MIER-AFFIN GROUP ECONOMIC AND BUSINESS REVIEW

VOLUME 1

PROCEEDING OF THE 2025 NATIONAL ECONOMIC OUTLOOK CONFERENCE

MIER AFFIN GROUP 50 AFFIN

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PROFILE OF THE SPEAKERS



Prof Dr. Jomo Kwame Sundaram

Professor Dr. Jomo Kwame Sundaram is one of Malaysia's most eminent economists and a globally respected authority on development economics. His scholarly work spans political economy, globalization, inequality, industrial policy, and sustainable development, with a particular emphasis on the Global South. Professor Jomo has held several senior international appointments, most notably as Assistant Secretary-General for Economic Development at the United Nations and later as Assistant Director-General at the Food and Agriculture Organization (FAO). In these roles, he was instrumental in shaping global development discourse, advocating evidence-based policymaking, inclusive growth, and reform of international financial governance. An accomplished academic, Professor Jomo has authored and edited numerous influential books and journal articles. He continues to contribute actively to policy debates, research institutions, and international forums, and remains a strong voice for equitable and sustainable economic development.

Dr. Apurva Sanghi

Dr. Apurva Sanghi is a Lead Economist at the World Bank with extensive experience in macroeconomic management, climate change economics, and development policy. He has worked closely with governments across Asia and emerging economies, providing policy advice on economic resilience, fiscal reform, and climate adaptation strategies. Dr. Sanghi is widely known for integrating climate risks into macroeconomic analysis, helping policymakers understand the economic impacts of climate change and natural disasters. His work bridges academic research and real-world policy application, particularly in areas such as green growth, productivity, and structural transformation. A frequent speaker at international conferences, Dr. Sanghi also contributes to global thought leadership through publications, policy briefs, and public engagement on sustainable development and climate-smart economic planning.





Mr. James Villafuerte

Mr. James Villafuerte is a Senior Economist at the Asian Development Bank (ADB), where he specializes in regional macroeconomic analysis, development financing, and economic integration in Asia and the Pacific. His work supports ADB's surveillance of regional economic trends and policy challenges facing developing member countries. Mr. Villafuerte has authored numerous economic outlooks, policy notes, and analytical reports that inform policymakers on growth prospects, fiscal sustainability, and external vulnerabilities. He has particular expertise in Southeast Asian economies and the role of regional cooperation in promoting inclusive and sustainable growth. Through his work at ADB, he actively engages with governments, academia, and development partners to strengthen economic policymaking and regional resilience.



Dr. Khalid Abdul Hamid

Dr. Khalid Abdul Hamid is an experienced Malaysian economist with a strong background in public policy, economic strategy, and institutional reform. He has served in senior roles within national policy and advisory bodies, contributing to Malaysia's long-term economic planning and reform initiatives.

His professional interests include governance, inclusive development, productivity enhancement, and public-sector effectiveness. Dr. Khalid is known for his ability to translate economic theory into practical policy recommendations that address real-world socioeconomic challenges. He remains actively involved in policy dialogues, research collaborations, and public discussions on Malaysia's economic future and development trajectory.

Datuk Wira Dr. Rais Hussin Mohamed Ariff

Datuk Wira Dr. Rais Hussin Mohamed Ariff is a prominent Malaysian strategist in technology, innovation, and future studies. His work focuses on digital transformation, Industry 4.0 (IR4.0), artificial intelligence, and the intersection of technology with society and governance. He has advised government agencies, corporations, and international organizations on innovation policy, national competitiveness, and digital readiness. Dr. Rais is widely recognized for championing forward-looking approaches to economic transformation, talent development, and innovation ecosystems. An active public intellectual, he frequently speaks and writes on the future of work, technological disruption, and Malaysia's positioning in the global digital economy.





Mr. Callum Chen

Mr. Callum Chen is a senior corporate executive with broad experience in regional business leadership, strategy formulation, and organizational development. He has worked extensively across Asian markets, overseeing operations, growth strategies, and cross-border initiatives. His expertise includes corporate governance, market expansion, and leadership development in dynamic and competitive business environments. Mr. Chen brings a practitioner's perspective to discussions on economic trends, private-sector innovation, and business sustainability. He is valued for his insights into how companies can adapt to structural change, digital disruption, and evolving regional market conditions.

Professor Santha Vaithilingam

Professor Santha Vaithilingam is a respected Malaysian academic economist specializing in macroeconomics, monetary policy, and financial markets. She has held senior leadership positions in higher education and has played a significant role in shaping academic and policy-oriented economic discourse in Malaysia. Her research and teaching focus on economic stability, policy transmission mechanisms, and the role of financial institutions in development. Professor Santha is also deeply committed to advancing quality education, academic governance, and talent development. Beyond academia, she contributes regularly to public discussions and policy forums, offering balanced and research-driven perspectives on national and regional economic issues.





Prof. Ts. Dr. David Ngo Chek Ling

Professor Ts. Dr. David Ngo Chek Ling is an accomplished academic and professional technologist with expertise in engineering, applied sciences, and innovation management. His work emphasizes industry-relevant research, technology commercialization, and the development of future-ready technical talent. He has been actively involved in bridging academia and industry through collaborative research, professional training, and curriculum development. As a registered professional technologist, he advocates the practical application of science and engineering to solve real-world challenges. Professor Ngo continues to contribute to national discussions on technology adoption, STEM education, and innovation-driven growth.

Mr. Alan Tan Chew Leong



Mr. Alan Tan Chew Leong is an experienced business leader with a background in corporate management, entrepreneurship, and strategic planning. He has been involved in initiatives spanning business growth, organizational transformation, and innovation-led development. His professional interests include sustainable business practices, leadership effectiveness, and the integration of innovation into corporate strategy. Mr. Tan brings a grounded business perspective to policy and economic discussions, particularly on private-sector participation in national development. He remains engaged in dialogues that promote collaboration between business, academia, and policymakers.

OVERVIEW OF THE PROGRAMME



The **National Economic Outlook Conference (NEOC)** is a major economic forum organised by the Malaysian Institute of Economic Research (MIER) that brings together policymakers, economists, business leaders, academics, and international organisations to discuss Malaysia's economic prospects and policy direction. The conference serves as an important platform for presenting analysis and forecasts on the country's macroeconomic performance, including projections on growth, inflation, trade, and investment, while also examining how global and regional developments may affect Malaysia's economy. Through panel discussions and expert presentations, NEOC provides opportunities for dialogue between the public and private sectors, allowing stakeholders to exchange views on national development strategies, fiscal and monetary policy, and structural reforms needed to sustain long-term growth. The event typically features speakers from government agencies as well as international institutions such as the World Bank and the Asian Development Bank, reflecting its role as a bridge between domestic policy discussions and global economic perspectives. For example, at one conference session, economists highlighted expectations that Malaysia's economy would continue expanding with support from domestic fundamentals and policy measures under national development plans, while also noting ongoing global uncertainties that could influence performance. By bringing together diverse stakeholders, NEOC helps shape informed debate about economic priorities, risks, and opportunities, and provides insights that businesses, investors, and decision-makers can use for strategic planning. Overall, the conference is regarded as one of MIER's flagship initiatives because it contributes to evidence-based policymaking, strengthens engagement between research institutions and industry, and enhances public understanding of Malaysia's economic outlook in an increasingly complex global environment.

Preface



TAN SRI MOHD EFFENDI BIN NORWAWI
Chairman of MIER

It is really a great honor to welcome Yang Berhormat Senator Datuk Seri Amir Hamzah bin Tun Azizan, the Minister of Finance II and Acting Minister of Economy of Malaysia. Thank you, Datuk Seri, for making the time to be with us this morning. Your presence signals how important this conversation is for Malaysia's future. To all distinguished guests from government, industry, academia and our research community, welcome and thank you for joining us.

A special appreciation to our partner Affin Bank Berhad for your invaluable collaboration in making NEOC 2025 possible. And a special welcome to Dato. Sri Paduka from Affin Bank. Ladies and gentlemen, when MIER was established in 1986, the world and Malaysia were standing at the age of dramatic economic shifts. Since then, we have witnessed the rise of privatization in the 1980s, the dot-com boom and bust of the 1990s, the Asian financial crisis, globalization waves, accelerated technological advancement, disruptions to global trade and supply chains, and most recently the pandemic that changed everything we knew about resilience. Yet through every era of disruption, MIER has remained steady, unbiased, independent, evidence-based. We have not just observed the changes, we have also played our part in helping the nation make sense of them.

For almost four decades, MIER has supported both the government and the private sector, providing clarity when the world felt uncertain. context when decisions were difficult, and courage when new directions needed to be taken. Today, as the global economic order shifts once again, driven by digital technology, AI, climate transitions, and geopolitical realignments, MIER's mission becomes even more important to contribute to illuminating the path ahead for Malaysia. Now to why this year's theme, Towards an Innovation-Based Economy. Innovation is no longer a luxury, it's no longer something nice to have. Innovation has become the foundation of future competitiveness and prosperity.

Whether we look at technology, trade, talent, transformation, innovation shapes them all. That is why MIER carefully selected the four topics you will hear today. Each one represents a pillar of Malaysia's journey toward an innovation-based economy. Topic one, Malaysia, Asia and Global Economic Outlook 2026–2027. To understand innovation, we must first understand the world we operate in. This session frames the macroeconomic landscape shaping the future.

Topic two, innovation as the bedrock of future growth and corporate prosperity, because innovation must translate into better productivity, stronger companies, and opportunities for Malaysians. Topic three, artificial intelligence in the making. AI is no longer emerging, it is here, and it will redefine how we produce, compete, learn, and even govern. And topic four, Malaysian economic outlook from a banker's perspective. Innovation must be built on financial stability, foresight, and disciplined risk taking. I would really like to express our deepest appreciation to the experts who will be delivering these sessions today.

Thank you for lending your experience, your intellect, your insight and knowledge to the NEOC 2025. Your perspectives are vital. as Malaysia maps its economic path forward. Ladies and gentlemen, the most important question we face today is not what does the future look like, but how prepared are we to lead it. Our success will depend on how effectively we can, one, collaborate across government and industry, two, leverage research and data, three, nurture innovation, and four, build a resilient economic ecosystem for the next generation. This is the role MIER pledges to uphold, to serve Malaysia as a trusted compass, shining light on the road ahead.

And once again, to all our partners, our speakers and guests, welcome to the National Economic Outlook Conference 2025. May today spark new insights, new connections, new confidence in Malaysia’s economic trajectory. It is now my honour to invite Yang Berhormat Datuk Sri Amir Hamzah Tun Azizan to deliver his opening address.

OFFICIAL OPENING BY YB SENATOR DATUK SERI AMIR HAMZAH AZIZAN MINISTER OF ECONOMY



بسم الله الرحمن الرحيم

Yang Berbahagia Tan Sri Mohd Effendi bin Norwawi - Chairman of Affin Group and MIER,

Yang Berbahagia Tan Sri Dato' Sri Dr. Sulaiman bin Mahbob - Executive Director of MIER,

Yang Berbahagia Dato' Agil bin Mohd Natt - Chairman Affin Bank Berhad,

Yang Berbahagia Datuk Wan Razly Abdullah bin Wan Ali - President & Group Chief Executive Officer,

Dr. Apurva Sanghi - Lead Economist, World Bank Malaysia,

Distinguished guests and speakers,

Ladies and gentlemen,

السلام عليكم ورحمة الله وبركاته
and Salam Malaysia MADANI

Towards innovation-based economy

It is a great honour to be here today at the Malaysian Institute of Economic Research's Annual National Economic Outlook Conference. This year's theme, "Towards an Innovation-Based Economy," resonates deeply with the Government's vision for Malaysia, as outlined in the Thirteenth Malaysia Plan (RMK13). Innovation is a challenge that preoccupies nations across the world, and it is no coincidence that this year's Nobel Prize in Economics was awarded to scholars whose work advances our understanding of this very idea.

In Malaysia, the Government is taking deliberate and concrete steps to build not only an innovative business and industry ecosystem, but also a society that embraces and lives the spirit of innovation.

Malaysia aspires to become a nation that draws its future prosperity from innovation-driven growth.

As outlined in the Thirteenth Malaysia Plan, the government is focused on enhancing economic complexity by promoting highvalue “Made by Malaysia” products and services. To achieve this, the country will strengthen it’s ecosystem through advanced technology adoption, increased research and development, and active commercialisation and innovation that shall boost global competitiveness.

To foster an innovative economic system, the Thirteenth Malaysia Plan underscores the importance of suitable funding models that support research, enhance national intellectual property (IP) ownership, and promote talent development. These elements are essential to sustain innovation and drive Malaysia’s long-term growth.

The government will also intensify efforts to accelerate advanced technology and digital adoption through key national policies such as;

i) National Science, Technology and Innovation Policy;
ii) National Fourth Industrial Revolution Policy; and
iii) Malaysia Digital Economy Blueprint.

Furthermore, a comprehensive AI ecosystem will be developed under the forth coming “Pelan Tindakan AI Kebangsaan 2030”, positioning Malaysia as an inclusive and sustainable AI-driven nation.

Ladies and gentlemen

The global economy is confronting challenges that few of us could have imagined just a year ago. Uncertainties stemming from trade tensions, armed conflicts, rising political extremism, and growing youth discontent are among the many issues confronting governments worldwide. Structurally, many nations are grappling with aging populations, retirement insecurity, and job vulnerabilities brought about by rapid technological change.

However, throughout the history of economic development, innovative nations have always risen above economic and global political uncertainty. The productive outcome of innovation, be it in form of goods or services or way of doing things, will always outlast temporary chaos.

Even before the COVID-19 pandemic, video conferencing technology was already available. However, the pandemic significantly accelerated its adoption, transforming the way we work and communicate. Today, this technology enables us to make better use of our time and to collaborate seamlessly with people across different locations from the comfort of our desks.

Innovation does not always manifest in global or even national products and services. As we work together to elevate the level of innovation in our economy, we must also remember that innovations which improve the lives of specific communities or groups, particularly the underserved, are equally valuable.

It is within this context that innovation can be a powerful tool to tackle local challenges. For example, if we can leverage technology to aggregate and market the fruits produced by smallholders in Telupid, in rural Sabah, at fair prices that improve their livelihoods - that is innovation. Likewise, if someone uses technology to develop a system that verifies how charitable funds are utilised, thereby strengthening trust and encouraging further donations - that, too, is innovation.

