

12th Malaysian Strategic Outlook Conference 2010

26th January 2010, Renaissance Hotel Kuala Lumpur

Welcoming Remarks by Dato' Dr. Michael Yeoh, Chief Executive Officer, ASLI.

Dato' Dr. Michael Yeoh gave his thanks to the attendees of the conference. He explained that this conference, an ASLI tradition long since, serves to assess the economic outlook of the country, to analyze its political climate and to focus on probable sectors for investments. He underlined that the definitions derived from these discussion are paramount in attracting investments from abroad. He notes also, that it was essential for domestic investment to remain robust without which Malaysia could not progress. This included the promotion of investment as it was inherently linked to creating confidence amongst the people.

Dato' Dr Michael Yeoh concluded with the 4S challenges in Malaysia.

1. Sustainability, be it in economic growth or the environment.,
2. Skills, the need to develop human capital and to retain it.
3. Security, the necessity of checking growing crime rates and corruption.
4. Solidarity, stressing that unity was paramount to the success of the country.

Opening Keynote Address – “Outlook and Challenges for Malaysian Commodities” by YB Tan Sri Bernard Dompok, Minister of Plantation Industries and Commodities.

YB Tan Sri Bernard Dompok started by obliging the organizers on the 12th Malaysia Strategic Outlook Conference. The objectives of this conference he stated were to view perspectives on current economic issues and the opportunities it presented. After which he attributed Malaysia's successful growth to its willingness to adapt to the external environment pointing out the upheavals encountered, most recently the economic meltdown of 2008 Malaysia proved resilient. 2010 showed great prospects, seen in how trading between major partners like China had increased significantly. The contributions of the Commodity sector in this context, was also

apparent with manufacturing industry's continued contributions to the economy. The success of this sector owed itself to research and development, which has broadened the use of commodities like palm oil. Besides that, Malaysia is also moving towards zero waste practices and sustainable energy approaches. He stressed the importance of increasing mechanization processes to reduce the Nation's reliance on foreign labor and to encourage skilled labor from the Malaysian workforce. He added, that the Tenth Malaysia Plan would include funding for sustainable development and value added products, as well as a focus on developing the smallholder's sector. Finally he added that conferences of this kind allowed for exchanges that greatly assist the Government's efforts in the economy.

Session 1: "Malaysia's Economic Outlook and Challenges – Gearing Up for Recovery, Charting a New Growth Model"

Moderator: Tan Sri Ramon Navaratnam, Chairman, Centre for Public Policy Studies, ASLI.

Datuk Nicholas Zefferys, President, American Malaysian Chamber of Commerce (AmCham)

Datuk Zefferys opened by recounting the economic woes faced by the United States since the year 2007 and how this translated to the rest of the world. He proceeded with the question of Malaysia's situation. By referencing several economic modules like the National Mission and the 9th Malaysian Plan (9th MP), and the 1Malaysia ideal he asked subtly the feasibility of its planned successes. He stated a need for the New Economic Model (NEM) to relinquish the protectionism within the service sector in order to rise to its 2020 target of over 70 percent GDP. He commends the moves made by the government in liberalizing a few economic sectors but believes that such efforts should be increased. He also identified the countervailing factors behind Malaysia's growth. The primary reason stated was the failure of the education system to promote independent thinking at an early age. He also

felt that undemocratic practices inhibited the growth of the economy. He went further on to say that the economy was in a sync-or-swim situation that either had to follow through with stimulating factors like the NEM and 10th MP or face a great decline. Other critical problems were the talent shortage and the brain drain, the dwindling of domestic investments and the slow progress of the research and development departments. He then pointed out the prospects for the Malaysian economy. This was seen in the rise in Asian demand and the emergence of new industries. But for Malaysia to grasp those opportunities, he emphasized a need for the effective implementation of improved policies along with an involvement of both the private sector and the public. PEMUDAH here was congratulated on its effort. Finally he states that Malaysia had to relinquish its bad habits and to work towards greater equality in the name of economic growth.

Dr. Thillainathan, Director, Genting Berhad

Dr. Thillainathan began by briefly clarifying his status as the Past President of the Malaysian Economic Association. He continued by outlining the focus of his paper, which was on what Malaysia needed to do to break away from the middle-income trap. After which, he summarized shortly Malaysia's economic status post WWII and explained how it had made the transition from a Low Income Economy (LIC) to a Middle Income Economy (MIC). According to him, this transition came from an integration with the world economy. This integration generated a demand for products not constrained by size and produced manufacturing based on global know how. However, integrated economies faced the challenge of identifying the right export industries, which according to Dr Thillainathan was what Malaysia had already accomplished.

