



THE
INVENTION
OF TOMORROW

CRAFTING OUR NEW COLLECTIVE NARRATIVE

DAY 2 SESSION SUMMARIES

CORE SESSION 2: FIRMS AND TRANSFORMATION

Trials and Tribulations in Sustainability –

How Do We Create Real Impact?

by Luanne Sieh, Rohaya Yusof, Tanah Sullivan, Tariq Fancy

Role of capital providers to steward responsible investing.

Both EPF and CIMB have taken a journey to implement sustainability into their businesses.

ESG journey has started under different acronyms. For EPF, this started with its Ethical fund, excluding usual sin sectors from its portfolio. For CIMB, this sustainability started with its philanthropic activities.

Financial institutions play a key role as capital providers.

It is important to identify within portfolio high ESG risk cases to mitigate systemic risk. For CIMB, this has meant that 1% of high-risk clients in Malaysia and Indonesia are excluded and the other clients are assessed based time-bound action plans.

Stakeholder engagements to reduce ESG risk.

EPF and GLICs own large part of the domestic capital market, which include sectors that are vulnerable to ESG risks. EPF is coming up with a framework targeted to six sectors that mitigates this. CIMB's own CEO action network also allows for collective commitments among thought leaders.

ESG needs a change in narrative and more policy intervention to penalise failure of market in pricing externalities.

Current ESG narrative in the market not making real impact.

Depriving a high-risk ESG sector from capital and investing into ESG products only serves to benefit asset managers and doesn't create real impact. This is because current win-win narrative of ESG is misleading. The current system focuses more on dollar value rather than social value.

Principle agent problem between stakeholders.

The problem with ESG lies in its integration of short-termism of CEOs and the reward structure of capitalism, which does not take into consideration long-term social and environmental impacts. Current setup for firms to engage in ESG is like having good sportsmanship without a referee.

Short-coming of markets needs to be remedied with policy.

Investors have fiduciary duty to score a goal (making money), and Governments need to be the referee and regulate as ESG-related action tends to be slow. Policies must be systemic and mandatory similar to the Covid-19 response worldwide.

ESG risk is value-destroying and mitigating this risk comes at a cost.

There is usually a conflict of interest between purpose and profit.

Implementing ESG comes at a cost where sacrifice must be made by investors and corporates. For a private enterprise like GoTo, initiatives on sustainability are often voluntary at a cost to the company instead of passing it on to consumers, partner drivers or micro merchants.

Investors are exposed to climate-related risk.

Among the risks are stranded assets as a result of the transition to a low carbon economy besides common emission issues. Other social issues which have been highlighted by the Covid-19 pandemic include forced labour, health & safety and remuneration.

The future of the ESG narrative would need to be more honest.

Current ESG implementation cannot continue as it is because underlying system is faulty. Businesses and key stakeholders must focus on finding solutions and advocating for behavioural changes.

SPECIAL ADDRESS

'Income inequality in the past three decades: Globally, in Advanced Economies, and in China'

by Prof Branko Milanović

China's growth and the rise of Asia in the 21st century have driven down global inequality generated in the 19th century.

The long-term evolution of global inequality can be dissected into three periods -

the first accelerated rise of inequality from the 1820s driven by the Western industrial revolution and World War 1, the steadier peak of the global Gini index spurred by World War 2 and US dominance, and the current decline in global inequality as Asia mirrors the Western growth, even though inequality remains high.

China held one of the key roles in the rise of Asia and in reducing global inequality since 1978.

However, their impact on reducing global inequality is diminishing in the recent decade as China's growth towards a higher income status will eventually generate inequality.

China's recent economic policies have shifted inwards in reducing inequality within the country.

The focus has been on the removal of entrenched poverty within the country as well as embarking on anti-corruption and anti-monopoly campaigns.

The future trajectory of global inequality is uncertain.

China can no longer be an engine of global inequality reduction.

In fact, the country's movement towards high-income status will add to the global income inequality.

Global inequality cannot be reduced without the convergence of India and Africa.

However, India's recent poor economic performance—compared to their accelerated growth post-1991—and Africa's longstanding low growth indicate that the decline in global inequality may stall or even reverse.

Rich countries have shown strong economic rebound despite the pandemic, although it is uncertain whether the trend will continue.

While global inequality analyses are still preliminary, there are trends of diverging mortality and morbidity between the rich and the poor.

Don't fixate on equality, but definitely do not lose attention of it.

Global inequality illustrates the convergence of the material conditions in the world.

Large income gaps between nations and unfavourable demographics such as ageing induce migration and movement of labour.

The change in global income distribution has real effects on national policies and perception of the global elite.

The relative decline of US comprising the global top 1% compared to that of Asian countries, especially China, has spurred political reactions and promotion of nationalistic policies such as Brexit and Trump's campaign.

There has been an increasing awareness on global inequality and stronger push on policymakers to take action.

The recent release of the Pandora Papers and other policy discussions globally gives an optimistic outlook that there is more push on political forces to implement changes.