The challenges I just mentioned, can be addressed through innovation but are not the kind that attract significant research and development attention or funding. Many of these issues may not capture the interest of large conglomerates. Yet, they are precisely the kinds of challenges faced daily by our Micro, Small, and Medium Enterprises (MSMEs).

Ladies and gentlemen

To address challenges faced by MSMEs, the Government under RMK13 is prioritizing efforts to help these enterprises move up the value chain. Scaling will be supported through strategic partnerships with government-linked companies and initiatives such as the strategic investment fund, working capital enhancement, project financing, and capacity-building programs. The government will support MSMEs through targeted interventions such as logistics systems, certification facilitation (e.g., halal certification), and facilitating better access to export markets.

I believe one of the emerging strengths of our nation lies in our people, especially the younger generation, who are willing to invest their time and talent to address the challenges of our era. Many are eager to be agents of change, actively contributing through education, research, and socio-economic initiatives, including those undertaken by think tanks such as MIER.

Many more are a part of a new generation of entrepreneurs emerging with a mindset unlike that of the past. Technology not only expands their market reach and visibility but also elevates their entrepreneurial potential. They run restaurants with innovative and creative menus, localize global innovations to fit Malaysia's unique context and culture, and demonstrate how even a simple sambal product can be transformed into a multimillion-ringgit business.

The private sector is also adopting innovation and helping drive the nation's transformation. Beyond the government support I have mentioned; the private funding sector also plays a crucial role in enabling entrepreneurs to innovate and scale their businesses. To remain effective, funding institutions themselves must continue to innovate in developing effective solutions and approaches to risk management that keep pace with rapid developments in business and technology.

This would not be speech about innovation if Artificial Intelligence or AI is not discussed. The use of Large Language Models or LLMs such as ChatGPT is now widespread and we hear anecdotes about university lecturers having trouble distinguishing students' assignments or how almost all posts in LinkedIn sound identical.

This captures the core challenge of AI and innovation in the digital era. Before an LLM can deliver reliable information, it must be trained on vast amounts of high-quality data. The machine's learning process must also be structured to build context and logical reasoning. Only through repeated and continuous training can the information it produces become reliable, and even then, ongoing refinement remains essential.

Whether it is the government formulating innovation policy, a small business introducing a new product, or a bank supporting MSMEs while managing risk - the lesson from building large language models is the same: innovation, like AI, depends on thoughtful design and high-quality inputs.

In the same way, creating an innovative economy and society requires deep thinking, deliberate effort, and quality contributions from all. We must remember that we shape the machine. We are not merely its users who copy and paste, but the architects of how it serves us all.

As we look ahead, let us remember that innovation is not the work of a few, but the collective effort of a nation. Whether through government policy, private enterprise, or community initiative, every contribution matter. By embracing creativity, collaboration, and technology, while remaining guided by strong values and human purpose, Malaysia can move confidently towards becoming a truly innovation-driven economy. Together, we can shape a future where progress is inclusive, sustainable, and uniquely our own

Last but not least, thank you again for inviting me to share a few remarks at this event organized by MIER and Affin Bank. I wish all participants a productive conference and hope the discussions today will inspire new ideas to propel our nation to greater heights.

Thank you.

YB SENATOR DATUK SERI AMIR HAMZAH AZIZAN
MINISTER OF ECONOMY

OPENING SESSION: REMARKS ON MALAYSIAN ECONOMIC DEVELOPMENT

Speaker: Professor Dr. Jomo Kwame Sundaram
Research Advisor of Khazanah Research Institute (KRI)



Introduction

Professor Dr. Jomo Kwame Sundaram's address situates today's global economic difficulties within a long historical arc. He argues that the challenges facing the world economy are not sudden or accidental, but the cumulative outcome of policy choices made over several decades. His reflections draw on global experience, Malaysia's own economic history, and lessons from international crises, with the aim of encouraging policymakers and scholars to rethink prevailing economic orthodoxies. The speech was delivered in the context of a period marked by uncertainty, geopolitical tension, and economic stagnation. Professor Jomo stresses that understanding these conditions requires looking beyond short-term explanations and recognising deeper structural shifts in the global economy.

Long-Term Economic Slowdown and the Limits of Neoliberalism

Professor Jomo argues that global economic performance has deteriorated since the late 1970s and early 1980s. The post-war "golden age" of growth, which lasted until the early 1970s, was characterized by rapid expansion across both developed and developing economies. Countries in the West, East Asia (notably Japan), and the newly decolonized Global South experienced strong and broadly shared growth.

This changed with the rise of the so-called neoliberal era, often associated with the leadership of Margaret Thatcher and Ronald Reagan. Since that time, global growth has slowed considerably. Contrary to earlier promises, the structural adjustment programs imposed on many developing countries in the 1980s particularly in Latin America and Africa did not deliver the sustained growth that was supposed to follow an initial period of hardship. Instead, these economies experienced prolonged stagnation, weakened state capacity, and increased vulnerability.

Although the period also saw expanding international economic integration, commonly labelled "globalization," Professor Jomo cautions against attributing success stories such as China's growth solely to globalization. He suggests that these outcomes were driven by more complex domestic and policy-specific factors, rather than by liberalization alone.

Financialization and Policy Failures

A central theme of the speech is the rise of financialization since the 1990s. Economic policies increasingly prioritized financial markets over productive investment. Large corporations shifted their focus away from long-term production toward short-term financial returns. Companies such as Enron and General Electric exemplified this transformation, becoming financial conglomerates rather than primarily productive enterprises.

This shift also affected developing economies, including Malaysia. In the early 1990s, Malaysia actively promoted its stock market to attract foreign capital. While this inflow boosted asset prices and created a sense of prosperity, it also made the economy vulnerable to sudden capital outflows. Regulatory frameworks such as the Banking and Financial Institutions Act (BAFIA) proved inadequate in addressing risks arising from liberalized capital markets.

Lessons from the Asian Financial Crisis

Professor Jomo emphasizes that the 1997–1998 Asian Financial Crisis is still widely misunderstood. In Malaysia's case, the crisis was driven largely by the openness of the stock market rather than weaknesses in the banking system. Capital that had flowed in during the boom years exited rapidly, triggering financial instability. He argues against overly generalized explanations of the crisis that treat all affected Asian economies as having identical problems.

Each country faced distinct vulnerabilities. For example, the Philippines experienced limited capital inflows but was nevertheless affected by regional contagion. Thailand's crisis, by contrast, was closely linked to its banking liberalization and the establishment of the Provincial International Banking Facility, which overwhelmed regulatory capacity. Misdiagnosing such crises, Professor Jomo warns, increases the likelihood of repeating past mistakes. Accurate understanding is therefore essential for designing resilient economic policies.

Global Financial Crisis and Institutional Failure

Drawing on his experience at the United Nations, Professor Jomo reflects on the 2008 Global Financial Crisis. He notes that key international institutions including the IMF, the World Bank, and central banks in advanced economies failed to anticipate or prevent the crisis. Excessive confidence in financial innovation, combined with weak oversight, allowed systemic risks to accumulate. When the crisis erupted, particularly following the collapse of Lehman Brothers, it exposed deep flaws in global financial governance. Although alternative analyses existed, they were marginalized until the crisis made their relevance undeniable. This episode demonstrated the dangers of concentrating economic authority in a narrow set of institutions and perspectives.

Trump, Economic Weaponization, and Militarization

Professor Jomo argues that current global stagnation predates Donald Trump and should not be attributed solely to his presidency. However, Trump has intensified existing problems by weaponizing economic instruments such as tariffs, sanctions, and bilateral trade deals. His transactional, zero-sum approach undermines multilateral cooperation and creates widespread uncertainty.

Beyond trade, Professor Jomo highlights the growing militarization of the global economy. Resources and industrial capacity are increasingly diverted from civilian production toward military purposes. This shift raises serious questions about human welfare, opportunity costs, and long-term development priorities.

Constraints on the Global South

Developing countries today face shrinking policy space. Efforts by leaders in countries such as Brazil and South Africa to pursue independent economic strategies have been met with external pressure or retaliation. Multilateral institutions, weakened by deliberate political sabotage, are increasingly unable to protect the interests of smaller economies.

Professor Jomo stresses that while multilateralism has failed, it did not collapse naturally it was undermined by powerful actors. This distinction is critical for understanding current limitations and for considering future alternatives.

In response to these challenges, Professor Jomo proposes several directions for the Global South, beginning with the need to reimagine global cooperation. This involves exploring alternatives to US-centered global governance, including arrangements among the rest of the world that actively reduce dependence on a single dominant power. Alongside this, he advocates for reviving non-alignment by developing a modern, actively pacifist non-aligned movement suited to contemporary geopolitical realities rather than outdated Cold War dynamics. Strengthening regional mechanisms is another critical frontier, which means building on initiatives such as the Chiang Mai Initiative and seriously considering proposals for an Asian Monetary Fund. Furthermore, developing nations should expand their policy tools by normalizing options such as monetary financing, a strategy that proved effective during the COVID-19 crisis when central banks directly supported government spending. However, he cautions against viewing blocs such as BRICS as automatic solutions, noting that large emerging economies have their own distinct interests that may not necessarily align with those of smaller states.

In conclusion, Professor Jomo emphasizes that today's global challenges require a combination of national initiative and international cooperation. Clinging to outdated neoliberal solutions or idealized visions of past globalization will simply not address current realities. Instead, developing countries must exercise intellectual independence, policy creativity, and regional solidarity. While the current disruptions intensified under Donald Trump pose serious risks, they also expose the fundamental weaknesses of existing systems. Ultimately, recognizing these structural weaknesses serves as the vital first step toward building more equitable, resilient, and humane economic arrangements for the future.



TAN SRI DR. SULAIMAN MAHBOB
EXECUTIVE DIRECTOR OF MIER
(MODERATOR)



DR. APURVA SANGHI
LEAD ECONOMIST
WORLD BANK MALAYSIA



DR. KHALID ABDUL HAMID
NON-RESIDENT
SENIOR FELLOW MIER



MR. JAMES VILLAFUERTE
REGIONAL LEAD ECONOMIST
SOUTHEAST ASIA DEPARTMENT
ASIAN DEVELOPMENT BANK
(ADB)

SESSION 1: MALAYSIAN, ASIAN & WORLD ECONOMIC OUTLOOK



Introduction

The session titled Malaysian, Asian and World Economic Outlook 2026–2027 was convened to provide a holistic assessment of the evolving global economic landscape and its implications for the ASEAN region and Malaysia. The session was chaired by Tan Sri Dr. Sulaiman Mahbob, Executive Director of the Malaysian Institute of Economic Research (MIER), and formed a central component of the conference program, reflecting the growing need for informed dialogue on economic resilience, structural transformation, and policy preparedness in an increasingly uncertain global environment.

The session was designed to move systematically from the global level to the regional and national contexts. This structure allowed participants to understand how broad global economic forces such as slowing growth, geopolitical tensions, trade fragmentation, and rising debt interact with regional dynamics in Asia and ASEAN, before narrowing the focus to Malaysia's domestic economic performance and policy challenges. By bringing together perspectives from the World Bank, the Asian Development Bank (ADB), and MIER, the session offered a balanced combination of international, regional, and local insights.

In his opening remarks, Tan Sri Dr. Sulaiman emphasized the importance of grounding national economic analysis within a wider global and regional framework. He noted that while Malaysia continues to demonstrate economic resilience, it remains closely integrated into global trade and financial systems, making it vulnerable to external shocks. The session therefore aimed not only to assess current economic conditions but also to explore medium-term outlooks, identify key risks, and highlight policy strategies that could support sustainable and inclusive growth in the years ahead.





DR. APURVA SANGHI
GLOBAL ECONOMIC OUTLOOK

Overview of Global Economic Conditions

Dr. Apurva Sanghi, Lead Economist at the World Bank Malaysia, opened the session with a comprehensive overview of the global economy. He described the current global economic environment as one of heightened uncertainty and structural weakness, shaped by a combination of long-term trends and recent shocks. According to Dr. Sanghi, the world economy is presently characterized by three interrelated challenges: slowing economic growth, weakening investment activity, and rising levels of debt, particularly in developing economies.

He began by contextualizing current developments within a longer historical trajectory, noting that global economic growth has been declining in a stepwise manner since the early 2000s. While the global economy expanded at an average rate of around 4 percent per year during the early part of the millennium, growth slowed to approximately 3 percent in the following decade and is now projected to average just 2 percent in the current decade. This prolonged deceleration has resulted in the third consecutive year of global slowdown, marking the weakest period of growth since the Global Financial Crisis, excluding the exceptional contraction caused by the COVID-19 pandemic.

Uneven Post-Pandemic Recovery

A key concern highlighted by Dr. Sanghi was the uneven nature of the global recovery following the pandemic. He noted that advanced economies have largely succeeded in restoring per capita income levels to their pre-COVID positions, benefiting from strong fiscal support, access to capital markets, and institutional capacity. In contrast, many middle-income countries remain approximately 25 percent below their pre-pandemic per capita income levels, while low-income countries have recovered only about two-thirds of their pre-COVID income. Fragile and conflict-affected states have fared particularly poorly, with a significant share of these economies still struggling to regain lost ground. This divergence, Dr. Sanghi argued, risks entrenching global inequality and slowing progress on poverty reduction. It also limits the ability of developing countries to invest in human capital and infrastructure, further constraining long-term growth prospects.

Stalling Investment and Declining FDI

Dr. Sanghi devoted significant attention to the slowdown in global investment, especially in low- and middle-income countries. He noted that investment growth in these economies has fallen to its slowest pace in three decades, reflecting subdued private sector confidence and constrained public investment following the pandemic. Foreign direct investment (FDI), a critical source of capital, technology transfer, and productivity growth, has also weakened substantially. FDI inflows to developing economies have declined to roughly half of their peak levels in the mid-2000s and remain heavily concentrated in a small group of large emerging markets.

Drawing on World Bank research, Dr. Sanghi emphasized that FDI has a measurable and significant impact on economic growth. A 10 percent increase in net FDI inflows is associated with an estimated 0.3 percent increase in GDP, with the growth impact amplified in economies that are more open to trade, possess stronger institutions, invest in human capital, and maintain lower levels of informality. Despite these benefits, the near-term outlook for global FDI remains negative, with flows expected to decline further due to rising geopolitical tensions, trade restrictions, and policy uncertainty.