He stressed on nevertheless, that should Malaysia wish to move towards a HIC then there must be a commitment towards export lead strategies. He also made a point of saying that they must not go back to local market based strategies quoting the failure of the Malaysian auto industry that has remained uncompetitive for over 20 years. He stated this had local

strategies based on local demand created a special interest group causing high tariffs and policies favorable to itself at the expense of the economy. The solution to this dilemma is a shift of focus to regional markets and a take-over by bigger global players. He reiterated that an over reliance on auto-policy had caused an overinvestment on roads, non open bids for contracts, and failure in optimizing city roads all of which impeded economic growth. Other protected home markets including cement, sugar, and airline services also caused similar problems. Fixed prices for certain products according to Dr Thillainathan meant shortages and black-marketeering. In terms of airline services, protectionism caused reduced competitiveness, which spilled over to other sectors like tourism. A reliance on domestic demand was also unpractical as Malaysian consumer markets were too small and had the tendency to consume foreign produced goods. He expressed that Malaysia had to now specialize in manufacturing and services to become a HIC. Henceforth, a greater number of knowledge workers would be required to increase output. Consequently, education system reform must be administered to produce these workers. The implementation of meritocratic policies must also take place to attract and retain knowledge workers. He felt that a perpetuation of the old export model continues through the importation of unskilled labor. This risks Malaysia into remaining a MIC and in fact, Malaysia risks losing its competitive edge to emerging low cost producers with lower wage rates. He added that though cities have the primary for behind economic expansion its unmanaged growth had weakened external economies considerably. Lastly, he stated that corruption has lead to weaker enforcement and social discord, which ultimately compromised Malaysia's potential change into a HIC.

Dr. Rajah Rasiah Dean, Faculty of Economics & Administration, Malaya University

Dean Rajah presented his thanks and lead off by highlighting the disparity between the per capita income of Malaysia and the 1st tier Asian countries. He pointed out that there was no such relative gap in the 1960's and that many countries had over taken Malaysia since then.

In that context he states the current global crisis is irrelevant, as Malaysia had experienced a slump in the economy prior to the crisis. The most significant shortcoming came from the severe deficit in human capital. He contended that although human capital does not determine absolutely the health of the economy as seen in Japan but it is a precondition to economic growth. Then he proceeded to speak on whether or not the New Economic Model would be able to address pertinent issues in determining Malaysia per capita income. According to the data of 1985-2005, Malaysia showed the slowest growth rate when compared to other rising economies. Most alarming to him was how manufacturing had slackened prematurely. This indicated that it was not yet possible for Malaysia to adopt a service oriented economic structure, as a vibrant manufacturing sector is needed to facilitate the transition towards services. He went on to say that the reason behind the descent of the manufacturing industry is the miniscule amount of human capital available in Malaysia noting that the Action Plan for Industrial Growth did not really serve to ameliorate this situation. He also stressed that gross expenditure in research and development did not amount to much. The way to resolve this according to him was to produce scientists and engineers through Masters and Doctorate programs as well as to create a channel that increases human capital. He felt that failed or weak policies should be revisited and revised. To him some levels of protectionism in terms of relative prices were required as it dictated the response of agencies. However, he instigates that inducement structures in the forms of subsidies and market distortions must be monitored by market standards something Malaysia greatly lacked. He states that it is not possible for economies to succeed otherwise, stating that no other country could make the transitional gap without these instruments. Afterwards, he added that subsidies cannot be prolonged and should only be induced to provide for equal opportunities for the poor as this encouraged a flourishing of minds ergo a bigger pool of quality workers. To conclude he stated that Malaysia should look to boost industries with increasing returns and the industries supporting it. Adding that all subsidies must be subjected to accountability screenings.

Q & A Session

Q: Is a different political modal like a single party government more important for economic competence as opposed to a new economic model?

A: Dr. Thillainathan, needs-based rather than race-based affirmative action is required. And in effect, it would still vastly benefit the majority of the bumiputera population.

Comments: Datuk Ghazali, calls for closer coordination between ministries. This would include institutionalizing a Coordinating Ministry like in Indonesia for economics, social affairs and utility. So that there is greater synergy, purpose and focus.

