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PROCEEDINGS REPORT

The 2019 Malaysia Economic and Strategic Outlook Forum

"New Malaysia, New Beginnings, New Opportunities"

Proceeding from discussions on 29th January 2019
at Hotel Istana Kuala Lumpur

Key points

- Sustainable methods will become commonplace in all forms of organisations with effects on daily operations, but are worthwhile investments for the future.
- The global economic outlook for 2019 is uncertain due to external factors such as Brexit, movement of oil price, and geopolitical risks. The government must instil financial confidence by providing clear and firm economic policies.
- Malaysia's GDP growth is expected to slow to 4.6 percent in 2019, and 4.5 percent in 2020.
- More initiatives and incentives are needed to transform Malaysian job structure from low-skilled jobs to high-skilled or technology-oriented jobs while reducing dependency on foreign labour.
- The Pakatan Harapan government must manage the people's expectations and address factors causing discontent that are causing racial and regional tensions. An equitable, needs-based economic development policy needs to be implemented while convincing the Malay majority that such a policy will not cause them to be marginalised.
- Organsations need prepare for digital disruptions and a changing work culture, suchas the gig economy/contingent workforce and increased use of AI. These changes will lead to the introduction of new jobs, but also cause job losses due to changes in future labour requirements.
- The Malaysian government is still negotiating the RCEP and CTPPP, and is also looking into the possibility of other possible FTAs. However, the government must take heed of the needs of the business community when it negotiates for FTAs.
- Forward looking policies and initiatives are needed to revive and strengthen various sectors, including tourism, SMEs, e-commerce, retail, and ICT by creating more opportunities and to overcome obstacles, especially with the coming Industry 4.0. The government has very outdated legislations which needs to be amended and modernised to prevent these sectors losing out competitively to other countries.
- The property market is on the downward cycle, but this may flatten out in 2019 and the situation may be positive by 2020 and 2021.

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THE 2019 MALAYSIA ECONOMIC AND STRATEGIC OUTLOOK FORUM

New Malaysia, New Beginnings, New Opportunities

29th January 2019 | Hotel Istana Kuala Lumpur

WELCOME ADDRESS

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

It has been many months since May 9th, 2018 and the 14th Malaysian General Election. Many Malaysians were excited for a change of government with the new Pakatan Government making much headway in resolving some of the problems inherited from the previous government. Yet, there is more that can be done.

The journey towards institutional reforms has just began, but it needs to be accelerated and implemented to spur greater confidence and determination. More Malaysians want to see economic plans and policies which benefit the people, enabling sustainable, and inclusive growth development.

Malaysia is at the threshold of a new digital era with digital disruption at the clasp of the 4th Industrial Revolution. The business community, in particular must consider the 3As and 3Es; analytics, algorithms, and artificial intelligence, which will drive the 4th Industrial Revolution, as well as employment creation, energy, and environment. To keep pace with rapid technological and socioeconomic changes, there is a need to focus on transformation. Organisations need transformational leaders in their countries. Companies also need to have transformational leaders. This will turn countries in the region into transformational economies.

The types of change and transformation need to be identified for it to be adopted by organisations to stay ahead. In determining the change that needs to be dealt with, Malaysia must also consider the 3Ds; divide, debt, and digitalisation. The divide, as the world is more divided than ever before, also affects Malaysia in terms of racial, religious, and geographical divide. Debt, a challenge not just for companies and businesses, but for the whole country. Digitalisation, to which Malaysia can no longer isolate itself from growing digitisation of the global and regional economy which will also affect Malaysian companies. Big data will change the way people live and the way business is conducted.

OPENING KEYNOTE ADDDRESS

YB Isnaraissah Munirah Majilis, Deputy Minister of Energy, Technology, Science, Climate Change & Environment Malaysia (On behalf of YB Yeo Bee Yin, Minister of Energy, Technology, Science, Climate Change & Environment Malaysia)

Disruptions, which have become commonplace, should be seen as a means to move forward rather than a be perceived as threat. Technological disruptions in particularly are a double-edged sword. On one hand, they have the potential to put existing companies out of business, leading to job losses, while on the other hand they introduce new value propositions which were better than the last.

To become a developed high-income, Malaysia cannot afford to remain comfortable with the status quo and needs to be eager for change. Even established companies which have done exceeding well in the

past can no longer afford to remain idle. New innovations and methods must be developed to improve one's business and move towards more sustainable and green practices.

While innovations are important towards the development of businesses that lead to increased incomes and, thus improving national wealth and public wellbeing, it is also important to take a step back and reflect on its purpose. For a long time, human activity has had an adverse impact on the planet. Around the world, the effects of climate change have been observed, affecting vast communities and countries. Increased sea levels threaten shore communities and infrastructure, and at the same time, intense drought and lack of rainfall in other areas affect crop production and threaten food security.

Subtle messages like the banning of plastic bags and straws is part of the federal government's effort to instil an environmentally-friendly mindset. These policies have come not without its backlashes as they are challenged by people who are not only resistant to change, but are threatened not by the potential loss of the environment, but by the loss of convenience. Such mindsets need to change.

The Ministry of Energy, Technology, Science, Climate Change & Environment Malaysia (MESTECC) and the Malaysian government is preparing to move towards a Green Economy. Such efforts are also happening regionally as the market demand for more sustainable utilisation of resources from developed countries are growing in line with their commitments to the United Nations Sustainable Development Goals (SDG) and the Paris Agreement under the UN Framework Convention on Climate Change.

In line with these efforts, MESTECC launched 73 initiatives for 2019, nine of which are from the energy sector with a focus on green energy through the Ministry's Renewable Energy Target of achieving 20 percent of renewal energy generation by 2025, as well as an energy efficiency target of achieving an 8 percent savings on electricity usage by 2025. MESTECC is advocating energy efficiency initiatives by developing the Energy Performance Contract (EPC), specifically for government buildings. The Malaysian government is taking lead as a means to develop the industry and to be a role model for others, especially the private sector. In the area of Science, Technology and Innovation Sector (STI), MESTECC has commissioned another five initiatives that is moving Malaysia towards a green economy.

In October 2018, the government launched the Zero Single-Use Plastics Roadmap to reduce and replace single-use plastics. MESTECC, through research and development, is exploring greater utilisation of biological resources to develop biodegradable products to replace hydrocarbon-based plastics. It is also examining ways to increase the use of these biological resources beyond biodegradable plastics, extending to other industries, including healthcare.

Financing will be a key component in developing green industries in Malaysia. A taskforce has been formed to look specifically at ways to enhance green financing capabilities to attract more investments into green industries that will support the SDGs. A large part of sustainable development involves the environment. For 2019, 20 MESTECC's initiatives are focused on the environment and climate change sector. Environmental quality monitoring and protection is one of the key areas that require improvement in order to ensure that Malaysia's environmental heritage is not sacrificed in the name of development. More efforts will be given towards greater enforcement, increased engagement with various stakeholders, and improving public education programmes to ensure that the environment is well looked after as Malaysia continues to progress towards a developed nation. Responding to climate change, MESTECC will be drafting a Climate Change Act to go alongside the setting up of a National Climate Change Centre to look in-depth on the mitigation and adaptation plans to increase Malaysia's preparedness to face various scenarios which may result from the effects of climate change.

The Malaysian government is urging the general public to adopt the sustainable agenda, especially leaders of industry, calling for efforts to go beyond recycling and usage of plastics, but also to push for change in business and operational processes to be friendlier to the environment. Businesses are often

diplomatically correct, not daring to offend customers, potential investors or business partners, who want the most affordable and profitable option, at times without regard of the adverse impacts some practices may have on the environment.

The Malaysian government is aware of the role it must play to bring about solutions to environmental problems. It looks forward to partnering with all stakeholders to find a more sustainable path that is beneficial to businesses and to the environment, while emphasising that costs are primary deterrents for companies to employ green solutions in fear of losing their competitive cost advantage to competitors. However, the world is moving towards a green economy and major international companies are now willing to pay premium prices for green solutions. Such efforts to coincide with the SDGs require the investment of more time, resources, and manpower in order to achieve greater development, not only in terms of financial gain, but also to find new ways of doings things sustainably to unlock new beginnings, new opportunities, and a New Malaysia.

MALAYSIA'S ECONOMIC OUTLOOK

What to Look Out For in 2019? What are the Key Structural Challenges to Address in the Malaysian Economy?

Moderator:

Tan Sri Michael Yeoh, President, Kingsley Strategic Institute

Speakers:
Mr Shan Saeed, Chief Economist, IQI Global Malaysia

On 11th December 2017, it was predicted that oil prices will be trading between USD 60 to USD 87 per barrel. On 2nd October 2018, oil prices touched USD 86 per barrel. By 31st December 2018, it was trading at USD 55 per barrel. It has currently increased 10 percent year to date. It was predicted that the discount rate would be between 2.75-3.25 percent. It was also predicted that the GDP would be between 4.9-5.4 percent and it was marginally close during the third quarter. Then, predictions were made that the Ringgit would trade between MYR3.75 – 4.25 to the Dollar, and on 31st December 2018 it was trading at MYR4.17. Finally, it was predicted that the rate of inflation would be between 2.5 – 3 percent, but it was ultimately below 2 percent in 2018.

For 2019, the GDP is expected to increase between 4.5-5 percent. The Ringgit will follow oil and Chinese Yuan at MYR3.95-4.45. It is a balancing act as Yuan might go down further and oil prices might increase. The budget deficit will remain under control and inflation will remain under 2.5 percent.

The economy does not run on a single variable as there are many variables that needs to be analysed. Market and global players try to read the balance sheet of the government. The ASEAN region and the global market it looked at closely. In the energy market, oil prices will be trading between USD 73 to USD 107 per barrel. The US dollar will remain weak and geopolitical risks are entering the landscape with supply constraints in 2019. On 1st September 2017, Petro-Yuan became a reality when China started transactions with Russia in Petro-Yuan. This would be a huge challenge to Petro-Dollar.

Post-election of Donald Trump on 8th November 2016, the Ringgit took a beating of 6.4 percent in less than 22 days. On 1st December 2016, IQI predicted that the Ringgit to the US Dollar would be trading between MYR4.10-4.30. On 31st December 2016, the two currencies traded at MYR4.04 to a dollar. The average for the Ringgit in the past four years is MYR4.16 to the Dollar. In the past seven years, the Malaysian Central Bank has played its cards prudently and used monetary policy to spur growth. Overall, the economic confidence is high in Malaysia.

During a meeting between the World Bank and the IMF in 2017, there was much enthusiasm towards the Belt and Road Initiative (BRI). It is the only winning infrastructure investment strategy that can spur growth. Countries featured in the infrastructure investment forum include Malaysia due to its strategic geography. 80 percent of China's trade moves through the Straits of Malacca. Also, 40 percent of the

global oil moves through the Straits of Malacca. This matches a scenario painted by a former Harvard professor, Robert Fogel, who wrote a paper in 1964 regarding the direct correlation between infrastructure investment and GDP growth, a position which still stands.

Properties in Kuala Lumpur would see a trend experienced in Hong Kong's and property prices will not crash as there is no bubble. This only happens when land prices crash. Compared to Singapore, Kuala Lumpur's property prices are still undervalued.

Regarding the trade war between US and China, certain countries are reaping benefits in the automobile, IT and garments sectors. Malaysia alongside Thailand and Vietnam are among the beneficiaries, whereas Singapore, South Korea, and Japan are adversely affected.

The global economic outlook for 2019 will be one of the toughest years the world has seen due to Brexit, oil price movements, and geopolitical risks. There will be chaos in advanced economies, uncertainty and turmoil. Economies run on a complexity of various variables such as governments, policies, geopolitical risks, and non-state actors. They must be amalgamated in manner to provide financial confidence.

Mr Manokaran Mottain, Chief Economist, Alliance Bank Malaysia Bhd

In 2017, there was synchronised growth in the global economy as a whole. This has since come to an end and has moved into a risky and volatile environment. Recently, the IMF revised and lowered the global growth rate to 3.5 percent compared to the previous 3.7 percent after the World Bank revised and lowered the growth rate. This is due to developments in Europe and the emerging market.