Rising Debt and Limited Policy Space

Another major theme of Dr. Sanghi's presentation was the sharp increase in public and external debt across developing economies. He highlighted that external and foreign-currency-denominated debt in low- and middle-income countries has risen to elevated levels, leaving these economies highly vulnerable to global financial tightening, exchange rate volatility, and external shocks. He expressed particular concern for low-income countries, many of which are already in debt distress or at high risk of default. Dr. Sanghi noted that the global system currently lacks effective and timely mechanisms for large-scale debt restructuring, making it difficult for heavily indebted countries to regain fiscal space. As a result, many governments are forced to prioritize debt servicing over essential investments in education, healthcare, infrastructure, and administrative capacity, undermining long-term development and growth.

Policy Framework: Economic Freedom, Fairness and Trade

In concluding his presentation, Dr. Sanghi outlined a policy framework centered on three key principles: economic freedom, fairness, and foreign trade. He argued that greater economic freedom characterized by open markets, efficient regulation, limited distortions, and strong rule of law can significantly raise living standards and does not necessarily require decades to achieve. Using Viet Nam as an example, he demonstrated that rapid improvements in economic freedom can yield substantial gains within a relatively short period.

On fairness, Dr. Sanghi emphasized the importance of equal economic opportunity, particularly gender inclusion. He noted that reductions in discrimination have historically contributed significantly to economic growth, and that closing gender gaps globally could generate gains of up to 20 percent in per capita GDP. On trade, he stressed the importance of non-discriminatory trade liberalization, cautioning against preferential tariff reductions that lead to trade diversion and welfare losses. Instead, he argued for broad-based, multilateral trade liberalization, including deeper integration in services trade, as a means of supporting sustainable global growth.



MR. JAMES VILLAFUERTE
ASEAN AND REGIONAL ECONOMIC OUTLOOK

Regional Growth Trends and Structural Shifts

Mr. James Villafuerte, Regional Lead Economist at the Asian Development Bank, focused on Southeast Asia's outlook within the broader Asian context. ASEAN remains one of the world's most dynamic regions, supported by strong fundamentals, integration into global value chains, and a growing middle class but growth has decelerated gradually over the past two decades. Drawing on the Asian Development Outlook, he showed that growth across Asia, China, and ASEAN has slowed steadily since the early 2000s, reflecting weaker capital accumulation, repeated global shocks, rising trade fragmentation, demographic ageing, and reduced fiscal space. The effectiveness of policy interventions has also diminished, particularly in economies weighed down by high corporate debt or structural inefficiencies.

ASEAN Outlook and Differentiated Performance

Growth is projected to moderate to around 4.3–4.5 percent over the next two years robust by global standards, but below historical averages. Inflation has eased and remains benign, giving central banks room to support growth if needed. Performance is increasingly differentiated: more open, higher-income economies such as Singapore, Malaysia, Viet Nam, and Indonesia have benefited from easing trade tensions and recovering demand, with Viet Nam rebounding strongly on exports and investment inflows. Others still face fiscal limits, structural bottlenecks, and climate vulnerability.

Global Risks and Policy Responses

He identified several risks shaping the outlook geopolitical tensions, supply chain reconfiguration, financial-market volatility, rapid technological change from digitalisation and AI, and the growing weight of the energy transition and critical minerals in reshaping comparative advantage. In response, ASEAN governments have deployed targeted fiscal stimulus, infrastructure investment, social protection, and green and digital initiatives. Mr. Villafuerte stressed the need for policy flexibility, stronger regional dialogue, upgraded human capital and technology, and structural reform alongside strategic neutrality and constructive engagement with major powers.



DR. KHALID ABDUL HAMID
MALAYSIAN ECONOMIC OUTLOOK

Recent Economic Performance and Growth Dynamics

Dr. Khalid Abdul Hamid, Senior Research Fellow at MIER, assessed Malaysia's recent performance and short-term outlook. GDP grew 4.4 per cent in both the first and second quarters and 5.2 per cent in the third, averaging about 4.7 per cent over the first three quarters. He attributed recent trends to post-pandemic base effects and the gradual normalisation of activity. The services sector remains the primary growth driver, with manufacturing and construction also contributing; despite some sectoral volatility, overall momentum has stayed resilient.

External Sector, Investment and Financial Conditions

External trade has continued to expand, though the trade surplus has narrowed as imports rise alongside exports, reflecting stronger domestic demand. Investment approvals remain strong particularly in electrical and electronics, automotive, and electric vehicles with China a growing source of approved foreign investment. Financial conditions are stable: the Overnight Policy Rate is held at 2.75 percent, reserves cover around five months of imports, the ringgit has strengthened against regional peers, and inflation remains moderate.

Structural Challenges and Policy Priorities

Dr. Khalid closed by flagging several structural challenges geopolitical uncertainty, the need to move up the value chain, the energy transition, skills upgrading, and fiscal sustainability — arguing these require coherent reforms aligned with the RMK13. Key priorities include strengthening governance, raising productivity, promoting inclusive and sustainable growth, and ensuring long-term resilience.

Conclusion

Tan Sri Dr. Sulaiman Mahbob closed the session, noting it had successfully linked global developments with regional dynamics and Malaysia's domestic outlook. The discussions underscored the importance of sound economic governance, regional cooperation, and structural reform in navigating an uncertain global economy.

TAKEAWAYS 1

World Economic Outlook

This section draws from the presentation of Dr. Apurva Sanghi, Lead Economist at the World Bank Group in Malaysia, at the NEOC 2025, and distills out the trends, salient issues, and key messages shared. He viewed the current global economic environment as one of heightened uncertainty coupled with structural weaknesses, shaped by an interplay of long-term trends and recent short-term shocks. At its core, the world economic outlook is essentially characterized by three interrelated challenges: which he listed as the three Ss, namely, Slowing economic growth; Stalling investment; and Soaring debt, particularly in developing economies.

First S - Slowing economic growth:

He pointed out that global economic growth has been declining in a stepwise manner since the early 2000s. While the global economy expanded at an average rate of around 4 percent per year during the first decade of the millennium, growth slowed to approximately 3 percent in the following decade and is now projected to average just 2 percent in the 2020s. We are now in the third consecutive year of global slowdown, marking the weakest period of growth since the Global Financial Crisis, excluding the exceptional contraction caused by the COVID-19 pandemic.

A key concern highlighted by Dr. Sanghi was the uneven nature of the global recovery following the pandemic. He noted that advanced economies have largely succeeded in restoring and with some even exceeded the per capita income levels to their pre-COVID positions, benefiting from strong fiscal support, access to capital markets, and institutional capacity. In contrast, many middle-income countries (MICs) have recovered to approximately 75 percent of their pre-pandemic per capita income levels, while low-income countries (LICs) have recovered only to about two-thirds of their pre-COVID per capita income levels. Within LICs, fragile and conflict-affected states have fared particularly poorly, with a significant share of these economies still struggling to regain lost ground.

This divergence, Dr. Sanghi argued, risks entrenching global inequality and slowing progress on poverty reduction. It also limits the ability of developing countries to invest in human capital and infrastructure, further constraining long-term growth prospects.

Second S - Stalling Investment

Dr. Sanghi devoted significant attention to the slowdown in global investment, especially in LIcs and MICs. He noted that investment growth in these economies has fallen to its slowest pace in three decades, reflecting subdued private sector confidence and constrained public investment following the pandemic. Foreign direct investment (FDI), a critical source of capital, technology transfer, and productivity growth, has also weakened substantially. FDI inflows to developing economies have declined to roughly half of their peak levels in the mid-2000s and remain heavily concentrated in a small group of large emerging markets like China, Brazil, Mexico, Indonesia, and India.

Drawing on World Bank research, Dr. Sanghi emphasized that FDI has a measurable and significant impact on economic growth. A 10 percent increase in net FDI inflows is associated with an estimated 0.3 percent increase in GDP, with the growth impact amplified in economies that are more open to trade, possess stronger institutions, invest in human capital, and maintain lower levels of informality. Despite these benefits, the near-term outlook for global FDI remains negative, with flows expected to decline further due to rising geopolitical tensions, trade restrictions, and policy uncertainty.

Third S - Soaring Debt:
There was a sharp increase in public and external debt across developing economies. He highlighted that external and foreign-currency-denominated debt in LICs and MICs has risen to elevated levels, leaving these economies highly vulnerable to global financial tightening, exchange rate volatility, and external shocks. He expressed particular concern for LICs, many of which are already in debt distress or at high risk of default.

Dr. Sanghi noted that the global system currently lacks effective and timely mechanisms for large-scale debt restructuring, making it difficult for heavily indebted countries to regain fiscal space. As a result, many governments are forced to prioritize debt servicing over essential investments in education, healthcare, infrastructure, and administrative capacity, thereby, wittingly or otherwise, undermining their long-term development and growth.

Stemming from the interplay of the above three challenges, succinctly crafted to start with alphabet “S” - Slowing growth; Stalling investment; and Soaring Debt - when taken together do not paint a pretty overall picture of the global economy, and naturally worse for some countries. Consequently, it begs the question of how should countries react or respond to further their long-term interests.

In the final section of his presentation, Dr. Sanghi outlined a Policy Framework: comprising three pillars of Economic Freedom, Fairness, and Foreign Trade, or the three Fs, underscoring his pedagogic inclination.

First F - Economic Freedom:
He argued that greater economic freedom characterized by open markets, efficient regulation, limited distortions, and strong rule of law can significantly raise living standards and recent empirical evidence has indicated that it does not necessarily require decades to achieve economic freedom, as demonstrated by the case of Viet Nam, using the annual Economic Freedom Index of a set of countries comprising Brazil, India, Mexico, Nigeria, and Viet Nam over the 2010 to 2025 period. Viet Nam started with the lowest Economic Freedom Index of 50 in 2010, improved to be at par with Brazil and India in 2017, and improved further to 67, ahead of the entire pack, in 2025, to be in the same category as South Korea.

Second F - Fairness:
On fairness, Dr. Sanghi emphasized the importance of equal economic opportunity to all, particularly gender inclusion. Using the historical case of the US, he pointed out that U.S. got a huge dividend from anti discrimination laws between 1960 and 2010, and the decline in gender and racial discrimination explains up to 40 percent of observed growth during that period, He noted that at the global level, closing the gender gap alone could unlock as much as a 20 percent increase in per capita GDP. He stressed that equal economic opportunity is particularly important in MICs which invariably have less talent stock than richer countries comparatively, and unfortunately even with what they have, they often don't use them effectively.

Third F - Foreign Trade:
World Bank analysis shows that if tariffs were just half relative to the levels in late May this year, global growth could be stronger by as much as 0.2 percentage points over 2025–2026, making a case for lowering tariffs for growth. He also pointed out that it is the MICs which face the brunt of trade restrictions and tariff measures, which have grown exponentially over the last 8 to 10 years. We also find that it is the LICs and MICs that apply high preferential tariffs so that it comes to negotiating trade deals, it's all about tariff cuts.

Dr. Sanghi wanted to drive home the point that if a country is going to cut tariffs, it needs to cut tariffs in a non-discriminatory fashion. And to do this, he utilized a simple economic model for Malaysia involving EVs with various simplifying assumptions to demonstrate that preferential treatment leads to both trade creation and trade diversion, but if extended to the less efficient country from which goods are imported, the negative impact of trade diversion outweighs the positive one of trade creation. Even removing barriers for all trading partners would yield zero tariff revenue, it is more than offset by a higher consumer surplus, which leads to overall welfare gain.

However, the above example was for trade in goods. MICs tend to have higher barriers to trade in services and in general, services trade restrictions remains substantial worldwide. Consequently, we need to consider deeper trade agreements spanning the full range of cross-border regulatory policies.

In sum, he stressed the importance of non-discriminatory trade liberalization, cautioning against preferential tariff reductions that lead to trade diversion and welfare losses. Instead, he argued for broad-based, multilateral trade liberalization, including deeper integration in services trade, as a means of supporting sustainable global growth. Despite being confronted with a sticky present, he contends that, adroitly operationalizing the policy framework comprising the three Fs of Economic Freedom, Fairness, and Foreign Trade should not only render the future less bleak but, indeed, can augur well for the future.

Regional Outlook

Mr. Villafuerte turned to Southeast Asia, noting that ASEAN remains one of the world's most dynamic regions, underpinned by strong fundamentals, integration into global value chains, and a growing middle class, even as growth has decelerated gradually over the past two decades. He reported that regional growth is moderating to around 4.3 to 4.5 percent, down from above 6 percent in the early 2000s but still robust. He attributed the slowdown to weaker capital accumulation, repeated global shocks, trade fragmentation, demographic ageing, and narrowing fiscal space.

Inflation has eased and remains benign, giving central banks some room to support growth, though performance across the region is increasingly differentiated. Open, higher-income economies such as Singapore, Malaysia, Viet Nam, and Indonesia are rebounding, with Viet Nam strongest on the back of exports and investment inflows, while others face fiscal limits, structural bottlenecks, and climate vulnerability.

He also flagged geopolitics, supply-chain reconfiguration, financial-market volatility, AI-driven disruption, and the energy and critical-minerals transition as the main risks shaping the outlook. To turn those risks into opportunities, he pointed to several priorities: preserving macroeconomic credibility, upgrading capabilities and human capital, embedding green reform, deepening regional integration, and maintaining strategic neutrality and constructive engagement with major powers.

Malaysian Outlook

Dr. Khalid brought the discussion home to Malaysia, reporting GDP growth of 4.4 percent in the first and second quarters and a stronger 5.2 percent in the third, averaging about 4.7 percent over the first three quarters. This performance was helped by post-pandemic base effects and the normalisation of activity.

Services remained the primary driver, with manufacturing and construction also contributing, and overall momentum stayed resilient despite some sectoral volatility. On the external and financial side, trade continued to expand even as the surplus narrowed with rising imports. Investment approvals held up strongly in electrical and electronics, automotive, and electric vehicles, with China a growing source of approved foreign investment, while financial conditions remained stable: the Overnight Policy Rate was held at 2.75 per cent, reserves covered around five months of imports, the ringgit firmed against regional peers, and inflation stayed moderate.

He closed on the structural priorities under the RMK13: moving up the value chain, managing the energy transition, upgrading skills, ensuring fiscal sustainability, and strengthening governance to secure long-term resilience in an uncertain global environment.



