG landscape. Continuous monitoring, proactive engagement, and strategic collaboration are key elements in navigating the complexities of evolving ESG standards.

c) **Global commitments and accountability**
More effort to leverage international commitments on sustainability to hold Malaysia accountable at the global stage. Aligning with global standards can create external pressure and motivate domestic political action.

d) **Attracting green investments**
It will be useful to establish clear and consistent regulatory frameworks for green projects to provide investors with confidence and stability. The public and private sectors can also Promote the creation of green bonds and investment funds specifically dedicated to financing sustainable ventures.

e) **Encouraging a seamless transition**
During the transition period from conventional to green energy, the coexistence of different energy sources poses operational challenges to the grid. Hence, strategic planning is necessary to synchronize renewable energy production with periods of high energy demand. It is also crucial to have strategic management to enhance the resilience of the national grid against potential disruptions and cyber threats.

f) **iESG framework accelerating ESG compliance in the manufacturing sector**
It is necessary to introduce the iESG framework is designed to integrate environmental, social, and governance considerations into the core operations of manufacturing entities. It serves as a comprehensive guide for aligning business strategies with sustainable practices and fostering responsible corporate behavior.

g) **Green education is important for future generations**
The integration of green education into public institutions stands as a crucial pillar in Malaysia's journey toward sustainable development. It is crucial to instil environmental consciousness and sustainable practices within the curriculum of public educational institutions. Moreover, it also raises public awareness and creates future leaders on sustainability issues to generate grassroots demand, compelling political leaders to prioritise these concerns.

Conclusion

Malaysia's strides in embracing the green economy are evident through various initiatives and policies focusing on sustainability reporting, green finance, sustainable product frameworks, and institutional investor commitments. The nation is also making headway in creating regulations and strategies conducive to sustainable development.

The panel noted that Malaysia's journey towards a green economy is marked by significant commitments, collaborative efforts among stakeholders, and the implementation of progressive policies. While challenges persist, the nation's proactive approach, demonstrated through robust frameworks and initiatives, sets a promising trajectory towards a sustainable future. As Malaysia navigates the complexities of transitioning into a green economy, it stands as a beacon of inspiration for other nations aspiring to embrace sustainability and environmental consciousness.