Malaysia entered a new era after the 14th Malaysian General Election. It was thought that things would change and growth would accelerate. However, GDP growth fell from 5.9 percent in 2018 to 4.4 percent for the period of June to September. Between September to December, it is expected to remain at 4.4-4.5 percent. Although the government estimates that GDP growth for the full year of 2018 will reach 4.8 percent, it is more conservative estimate puts it at 4.6 percent. The government is expecting a rebound in 2019 to 4.9 percent, however, Alliance Bank estimate's it to be 4.5 percent.

After the introduction of sales and service tax (SST), the Department of Statistics reported an inflation rate of a mere 0.2 percent. Instead, inflation in 2018 was 1 percent. For 2019, it is predicted at 2 percent. Given the low inflation rate, it is not expected that the OPR will see a rate hike. Instead, a rate cut is expected by the end of 2019 as growth rates may decrease after mid-year. Therefore, a 4.5 percent growth outlook is optimistic.

One of the problems faced by the economy is wage growth. For example, since 1986 the Central Bank has not seen an increment of more than 3 percent despite being the financial sector being the most profitable. Whereas the stock market, regardless of ups-and-downs, is always profitable. As long as employers' favour low salaries, it is difficult to achieve a high-income nation status by 2020. Instead, this target has been delayed to 2023. On a positive note, the salary structure between male and female is almost equal. However, in terms of employment ratio, females still fall behind, as well as women directorships.

Based on sectors, improvements are seen in the manufacturing and construction sectors, with the service sector picking up. Employers feedback that productivity is not increasing and therefore are unable to pay better salaries to their employees, causing the wage growth to be below par. However, over the past six years, there has been an average of 2.4 percent productivity growth. Ideally, Malaysia must be growing at 3 percent. Instead the growth rate has been declining since 2017. One of the reasons for low productivity is due to foreign labour. Instead, more high-skilled labour is needed. However, high-skilled jobs only make up 25 percent in Malaysia compared to 50 percent in the United States. More initiatives and incentives are needed from the government to transform Malaysian job structure from low-skilled jobs to high-skilled or to technology-oriented jobs while reducing dependency on foreign labour. Official statistics for foreign labour in Malaysia is 2.3 million persons, but this could be 4 million in actuality.

16 percent of the Malaysian income share is from the B40 group, 37 percent the M40, and the U20 is 46 percent. 60-70 percent of the population is entrenched in the middle-income group. There are many initiatives to upgrade the B40 to a higher level, but more is needed to achieve the national agenda high-income nation status by 2023.

Mr Nor Zahidi Alias, Chief Economist, Malaysian Rating Corporation Berhad (MARC)

The Malaysian economy is expected to slow down in 2019, but it is uncertain how bad it would be. Holistically, what will happen in 2019 would be dictated by external factors such as the trade war, US economy, and Europe. There are also domestic factors that can bring the economy down, such as the cut back of projects. However, trade will have a more significant impact on the Malaysian economy. Based on the statistics of WTO, trade has been decreasing since the second-half of 2018. Even though net trade is only 10 percent of the economy and domestic economy itself is large, it is affected by external environment.

China and the US economy will set the pace of the global economy. The US economy is performing at its best since the 1960s. In the financial market, the bond yields are performing poorly. In light of the past 3-4 decades, it shows that the US economy would be in a much weaker state in 2020, possibly even leading to a recession as such classic signs were observed before the Global Financial Crisis, Asian Financial Crisis, Iraq War, and the commodity bust in the 1980s. Based on the performance of the Chinese economy, growth is on the decline with 2018 posting the slowest growth since 1990. Even without the trade war, the Chinese economy is slowing down because the measures imposed to deleverage the economy would have an impact on the economy in the next few years. It is not merely the present that would have an impact on the Malaysian economy, but also what they will do in future. For example, if the Chinese government devalues the Renminbi (RMB), it would impact the Ringgit as seen in 2015.

The way forward is to look at the net flow of money in and out of Malaysia in the bond market and equity market. In 2014, the oil market crashed and money flowed out. The impact remained in 2015 and 2016, but there was a slight recovery in 2017. In 2018, there was the election and money flowed out once again. Net flow from equity and bond was MYR31 billion, the biggest since 2008. However, improvements are expected in 2019. Another factor to look at is government revenue. Malaysia has been given an A-rating by S&P, Moody's, and Fitch. In terms of efforts compared with other A-rated countries, Malaysia's government is still looking for ways to generate revenue which could be the introduction of new taxes or widening the scope of SST.

Other factors involve the fiscal balance, which has been affected by the budget deficit, low revenue, and operating expenditure which the government is trying to control. It is difficult because it involves three major components; emoluments, pensions and gratuities, and debt services. General government debt is high compared to other A-rated countries. On debt, contingent liability increased dramatically after the global financial crisis. Government debt has been sustained as opposed to growth. Going forward, the focus of the government is to contain the contingent liability.

Q&A

Tan Sri Michael Yeoh asked the panel to give two of their most pressing economic issue, domestically and globally.

Mr Shan Saeed said that globally, the most pressing issue would be Brexit because it is a classic example of how capital will leave a country if government is not stable. The policymakers do not have an economic strategy to generate growth and there are a lot of negative signals in the market. Another is

the US economy and the tensions between the White House and Capitol Hill. Domestically, the key challenge is labour productivity. How people can increase their income level is through increasing productivity by bringing in the skill set as per market forces. In 2001, The Economist ran a front page titled “Germany is the sick child of Europe”. In contrast, came 2011/2012, The Economist’s front page was “Germany is driving Europe”. Though Angela Markel is a physicist by training, she has turned the German economy around by investing in her people and bringing up the skillset.

Mr Manokaran Mottain pointed out the external challenge is in oil prices, as it is very volatile. Stability in oil prices will help global growth. Other external challenge is the tensions between China and US. Relieving the tensions would help the global growth going into next recession period. As for domestic challenges, there is a need for firm economic policies coming from the right people. Furthermore, solid solutions are needed to tackle escalating costs of living.

Mr Nor Zahidi Alias said that externally, the Chinese economy and government policies would have an impact on the Ringgit, Malaysian business, and consumer sentiment. Businesses want stability in currency and planning. Generally, business sentiment has not picked up. He was also very concerned about capital flow.

Tan Sri Saw Choo Boon lamented that official inflations statistics are not accurate and wage is being suppressed. The growth of wages through the years have been low. He questioned why economists are not speaking out about the inflation statistics. He agreed that trade is crucial for the country’s economy. He then emphasised the need for Malaysia to participate in as many free-trade agreements (FTAs) as possible such as the RCEP, CPTPP, STTP, and EU FTA. Malaysia’s GDP is one of the lowest in the world and it has been declining in recent years. One of the solutions highlighted by the speakers was to widen the scope of SST. However, there was no mention of GST. He asked if GST would be a possible solution.

Mr Manokaran Mottain replied that the issue on productivity and wage growth is akin to a chicken and egg situation - if employers pays low, they cannot expect a person to work harder. A 1996 study found that starting salary in the banking sector was MYR1,000. Now, it is MYR2,800. Therefore, growth of wage is small when compared with inflation.

Mr Nor Zahidi Alias agreed that revenue and the percentage growth of the GDP has been in decline. It used to be 22 percent in the 1990s and 19 percent in the 2000s. One positive note is that Malaysia does not only have a low ratio of revenue to GDP, but also a low ratio of expenditure to GDP. Among all A-rated countries, Malaysia also has one of the lowest total expenditure of percentage to GDP, which is the reason why the budget deficit is still within 3 percent. On the matter of GST, the amount that was supposed to be collected would have helped increase the revenue of the government. If the scope of SST is increased, hypothetically it could mirror the GST, with the exception of credit and return of money. Previously, GST was imposed on stock transactions. However, under the SST, it is not. In the next 10 years, if oil is no longer a major commodity in the world and Malaysia still relies on oil-based revenue, the country would have to struggle for other sources of revenue.

Mr Aneeq Roslan, Association of Malaysian Economic Undergraduates (AMEU) asked whether the panel would be supportive of idea of subsidising the minimum wage over a time period until the private sector is able to pay the full minimum wage.

Mr Shan Saeed replied that he believes in the free market and does not believe in subsidies as subsidies create distortion.

THE POLITICAL OUTLOOK

What Next for Malaysian Politics? Where Do We Go from Here? How to Enhance Unity and Reconciliation Post GE 14?

Moderator:
Prof. Datuk Dr. Denison Jayasooria, Principal Research Fellow, KITA, Universiti Kebangsaan Malaysia

It is important to review what has happened since the 14th Malaysian General Election and to know what is in store for 2019. Issues of race and religion have become centre piece in the political divide, making national unity a central theme of discussion. Economic growth, sustainable growth, equitable distribution, and addressing inequality in the context of economic growth have also become central issues. In light of these discussions, there is a need for people to review the political implications with the aim of enhancing national unity and social cohesion in the context of harmony and reconciliation.

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

Malaysia is at a crossroad and needs to move forward. The executive and legislative branches of government need to be strengthened with a good democratic governance system. This is important to move forward with unity and reconciliation. There needs to be further parliamentary reforms acting as the ears and eyes for the government, with a select committee playing the role of checks and balances. Unfortunately, there are only six at the moment to oversee the ministries. Instead, there should be a select committee for every ministry to allow proposals and vibrant debates on the laws and policies made in parliament.

Expectations of the rakyat (people) were high for a reform agenda to happen. The biggest issue is corruption. Though this is being acted upon by the government, more focus is still needed on several key areas. For example, the organising of government-linked investment companies (GLIC) and government-linked companies (GLC) so that the leakages in every ministry where these companies are involved with can be controlled and eliminated. The Political Financing Act is needed to stop these leakages and corruptive practices and in doing so allow agencies to function, and by extension, the government to function.

The Prime Minister's term needs to be looked at as part of the parliamentary reform process. Pakatan Harapan has always advocated that the position be limited to two-terms, a promise it intends to keep. Other promises made by Pakatan Harapan need to be followed up, particularly since the coalition has been in power for several months. Law reforms have been slow in coming through, as they have had rough experiences in the past year amending laws. Yet, this is necessary for the system to set itself up for improvement. Issues like human rights and economic empowerment is dependent on the laws and policies introduce, which is why they need to be set up correctly.

When considering the future of the economy, there is a need for a social safety net. A balance is needed as there are pockets of poverty in Malaysia, which needs to be taken care of through the redistribution of resources using a needs-based system, rather than criteria by race, patronage, or privileges. The introduction of a minimum wage and ensuring employment alone is insufficient.

All government agencies need to take up a multi-dimensional approach and work together to provide better healthcare, education, transportation, food security, and other services in an effort against poverty. Ministries have to connect with each other to bring about stronger and vibrant changes. Encouraging people's participation requires the involvement of the corporate sector, civil society, and individual members of society with various expertise to be part and parcel of the solution, and not let the government resolve these issues on their own.

YB Arthur Joseph Kurup, Deputy President, United Sabah People's Party / Member of Parliament for Pensiangan, Sabah

After the 14th General Elections, the people's expectations were high. There was a euphoria among the people in a similar fashion when Barack Obama was first elected in the US and Emmanuel Macron in France. But there is a need to reflect and ask how did the US go from Barack to Trump and how France got from Emmanuel Macron to the street riots in Paris less than a year after he was elected. In Malaysia, there were massive street demonstrations within months of the new government being elected. Hence, Malaysia needs to tread forward carefully as what is unfolding has already come to pass in other countries which had the same euphoria when they were expecting change.

There are three pulls happening in opposite directions. In Peninsula Malaysia, the Bumiputera majority group is beginning to feel marginalised, regardless of whether or not marginalisation truly taking place. In Sabah, there is greater demand for economic and political autonomy. However, the Warisan government has refused to be part of Pakatan Harapan government. At the same time, the national Pakatan Harapan body has refused to accept stated-based parties from Sabah and Sarawak for fear that East Malaysian parties may make inroads into Peninsula Malaysia. This has resulted in East Malaysian parties drumming up anti-Peninsula Malaysia sentiments to hold their political base. This in turn puts the Peninsula Malaysian parties in a dilemma, as they too are trying to make inroads into Sabah.