Q: Would a drastic action of economic reform like halving government personnel improve conditions in terms of pushing those that remain to work harder and increasing the workforce in the private sector?

Q: Question was Directed to Datuk Nicholas Jeffry, asking him to comment on meritocracy based policies.

A: Datuk Zeffereys, using an analogy of football he states that meritocracy is the key to getting best pool of players (workers). Entitlements and affirmative action will not encourage this but will instead actuate lower standards and a decreased worker capacity. Then speaking on what is needed politically, he communicated that the current separation of social classes that somewhat function together no longer work. This is made obvious by the fact that 60% of those under 30 have unpatriotic sentiments towards Malaysia. This meant that the aforementioned youths would probably not invest their energy and intellectually capacities towards building a greater economy.

Dr. Rajah, elaborated further on the need for a different political model by mentioning that Malaysia has allowed for the prevalence of clientelism. He stressed that special interest groups that did not empower people or offer long-term benefits have flourished at the expense of the economy.

Dr. Thillainathan, concerning Malaysia's plan to expand the service sector explained the improbable expansion of the finance sector, as it has always been inward oriented instead of outward oriented. Liberalization efforts for development should be concentrated instead on services like the aviation sector. He also agreed that the potential of manufacturing was highly underestimated. Remarking how Malaysia could still move from low-end manufacturing to high-end manufacturing. He admits that biggest constraint behind such a move is the lack of talented workers, which to him is where meritocracy comes in especially with regards to education. Also he agreed that the public sector was a drag on the economy. It obviously put constraints on the economy, although he agreed that it was an employer of last resort he raised the question of its discontinuance.

Datuk Zefferys, related that coordination amongst ministries was crucial. He felt that ministers today were only concerned about achieving their target KPIs. This meant that they did not bother to work together. Furthermore, he informed that the NEM did realize the importance of manufacturing and cited several examples of its successes including the quadrupling of research and development over the last 4 years. But he alluded that Malaysia is not operating on its full capacity, as it was only reliant on Penang, Johor together with the Klang Valley (Selangor). There was also a motion to lift the economies of other states in need as well as to elevate the

living standards of the 40% of Malaysians living with a salary of under-1200 a month needed.

Dr Rajah, felt that the NEP though he did not agree with its racial based approach, was a good attempt made to connect people to markets. He said that without this engagement in markets, policies would not have been effective in empowering the poor. In terms of the economy, uplifting the poor creates different sets of consumers, which ensured the demand of products of all ranges, this to him was another reason to promote meritocracy,

Session 2: "Politics Unusual – Malaysian Political Outlook"

Moderator: Dato' Dr. Michael Yeoh, Chief Executive Officer / Director, Asian Strategy & Leadership Institute (ASLI)

Speakers:

- **Tan Sri Dato' Seri Abdullah Ahmad, Chairman, Institut Kajian Politik & Ekonomi (IKAPE)**
- **Datuk Dr. Denison Jayasooria, Principal Research Fellow, KITA, UKM.**
- **Datuk Paddy Bowie, Managing Director, Paddy Schubert Sdn. Bhd.**
- **Mr. Ibrahim Suffian, Programme Director, Merdeka Center for Opinion Research.**
- **Ms. Ng Yeen Seen, Deputy Director-General, SEDAR Institute.**
- **YB Nik Nazmi bin Nik Ahmad, Political Secretary to Menteri Besar Selangor**

Datuk Bowie, commenced with concise facts on herself, and warranted soon after the necessity of unity. She mentioned the political tsunami in the 2008, which introduced political diversity. This either was a bane or boon because Malaysia would either be subject to polarization and extremism or find a solution for greater unity.

[Audio disconnects, it is presumed that Ms. Ng has been asked what are the concerns of the youth]

Ms. Ng, the greatest concern is the economy. Young Malaysians today are unafraid of political fear tactics. They want equal opportunities and believe in a Malaysia for all Malaysians.

Mod, question was directed to Mr. Suffian, based on the polling done what are the most important political obstacles?

Mr. Suffian, concerns are on practical matters. The decisive factors largely determined by those in the middle of the political spectrum are as follows:

1. The government's ability to handle the economy and improve the peoples' standards of living.
2. The government's management of perceived corruption.
3. The balancing of ethnic interests.

For the longest time the Barisan National (BN) has managed to satisfy a large majority of Malaysians by balancing ethnic interests and creating economic stability. The concern now is how would the BN recapture that stability and address the polarized ideologies of different races. Lastly, the availability of alternative sources of information has brought forth a public awareness on their rights to good governance.

