

Closing Keynote Address of Perdana Leadership Foundation CEO Forum 2019

By : YAB. TUN DR. MAHATHIR BIN MOHAMAD, PERDANA MENTERI MALAYSIA

Venue : BERJAYA TIMES SQUARE CONVENTION CENTRE, KUALA LUMPUR

Date : 04/04/2019

1. A very good evening. It gives me great pleasure to be here at the 7th Perdana Leadership Foundation CEO Forum and to deliver the Closing Keynote Address on Malaysia Incorporated 2.0.
2. First of all, before we go any further, let us look at what is defined as Malaysia Incorporated or simply Malaysia Inc?
3. The concept of Malaysia Inc is not new. It was introduced in Malaysia when I was the 4th Prime Minister of the country and was modelled on the success of Japan's rebuilding efforts after the Second World War. I say "modelled" because we did not copy the Japanese wholesale but adapted some key practices which we felt were suitable to the workings of the Malaysian economy.
4. Malaysia Inc achieved great success when it was introduced. At the time of its introduction, the business sector and the public sector did not see eye to eye on many issues, and operated within their own silos: the private sector aiming to maximise profits for itself, and the government focusing only on delivering services to the public.

5. Malaysia Inc helped establish communication channels between the private and public sectors, thus enabling them to work together towards a common objective – to develop Malaysia.

6. The following are some key concepts of Malaysia Incorporated and why there is a need to revive it.

7. Malaysia Incorporated, as I've explained during the initial stages of its formation, does not mean Malaysia is a company and I am its CEO as a sovereign state is never equal to a business company.

8. Rather, just like a firm is divided into different departments that work together to achieve the organisation's mission and vision, the nation too, has different sectors that need to work together to achieve the country's big, ambitious goal: becoming a fully developed country with a robust dynamic economy.

9. The Malaysia Incorporated concept means that the private sector forms the commercial and economic arm of the national enterprise while the government lays down the policy framework and direction, as well as gives support through its services.

10. For the Malaysia Incorporated concept to be successful:

a. The public and private sector must see themselves as working to achieve a common goal which is the growth, development, and prosperity of Malaysia. Attitudes on both sides must reflect mutual cooperation, trust, and understanding. It will not do for the private and public sector to be confrontational with each other or to see each other as competitors.

i. The public sector must not put up bureaucratic roadblocks that hinder potentially beneficial projects or economic progress. The Government needs to ensure that bureaucratic procedures and requirements do not stifle innovation and progress.

ii. On the business side, there are rules and guidelines that are put in place to safeguard public interest, for example laws regarding factory emissions, waste disposal, and zoning, and the private sector needs to respect them to ensure public health and safety is never compromised.

iii. And in line with the Government's emphasis on transparency, accountability, and good governance, both private and public sectors must no longer indulge in bribery nor kickbacks. Both sectors have a responsibility to ensure the environment in Malaysia is such that it will be very difficult for corruption to ever take root again.

iv. To this end, the Government has formed a Special Cabinet Committee on Anti-Corruption, launched the National Centre for Governance, Integrity and Anti-Corruption Centre (GIACC) and the National Anti-Corruption Plan (NACP), and empowered the MACC through amending the MACC Act. I believe that these steps will yield results in the short and long-term.

v. The Government is serious about combating corruption, and I urge all the business leaders here to do your bit, at the very least by not doing deals with companies that are involved in corrupt practices.

b. Secondly, both the public and private sectors have a joint responsibility to ensure the human and social needs of the "workers" that is the citizens of Malaysia, are looked after.

c. Malaysia Inc does not mean the maximising of profits at the neglect of all other concerns. The rights and privileges of the stakeholders of our nation, the Malaysian citizens, must be protected.

i. Just like a company that cannot thrive when its staff are demoralised and unhappy, so, too, a country cannot achieve success if the majority of its citizens do not share in the growth of the national wealth.

ii. In line with the United Nations Sustainable Development Goal of reducing inequality, the Government is committed to reducing the income gap between segments of the Malaysian population but it cannot do this alone, via government aid and social services. The private sector needs to do its part by making sure that the increase in wages for workers is at a level comparable to a rise in profits and productivity.

iii. In terms of productivity, our labour productivity grew at a respectable rate in 2017 and 2018 but it still lags behind the most developed economies of the world. For instance, we need to be twice as productive to be on par with the productivity rate of developed economies.

iv. As such, we must increase our share of skilled labour and reduce our reliance on cheap, low-skilled labour as well as encourage digitalisation in our industries, especially our SMEs, to see this rate increase.

v. At present, 70% of our workforce are SPM-graduates. Reskilling them for the new economy is crucial as the government is also intent to reverse the trend of manufacturing companies, especially SMEs, to remain labour-intensive instead of investing in new technologies.

vi. Prosperity must be shared if there is to be stability. If only capital owners benefit from increases in profits, the inequality will lead to tension

and resentment, ingredients for potential confrontations that in the long run, will not be good for business. It is in the interests of business that salaries be fair and competitive.

