KINGSLEY STRATEGIC INSTITUTE FOR ASIA PACIFIC

Joint Organisers

THE ECONOMIC CLUB KUALA LUMPUR
ENABLING ECONOMIC EMPOWERMENT

MICCI

PROCEEDINGS REPORT

The 2020 Malaysia Economic & Strategic Outlook Forum

Agenda 2020 and Beyond – Where Do We Go from Here?

Proceedings from discussions on 21st January 2020 at Hotel Istana Kuala Lumpur

Key points

- Malaysia is expected to post a GDP growth rate of 4.5 to 4.9 percent in 2020.
- The government must introduce clear direction and plans for the Malaysian to spur growth and confidence.
- The East Coast Rail Link (ECRL) project is expected to be completed by December 2026 with a re-alignment of routes that will cover cities in Selangor, Putrajaya, Negeri Sembilan, Pahang, Terengganu and Kelantan. This will unlock economic potential of the East Coast States which previous had limited access to rail infrastructure.
- Businesses are encouraged to spread their operations to other states and cities to ensure fair and equitable distribution through the creation of new job opportunities.
- FDI entering in Malaysia has been offset by investments flowing out as foreign investors have not placed their earnings back into the Malaysian economy, repatriating them instead.
- Investors have lingering uncertainties stemming from backtracking in government policies. Uncertainties over the timing of transition of the Prime Minister's post, which will likely lead to a Cabinet reshuffle, also factor in to such uncertainties. Clarity should be provided on when a transition, if at all, will take place.
- The federal government must be clear on its policies and exercise stronger political will to see through manifesto promises made in the 14th Malaysian General Election. Deliverables can be mapped out through the implementation of KPIs for each Ministry. The government must place importance on institutional and political reform, such as the establishment of the IPCMC.
- The Shared Prosperity Vision (SPV) 2030 must include the role of the GLCs. Affirmative action policies in the SPV should be needs-based, learning lessons from failures of previous policies.
- Quality education through education reform is needed to improve social mobility.
- The private sector requires government stimulus to the primary sector, such as continuing the MM2H programme to spur growth in the real estate sector. This can be encouraged by easing the rate of approvals.
- Full commercial operations of 5G would propel Malaysia forward. For businesses to be compliant with IR.40, assistance is required in digitisation process via the training of skilled-labourers and the implantation of digital platforms, especially among SMEs.

PROCEEDINGS REPORT

Kingsley Strategic Institute for Asia Pacific

THE 2020 MALAYSIA ECONOMIC AND STRATEGIC OUTLOOK FORUM

Agenda 2020 – Where Do We Go From Here?

21st January 2020 | Hotel Istana Kuala Lumpur

WELCOME REMARKS

Tan Sri Michael Yeoh, President, Kingsley Strategic Institute for Asia Pacific (KSI)

By May 2020, it would be two years since the 14th Malaysian General Election and the formation of the Pakatan Harapan government. A new government calls for new challenges and new solutions which are required to successfully develop the nation.

Year 2020 can be characterised by some analyst as the year of living dangerously as it is the period of the best and the worst of times. Therefore, it is necessary to develop effective solutions to take Malaysia forward.

Malaysians live in a 'VUCA' world, one that is Vulnerable, Uncertain, Complex, and Ambiguous. Living in a VUCA world has major impacts on society, government and the business community. To strive in a business world, it is important that efforts are made to continuously scan the environment to improve business planning and to make well informed decisions.

It is believed that Malaysia is facing the 5C challenges; cost of living, climate action, cyber future, community relations and lastly, credible, consistent and clear policy formulation. In order to overcome these challenges, there is a need for Malaysia to address the 3Ps; productivity, performance and people transformation. A vital way of addressing the 3Ps is through enhancing Malaysia's public transport system as it will ultimately enhance the nation's competitiveness.

INTRODUCTORY REMARKS

Datuk Tan Cheng Kiat, President, Malaysian International Chamber of Commerce and Industry (MICCI)

The result of the 2020 Kimanis by-election has demonstrated the sentiments of Malaysians of whom are dissatisfied with the new Pakatan Harapan government. Nonetheless, the downtrend of the global economy has played a considerable role in Malaysia's current economic situation, resulting in the nation's dissatisfaction and concerns.

In entering unchartered territory, there is a need to be optimistic in order to prevail and bring Malaysia forward. Therefore, in a challenging and rapidly changing environment, it is necessary to cultivate a new mindset to adapt to new changes. Malaysians must step outside of their comfort zone, be bold, and creative in coming together to solve key issues.

Through Malaysia's resources and natural advantages, together with the right thinking and appropriate changes to policies, Malaysia can develop to become a nation that is both conducive and competitive.

OPENING KEYNOTE ADDRESS:

Improving Public Transport in Malaysia

YB Dato' Kamarudin Jaffar, Deputy Minister of Transport, Ministry of Transport Malaysia

Transport is undoubtedly among the critical enablers of Malaysia's socioeconomic development. An effective transportation infrastructure allows a seamless flow of people, goods and services. To ensure the efficiency of Malaysia's transportation system, Prime Minister Tun Dr. Mahathir Mohamad launched the National Transport Policy (NTP) 2019-2030 in October 2019 which will have direct effects on Malaysia's trade and economic growth.

Current and ongoing improvements to Malaysia's transport system can be seen through a number of large-scale public transport projects in Klang Valley. One example is the Sungai Buloh-Serdang-Putrajaya MRT line which construction is expected to be completed by 2022 that will provide services from Sungai Buloh to Putrajaya through Kuala Lumpur. In addition, the LRT3 project which completion is expected by 2024, seeks to improve travel efficiency and reduce traffic congestion from Bandar Utama and Klang towards Kuala Lumpur. These projects seek to benefit the region's productivity and economic growth while increasing the use of public transportation in the Klang Valley.

Also, the East Coast Rail Link (ECRL) project is expected to be completed by December 2026 with a re-alignment of routes that will cover cities in Selangor, Putrajaya, Negeri Sembilan, Pahang, Terengganu and Kelantan. The East Coast States have a great economic potential, but are facing setback due to limited access to transportation infrastructure, particularly rail infrastructure. ECRL is not only a catalyst for growth for the East Coast States, but it will also help to further boost Malaysia's economy as a whole because of its spill-over effects on various sectors.

In order to accelerate the modal shift from private vehicle to public transport, the government has introduced incentives such as unlimited monthly passes and discounts for rail and bus services. As connectivity in urban areas have been a priority, three new routes for GoKL's free bus service were introduced in 2019 to improve the coverage of public transport service areas. The federal government together with state governments are continuously studying the expansion of public transport coverage in other states to improve Malaysia's public transport system.

Even with the efforts taken by the government to increase the use of public transport, the 'first-mile, last-mile connectivity' is a paramount issue in Malaysia's transportation system. Digitalisation and new technologies could emerge as a solution to this issue. For example, e-hailing is the first step in finding a solution to the 'first-mile, last-mile connectivity' problem, more specifically the bike-hailing pilot project to which its feasibility and cultural fit will be evaluated during a trial period may prove to be a solution to this issue. Furthermore, in line with the spirit of the Shared Prosperity Vision 2030 in the context of public transport, the government is ensuring the equality and balance of the transport industry, particularly between various public transport service operators. Some efforts have been made to ensure a levelled playing field while creating healthy competition within the taxi and e-hailing industry.