Mod, requested Datuk Denison's comments on that matter.

Datuk Denison, focused on political leadership and the politicization of issues. He felt that there was a tendency by the government to use issues in the community as leverages for

popular votes rather than resolving the issue. Political leaders did not distinguish the differences in their roles as government officials and party members. This confusion of loyalties, when it should remain towards the nation, has interfered with the political maturity of Malaysia's democracy.

Mod, explains the change in format and proceeded to ask for Tan Seri Abdullah's response to the challenges faced by Malaysia.

Tan Sri Abdullah, the delivery system of this country is the actual driving force behind elections as people have been made unhappy at its deterioration Secondly, perceptions have been misled with half-truths and that do not give the full account on the happenings of the country. There is also great unhappiness about the prevalence of crimes. Furthermore, Malaysia had become too religiously and racially polarized. Leaders show a duality in nature in that they are contradictory when addressing different assemblies. The idea of a single party is not yet feasible until this inconsistency is changed.

Mod, asks Ms. Ng on the viability of a multi-racial party.

Ms. Ng, sees no such problem in Gerakan as it has always been non-racial. However, she feels that BN cannot do so as the parties within in already push for agendas based on their own race.

Mod, but some would say that if BN was multi-racial then Gerakan would be made redundant.

Ms. Ng, since Gerakan's establishment in 1968 its forefathers have always strived for the creation of an assimilated Malaysia (satu bangsa) this was very much ahead of the Prime Minister's one Malaysia concept.

Datuk Denison, wishes it (a single political party) to be so but is unsure at its likeliness from looking at current trends. UMNO, which currently faces sectional issues, has to be a more consolidated Malay party before making an attempt to anchor a multi-racial one. There had already been attempts made from before, this was towards the end of Tun

Mahathir's leadership as well as during Tun Badawi's time but this was met with strong oppositions. Again the issue of diverging loyalties is raised, as some leaders were too entrenched in existing status quos. He reiterated that at the moment, UMNO is the only party that has recovered from the elections of 2008. It therefore, holds the key to creating a unified party system but that can only happen if its leaders wish to uphold Dato' Onn's ideals. He states that there is a need for the institutionalization of new structures with greater openness and such but we still have not made moves for it.

Ms. Ng, instigates Gerakan is a non-racial party. Although she does agree to a political system overhaul, she believes that younger politicians must lead the change or evaporate.

Mod, asked YB Nik Nazmi his thoughts on challenges facing the country

YB Nik, felt that the main issues were racial and ethnic polarization, crime, declining education standards, economic transformations, and a return of faith in the country.

In terms of racial polarization, Keadilan has proven to be the most successful party in creating a Malay lead non-racial party. Its success was largely due to it being Malay lead unlike other parties with similar non-racial parties dominated by a single race. This was because Malays felt a general distrust for such parties like the DAP and PPP. UMNO youth also felt the same need for a unified party but thought that as long as UMNO retained its majority stance it would be unpressured to change.

Mod, directed the question to Mr. Suffian on the current trends of Malay voters, had they shifted or remained divided?

Mr. Suffian, inclinations are still location centric. The broad trend however, is a small majority favoring BN exceptions being Klang, Penang and Kelantan. The lead enjoyed is not superlative however and is dependant on whether or not government assistance reaches its targets. Malays in rural areas and palm oil holdings had a greater tendency to vote UMNO, whereas urban Malays especially in Selangor voted for the opposition. Margins nevertheless were very thin with UMNO only possessing a 5% advantage over the

opposition. Everything else being equal, Mr. Suffian says that the conditioned will remain so but political surprises may cause 3-4% shifts in either directions.

Mod, has Anwar's sodomy trial affected voter sentiments?

YB Nik, there were no specific polls for this trial but there was one for the trial prior to that. Not much of perceptions have changed, as 9 out of 10 Malaysians believe it false claims. The evidence has to be really concrete or people will be even wearier of politically motivated actions by the government. Channels of information outside of government control also contributes to this sort of perception, most impactful being blogs.

Mod, how is Pakatan handling the court?

YB Nik, the party is going across the country putting to light that this trial was an attempt made by BN to derail the people's focus on more important issues like the dwindling economy.

Mod, asked about views on the Najib administration's performance.