The federal government has failed to deliver any of its economic development promises to the East Malaysian states. For example, it has not amended the Federal Constitution to return the original status of Sabah and Sarawak (as it is not one of the 13 states, but should be considered on the same par as Peninsula Malaysia). Concrete steps have not been taken to increase oil royalties back to the major oil producing states. Instead, the Federal Ministry of Finance is caught up in a war of words with the Sarawak government over financing. This will only unite East Malaysian parties against the West Malaysian parties, further using this an opportunity to drum up anti-Peninsula Malaysia sentiments as they feel short-changed by the new government. This is not good for national unity. Unity is often discussed in the context of race and religion, but another dimension of it is regional unity between East and West Malaysia, which is equally important.

However, Sabah and Sarawak have its own issues. Sarawakians have always been behind their local state-based party led by PBB. Sabah has the distinction of being the only state which has experienced changes in state government numerous times. Sabahan have no qualms voting out a party they dislike, as it happens from time to time. This is a stark contrast to reactions in Peninsula Malaysia who were euphoric having a new government.

Warisan did not actually win the Sabah elections during the 14th General Elections. Despite campaigning on the slogan of Sabah for Sabahans, they only won 21 seats, whereas the National Front (BN) won 29 seats. Hence, Warisan was forced into a loose alliance with the Peninsula Malaysia parties. Even so, there was not enough seats to form a clear majority in the state government. It was only when the United Pasokmomogun Kadazandusun Murut Organisation (UPKO) defected did Warisan have the numbers to form the government. This is why Sabahans feel marginalised as they are led by a government which did not actually win the election, but was formed through defections a day after the BN government took its oath. This has also polarised certain segments of society.

Regardless of whichever government is in power, economic issues must first be addressed to stem the risk of regional disunity. Economic gaps and discrepancies between East and West Malaysia need to be addressed, particularly with the expected slowdown of China's economy and drop in commodity prices. The ones that will be most affected are the rural communities of Sabah and Sarawak. Impacts from the low prices of rubber and palm oil have already been felt amongst small holders. More social security nets are needed to help those from the lower income group. There needs to be a move towards needs base, instead of race-based, which has been the case for some years. For example, BR1M was based on need, not on race.

The government should not be preoccupied with issues like the ratification of ICERD or lowering the voting age to 18. Although these are good ideas and what is needed to be a progressive nation, more

important priorities need to be first resolved. Ratifying the ICERD and lowering the voting age to 18 years requires an amendment of the Federal Constitution. Should this be the case, priority should be given to amending the Constitution to return the rights of Sabah and Sarawak, as people are not so concerned about the voting age, but more concerned about regional and economic rights. If these priorities are put right, both East and West Malaysia can move forward together as a united nation in the same direction. The more these concerns are ignored, the deeper a wedge is put between East and West Malaysia.

YB Dr. Kelvin Yii, Secretary, DAPSY Sarawak / Member of Parliament for Bandar Kuching

During the Cameron Highland by-elections, use of racial and religious rhetoric was observed, a trend that has been seen more frequently. This is a worrying prospect for Malaysia. However, the situation differs in Sabah and Sarawak as they face different issues.

When Pakatan Harapan won the elections on 9th May 2018, the term "Malaysia Baru" (New Malaysia) was created, but it was not clear how this is defined. The concept of a New Malaysia has not been felt by the grassroots. Sabahan and Sarawakians are still trying to figure out where they stand in a New Malaysia as they do not see much of a difference in terms of treatment and autonomous powers that were supposed to be accorded to them.

Many East Malaysian voted for Pakatan Harapan because they thought that under a New Malaysia, they will be given their rightful status as equal partners under the Federation of Malaysia, such as was promised when Malaysia was founded in 1963. Each of the partners were supposed to be given certain amounts of autonomous powers, recognition in terms of their status, and certain amounts of control in terms of immigration rights. Unfortunately, all these issues have been eroded and taken away over the years by the previous administration. Hence, with a change of government, expectations are high for these issues to be corrected.

Dissatisfactions from the grassroots are understandable as many changes and reforms have been sluggish. There is renewed optimisms with the formation of the Cabinet Committee to discuss the Malaysia Agreement 1963 (MA63) that a fairer distribution of wealth and proper formula will be given to Sabah and Sarawak.

Rising sentiments of regionalism is not isolated to Sabah and Sarawak, but is a global phenomenon. State nationalism is growing in Catalonia, Scotland, and parts of Canada. For the East Malaysian states, such levels of dissent cannot be swept aside as the core issues stem from the lack of equitable development, the removal of many autonomous rights, and unfair treatment despite being one of the main contributors of national wealth. This is key to addressing any form of rhetoric, including racial and religious rhetoric, which will have less of an effect if the economic conditions are improved.

Some have argued that the key to improving economic conditions in Sabah and Sarawak is by returning what was agreed in MA63. Though this may address certain issues, the return of these rights alone will not solve all the problems faced by East Malaysia. For example, issues of corruption are rampant in Sabah and Sarawak. Hence, the managing of these rights is important.

Moving forward requires a new model, not solely with MA63, to define Malaysia Baru. Decentralisation of power from the federal government is necessary to enable autonomous powers to Sabah and Sarawak, especially in critical departments such as healthcare and education. These aspects were not covered in the Malaysia Agreement. The perception is that many of these decisions need to be made hundreds of miles away in Putrajaya that may not be effective in terms of implementation in Sabah and Sarawak. By decentralising these powers, certain issues could be resolved, such as decreasing bureaucracy and allowing local leaders to know what is needed in terms of sentiment and needs. Perhaps the UK model can be considered to move forward. Scotland has autonomy in taxation, education, and healthcare, which requires it to exercise fiscal responsibility in operating these functions.

The only way to define a proper and equitable New Malaysia is when Sabah and Sarawakians feel belonged in their land when core issues of development, allocations, and rightful standing is addressed. Perhaps in the future, an East Malaysia can become Prime Minister of Malaysia.

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

Expectations of Malaysian are high. Though change is good, where reforms to change institutions and political culture is for the better, mistakes have been made by not pushing Pakatan Harapan to work harder to deliver their promises. Many confusions could have been avoided, as many are unaware of what is happening in the Cabinet, which is at times seems not to be functional. Malaysians need to be truthful towards themselves and not trust politicians, especially those who pretend to be civil rights activist.

Malaysia is a complicated country. It is moving towards a bipolar racial politics. Such divide is evident from the results of the Cameron Highland by-election. People want a New Malaysia, but there is nothing new about it. It is merely comprised of "recycled parts" and is even going back to an old model. This is not what people voted for.

The urban voter, particularly those from the Chinese community, is more comfortable with political rhetoric, which is something MCA is not good at. When MCA first allied with UMNO, it was based on the understanding of cooperation and bridging the gap between the races and cultures. Such was the basis of the relationship during the times of Tunku Abdul Rahman. Ultimately, people bought into a new rhetoric and voted in protest of Tunku Abdul Rahman. What subsequently happened was that the ultra-radicals took over. Slowly, the spirit of BN and the Federal Constitution which was about tolerance, give-and-take, and special provisions for other races and minorities, was caught in a racial trap due to the political divide and rule. Though this was perpetuated by the colonialist, it is unfortunate that after 60 years of independence Malaysia is still in that mould, except that they are moving separately among themselves to feel comfortable.

There is a difference between the urban political practitioner with their rural counterparts. To have a New Malaysia, a new political caucus needs to be formed. It cannot be Pakatan Harapan, as it is not a religion, and neither is BN. It is merely a political expediency where people who want power have gathered together. This was observed by MCA when it witnessed the transformation of the Alliance when the Prime Minister then consolidated his power. MCA was unable to decide who the Prime Minister would be as it is decided by UMNO. Bersatu is trying to move towards this model.

If Malaysians are serious about wanting to change the government, they should advocate for a two-party system instead of trying to eliminate MCA and other parties. To have a two-party system, the Justice Party (PKR) and the Democratic Action Party (DAP) by basis should not include any racial party in their coalition. In the past when MCA and UMNO were in the same coalition, they would argue among themselves as they represented different interest.

It is encouraging to see PKR emerge in the form of a multiracial party. This is in contrast to UMNO, which did not allow other races to join their party membership. But the Malay mindset has changed, and the fight is now amongst themselves as a result of the greed for power.

Politicians should not be allowed to talk about race as the Constitution has provisions for all races and considerations for the Council of Rulers. Therefore, politicians should not exploit racial sentiment. Malaysians need to think out of the box and be more honest with themselves, not to treat any politicians as "saviours" nor should they oversubscribe to party politics that causes one to be overly attached to a party in question.

Mr Tian Chua, Vice President, Parti Keadilan Rakyat

Malaysia experienced a successful regime change in 2018 from an authoritarian, central power, into a New Malaysia. However, this is not new as similar changes have been witnessed in neighbouring countries in the Asia region. These changes have stemmed from three main factors; (i) massive discontent from the population, (ii) a split in the ruling parties, and that (iii) challenges and replacements are often conservative regimes such as was observed in Aung Sang Suu Kyi and Megawati. In Malaysia's case, a regime change is normally led by conservative challenges and this gives certain stabilities to what has been seen.

The change of government came as no surprise. What was surprising was how peaceful it was with a total surrender by the establishment to the new regime without resistance. It is not true that there is an act of sabotage by the civil service, as they have no commitment towards the old regime. There are other explanations as to why there are certain dysfunctions with the new administration. A new phenomenon is the breaking out of the old political monopoly which has been accumulated by the ruling elite for a long time.

What has not changed is the recognition that the structure of society does not change overnight. Pakatan Harapan's Cameron Highlands by-election campaign was doomed to fail, as has been no change of support in this constituency. In other elections, there have been changes in electorate with a swing of around 3 percent, but this was not the case with Camerons Highlands. Pakatan Harapan was unable to have an effect after 6 months since the general elections.

It was a familiar landscape after May 2018. Ever since the country's independence, there has been an East and West Malaysia divide. Despite the coming in of the new government, little change in this dynamic. East Malaysia continues to be dominated by regional parties. This is what the new government must recognise and it cannot hope that by having the rhetoric of national unity that it can convince everyone to come on board. Instead, they must accept that such a divide will continue to persist.

There is a lack of cohesion in policy formulation and communication with the ruling coalition. However, there is strong commitment from the component parties to stay together. All this time, the component parties have been addressing their respective constituencies, rather than addressing a common audience. This has resulted in appears to be disjointed or the lack of cohesiveness in policy making. The opposition is very fragmented and will be unable to provide constructive engagement for some time. Hence, the opposition will not provide new solutions to the government, but they will actively seek realignment amongst themselves as they are not used to being without power. This will result in individuals swapping sides from time to time.

There will be an increase in popularist rhetoric. Such tones are not the cause, but a symptom. These rhetoric's are being curbed by pushing for the preservation of national unity. However, this only addresses the symptoms, and not the cause.

The New Malaysia, which upholds the freedom of speech, needs to allow itself to be irritated by popularist sentiment, and must exercise tolerance. The new government is offering stability as it has consensus in economic distribution and issue of ethnic relations. This is something the government and the opposition has in common. To receive support from their constituents, they have accepted that there is a common destination for the country and the need for redistribution.

There are challenges ahead. The opposition parties will disappear for a while as the boundaries between the opposition and the ruling government will be blurred. Although Pakatan Harapan governs Malaysia, the Malaysian Islamic Party (PAS) governs Kelantan and Terengganu. It is expected that some members of the opposition will change sides. The new government may have a long and stable situation to rule, but is presented with these challenges. Civil society must offer more concrete solutions. General ideas like transparency, democracy, and openness will not solve the government's problems, but must be discussed nonetheless one-by-one.

There is much criticism towards the government linked companies (GLCs). Members of the public must be involved and demand reforms for entities like Khazanah and Petronas. Politicians should not be appointed to GLCs as this will not solve any problems. Hence, it is the challenge of civil society to provide more concrete challenges and debate them in public. For the new government, it is a challenge to develop more consistent policies in a democratic New Malaysia. It should not be overly obsessed with attempts to resolve national debt and balance the budget, but to offer effective reforms to ensure sustainable growth for the economy.

Datuk (Dr.) Vinod Sekhar, Chairman, Petra Group & Sekhar Institute

Businesses can no longer afford to shy away from social development. The future of the economy relies on stability and the welfare of society. Hence, the business sector needs to be part of the solution for societal development.

