

# Asia must adapt to evolving challenges

Prime Minister Datuk Seri Anwar Ibrahim delivered this keynote address at the Nikkei Forum in Tokyo yesterday

LOOKING back at the inaugural Nikkei Future of Asia Conference nearly three decades ago, the World Trade Organisation had just been established, marking an era where the foundations of globalisation, multilateralism, and freer international trade seemed unshakable. Asia accounted for merely 28 per cent of global gross domestic product even as geopolitical and regional issues were becoming increasingly important to the world, but Asia was not yet seen as an engine of global growth, governance, and cooperation.

Three decades later, much has changed as the engines of the global economy shift Eastward. Asia now accounts for more than 35 per cent of the world's GDP and has contributed more to growth than any other region over the past decade. Asia's erstwhile regional issues are now primary global concerns.

Unprecedented challenges confront the WTO and globalisation as once steadfast ideals of multilateralism and cooperation are swept away by the rising tide of protectionism and closed alliances. Trade, investment, and the sharing of technologies have now been increasingly weaponised by world powers as they compete with each other — largely to the detriment of developing countries.

Even as much has changed, some constants remain, such as the centrality of global economic challenges and the ever-looming spectre of uncertainty. Deep-seated anxieties that reach far into the borders and social fabric of nations continue to fester while economic disparities, rapid technological change, and environmental degradation persist to muddy our collective future.

Yet, we are confronted with novel challenges more formidable than ever before. Rapid technological change and Artificial Intelligence technologies, hold the promise of immense and unfathomable societal benefits but may well be a Faustian bargain raising the spectre of widening digital, social, and economic divides. That may be in the realm of alarmist

conjecture but this much is clear: An increase in armed conflict and geopolitical tensions is already undermining international cooperation, diluting global commitments to peace, human rights, and international law.

Nevertheless, these seemingly insurmountable challenges enjoin us to seek and forge a renewed vision of Asian leadership. Indeed, as the vagaries of the world grow increasingly turbulent, and the crosswinds of economic and geopolitical shifts threaten to veer us off course, Asia would do well to steady our sails and right our ship. Unlike three decades ago, today, Asia now possesses the economic weight, the strategic capacity, and the collaborative might to navigate these challenges.

In fact, in recent years Asia has demonstrated the positive outcomes that can be achieved through connectivity, integration and cooperation, such as mega-regional trade agreements like the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive Partnership for Trans-Pacific Partnership. RCEP alone involves nearly a third of the world's exports, population, and GDP — making it the largest trade bloc in the world. Meanwhile, progress with the Asean Economic Community has continued apace enabling Southeast Asian economies to deepen their economic integration, contributing to the region's role as a dynamic and open hub of economic activity.

As Malaysia prepares to assume the chairmanship of Asean next year, we are committed to continue championing these ideals. On the economic front, our focus will firstly be on strengthening economic cooperation among Asean member states. Recent diversification of global supply chains and foreign direct investment inflows must create tangible benefits for development while reducing disparities within Asean countries. Secondly, we aim to enhance our economic cooperation with our partners from across the globe on advancing technological collaboration and sustainable trade practices.

It has become increasingly self-evident that economic policymaking in the 2020s and beyond cannot be divorced from careful consideration of circumstances around three global megatrends: geopolitics, digitalisation and climate change. Hence, Malaysia has recently unveiled three key policy frameworks to provide greater certainty, clarity and transparency on the future of the economy.

The first is the Madani Economy framework, which outlines strate-

gies to drive sustainable and inclusive development. At the core is the importance of not just raising the ceiling for real GDP growth in the range of 5.5-6 per cent per annum, but also raising the floor to ensure the fruits of prosperity are shared equitably among all Malaysians. The Madani Economy framework aligns closely with Prime Minister Fumio Kishida's New Form of Capitalism policy, underscoring the deep connection and shared aspirations between our countries.

The second major policy that Malaysia has introduced is the New Industrial Master Plan 2030, which represents a whole-of-government approach to industrial policy. We have hit the ground running by convening stakeholders from the public and private sectors to chart the way forward for specific strategic sectors, such as semiconductors and steel. The successful implementation of this plan will allow us to stand on the shoulders of giants in this region and bring us closer to achieving high-income status by the end of this decade.