DATUK K. YOGEESVARAN
NON-RESIDENT SENIOR FELLOW
MIER
(MODERATOR)



DATUK WIRA DR. RAIS HUSSIN
PRESIDENT / CEO
EMIR RESEARCH

SESSION 2: INNOVATION TO ECONOMIC GROWTH AND CORPORATE PROSPERITY



MR. LEEROY TING
REGIONAL DIRECTOR CORPORATE AFFAIRS
CARSOME



PROFESSOR SANTHA VAITHILINGAM
DEPUTY DIRECTOR
SUNWAY UNIVERSITY



MR. CALLUM CHEN
HONORARY PRESIDENT
MALAYSIAN CONSORTIUM OF
MID-TIER COMPANIES (MCMTC)

Introduction

Session Two of the conference focused on the theme "Innovation to Economic Growth and Corporate Prosperity", addressing the increasingly central role of innovation in shaping Malaysia's economic future. The session was moderated by Datuk K. Yogeesvaran, who framed innovation not merely as a technological concept, but as a fundamental driver that underpins economic growth, social well-being, governance effectiveness, and national competitiveness.

In his opening remarks, Datuk Yogeesvaran emphasized that research, development, innovation, and commercialization (R&D&I) form the backbone of sustainable development. Innovation, he noted, is inseparable from economic growth and value creation, and it directly supports all three dimensions of national progress: economic expansion, social inclusiveness, and institutional strengthening. He linked this perspective closely to the recently announced RMK13, which outlines a dual ambition of "raising the ceiling" through higher productivity and income growth, while simultaneously "raising the floor" by improving social well-being and reducing inequality.

The moderator highlighted that Malaysia's future growth strategy places strong emphasis on value creation rather than factor accumulation, with a shift toward high-value, high-growth activities, the digital economy, green and blue economy initiatives, and the promotion of "Made by Malaysia" products. However, he cautioned that none of these aspirations can be realized without a strong and functioning innovation ecosystem. Innovation is also critical in strengthening governance, improving public sector delivery, and addressing urgent global challenges such as climate change, disaster resilience, and environmental sustainability.

Datuk Yogeesvaran provided a realistic assessment of Malaysia's current innovation performance. Despite consistent efforts by both government and the private sector, Malaysia has remained relatively stagnant in global innovation rankings, hovering between 33rd and 36th place in the Global Innovation Index over the past several years. In 2025, Malaysia ranked 34th, while national ambitions target a top-20 position by 2030. He further noted that Malaysia's gross expenditure on R&D, at approximately 1 percent of GDP, remains modest compared to regional peers such as Singapore, China, and Thailand. While private sector participation in R&D expenditure is encouraging, he stressed that the real measure of success lies in commercialization, monetization, and societal impact, rather than spending levels alone.

Against this backdrop, Session Two brought together perspectives from policy leadership, corporate practitioners, startups, and academia to critically examine why innovation outcomes remain limited, what structural barriers persist, and how Malaysia can better translate innovation into economic growth and corporate prosperity.





DATUK WIRA DR. RAIS HUSSIN
NATIONAL INNOVATION ECOSYSTEM AND STRUCTURAL CHALLENGES
INNOVATION BEYOND RHETORIC – LEADERSHIP AND REALITY

Datuk Wira Dr. Rais Hussin began his presentation by stressing that innovation without effective leadership is destined to fail. Using a football analogy, he argued that even with strong resources and talent, poor leadership undermines outcomes, an observation he extended beyond sports to innovation systems and national development. He cautioned against treating innovation as a fashionable buzzword rather than a problem-solving mechanism grounded in real societal needs.

Drawing from his international experience, particularly in South Africa, Datuk Wira highlighted a common challenge faced by many developing economies: innovation agendas that are disconnected from ground realities. He described how discussions on advanced technologies such as hydrogen energy, nuclear power, or space exploration often fail to address immediate national challenges like unemployment, poverty, and food security. This disconnect, he argued, leads to innovation "for presentation purposes" rather than innovation that delivers tangible impact.

Malaysia's Innovation Plateau and Structural Stagnation

Turning his focus to Malaysia, Datuk Wira described the country's innovation trajectory as being at a critical crossroads. Malaysia is no longer declining sharply in innovation rankings, but it is also not advancing. Instead, it remains stuck at the lower end of the top innovation cluster, a position that reflects stagnation rather than success. He emphasized that this assessment is not political commentary, but a conclusion derived from data-driven analysis across multiple years.

He further explained that Malaysia's innovation stagnation is accompanied by a simultaneous weakening across key structural pillars, including human capital and research, infrastructure quality, institutional effectiveness, and business sophistication. These pillars, he noted, form the backbone of innovation readiness, and their concurrent deterioration signals systemic weaknesses rather than isolated issues.

Innovation Cluster Gap and Comparative Disadvantage

One of the most striking observations in Datuk Wira's presentation was the 70-place gap between Malaysia and Singapore in global innovation cluster rankings, despite their close geographic proximity. He argued that this disparity cannot be attributed to culture, geography, or resources, but rather to differences in systems, governance, talent density, institutional coordination, and execution capability. Singapore's ability to convert effort into value stands in stark contrast to Malaysia's fragmented and siloed approach.

Human Capital Paradox and Brain Drain

Datuk Wira highlighted a critical paradox in Malaysia's human capital development. While the country produces a large number of science and engineering graduates, learning outcomes and workforce competencies remain weak, as evidenced by poor international assessments and limited industry absorption. This mismatch is compounded by persistent brain drain, with hundreds of thousands of skilled Malaysians leaving the country over the past decade.

He attributed these challenges to a chronic failure in what he termed the Input–Output–Outcome–Impact (IOOI) framework, where funding and activities (inputs and outputs) are not translated into meaningful outcomes or long-term impact. Events, initiatives, and announcements proliferate, but durable results remain elusive.

Governance, Execution, and the Cost of Inaction

In his concluding remarks, Datuk Wira emphasized that Malaysia's innovation challenges are not due to a lack of resources, but to weak governance, fragmented leadership, and poor execution. He criticized a culture that prioritizes rapid spending over effectiveness, where large budgets are allocated to events and initiatives without ensuring functionality or sustainability.

Drawing comparisons with countries such as Sweden and China, he stressed the importance of mission-driven innovation policies, long-term continuity beyond political cycles, and disciplined execution. He warned that unless Malaysia confronts uncomfortable truths such as corruption, policy inconsistency, and institutional inertia the country risks remaining an "event-driven economy" rather than an innovation-driven one.



MR. CALLUM CHEN
CORPORATE INNOVATION FROM A MID-TIER ENTERPRISE PERSPECTIVE

Subtopic 1: Innovation as Mindset and Leadership Practice

Mr. Callum Chen presented a corporate practitioner's perspective rooted in decades of hands-on experience. He framed innovation fundamentally as a mindset, emphasizing the ability to view change as opportunity rather than threat. According to him, innovation is less about adopting fashionable technologies and more about cultivating the right attitude, discipline, and leadership throughout an organization.

Subtopic 2: Building Competitiveness through Compliance and Trust

Mr. Callum explained that multinational corporations are willing to engage local firms, but only when those firms meet strict standards of compliance, certification, and reliability. Mid-tier companies play a crucial bridging role in the ecosystem, absorbing multinational demand and cascading opportunities to SMEs. By investing in quality systems and certifications, mid-tier firms enable the entire supply chain to grow together.

Subtopic 3: Automation, Digitalization, and Infrastructure Alignment

He emphasized that automation and digital transformation must be implemented strategically rather than indiscriminately. Automation should be demand-driven and justified by volume, consistency requirements, and value creation. Similarly, digitalization through ERP systems, quality management tools, and manufacturing execution systems should be phased and aligned with workforce readiness to avoid organizational strain.

Subtopic 4: Sustainability, Talent, and Empathetic Management

Mr. Callum highlighted his company's early adoption of sustainability practices long before ESG became mainstream, arguing that environmental responsibility is ultimately a matter of mindset. Equally important was his emphasis on talent development and empathetic leadership, stressing that long-term corporate prosperity depends on investing in people, fostering trust, and recognizing employees as whole individuals rather than cost centers.



PROFESSOR SANTHA VAITHILINGAM
ACADEMIC PERSPECTIVE ON INNOVATION ECOSYSTEMS

Innovation as a Collective, Ecosystem-Based Process

Professor Santha provided an academic lens, emphasizing that innovation whether radical or incremental cannot succeed in isolation. While unicorns are important symbols of success, she cautioned against over-focusing on rare cases. Instead, she argued that marginal and incremental innovation, when widely diffused, can generate substantial economic and corporate value.

The Innovation Ecosystem and the "8i" Framework

Drawing on research conducted at Sunway University, Professor Santha outlined an ecosystem framework comprising multiple interdependent enablers, including infrastructure, intellectual capital, integrity, incentives, institutions, and interaction. She stressed that weak collaboration between academia, industry, and government remains a major constraint on innovation outcomes.

Integrity, Values, and Measuring True Impact

Professor Santha emphasized that innovation driven solely by profit maximization undermines sustainability. She called for a shift from measuring return on investment to return on value, incorporating economic, social, and environmental outcomes. She concluded by stressing the importance of distinguishing between inputs, outputs, outcomes, and impacts, and urged institutions to measure what truly matters rather than what is easiest to quantify.



MR. LEEROY TING
STARTUP INNOVATION
AND PLATFORM-BASED GROWTH

Innovation as the Core of Business Strategy

Mr. Leeroy Ting traced CARSOME's evolution from a small startup to Malaysia's first technology unicorn, emphasizing that innovation was embedded at the company's core from inception. Rather than being a first mover, CARSOME succeeded by identifying unmet needs and inefficiencies in a traditional industry.

Incremental Expansion through Value Chain Integration

He explained how CARSOME expanded step-by-step by addressing successive pain points in the automotive ecosystem, from price discovery to wholesale marketplaces, retail refurbishment, financing, insurance, servicing, talent development, and digital media. Each expansion was driven by data, technology, and customer-centric design.

Talent Development and Continuous Reinvention

Mr. Leeroy highlighted CARSOME's investment in talent development through its academy, addressing skill shortages while supporting industry-wide capacity building. He concluded by emphasizing that innovation opportunities remain vast across traditional sectors, and sustained success requires continuous learning, experimentation, and ecosystem collaboration.

Conclusion

Session Two demonstrated that innovation is not merely about technology adoption, but about leadership, governance, talent, execution, and ecosystem coherence. While Malaysia has achieved notable successes, the discussions revealed deep structural challenges that must be addressed to convert innovation ambition into tangible economic and social outcomes. The session concluded with a clear message: innovation must move beyond rhetoric and events toward disciplined execution, inclusive value creation, and long-term national impact.

TAKEAWAYS 1

The Session underscored innovation as central to Malaysia's economic growth, corporate competitiveness, and social wellbeing under the RMK13. Despite notable progress, speakers identified structural stagnation, weak commercialization, skills mismatches, and ecosystem failures that prevent innovation from translating into productivity and prosperity. The core message was clear: Malaysia's challenge lies not in a shortage of ideas or funding, but in weak systems that fail to convert inputs into meaningful outcomes and impact.

Key themes:

1. Stagnating Innovation Performance
Malaysia remains at the lower end of the top innovation cluster, with deterioration across human capital, institutions, infrastructure, and business sophistication. A striking 70-place cluster gap with Singapore points to systemic rather than cultural constraints.

2. The IOOI Disconnect
Malaysia overemphasizes spending, events, and announcements while under-delivering on results. Initiatives often stall at inputs (budgets, programs) and outputs (events, reports) without achieving outcomes (adoption, productivity) or impact (income growth, competitiveness). This explains weak commercialization, low startup survival, and minimal spillovers to households and SMEs.

3. The Human Capital Paradox
Malaysia produces many graduates but struggles with weak skills quality, poor industry absorption, and brain drain quantity without capability. Innovation-led growth demands competency, experiential learning, and industry-relevant skills, not credentials alone.

4. Innovation as Discipline, Not Rhetoric
From a business view, innovation is incremental, useful, and people-centered. Mid-tier firms integrate into global value chains through automation, digitization, certification, compliance, and green practices paired with investment in human capital, leadership, and empathy. Success depends on focused execution, not policy catchphrases.

5. Ecosystem Expansion, Not One-Off Disruption
The CARSOME case illustrated innovation as continuous problem-solving scaling from a niche into a full ecosystem spanning marketplace, logistics, financing, insurance, and talent development. Key lessons told were: innovation thrives by identifying gaps and scaling across the value chain; technology enables, but scalability rests on data, trust, and integration; and talent constraints forced firms to build skills internally, exposing education–industry misalignment.

6. The "8i" Ecosystem Framework
From academia, innovation was framed as a collective ecosystem outcome rather than a solo act, enabled by factors including:

i) Infrastructure (physical & digital),
ii) Intellectual capital (talent),
iii) Integrity (ethics & governance),
iv) Incentives (fiscal & non-fiscal),

v) Institutions (leadership & coordination),
vi) Interaction (industry–academia–government),
vii) Inclusiveness,
viii) Impact orientation.

A critical shift advocated was moving from Return on Investment (ROI) to Return on Value (ROV), balancing economic, social, and environmental outcomes.

7. Synthesis and Policy Implications

Taken together, the session suggests that Malaysia's innovation challenge is systemic rather than sectoral:

i) Innovation policy must pivot from activity-based to impact-based governance, embedding IOOI accountability.
ii) Human capital reform must prioritize competencies, ethics, and industry exposure, not just graduate numbers.
iii) Private sector-led innovation should be enabled through better infrastructure, incentives, and ecosystem coordination.
iv) Universities must function as ecosystem partners, not isolated knowledge producers.
v) Leadership and integrity are foundational without them; funding and technology wil not translate into growth.

Conclusion

Innovation can drive economic growth and corporate prosperity only when systems convert ideas into value and value into impact. Malaysia's path forward lies not in more initiatives, but in better-designed ecosystems, disciplined execution, and long-term value creation

TAKEAWAYS 2

This session examined how innovation, research and development (R&D), and the commercialisation ecosystem drive Malaysia's economic growth and corporate prosperity. Bringing together policymakers, corporate leaders and entrepreneurs, and academics, it weighed the strengths, structural weaknesses, and success stories of Malaysia's R&D and innovation landscape, and considered how to improve public-sector delivery and governance.