Peninsula Malaysia has taken advantage of Sabah and Sarawak, stealing much of their resources, such as its timber and oil for its own financial gain and it is what Malaysia is built upon. However, East Malaysians have kept electing a government which has enabled this.

Sabah and Sarawakian are not occupied with racial and religious issues, and even participate in inter-religious activities. Such a scenario is hard to imagine in Peninsula Malaysia, but there are concerns that such elements are seeping into Sabah and Sarawak. It will be ideal for an East Malaysian to be the future Malaysian Prime Minister. To enable this to happen, Sabah and Sarawak need to be more involved in national development. This is a challenge as their politicians need to take care of the rights of Sabahan and Sarawakians, making it difficult for them to focus on solving national issues.

Society has unrealistically high expectations of their leaders, expecting them to be good in everything. Politicians may have their weaknesses, but the people have been given the best that they can find. Politicians need to be given time to evolve. One needs to look at practical aspects of how political events unfold. For example, the turn of events between Tun Mahathir and Anwar Ibrahim. The former was once blamed for many issues in the past, such as the interferences with the judiciary, civil service, and education system. But people can change for the better and want to make amends to their past errors. What has happened is that someone, who was part of the problem, has realised that a New Malaysia needs to be fixed and changed, and believe he is the best persons to fix it. Therefore, people expecting change must be patient and realistic, as the problems faced by Malaysia cannot be resolve in a short span of time. Politicians must take a realistic approach and tell people bluntly that changes will take time.

The main problem that needs to be addressed is race-based politics, which is at the heart of everything that is wrong. It is an artificial creation made through fear and ignorance. Politicians must show courage and play a leadership role to stand and do away with race-based politics, showing the people who are fearful of their rights, position, and religion that they have nothing to worry about to take them forward.

Prof. Dr. James Chin, Director, Asia Institute, University of Tasmania

What people see on the surface in Sabah and Sarawak does not correlate with reality. The political model in Sarawak has been dominated by the Taib family for 40 years, which is not an ideal model to follow. The situation in Sabah, or North Borneo as it was called in 1962-63, is that the indigenous community which was the majority, has been turned into a minority as more than 1 million people managed to sneak through the border and now hold blue identification cards.

There have been several issues Malaysia has not been able to resolve since its independence, which is the narrative of what is Malaysia. The country as a whole has never truly been able to answer this question as different parts of society and political groupings have their own definition. Some say that Malaysia is Ketuanan Melayu, some Ketuanan Islam, and some a Malaysian Malaysia, forming an ongoing debate. The reason why this debate has surfaced is due to the regime change following the 14th General Elections. The reality is that the same debates are taking place, and Malaysians are trying to reach a conclusion of what Malaysia should be.

Part of the problem faced in Malaysia, in terms of class, is a concentration of resources on the top 1 percent. It is interesting to note that the ones calling for reforms are also from the top 1 percent, but from different factions within the same group.

For the country to move forward, it cannot run away from the politics. One of the key challenges is the numbers game in the Pakatan Harapan government. The smallest parties in Pakatan Harapan are calling the shots, with a high percentage of Bersatu and Amanah MPs being appointed ministers. Bersatu is trying to increase their numbers as both DAP and PKR have more than 90 MPs, posing a challenge to Bersatu as they find it difficult to manoeuvre.

Many people are worried with the movement between UMNO and PAS. From the surface of it, particularly from the by-elections in Cameron Highlands, there is momentum gained in this cooperation. If the leadership of these two parties believe they can swing the rural Malay electorate, they need not care about the urban areas which will stay with Pakatan Harapan. This could lead to a major reconfiguration of Malay politics which will all begin to move towards right-wing politics, which is not good for Malaysia.

Issues of Sabah and Sarawak autonomy, along with MA63, if not handled correctly will have major repercussions towards Federal-State relations in the coming years. Whatever form of Federal-State relationship that the Federal Committee determines needs to sell this deal among the States of Malaya, because in terms of state identity, states like Kelantan and Johor also have strong state identities. Therefore, if any special deals are offered to Sabah and Sarawak, they also need to convince the people of Johor and Kelantan.

Another matter that is at the back of everyone's minds is the handover date which was promised before the election. Many people expect Tun Mahathir to step down. However, the matter is quite confusing as some of the key players are having second thoughts. One of the reasons is due to increased concerns within Pakatan Harapan that it will be difficult to face the next elections without Tun Mahathir. But the reality is that this hand over must be dealt with eventually. It is advisable to set a date, rather than leave it open. The Malaysian political system can only have one Prime Minister at a time. There is no such thing as a "Prime Minister in Waiting", which is only a media invention.

Q&A

Dato' Mustapha Ong said that many people expected Pakatan Harapan to win in the Cameron Highlands by-elections, but many voters thought that Tun Mahathir, who was on the ground campaigning, was still in UMNO. Many issues were raised during the campaign trail with race issues being the main concern. For the economy to excel, stability is needed. But stability cannot be achieved if the country is not united. A New Malaysia needs equality, but it is something that can never be achieved, a fact that must be accepted. Malaysia does not not belong a single race, but to all Malaysians. Unfortunately, the political system does not allow for this. Malaysia should have a two-party system. There is an overdependence on subsidy. The urban Malays dislike subsidies, but the rural Malays seem to rely too much on it. This is an issue the government must address.

H.E. Andrew Goledzinowski, Australian High Commissioner to Malaysia asked what is it that makes people optimistic about a New Malaysia.

Mr Mark Lovart, Malaysian Alliance of Corporate Directors (MACD) / Trident Integrity Solution Sdn Bhd noted that Malaysia aspires to become a high-income economy. Technical jobs are said to be the key, but the education system has been severely compromised by a mixture of ideological and political agenda. If Malaysia hopes to achieve its potential, these underlying issues need to be resolved. What is the government's position on how it can bring Malaysia up to have an international standard of education for everyone?

Dr. Tan Juan Jim, Willis Towers Watson Malaysia stressed that a New Malaysia needs good equal access to healthcare, education, transportation, and the internet. What needs to be done to build a new sustainable country to bring the nation forward?

Ms Saraswathy Rajagopal, Business Ethics Institute of Malaysia (BEIM) stressed that Malaysians need to forget about what has happened in the past and work together to build bridges for a better Malaysia. This is a question of mindset and attitude.

Datuk Vinod Sekhar pointed out that the New Malaysia allows open and frank discussion, a feature that would not have happened in the past. The opposition would not be given any opportunities to voice out in a public forum and will receive little coverage in the media. Despite the Cameron Highlands by-election being tainted by race-based rhetoric's, fears, and issues also showed that the Pakatan Harapan government does not have the control on the levers, unlike the previous administration. People are more vocal. When a Deputy Minister uses a government vehicle for a political campaign, they are taken to task. This too would not have happened in the past. It is a different country with a tremendous amount of hope, but expectations need to be kept in check on the speed things happen. Building bridges requires leadership, deciding where the country needs to go for the long-term and not the immediate-need to win an election.

YB Senator Dato' Sri Ti Lian Ker said that the building of bridges needs to begin at the Department of Unity, a portfolio which needs to be given to a senior minister, preferably from the Prime Minister's party to show stronger political will. At the moment, only lip service is given towards national unity efforts. The problem with the New Malaysia is that that the Ministry of Economic Affairs is wrong as past policies with subsidies, the New Economic Policy (NEP), and restructuring is where corruption occurs. MCA has fought the extension of the NEP through National Economic Consultative Council and succeeded in seeking greater focus on a development policy instead of a race-based policy. However, what is taking place in the New Malaysia is that it has put a minister and a ministry to implement affirmative policies in favour of a particular race to enrich them, which is wrong. This ministry needs to be relooked. The issue should not be about enriching the Malays, but helping poor Malays instead of the elitist Malays or those who are in power. If it continues this way, it will revert back to the old system.

YB Puan Maria Chin Abdullah stressed that affirmative action is acceptable up to a certain level, especially if it is able to resolve poverty and discrimination. Affirmative action must be distinguished from one based on needs and one based on race. The Pakatan Harapan government is looking towards an affirmative action policy which is needs based. There needs to be a paradigm shift in education, but this is an issue that will take time to resolved as for many years the issue of race-based politics and conservative ideas have seeped into schools. This is where the private sector, academicians, and individuals with expertise can help the Pakatan Harapan government make things better and improve schools and the education system as a whole, including the public and private sector.

YB Dr. Kelvin Yii opined that the whole education system is in need of a revamp as it is not training young people for the jobs. This is a priority shared by the Prime Minister and many Malaysians. The media has highlighted many trivial matters relating to YB Dr Mazlee (the Minister of Education), but did not highlight many of the reforms the Ministry of Education is undertaking. There is room for optimism based on their undertakings, though it may take some time to come into effect. Hence, the ridicule from people and negative perceptions towards the ministry is unjustified. The New Malaysia has enabled open discussion which was not a feature of the previous administration. For example, on the rights of Sabah and Sarawak, the formation of the Special Cabinet Committee is a first in history where discussions of returning the rights and giving equitable development to Sabah and Sarawak have been enabled. In the past, discussions were held behind closed doors and were kept secret. Now both sides of the political divide are involved in discussions with legal minds and academicians, making it a multifaceted committee. In terms of healthcare, to provide better access, there is a need for more healthcare facilities and supporting infrastructure to these facilities, such as roads. The Ministry of Health is also focusing on increasing brain power and the workforce, particularly the number of specialists, which is severely lacking. Under the recent budget, 200 places have been opened up for master's degree specialist programmes. This will contribute towards improved healthcare quality by training more doctors.

YB Arthur Joseph Kurup pointed out that infrastructure is only one part of the equation when it comes to the education system, reform being the other. Malaysians need to be fair to the new minster and give him time, as it has been evident that he has been trying hard. The "New Malaysia" is merely a new party with the same faces, most of those in government were previously from BN and UMNO, both in the federal government and in Sabah, where the Chief Minister and key minister were from UMNO. Wanting a two-party system requires the existence of two parties which are distinct from each other, not with people who switch around parties. Sabahans and Sarawakians end up voting the same people into power because they do not have a choice, as these candidates were all that were offered to the people. They kept making the same promises but never lived up to their expectations. Hence, the constituents are not to be blamed as they are the ones victimised by the system.

Mr Tian Chua clarified that the New Malaysia is not offering all solutions, but is instead offering up the possibility of solutions. What has not changed is that all players, be it political parties, activist, or civil society. The issues are the same, but there is a different understanding to these very same issues. Bridges can be built to come up with a common consensus to resolve issues faced by Malaysians. It will be very difficult for a two-party system to materialise in the short-term, but there will instead be a political sharing of power between regions or states. The lines will be blurred with discussions shifting to providing effective solutions for the new government. For the time being, checks and balances need to come from the civil society to provide critical monitoring of the government. There will be no credibility from the previous ruling party to maintain these checks. There is much optimism as the monopoly on political truth has been put to an end, allowing the participation of more people, and solutions can come from the people, not just from political parties.

Prof Dr James Chin said that there is much optimism in the New Malaysia as in the Federal Constitution provides for a powerful institution in the form of the Council of Rulers which can put stop gap measure in place should things go wrong. There is also the Malay establishment, which is a progressive group that yearns to see the country succeed and has a consensus of not wanting a recurrence of another May 1969. There is a need to move the country forward whilst at the same time putting the fear of the Malays to rest, that non-Malays will have a head start. The question then is how to strike a balance. The other part of the debate involves East Malaysia and where they fit in the Malaysian narrative. Despite many of these issues, there is still much optimism that Malaysia will be successful as there are sufficient safeguards in place.

Prof. Datuk Dr. Denison Jayasooria surmised that it is important to recognise the reality of politics and the scale of expectation that exist. There is an interrelated connection between economics, environment, social change, and political expectation. A multidimensional approach to understanding business, good governance, and institutional reform is most critical. There are complicated struggles, but with much input and thoughts, the contestation that takes place helps the discussion to refine itself in a way that enables the creation of a new model. At times, Malaysia seems to be taking a step forward, but other times two steps back, but are still steps forward nonetheless in the New Malaysia. It is the key responsibility of all stakeholders, be it the business community, civil society, political parties, and academia to hold the ground and focus on the discussion.