As railway services in Malaysia are considered underutilised, the government currently has their focus on improving railway networks and services and increasing capacity for freight transportation. There are aims to encourage the business community to reduce the transportation of goods on the roads, as it could help ease congestion and reduce accidents involving heavy vehicles. Moreover, utilising rail

services can also help reduce carbon emissions, keeping abreast with the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

Though an efficient public transport system is a catalyst for sustainable growth, the business community must also play its major role in facilitating the nation's development. It is important that serious considerations are made to encourage business operations to spread across other states and cities. This will ensure fair and equitable distribution through the creation of new jobs. Among other aspects, the government also seeks to enhance safety levels, ensure affordability, improve connectivity, and integrate services through digitalisation and increasing women's leadership representation in the transportation sector. This includes carrying out regular accessibility audits on transportation facilities in order to improve public transport infrastructures.

Having a well-connected public transport system will improve the country's image, especially towards foreign tourists who visit Malaysia. While the government is responsible for ensuring the quality of Malaysia's transportation system, users must be educated on appreciating these facilities, using them responsibly and adhering to its etiquette.

MALAYSIA'S ECONOMIC CHALLENGES AND OUTLOOK

Strengthening the Economy: Structural Reforms, Poverty Alleviation and Shared Prosperity: Where Do We Go from Here

Moderator:
Dr. Oh Ei Sun, Partner, Senturia Capital Sdn Bhd

Speakers:
Mr Manokaran Mottain, Chief Economist, Alliance Bank Malaysia Bhd

In these challenging times, Malaysia has yet to recover from difficult situations. The World Bank has revised its global growth forecast for 2020 from 2.7 to 2.5 percent. However, emerging economies are still engines of growth, with projected growth at 4.1 percent.

The world is facing several global issues. In conjunction with the US-China trade deal, the first tranche of USD120 billion tariff on China has been removed. However, Chinese products worth USD250 billion were excluded. Yet, as a result this deal could still lead to the recovery of international trade and investment. However, this will have negative implications for Malaysia as it will be adversely affected by China's soybean imports worth USD12 billion from the United States (US), instead of Malaysia.

Increased crude oil price has turned favourable for Malaysia as prices have escalated to USD70 per barrel compared to Malaysia's budgeted price of USD62 per barrel in terms of revenue. However, increases in oil prices has its pros and cons as every dollar of increase will lead to increased government revenue, but at the same time, without a floating of the oil prices the government has to incur more cost in subsidies.

Even though Malaysia is the top palm oil exporter to India with 310,000 tonnes of exports, in September 2019 it has declined to 139,000 tonnes. Indonesia has taken this opportunity to step in as a competitor, making up the remaining 171,000 tonnes. Such developments have delayed Malaysia's recovery process and caused a loss in market share in palm oil.

Private consumption has contributed to 60 percent of Malaysia's gross domestic product (GDP). Despite the government's effort in promoting consumptions, sluggish flows of foreign direct investments (FDI) and restricted palm oil imports have obstructed Malaysia's path towards a strengthened economy. Foreign companies are also repatriating their profits instead of recirculating their investments back in

the Malaysian system. This will have direct effects on Malaysia's manufacturing sector which is shrinking.

A positive note is that Malaysia is experiencing a low inflation rate of less than 1 percent growth, which might increase to 2 percent in 2020 depending on rapid floating of RON95 and diesel. Overall, the price factor is advantageous to Malaysia's private consumption. GDP growth in 2020 is expected to be a decent 4.5 percent.

Mr Shan Saeed, Chief Economist, IQI Global

Macroeconomics stability will drive Malaysia's growth story with an expected GDP growth between 4.5 to 4.9 percent. There will be greater political consistency and economic confidence. In the last decade, 'fair' and 'confidence' significantly emerge as non-economic factors in the global macro-equation.

The Ringgit's value will remain between MYR3.97 to MYR4.30 per USD due to the upcoming US elections and reduced interest rates that has caused American corporates to withhold USD2.7 trillion from the US. Also due to the US elections, President Trump wants the Federal Reserve to keep interest rates low. A similar move was undertaken by President Nixon in the 1970s and President Reagan in the 1980s. It is likely that Trump will return for a second Presidential term.

The Chinese Yuan has appreciated by 1.2 percent causing imports to become more costly at the expense of US consumers, reducing both their purchasing power and living standards. This is part of the Chinse government's strategy to hurt American consumers. Rising prices and the eventual rise of interest rates will cause the US economy to go into subpar growth. Such strategies were identified 30 years ago by Milton Friedman in his book, *Money Mischief*, where he described how the Federal Reserve creates inflation. Subsequently, the Yuan will be used by many emerging economies because of the Belt and Road Initiative (BRI), particularly by countries like Malaysia, Pakistan, and Sri Lanka, which will be used extensively for this initiative.

Infrastructure has a direct correlation with GDP growth. The Malaysian government realises this and has been focusing on technology to spur growth in the next 5 to 10 years. In turn, economies with tech-savvy labour, particularly in 5G and Artificial Intelligence (AI), are in high demand. There would be an estimated 1.2 billion 5G users by the year 2025 with one-third coming from China. In 2017, the AI market was worth USD60 billion, but in 2025 it will be worth USD190 billion.

Geopolitical risk makes a huge impact on oil, which are expected to be in the price range of USD62 to USD90 per barrel. While expecting a 4.5 to 4.9 percent GDP growth, infrastructure investment will be essential to sustain such rates of growth. There will be much momentum and spurred growth, granting the country remains significant to the BRI. The discount rate for 2020 would be around 2.5 to 3 percent while massive investment grows closer.

Prof. Dr Edmund Terence Gomez, Faculty of Economics and Administration, University of Malaya

The goals of SPV 2030 is reminiscent of the New Economic Policy (NEP), an affirmative action plan lasting 20 years introduced in 1970 which targeted the Bumiputeras. However, Pakatan Harapan's manifesto states that it will no longer have race-based policies and instead be needs-based.

However, sentiments made by several key figures have not reflected this aim. On 1st September 2018, a Bumiputera Congress was organised where the Economic Advisor, Tun Daim Zainuddin, said that Bumiputera policies will remain and that the government will "get it right" this time. However, the SPV does not describe plans on how it will do so. Furthermore, the Minister of Economic Affairs, YB Azmin Ali, who was responsible for the SPVs, further affirmed that Bumiputera policies will be maintained. YB

Anwar Ibrahim then reminded Azmin of the PH manifesto's promises of removing race-based policies. This is a potential source of conflict as the Prime Minister in waiting holds a different view from that of the current government's in terms of its policy directions.

Government-linked companies (GLCs) require as much attention as the small and medium-sized enterprises (SMEs). Despite the latter constituting 98 percent of the corporate sector, GLCs deserve mention in the SPV especially when eight of the top ten businesses in Malaysia are GLCs. China's significant presence in the Malaysian economy was also not discussed in the SPV.

Despite the implementation of the Bumiputera policy for many years, out of the top 50 businesses in Malaysia, only one has Bumiputera majority equity ownership. This indicates that the policy has failed. Government figures reveal that corporate sector equity ownership in 1970 by Bumiputeras stood at 2.4 percent. By 1990, this has increased to 20 percent. Despite the implementation of the NEP, non-Bumiputera ownership increased from 34.3 percent in 1970 to 46.8 percent in 1990. In 2015, equity ownership for Bumiputeras and non-Bumiputeras dropped to 16.2 percent and 30.7 percent respectively, while foreign ownership stood at 45.3 percent. In 1970, much attention was dedicated to educating the Bumiputeras which created a new Bumiputera middle-class, a success story of the NEP.