CORE SESSION 3: GROWTH AND DEVELOPMENT

Covid-19 and Broken Economic Systems: Towards Crafting a More Inclusive and Sustainable Growth Path

by Allen Ng, Prof Branko Milanović, Tan Sri Dr Jemilah Mahmood

It is time for a new development model driven by strong governments, as development becomes harder for Malaysia and similar countries.

While worsened by the pandemic, development has been a challenge even before Covid-19.

The prevailing industrial strategy in manufacturing around low value-added export orientation is becoming less effective in providing adequate jobs to sustain a prosperous and growing middle class. Given the state of technology in replacing human labour, high growth may only be enjoyed by a small segment of society.

Development needs to be informed by the right diagnosis of sectors.

Addressing labour market issues purely by reskilling workers for the service sector will not be sufficient if there is a continued high concentration of elementary and traditional service jobs. There needs to be broader productivity improvements in a wide range of sectors, including in smaller firms.

State capacity is important in driving the new development model.

Governments need to be a catalyst for change, leading efforts in technological innovation rather than leaving it purely to the private sector.

It is possible for Malaysia to bounce back from the Covid-19 crisis, but we need to reframe our approach towards health.

We must invest more in preventive care because without health, nothing else matters.

While Malaysia has a good healthcare system, we have performed below peer countries such as Thailand and Argentina. To achieve better health outcomes, we must look at health more holistically than just medical care, and include social and environmental factors too.

As we move towards Covid-19 becoming endemic in Malaysia, we must put in place strong strategies to remain vigilant.

This includes ensuring that all migrants are covered by our vaccination efforts. We must also put in place a robust testing strategy, including convincing businesses to invest in testing and keeping testing tools at a low cost.

We have big challenges ahead but collaboration across societies could provide solutions.

The pandemic and the looming climate crisis are both driven by human activities which violate planetary limitations. But as we have learned from the Greater Klang Valley Covid-19 experience, collaboration by experts across the government, private sector, and civil society organisations is key to solving major crises.

The fate of human is linked more than ever, as shown by Covid-19, climate change and globalisation of jobs, and we face great uncertainties about what lies ahead.

Covid-19 puts into question much of what we thought we knew about global progress.

Countries that were previously thought to be well-prepared for pandemics such as the US, the UK and the Netherlands, in reality, mismanaged their pandemic response. By contrast, countries that were ranked low in pandemic preparedness such as China, South Korea, Thailand and Vietnam have actually performed relatively well at keeping the pandemic at bay.

It is unclear how countries will cooperate to tackle future challenges.

Even with an imminent threat such as Covid-19, many countries, particularly the developed countries, behaved selfishly such as choosing to waste vaccines rather than distributing them to other countries with lower vaccine availability. Will we be able to address the threat of climate change together?

We are at the tip of globalisation in terms of how jobs are interconnected but also increasing unknowns.

With technology, workers have been able to work remotely across borders. This creates new opportunities for workers but also challenges from increased competition. The uncertainty from globalisation is further driven by the emerging "Cold War" resulting from trade disputes between the US and China.

SPECIAL ADDRESS

'4 Billion Years of Innovation in the History of Life'

by Prof Neil Shubin

Innovation creates new uses from existing inventions.

Innovation in evolution finds new uses in old inventions.

Changes that enabled pivotal moments in evolution, such as fish starting to walk on land—a change that required multiple physical features including limbs, lungs and necks, are based on characteristics that are not new but rather repurposed.

Not many things need to be invented.

All inventions necessary for fish to start walking on land came about while living in water. For example, lungs were 'invented' to allow fish to gulp air from the water's surface in situations where oxygen levels were too low to let them breathe through their gills.

Small changes can leverage big impacts.

Citing a study of salamanders by Auguste Duméril as an example, the salamanders' development changed dramatically following tiny changes in their hormones. Humans have the same genes to leverage big impacts from small changes.

Diversity brings innovation.

A population with homogeneous traits is disastrous for its survivability.

Without diversity, it would be impossible to change, innovate and be resilient. Increasingly, the risks facing mankind are those associated with a lack of diversity, e.g., monocropping in agriculture makes large plots of land susceptible to diseases and plagues.

Diversity is a key ingredient for experiments that drive innovation.

Innovation occurs via experiments and failures. A diverse set of features is necessary for species to repurpose traits for innovation.

Teams that are made of diverse memberships are more successful at making good decisions.

Evidence suggests that diversity contributes positively to the ability of teams to innovate and solve problems.

A culture of innovation that is necessary for survival is one that embraces failure.

Never too big or successful to go extinct.

All biological organisms are liable to catastrophes. Similarly, during the Covid-19 pandemic, businesses that fail to adapt and innovate—no matter how big or successful they were pre-pandemic—went out of business.

In massive catastrophes, traits associated with survival tend to be redundant, but the best trait to have regardless is to innovate.

During mass extinctions, any advantages that a species has are useless and its survival primarily depends on luck. However, during smaller catastrophes, a species's ability to innovate is vital to survive background extinction.