vii. To encourage companies to review their pay levels regularly, the Government is implementing regulations requiring public listed companies to disclose key pay metrics in annual reports, including 'lowest wage paid', 'average wage per worker' and 'highest and lowest wage ratio'. These companies would also need to include a statement on how they intend to increase average wages.

viii. Through training and retraining schemes, the government aims to increase the supply of skilled labour that can command higher wages, and reduce the mismatch between supply and demand in the private sector.

ix. We are also reviewing the education syllabus to ensure that we are equipping young Malaysians with 'computational thinking' skills. This has become even more crucial with the move towards Industry 4.0, and factories turning to robotics, artificial intelligence, and automation to become more efficient. It is not a matter of choice, but a matter of necessity.

x. To compete in the global marketplace of today, yesterday's labour-intensive model no longer works. Factories need to automate, and workers need to reskill by learning programming, AI, block chain, network infrastructure, and cyber-security, among others.

d. Third, for the private and public sector to cooperate in a spirit of trust, there needs to be more open and frequent communication between the two sectors, with the private sector invited to give their opinions in consultative sessions related to business policies with policy-makers, and business

owners being more in tune with the government's economic plans and goals. These sessions are there, too, to remind the private sector of its social welfare responsibilities.

11. So those are the three main components of Malaysia Incorporated:

a. First, the need for the public and private sectors to work with each other in a spirit of mutual support and understanding to achieve a common goal, which is the prosperity and growth of Malaysia.

b. Second, the need to realise that growth and prosperity should not come at the expense of the welfare of the citizens of the nation. The human and social needs of Malaysians must be protected.

c. Third, the need for regular interaction and communication between the private and public sectors.

12. The revival of Malaysia Incorporated is to drive home the point that Malaysia needs both private and public sectors to work together to become a fully developed nation.

13. This Government is business-friendly and values the contribution of the business sector as a key growth driver. We realise that for the business sector to be robust and dynamic, it needs an environment that is fair and competitive, with rules that are clearly stated and consistent, and the right incentives to encourage the growth of specific sectors.

14. To encourage competitiveness and reduce wastage of public funds, we are opening up government contracts to open tenders instead of via direct negotiations.

15. We have lowered corporate tax rates from 18% to 17% for SMEs with a paid-up capital of RM2.5 million or less to encourage the growth of the small business sector which makes up the majority of businesses in Malaysia.

16. We have allocated several billions Ringgit to Government funds investing in venture capital, green technology, Industry 4.0, digitalisation, and the halal industry to encourage more players within these sectors. We also offer more than 130 incentives through our Investment Promotion Agencies.

17. We refrained from introducing any new taxes in the latest Budget except for a tax on sugar, and we have empowered the newly created Economic Action Council (EAC) to swiftly address our economic pain points.

18. To the business leaders in this room, be assured that the government recognises the importance of the private sector in our drive to accelerate Malaysia's growth and development, and this recognition is expressed through the policies and incentives we have put in place to enable the business sector to flourish.

19. I noticed that the theme of this Forum is on the Fourth Industrial Revolution. It is timely as the Government, too, realises the need to make sure Malaysia is on par with the developed nations when it comes to our technological capabilities.

20. In the 90s, the Multimedia Super Corridor was created to encourage the emergence of the tech industry in Malaysia. The idea was to make Malaysia an exporter of technology. Not only that, the MSC was a push to make Malaysians aware of the technological possibilities that existed.

21. To my mind then, digital capabilities would allow Malaysia to punch above our weight when it comes to our share of the global economy. Just like our strategic location in the Straits of Malacca made us the centre of East-West world trade, a successful digital hub could place a small country like ours among the world's top technology players.

22. Well, we may not yet have our Google or Microsoft equivalent but since that time, the MSC has helped many Malaysian tech firms succeed, not just in the domestic space but also regionally and internationally. These firms include Fusionex, Sedania, iFlix, and Les' Copaque which is the creator of the popular cartoon twins, Upin & Ipin. Many Malaysians, too, are employed by companies like Google, Pixar, and Apple.

23. Since its inception in 1996, the MSC has generated more than RM47 billion in revenues from more than 3,000 companies and created more than 160,000 jobs and the opportunities for growth remain, thanks to the ever-expanding boundaries of the digital economy.

24. When the MSC was introduced, less than three decades ago, the internet was still nascent. Today, how many of us can imagine living without it?

25. If anyone watches or reads science-fiction, you'd know that aerial battle scenes invariably involve laser weapons - beams that travel at the speed of light that can be precisely targeted. Just a decade ago, these laser weapons were firmly in the realm of fiction, but today, thanks to advances in developing solid state lasers run on electricity, companies like Lockheed Martin and Boeing are testing prototypes for use by the US military.

