

SPEECH BY YAB PRIME MINISTER AT THE LONDON SCHOOL OF ECONOMICS “THE ADAPTIVE EDGE: MALAYSIA’S GLOBAL STRATEGY IN AN UNCERTAIN ERA

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The Adaptive Edge: Malaysia’s Global Strategy in an Uncertain Era

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Introduction

Distinguished members of the audience,

Ladies and gentlemen,

1. It is a privilege to address you at the London School of Economics, an institution that has educated a great number of esteemed Malaysians in the spheres of the civil service, academia, politics, private sector and civil society.
2. I would also like to mention the role of the LSE in the founding of Malaysia's oldest university, my alma mater, the University of Malaya. I congratulate LSE's alumni in Malaysia for its efforts in ensuring that this university, which has had an understated, yet pivotal role in our history and national development, now has a little piece of the nation staked out in its grounds.

An Evolving and Uncertain Global Era

Ladies and gentlemen,

3. The international order today is in a tremendous flux, where an assortment of pressure points, disruptive events and evolving transboundary challenges are negatively impacting efforts on global governance and multilateral cooperation.
4. Existing rules and norms are being questioned and challenged. Some are unquestionably unjust, blatantly abused by the powerful, and thus are deeply in need of reform towards a more inclusive and equitable

set of rules. Others, however, underpin the very system of peace, prosperity and cooperation that many of us in the global community hold dear, and should be strengthened where necessary, defended where it must, and applied fairly without exception.

5. These changes have had social impacts across our respective communities, leading to the rise of populist politics. Once merely a fringe of the discourse, it now occupies centre stage and the corridors of power from North America to Europe – here in the United Kingdom, in Latin America, and even back home, in Asia.
6. To complicate matters, we are sometimes caught in a trap sprung from the alluring and persuasive power of the era of post-truth politics where anyone today can fabricate content in order to generate news and where such news may sometimes be taken as true even when it is fake.
7. Welcome to the post-truth era, where lies are not only tolerated but sometimes embraced as holy writ. The question therefore is: Can democracy really function when such a state of being engenders the politics of exclusion, division, dispossession and hate, which then cross from rhetoric to policies?
8. The world is changing, and many struggle to grasp its implications and their place in the emerging scheme of things. Instead of reassuring electorates and better preparing them for the future, some have elected to weaponize fear and uncertainty, sow the seeds of

suspicion and animosity, and to victimise the “other”. This goes against the very ethos of LSE’s Fabian founders, who advocated progressive ideas of social democracy and social justice and what it takes to have a good society.

9. We are then stirred from our own “long dogmatic slumber” not by the exhortations of David Hume on abandoning dogmas but by the timely and, I would say, more practical reminder of John Rawls’ enduring question on what principles of justice should prevail in order to attain to a good society, that is, a society that is fair and egalitarian.
10. From the point of governance, I would venture to say that the attainment of such a society must stem from the expending of the national wealth (i.e. public funds) towards the growth of human capital, chiefly through education, housing and health care. Additionally, poverty eradication and the creation of humane living and working conditions shall remain paramount.
11. The creation of “the wealth of nations” should not be a licence for unbridled capitalism in as much as the principles of political economy cannot be subjected to the dictates of short term gains, let alone political expediency. On the contrary, rather than playing to the gallery of populist demand, the imperative of responsible governance enjoins us to formulate policies and take decisive action for the greater good, namely, sustainable economic growth, and shared prosperity.