REDEFINING LEADERSHIP FOR THE DIGITAL AGE

Moderator:
Ms Chong Chye Neo, Board Member, Technology Advisor

The relationship between employees and bosses in an organisation has changed. In the past, employees get affirmation from bosses, whereas today's affirmation is received from social media. If more information is needed, people search the internet.

In addition to social changes, businesses need to adopt radical changes with digital-led strategy in order to exist in the near future. In addition, data breaches highlighted in the media can heavily impact an organisations' reputation.

Business leaders today are not only challenged by being replaced by social media and search databases, they are also challenged by new approached to growing businesses. As artificial intelligence (AI) automation is replacing jobs, people are becoming distrustful of leaders and organisations as they do not know when they will be replaced.

Speakers:
Dato' Ir (Dr.) Lee Yee Cheong, Commissioner, UN Broadband Commission for Sustainable Development

The world is now in the 4th Industrial Revolution (IR4.0). The first Industrial Revolution was enabled by steam and mechanical power in 1784 when the steam engine was invented by James Watt. Today, billions of people are now empowered by smart phones and access to data, coupled with advances in digital technology such as big data, internet of things, artificial intelligence, and robotics. This is a digital age, which is the continuation of the first Industrial Revolution from the 18th century. This is driven by the consumption of the western countries that led to colonialisation and semi-colonialisation of the rest of the world for resources, leading to two destructive world wars.

The digital age has created two significant societal concerns; wealth disparity and massive job losses. In a study done by Davos, there will be 2 million jobs created by the digital technology sector in the next 5 years. However, there will be 7 million job losses in the traditional sectors, resulting in a net loss of 5 million jobs. The newly-retired president of the World Bank, Dr Jim Kim said that two-thirds of jobs in the developing world are at risk due to automation, with over 70 percent in Ethiopia, over 60 percent in China and Thailand respectively. On wealth disparity, 0.1 percent of families in the US own 22 percent of wealth, equivalent to the wealth of 90 percent of the people in the US. According to Oxfam, 26 billionaires own as much wealth as 2.8 billion of the world's population.

Increasing wealth disparity and job losses is what led to the rise of Donald Trump. This is not merely the societal condition in the West of self-interest as opposed to societal interest, but also the clever use of social media in communication and utilisation of big data in influencing elections.

Fortunately, there is a development revolution led by China and the Asia-Pacific countries, having to invest in infrastructure and nurturing the SMEs. In wanting to achieve the SDGs, it boils down to solving two major issues of the world. Firstly, poverty eradication as two-thirds of the world are still poor and in need of basic necessities of life, i.e. clothing, food, shelter and transportation. There is still opportunity in traditional infrastructure development of the traditional industries. Secondly, climate change. The West and the rich are not providing funds to solve environmental problems. A solution can come from the South, led by China, Malaysia and the ASEAN countries, who can cooperate and resolve this global problem. The political leadership needs to understand the background driving the digital age and the divide between the rich and the poor.

Ms Shareen Shariza Dato' Abdul Ghani, Co-Founder & Director, Sorga Ventures Sdn Bhd

Digital transformation should be looked at in three categories. Firstly, the digital economy and how leaders use tools to get the best out of people. Secondly, the sharing economy where people do not need to own assets (ie. shared cars, homes such as Airbnb), where the sharing economy is changing the way people operate in the world and how people connect with each other. Thirdly, people operating on demand in the gig economy. The gig economy looks at individuals with specialised skills or higher-value talent which do not necessarily need to work in an organisation in a traditional setting. There are opportunities for gig workers to be part of a project in an organisation and tap on their skills and expertise. Once they are finished with the project they move on to other things. This is a major development in the West which will make its way to Malaysia. Workers in the gig economy enjoy flexibility and are engaged in the economy as their skills and talents are needed and are in demand where they choose the work.

Companies need to consider why gig workers are needed and need to understand that the current means of work with the availability of devices, talents are not needed from nine-to-five at the work station. Yet, these workers are still productive and it is cost efficient for the companies.

To engage with the talent, companies have to innovate the way they look at their talent profiles. Millennials work differently. If they are not engaged in a different way by looking at tools and progressive policies that are digitally-driven, companies will lose their talent. Some sectors may need full-time workers in order to run operations, but there will be a significant number of workers who will be gig workers.

The future is about leaders with no organisations. Individuals are their own leaders and they make their own choices. There is no more hierarchical organisation as it is an archaic way of leveraging on people within and outside the organisation. It will be networked, where people collaborate. There will be no structure. Personalities like Jack Ma and Jeff Bezos did not have organisations. It was a gathering of two or three people with a brilliant idea and the use of digital technology which then led to their success.

Dr. Tan Juan Jim, Executive Director and Head of HR Advisory Business, Willis Towers Watson Malaysia

There is need for greater awareness about digital leadership and the importance of IR 4.0 as there will be challenges and sufferings in a similar fashion when the first Industrial Revolution occurred. Any economy can be susceptible to disruption, even major ones. If all Malaysians contribute a dollar to the online market, there is a huge outflow of funds from the country, potentially constricting the country. The question is whether the digital economy is governed and whether it creates local jobs for the people of Malaysia.

The digital economy is unavoidable and challenges coming from it need to be navigated appropriately. However, more than 50 percent of companies do not have digital key performance indexes (KPIs). Companies are falling back on outdated and traditional balance score cards that are not closely related to digital KPIs. There is a need to be solution-driven, to ask (i) what value are we bringing to the table, (ii) what is the purpose, (iii) and where is the destination?

One of the myths believed by organisations is that digitalisation is about reducing costs or errors. Instead, it is about augmenting productivity. Traditionally, in banking, the cashier processes requests from customers. 70 percent of this role's competency translates into technical skills and 30 percent are customer-related soft skills. In reinventing jobs and for robots to take over the role of the cashier, a big question is where would these people be displaced to. Augmenting productivity is looking at the higher order of services, whether it is translating the 70 percent of technical skills to be more customer-oriented, 30 percent technical, and bringing the customer service experience to a higher level. The focus then, is on upskilling.

The second myth is that digital transformation is exclusive to the IT department alone. IDC conducted a study which compared the utilisation of IT budgets by companies, compared IT budgets utilised in the company, whether the source of the IT budgets are from the line of business or the Chief Information

Officer (CIO). In the West, it is 40 percent by the CIO and 60 percent by the line of business. In the East, it is 80 percent by the CIO and 20 percent line of business. The focus on making digital a part of everyone's business is still far from the mark.

The third myth is the gig economy will affect businesses and have negative impact on workers. This brings to question issues of job security, as well as the trust and dedication of contingent workers to the company. A survey was done across Asia-Pacific with 500 companies participating with 20 percent of the companies from Malaysia. Most leaders' who experience using contingent workers found that they are as dedicated to the organisation's cause compared to full-time workers. The displacement of jobs and the trust of the contingent workforce is positive.

Q&A

Ms Chong Chye Neo said that in the past, job security was important. However, the mindset of people has changed. Data shows that more than 50 percent of the current global workforce is below 30 years old. By 2025, 75 percent of the global workforce would be millennials. Is the gig economy the future of talent? As organisations and mindsets have changed, what would make leaders effective for the future? Who owns the talent strategy and the digital strategy? Leaders of organisations are expected to own these strategies.

Ms Shareen Shariza Dato' Abdul Ghani said that in the next five years, in a gig economy, companies believe that 40 percent of their workforce would be contingent workers. Based on the profile of talents in the gig economy, 63 percent are Millennials, 59 percent Gen-X, and 44 percent Baby Boomers. Hence, it cuts across different generations with different people looking for different types of work. Technology provides the tools that enables working in different ways. Everyone in an organisation owns the IT and talent strategy as ideas can come from anyone, not merely centred at the top of the pyramid which does not exist anymore. It is a flat, networked, and collaborative environment. An idea can come from the young that may change the whole organisation. A leader at the top is one that encourages collaboration. There is a need to rethink how an organisation engages people and performs, to enable the company to thrive.

Dr. Tan Juan Jim pointed out that making effective leaders requires a reflection of skills in the organisations. In the IR 4.0 environment, digital skills are a basic requirement, similar to reading, writing and numerical skills. In terms of upskilling, the question in whether to hire or to train.

Dato' Ir (Dr.) Lee Yee Cheong said whether one stays in the company for life depends on the company. There is no harm staying with the company if it is keeping up with changes and being a leader in the digital age. For example, Huawei is an employee-share ownership company with talented young people as employees. When they reach 35 years of age, the company would ask that they leave and set up companies of their own specialty, with Huawei investing in their start-ups. This way, Huawei is building an ecosystem of companies related to them, owned by their former employees. This is the trend of the future.

Dr Lee Oi Kum, e-Komoditi Sdn Bhd said that in the subject of leadership, we must realise that the millennials are mobile, like to travel, and do not mind settling anywhere. Dr Lee also asked if education should be dealt with in terms of skill on demand or other forms of focus. AI lacks creativity and the ability to apply. Hence, monolithic orgnaisations still have an inherent latent wisdom which cannot be programmed into an AI system.

Ms Shareen Shariza Dato' Abdul Ghani opined that education should be focused on skills and experience, which is reflective of the current trends. People are no longer going to universities for academic degrees as we are slowly starting to see a different balance, and are instead going for short-

term and transferable type skills. It does not matter what academic qualification one has or starts with, but it is about how one it able to present their ideas and execution.

Dr. Tan Juan Jim pointed out that a number of start-ups and businesses that were created did not have any large structures of sorts and had no latent wisdom that made them more successful. The skills of the future will be less technical nor specific as it can be done by machine. The difference then is the skill of curiosity that enables one to look for new things which is something machines cannot replace. In the world that we are working in today, information will come from diverse sources; people, countries, culture, and ideas. To be monotonous, one will never embrace the diversity of things to drive inclusiveness and sustainability. The matter of integrity is also a critical factor moving forward.

Dato' Ir. Lee Yee Cheong said that with two-thirds of jobs in the developing world soon to be lost to automation, the solution lies in constant education. However, the way how education is carried out needs to change with the digital age. The digital age has been advancing in the last 30 years in line with Moore's Law, where changes happen every two years. Keeping abreast with changes in technology that impacts on every facet of society is one of the biggest challenges of the future. Children need to be trained to seek out knowledge, not through book-learning. They are more familiar using technology to search for information. Hence, the key is to arouse curiosity and creativity in young people at an early age instead of filling their minds with book-learning imposed by teachers. The tertiary education system should set up colleges for life-long learning, where every digital technological worker must go back to school to upgrade themselves. But this thirst and curiosity must be nurtured from young.

Ms Radhika Dhiva, Monash Malaysia Business Alumni Chapter (MMBAC) asked if the fundamental characteristics are going to change in the digital age? How would the digital age affect the chances of women in leadership? How should these trends be reflected in the education system?

Dato' Ir. Lee Yee Cheong emphasised that there are fundamentals of leaders, be it of nations or corporation or any organisation which have not changed, that is he or she should be ethical and moral. This value is timeless, regardless of the pre-digital age or the digital age itself. If one is not a moral person, lives for their own self-interest, and does not care for society, they are not fit to be a leader.

Ms Chong Chye Neo added that the digital age brings about different kinds of competencies that need to be acquired. If a CEO is not aware of the digital disruptions occurring around them and do not adopt some of these disruption technologies to bring about growth and prevent risk to the organisation, the leader is not a successful one.

Dr. Tan Juan Jim shared that performance evaluations have evolved from one that used to be structured with performance appraisals, to a form that is more agile where people can work in different projects, have different managers, and different time zones. The way how people is measured needs to change significantly. In terms of leadership development, nothing has changed in the qualities of a leader. However, there are certain skills that need to be given additional emphasis to give an advantage during the digital age. The structure and policies of organisations may change to bring about new ideas and leadership environment, where it will no longer be in the form of traditional hierarchies. Traditionally, the most senior person heads the organisation and is usually the one with the loudest voice. However, they are also often the "chief idea killer". Hence, there will changes in trends during the digital age.

Ms Shareen Shariza Dato' Abdul Ghani pointed out that we sometimes demand for too many types of attributes from members of the organisation, but often the leader themselves do not have the same attributes. Nonetheless, they must push on as this is how things work. Barriers need to be broken between organisation leaders and their colleagues to allow them to work, engage, and enjoy they work. This leads to better retention, with an environment which is supportive of everyone's skills and expertise regardless of age, gender, or ethnicity.