Lessons must be learned from the NEP. A duration must be determined, with a time limit in place for affirmative action policies. These rent from land redistribution policies (such as FELDA) were meant to be a source of income for the poor. Yet, this is not going to the people who matter. Despite the implementation of the NEP, the poorest states in Malaysia are Bumiputera majority states; Kelantan, Sabah, Perlis, Terengganu, and Kedah. This requires policy agendas to be relooked. Quality education through education reform is needed. Affirmative actions in business has proven ineffective, yet, such policies have been maintained.

The government has acknowledged these issues, but yet have failed to underline the corresponding solutions. Malaysia needs actual and concrete public policies that are not race-based to progress. Neglecting these lessons, the 12th Malaysia Plan (12MP) invites dire outcomes. Greater debate on these issues is necessary to take the country forward.

Prof. Datuk Norma Mansor, President, Malaysian Economic Association

It is not possible to delink Malaysia from the external factors happening across the globe. Structural reform (i.e. social protection and wellbeing) touches on social, economic and public policy, that requires consideration. Human capital is the key to move forward. With the right education, Malaysia can be empowered to innovate while lots of fund can be contributed to the right ecosystem.

Continuing support and engagement towards Industry 4.0 provides a platform that embodies efficiency, and in turn, boosts productivity. When choice is no longer an option, productivity, influenced by employers or business, would then innovate and upgrade technology. Incentivising and adopting technology in controlling the supply of foreign labour are significant for a strengthened economy. 5G signals major opportunities and various platforms in the business, which enables individuals and entrepreneurs to have more affordable options moving forward. Businesses can obtain credits and capital for investments.

Uncertainties on the current political direction or leadership situation are concerning. Despite leaders or parties changing, policies have always been pro-business. The quicker the leadership issue is resolved, the quicker the uncertainties among the business communities end. Evidence showed the

people's disagreements in economic segregation. Human dignity or stigmatisation of related procedures should be covered for the benefit of public and social policies.

Social protection is a prerequisite to inclusive growth due to its nature in tackling labour market issues. It enables people to feel protected even if they take risks in their jobs and lives. Social cohesion gives opportunities to those who are less fortunate enough or lack the right skills and capacity to take part in a productive economy.

Q&A

Mr Zarith Bin Kapt (B) M Hanipah asked if the current government can be pressured to be transparent and release more data on the current levels of equity ownership.

Dato' Halimah Mohd Said, PCORE asked Prof Terence Gomez what would be his two suggestions for reform that can bring about drastic change in the mindset of the Bumiputera technocrats and planners who are meant to introduce policies that bring about the best outcomes for all Malaysians.

Prof. Dr Edmund Terence Gomez explained that the government's hesitance in providing data that is accurate, accessible and updated on market value has hindered research and proper analysis. Despite the change in government, data transparency is still a challenge.

The previous and current government have continued to come up with policies which are focused on the Bumiputera agenda. It is time to move on from policies that are based on racialised matters. In 2009, former Prime Minister Najib was embarking towards removing affirmative action policies at the advice of the corporate sector. This resulted in a backlash from groups like Perkasa, causing him to backtrack. In 2013 when Najib lost the popular vote in Peninsula Malaysia, he went on to introduce the Bumiputera Economic Empowerment Policy, which targeted the Bumiputeras. When the Barisan Nasional government fell, the new government's manifesto was clear that it is to do away with race-based policies. Therefore, strong emphasis on needs-based policies is recommended.

With prevailing race-based affirmative action policies, academics are compelled to respond to the actions of the government. Public intellectuals must continue scrutinising the SPV as it is important for the formulation of needs-based policies to address regional inequalities. Improving human capital through education reform and introducing the right education policy are the right steps towards shared prosperity.

Wealth inequalities is also another issue: returning major assets to the rich does not justify good policy planning. Divestment policies are also a cause for concern. The linkages between GLCs and SMEs should be identified. Reform should then fall on making GLCs major contributors to the economy and exploring the entrepreneur capacity among the SMEs.

TWO YEARS POST GE14

What Next? What to Expect? Where Do We Go from Here? The PH Government - Aspirations and Reality; The UMNO-PAS Declaration - Impact on Malaysian Politics

Moderator:

Datuk Dr. Denison Jayasooria, Head of APPGM-SDG Secretariat and Co-chair, Malaysian CSO SDG Alliance & Former Professor of Public Advocacy, KITA-UKM

Speakers:

YB Maria Chin Abdullah, Member of Parliament for Petaling Jaya / Former Chairman, BERSIH

It has been agreed by many that economic progress is very important, and that issues of poverty must be resolved through a needs-based approach when formulating policies. Even if Malaysia experiences economic growth, it is important to resolve tensions caused by existing racial and extremist politics that exists in Malaysia.

When the Pakatan Harapan government was formed, it made many desirable commitments through its manifesto. 2020 is the year the government must see these promises through. For example, the government intended to introduce the National Harmony and Reconciliation Bill which was purposed to tackle racial hatred, but it never saw through. Therefore, the government must not backtrack due to the pressure of pleasing all races, but follow through with its aspirations.

It is a reality that issues of racial hatred and racial segregation have made it difficult for the government to see through intended goals. Every issue that has been brought up by the government is spun into a race issue and this has evidently halted the economic, social and political progress of the country. Therefore, it is necessary to set a narrative hinging upon unity and harmony among all races.

The SPV 2030 appears to be positive, but efforts must be made to ensure that governing policies are not race-based, but needs-based. Firstly, a move away from the divide between Bumiputera and non-Bumiputera policies must be realised. Policies must be based on who needs the most support and how wealth can be distributed in a fair and just manner.

It has been recognised that social protection has a major impact on society. Therefore, the government has introduced a number of schemes to help in areas of transport, health and income. However, it is questionable if such initiatives have reached the parts of society that need it. Proper enforcement and implementation are required to see these policies through. It takes honesty, boldness and transparency to criticise oneself, and it is time the government recognises that excellent schemes, policies and laws are futile if they are not fulfilling its purpose by reaching those in need of protection.

In order to rebuild and bring Malaysia forward, the government must place importance on institutional and political reform, which is one of the Pakatan Harapan's manifesto promises. It is crucial that an accountable system is built with resilience, placing importance on transparency and anti-corruption. Hence, even when the government changes over time, an accountable system of transparency prevails.

Rising racial tensions were evident when the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) was ratified, which was followed by rampant protest, ultimately resulting in the backtracking of ICERD due to escalating racial tension. In such times the government must be firm in its direction and be able to translate reason to the public as to the purpose and significance of the ICERD Treaty.

In addition, the government's intention to set up the Independent Police Complaints and Misconduct Commission (IPCMC) has resulted in an unpleasant uproar and accusations of racial biasness. However, to bring Malaysia forward, there needs to be a shift in mindset and a change of attitude towards these reforms, being optimistic that the IPCMC may strengthen the Malaysian police force and look into the welfare of police officers.

There is no doubt that communication between political leaders and the people under its governance must be clear and well understood. In Malaysia however, there seems to be a barrier in making sound analysis and sending the right message across due to poor communication and lack of available data. Sufficient and relevant data is required to set up policies that will drive Malaysia to the right direction.