Ladies and gentlemen,

12. The reality is that we are also in an era of profound uncertainty, one that is shaped by the will of great powers. The US-China competition has redefined economies, technologies and alliances across the globe, but it is most keenly felt in the Asia-Pacific, the world's fastest developing region. This rivalry not only intersects with the aspirations of our region, but also challenges the peace and stability that underpins this drive for growth and prosperity.
13. Economic interdependence, once seen as the cornerstone of global peace and prosperity, now appears fragile. It is not only becoming a source of tension but could also turn into an Achilles' heel for many economies that have flourished under globalisation. Trade wars, tariffs and sanctions have become regular instruments of strategic rivalry, eroding the spirit of cooperation and fostering a dangerous mindset of suspicion and distrust. Nations are no longer just competitors in the marketplace; they are adversaries in a global contest for influence and dominance.
14. For smaller states like Malaysia and our neighbours in Southeast Asia, the implications are inescapable. The shifting dynamics of international relations, the erosion of multilateral cooperation, and the growing sense of distrust are dangerously becoming the new normal. The challenge for Malaysia is not merely to endure, but to thrive. We find ourselves compelled to navigate these disruptions with clarity of purpose.

Ladies and gentlemen,

15. The likelihood of a multipolar world means that centres of global influence will not just be China and the United States, or Japan and the European Union. Instead, count on emerging players like South Korea, India, the United Arab Emirates, Saudi Arabia, Türkiye, Brazil and South Africa to shape and shake things up, as most are already doing.
16. Consider the immense aspirations and cumulative heft of Southeast Asia, a region with over 690 million people – making it the third largest population in the world, with a nominal GDP of US \$3.8 trillion, the fifth largest economy in the world, and the third largest in Asia.
17. In the same vein, there is the resurgence of the Global South as driver of global prosperity. By 2030, it is projected that three of the four largest economies will be from the Global South. More than just economic growth, it is also about the reclaiming of a voice that can no longer be ignored in the emerging international order. The empowerment of Global South narratives and the desire for greater participation in the international system and on policies that decide the governance of the global commons on more equitable terms should not be dismissed or diminished.

Ladies and gentlemen,

18. No nation or region monopolises civilisational development, neither in the East nor the West. Today we witness the incredible socio-economic transformation of the GCC member states, with Riyadh, Abu Dhabi and Doha leading by example. Great strides in economic diversification, women empowerment and development of indigenous military technology, are testament to their governments' keen-sighted vision and the peoples' warm reception of progress.
19. Just as extensive literacy campaigns in the first half of the 20th century transformed the Arab Gulf nations, the legal, economic, cultural and communal transformations that they have been spearheading in these two decades is set to breathe new life into the societies and economies of the GCC. Malaysia welcomes, and roots for the continued prosperity of our brethren in the Middle East.
20. Yet, these seminal changes, especially in Asia, are unacknowledged by some in the global community. I believe there is a degree of hubris and hypocrisy that seems unwilling to recognise, accommodate and adapt to these seismic shifts.

Of contradictions and double standards

21. Another source of resentment is the double standards when defining human rights, rules and norms. When college and university students the world over stood united in protest against Israel's violent occupation and colonial project of Palestine, some governments responded with harsh reprisals and these are not dictatorships or

autocracies but supposedly the shining examples of freedom and democracy.

22. While I welcome the news of the upcoming ceasefire in Gaza, and commend the efforts of Egypt, Qatar and the United States in compelling all parties involved, the international community must ensure that it is upheld, paving the way for talks on subsequent phases that will lead to sustainable calm, the provision of aid and the reconstruction of Gaza. Indeed, this is the most immediate priority. Justice and accountability remain critical, as is the need for a viable, sovereign and independent Palestinian state, and just and lasting peace.
23. We also need to go to the fundamental and profound imperative of transcending differences and disagreements, so as to appreciate better our commonalities, shared values and traditions. Indeed, our basic humanity, beseech us to protect human life and wellbeing in as much as human rights, including the right to life, are universal and inherent to all.

Malaysia's Adaptive Strategy

Ladies and gentlemen,

24. To best position Malaysia amid the uncertain ebbs and flows of the strategic tides, Malaysia must be adaptive, resilient, principled and

above all clear-sighted. We must know not only what we want but who we are as a nation. This is imperative as we occupy a critical position in global supply chains as well as maritime trade routes.