The RMK13 aspires to raise the ceiling for economic prosperity, raise the floor for social and environmental wellbeing, and strengthen governance, with the wider goal of developed-nation status by 2030. This is to be pursued through greater economic complexity, digital- and AI-driven value creation across all sectors, diversification into high-growth, high-value "Made by Malaysia" products and services, green and blue economic activity, and stronger food security — none of which, it is acknowledged, can be achieved without sustained investment in R&D, innovation, and commercialisation.

That commitment runs through the governmen's broader aims: lifting social wellbeing, ensuring environmental sustainability, and improving governance all depend on adopting new technologies, while the nation's capacity to confront climate change and natural disasters, and to reform public-sector efficiency and service delivery, rests heavily on its strength in R&D, innovation, and digitalization.

While many government and private-sector initiatives are underway to promote R&D, commercialization, and innovation, much more is needed, as Malaysia's global benchmark performance stays moderate. The country has ranked between 33 and 36 on the Global Innovation Index (GII), out of 132 countries, over the past four to five years; while the RMK13 targets a top-20 place by 2030.

Gross expenditure on R&D (GERD) remains low at about 1 percent of GDP 47th of 139 countries trailing South Korea (5 percentage points higher), China (2.58), Singapore (1.8), Australia (1.6), and Thailand (1.16). The private sector provides the larger share, 70 percent against the government's 30 percent, though spending is uneven across sectors and firm sizes, with multinationals typically outspending smaller firms. Ultimately, the real impact of R&D depends on how much is translated into commercialization and monetization.

Structural Weaknesses in the Innovation Ecosystem

Despite a sound institutional framework, in which leadership is pivotal, the discussion flagged deep structural issues. Malaysia has plateaued at the threshold of the innovation cluster no longer falling but not rising reflecting stagnation as its core pillars weaken: human capital, infrastructure, institutional quality, and business sophistication. Graduate numbers are high but competencies low, and a mismatch between fields of study and labor-market demand weakens industry absorption, compounded by persistent brain drain. Human capital in R&D has fallen sharply, and the wide gap with leading hubs, especially Singapore, points to systemic rather than cultural or geographic constraints, with the readiness pillars all slipping in rank: infrastructure from 52 to 54, institutions from 27 to 38, and business sophistication likewise from 27 to 38.

A further concern is the Input–Output–Outcome–Impact (IOOI) benchmark: heavy spending on initiatives does not consistently translate into meaningful outcomes or lasting impact. The "70" figure, notably, refers not to the overall GII but to the performance gap between the Kuala Lumpur cluster and the nearby regional cluster it shares with Singapore. Malaysia entered the global top 100 for the first time in 2024, with Kuala Lumpur 93rd; by 2025 it improved to 86th, against Singapore's 16th.

Malaysia has many agencies supporting its innovation ecosystem, yet Singapore, just across the Causeway, has fewer. Proof that the problem is neither geography nor culture but the system itself: its density, talent, institutions, and how effectively it converts effort into real value.

The OECD's Program for International Student Assessment (PISA), which tests 15-year-olds in reading, mathematics, and science, ranked Malaysia 48th, and 77th in tertiary enrolment. Industry workers' scores are low and not improving. Brain drain is the country's most persistent structural weakness, with roughly 500,000 highly skilled workers lost over the past decade, primarily to Singapore.

Academic Perspective

Radical innovation matters, but marginal innovation can also deliver corporate prosperity best pursued through an ecosystem approach. The "8i" innovation framework offers a basis for analysing that ecosystem, comprising eight enablers: Infrastructure, Intellectual capital, Integrity, Incentives, Institutions, Interaction, Inclusiveness, and Impact orientation.

Reliable physical infrastructure, both within organizations and beyond, is the first requirement for an ecosystem to grow, and must be maintained and upgraded regularly. Here, Malaysia has done well in 5G and digital connectivity. Intellectual capital is equally important, but a significant mismatch persists between what industry needs and what universities provide students are rarely placed in industry to tackle real-world problems, leaving firms to spend heavily on upskilling and reskilling. Integrity and robust governance are also vital: schools and universities should instill ethics and values early, before students enter the workforce, since no organization succeeds on profit maximization alone if its governance is flawed. In this light, Return on Investment is giving way to Return on Value (ROV), which also weighs factors such as the environment.

The education curriculum, too, must change. The current Education Blueprint lists nine skill sets including creativity, problem-solving, critical thinking, and ethics and values but these need to be embedded from the ground up, as Singapore does through its focus on quality education. Finally, incentives matter: Malaysia's weak funding environment helps explain why Grab relocated to Singapore, and closing the gap will require rethinking the fiscal and non-fiscal support on offer.

LH Plus

LH Plus is a fully integrated entity spanning prototyping, mould design, fabrication and maintenance, primary molding, secondary processing and packing, and logistics. A long-standing client, Rubbermaid, has worked with the company for 33 years, with 100 percent of its Malaysian-made products contract-manufactured by LH Plus; Muji is another client. Japanese firms have traditionally preferred to engage contractors through a “social house” rather than directly, as their trust is hard to earn.

Good Leadership in Institutions Matters

Capable, transactional leaders set direction and drive change and progress. Interaction through collaboration is equally important. A Sunway "Lead with Purpose" programme covering more than 50 companies found virtually no working interaction between academics and industry, partly because academics were reluctant to engage SMEs where funding was less attractive though that perception has since shifted.

Universities once treated the number of journal articles published as a key performance indicator. Such a paper is both the writer’s input and output, and can yield an outcome evidence-based work that draws in funding but the real question is whether that outcome translates into impact. In any organisation, the sequence from input to output to outcome to impact is what matters, and ROV represents that ultimate economic impact.

Money matters, but so do health and wellbeing: people should stop treasuring only what they can measure finance, financial metrics, ROI and instead measure what they treasure, namely return on value. ROV captures both tangible, quantifiable benefits and intangible, qualitative ones; the latter are harder to measure, though economists are working towards quantifying them. Innovation may show little return in the short term, but the longer-term picture may differ.

The academic perspective thus casts innovation as a collective, ecosystem-driven process rather than a solo technological effort, resting on reliable physical and digital infrastructure, talent development and skills alignment, strong governance and integrity, effective incentives and funding, capable institutions and leadership, and tripartite collaboration between universities, industry, and government.

It calls for moving beyond short-term financial measures towards a broader "Return on Value" that spans economic, social, and environmental impact, with the education system pivotal to embedding ethics, values, critical thinking, and real-world problem-solving into curricula.

Corporate Perspective: Innovation in Practice

A 2021–2022 Deloitte Malaysia study identified about 9,000 Mid-Tier Companies (MTCs) 0.8 percent of all registered companies yet they employ around 16 percent of the labor force and contribute 36 percent of GDP, concentrated mainly in manufacturing, services, and technology.

With Japanese firms eventually approaching it directly, LH Plus achieved lower costs and higher profits, and over the years shifted from houseware into medical and other products. Like most mid-tier companies, it began as a micro or small enterprise, growing steadfast by weathering crisis after crisis. MNCs, MTCs, and SMEs do not operate in isolation but form an interconnected pyramid SMEs at the base supporting MTCs, which support the MNCs at the peak. When MNCs grow, the whole supply chain is activated, and along the way some SMEs evolve into MTCs and some MTCs into MNCs.

To stay globally competitive, firms must deliver cost-effectiveness, product quality, and on-time delivery. With this in mind, LH Plus mapped a ten-year transformation plan from 2018 built on four pillars: human capital, quality management, infrastructure, and green technology.

The central pillar is human capital, with strong emphasis on continuous training and retraining, leadership at every level, and employee wellbeing investment in people sits at the forefront of the company's thinking. The second is quality management, where its ISO-based Quality Management System standardizes operations, ensures consistent quality, meets regulatory requirements, and drives continuous improvement. The third is infrastructure upgrading: now about 23 years old, much of the company's piping and air systems have degraded, and renewal is necessary to support the latest technology while improving energy efficiency and ESG compliance.

Its green measures include full electric machines (2017), rainwater harvesting for cleaning (2010), LED factory lighting (2012), a full-inverter air compressor (2020), hydraulic-oil recycling (2023), solar power (2023), full-inverter factory air conditioning (2023), and a switch from R22 to R410A ozone-safe coolant (2023).

Framed as a strategic advantage rather than a cost, this early adoption of energy-efficient machinery, water recycling, and green practices has delivered long-term savings and sharpened competitiveness. On this view, corporate prosperity flows from the alignment of leadership, technology adoption, infrastructure readiness, and people development.

A further success factor is investment in new technology and selective automation to strengthen process capability, quality consistency, and yields. LH Plus's automation project cut its workforce from 557 in 2017 to 188 in 2023 a 66 percent reduction while raising output by 30 percent and keeping product quality consistent.

The last thematic pillar is digitalization and connectivity to improve data accessibility and real time information for operational efficiency. The company is currently undertaking measures that include: (1) Monitor G5 ERP, 2023 (completed); (2) Warehouse Management System (WMS), 2025; (3) Quality Management System, 2025; (4) Project Management System, 2026; (5) Machine and Tooling Maintenance System, 2026; and (6) Manufacturing Execution System, 2027/2028.

Other key success factors include building trust with clients, both domestic and international, and investing in certifications and compliance. The Supplier Ethical Data Exchange (SEDEX) and Custom Trade Partnership Against Terrorism (CTPAT) help ensure global compliance and drive improvements with clients/customers as well as regulators. The former is an international platform and membership organization that helps companies manage ethical and sustainable supply chains by sharing of data such as those on labor, health & safety, environment, business ethics, and others. The latter is a voluntary public-private sector partnership program led by the United States Customs and Border Protection to strengthen international supply chains and enhance U.S. border security against terrorism and other illegal activities.

For companies engaged in international business-like LH Plus, these are critical components of global compliance and supply chain security strategy. The company has also successfully achieved several certifications from the local regulators in line with government policy. From the corporate and mid-tier company perspective, innovation was presented as a mindset and long-term commitment, rather than a one-off initiative.

CARSOME

CARSOME has grown rapidly in just a few years from a small Malaysian start-up to become the nation's first technology unicorn operating in Southeast Asian countries. It sells 400,000 cars a year with revenue of RM1 billion per annum. A technology unicorn, it is a privately held start-up in the tech sector that achieves a valuation of at least RM1 billion, a rare feat that inspired the mythical creature's name. Carsome is a very good example of a successful Malaysian unicorn.

CARSOME was founded in 2015, about 10 years ago, and it was not the first mover in the Malaysian automotive industry. It was not the first mover in the Internet era too. As a tech company, innovation is core of CARSOME's activities.

When CARSOME first started, there were already many automotive conglomerates around, with many public-listed and many in the automotive space. For example, there were Muda, Lelong and Facebook digital marketplaces. Carlist, which started in 2008, seven years before CARSOME, is the country's leading automotive platform during that time. It is essentially a massive digital marketplace and hub for buying, selling and researching new and used cars, connecting buyers and sellers through reviews and events.

CARSOME started by identifying a niche that no automotive companies were doing back then, as a service. It started to assist people compare car prices among new car dealers. Many new car dealers at that time offered gifts like umbrella, pre-paid touch-and-go card, etc., to compete for buyers. Therefore, CARSOME started as a platform that helps people compare car offers among new dealers. It then came across many customers saying that they want to buy a particular car but have no idea what to do with their current car.

A lot of dissatisfaction arose on the part of car owners with respect to the process of selling cars. Mistrust of used car dealers by car owners is common. There is also the logistical challenge of going from one used car dealer to another to try get the best offer. CARSOME took advantage of this to matchmake used car dealers and customers. This eventually led to its wholesale business that involves a platform connecting customers and dealers.

Along the way CARSOME introduced artificial intelligence (AI) valuation that helps customers get an estimated price. It then introduced its 175 inspection points which provided inspection reports to dealers, helping them make buy/sell decisions and setting a fair and suitable price.

The company continues to identify gaps where it can add value through technology. In the process of buying and selling cars, some of the cars were found to be of good quality in the aspect of low mileage, no damage by fire or flood and no major accidents. To take advantage of such good quality cars, the idea of refurbishment arose. These fully furnished cars were subsequently sold with the company providing warranty, five-day money-back guarantee (full refund). This help started the company's retail business where its cars are fully custom certified.

At the same time, both dealers and customers sometimes face challenges getting bank financing. It is challenging for a SME car dealer to get bank financing for its car sold while some customers fresh graduate, gig workers, etc. face the same problem. In view of this, CARSOME started CARSOME Capital to provide floor stock financing to dealers and hire purchase financing to some of the company's customers. This has gone on fairly well.

The company has proceeded to partner with several insurance providers to provide a platform for customers to get the best quotation, and takes a small margin out of the insurance providers. The company has evolved from being a wholesale business, to retail, to financing and to insurance.

Over time, the idea of servicing was raised by many customers. Servicing continental cars are rather expensive in such distribution service and maintenance outlets. And most are not conveniently located near CARSOME's customers. And so CARSOME also started customizing such centers. Customers can get digitally integrated servicing solutions by going into CARSOME platform where he/she can select a preferred package with a transparent price.

CARSOME also partnered with PETRONAS AutoExpert to expand its coverage of car service. PETRONAS AutoExpert is a network of branded car service centers. It offers professional service and maintenance using genuine PETRONAS products and technology combining technical expertise with a comfortable customer service.

CARSOME has transitioned from a small/medium company into a large-scale company while operating the various service and refurbishment platforms including a sale volume of 10,000 cars per month but there was not adequate automotive talent in the market. While the country has TVET Academy, an institution focused on technical and vocational education and training, it was not producing enough talent to meet market needs. Poaching of skilled workers has become a regular feature in the automotive industry. In view of this, CARSOME set up its own CARSOME Academy to train youths to become mechanics, car inspectors, body and paint specialists and automotive dealers to meet its own needs.

More and more car lists are being added into the company via acquisition. To further enhance consumers/customers knowledge of cars, CARSOME acquired car media companies such as Wapcar and Autofun. Both are prominent digital automotive content platforms in Malaysia as well as Southeast Asia and founded in 2019. These platforms provide comprehensive, data-driven car information to consumers/customers.

CARSOME as a small company in 2015 with five employees only, first started as a car price comparison platform is today an end-to-end automotive ecosystem providing automotive news, buying and selling of cars to and from customers, financing of customers' cars, providing insurance to car owners, listing of car dealers online via car list and providing TVET on automotive education and training to youths. All these have helped CARSOME to become what it is today. Most importantly, it helped secure a fully integrated ecosystem for the automotive industry. This ecosystem has in turn enhanced the overall value and financial health of CARSOME.