YB Dato' Sri Hajah Nancy Shukri, Member of Parliament for Batang Sadong, Deputy Wanita Head, PBB Sarawak

To see growth in the Malaysian economy requires good policies to address the issues being raised. To do this in a way that satisfies all groups of people, it is crucial to focus on unity. Unity is important regardless of the implementation of good policies, as religious and racial harmony ensures Malaysia's growth and development as a multi-racial and multi-religious nation.

Nevertheless, Malaysia appears to be stuck in a whirlwind of hate speeches and fake news filled with worsening racial relations to which both sides of the political divide are responsible. It must first be accepted that racial hatred is currently taking place in Malaysia and proper leadership is required to lead the Malaysian people forward. The role of a leader is to take care of the people whom he or she is in charge of, not to take charge. Therefore, it is important for Malaysia to have the position of a Minister of Unity. It appears that news has continuously spread, but nobody is taking leadership nor action to heal the consequences of racial hatred.

A major issue that must be resolved is the continuous lashing out and finger pointing. The government must be strong in seeing through its political promises and aspirations. When news that should not be news at all takes the headlines, it is important for the government to avoid losing its focus and instead be reminded of uniting the Malaysian people.

Unity is the key to solving Malaysia's current economic and political uncertainties, not only through speaking about unity but actively taking steps to unite the different races among Malaysians. What Malaysia needs most are ethnic bridge builders instead of ethnic heroes to neutralise the growing politics of hatred, racial polarisation, and racial exclusiveness.

YB Senator Dato' Sri Ti Lian Ker, Vice President, Malaysian Chinese Association (MCA)

When the new Pakatan government was formed in May 2018, confidence in the government was at its highest. However, such confidence did not last long as Malaysians have been disappointed by the failure of the government to keep to its political promises. The Pakatan government's political promises include, among others, strong commitments to repeal draconian legislations, reform public institutions and rectify human rights. Malaysians are further disappointed by stagnant wages, rising unemployment, and poor economy trends.

In addition, the SPV 2030 introduced in 2019 seeks to focus on income disparity. While it has a noble concept, it did nothing to eliminate race-based policies. The emphasis of increasing the income of all ethnic groups as well as restructuring is focused on the Bumiputeras. Therefore, it appears that the

government is reinventing the NEP and renaming it the SPV 2030. These are old policies that the previous government was heavily criticised for.

The Pakatan government has blamed the implementation of the Government Service Tax (GST) for the rising cost of living and thus reverted to the Sale and Service Tax (SST). This was a mistake as the SST proved to be an inferior tax mechanism.

Among crucial problems which have yet yielded effective solutions are the rising cost of living, failure to create more jobs, job instability, and wage stagnation. There needs to be a solution to rapidly increase economic activity. The government's decision to encourage companies to implement the minimum wage in 2020 was carried out at an inappropriate time as companies have suffered from sluggish economic performance during this time which may have resulted in the need to lay off employees or increase prices of their products or services. Therefore, when the government makes a decision, a detailed plan for a smooth transition must be made.

Many Malaysians are concerned with the UMNO-PAS declaration, yet the only solution is to engage with the extreme to bring about moderation. Therefore, engagement irrespective of race or political parties is fundamental in creating a more inclusive environment and bridging development gaps in Malaysia.

Mr Tian Chua, Vice President, Parti Keadilan Rakyat / Chairman, Malaysian Productivity Corporation

Various reasons have contributed to the formation of the current Pakatan government in May 2018. Since then, most Malaysians had one hope in mind - for change to happen. However, the current government has been in office for almost two years and expectations of the public have not been met.

Scrutiny of the GE14 results would reveal that one should not expect major changes beside the dismantling of the previous government and the formation of the current government. Since independence, it is a fact that the centre of political power has always been in the West Coast of Peninsula Malaysia while the East Coast continuously faces discomfort of this phenomenon. Furthermore, change occurred in the Borneo states where the value of autonomy is placed before the whole national ethos, culminating in Sabah and Sarawak being led by local parties. Such sentiment has been the case since independence. The failure to see change in the Peninsula Malaysia is largely owed to the public that has been too vocal, especially through social media, and not paying much attention to the changes in the Borneo states where autonomy is appreciated.

Therefore, the key root to feelings of increased racial polarisation is largely due to the increase in the public's freedom of speech. Hence, more noise, disagreements, arguments and debate are expected among the Malaysian people as public uproar now comes with very little risk. Until Malaysians start recognising their differences, reconciling them and finding new consensus, there will be more feelings of racial segregation.

Among issues many Malaysians are disappointed with are the lack of change in the intended abolishment of the death penalty, implementation of ICERD and the setting up of the IPCMC. A major reason resulting in the failure to bring about change is due to the lack of strong political will as the

federal government currently lacks sufficient power to force through the voices of the people rejecting the implementation of these laws and policies. For these reasons, Malaysians must reconcile their differences through engagement. It is a reality that different political parties have different values and the only way to reconcile is inevitably through engagement. This must be accepted as part of the Malaysian political landscape.

In order to move Malaysia forward, there is a need for the current government to fulfil their mandate of all they have promised the people. On a positive note, through freedom of speech and despite public uproar over issues like ICERD and IPCMC, such matters would never have been considered by the previous government, but has come to light with the current government in office.

There will continue to be blurred lines between the opposition, the federal government and state governments - such is the reality of democracy. For this reason, all Malaysians have a responsibility of governance and the responsibility to be critical. In order to see change, the government must be more consultative as reforms need consensus. There must be new alignment and consensus which must be oriented to the policies of nation building. Lastly, expectations should not be placed for change to institutionalise in such a short amount of time but small steps can be taken to build a stable and harmonious nation through continuous enlightenment and strong guardians of democracy.

Mr Jamari Mohtar, Director of Media & Communications, EMIR Research (M) Sdn Bhd

There are four major issues that the current Pakatan Harapan government must start grappling with. Firstly, the issue of succession of the Prime Minister's post as uncertainties over succession has caused instabilities to the Malaysian economy. The lacklustre performance of Malaysia's stock exchange and the devastation of the Ringgit throughout 2019 has caused foreign investors and fund managers to adopt a 'wait and see' attitude before investing in Malaysia.

Therefore, there is utmost urgency to resolve these uncertainties before Malaysia can see economic growth. It is difficult to anticipate the outcome of the succession issue due to the strong personalities involved. There are three possibilities. Firstly, a transition of Prime Ministership will take place in May 2020. Secondly, the succession could take place in December 2020. Thirdly, Tun Mahathir could carry on as Prime Minister until GE15. So long as any one of these scenarios take place with complete mutual agreement by both parties, there will be no uncertainty nor instability. However, the outcome of this succession must be made known as soon as possible to rapidly improve Malaysia's economy.

The next issue are matters of "Perut Ekonomi" (Stomach Economy) that have kept Malaysians worried and have become a direct cause of Malaysians dissatisfaction towards the Pakatan government. A study conducted by EMIR Research found that five key solutions to this problem to be; (i) mitigating the cost of living, (ii) enhancing the standard of living, (iii) creating credible jobs, (iv) ensuring affordable homes, and (v) enabling affordable healthcare. Should there be efforts to bring about these solutions, the Government Satisfaction Index (GSI) would be in favour of the Pakatan Harapan government. These issues have contributed to Malaysia's National Worry Index (GWI) of 0.77, which denotes a worried people. These five issues can be addressed if the government can focus its attention vigorously on fulfilling its manifesto promises made in GE14.