25. Firstly, Malaysia will remain dedicated to fostering shared growth, bolstering regional cooperation, and maintaining our openness to trade, development and commerce. This will entail promoting an inclusive and sustainable approach to peace and security in our immediate region, and beyond.
26. As Chair of ASEAN in 2025, Malaysia will seek to rejuvenate key mechanisms like the ASEAN Plus Three and the East Asia Summit. Both have been celebrated for their convening power but remain underutilised. The East Asia Summit is the only regional forum dedicated to strategic and security issues in our region that is led by leaders, and where rival powers meet in a neutral setting. Instead of getting bogged down by the disputes of major powers, we would rather work with like-minded member states and dialogue partners to seek ways on how such mechanisms can deliver on its aspirations.
27. Second, Malaysia will continue its open and pragmatic approach in engaging both the United States and China, where relations are anchored in mutual respect and shared interests. In spite of all that talk of Malaysia pivoting towards China, the fact is that the United States continue to reign supreme, cumulatively, as the largest source of foreign direct investment, in Malaysia, especially in the tech-sector. China on the other hand has been our largest trading partner since

2009, marking 16 years of thriving trade relations that have been pivotal in driving Malaysia's economic growth.

28. It's as clear as day that there is no zero-sum game here. Maintaining robust ties with both the United States and China is not merely a matter of economic pragmatism, but a strategic imperative to safeguard our national interests in an increasingly volatile world. By cultivating a balanced and constructive engagement with both, Malaysia ensures a diversified economic base, reduced overdependence, and a strengthened position as a resilient, open and competitive economy.
29. In times of flux, uncertainty is the only surety. We cannot afford to simply endure, we must thrive. Resilience will be our guide and clarity of purpose our compass. Though the pressures may be immense, and the challenges formidable, Malaysia will stand resolute and remain vigilant against falling prey to any game, great or otherwise, of the major powers. We achieve this by actively engaging with all nations, big or small, and guided by the principle of non-alignment.
30. Third, Malaysia will ensure that its position as a centre of competitive trade, finance and tech, can withstand the changes around us. Acemoglu and Robinson's Nobel Prize-winning work on institutions and governance reminds us that "poor countries are poor because those who have power make choices that create poverty". Or as Piketty would have it: capitalism causes poverty by concentrating wealth in the hands of the few. The situation becomes perverse when

it dawns on us that “socialism is for the rich while capitalism is for the poor!”

31. To my mind, while there is some truth in these platitudes, we should be wary of succumbing to gross generalizations. I have on previous occasions, spoken of “the marauding Europeans” in Asia’s chequered colonial history leaving behind a trail of looting and plundering of the wealth and resources of the colonies.
32. Today, marauders may still be on the prowl though they may no longer be “geographically” marked out because, whether from the West or from the East “those who have power” may be states, may be corporations or even individuals or non-state actors. At the end of the day, it is up to the nations themselves, particularly developing countries, to acknowledge the broader structural challenges faced. Be that as it may, the central insight remains – nations thrive when the state is both accountable and inclusive, fostering institutions that earn, sustain, and promote public trust.

Ladies and gentlemen,

33. On our part, the Malaysian government introduced the MADANI Economy Framework in 2023, guided by the twin objectives of “raising the ceiling” through sustained economic growth and “raising the floor” by ensuring that this growth is shared. From industrial policy to energy transition, inclusiveness and sustainability are at the heart of Malaysia’s development agenda.

34. These efforts are already bearing fruit. Malaysia recorded robust economic performance in 2024, with strong GDP growth exceeding 5%, stable inflation below 2% and record-high trade figures. The international community has taken notice, drawn to Malaysia's mature, reliable and favourable investment climate. In the first nine months of 2024 alone, we successfully attracted over RM100 billion (about GBP 19 billion) in approved foreign investment across the manufacturing and services sectors, from the East and West alike.

But, ladies and gentlemen, this is certainly no time to revel in fleeting victories.

35. In a world increasingly defined by chaos, finding order begins with our capacity to adapt to disorder. To this end, Malaysia's deepening foray into the semiconductor industry is testament to our forward-looking outlook. Recently, we launched our National Semiconductor Strategy, which earmarks game-changing incentives and investment, to make Malaysia indispensable to the global semiconductor supply chain.

