



PRAXIS

#GAMECHANGERS2019

THURSDAY, 4 OCTOBER 2018
KUALA LUMPUR, MALAYSIA

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ISIS PRAXIS SEMINAR

#GAMECHANGERS2019:

A REPORT

Introduction

The Institute of Strategic and International Studies (ISIS) Malaysia hosted the ISIS Praxis Seminar #Gamechangers2019 on 4th October 2018 in Sheraton Imperial, Kuala Lumpur. The Praxis Seminar brought together experts, scholars and opinion-shapers from across the region to engage in robust and constructive discussions on a wide range of issues spanning economics, business and politics. The event was sponsored by CIMB Bank and Huawei and supported by Hong Leong Investment Bank.

His Royal Highness Sultan Nazrin Muizzuddin Shah Ibni Almarhum Sultan Azlan Muhibbuddin Shah Al-Maghfur-Lah, Sultan of Perak Darul Ridzuan and Royal Fellow of ISIS Malaysia, delivered a Royal Address entitled "A Time for Transitions: The Malaysian Economy to 2020". Tan Sri Rastam Mohd Isa, Chairman and Chief Executive of ISIS Malaysia delivered the welcoming and closing remarks at the seminar.

SESSION 1: PROSPECTS, STRENGTHS AND VULNERABILITIES OF THE MALAYSIAN ECONOMY

Interlocutor:

Mr Tan Chung Han, Producer and Presenter, BFM Radio, Malaysia

Panellists:

Mr Marzunisham Omar, Assistant Governor, Bank Negara Malaysia

Dr Firas Raad, Country Manager for Malaysia, East Asia and Pacific, World Bank Group

Mr Nurhisham Hussein, General Manager, Economics and Capital Markets, Employees Provident Fund, Malaysia

Summary:

Mr Nurhisham stated that the Malaysian economy's greatest vulnerability is pension payments instead of debt repayments. Presently, the government spends about RM24 billion to service pension payments for approximately 700,000 retired civil servants. He went on to add that there is currently about 1.6 million serving civil servants. Hence, the future cost of servicing pension payments is more concerning than Danainfra/Prasarana's debt levels.

Mr Marzunisham was of the opinion that debt repayment is not unproblematic. In fact, 15 percent of the government's commitment is for debt servicing. He gave the example that for every RM1 that the government acquires, RM0.15 has to be allocated towards servicing debt.

Dr Firaz said that while Malaysia possesses robust economic fundamentals, challenges to its economy would include inclusive growth, the rising cost of living and fiscal management. As

Malaysia moves forward towards a developed nation, it should focus on the long-term agenda.

To realise prospects, the speakers generally agreed that Malaysia has to focus beyond the immediate-term. Long-term policies to realise prospects include the need for institutions that uphold good governance principles and investment in human capital – ensuring that Malaysia attracts high quality investment, which can create high quality jobs, and to plug the gap in social security.

SESSION 2: RAISING THE GAME OF MALAYSIAN MANUFACTURING AND SERVICES WITH NEW ENABLING TECHNOLOGIES

Interlocutor:

Dato' Steven Wong, Deputy Chief Executive, ISIS Malaysia

Panellists:

Mr Rushdi Abdul Rahim, Senior Vice President, Malaysian Industry Government Group for High Technology, Malaysia

Dr Harikrishna Kulaveerasingam, Chief Research and Development Officer, Sime Darby Plantation Berhad, Malaysia

Mr Lim Chee Siong, Chief Strategy and Marketing Officer, Huawei South Pacific Region

Summary:

Dr Harikrishna and Mr Lim both raised concerns that digital infrastructure in Malaysia remains weak, especially outside of major urban centres. They believe that businesses in Malaysia would be unable to fully embrace the Fourth Industrial Revolution (4IR) with the current capacity of digital infrastructure. Mr Lim also highlighted the fact that current broadband services do not take into account the needs of enterprises and are mostly packaged for individuals. On the issue of new technological trends and their impact on production and distribution, Dr Harikrishna stated that the kind of data generated at the moment is not sufficient to fully capture the situation on the ground. He then pointed out that the utilisation of the Internet of Things (IoT) and machine-learning will change the situation, as these tools can tease out and find opportunities in data.