Conclusion

R&D&I is a key driver to economic growth, bringing corporate prosperity uplifting social wellbeing and ensuring environmental sustainability. The RMK13 sets out the policy and strategic framework to promote R&D&I towards this end. While Malaysia has committed to promoting R&D&I and many initiatives are under way, it is acknowledged that are several weaknesses that need to be addresses and a lot more needs to be done. Malaysia still ranks moderately in GII. To further strengthen R&D&I to drive the nation's development aspiration, among the areas that need greater focus are enhancing human resource capability, improving R&D infrastructure, improving access to R&D&I funding, and resetting the R&D&I governance and institutional framework to enhance leadership, coordination, impact and outcomes.



SPEAKER:
PROFESSOR TS. DR. DAVID NGO CHEK LING
PRESIDENT AND VICE-CHANCELLOR
KUALA LUMPUR UNIVERSITY OF SCIENCE AND TECHNOLOGY

SESSION 3: ARTIFICIAL INTELLIGENCE IN THE MAKING

Introduction

Session Three of the conference was dedicated to examining the rise of artificial intelligence as a transformative force in global development, using China's technological evolution as a central case study. Titled "Artificial Intelligence in the Making: China's Tech Journey from Belief to Leadership in AI – Lessons for ASEAN and Malaysia," the session sought to move beyond surface-level discussions of AI adoption and instead explore the deep historical, educational, policy, and cultural foundations that enabled China's emergence as a global technology leader.

Following a short coffee break, the session was formally opened by the emcee, who welcomed participants back and invited them to take their seats for the continuation of the conference. The audience was introduced to the keynote speaker, Professor Technologist Ts. Dr. David Ngo Chek Ling, President and Vice-Chancellor of the Kuala Lumpur University of Science and Technology. His address was positioned as both reflective and forward-looking, drawing from decades of global observation, research, and institutional experience.

The purpose of this session was threefold. First, it aimed to provide a clear and coherent narrative of how China transitioned from a technologically underdeveloped nation into a global leader in artificial intelligence and advanced technologies. Second, it sought to highlight the central role of education, talent development, and long-term policy consistency in sustaining technological progress. Third, it aimed to extract practical lessons for ASEAN countries particularly Malaysia on how to position themselves strategically within an increasingly AI-driven global economy.

Professor David emphasized that China's success in AI did not emerge overnight, nor was it driven solely by market forces or isolated innovation. Instead, it was the result of a deeply held national belief that technology is fundamental to national strength, security, and dignity, supported by decades of coordinated investment in human capital, institutional reform, and ecosystem development. This belief, he argued, remains highly relevant for Malaysia and ASEAN as they navigate the next phase of digital and technological transformation.



PROFESSOR TS. DR. DAVID NGO CHEK LING
CHINA'S TECHNOLOGY AND AI JOURNEY

Artificial Intelligence as a Lived Experience in Contemporary China

Professor David opened with a personal account of his first visit to Chongqing, a metropolis of more than 30 million people built across mountainous terrain. What struck him most was not the city's geography but the seamless integration of technology into daily life in his hotel room, lighting, curtains, and television responded to voice rather than switches, a mark of how mature China's AI-driven smart systems have become. He extended the observation to the wider urban environment, where AI permeates public safety, transport, and logistics: networks of AI-enabled surveillance cameras, autonomous delivery robots and drones, intelligent electric vehicles navigating multi-level highways, and high-speed rail compressing travel times. In China, he noted, AI is not confined to laboratories or elite firms but a visible part of everyday life, signalling a society that has fully embraced technological transformation.

Historical Resilience and the Central Role of Education

Professor David traced China's technological leadership to its turbulent history. During the war years from 1937, Chinese universities were forced to relocate inland, often operating from caves or remote villages, yet teaching and research continued even at doctoral level reinforcing the idea that education was essential to national survival. He acknowledged the profound disruption of the Cultural Revolution, when universities closed and the national entrance examination (Gaokao) was suspended for a decade, costing a generation its educational advancement. Its reinstatement in 1977 marked a turning point, symbolising China's recommitment to merit-based education and laying the foundation for rebuilding its scientific capacity.

Opening Up, Talent Development, and Institutional Reform

He highlighted Deng Xiaoping's reforms from 1978, particularly the Open-Door Policy, which modernized higher education and reintroduced private education. Recognizing its technological weaknesses, China systematically sent thousands of students abroad each year to study science, engineering, and management; they returned with global exposure and new thinking, forming a critical bridge to the world. Institutions such as the University of Science and Technology of China pioneered advanced models — gifted programmes, graduate schools, and international faculty training — while the 1990s initiatives Project 211 and Project 985 sought to raise selected universities to world-class status, with a strong emphasis on science and technology. These educational reforms were complemented by Special Economic Zones, where policy experimentation and industrial development reinforced academic progress. Shenzhen's transformation from a fishing village into a global innovation hub exemplified the success of this integrated approach.

Scaling Innovation and Transitioning to AI Leadership

As China entered the 21st century, Professor David explained, it shifted from learning and imitation to innovation and leadership. China's accession to the World Trade Organization in 2001 integrated its industries into global markets, while Chinese firms expanded internationally to gain experience and competitiveness. Sino-foreign universities introduced global academic standards, and national talent programs reversed brain drain by attracting leading scientists back to China. By the 2010s, China had built one of the world's largest pools of engineers and technologists. Technology companies such as Alibaba, Tencent, Baidu, and Huawei transformed digital commerce, finance, and communication. Strategic initiatives such as the Belt and Road Initiative, Made in China 2025, and the National AI Development Plan signaled a decisive move toward high-value manufacturing and artificial intelligence leadership. AI education was introduced at early schooling levels, while infrastructure investments created a comprehensive ecosystem encompassing semiconductors, cloud computing, data centers, and digital trade corridors.

China–ASEAN and China–Malaysia Strategic Partnership

Professor David stressed that China's technological leadership does not exist in isolation. Facing demographic challenges and global geopolitical pressures, China increasingly relies on regional collaboration, particularly with ASEAN. Malaysia was identified as a key partner due to its long-standing role in the global semiconductor supply chain, trusted bilateral relations, and growing AI ecosystem.

He traced Malaysia's technological journey from the establishment of semiconductor manufacturing in Penang to the Multimedia Super Corridor and early digital initiatives. Recent collaborations between Chinese institutions and Malaysian universities, including investments in higher education and research, were presented as evidence of deepening cooperation. Malaysia's position as a regional hub for talent, trade, and technology places it at the center of China ASEAN collaboration in the AI era.

Strategic Lessons for Malaysia and ASEAN

In the concluding part of his presentation, Professor David distilled China's experience into four key lessons for Malaysia and ASEAN. First, sustained investment in talent development is essential, as technology strategies cannot succeed without skilled human capital. Second, long-term policy consistency and institutional alignment are necessary to maintain momentum and avoid fragmentation. Third, widespread adoption of AI especially among small and medium enterprises, which form the backbone of the economy is critical to translating national strategies into real impact. Fourth, a mindset shift is required, one that views technology as a tool for transformation rather than a threat, and embraces continuous learning, speed, and resilience. He emphasized that China's rise was driven by a powerful national belief that technology strengthens nations. This belief, reinforced through education, policy, and practice, enabled China to evolve from an imitator into an innovator and from a follower into a global leader.

Conclusion

Session Three offered a comprehensive and deeply contextualized account of China's artificial intelligence journey, highlighting the long-term vision, resilience, and coordination required to achieve technological leadership. Professor Ts. Dr. David Ngo Chek Ling demonstrated that China's success in AI was not the result of isolated technological breakthroughs, but the outcome of decades of belief-driven investment in education, talent, policy coherence, and ecosystem building. The session concluded with a forward-looking message that the future of artificial intelligence lies not in unilateral dominance, but in collaboration. For Malaysia and ASEAN, the key challenge and opportunity lies in learning from China's experience while forging a shared, inclusive, and sustainable technological future.

TAKEAWAYS

China Technological Transformation through Education

China's transformation into a global leader in technology, internet of things and artificial intelligence was a national strategy of integrating technology with the education system for over many decades. China's technology development was not only associated with economic progress, but as a source of strength, security and pride, with education serving as the primary vehicle to realizing the national vision.

China's technological foundations were established despite significant historical challenges of periods of war and political disruption, as higher education in particular continued in various alternative forms in order to preserve intellectual continuity. The restoration of the national university entrance examination for example and the opening of China's economy marked a turning point, allowing education and technology to align with national development goals.

Structural market reform in the 1980s and 1990s further strengthened China's higher education contribution to the expansion of the industrial base. Targeted university development programs in STEM further assisted the establishment of special economic zones. These initiatives enabled close integration among academia, research and industry, thus transforming manufacturing centers into learning and innovation hubs, which paved the way to cities such as Shenzhen evolving into major technology ecosystems.

Entering the 2000s, China accelerated its global integration through digital infrastructure expansion, international trade liberalization by joining WTO in 2001, outward investment policies, and the establishment of Sino-foreign universities.

Talent Attraction Program and Technology Leadership

Talent attraction program reversed brain drain, strengthened domestic research and innovation capacity. These measures collectively positioned China to transition from technology adoption to technology leadership, with foreign firms catalysing the much-needed new technology.

By 2010s and beyond, China emerged as a global technology powerhouse, characterized by large-scale engineering talent production and the rise of major technology firms. With surging exports Chinese firms like Huawei and Lenovo became leading global brands in telecommunications, personal computer and mobile phones respectively.

In 2015 China shifted to the next level by implementing the Made in China 2025 in order to transform its technology focus to high-tech, intelligent manufacturing in areas of AI, robotics, EV and semiconductors, further reducing reliance on foreign technology and fostering indigenous innovation.

By 2017 the National Artificial Intelligence Plan was formulated, aiming to make China the world's leading AI innovation center by 2030. AI is key to China's economy, society and security development for the future. The emergence of companies like Alibaba, Tencent and Baidu are testament to the rise of China's internet and e-ecommerce industry. Recent developments, including AI-driven industries, smart manufacturing, and digital connectivity initiatives, demonstrated China identity as a technology global power. China's technology is also harnessed for diplomacy, international cooperation and economic strategy with the Belt and Road Initiative launched in 2013. The project has now expanded to many countries in Europe, Asia and Africa showing China's growing confidence and competitiveness in advanced technologies.

Collaboration with ASEAN and Malaysia

Relating China's experience to ASEAN and Malaysia, the region has benefited from elements of China's technology journey through foreign direct investment, technology transfer including digital initiatives, and establishment of economic corridors. However, the next phase requires a renewed and sustained focus on artificial intelligence, talent development, and deeper collaboration among education institutions, industries, and governments.

In particular, Malaysia's transition towards an innovation-driven economy requires strong and consistent policy direction, sustained investment in talent and applied research, widespread adoption of AI by enterprises including MSMEs, with a mindset shift that positions technology as a strategic national capability and asset.

At the regional level, the future of AI should be viewed not only as a single-country endeavour, but a shared regional journey shaped through cooperation, learning, and long-term commitment.

China is leading in 57 out of 64 critical technologies such as chip technology, semiconductors, 5G, robotics, quantum computer, fintech, and e-commerce. It requires an embedded and integrated ecosystem for their effective applications to drive Malaysia's economy to the next level, leveraging on local talents and collaborating closely among various stakeholders in industry, academia, and government.



SESSION 4: MALAYSIAN ECONOMIC OUTLOOK: A BANKER'S PERSPECTIVE

Introduction

Session Four of the conference focused on providing a macroeconomic outlook from a banker's and financial market perspective, complementing earlier discussions on innovation, technology, and long-term development strategies. The session was delivered by Mr. Alan Tan, who began by expressing his appreciation to Tan Sri Sulaiman for the opportunity to address the forum. He noted that while much of the conference had already explored the outlook toward 2026, it was important to revisit the macroeconomic environment through the lens of banking, capital markets, and investor behavior.

Mr. Tan explained that bankers and economists are less concerned with predicting exact numbers and more focused on understanding direction, momentum, and risks. For a country like Malaysia, which is highly open and deeply integrated into global trade and capital flows, international developments play a critical role in shaping domestic economic outcomes. Changes in growth prospects, interest rates, trade policies, or geopolitical risks in major economies such as the United States, China, Japan, and Europe inevitably spill over into Malaysia's GDP growth, export performance, currency movements, and investment flows.

Against a backdrop of tariff uncertainties, geopolitical tensions, and questions about whether the global economy is heading toward a slowdown or recession, the session aimed to provide clarity on where the global economy currently stands, what signals market participants are watching most closely, and why Malaysia appears relatively well positioned despite external headwinds.



MR. ALAN TAN
MACROECONOMIC AND FINANCIAL MARKET ASSESSMENT

Reading the Global Economy through Leading Indicators

Mr. Tan began by outlining how economists and bankers assess the global economic environment. While a wide range of indicators are monitored, particular attention is paid to forecasts and assessments by international institutions such as the International Monetary Fund (IMF) and the World Bank. He emphasized that these forecasts are not treated as definitive predictions, but rather as directional signals that help market participants understand where major economies may be heading.

This matters greatly for Malaysia because of its high reliance on international trade. Economic slowdowns or expansions in the United States, China, or Europe directly affect Malaysia's export demand, industrial production, and overall GDP growth. In this context, Mr. Tan addressed a question he is frequently asked: whether the global economy is heading into a slowdown or even a recession in the coming year.

To answer this, he highlighted the Purchasing Managers' Index (PMI) as one of the most important indicators to watch. PMI provides a real-time snapshot of business conditions in the manufacturing sector. A reading above 50 indicates expansion, while a reading below 50 signals contraction. If manufacturers around the world begin cutting production due to weaker export orders and uncertainty, and PMI readings fall consistently below 50, it would suggest that global economic momentum is weakening. However, based on current PMI data, Mr. Tan noted that while growth has moderated, there is no strong evidence yet of a sharp or imminent global recession.

Central Bank Policy and the Role of Monetary Stimulus

Mr. Tan then turned to the role of central banks and government policy responses in managing economic cycles. He emphasized that governments and central banks globally still possess powerful monetary and fiscal tools to support growth if conditions deteriorate. This policy flexibility is an important stabilizing force in today's uncertain environment.