26. I mention these to illustrate that the march of technological progress is not only relentless but it is also faster than what we can imagine and is disruptive across all sectors. Business leaders need to review their business processes, strategies, and goals against the backdrop of a constantly expanding and rapidly evolving digital universe.

27. The Fourth Industrial Revolution melds advances in the digital, physical and biological spheres, and brings with it breakthroughs in artificial intelligence, robotics, big data, virtual reality, and software engineering. It may soon even become the norm for humans to be augmented by machine implants to make us smarter and constantly connected.

28. If this all sounds grandiose and improbable, I would like to remind you that fifty years ago, the idea that we could carry computers in our pockets that would allow us to communicate via text, voice and video was also laughable. Anyone who predicted that would possibly end up labelled as a dreamer or a lunatic.

29. Yet today, our mobile phones and tablets pack more computing power than the room-sized mainframes of the 70s, thanks to technology that has miniaturised computer transistors to such a level that more than 3,000 transistors can fit across the width of a human hair.

30. The technological shifts that are taking place have the potential to address business concerns, including managing the environment, improving the efficiency of supply chains, resources and delivery systems, but only if businesses are forward-looking enough to apply the knowledge that is available.

31. The Government is very clear in its support of businesses that want to embrace technological change and accelerate their adoption of the Fourth Industrial Revolution:

a. We have introduced Industry 4Ward (Industry forward) for the manufacturing sector to embrace Industry 4.0. The manufacturing industry remains an important sector of the economy. Over the past five years, the manufacturing sector has contributed 22% to our national GDP.

b. Through Industry 4Ward (Industry Forward), the Government will focus on Funding, Infrastructure, Regulations, Talent, and Access to Technology to enable manufacturers to integrate Industry 4.0 technologies such as AI and big data into their operations. We want to be in the Top 30 of the Global Innovation Index ranks by the year 2025.

c. We continue our support of MDEC in the creation of a successful digital economy for Malaysia. The two desired outcomes of MSC 2.0 are: to accelerate the growth of digital tech entrepreneurship in Malaysia, and second, to ensure widespread digital adoption.

d. To support the first goal, the Government has set aside 2 billion Ringgit of Government funding to match VC (venture capital) funds.

e. As connectivity is also essential to tech entrepreneurship and wider digital adoption, the government has set aside RM1 billion for the National Fibreisation Plan to develop the fibre-optic infrastructure in Malaysia and make affordable broadband available to more Malaysians, especially those in the rural areas.

f. On the talent side, MDEC has introduced Premier Digital Tech status for 13 universities and 5 polytechnics where selected tech-based

courses have been approved by real industry experts, ensuring businesses have access to graduates who have industry experience, and graduates enjoy higher employability.

32. These are some of the policies that we have put in place to create an eco-system that is healthy for businesses and individuals to participate in this Fourth Industrial Revolution and reap its benefits.

33. Other policy framework that we have introduced as well as the allocations within Budget 2019 are aligned to the belief that Malaysia must adapt to the changes wrought by the Fourth Industrial Revolution to ensure that our economy remains competitive, and that we will once again attain the status as one of the world's most dynamic economies.

34. Let me reiterate some key points for your take-away:

One: This Government is business-friendly and the Malaysia Incorporated concept emphasises the need for the private and public sector to work with each other to drive the economy forward and upward. The Government exists to give support to the business community and to create the framework and guidelines necessary for the harmonious development of the economy.

Two: Malaysia Inc does not mean profits gained at the expense of neglect of human, environmental, and social factors. In fact, Malaysia has committed to achieving the United Nations' Sustainable Development Goals (SDGs) and within this context, development must go hand in hand with the well-being of people and the environment.

Three: There needs to be regular communication between the Government and the business sector so that economic policies are

formulated with appropriate input from industry, and business is also made aware of the social welfare objectives of government.

Four: Technological progress waits for no one and businesses need to review their strategies, goals, and projections to keep up with the new environment.

Five: The Government is committed to creating a healthy eco-system for businesses in Malaysia to adapt successfully to the new paradigms of the Fourth Industrial Revolution, and to this end has introduced various policy frameworks, including Industry 4Ward (Industry Forward) for the manufacturing sector, and allocations within Budget 2019 to encourage various sectors of industry identified to be growth drivers.

35. In this new and challenging economic landscape, we need to arm ourselves with new knowledge and take the risks to apply technology not just to increase output and productivity but also to create new products and services, new methods and processes. The Fourth Industrial Revolution calls for a new level of thinking, and in many cases, novel approaches to business.

36. With the re-invigorated ideals and hope that we have for this nation, let us - the public sector and the private sector - work together to ensure that our beloved nation realises its full potential to become a modern, prosperous and responsible member of the global community.

Thank you.

Copyright of the Prime Minister's Office Official Website

Source: <https://www.pmo.gov.my/2019/04/closing-keynote-address-of-perdana-leadership-foundation-ceo-forum-2019/>