On the issue of digitalisation for Malaysia enterprises, Mr Rushdi revealed from a study conducted by the Malaysian Industry Government Group for High Technology (MIGHT) that 70 percent of their respondents believed they were ready for digitalisation. However, their understanding of digitalisation was far below what is required. All three panellists also underscored the role that local talent will play in integrating 4IR into the Malaysian economy and developing innovative capacities of small and medium-sized enterprises. Indeed, talent should be a key priority for the government, with a focus on multi-skilled and adaptive labour.

SESSION 3: MALAYSIAN EXPORTS IN AN AGE OF INCREASING PROTECTIONISM AND BILATERALISM

Interlocutor:

Mr Firdaos Rosli, Director, Economics, Trade and Regional Integration, ISIS Malaysia

Panellists:

Datuk Isham Ishak, Secretary General, Ministry of International Trade and Industry, Malaysia

Dr Deborah Elms, Executive Director, Asia Trade Centre, Singapore

Mr Roberto Benetello, Chief Executive Officer, European Union-Malaysia Chamber of Commerce and Industry, Malaysia

Summary:

Dato' Isham commented that three countries within Asia are affecting Malaysia's export prospects, namely Vietnam, India and Indonesia. This is a result of increased tariff and non-tariff barriers in these countries. Dato' Isham stated that the Ministry of International Trade and Industry (MITI) is working diplomatically, on a bilateral basis, to negotiate with these trade partners.

Mr Benetello elaborated on the survey results of businesses in Malaysia. The survey identified that the risk of uncertainty raised by the US-China trade war indicated that many foreign companies would prefer to stay in Malaysia; to either expand their investments or to maintain the same capacity.

According to Dr Deborah, "The CPTPP [Comprehensive and Progressive Agreement for Trans-Pacific Partnership] is the most transformative free trade agreement the world has seen in 20 years, and is definitely the most transformative FTA [free trade

agreement] Asia has ever seen. Its benefits are both deep and broad, providing certainty for both government and businesses”.

However, she stressed that if Malaysia does not ratify the CPTPP, it will see every extra dollar of investment going to Vietnam instead. If Vietnam ratifies the CPTPP in their legislature by this October, more will follow, and the CPTPP could potentially be in force by Christmas this year, or in the first quarter of 2019. As such, Malaysia needs to seize this opportunity.

SESSION 4: THE GOVERNMENT'S POLICIES AND PRIORITIES IN 2019

Interlocutor:

Tan Sri Mohd Sheriff Mohd Kassim, G25 Founding Member, Malaysia

Panellists:

Dato' Dr Rais Hussin Mohamed Ariff, Ahli Majlis Pimpinan Tertinggi, Parti Pribumi Bersatu Malaysia

YB Nik Nazmi Nik Ahmad, Member of Parliament, Setiawangsa, Malaysia

YB Mr Liew Chin Tong, Deputy Minister, Ministry of Defence, Malaysia

Summary:

Dato' Rais commented that the Pakatan Harapan (PH) manifesto was written after consultation with three groups – the people, businessmen and non-governmental organisations. Besides that, the manifesto also included the outcomes of independent research work and consultation with the coalition parties. There are two phases of the manifesto promises; the first would be accomplished within the PH Government's first 100 days, and the second would take a longer period, but would still be fulfilled within the government's term.

YB Nik Nazmi felt that Malaysia cannot remain as an emerging market and that it should be a high-income nation by 2020 as first set out by YAB Prime Minister Tun Dr Mahathir Mohamed. However, there are real issues about inequality. He illustrated that Kuala Lumpur and Penang are equivalent to economies like Singapore and Taiwan, yet a United Nations Children's Fund (UNICEF) report has shown that there are instances of stunted children among the urban poor. He remarked that the high cost of living will be among the determinant factors in the next General Election. While increasing the minimum wage might be unpopular among businesses, this is necessary to move past the low-wage economy.

YB Senator Liew mentioned that Malaysia is at the tail end of a model where Asian countries use the United States as the final destination for its exports. This is even the case without the US-China trade war. He emphasised the need to create a society with a larger middle class. One way to achieve this was by abolishing the goods and services tax (GST), which disproportionately burdens the bottom 40 percent of the population (B40). He also suggested that Malaysia should reduce its reliance on low-skilled foreign labour. Moving forward, Malaysia has to "cut fat and excesses" while also "building muscle". As such, the government has aspired to be more transparent through moving away from "creative accounting" towards practising an "open book policy".