Mr Timothy Chan, Association of Malaysian Economic Undergraduates. We have seen how the digital economy, particularly big data, can be misused to manipulate people, such as the Cambridge Analytica Scandal and issues of cyber security. How can we regulate the digital economy? Is the digital economy an end to in itself or a means to an end? And what is that end?

Mr Mohamed Aniq Fahimi, Association of Malaysian Economic Undergraduates. Firms are asking for more leadership in their employment. How do we realise and identify the human capital of leadership amongst the millennials?

Ms Shareen Shariza Dato' Abdul Ghani the digital economy is a means to an end. There are already talks about the 5th Industrial Revolution and societies response to automation. Hence, digitalisation is a means that takes us to a destination, but it is not an end in itself.

Dato' Ir. Lee Yee Cheong shared that Thailand has established the Ministry of Digital Economy and Society, which is significant as the focus was not just about driving the economy, but also how it affects the Thai society. This ministry was set up after the Thai Prime Minister visited Huawei in Shenzhen, China, and asked how their technology would affect the common people. Huawei and Raland Berger then conducted a digital roadmap for Thailand. Four main themes were introduced. The first was e-government; how to make government procedures, application of forms much simpler for the common people. The second was e-agriculture to increase rice productivity. The third was in tourism and fourth was in elderly care. Hence, this ministry was formed to link the drive for economic and societal uplifting through the digital economy to how it will benefit the people. Governments must be cautious. If they apply too much control, they risk killing curiosity and creativity. There needs to be a balance. Governments need to find out what aspect of the digital economy will benefit people and try to use legislation to facilitate this. There will certainly be a need for legislation against online abuses.

Dr. Tan Juan Jim said that for Millennials, genuine leaders will stand out and there will be no need to attempt identifying them. Instead, the right environment for them should be created. Many organisation policies restrict people from owning ideas. Anything created, the intellectual property (IP) belongs to the organisation. These policies are too archaic to generate ideas in the organisation and bring out the best in people. There are also organisations which have created ideation programmes to come up with start-up which will be sponsored by their organisation that will go on to invest in their ideas. HR and organisation policies are too archaic in many organisations. If this changes, it can be a strong booster towards the creation of leaders.

Ms Shareen Shariza Dato' Abdul Ghani lamented that companies miss out potential talents in their workforce because they do not profile their talents well enough, despite having detailed profiling on customers. When this is neglected, leaders cannot be identified. Companies need to be wise on how they engage their talent and profile them. Leadership qualities and attributes will surface. This way, the ones with potential can be guided properly. Organisation strategy is to recruit people to fill boxes, but this is not the way it should work as the process involves many different elements. Instead, focus should be on the talent and what they can do, profiling them so that their skills and expertise are well set up for the task the organisation has for them.

SPECIAL KEYNOTE ADDRESS

YB Datuk Ignatius Darell Leiking, Minister of International Trade and Industry

There have been many questions over the status of the Regional Comprehensive Partnership (RCEP) that ASEAN is working on. Though the detail are only known to the negotiators, the Minister gave his assurance that the government is trying to bring a conclusion to the process. This will come in the form of a major multilateral and multinational agreement between ASEAN and the rest of the dialogue partners involving sixteen countries. With such an economic block, Malaysia and its partners will be able to trade more seamlessly and more competitively with the world. RCEP will also provide better opportunities to access and market liberalisation. Its benefits includes the coordination and standardisation of rules and procedures, which is different from the ASEAN FTAs and six dialogue partners.

The government will work to ensure that it can work seamlessly and that it can cut across all barriers faced amongst ASEAN members. RCEP will also open up opportunities for local businesses to obtain raw materials of good quality at more affordable prices. In 2018, ASEAN countries signed the Agreement on E-Commerce involving digital trade between ASEAN, which is one of the first of its kind in the world and has even become a reference point in the World Trade Organization.

The growth of the Malaysian economy has eased slightly to 4.4 percent in the third quarter of 2018 over the same period in the previous year, which is fractionally down from the 4.5 percent year-on-year expansion in the second quarter, marking a two-year low. Despite this, Malaysia is still on the right track as the fundementals of the country are intact and the people doing business are progressing in confidence of the products they export beyond Malaysia. Overall, trade has been positive.

However, there are many volitile challenge. The issue with Malaysians is that they tend to believe what has been written and tend to follow their emotions. While is good to have good intuition, it is not good to have a herd mentality. Malaysia has been able to weather the storm because of the people, not the government. Also, people had faith in businesses and the products they sell. This has kept Malaysia afloat. The government has also introduced good and aceptable policies. There a many people coming into Malaysia, not only because there has been a change of government, but also because they want to rebuild Malaysia together. For this, Malaysians will always remember this act of kindness.

There has been many attacks on Malaysian palm oil, especially from the Europeans. They reason that palm oil is unsustainable and kills the orang utans. However, the real issue is about competition, as they are competing with Malaysian oil palm and lie about it. This then becomes unfair, as some of these countries were party to the destruction of the forest when they accepted money from people who have caused this destruction in the first place.

Tribute to the resilience of the Malaysian people, they came up with ideas to grow something commercial from the devastation and nothingness, leading to employment opportunities. Palm oil is one of such crops that have emerged from the devastation and damage done by bad people. The challenge now is posed by countries who judge Malaysians over this product, of which 40 percent of Malaysia's production is based upon. Malaysians must defend the crop which is viable to the nation and one that has been accepted in other nations.

These critics keep asking Malaysia to finalise certain FTAs, but yet, they question Malaysian palm oil. There is a need to move on. The world must accept the fact that Malaysia has come up with solutions that are sustainable from the level of capacity it has. This may not to be to the levels the Europeans have as they have already industrialised themselves, moved to IR 4.0, and adopted advanced technologies. Therefore, they should not judge Malaysians for their efforts given the limitations faced.

The government is committed to strengthen the structural reforms expected of it, which will accelerate the country's converagance with developed economies. It will continue to work with other developed economcies, which is why all the ministers in the cabinet are making nunerous attempts to reach out to other countries to work together, as well as to reach out to the Malaysian diaspora, telling them that Malaysia is good for business.

Dialogue Session with YB Ignatius Darell Leiking

Tan Sri Michael Yeoh asked the Minister when RCEP will be concluded and asked what were some of the problem areas (with issues between China, India, and Northeast Asian countries) that need to be resolved.

YB Datuk Ignatius Darell Leiking explained that issues between China and India are geographical and historical as each has their country's interest and soverignity to protect. As they progress forward facing many challenges, there will be a time where the convergance of ASEAN+ partners will come into fruition with India and China finding an amicable solution. Malaysia once had an issue with India over palm oil which has since been resolved. Therefore, it takes resolve and trust between people through the building of trust during the most difficult aspect. This is how the 10 ASEAN countries are able to work with dialogue partners and additional partners on how it can become a seamless economy. Together, Malaysia can protect and defend the its economy from any threats.

Tan Sri Michael Yeoh asked if the government would be willing to move forward and ratify the CTPPP.

YB Datuk Ignatius Darell Leiking clarified that Malaysia is as divided as is any other country on issues of trade and working together. The position of the government has never been either to ratify or not to ratify. The Prime Minister have the final decision. It appreciates the fact that this agreement was entered before the current government took over and there were prerequisite conditions that were not met. Namely, Malaysia needed to amend 19 statutory laws, two of which has already been amended, to comply with the terms of the CTPPP. On top of this, regulations and laws at the state level also have to be amended. The Prime Minister has already given instructions to the cabinet that any changes can be done provided that it serves the current policies of the government. Seven out of the eleven CTPPP member are ASEAN member and dialogue partners. The remaining four are Chile, Peru, Mexico, and Canada. The CTPPP is already in effect as seven countries have ratified it. There is also the RCEP and ASEAN, with seven ASEAN members in the CTPPP who will never dishonor the ASEAN Agreement. Therefore, even with any shortcomings in the event of Malaysia's non-ratification, there are already seven members in place. Malaysia must then trust its ASEAN partners who are already in CTPPP. Philippines, Indonesia, and Thailand are not member of the agreement, are Malaysia's immediate neighbors. Brunei, despite being a signatory to CTPPP has not ratified it. While the Malaysian government is working around the agreement, it is ensuring that RCEP is on its way and will continue to strengthen the ASEAN Agreement.

Tan Sri Yong Poh Kon, Royal Selangor International Sdn Bhd commended the Minister's efforts in pushing for FTAs, be it RCEP or the CTPPP. He explains that in the business community, the more FTAs Malaysia can be part of, the better the chances the business community will have. However, there have been questions raised as to why a CTPPP is needed when the previously negotiated TPPA is twice as large. Though some members of CTPPP are already Malaysia's FTA partners under ASEAN, the other three countries; Canada, Mexico, and Peru has a GDP ten times bigger than Malaysia's. Hence, even without the seven existing ASEAN partners, the prospect of trading with these additional partners is very attractive to the business community. There have been many worries in the past several years over negotiations of trade agreements, such as the ISDS as many feared that US-based companies will sue Malaysian companies, but this has since been resolved. In matters of trade, it is not

about countries trading with countries, nor is it economist or academics trading with each other, but it is businessmen trading with each other. When evaluating all argument, more weight needs to be given to business community who are doing the actual trade. When they see an opportunity and when it is duty free, they will be more enabled. Malaysia once had GSP preferences with Europe, but in 2014, Europe regarded Malaysia to be an advance economy. This led to the imposition of a 6 percent duty on Malaysian companies manufacturing products for Europe, causing them to lose market share. With Vietnam in the CTPPP, it will be the biggest competitor to Malaysia. Before giving Vietnam too much of an advantage, Malaysia should expedite ratifying the CTPPP. The government should also listen to the business community and not only to economic advisors.

Mr Timothy Chan, Association of Malaysian Economic Undergraduates said that the narrative painted by the EU is that there is unsustainable cultivation of palm oil leading to destruction of rain forest and wildlife. On the other hand, the Malaysian narrative is that it is a conspiracy to destroy palm oil. The fact remains that huge plots of rainforest have been destroyed in East Malaysia. What has the Malaysian government done to combat this destruction? How is Malaysian planning to build its green standards and bridge trust, especially with the EU?

Mr Brian Soo, Firefighter Industry noted that opponents of palm oil are using soft power through the use of media and emotions. Green Peace recently released a viral video of an orang utan losing its home which touched millions of people, pushing a campaign against palm oil. Is the Malaysian government employing similar use of soft power in terms of creativity and emotions to push Malaysia forward in the palm oil industry?

YB Ignatius Darell Leiking agreed with Tan Sri Yong that the ministry needs to listen to the industry players. However, the current position of the government is that it must first assimilate the terms of the CTPPP. Whilst doing this, it must proceed with the other FTAs Malaysia already has. Mexico and Peru are under the Pacific Alliance Treaty. Malaysia has been invited to look into having bilateral ties or be an observer within the Pacific Alliance. This leaves Canada, which Malaysia will work on when the time is right. All this is contingent upon the timing of Malaysia's ratiffication of CTPPP. But prior to this, the government must act on behalf of the business community and make it simple for them to ensure countries like Peru, Mexico, and Canada can be on board with Malaysia through another FTA or trade agreement. Malaysia cannot be emotional over oppositions against palm oil but must defend its crop against lies. Critics are talking about orang utans which they have no connection to. This species are seeing devastation not only because of deforestation but because of evil individuals who kill animals of all forms for sport. However, the orang utan and palm oil are targetted specifically as an excuse not to support Malaysia's palm oil industry. This is a systematic plan and conspiracy by the opponents of palm oil to protect their own industry through dishonest means. The Malaysian government welcomes healthy competition, but this must be done fairly. The Indonesians are unaffected as much as Malaysia because they have a large internal market.

Ms Saraswathy Rajagopal, Business Ethics Institute of Malaysia pointed out that there is a growing trend of protectionism around the world with many countries looking inward, including the US and other major powers. Palm oil faced similar issues several years ago when it was considered a non-tariff barrier although the WTO prevents such practices. Many countries in recent times have been seen to be using non-tariff barriers to obtain imports from other countries to protect their own trades. Rather than Malaysia taking its own measures to protect its palm oil, it should join other members of ASEAN, such as Indonesia, and go on a collective basis to bargain with the European community. It has better say as the ASEAN region, which also buys many products from Europe. Both regions are interdependent on each other for trade. This will give Malaysia better bargaining power if it goes collectively as a regional power to negotiate.