The third issue relates to the fulfilment of the manifesto. The slow pace of manifesto fulfilment has contributed towards the GSI of 0.53 which denotes an average satisfaction towards the government. The GSI is used as a measure of the country's stability and ultimately, the country's growth and development. The government should map out deliverables for each Ministry through KPIs. Though

policies and key performance indicators (KPIs) take time to bear results, it should be implemented as soon as possible as the next general elections take place in three years.

The final issue is the SPV 2030, which is meant to address underlying structural and macroeconomic imbalances that have inhibited the performance of the Malaysian economy. In the area of agriculture, despite the increase in demand for produce, there has been failure to increase local supply to meet such demand. This is caused by underlying structural and macroeconomic imbalances which must be addressed by the SPVs. The SPV must also work towards increasing the employers share of GDP from 36 to 48 percent. This requires Malaysia to shed its reliance on commodities and employ the use of technology. However, high technological solutions have only been adopted by 37 percent of the manufacturing sector and 20 percent of the services sector.

Q&A

Ms Adriana Abu, National House Buyers Association of Malaysia gave three suggestions in regard to policies. Firstly, the focus should be to improve Malaysia for the benefit of Malaysian citizens, rather than focus on profit making and attracting foreign investors. Secondly, clear and direct policies must be laid down instead of having policies which are open-ended as such ambiguity affects the nation's stability. Thirdly, stakeholder and public engagement should be done in such a way that enables suggestions to come from those who have been impacted.

YB Dato' Sri Hajah Nancy Shukri in addressing policies, she said that the considerations of it being inclusive and needs-based are crucial. For example, taking into account the B40 and determining solutions in combating the housing problems. In Sarawak, a unit called Unit Hal Ehwal Agama-Agama Lain (UNIFOR) has been established which seeks to ensure that other religions do not feel excluded. This is one of the ways reform is structured to ensure efficient policy making and that policies are followed through.

Mr Qarrem Kassim, Institute of Strategic Analysis & Policy Research (INSAP) directed a question to YB Senator Dato' Sri Ti Lian Ker regarding the Malaysian Chinese Association's (MCA) corporation with the Malaysian Islamic Party (PAS). He asked why corporation between an Islamic party and a Chinese-dominated party was heavily criticised in recent time but supported previously during GE13.

Mr Zarith Bin Kapt (B) M Hanipah also directed a question to YB Senator Dato' Sri Ti, asking if MCA is willing to work with the Taliban or ISIS in order to survive and thrive in the political scene in Malaysia. Zairth also asked YB Maria what is being done to bring about the IPCMC and pointed out the lack of anyone speaking against the extent of corruption within the police force.

YB Senator Dato' Sri Ti Lian Ker in addressing Qarrem's question, mentioned that the primary goal is about the political narrative, trust and building confidence. MCA believes in Democratic Action Party's (DAP) political narrative and MCA has consistently warned against empowering PAS. Even though MCA is aware of PAS' political culture and values, it does not mean that all PAS leaders are extremists. Similarly, there were a number of extremists in United Malays National Organisation (UMNO), that are currently in Malaysian United Indigenous Party (BERSATU). Therefore, awareness is key in order to know how to engage and to what extent engagement is required. It must be understood that PAS is emerging as a strong political party and the Islamic political sentiment is becoming stronger. Thus, engagement is part and parcel of educating the whole nation, not only focusing on one part of it.

YB Maria Chin Abdullah explained that the idea of setting up the IPCMC was conceived under Abdullah Badawi and was fully supported by the Bar Council with the purpose of getting rid of the abuse of powers and to setting up a system to professionally manage the police force. It is a comprehensive approach to how the Royal Malaysian Police (PDRM) can be strengthened. However, there were many objections when it was first introduced in Parliament. Currently, it is being reviewed by the Select Committee and it will be brought back to Parliament. The IPCMC is meant to bring about reform to the

PDRM, therefore irrespective of death in custody and police brutality, welfare of the police and law enforcement personnel will also be considered. A big sum of 2020's budget has been allocated to review the welfare of the police. The only worry is that the IPCMC may not even be realised in the current term due to its appearance of being a race issue or being anti-police. Hence, public support is very important in seeing the IPCMC follow through.

Ms Chloe Teoh, INSAP directed a question to Mr Tian Chua in regards to ICERD. As a young voter, she welcomes freedom of expression and believes that moderation and stability should be practiced in difficult situations. However, the acceding from ICERD does not match with the sentiment of the freedom of expression. How does the government plan to move forward and does the government have a new plan that protects all voices while at the same time prevent hate speeches from festering?

Mr Tian Chua in addressing moderation mentioned that with the Pakatan government in office, the fear of consequence if people send out fake news is no longer present as the Anti-Fake News law has been abolished, which is something Malaysians have to live with. As much as it is ideal for people to stop sending fake news, it would not cease. Therefore, the guardians of fake news must ultimately come from the public who must take responsibility over their actions. In terms of policy, inclusiveness takes time which gives room for criticism of efficiency. Currently, the government is trying to push for GRP (Goods Regulation Practice) to ensure that policy changes must take account of all stakeholder input which requires more discussion and as a result is a slower process. This is part of institutionalising the future of democracy.

Mr Jamari Mohtar pointed out that policies must not only be inclusive but also actionable, which means that policies must be data-based and evidence-driven. When policies are empirically proven, it would be easier to follow through as the evidence would be grounded on the experiences of the people.

Datuk Dr. Denison Jayasooria concluded the session by emphasising the need for strong political leadership and political will. It is the will of the people that must be made a priority. There is talk from civil society groups expressing intent on taking to the streets if promised reforms do not materialise.

SPECIAL LUNCHEON ADDRESS

Enhancing Competition and Protecting Consumers — The Way Forward

Welcome Remarks

Datuk Seri Mohamed Iqbal Rawther, Chairman, Economic Club of Kuala Lumpur

Compared to its past history, lately, Malaysia has been progressive in its economic achievement. Even so, unfavourable quagmires have developed due to misdirections and misjudgements. In response, industry leaders are seeking means of spurring and boosting the economy. In terms of domestic trade, a consumption-driven economic performance may be able to kickstart the economy in some ways.

Luncheon Keynote Address

YB Datuk Seri Saifuddin Nasution bin Ismail, Minister of Domestic Trade and Consumer Affairs

Building a sustainable and robust domestic economy, while ensuring that consumer rights are protected and cost of living remains reasonable, is of utmost importance. However, new digital technologies have created new jobs and industries which are unheard of a mere few years ago. This implies that there are a multitude of emerging challenges in the market that will eventually affect the cost of living and the most vulnerable group to these changes are the consumers. In response, the government has persistently taken actions to alleviate the cost of living of the rakyat (people). To date, more than 14 laws have been undertaken to protect consumers.

As consumers are price sensitive, prices of goods and services will remain an issue. This is why the government has laws such as the Price Control and Anti-Profiteering Act 2011 that allows the government to handle the issues of sellers who take excessive profits on goods and services. Even so, that is insufficient. In the 21st edition of the World Bank's Malaysia Economic Monitor, it was highlighted that administrative price controls are relatively blunt instruments and there is a need to focus on promoting market competition in the long-run. It is therefore unsurprising that the government in the late 2000s started to realise that competition law and policies are required to complement government policies in tackling consumer issues more holistically.