Focusing on the United States, Mr. Tan explained that rising uncertainty and signs of labor market softening have increased expectations that the US Federal Reserve will continue cutting interest rates. He pointed out that US unemployment has risen to around 4.4 percent, a level comparable to previous periods when the Federal Reserve initiated rate cuts of up to 50 basis points. Should the US economy show further signs of slowing, additional rate cuts remain likely.

From Malaysia's perspective, this is significant because easier U.S. monetary policy tends to support global liquidity, stabilize financial markets, and reduce pressure on emerging market currencies. Mr. Tan stressed that these policy buffers reduce the risk of a sudden and severe global downturn, even if growth moderates.

The K-Shaped Economy and Rising Inequality

Introducing a broader thematic perspective, Mr. Tan discussed the emergence of a K-shaped economic pattern, particularly evident in the U.S.. Unlike traditional recovery shapes such as V, U, or W, a K-shaped economy reflects diverging outcomes across different income groups and sectors. He explained that higher-income households in the U.S. continue to spend robustly, while lower-income groups particularly the bottom 20 percent of earners are cutting back on consumption.

This divergence is also visible in labor markets and corporate behavior. While stock markets continue to perform strongly and corporate profits remain high, job creation has slowed significantly. Companies are generating earnings but are reluctant to hire, meaning income growth is uneven and concentrated at the top. From an investment standpoint, Mr. Tan noted that capital expenditure is increasingly concentrated in technology-related sectors, particularly artificial intelligence, data centers, and hyperscale infrastructure, while investment in non-technology sectors remains subdued.

He cautioned that similar K-shaped patterns are beginning to emerge in parts of Asia as well. While technological progress and capital investment continue, inequality risks are rising, posing longer-term social and economic challenges.

Malaysia's Relative Strength and Domestic Demand Buffer

Turning to Malaysia, Mr. Tan highlighted several structural strengths that differentiate the country from many regional peers. One key advantage is Malaysia's diversified export base, which reduces vulnerability to downturns in any single market or industry. In addition, Malaysia benefits from a strong domestic demand base, which helps cushion the economy against external shocks.

He explained that domestic demand is supported by continued expansion in the labor market, steady wage growth, and robust public and private investment activity. From the supply side, the construction sector is experiencing renewed momentum, particularly due to large-scale data center investments. Meanwhile, the manufacturing sector is expected to remain stable, supported by global demand for electronics and semiconductors.

The services sector, Mr. Tan added, is set to benefit significantly from tourism, especially with Visit Malaysia Year 2026 approaching. Increased tourist arrivals are expected to translate into higher consumption, stronger service-sector employment, and broader spillover effects across the economy.

Investment Cycle Renewal, Semiconductors, and Tourism

Mr. Tan emphasized that Malaysia is entering a renewed investment cycle, which is a critical driver of medium- and long-term growth. Rising private investment not only boosts current economic activity but also enhances productive capacity and future competitiveness. He cited recent figures indicating that Malaysia has recorded approximately RM575 billion in approved investments over the past 18 months, with an estimated 75 to 80 percent expected to be realized. This pipeline of investments is expected to support growth well into 2026 and beyond.

He also highlighted Malaysia's strong position in the semiconductor industry, which continues to benefit from global trends in artificial intelligence, digitalization, and automation. Semiconductor exports have tracked global sales trends closely, reinforcing Malaysia's role in global technology supply chains. In parallel, tourism is emerging as a major growth catalyst, with visitor arrivals in 2025 already exceeding expectations and projections of up to 45 million visitors in 2026. Together, investment, technology exports, and tourism form a powerful combination supporting Malaysia's growth outlook.

Tariffs, Ringgit Strength, and Capital Flows

Addressing trade policy, Mr. Tan noted that while Malaysia faces a headline tariff rate of around 19 percent, the effective tariff rate is closer to 12 to 13 percent, which is relatively low compared to many regional peers. This helps preserve Malaysia's competitiveness in global trade despite ongoing tariff uncertainties. He concluded with a detailed discussion on the Ringgit and capital flows, arguing that Malaysia currently stands out positively within ASEAN from a currency and fundamentals perspective. Malaysia's commitment to fiscal discipline and consolidation, as reflected in Budget 2026, contrasts with the more expansionary fiscal approaches taken by some neighboring countries. In addition, Malaysia runs a current account surplus, exporting more goods than it imports, which provides structural support for the Ringgit.

From an investor's perspective, Mr. Tan explained that Malaysia offers a compelling proposition: the potential for both asset price appreciation and currency appreciation. As confidence in Malaysia's economic fundamentals strengthens, capital inflows into both the bond and equity markets are expected to increase. Although foreign ownership of Malaysian equities remains relatively low, improving sentiment and steady growth prospects suggest that inflows are likely to resume as the economy moves toward 2026.

Conclusion

Session Four delivered a comprehensive and nuanced assessment of the global and Malaysian macroeconomic outlook from a banking and financial market perspective. Mr. Alan Tan concluded that while global uncertainties persist, key indicators do not currently point to a severe economic downturn. Malaysia appears well positioned to navigate external challenges due to its diversified exports, resilient domestic demand, renewed investment cycle, strong semiconductor sector, and robust tourism outlook. Sound fiscal management, a current account surplus, and improving investor sentiment further support a positive outlook for the Ringgit and capital inflows. As Malaysia approaches 2026, the session underscored cautious optimism, emphasizing that sustained policy discipline, investment realization, and confidence in fundamentals will be critical to maintaining economic momentum.

TAKEAWAYS

Mr. Alan Tan Chew Leong, the Chief Economist of Affin Bank, presented a picture of resilient global and domestic economic growth amid uncertainty in the global economy.

By the time Mr. Alan Tan gave his presentation, it was clear that the worst fears for 2025 had not happened yet, or were just delayed. Indicators of output and orders in manufacturing pointed to resilient, albeit slower, demand globally and in Malaysia. Domestically, government reform efforts, including revisions to public sector workers' pay and a cash transfer program known as MYSARA, buttressed demand and supported the economy. Q3 2025 GDP, already known at the time, indicated that consumers continued to support domestic demand, in contrast to the more somber outlook among consumers elsewhere. Q4 2025 GDP confirmed that this trend was robust, and the Malaysian economy could expect continued support from domestic demand in 2026. Encouragingly, tourist receipts in 2025, which were robust, are expected to be even stronger as Malaysia welcomes Visit Malaysia Year 2026.

As this short review is written in early 2026, some of the scenarios discussed by Mr. Alan Tan are already materializing. The strong ringgit trend continues, as government policy reforms and fiscal discipline are being rewarded. On a less optimistic note, economic conditions in the United States continue to deteriorate slowly. If you are reading this in January 2026, that may not even be a major concern, as the U.S. is facing violent socio-political upheaval that could worsen further.

MIER shares many of Mr. Alan Tan's views of the economy. As I write this, socio-political tensions in the U.S. loom large, while conflict in Ukraine and the genocide in Gaza continue. Despite the appearance of resilience in the global economy in 2025, imbalances, leverage in certain parts of the financial market, and overall risks continue to build up. Hopefully, these risks will be unwound in an orderly manner, allowing the world to enjoy another surprising year despite an evidently changing global order.

APPENDIX





APPENDIX

Question 1: Clarification on Tariff Assumptions in the Trade Example

Response:

Dr. Sanghi explained that the example was deliberately simplified to highlight a core economic principle, not to replicate real-world tariff schedules. While actual tariff rates differ and can be adjusted, the fundamental conclusion remains unchanged: if a country reduces trade barriers for one partner, it is generally more efficient to reduce them for all partners. Adding real-world complexities would change the numerical results but not the underlying economic logic.

Question 2: Risk of Losing Strategic Leverage by Cutting Tariffs Universally

Response:

Dr. Sanghi acknowledged that cutting tariffs reduces government import tax revenue, but emphasized that this must be weighed against the benefits to consumers, who gain access to cheaper and better-quality goods. He stressed that tariff policy is always a balancing act between government revenue and consumer welfare. Importantly, he argued that selectively cutting tariffs does not necessarily preserve strategic leverage, because other trading partners will quickly demand equal treatment. In practice, once concessions are granted to one country, pressure builds to extend similar terms to others, making selective liberalization difficult to sustain.

Question 3: Why Is Economic Confidence Declining Despite Positive Indicators?

Response:

Dr. Khalid explained that confidence indices reflect perceptions and expectations, not just current data. A declining confidence index suggests that businesses and consumers sense greater downside risks ahead, even if present conditions appear stable. When confidence "goes south," it signals uncertainty or concern about future economic direction, rather than an immediate deterioration in economic performance.

Follow-Up Question: Risk of a Trade Deficit and Twin Deficits

Building on the confidence issue, the question asked whether Malaysia's narrowing trade balance could turn into a deficit, raising concerns about a twin deficit situation simultaneous fiscal and trade deficit.

Response:

Dr. Khalid acknowledged that a narrowing trade balance warrants attention. He explained that the risk depends on why imports are rising whether due to capital and investment goods (which support future growth) or consumption goods (which may strain the balance). He stressed the importance of export diversification and structural upgrading to manage this risk. While the situation is concerning, he noted that similar patterns had occurred in previous years and can be managed with prudent policy measures.

Question 4: Has ASEAN Integration Lost Momentum?

Response:

Mr. Villafuerte agreed that large-scale integration efforts have slowed, but emphasized that regional cooperation remains active, particularly in new areas. He highlighted two major priorities: energy connectivity, through the ASEAN Power Grid, and digital integration, through the Digital Economy Framework Agreement (DEFA). Energy connectivity is critical as electricity demand in the region is projected to increase sharply, while digital integration will support the growth of services and the digital economy. He noted strong alignment among governments, the private sector, and development partners such as ADB and the World Bank.

Question 5: Role of Education and Human Capital in Economic Development

Response:

Dr. Sanghi emphasized that Malaysia's most pressing challenge is foundational human capital, particularly basic literacy and numeracy. He cited World Bank research showing that four out of ten Malaysian children cannot fully read or comprehend age-appropriate text by age ten, a phenomenon known as learning poverty. Despite long years of schooling, learning outcomes remain weak. He stressed that without fixing these foundational issues, investments in advanced skills such as digital technology and artificial intelligence will yield limited returns.

Additional Response:

Mr. Villafuerte added that nutrition and early childhood health are equally critical components of human capital. He highlighted high stunting rates among children in several Asian countries, including middle-income economies. Poor nutrition in early childhood permanently affects learning ability and productivity, making investment in food security, health, and nutrition essential for long-term economic development.

Question 6: Role of Immigration in Building Talent and Human Capital

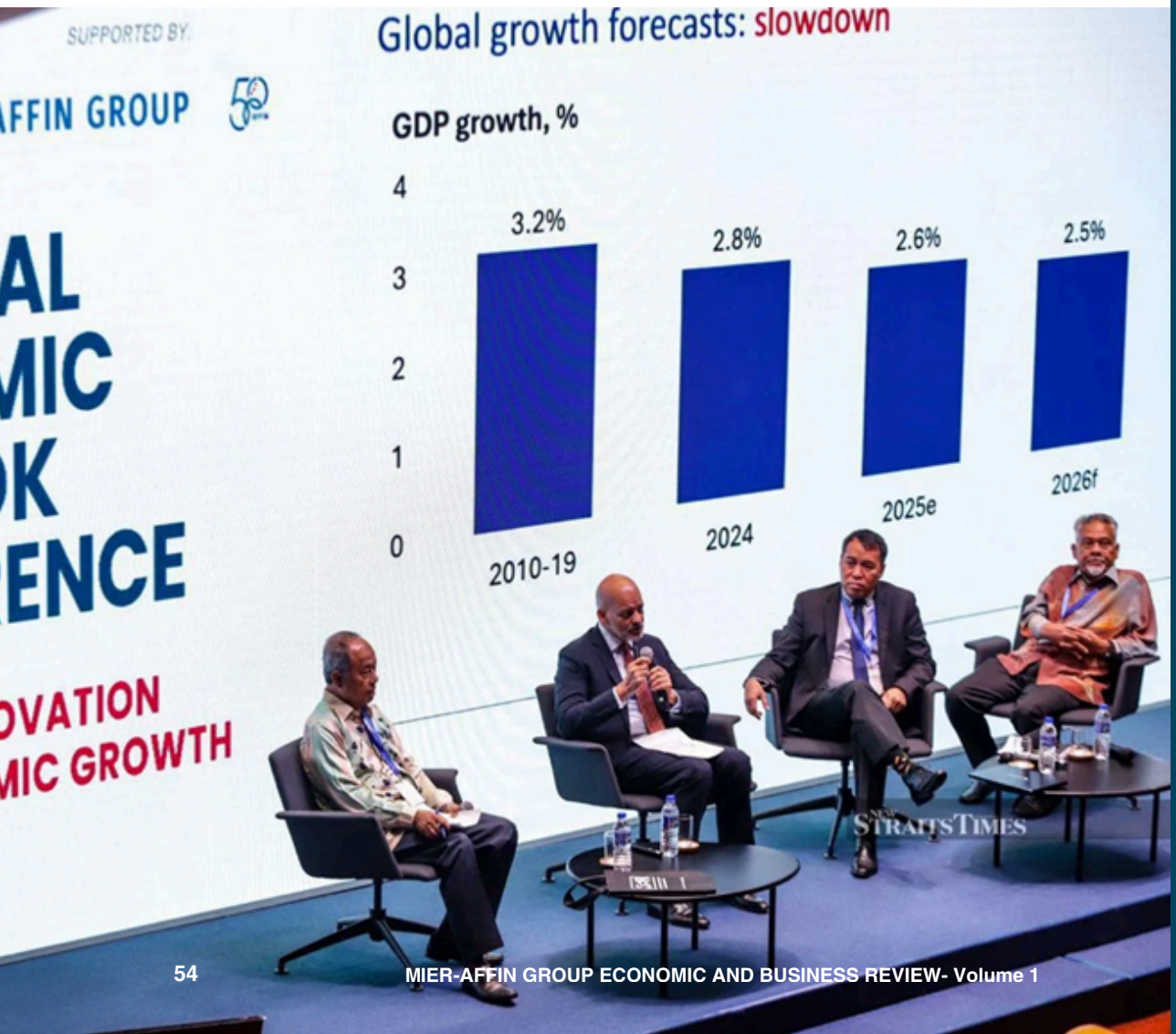
Response:

Dr. Sanghi explained that migration is a long-standing global phenomenon and that each country has the right to manage its borders. He noted that economic research overwhelmingly shows that immigration does not generally reduce employment opportunities for locals, though impacts vary by sector and skill level. In Malaysia's case, he pointed out that locals often avoid so-called "3D jobs" (dirty, dangerous, difficult), making foreign labor necessary. He also questioned the assumption that restricting immigration automatically leads to automation or productivity gains, noting that evidence from the COVID-19 period does not strongly support this claim. Ultimately, he emphasized that immigration policy should be pragmatic, evidence-based, and aligned with national priorities.