YB Ignatius Darell Leiking affirms that such collaborations are already taking place as the Minsiter of Primary Industry and counterparts in Indonesia are working on this matter. Thailand will soon be a member of the Council of Palm Oil (CPOPC) and Philippines might also venture into palm oil as President Duterte has shown interest. Laos, Cambodia, and Vietnam has also expressed similar interest as they realise that they need to have a crop. CPOPC has since extended its position paper to the relevant countries in Europe. At the same time, there are many European countries that support Malaysian palm oil.

SECTORAL OUTLOOK

Key Outlook for the Oil & Gas, E-Commerce, SME, Retail, Property, ICT and Tourism Sectors: What to Expect in 2019?

Moderator:
Prof. Dato' Dr. Jayles Yeoh, President, ASEAN Retail-Chains & Franchise Federation

The resilience of the Malaysian economy is projected to be tilted downwards. There are uncertainties in the global economic environment including rising trade conflicts, volatility in global financial markets, and geopolitical uncertainties.

Speakers:
Oil & Gas Sector:
Dato' Dr. Ir. Hj. Mohd. Abdul Karim Abdullah, Group Managing Director / Group Chief Executive Officer, Serba Dinamik Holdings Berhad

Though most perceive 2019 will it to be a very volitile year for the oil and gas sector, it will continue to be bullish and sustainable. The fluctuation of oil prices is predicted to be between USD55–75. In comparison, five years ago, many oil and gas companies have undergone a rationalisation process, where they looked at the cost derived in the production of oil. This provided a resolution to reduce the cost of production. If the price goes up, the rationalisation process will still be maintained. At the current prices of oil, there is still a very large gap in profits.

With IR 4.0, there are technological advancements in oil production will help improve effeciency and increase productivity. There will be fewer issues of unreliability with equipment.

Although much effort has been put forward for renewable energy as an option compared to fossil fuels, it is still struggling. It is still undecided if such sources are competitive. Tesla has recently announced a significant retrenchment due to cost of production of electric vehicles.

E-Commerce Sector
Dato' Henry Goh, Co-Founder & Chief Operating Officer, Macro Kiosk Berhad

In 2018, Malaysian e-commerce was worth USD 3.1 billion, which is approximately 1 percent of Malaysia's GDP. It is projected that this sector will grow to USD3.9 in 2019, which is 20 percent more than initial projections. With such growth, this sector will set the trend of the future.

Over 60 percent of Malaysians have purchased something online and involved themselves in e-commerce. The huge disparity between the the size of the industry and the Malaysian GDP shows a huge abundance of opportunities as there are many services that can be provided to the populace who are sufficiently electronically literate. However, despite 60 percent of Malaysians using e-commerce, only an average of USD160 is spent per person in a year, which is a small amount.

Despite the growth of e-commerce, there is little cannibalisaion of the brick-and-mortar stores, many of which are doing well. E-commerce has provided equal opportunity to many companies which has been dominated by bigger companies in the past. This also allows local companies to sell their products beyond Malaysian shores.

Generally, the prospects are positive for this sector. The Digital Free Trade Zone has been established. The Multimedia Communications and Multimedia Commission (MCMC) is pushing hard to provide greater high quality broadband coverage. These factors will allow the sector grow fast. Companies intending to venture into e-commerce will find abundant opportunities. However, e-commerce is not only about selling something online, but also involves digitalising products and services, making it accessible to the digital economy. Overall, the outlook is quite positive for the e-commerce sector.

SME Sector:

Datuk Michael Kang, National President, SME Association of Malaysia

Many foresee 2019 to be a unfavourable year for small and medium enterprises (SMEs). The situation has not improved since the takeover of the new government with SMEs still facing many issues. Many policies and the government's direction for the SMEs are still unclear. The previous government has developed the SME Masterplan, but this has become a missing link for the SMEs during the transition period between the old and new government.

One of the main differences SMEs have faced in the past year is the increased cost of doing business, especially in the area of human resources, which are labour issues. They are unable to get enough manpower to move their production lines. This has caused many SMEs to move their production lines overseas or have passed orders to reginal countries.

However, 2019 will be a good year for SMEs involved in the export business. The US – China trade war has improved trade for the SMEs, with those doing exports experiencing increases in sales.

Before new policies from the Ministry of Human Resources are released, there should be a transition policy to assist SME's to overcome their obstacles.

For the past four years, the growth of SMEs has been marginal. It has only contributed a 0.3 percent growth to the Malaysia GDP. Currently, SMEs contribute an approximate 37 percent of Malaysia's GDP. For SMEs to reach 41 percent GDP by 2020, the government needs to introduce better policies to assist SME growth for the next two-years. It needs to find ways to reduce the cost of doing business in utilities and labour. Many SMEs will also struggle to embark on Industry 4.0 methods in the coming years. This is another area where the government can help SMEs. If the government maintains current policies without lending new assistance to SMEs, many traditional SMEs will go out of business due to rising cost. They are now passing the cost to consumers. The government needs to engage in more dialogue with the industry and discuss how they can work together to build the economy and develop a holistic policy to develop the SME sector.

Retail Sector:

Datuk Seri Garry Chua, President, Malaysia Retail Chain Association

In 2015, retail growth exceeded 4 percent, while in 2016 it was below 4 percent. In 2017, it was only around 2 percent. In 2018, it is projected to be 4.8 percent, while in 2019 it is projected to be around 4.9 percent in tandem with GDP growth. Retail growth has appeared sluggish and has not progressed as projected. It should have a double-digit growth of 10 percent, which is easily achievable. The tourism sector has a multiplier effect, especially in retail, when tourist spend more than 30 percent on shopping alone.

Bangkok is the world's most visited city, followed by London, Paris, Dubai, Singapore, and New York. The Thai capital alone has attracted 10 million Chinese tourists and around 3 million medical tourists to the country, all of which Malaysia could have easily offered.

By 2030, tourism will be the top contributor to global GDP. In 2018, there was a 6 percent growth globally, with 1.4 billion tourists and China comprising around one-tenth of this quantity. Chinese tourist spent approximately USD280 billion, an amount double Malaysia's foreign reserve. Hence, this area cannot be overlooked by the Malaysian government. More effort and federal budget allocations should be focused on tourist, which will have an immediate impact on GDP growth and spurring the economy.

There are concerns over the glut in shopping malls. In the Klang Valley, an occupancy rate of 87 percent has been projected. It is also projected that Malaysia will have 700 malls by 2020 with a lettable space area of 170 million square feet. Hence, if nothing is done in this area, there will be a massive glut. In Thailand, however, there is no talk about gluts in shopping malls as they are always occupied, which are biggest and most interactive malls. Alibaba has introduced robot malls. The dynamics of detail have moved very fast. Even the dynamic of customers between China and the US has changed, with 98 percent of Chinese using smartphone, while it is only 40 percent in the US. China has already over taken the US as the world's top retailer.

Those in the retail industry must be fully aware that brick-and-mortar businesses must look into online solutions. In China, the landscape has changed, with Alibaba and JD.com adopting brick-and-mortar models. The opposite strategy is observed in the US, with Walmart, the biggest hypermarket in the world almost going bankrupt, but was able to turn around the business after buying Jet.com. Using both an online and offline platform, they were able to balance their business turnovers. This is also what consumers want. Also, 70 percent of youth use online means to purchase products by using smartphones to compare prices and quality of products. Retailers must be mindful of these developments.

Another interesting development is in the area of F&B. While wellness and health products always posted double digit growth, and fashion always being sluggish, F&B has always been a dynamic and growing area. Malls in Singapore have been able to increase the occupancy of their lettable space by up to 30-40 percent. Hong Kong has observed similar trends with an approximately 23 percent increase, while Europe has seen an addition 15 percent. Hence, there is a stark difference in the business mix and dynamics between Europe and Asia. This will also be changing.

For those operating in F&B in the first year, 30 percent of shops are unlikely to survive due to the intense competition, new concepts, prices, location, and other factors. Many retailers may also struggle with high rental rates and high labour cost. Therefore, retailers must be forward looking in their marketing strategies and mindful of their surroundings.

Property Sector:

Mr Siva Shanker, Head of Investments, Axis Reit & Past President, Malaysian Institute of Estate Agents

There has been much bad press about the 39,000 units of unsold condominium and residential units, many of which are in Kuala Lumpur, Penang, and Johor Bahru. The property market has been on a slight downturn since 2012-2015 and 2016-2017, not only in terms of total volume, but also in terms of total transaction value.

Many expected a rebound in 2018 as the first quarter of the year recorded a 4.3 percent growth, but this did not carry through to the second quarter as the market contracted by -2.4 percent. Comparing the first three quarters of 2018 and the same period of time in 2017, the situation is already in the negative. It is expected that the full year for 2018 will yield a net negative result with market coming down for another additional year.

One of the reasons this is happening is because the Malaysian property market is overly residential focused. 63 percent of properties transacted in 2018 were residential in nature as opposed to industrial properties which was only 2 percent. There should have wider variation by bringing in the FDIs and manufacturers, creating a logistics hub in Malaysia. This would have had a tricked down effect that would also benefit the property market, benefiting Malaysia positively as a whole.

The 2019 federal budget will have no serious effect change to the property sector. In terms of prospect, the situation is not all doom and gloom. Some develop may suffer for oversupplying properties that are presently not in demand. Developers in Penang are expecting the situation in 2019 to be worse than 1997, but this may not be the case.

There needs to be a reduced reliance on residential properties and offerings of different asset classes for people to invest in. There also needs to be a change in how housing loans are given out. Slightly more than 50 percent of consumers who apply for housing loans have been rejected for various reasons. This is not good for the market. Alternative ways need to be developed for funding for home buyers. The property sector must accept that property prices in the Klang Valley, Penang, and Johor Bahru are too expensive and cannot be afforded by the average Malaysian. There needs to be a change of mindset, for consumers to buy properties much further away from the city but are attractively priced, and come with services and amenities. Overall, the property market is on the downward cycle, but this may flatten out in 2019 and things may look positive by 2020 and 2021.

ICT Sector:

Mr Ganesh Kumar Bangah, Chairman, PIKOM, The National ICT Association of Malaysia

Google and Temasek has produced an annual report on the digital economy. Initially, it predicted that the digital economy in Southeast Asia will grow from USD30 billion to USD50 billion from 2015 to 2017. Instead, it grew from USD30 billion to USD72 billion in the span of two years and doubling initial forecast. It is also forecasted that by 2025, the entire digital economy will be worth USD240 billion.

The e-commerce sector, which was expected to hit USD88 billion, is now forecasted to reach a value of USD102 billion by 2025. This means that e-commerce in Southeast Asia has reached an inflection point where it will grow exponentially. This is the best time to take part and invest in the digital economy. Malaysia has been growing in tandem with this growth. Cross border e-commerce and digital economy is expected to accelerate this growth even further in the coming years.

As an industry, e-commerce cannot be viewed based on the confines of their national boundaries, but seen from an ASEAN perspective and the whole of Southeast Asia. This is a large opportunity, but is also one that implies strong competition.

Malaysia has always had a foothold in all the countries in Southeast Asia and still has the potential to be the technology capital of the region. The Digital Free Trade Zone was an initiative that put Malaysia at the forefront. This was one of the factors which led Alibaba to choose Malaysia as their centralising warehousing facility to cater for the region. This brought in much interest from other parties. However, this has slowed down significantly in terms of perception since the change of government.

The digital economy must be accelerated through the additional talent development, but this has not happened. The pace of getting talent to come in has been the primary cost factor for the IT industry (the second being property). With sufficient talent in the industry, the industry will grow as the overall market is growing. Without sufficient talent, Malaysia stands to lose out to Indonesia and Thailand. It is key that Malaysia not reduce its efforts in developing this sector. Malaysia was in a good position 20 years ago when Tun Mahathir started the Multimedia Super Corridor, which has since slowed down. The government must ensure that this does not happen again and need to start focusing on real initiatives on talent development.