36. Already the world's sixth largest exporter of semiconductors, Malaysia is now aiming to move further up the value chain through a targeted focus on front-end activities. And we are hitting the ground running: in the coming weeks, we will launch our second chip design park less than a year after our first. In ASEAN, we are among the prime movers in the area of data centres and artificial intelligence while pushing for efforts in exploring the myriad possibilities in crypto currency.

37. We are also making efforts to do this sustainably. Malaysia is committed to moving away from existing conventional power generation, increasing renewable energy composition to 70 percent of the total generation capacity by 2050.
38. Ultimately, as an international trading nation, the crosswinds of uncertainty call for a renewed resolve to stay adaptive and ambitious without neglecting the paramount pursuit of sustainable, inclusive and just growth. Malaysia heeds this call as we set our sights on securing the nation's place as a vital nexus of trade and investment as well as technological advancement in an unpredictable world.
39. It is through this forward looking and holistic paradigm, that Malaysia came to the strategic decision to join BRICS. It is not, as some of the pundits would like to claim, about Malaysia choosing a side. It is about a clear-sighted recognition of the geopolitical and geoeconomic changes that are happening around us and expanding our options.
40. Malaysia is not alone in this endeavour, our neighbours Thailand, Vietnam and Indonesia have made similar calculations. As alluded to earlier, these developments are coterminous with the narrowing of the dichotomy between the Global South and Global North, notwithstanding the differential in absolute GDP numbers. Malaysia has also sought to bring this adaptive thinking and approach into our ASEAN Chairmanship this year, focusing on ASEAN's connections with other regional organisations besides the EU, such as the GCC.

Closing

Ladies and gentlemen,

41. Historical and commercial antecedents have defined the long-standing bilateral ties between Malaysia and the United Kingdom. Our collaboration, in the early days of independence and as Malaysia developed as a nation, was not without its speedbumps. However, there is no road not taken, because as Malaysia continues to chart a clear and confident course, the road that stretches out ahead for the two countries promises to be far less winding, and less bumpy.
42. From Battersea to Brabazon, from BAE to BP, Malaysia and the United Kingdom have enjoyed a mutually beneficial trading and investment relationship despite the vagaries of global geopolitics. The complementarities stretch even further when we look at the adaptive industrial strategies that Putrajaya and London have crafted almost concurrently, namely, the New Industrial Master Plan 2030 and Invest 2035 respectively. Put simply, opportunities abound in several overlapping growth-generating priority areas, including in advanced manufacturing, renewable energy and digital technologies.
43. We look forward to taking these ties to newer heights through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Malaysia lauds and welcomes the United Kingdom's recent accession, marking the first free trade agreement that connects our two nations. With high-quality provisions ranging

from comprehensive tariff reductions to streamlined rules and better investment protection, CPTPP undeniably opens up new markets for British and Malaysian companies alike.

44. While the stage is set for greater growth in trade, investment, and the exchange of knowledge and know-how – but as the saying goes, “we have promises to keep, And miles to go before” we can call it a day. Hard work still lies ahead. Through CPTPP, we must be proactive in promoting capacity building and technical cooperation, not just amongst our largest companies – but particularly amongst the millions of small and medium enterprises across Malaysia and the UK.
45. Only then can we truly optimise linkages and maximise the agreement’s potential to realise complementarities, supercharge shared growth, and create opportunities that are inclusive for businesses and communities on both sides.

Ladies and gentlemen,

46. I hope that we continue to build on the foundation allowing neither external forces nor the inevitable differences of views to pull us away from the larger goal, drawn from our bedrock of commonalities: a peaceful, stable and prosperous global order built on the edifice of multilateral cooperation and equity. In this endeavour, I firmly believe that our two nations – Malaysia and the United Kingdom – can and must forge ahead as partners, allied by the strong bonds of

friendship and mutual commitment to strive for the common good of humanity.

Thank you.

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