Question 7: What Should Ordinary Citizens Know About the Economy?

Response:

Dr. Sanghi described this as an important and timely question. While he did not elaborate in detail during the session, he emphasized the need for basic economic awareness among citizens and referenced his recent public talk aimed at explaining key economic concepts in simple terms for Malaysians.



Question 1: Resetting and Realigning the Education System for Technological Advancement

Response:
Mr. Leeroy Ting explained that Malaysia is standing at a critical crossroads. Drawing from his own experience as a high-performing student, a Universiti Malaya law graduate, and a professional who entered the workforce through traditional pathways, he expressed concern that these same pathways may no longer be available to today's graduates. He highlighted how artificial intelligence is already replacing many junior-level roles, including legal drafting, coding, and routine analytical tasks. As senior professionals increasingly rely on AI tools, the demand for fresh graduates in conventional entry-level positions is shrinking.

He argued that because of this shift, the education system can no longer focus on preparing students simply to become employees in large organizations. Instead, education must instill a culture of innovation, adaptability, and value creation. Young people should be taught to identify gaps within organizations, use technology to solve problems, and add value through innovation and disruption. Where such opportunities do not exist within organizations, Mr. Leeroy stressed the importance of having safety nets, funding, and institutional support to enable graduates to start their own ventures. His core message was that education should prepare young people to create opportunities, not just compete for increasingly limited jobs.

Additional Response:
Mr. Callum Chen approached the issue from an industry and manufacturing perspective, emphasizing that education and training must be driven by industry needs. He argued that sectoral and industry associations are best positioned to understand real skill gaps, operational challenges, and workforce requirements. These associations have the networks, expertise, and credibility to design effective training programs.

Using the Malaysian Plastics Manufacturers Association as an example, he explained how industry-led initiatives have successfully established specialized training centers and enforced high standards through rigorous assessment criteria. He highlighted collaborations with institutions such as the German Malaysian Institute, where strict benchmarks ensured meaningful skills transfer. Mr. Callum stressed that education reform should be practical, focused, and based on close collaboration between industry bodies, training institutions, and policymakers, rather than relying solely on top-down frameworks.

Additional Response:
Professor Santha agreed with the previous speakers but added a policy and governance perspective. She noted that Malaysia already has comprehensive education blueprints, roadmaps, and strategic plans that outline the required skills and priorities for future growth. However, she emphasized that the country's main challenge lies not in planning, but in execution, implementation, and enforcement. She stressed the importance of translating policy documents into action by assigning clear key performance indicators, targets, and responsibilities to specific ministries, agencies, and institutions

Professor Santha also pointed out that curriculum review cycles are currently too slow to keep pace with rapid technological change, and called for more frequent updates and stronger industry participation in curriculum design. In addition, she highlighted the importance of embedding ethics, integrity, and values within education, particularly in the use of artificial intelligence. While AI can enhance productivity and learning, she cautioned that without strong moral foundations, it can be misused. Therefore, ethical judgment and responsible use of technology must be inculcated from an early stage of education.

Question 2: How Can the Input–Output–Outcome–Impact (IOOI) Model Be Operationalized?

Response:

The response explained that the IOOI model has already been translated into a practical, step-by-step framework. Participants were directed to EMIR Research website, which provide detailed guidance on how to operationalize the model across different organizational levels. The key point emphasized was that the IOOI model is designed to ensure that resources and activities lead not only to outputs, but to measurable outcomes and long-term societal and economic impact.



Question 1: Social Challenges and Generational Gaps Amid China's Technological Rise

Response:
Professor David acknowledged that this is a difficult and complex issue. He agreed that not everyone in China is able to keep up with the extremely fast pace of development often referred to as the "Shenzhen speed." While China is widely seen as a society that works quickly, thinks quickly, and acts decisively, there is indeed a generation that struggles under this pressure. He noted that some young Chinese have even chosen to relocate to other regions, including Southeast Asia, because they perceive life there as more relaxed and balanced.

However, Professor David emphasized that despite these challenges, China's overall national trajectory remains highly instructive. Over a relatively short period approximately 20 years. China has transformed itself through remarkable consistency in long-term planning and execution. He highlighted how China progressed from focusing on only a few core technologies to leading in more than 50 critical technologies within two decades. His central point was that while social challenges are real and must be addressed, China's experience still offers valuable lessons for countries like Malaysia. He stressed that no one should be left behind in this process, and that education remains the most important mechanism for ensuring inclusive progress and long-term national resilience.

Question 2: Innovation Versus Execution Turning Ideas into Action

Response:
Professor David described this as a timely and highly relevant question. He explained that while innovation can be discussed extensively, execution requires coordination, discipline, and the ability to mobilize people and resources effectively. He linked this challenge to the rapid emergence of artificial intelligence, noting that society particularly higher education is still adjusting to how AI should be used.

He explained that most universities have chosen to support and integrate AI, rather than ban it, because students must at least become competent AI users to remain relevant in society and industry. Graduates, he noted, should ideally become advocates for AI adoption in the workplace. However, he emphasized that this integration must be balanced with control and ethical guidelines.

Professor David clarified that AI should be used to support thinking and idea development, not to replace intellectual effort entirely. For example, using AI to expand or refine ideas may be acceptable, but using it to generate entire assignments without original input is not. He stressed that education must be inclusive, flexible, and comprehensive, ensuring that students develop both technological competence and strong foundational thinking. Ultimately, effective execution depends on having clear policies, shared understanding, and responsible use of technology.

Question 3: Building Close China–Malaysia Relations Without Fear

Response:
Professor David emphasized that trust is the foundation of any meaningful bilateral relationship. He referred to historical examples, particularly the voyages of Admiral Zheng He (Cheng Ho), to illustrate that China historically had opportunities to dominate other regions but chose cooperation over conquest. This historical context, he argued, is important in understanding China's preferred approach to engagement.

At the same time, he stressed that Malaysia must always prioritize the protection of its national interests. While close relationships are necessary in an interconnected world, sovereignty, national identity, and cultural heritage must never be compromised. Professor David concluded that cooperation and friendship should be pursued with confidence rather than fear, ensuring that partnerships are built on mutual respect, trust, and clearly defined boundaries.

Question 4: Why Do China's Long-Term Plans Succeed While Others Do Not?

Response:
Professor David explained that the key difference lies in consistency, continuity, and policy evolution. Using China's higher education reforms as an example, he described how initiatives such as Project 211, Project 985, and later the Double First-Class University initiative were not abandoned but continuously built upon and refined. Each new policy strengthened the previous one, creating momentum rather than disruption.

He noted that globalization was intentionally embedded into China's policies, actively pushing institutions and talent to engage internationally. This consistent direction ensured that long-term objectives were achieved despite changes over time. In contrast, he observed that in Malaysia, frequent changes in government and leadership can weaken policy implementation and reduce impact.

Professor David emphasized the importance of sustained government support, inclusive policies, and proactive talent development. He argued that Malaysia already has strong foundations, a strategic location, and international trust evidenced by China's growing engagement with Malaysia. However, to fully capitalize on these strengths, Malaysia must improve how policies are implemented, supported, and carried forward across political transitions.



Question 1: Has the Ringgit Appreciated Too Quickly, and Does a Stronger Ringgit Harm Exports?

Response:
The speaker explained that the Ringgit's stronger performance relative to regional currencies is largely driven by Malaysia's strong economic fundamentals and improving investor confidence. These include fiscal discipline, economic stability, and positive growth prospects, which have attracted capital inflows and supported the currency.

While a stronger Ringgit can marginally affect export prices, the overall impact on Malaysia's economy is limited. This is because Malaysia imports a substantial amount of intermediate goods such as components and raw materials that are used in manufacturing final products for export. A stronger Ringgit reduces the cost of these imported inputs, which helps offset the effect of higher export prices.

In addition, Malaysia has moved up the value-added chain, producing more technologically advanced and higher-value products rather than competing solely on price. As a result, export demand is less sensitive to exchange rate movements. The speaker concluded that the net impact of a stronger Ringgit is not negative, and it does not pose significant risks to either exports or tourism. In fact, currency strength reflects economic confidence and can support long-term stability.

Question 2: Will Next Year Be Especially Challenging for Malaysia's Economy Despite Clearer Trade Tariffs?

Response:
The speaker responded by emphasizing that economic growth is driven by multiple components, not exports alone. While Malaysia is an open economy and export performance is important, domestic demand plays an equally critical role.

Malaysia's unemployment rate is currently near full employment, meaning most people remain in jobs and continue to spend. This supports private consumption, which is a major driver of GDP. At the same time, the government continues to provide targeted assistance and policy support to ensure economic activity remains resilient.

Private investment is also expected to remain strong, supported by a large pipeline of approved investments that are gradually being implemented. In addition, public investment will be boosted by the government's development expenditure under Budget 2026, which allocates approximately RM80 billion for development projects.

The speaker concluded that while export growth may moderate, Malaysia's economy is supported by broad-based drivers, including private consumption, private investment, and public investment. As a result, the risk of a sharp economic slowdown remains low.

Question 3: How Will Malaysia's Economic Growth Next Year Compare to This Year?

Response:

The speaker explained that their institution's current estimate places Malaysia's GDP growth at approximately 4.6 percent for this year. For next year, while the government has projected a growth range of 4.0 to 4.5 percent, the speaker's own estimate is around 4.3 percent, which sits in the middle of the government's range.

The slightly lower growth rate next year does not reflect economic weakness, but rather a technical impact from higher imports, particularly investment-related imports. These imports are necessary to support future growth but tend to reduce headline GDP figures in the short term.

Importantly, domestic demand remains strong and exports are holding up. The speaker stressed that continued policy implementation and effective execution will be key to sustaining momentum. Overall, Malaysia's growth outlook remains stable, with a solid foundation for medium-term expansion rather than a sharp downturn.



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Markets rarely move for just one reason.

An interest-rate decision in Washington can reshape currency expectations in Asia. A shift in semiconductor demand can travel through supply chains from Taiwan to Malaysia. Policy changes, commodity prices, capital flows and corporate earnings increasingly intersect, often within the same investment decision.

For investors, the challenge is therefore no longer simply gaining access to information. There is more information available today than at any point in history. The real advantage lies in knowing what matters, how the pieces connect and what they could mean next.

From information to investment perspective

At AFFIN HWANG, research begins well before a recommendation reaches a client. It starts with understanding the forces shaping the economy, interpreting how those forces move markets, examining their implications across industries and, ultimately, determining what they mean for individual companies. It is a discipline that moves continuously between the macro and the micro.

A change in monetary policy may alter funding conditions. A weaker currency can benefit one industry while compressing margins in another. New infrastructure investment may create opportunities extending far beyond the companies directly awarded the contracts. Our analyst's task is to connect those dots for our clients.

Not simply to describe what has happened, but to examine what has changed, what the market may not yet fully appreciate and where the implications could emerge next.



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Research grounded in expertise

Data can tell an investor what has already occurred. Research becomes valuable when that data is interpreted in context.

At AFFIN HWANG, that judgement is shaped by a team with deep market experience across economics, strategy, sectors and companies. The Research team combines long-standing industry knowledge with disciplined analysis, while its leadership has also received external recognition. Head of Research, Loong Chee Wei was named Best Construction & Engineering Analyst in Malaysia in the Asiamoney Brokers Poll 2023 and was also ranked Third for Top Sector Analyst- Malaysia Thematic Research in the recent Extel Asia 2026 Onshore Local Broker Survey.

But recognition is only meaningful when it translates into better thinking for clients. Analysts speak with companies, scrutinise earnings, monitor industries, test assumptions and continuously reassess their views as new evidence emerges. The strongest investment conclusions often come not from a single piece of information, but from understanding how several developments reinforce, contradict or change an existing investment thesis.

This matters particularly when markets become more complex. Periods of volatility can encourage investors to react to the loudest headline. Yet some of the most consequential developments unfold more gradually: changes in corporate margins, structural shifts in demand, changes in capital expenditure, policy reforms or the emergence of new competitive advantages.

Research provides a framework for separating signal from noise. For AFFIN HWANG, that framework is also increasingly supported by technology.





Putting research within reach

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"We are in an environment where markets are absorbing more information at a faster speed. Research becomes increasingly important to provide interpretation, judgement and perspective. Our role at AFFIN HWANG is to provide our clients with material information that explains market dynamics across sectors and companies. Our research will also assist in identifying opportunities and risks that may emerge in their investments.

The expertise and experience of our research team is accessible through the AFFIN HWANG Research Portal where we aim to provide a research proposition that allows clients to leverage on our professional insights effectively and assist our clients in making better-informed investment decisions."

Encik Hanif Bin Ghulam Mohammed,
Chief Executive Officer,
Affin Hwang Investment Bank Berhad

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From Research to Market Dialogue





Research also creates value when it moves beyond the page. Through platforms such as AFFIN Market Outlook, perspectives developed by the AFFIN HWANG Research team are brought into broader dialogue with policymakers, business leaders, economists and investors.

These conversations add context to the analysis available through the Research Portal, helping investors connect market developments with the economic, industry and corporate forces shaping investment decisions.

For investors looking beyond today's data to the forces shaping what comes next, it offers another way to engage with the thinking behind AFFIN HWANG Research.

A clearer view of what comes next

The purpose of research is not to predict every turn in the market. It is to help investors ask better questions, challenge assumptions, and approach the opportunities ahead with a clearer understanding of the forces at work. It is most helpful when it helps investors see the connections behind market movements, test assumption and make better informed decisions.

At AFFIN HWANG, that process begins with research. And the next conversation is never far away.

For MIER participants who would like to explore AFFIN HWANG's latest market views, connect with our Research team or learn more about access to the AFFIN HWANG Research Portal.

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