Datuk Paddy, On the Anwar case, the international community interprets this as a political killing of an opponent and will be outraged regardless of the court ruling. Najib's administration, exceeded expectations with initiatives like market liberalization measures and modifications of the NEP. But the recent religious strife proved embarrassing for his administration. However, during Hari Raya he managed to showcase his goodwill. Malaysian's are now waiting for the KPI release in February to see if he delivers his planning. Although there are doubts to that because of two reasons, mainly the politicizing of issues and the presence of extremist.

Tan Sri Abdullah, felt that his administration started well but lost momentum and continues to be distracted. Now is the real test of leadership on Najib's part. He agreed that PKR is the most non-racial party, but feels that the Malays are now moving towards to UMNO. But not the Chinese who remain with the opposition and the Indians at the moment remain divided. In fact their votes depend on who provides greater patronage. Tan Sri

Abdullah wants him to succeed but doubts he will as vested interest is too entrenched in his opinion. In the end the factors determining the vote will be the economy and most importantly delivery.

Mod, posed question to Ms. Ng and Datuk Denison on the Chinese and Indian vote.

Ms. Yeen Seen, felt the PM relating his plans to the public but that means that he must deliver. She feels that he should be given time to see if he can really do what he set out to do and to see if his comrades are cooperative in that endeavor. However, incidences like the church burning and subsidies have undone his goodwill.

Mod, asked Mr. Suffian if the surveys indicated any swing in support in light of recent attacks.

Mr. Suffian, levels of support ongoing. From focus groups prior to polls, Malays (NGO mostly) favor the ban of the term Allah but felt that issue had been overblown and overly politicized. This has tarnished the PMs efforts with 1Malaysia. Although not beyond repair, support now depends on the action taken against these culprits

Datuk Denison, 1Malaysia captured the imaginations of the people but had become too rhetorical. It did not resolve the issues of religious communities. It did not even have the institutional support to solve this issue. Indian voters have always followed Malay leadership although now there had been shifts in the type of Malay leadership it followed. The swing back however may come through the direct efforts of the PM like his move to create walkabouts in Batu Caves. Although there still are skeptics who say that these efforts are not substantive enough in addressing critical issues. The impact of the Allah issue also may push Christian Sabahans and Sarawakians to feel insecure and perhaps push them to parties that provide for stronger constitutional protection. The swing in their votes could create a great surprise for the government.

Datuk Bowie, said that prior to the Church burning incidents Malaysia had lived peacefully. The media has sensationalized the even but the existence of such extremists were probably helped along extremists

Mod, Ms. Ng what has the Penang government done to reinitiate itself as a tourist state government?

Ms. Yeen Seen, DAP has strove to administer many reforms although it is too early to tell if its efforts will prove fruitful in the next elections.

Mod, does YB Nik see Selangor as modal state government for PKR to win in the next elections?

YB Nik, the government is at the moment focused on delivering tangible welfare policies and improving competency, accountability, and transparency. Accounts of this can be seen in the creation of SELCAT and successful move to increase the yield of paddy.

Mr. Suffian, the opposition foothold is still strong in Penang. Selangor however is a constant battle as its voters just want to see results.

Q & A Session:

Q: Why can't Malaysia just concentrate on nation building rather than the youth's voting habits?

Q: Asked for an elaboration on the crime rate and corruption?

Q: What do we need to do to desensitize sensitive issues?

A: Ms Yeen Seen, sensitive topics should stop being made subservient to politics. The question of crime and corruption boils down to implementation. Change in political structures is most needed.

A: YB Nik , Malaysia is going through going pains, desensitization requires debates and dialogue and there must be a removal of taboo subjects. Young voters are 50/50 because they are more discerning. Their loyalty goes to those that deliver.

A: Tan Sri Abdullah, fundamental problems must be looked at but as these concerns are long standing it therefore requires systemic changes. Beyond that, young voters based votes on issues rather than political affiliation.

A: Datuk Denison, crime is not taken seriously. The Police Commission's and SUHAKAM's report must be reckoned with for change. Dialogue's at a national level is needed to soothe tensions and there must be an emphasis in political leadership that works in the interest of nation building.

A: Datuk Paddy, UMNO must combine these polarized groups under its wing. The quiet majority must rise against extremists.

A: Tan Sri Abdullah, the two party systems is going to stay but status quo will be maintained. The youth are irrelevant as many do not register but the silent majority of all races will determine things.

Keynote Speaker, YB Tan Sri Dr. Koh Tsu Koon

YB Tan Sri Dr. Tsu Koon's focus was on summarizing the efforts of the government within the first 9 months of its office as well as to preview its book on the government transformation program. In April, it had given its stance of a government focused on delivery to its people.

