

11/11/2016 - The Official Launch Of The OECD Economic Survey : Malaysia 2016 and OECD Review On Innovation Policy : Malaysia 2016

Bismillahirrahmanirrahim

Assalamualaikum Warahmatullahi Wabarakatuh and Salam 1Malaysia.

Mr. Rintaro Tamaki

Deputy Secretary-General of the OECD

YBhg. Prof. Tan Sri Zakri Abdul Hamid

Science Advisor to the Prime Minister of Malaysia

YBhg. Tan Sri Mohamad Zabidi Zainal

Director-General of Public Service Department

YBhg. Tan Sri Dr. Mohd Irwan Serigar Abdullah

Secretary-General of the Treasury

Mr. Alvaro Pereira

Director of Country Studies, Economics Department, OECD

Senior Government Officials;

Distinguished guests;

Members of the Media;

Ladies and Gentlemen

1. Good evening to all of you. I am pleased to be here for the launch of the 2 reports namely the OECD Economic Assessment of Malaysia 2016 and the Innovation Policy Review: Malaysia 2016.
2. On behalf of the Malaysian Government, I would like to express our gratitude to the OECD team for their comprehensive and insightful report on the macroeconomic developments and

policy issues in Malaysia. The key policy thrusts highlighted in the report are in line with the core agenda of the New Economic Model, which was launched in 2010 to propel the nation to a high-income status, with inclusivity of all segments of society and sustainability of economic growth.

3. As an open and integrated economy, Malaysia's collaboration with regional economies such as ASEAN, ASEAN+3 and APEC have enabled better policy coordination and subsequently broader and deeper economic integration. Similarly, engagement with international organisations, such as the International Monetary Fund, the World Bank and the Asian Development Bank has also enabled the nation to benefit from advisory services and capacity-building initiatives.

4. As such, given Malaysia's continuous effort in undertaking structural reforms towards strong and sustainable growth, the OECD conducted an inaugural Economic Assessment this year. This report will be a good endorsement for Malaysia that economic policy measures undertaken have been on the right track.

5. Malaysia has been the observer for the OECD Working Party on Innovation and Technology Policies (TIP). One of the key activities for Malaysia is to participate in the OECD's Country Review of Innovation Policy which was conducted rigorously from June 2014 to September 2016; as commissioned by the Science Advisor to the Prime Minister.

6. The Review focusses on the enhancement strategies of the capacities and capabilities of the Malaysian enterprises.

7. It also covers the assessment of government policies, strategies and factors that determine innovation performance in the context of Malaysia's economic development and industrial upgrading as well as to permit international comparisons.

Distinguished guests, Ladies and gentlemen.

8. The Malaysian economy remains resilient amid a challenging external environment, particularly following prolonged low commodity prices and heightened volatility in the financial markets. Facing these headwinds, the recently tabled 2017 Budget anchored on ensuring unity and economic growth as well as inclusive prudent spending, with a focus on the well-being of Malaysians, will enable the economy to remain on its growth trajectory while ensuring no one is left behind.

9. Through the various measures and initiatives implemented by the Government, the economy continued to grow by 4.1% during the first half of 2016. Growth was supported by strong domestic economic activity, particularly private investments and consumption. For 2016, we are confident of achieving a GDP growth of between 4% and 4.5%.

10. In terms of public finances, the Government through various fiscal consolidation measures has successfully reduced the fiscal deficit from 6.7% of GDP in 2009 to 3.2% in 2015. This is envisaged to be further reduced to 3.1% in 2016 and 3% in 2017. We are committed to achieving a near balanced budget by the year 2020.

11. Meanwhile, Malaysia's financial system remains resilient with domestic financial markets continuing to function in an orderly manner to support the economic activity. Furthermore, the banking system is well-capitalised with ample liquidity.

12. Malaysia's macroeconomic foundations have improved significantly, in particular, after the implementation of the National Transformation Programme (NTP) in 2009. Through the various structural reforms and programmes, the NTP has helped Malaysia enhance private investments and create new economic opportunities resulting in favourable economic growth.

13. Furthermore, in 2010, Malaysia adopted the Economic Transformation Programme (ETP) as a strategy to reach the goal of developed nation status by 2020. Following this, further reforms are being undertaken to address emerging vulnerabilities, strengthen future resilience and accelerate the transition to become a high-income, inclusive and sustainable economy. In

essence, the economic restructuring, financial reforms and developments undertaken through the decades has allowed us to weather the current challenging operating environment. We continue to take proactive measures, leverage on digital technology, innovation and creativity; and work together as a nation to ensure greater economic sustainability for the future.

14. Our Honourable Prime Minister has announced the 2050 National Transformation, branded as TN50, during the tabling of the 2017 Budget Speech. The TN50 will span over three decades to form a calibre nation- state as well as with par excellent mind-set. The TN50 will be kick-started by the young diverse generation of all races through a national discourse which will be conducted by the Ministry of Youth and Sports, under the patronage of the Honourable Prime Minister.

Ladies and gentlemen,

15. We acknowledge and welcome suggestions by the OECD team on the Economic Survey that efforts need to be intensified, especially in terms of enhancing innovation, improving productivity, engaging more skilled workers, encouraging fair competition and reducing cost of doing business. Some of the recommendations highlighted are:

- To continue fiscal consolidation as a buffer should economic conditions deteriorate;
- Follow through with the revised school curricula based on international benchmarking and improve teacher evaluation, training and upskilling;
- Increase collaboration of tertiary institutions with industry to deliver job-ready graduates, with a focus on vocational education and training;
- Commission an independent review of public sector productivity;
- Pursue further investment liberalisation to boost services sector growth and competition;
- Develop a comprehensive social protection system, including by implementing an employment insurance scheme; and
- Promote flexible work arrangements and invest more in early childhood care, lifelong learning and reskilling.

16. The Report also highlighted the need to increase spending on social protection and foster regional integration to sustain the country's positive economic growth and fulfil its aspiration to become a high-income nation by 2020.

17. Hence, the recommendations provided would serve as valuable inputs for the formulation of strategic policies aimed at strengthening Malaysia's macroeconomic fundamentals to withstand periods of intensified global uncertainties going forward.

18. As for the Innovation Review, it would serve as a referral document for the National Science to Action Agenda (S2A), launched by our Prime Minister, Dato' Sri Mohd Najib bin Tun Hj Abdul Razak at the end of 2013, particularly in addressing the gaps in our science, technology and innovation (STI) sector. The Review will assist all STI stakeholders weigh key considerations towards designing better programmes to meet the Agenda. The Review could also deliver some enhancing and fine-tuning element for the current programmes that are already being undertaken.

19. We will certainly give due consideration to the recommendations made by the OECD team and endeavour to implement the recommendations where appropriate.

Distinguished guests, Ladies and Gentlemen,

20. A lot of effort has gone into producing these Reports. I would like to take this opportunity to congratulate and thank the officials from the respective Government Agencies as well as the Secretariat from both the Government and the OECD for their tireless effort in successfully producing these reports. Working on the report has also given us the opportunity to engage the OECD in a constructive way and provide a platform for future collaborations with the OECD.

21. Therefore, it gives me great pleasure to launch the OECD Economic Survey: Malaysia 2016 and the OECD Review on Innovation Policy: Malaysia 2016.

Thank you.

Wabillahi Taufik Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.

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