In healthy competitive situations, the drive of maximising profitability and aggressive promotions on products can spur innovation. On the other hand, it can also lead to collusions to avoid price war and anticompetitive behaviour that hinders innovation and create harmful monopolies. Promoting competition ends anti-competitive agreements (i.e. cartels) by unscrupulous groups of business entities colluding to undermine the market, and prevents abuse of monopoly power to protecting consumer interests. The Malaysia Competition Commission (MyCC) enforces competition through public awareness and issues decisions against cartels as the latter restricts competition. When dealing with tenders, procurements ought to exercise prudence so that the government, as consumers, do not incur losses. With transparent procurement process comes fair competition.

Competition law creates a level playing field for all. Yet, the stigmatic possibility of competition law as a regulatory restriction should not be left aside. In response to recent international mergers, the Competition Act 2010 is being amended to include provisions for mergers and acquisitions. With this revamp, merger transactions resulting in harmful cartel effects to the market can be reviewed. Another ongoing initiative undertaken by the government is to set up a Monopoly Review Committee.

MyCC will continue to monitor market developments with careful attention to ensure consumers are fairly treated and offered fair prices. Promoting competition is the best way forward to encourage robust economic development and protect consumer interest. It is a crucial element of the policy mix that can boost Malaysia's growth and bring it up to speed with the rest of the world.

KEY OUTLOOK FOR STRATEGIC ECONOMIC SECTORS - CHALLENGES, PROSPECTS, ISSUES

Moderator:
Tan Sri Rainer Althoff, Exco Member, Economic Club Kuala Lumpur / Former President, Siemens Malaysia

Malaysia has a well-developed infrastructure system. Apart from nation-building, there should be a focus on developing the country's comparative advantage and how it portrays itself to the rest of the world.

Speakers:

Real Estate Sector

Sr. Michael Geh, President, Federation Internationale des Administrateurs de Bien-Conseils Immobiliers (FIABCI) Malaysia

The world is in the state of VUCA that has created an environment that requires stakeholders to adapt. There are five challenges faced by the real estate sector, namely (i) population, (ii) affordability, (iii) loan rejection, (iv) residential overhang, and (v) oversupply in the office and shopping mall or retail space.

Malaysia has a relatively low population density of 98/km^2 (persons per square kilometre), which is on par with Brunei, Cambodia, and Myanmar, all being categorised as less than 100/km^2. Singapore has a population density of 7,723/km^2, followed by the Philippines 356/km^2, Vietnam 288/km^2, Indonesia 139/km^2 and Thailand 132/km^2. In ASEAN, Laos has the lowest population density, 30/km^2. In terms of demographics, Malaysia is a gender balanced population. However, 40 percent of Malaysians today are between the ages of 15 to 35 years old, with a median age of 29 years old. The Greater Klang Valley has a population size of 8 million people, whereas Manila, Jakarta and Hanoi have a population size of 12.8, 10.8 and 8 million, respectively.

There are doubts of affordability for a 29-year-old in the Malaysian real estate sector. Based on a study by Khazanah, affordability in urban and rural Malaysia is distinct - levels of affordability in Perlis, Terengganu and Kedah is MYR130,00, and MYR250,000 for the urban states. Overall, financing has been the main factor for unsold property prices, not high property prices. However, despite having more to lend, demand for loans has been relatively weak. This has resulted in numerous statements and lobbying by stakeholders on principle matters of the economy. The 2019 Home Ownership Campaign (HOC) by the housing and finance ministries increased the performance of transacted amounts, which reached its highest amount of transactions in the past four years.

In regard to the oversupply of shopping mall or retail space sector, there is an ongoing struggle between online and offline operations. Nonetheless, the tangible experience of smell, taste and feel cannot be

replicated by online shopping, thus still making the brick-and-mortar business still relevant to consumers to this day. However, the sector needs to evolve accordingly to its specific niche. In the office sector, there is a greater need for the government to engage professionals and the people on the ground to increase the demand for offices. One must consider as to why global hubs are sprouting up in Singapore rather than Malaysia, despite commodity prices being more affordable by one-third. The private sector alone will be unable to stimulate growth, thus requiring greater assistance from the government.

High household debt poses a strong challenge for Malaysia. A 35-year-old, which is the mean age of the population in Malaysia, faces limitation in income and loan application. Furthermore, there is a mismatch of residential property supply and demand as most of these properties are built in rather undesirable location. Prices of MYR4300,000 have been classified as 'affordable housing', but is unaffordable in many parts of rural Malaysia such as Perlis, Terengganu and Kelantan. These housing has contributed to unsold stock by some PR1MA and private developers.

On the prospects of the real estate sector, the VUCA global environment, for instance the unrest Hong Kong, has created economic gains in Malaysia's property market. Peace and harmony, as opposed to unrest and violence, is what such consumers seek. Such qualities are found in Malaysia and should be cherished. Positive government intervention through the Malaysia My Second Home (MM2H) has been a soft stimulus that has boosted the residential market in 2019. MM2H has reportedly brought in MYR44 billion in revenue to Malaysia. However, approval rates have slowed down in 2019 which has caused dissatisfaction amongst stakeholders. MM2H has been a successful policy and the government and relevant parties are urged to make it even more successful at such a critical time of VUCA in 2019. Slow reaction by the government equates to missed economic opportunity.

With the ongoing mega infrastructure projects such as the East Coast Rail Link (ECRL), the Kuala Lumpur–Singapore High-Speed Rail (KL-SG HSR) and the move of Indonesia's capital from Jakarta to Kalimantan, there are opportunities created for property developers. These have created hotspots in Malaysia and stakeholders should be aware of and capitalise on it. On the retail sector, stakeholders must embrace technology. Lastly, on property forecast, the active residential market is expected to perform better than 2019. Although slugging, the commercial market is active and mega deals are underway.

In conclusion, the Malaysian property market has been active in 2019 and will continue to be active in 2020, despite being on a sluggish note. Therefore, the private sector needs government stimulus to the primary sector, such as continuing the homeownership campaign and the secondary market. The inflow of international homebuyer investors should be encouraged and speedily approved.

Q&A

Tan Sri Rainer Althoff reiterated the importance of connectivity in triangle of home to workplace and to shopping, and vice versa.

Ms Adriana Abu questioned the notion of faster approvals for foreign investors in the home ownership campaign when most Malaysian are struggling to own homes in their own country. She stressed that Malaysian citizens should be taken care first.

Sr. Michael Geh replied that the HOC undoubtedly has focused on allowing first time homebuyers to buy homes. There are concerted efforts by all ministries, never seen before, with MYR1 billion from the Ministry of Housing and Local Government (KPKT) financed through Bank Negara for first time home buyers. Accolades must be given to the Housing and Finance ministries for making it a good year for homebuyers in Malaysia. As for the MM2H campaign, it has been hailed as one of the best in the world. In fact, Indonesia, the Philippines, Thailand, and Vietnam, have regularly asked Malaysia for details as they want to introduce these programmes in their own countries. Malaysia has been fortunate to be at least five to ten years ahead of other nations in this area.

E-Commerce & ICT

Dato' Henry Goh, Co-Founder & Chief Operating Office, Macro Kiosk Berhad

E-commerce and ICT are parts of a bigger agenda known as the digital economy. The government has aims of moving the non-digital economy to the digital economy by inviting all sectors to be involved and optimising their companies by digitising their services. The digital economy already plays a pervasive role in daily life with mobile devices being the first point of access. In 2015, Malaysia's digital economy was valued at approximately USD5 billion. In 2019, only four years on, it was valued at approximately USD11 billion, which has more than doubled. Moreover, it has grown much faster than Malaysia's GDP growth. It is forecasted that Malaysia's digital economy alone will be valued at USD26 billion by 2025.