The first step taken was by conducting cabinet workshops guided by the expertise of Khazanah and several world-class experts. From this they had identified a basic strategy. There was a call for a trans-ministerial unit that would monitor this effort to deliver by creating measurable indicators for delivery. They had also brought in Datuk Sri Idris, the CEO of Malaysia Airlines to participate in governance. Resultant new methodology called (laboratory) LAB, a practice employed by SHELL globally into government systems. Using the feedbacks of Malaysia as well as global indexes they found that the issues of concern noted as the National key result area (NKRA); were the Economy, Unity, Crime, Corruption, Education, Urban Transportation, and Low Income Households. They then conducted 8 Labs in which 30 civil servants from pertinent ministries were chosen to attend.

The outcome of these Labs formed the basis of the book. At the same time they even had sessions with the public to hold discussion groups on every NKRA and had even invited the Opposition. Each ministry had also conducted similar in house workshops to identify their own KPI's. Resultant of this, were strategies devised to solve the areas of concern. For example, the 10th MP would be announced 6 months earlier to ensure the proper implementation of its plan. The government also recognized problems of polarity in ideology, the need to reduce violent crimes as well as the importance of creating conducive atmospheres to allow for greater involvement of civil servants regardless of seniority. Tan Sri Koon concluded by saying that government means business and wishes to drive change through better implementations.

Session 3

Moderator: Dato' Johan Raslan, Executive Chairman, PricewaterhouseCoopers

Speakers:

- **Mr. Edward Clayton, Principal, Booz & Co.**
- **Mr. Chow Sang Hoe, Partner, Advisory Services, Ernst & Young Advisory Service Sdn Bhd.**

[There were also questions raised by members of the audience, which will be denoted by Q:]

Mr. Edward, raised the question of whether it was wiser to appease everyone and let the economy develop slowly or to be decisive and allow for rapid growth.

Moderator, what sectors should we invest in to make the leap towards a HIC?

Mr. Chow, there is a need to specialize and find a niche. First however, markets need to be defined on a broader scale to not just the local market but to ASEAN. After which we can focus on what we are good at.

Mr. Edward, chipped by saying that we should consider finding niches that go with the grain rather than against it. Use of national characteristics to promote growth as there was no need to emulate countries whose people had totally different mentalities and inclinations.

Mod, What would we do if we followed our true nature?

Mr. Edward, as Malaysians show a greater inclination for the arts an example would be zone in on design, which Malaysians have proven themselves world class.

Mr. Chow, the other part is we can speak English and are more flexible, something greatly appreciated by consultant around the world.

Mod, How does Malaysia's very young demographic impact the country?

Mr. Edward, demographics means a disparity in mentality. The youth are a bit more rebellious and open in their thinking. The challenge lies in managing those individuals and steering them to build the economy.

Mod, with the rise of Asia, what will Malaysia's niche be?

Mr. Chow, China's and India's growth though rapid does not have to be chase. More importantly is to look at ASEAN, doing what we are good at and finding out what these markets want.

Mod, are there no alternatives besides expanding overseas?

Mr. Edward, Malaysia cannot be seen as a market by itself now. What needs to be looked at is how ASEAN can move forward from being a tentative group to exemplifying the European Union modal. The EU has successfully created a dynamic economy through the provision of mobility which, has made it easier for the for people to move about hence increasing productivity. Ergo, Governments in ASEAN must think if they can create a similar modal.

Q: Is Malaysia investing enough in emerging markets and research and development?

Mr. Edward, the issue now is not just about patents but how we view intellectual property. The fundamental question however, is are we prepared to make our fortune from intellectual property? As at the moment it is not valued so people do not bother to create patents

Mr. Chow, more importantly is funding in education. We will soon run out of natural resources but people remain, it is therefore imperative that we invest in educating the people.

Q: What is your opinion on the government's decision to go back to the National language with regards to science and math?

Mr. Chow, Malaysia encourages differences in opinion, the challenge right now is to manage the gap between the understandings of urbanized person and rural person. So what do we do pertaining to that?

Mod, what do businesses need to do on the idea of sustainability?

Mr. Edward, climate change was not the only issue, the waste generated in Malaysia and the public's general lacks of awareness on environmental issues are. On the other hand Malaysia

has already promoted certain environmental issues, for example, the high prices for large oil consuming cars encourages the use of fuel efficient cars. The mentality is not there yet but we should take the opportunity to develop environmentally friendly technologies to sell to neighboring countries.