Finally, the National Energy Transition Roadmap is to ensure the country meets its commitment to achieving net-zero emissions as early as 2050. This warrants that we operationalise initiatives in energy efficiency, renewable energy, hydrogen, green infrastructure and carbon capture, utilisation and storage to build Malaysia's climate resilience.

These strategic blueprints are indicative of Malaysia's role in building Asian leadership in the economic, digital and sustainability domains. Indeed, uncertainty abroad has only solidified our resolve to be forward-looking and proactive for the sake of domestic policy certainty and creating a prosperous future for all. Ultimately, Asean and its partners hold a collective responsibility to keep our region dynamic, stable and adaptable, and Malaysia supports these efforts wholeheartedly.

Malaysia's vibrant semiconductor industry fortifies our role as a reliable regional partner in manufacturing, trade, and innovation. Malaysia has a robust and mature manufacturing base, especially in the global electronics and electrical industry, being the world's sixth-largest exporter of semiconductors. As tensions are brewing elsewhere, especially with the imposition of trade restrictions getting more intense in microchips, investors across the world are looking for a safe haven.

I dare say that Malaysia fits the bill, thanks to our stability, skilled labour force, and our economic and geopolitical nonalign-

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ment. The proof is in the numbers: in 2023, the state of Penang — Malaysia's semiconductor hub — attracted US\$13 billion in FDI, exceeding the total for the previous seven years combined.

We are setting our sights on the future through an increasing strategic focus on front-end activities, such as wafer fabrication, the design of integrated circuits and advanced packaging.

Truth be told, this could not have been achieved without Japan and our other partners in the region. Etched in our memory is the humble beginnings in Penang during the 1970s, when companies, such as Clarion and Hitachi, were part of the "Eight Samurai" — that is the first wave of E&E manufacturing investment into the country. Japanese FDI has been a crucial factor in the success of Malaysia's semiconductor industry, and this is true even today, with recent large-scale investments from Kaga Electronics and Ferrotec.

Meanwhile, Malaysia is continuing to build its capabilities in other sectors in line with our economic complexity trajectory into chemicals, aerospace, pharmaceuticals, medical devices, the digital economy, electric vehicles, advanced materials and agro-based industries.

Further, as the world's foremost Islamic finance hub and centre for halal trade, Malaysia has consolidated its position as the top Islamic economy for the ninth consecutive year, serving, significantly, as a bridge between East Asia and the Middle East and North Africa.

Malaysia's openness to trade and investment in manufacturing, services and the primary sector alike is reflected in its FDI performance last year, during which the country successfully attracted RM188 billion in approved foreign investments, a 15 per cent increase compared to 2022.

Last year, Prime Minister Kishida and I had two summit meetings in November and December,

culminating in the upgrading of our bilateral relationship to a Comprehensive Strategic Partnership. We also expanded our cooperation into the realm of security, collaborating in the maritime security sphere. All in all, Japan and Malaysia share a common vision for Asia's future based on stability, connectivity and cooperation in support of a rules-based order, and I am confident that our relations will only grow from strength to strength from now on.

In reflecting about the state of the region and the world, I am drawn to a quote from Okakura Kakuzo's *The Book of Tea*: "The art of life lies in a constant readjustment to our surroundings."

According to certain reliable accounts, Kakuzo's concept of *das-in-der-Welt-sein* (being-in-the-worldness) as expressed in this phenomenal book, published in 1906, had actually inspired Martin Heidegger's magnum opus — *Sein und Zeit* (Being and Time), which was published only in 1927. Considered to be among the most important and influential philosophers of the 20th century, Heidegger, of course, has never mentioned or attributed this huge intellectual debt.

Indeed, I digress but the point about Kakuzo's quote here is that, the art of leadership and governance demands that we adapt to the shifting dynamics of global economic, political, social, and cultural forces of our time.

Towards this end, Malaysia will remain dedicated to fostering shared growth, bolstering regional cooperation, and maintaining our openness to trade, development and commerce.

To our fellow Asian nations, I extend a hand of solidarity, a pledge of support, and an open invitation for collaboration. We must stand together, allowing neither external force nor insidious competition to pull us away from the larger goal, and that is nothing less than a peaceful, stable, and prosperous Asia.