The potential of the digital economy enables businesses to go borderless. The digital economy of ASEAN today is valued at USD100 billion. No other economy nor sub-sectors has seen such an exponential growth in the past decade. However, growing faster than the GDP of the country would lead to some cannibalisation and disruption to the economy. The key point is that industries should jump on the bandwagon and explore ways to mobilise technology by moving towards a digital economy instead resisting changes.

Malaysia will probably be the first country in ASEAN to fully enable 5G technology. This is a major leap forward since 2003, when Maybank was faced with restrictions in the initial implementation of mobile banking. Working with Micro Kiosk, the second factor authentication technology was developed and endorsed by Bank Negara. This changed the sphere of online banking, even in other countries. Moreover, Malaysia is the first country in ASEAN to implement the EMV function, a chip embedded card payment method through Visa and Mastercard. This puts Malaysia at the frontier of digital economy. However, most of these implementation and adoptions of such technologies have been overtaken by other more established countries in the region. Hence, the full commercial operations of 5G would propel Malaysia forward.

Currently, there are more mobile phones users than the population in Malaysia. In the ASEAN context, there are 360 million mobile phone internet users. In terms of utilising mobile internet per day, Malaysia ranks fourth highest in the world, at 4 hours and 10 minutes per day. The question lies in how businesses can leverage on this and not allow opportunities to slip away.

The 2020 budget has been mainly focused on trying to drive digitisation and has recognised that digitisation affects all sectors of the economy. Thus, the implementation of the digital economy provides an avenue for businesses to grow fast with focus on four key areas. The first is the digitisation of industries where the government has provided tax incentives for electrical manufacturers through investments and reimbursements, especially if one is focused on transforming manufacturing processes to one compliant with IR4.0. The second is the digitisation of the nation. At least MYR21.5 billion will be spent on broadband penetration and fibre broadband television with speeds of at least 100 megabit per second. The third is the digitisation of companies where the government will spend a matching investment on sectors such as autonomous driving, blockchain, drones, and flying cars. Likewise, there is a matching grant or even reimbursement in terms of investment for digitalisation of SMEs from as simple as F&B restaurant of implementing a Point of Sales (POS) solution. The fourth focus is towards the digitalisation of Malaysians by offering *e-tunai* (e-money) and becoming a cashless society.

Q&A

Tan Sri Rainer Althoff shared that Mahathir Mohamad back in 1998 inaugurated the Multimedia Super Corridor (MSC) and many have since been part of the IT sector. He emphasised that being computer literate is a big advantage, which can be seen in the usage of smartphones and internet in general, making Malaysia more competitive. Better understanding of 5G technology will enable better

management of technology which in turn will lead to better management of business or private life, and in turn is better lives for each individual and Malaysia as a whole.

Ms Fouzia Abdullah, PCORE raised a question on cyber security as hackers and people who are knowledgeable in technology pose security risk.

Dato' Henry Goh assured the audience that technology has matured over time and has become secured in many aspects. In reality, it is safer conducting transactions online than going out in the physical world where the risk of being robbed is higher. Though technology and security are present, education is lacking due to the lack of understanding, partially due to new technologies being developed at a rapid pace. Thus, hackers and scammers leverage on people's ignorance of new technologies and the basic understanding of security. Unfortunately, the ICT sector has not done enough to educate the public regarding such risks.

Tan Sri Rainer Althoff commented that we are in a new era of a platform of business. The management of one's platform, such as smartphones, will not only enable people to manage their private lives, but also their professional life through these devices. The next stage of technological crossroads is in 5G.

Mr Naim Shaharman, SDG (M) Sdn Bhd posed a question on digital tax and asked how it would affect the industry, especially when the digital industry has doubled over four years. Will it be able to go on in the same pace?

Dato' Henry Goh clarified that the government has indeed implemented digital tax in the beginning of January 2020, a move also implemented in many countries. Though there could be a slight effect, what it truly offers is a level playing ground for local Malaysian companies (against foreign-based digital companies). Previously, users of services out of Malaysia on the digital platform have not been taxed, but services in Malaysia are. Hence, the digital tax will provide a level playing ground for the industry, which would in turn create greater competition. Thus, service providers will attempt to be more attractive while at the same time generate greater productivity and income. In that context, paying a slightly higher price to Malaysian coffers is better than not paying.

Tan Sri Rainer Althoff said that the innovation cycle in digital technologies is developing much faster than the learning cycles at universities. The solution is continuous learning. The second matter is the source of learning. Waiting for the Ministry of Education is pointless. Instead, one must learn from the Internet, webinars, YouTube and other resources available at everyone's disposal.

<u>SME Sector</u>

Datuk Michael Kang, President, SME Association

In the past two years, the SMEs sector has experienced a slowdown in the economy. Nevertheless, Malaysia's GDP growth has stayed at 4.6 percent in 2019. This can be attributed to strong fundamentals in the economy. GDP for 2020 is forecasted to be 4.8 percent. However, scepticism may arise should the issues and challenges that lie ahead remain unresolved. Domestic investments have been reducing. Confidence towards the current government has also been in decline. While focusing on transforming the country, the government has not been focused on developing the economy. The majority of SMEs have lost touch with the government's direction and plans for the economy.

2020 is the final year of the 11th Malaysia Plan and the nation is moving on to the 12th Malaysia plan. In fact, the government has drawn plans for the next decade to come, looking at shared prosperity. Year 2020 is indeed a crucial year for Malaysia with Visit Malaysia 2020 and Asia-Pacific Economic Cooperation (APEC) being held in Malaysia. Despite the government rolling out policies, there is a lack of communication between government and the ground level. There have also been "U-turns" in policies. Such confusion has lowered the investors' confidence on the Malaysian economy.

Furthermore, the change of prime minister, which might eventually lead to the restructuring of the cabinet, might result in subsequent changes to policies. Hence, this has affected the inflow of foreign direct investments (FDIs) to Malaysia. Moreover, more than 50 percent of the 2019 fiscal year budget has not been released to the market. Therefore, it is a good opportunity for SMEs to capture the market, only if SMEs are ready to face the market challenges.

SMEs should leverage on the government's focus on digitising businesses. A target of 100,000 SMEs are entitled to a maximum grant of MYR5,000 to digitise their businesses in 2020, which include the purchase of POS software or enterprise resource planning (ERP). In addition, the government has set aside MYR70 million to establish 14 digital enhancing centres to assist SMEs in the move to international markets. SMEs should not only focus on local markets, but also on regional markets. The Malaysia External Trade Development Corporation (MATRADE) has increased the Market Development Grant (MDG) to MYR300,000 from MYR200,000. Thus, SMEs can claim MYR25,000 for 12 International Exhibitions for each year to promote productivity. This year, the SME Association of Malaysia will assist in policy hurdles so that businesses are able to focus on the doing business and building the economy. The government also aims to increase the contribution of SMEs to the GDP to 50 percent from 38 percent, similar to the level of developed economies like Germany and Japan.

Another challenge SMEs face is labour or skilled-labour shortage. Despite the availability of numerous job postings, barely one-in-ten applicants are qualified for the job. The government should help SMEs train more skilled-labourers with more knowledge to help SMEs grow through digitisation.

Q&A

Tan Sri Rainer Althoff stated that SMEs are homegrown businesses, no matter how large the foundations are. He agrees to the role of government in frame setting of market conditions and incentives. However, the government cannot govern the world, especially when IR4.0 will render markets borderless. Competition will no longer be with neighbours nor friends, but with the rest of the world. Thus, one must be prepared by learning from others and not wait on the government for instructions. Self-learning is the key to businesses all over the globe for success.