Mr. Chow, summarized with 3 points.

1. The paradigm has shifted on the economy, it is time we let the past go do and move forward rather than wait for a return of the good old days.
2. Need to distinguish ourselves economically.
3. Talent management must be dealt with differently. Creating flexibility and adapting to the youths trends of thought in order to secure the future.

Mr. Edward stated 2 points

1. There needs to be a realization of the new economic reality so that we can best adapt.
2. There should be vigilance towards economic volatility driven by politicians unsure of how best to treat the economy.

Session 4: "Industry and Sectoral Outlook"

Moderator: Ms. Fui Soong, Executive Director, American Malaysian Chamber of Commerce (AmCham)

Mr. Wei Chuang Beng, Chief Executive Officer, RedTone and Chairman, PIKOM

Gave a concise account of PIKOM along with the economic contributions of the ICT. Outsourcing has been growing rapidly and should be used to our advantage. From what can be derived by the launching of the MSC, the NEM is believed to centre on innovation lead

economies. The deployment of ICT as an enabler is quintessential along with a change of mind set. We must look to make the best of what we have. This is done through establishing practical uses for ICT especially in the form of services. An example would be the application of the MY ID, which has boosted productivity, as there was no need to contend with an overwhelming amount of documents. These sorts of efficient practices can only be brought about by ICT, which also provides for innovative changes needed in competitive markets. ICT also had the ability cut across different industries and different social classes evident in the utilization of the e-commerce campaign launch by the government. This e-service has given rural produces to market their products and this has trickled on to higher transactions and a large use of logistics system. Through this more employment and trade is made.

Mod, how else does ICT serve to push Malaysia towards becoming a HIC?

Mr. Wei, as a high value economy is the objective the most important point is to improve productivity. An example would be TELCO services provided by PIKOM to over 1 million people in Shanghai. Just 50 people cater to a million others and this has been made possible through the automation of back ends. At the very least, ICT leads to higher productivity but it can also increase competitiveness and raise new sales.

Tan Sri Datuk Mustafa Mansor, President, Federation of Malaysia Manufacturers (FMM)

Is of the opinion that we have derailed from Vision 2020 as current GDP growth shows it improbable for us to reach such targets. The ENE took a beating from the recession and this posed a setback for the manufacturing sector. The biggest challenge however is that investors are no longer looking at Malaysia as we face competition from the likes of China,

India, Indonesia and Vietnam. The idea of HIC has also created the wrong impression in the manufacturing industries as many misconceived this as higher wage. But what is needed more in terms of the manufacturing sector is higher efficiency and a nurturing of human capital. This means that we need to go back to training systems together with the education system. He also raised questions on whether Malaysia had the environment to induce the creativity and innovation required in the NEM. The other challenges that it faced were problems with delivery system. Although PEMUDAH has done very well but the problem was if that success has that cascaded down. This failure he attributed to the local councils that do not encourage creativity and innovation with policies that inhibit these growths. He states that higher FDIs can only be achieved with efficient and unbiased governance like the one in Indonesia. Besides that he queried on the importance of national security finally adding that though certain quarter's industries had problems with the FDI. He however thinks that this was an opportunity to become a free market and that these problems resulted from the sectors' resorting to cheap labor rather than improving its technologies.

Mod, does the transition towards a HIC pose a problem for the manufacturing sector?

Tan Sri Mustafa, we must change, reform or perish. We must continually upgrade technology to retain our competitiveness and even if the service sector becomes dominant the manufacturing sector will still do its part in the economy.

Mr. David A. Jones, Chairman, EU-Malaysia Chamber of Commerce and Industry (EUMCCI)

Mr. David began with the goal of the EUMCCI, which was to look into bilateral trading between Malaysia and the EU. It also serves to provide advice on economic growth and had already looked to improve several industry sectors by acting as think tanks. He highlighted that Indonesia was very much different from Malaysia economically speaking because