To drive innovation, it is important to inculcate a culture that respects trying and braves the possibility of failure.

Pushing the limits is going to be risky, even when the odds are in your favor. Teams that drive innovation must be comfortable with failing and should expect it in their day-to-day operations.



FIRESIDE CHAT with Nadiem Makarim

Indonesia is transforming its education sector drastically, but it is necessary to advance the nation.

National reform at this scale is often initiated by bold leadership and overcommunication in its execution.

The President has been the driving force with his explicit commitment in human capital. While making drastic reforms is challenging, overcommunicating on its benefits will typically ease the transition.

The ministry realises the importance of restructuring the education system to make it more relevant in the modern days.

Moving forward, the curriculum would have to be revamped to be less theoretical and more practical to encourage innovation and creativity. As such, the government is focusing on three core themes: (i) green economy; (ii) digitalization; and (iii) healthcare innovation.

Centralizing and merging multiple ministries into a single body improves efficiency and creates a holistic education system reform.

Merging and centralising the education, research, technology and culture ministries is one of Indonesia's key steps in allowing reform in education to happen in an end-to-end manner and reflects the government's acknowledgement that these functions can no longer operate independently from each other to achieve success.

The pandemic has not only highlighted the structural weakness in the education system, but has also acted as a great window to make all the needed changes.

Covid-19 emphasized that the issue of uneven access to education is largely in tandem with the lack of access to technology.

This is a global challenge, and poor access to technology has further widened the gaps in learning progression. However, Covid-19 has accelerated the digitalization pace in the country and government is distributing electronic devices to teachers and students in non-urban areas, and improving internet infrastructure rapidly.

Consolidation of low- and high-level education is challenging due to the complexity.

Having said that, if this is well-planned, a holistic system can be created to have a better education connection from one end to another. Additionally, it is a misperception that the greatest equalizer in education is technology; it is the good quality of teachers and their distribution across the nation that matter.

Strategies that anchor the solutions to the challenges in education include curriculum flexibility and fair budget allocation across the nation.

To address the different needs in Indonesia's well-diverse communities, the ministry reiterated on the need for education syllabus to be more agile rather than uniformed and the education budget to be fair based on the socioeconomical needs rather than equal across the country.

Indonesia needs to a leapfrog in education to catchup. It is revamping its education system by enhancing entrepreneurial skills and professional experiences.

To be able to beat the crowd, it is vital that there is willingness to take risks and be open-minded, which is enabling the ministry to get things done faster.

The government is pushing for education institutions to be more adaptable and open to exchanging ideas in order to create an innovative culture surrounding education.

Collaborating with different private institutions (e.g. corporates, NGOs, ex-unicorn engineers) would allow professors and students to advance to modern capabilities.

To spur research locally, the government is funding and enabling world class tech companies, NGOs and research projects to run like full-scale mini universities. This allows students and lecturers to spend 25% of their time off-campus to gain real-world learning opportunities in one of the government's efforts to unbundle the higher education extensively.



SPECIAL ADDRESS

'The Changing Past & The Changing Future'

by Prof Peter Frankopan

Downturn is not unique in historical timeline, but important to understand impact of pandemic.

The world when Covid-19 struck looks unfamiliar because of the timeline of history that we compare to.

For the UK, this downturn was the sharpest downturn in nearly 400 years and with Italy it was the lowest bond yields return since the 14th century. The depth of downturn is not surprising as downturns happen frequently in the context of a longer historical timeframe. What is more important is to understand the implications of a downturn.

The pandemic has accelerated the changes that were already happening pre-pandemic,

which led people to behave differently. For example, the pandemic decreased cash usage and accelerated the cashless trend as well as e-commerce. This is evident in Malaysia, where e-commerce has grown five-fold since 2016. This has implications to supply chains, brick and mortar stores as well as labour markets.

Asian century is about to begin.

Asia is rising.

The share of big global GDP has switched from the Western countries to the Emerging Seven. Asia has room to increase income and scale for growth compared to developed markets, albeit in different velocities.

Countries need to be aware of security risk and climate change.

Regional tension and sovereignty are real concerns, especially due to the "Cold War" between China and US. But it is important to maintain our independence from external pressure. Impact on climate change needs to be thought through as the rise of populations and mega cities increase fragilities and present big challenges.

Deglobalisation has major implications and short-term pain.

Interest to onshore production after supply chain disruption.

The pandemic highlighted the heavily reliance on supply coming from the East, so there is a possibility that Western firms will move their workforce out of Asia to produce new jobs in developed countries.

Cities benefit from interconnected trade links.

Rise of civilizations is associated with global trade. Trade connections allow different civilizations to share products, spices, ideas and even cultures. Countries ought to think ahead about maximising positive impacts whilst mitigating the risks post-pandemic.

Crisis preparedness requires forward thinking.

If countries are always reacting to problems, rather than proactively thinking about their immediate fragilities, it would be extremely difficult to overcome these problems. The biggest hurdles aren't in economy, but in political decision making.