Ms Fouzia Abdullah commented that knowledge is the key to understanding the Internet of Things (IoT) and ultimately in the digitising of the businesses. The government especially the education sector should heed these advices and not merely teach traditional subject, but also subjects like coding and topics related to the demand of the industry since there is a mismatch of job as seen in the gap of the job market. Moreover, data mining is critical in determining market trends and not conduct business hazardously.

Tan Sri Rainer Althoff explained that data mining is a storage system of data. Future cloud-based data mining is an interactive system where loads of data have to be activated by intelligence. The more data is managed by intelligence, the better it is for future businesses. Overall, data activation is the future and the usage of data activity can only be done by artificial intelligence.

Datuk Michael Kang emphasised that governments are advocating for SMEs to digitise their businesses. However human capital is lacking, requiring staff training to upgrade themselves. The government is attempting to provide a quality workforce to the industry by increasing the number of skilled and knowledgeable workers for the industry in preparation for IR4.0, to which MYR205 million has been set aside for matching grants.

Dato' Henry Goh expressed that the ICT industry employs and requires a lot of skilled workers, which they also hire from around the world. Retrospectively, the industry cannot wait for radical changes in the education system. Moreover, the change in education system must not necessarily be in the type of software, but also teach the young to have an interest in continuous learning as programming languages and technology changes over time. Nonetheless, the Human Resources Development Fund (HRDF) should be utilised by SMEs to train staffs. Sadly, some SMEs send staff to be trained on back-

dated technologies when they should be taught on newer technologies. The industry is doomed if it were to rely on a whole generation of students for change.

Datuk Michael Kang pointed out limitations of the HRDF which can only cover a contribution of 2 million employees to be trained, as compared to 14.8 million people in the workforce. Hence, barely 10 percent of the workforce is able to use this fund. Datuk Kang then gave the example of one of his member's in Ipoh of whom imports machineries from Germany, had hired six local graduates but none were able to operate the machines properly for three years. Left with no other choice, they had to hire an Indian national to operate the machine properly. Such is the lack of skills among local graduates.

Ms Adriana Abu sought clarification of the role of SMEs owners in the industry in their employee's skill development, as owners set aside a portion of profits for scaling up, training and retraining employees, instead of expecting grants from the government.

Datuk Michael Kang explained that most employees at SMEs stay with the company for decades, with most being trained in the early stages. He urged the government to set aside more funds to train more skilled worker for the country, if not the industry would have to resort to foreign workers. When it comes to automation, Malaysia does not have sufficient skilled workers to operate automated machinery.

Retail Sector

Mr Raymond Woo, Council Member, ASEAN Retail-Chains and Franchise Federation

Good retail space properties enable one to be cost effective and efficient in retailing. In terms of ICT, purely offline businesses have to digitise their businesses and move online. Nevertheless, online business such as Alibaba and Amazon have been moving offline to provide tangible experiences that humans desire. Even in the property market, a mock-up unit is able to provide a touch and feel experience which adds to the whole buying process.

SMEs have to present their products at the retail environment. Moreover, having competent retail assistants that can share the benefits of a product is important. However, getting consumers to part with money is a challenge due to the lack of finances. This is due to a few strategic reasons as to how policies have been wrongly executed. The basic needs of humans include shelter, making it ideal for a SPV to include homes for families. Yet, homeownership and its affordability in Malaysia is questionable. For similar reasons, youths in Hong Kong have been upset about home affordability as it takes 10 years of their income to pay off their loans. However, in Malaysia, average income is between MYR36,000 to MYR40,000 with the price of low-cost homes at MYR390,000. This makes it worse than Hong Kong as it would take Malaysians more than 12 years to repay their housing loans. Locals should be able to purchase a house at zero premium because it is the right of locals to their land. With a MYR4,000 income, one-third goes to housing loan and another goes to car loan, leaving most individuals with a disposable income of MYR1,000. The challenges lie in how Malaysia is able to; (i) bring down the cost of properties and (ii) have excised duty on local cars reviewed for greater efficiency. This would, in turn, enable consumers to spend more disposable income on retail.

Thirty million visitors are expected to visit Malaysia in 2020 which brings great opportunities for the country as this income can lead to more spending power. However, Malaysian hospitality has not been forthcoming. Acts of cheering and beer drinking are frowned upon. Segregation is even felt over halal and non-halal food. As foreign tourist may or may not be of the Muslim faith, tourism activities, including celebrations which may have religious undertones could at times involve elements of drinking and cheering, which must be understood and tolerated as long as it does not break the law. Some countries have done better in the area of tourism despite little effort compared to Malaysia. If Malaysia strives to be 'Truly Asia', it needs to agree to disagree and not be hypocritical. Despite having a safe environment, shopping malls and the many tourist attractions to offer, Malaysia only received 20 million visitors while Thailand received 28 million visitors. Recently, Malaysia has allowed Chinese and Indian tourist to enter

Malaysia visa free. However, should they feel unwelcomed, it would then discourage more tourist away from Malaysia.

Tan Sri Rainer Althoff emphasised the importance of the human factor, which determines how one expresses him or herself in the area of business and private life. To prepare for ongoing changes brought by IR4.0, which will likely take place with the arrival of 5G, there are several recommendations to consider; (i) have a clear business focus, (ii) strengthen skills and knowledge by learning new things and sharing with your teams, (iii) develop perseverance, as it is unknown how long IR4.0 will last, making it an endurance game, (iv) emphasise innovation, particularly on how to drive new and creative business ideas forward by giving employees and students space for creativity.

CLOSING SPEECH

Mr Azrani Rustam, Vice President, Malaysian International Chamber of Commerce and Industry (MICCI)

It is hoped that deliberations from MESOF 2020 has given its delegates a solid platform to feel the pulse of the economy and the tempo of development during uncertain times, allowing them to see existing challenges and opportunities that lay ahead for the coming year.

These are interesting times following the massive political change in 2018s. There are no simple answers and quick fixes as we live in a VUCA environment. How one reacts and move forward will determine the sustainability of organisations and business as part of the society and nation that we live in. It highlights greater need to have open and transparent discussion through engagement on issues that have traditionally not been comfortable for discussion.

Diversity and differences can be a source of strength but can also be a source of conflict. This further emphasises the need for open discussions and to have difficult conversations to enable us to reach a common goal. We need to accept the complexity of how things operate and business cannot be carried out as how they have been before. People should focus on their common links. In the words of former US President, John F. Kennedy,

> "*Our most basic common link is that we all inhabit this planet. We all breathe the same air. We all cherish our children's future. And we are all mortal*."

Therefore, to move forward, we should continue to focus on what we have in common.

YouTube

Full session recordings available on YouTube. Search:

Kingsley Strategic Institute for Asia Pacific, #MESOF2020

The views presented in this report may not necessarily represent that of the Kingsley Strategic Institute for Asia Pacific or its partners.

Kingsley Strategic Institute for Asia Pacific
A-07-09, Plaza Mont' Kiara
2 Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Malaysia

Email: info@kasi.asia

© Kingsley Strategic Institute for Asia Pacific 2020

www.kasi.asia
www.facebook.com/ksinsti
www.linkedin.com/company/ksinstitute
www.twitter.com/KSInsti
www.instagram.com/kingsleyinst