Indonesia had based its economy and local demand. This explained why Malaysia, a mainly export lead economy would suffer greater than Indonesia in the economic downturn. However, he states that because its economic nature is export based there was a need to liberalize markets as well as to stimulate a periodically dwindling FDI. From this he stressed that the FDI did not decrease because of an increase price, since Singapore is for more expensive place for investors and yet continues enjoying positive rates of FDI but what was needed was a successful accessing of the ASEAN markets. He also pointed out that there were a few key areas that Malaysia had to work on to attract investors, they were; ease of starting businesses, dealing w licenses, registering property and employment of workers. Projects like PEMANDU and PEMUDA helped a significantly, but greater efforts were needed. He continued that the services sector had to supplement the decline of manufacturing and this would have to be done through the creation of knowledge based industries. The importation of foreign workers as it is drives down the wages of lower income household in Malaysia as a result of it. Ergo, we must now move towards efficient technology as we can no longer compete with countries like Indonesia and China that offer more competitive prices in terms of labor. Research and development is imperative and companies need to change their mindset thinking research and development as not just cost but as an investment. He stated that Malaysia needs to retain a GDP growth of over 5% in order to sustain economy. Though sustaining such a number was difficult but it was either that or a decline in the economy. The only way to this was through the cultivation of talent especially required in vocational institutions to guarantee a pool of quality workers. On the question of how Malaysia could distinguish itself as a leader, it should invest in emerging markets involving corporate social responsibility and intellectual property rights to tap into the United States and the EU as this is where they are headed.

Dr. Nikolai Dobberstein, Senior General Manager – Prodcuts & New Business, Maxis Communications Berhad.

Spoke on how the communications industry had increased tremendously especially the use of the mobile Internet. As far as Malaysia is concerned, its consumers displayed extremely sophisticated behavior a total 17 million were active Internet users and Malaysia is one of the top users of social networking sites. This posed difficulties for company as they now had to understand emerging consumer behaviors. For instance, the importance of peer reviews and a reluctance to pay for content in terms of music, videos and the like. Products have revolutionized our lifestyles and the billions of exchanges online puts pressure on data with traffic overwhelming the ability to build networks to meet that demand. Consequently, this shows that industries must invest in network expansion and in understanding consumer perspectives or otherwise lose out in this highly competitive market.

Mod, asked Dr. Nikolas to respond to the Minister of Information's comment on how social networks and video sites were not part of our culture.

Dr. Nikolai, within hours that comment the 3 most twittered about subject, regardless of culture this shows how involved Malaysians are and how the impact of telecommunications is unstoppable.

Mod, posted a question to Tan Sri Datuk Mustafa on the absence of green technology.

Tan Sri, at this point in time in fact there is a launching of green technology in Putrajaya chaired by the Prime Minister himself. This was after his budget dialogue sessions with the region from which he found that we are left behind in terms of green technology. This fortunately, poses an opportunity for the manufacturing sector to fully utilize innovative methods and emerging technologies. He also states that we lose out by not fully utilizing e-service by for example going to banks to cash checks rather than by doing it online.

Comment: It is good to know how massive the social media is, and should this be applied in businesses the returns would probably be tremendous. But at the moment there are not companies using this advent in technology. Therefore, the government should induce its usage by making it more expensive to not use ICT. This would help propel a high value economy, which ultimately leads to HIC.

Closing keynote address YAB Tan Sri Khalid Ibrahim, Menteri Besar of Selangor.

Tan Sri Khalid opened by expressing his gratitude to the organizers for this gathering of key speakers to speak on the economics and social outlook of Malaysia. This he felt has assisted in framing the perceptions of everyone here. He then spoke on the Selangor government, which still remains the growth engine of the country in the face of a sluggish economy. Parti Keadilan Rakyat (PKR) believes in the full participation in the economy for all Malaysians as evident in how clientelism is coming to an end. Selangor is now creating a meritocratic system and have installed mechanisms to increase accountability and transparency as well as solving economic fundamental like the reduction of budget deficits. He also emphasized that the confidence of business communities must be restored. An example of Selangor's attempts to do so is by declassifying documents previously under the official secrets act. This has brought clarity on controversial projects that include Bukit Cerakah. EXCOs are also made to declare asset purchases to the public. However, much also has to be done to reinvigorate the education system and empower the judicial system. Furthermore, projects in Selangor now are advanced on certain criteria's. The approval of projects is dependant upon whether or not it provides positive benefits to the people. Selangor aims to create technology based agriculture as well as to rejuvenate growing populations in cities to ensure a developed and yet at the same time green working environment. Its terms of growth were business and profession integrated logistic, ICT, education and training, tourism, medicine and health. They also wished to become involved in new markets, like biotech and aviation using ICT as an enabler attract investors. He also

spoke on about simplifying procedure for investors, creating quality educations as well as measures taken to increase security.

Dated: 5th February 2010