Tourism Sector:

Mr Nigel Wong, Honorary Secretary General, Malaysian Association of Tour and Travel Agents

Malaysia does not foresee a decrease in the number of outbound tourists as Malaysians will continue to travel beyond the country, but perhaps with more focus on intra-ASEAN travel rather than to further reaching destinations. Tourism is Malaysia's second largest foreign exchange generator. It is dependent on many other industrial sectors, predominantly ones which deal with people movement.

There have been several positive developments in the area of tourism for Malaysia. Royal Caribbean (RCL) has invested funds to develop Swettenham Pier as one of the cruise hubs in Asia due to Malaysia's geographical position. This is expected to lead to a huge influx of tourist to Penang. Many Malaysian airports have been earmarked for increased capacity. There has been an increase in flights from China and Korea to Sabah. Much of this is not only due to the infrastructure in the state, but also due to the promotional efforts of each state in these markets.

Tourism Malaysia and the Minister of Tourism, Arts and Culture is targeting to take Malaysia to more international trade shows. In 2019, during the largest travel trade show in the world in Berlin, Malaysia will be featured as a partner destination. The private sector and the government is making preparations for this event.

Plans for a MYR100 million matching grant will be introduced. Though details have not officially been released, it seems that this grant is meant for promotional efforts. These details are expected to be made available by February 2019.

The challenges faced by the tourism sector has to do with people movement. This requires the government to increase the capacity of transportation in and out of the country via air or sea. There will

be benefits to the retail industry and secondary industries related to the movement of people in and out of the country.

Technological disruptions have also caused much pain in the tourism market, but at the same time, tourism operators are beginning to realise the potential of going digital and there is increased adoption of digital technologies in the tourism sector.

There are also legislative challenges. The government has very old legislations which have not been changed since the early 1980s. This needs to be changed and modernised to prevent the Malaysian tourism sector from losing out competitively to other ASEAN countries.

CLOSING KEYNOTE ADDRESS

Introductory Remarks

Tan Sri Michael Yeoh, President, Kingsley Strategic Institute

Malaysia faces the 3I challenges; inequality, institutional reforms, and innovation. The 14th Malaysian General Elections saw the impact of the 3Cs; cost of living, corruption, and cronyism as causes of the major defeat of the BN government. It is hoped that YB Dato' Seri Anwar Ibrahim and Pakatan Harapan will help the country overcome these challenges.

Closing Keynote Speaker

YB Dato' Seri Anwar Ibrahim, President, Parti Keadilan Rakyat & Chairman, Parliamentary Caucus on Governance and Reforms The country has undergone an extraordinary process, but the people's strength will be measured by the will of the people to carry out the new initiative that they hope for. Malaysia has observed great public revulsion against egregious, malfeasance, and corruption that affected the entire cultural, political fabric of the country. There is public reaction, revulsion, and antecedents which was not spontaneous. Many have talked about it in private as the system then did not allow the articulation of these issue. Many political elites, academicians, and business elites were complicit either directly in the crime perpetrated against the people or have been muted against these excesses. This was the reflection of utter failure of institutions and elites in this country. However, this is the past.

The Prime Minister has launched the National Anti-Corruption Plan. Many would be cynical about new plans and directions, as in 2004, there was an impressive and well drafted National Integrity Plan which was never undertaken seriously. It is quite heartening that the Prime Minister is asserting, in stronger terms, of the need to ensure that the anti-corruption drive is not merely about dealing with the excesses of the past but also having close scrutiny of the excesses of the present, be it by government ministers, public officers, and even the private and public sector. They must understand that the government means business and will never tolerate these excesses of rampant endemic corruption in Malaysia.

Issues of good governance are central in discourse. Impressive economic plans can be crafted, but there is no certainty that plans will work due to disruptions. Not all can be designed to anticipate with certainty. This is a period some political scientists have termed as "post-normal times". One cannot anticipate change as there is a spontaneity, be it climate change, the flow of migrants, or civil wars. Even the emerging trade war is unprecedented, where a country like the US which has been the bastion of free trade opting for protectionism, while China is seen to be championing free trade. Such are post normal times. This is more so case when Anwar and Tun Mahathir are working together. Both parties have decided to move on despite the suffering faced by Anwar's family as the country's interest must take precedence over the sufferings of one person.

Change makers must also be realist who are realistic enough to secure the attainable or what is deemed to be attainable. Leaders must not presume that they know it all and must have the humility reflect, listen, and assess. In the past, there was an assumption that once someone becomes a leader, they can craft agendas for the country. This should not be the case. Instead, they must be prepared to accept limitations and rely on some forms of expertise. However, at the same time some so-called experts are disconnected from stark realities of society.

In 1961, Royal Professor Ungku Aziz reminded planners, economists, and bankers in Kuala Lumpur of the issues of poverty, during a time when the country was doing very well. Malaya was peaceful, had commendable economic policies, increased foreign investment, and was soon to be seen as a premier country in Asia. That was the political rhetoric that was absorbed and supported, particularly, by the ruling elite. Unfortunately, Royal Professor Ungku Aziz's recommendations were often ignored when he stood up for the plight of those marginalised, including the poor. At the time, he looked at pockets of poverty in East Johor and the East Coast, particularly at Pahang where the problems faced by fishermen and poor farmers have little bearing on policymakers who crafted recommendations in Kuala Lumpur.

The situation has changed ever since. Picketing has made equality the new buzzword and has caused much excitement among academics and planners. Some years ago, UNICEF published a disturbing report on poverty and inequality in Kuala Lumpur. For the economy to move forward, there needs to be greater support and provision of all necessary incentives to attract foreign direct investments into Malaysia. The country is fortunate as through its FTAs, it has managed to generate much interest and propelled the growth of economy. At the same time, Malaysia is faced with major problems, such as poverty among those in Sabah and Sarawak, as well as those in rural heartland in Peninsula Malaysia, Indian estate workers, and the urban poor. Statistics have shown that the urban poor is a major problem that affects the crafting of economic plan for the future.

Economists, planners, and analyst have good policies which are highly recommended. It is the way forward to make Malaysia attractive. More policies need to be utilised to ensure Malaysia can attract investment from the US and China during the trade war as these are avenues which Malaysia can exploit. The Prime Minister is working to clear up the perceived confusions arising from the decision whether or not to cancel mega projects with China, which will be addressed in greater clarity by the Finance Minister. Whether Malaysians like it or not, China is an important partner. Though there may be disagreements with China over certain issues, Malaysia is a trading nation that requires investments. Therefore, China is critical to the destiny of this nation.

On the issue of inequality, wisdom can be drawn from Tony Atkinson and the recent writings of Thomas Piketty who made references to inequality and lamented the existence of obsolete policies that made the situation untenable. Many Malay have questioned decisions to chart new economic agenda as far back as 2007 to replace the New Economic Policy (NEP). This needs to be explained to them. They need to be educated about transparent, fair and non-discriminatory policies that rejects and calls for the dismantling of the NEP and replaced with the New Economic Agenda. Anwar has crafted this policy before 2008 General Elections which he still stands by, as he believes it to be a rational and realistic policy that supports the interest of all Malaysians. It needs to be explained that it is not a zero-sum game and the dismantling of the NEP will not to impoverish the Malays, but will instead give them new sense of confidence and adequate opportunities to compete with the others through need-based policies. Najib's administration adopted this policy in part in 2010-2011. However, the problem with governance is in its execution of policies. It cannot assumed that what the elites articulate and craft is understood by the people.

Policies are often crafted and left unchanged. Then displeasure arise from these obsolete thinking of policies. This is the reason why new policies in the new democratic outlook must be well understood, and not merely to cater to small groups of people, but to ensure that policies are crafted to represent the aspirations and the conscience of the majority. The majority has to grappled with the quality education, public health, and infrastructure in both the urban and rural settings. This will be the new direction for Malaysia, replacing the obsolete race-based policies. Because of the failure to articulate this vision, there is still need to grapple with views that represent the past, of whom are suggesting that any attempt to introduce a shift in paradigm would mean disaster or will impoverishing a part of community.

Malaysia needs to embark on bold reforms. This is a period where the economic scenario presents a major challenge. The price of commodities has affected livelihoods. While any attempt to help the poor and address inequality may seem populist, doing anything else would suggest that policy is crafted only for a small segment of society, which already has adequate opportunities, and in doing so, ignore the plight of the majority.

Good governance is to ensure justice for all. Economic policies that do not cater for the welfare of the majority cannot be crafted. Hand-outs that lead to a dependency syndrome are not necessarily good. Leftist scholar and economist Samir Amin talked about economic infrastructure and policies, where rich countries that help the poor countries ensure that these countries will continue to be dependent. Such is the effect of foreign aid. Governments tend to follow the same policies. Handouts are given to the villagers and farmers to ensure that they remain obliged and continue to support the ones helping them, not to elevate them nor to ensure that they become successful. This approach must change from a dependency syndrome to one that allows them to become economically independent.

The digital revolution or the digital economy can result in growing inequalities between the very rich and the poor. Alternatively, digitalisation can also give opportunities to the poor fisherman and farmers by allowing them to know their rights and to demand what is fair for them. This has been practiced in several countries, such as Brazil and India. In Malaysia, there are several companies with bright and young entrepreneurs who have adopted the digital economy. Their views and expertise must be sought on means to ensure that poorer segments of society are not ignored. Small businesses are avenues that must be supported to allow trickledown economics to occur.

The Malaysian people must be bold enough to address the issues they face as Malaysian issue, instead of viewing issues through racial or regional perspective. That is, in essence, what the New Malaysia is all about.

Dialogue Session with YB Dato' Seri Anwar Ibrahim

Datuk Dr. A. T. Kumararajah, Malaysian Associated Indian Chambers of Commerce and Industry enquired further on what Anwar mentioned regarding future policies of the country that have to be more needs-based, rather than race-based, and wanted to know how far has the New Malaysia gone in the past nine months and how much further it needs to go. The feeling on the ground is the that the thought process of needs-based has not gained much traction, even by the new government. Although many want this to happen, it has not translated into policies or programmes. Even the media has not alluded to this.

Dr Tan Juan Jim asked what will be government's strategy be to create new engines of growth for the economy to make Malaysia a competitive country in this region.

YB Dato' Seri Anwar Ibrahim explained that the government has shifted and it is unfair to say that they are stuck to old policies as adjustments will need time. Given the current scenario, the vast majority of political elites and civil servants who accept the notion that the only way to secure the position of Malay Bumiputera is to continue with past policies. There is a need to engage with them and convince them that this is not zero-sum game and that they will not lose out. Instead of giving support and allocations to rich Malays, is should be transferred to the poor across all races.

Priority needs to be given towards the digital economy with more developments in robotics, artificial intelligence, and high-end technologies. For example, in pharmaceutics, Malaysia imports the same generics from countries although it has the capacity to manufacture its own. Though there are some areas that depend on major pharmaceutical companies, it is totally unacceptable, at expense of the national economy to accept a tender process that selects the most affordable option. This is not thinking outside the box, but is merely grappling with existing policies.

The education system is still transfixed in obsolete ways. Where there is a need to allow some categories outside the mainstream process. For example, the RAPID Project in Johor requires thousands of workers in the next few years and hopes to train students at the age of 16 and 17. This should be allowed with the condition that they learn the Malay language and English as a second

language, perhaps even ensuring that they learn subjects on history and the Federal Constitution, all for 3 hours a week. The remaining 15 hours should be dedicated to subjects on petroleum, technology, and training so that students can graduate with a diploma, even without the Malaysian Certificate of Education (SPM) as long as have Malay language proficiency as a requirement. Unfortunately, this was deemed to be a radical idea. Hence, if Malaysians are not prepared do this, they can never graduate.

A new direction requires some thinking in this manner to identify new industries and new business models. At the high end, Malaysia can no longer depend on labour intensive industries. The country needs ministers and leaders to be courageous enough to push the agenda ahead. There will be challenges with old polices and old methods of doing things, but the idea of post-normal times comes from the fact that there is little choice as things a moving at a rapid pace and Malaysia can longer afford to remain stagnant. Reform agendas need to unfold at a quicker pace. Though there may be mistakes along the way, in the face of failure, when given an opportunity, people will excel.

Full session recordings available on YouTube. Search:

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