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**KHAZANAH MEGATRENDS FORUM 2019
“FROM THE PAST TO THE FUTURE:
BUILDING OUR COLLECTIVE BRAIN”**

**OPENING ADDRESS BY
YB DATO' SERI MOHAMED AZMIN BIN ALI
MINISTER OF ECONOMIC AFFAIRS**

**9:05 AM
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MANDARIN ORIENTAL HOTEL**

Datuk Shahril Ridza Ridzuan,
Managing Director of Khazanah Nasional;

Excellencies, Distinguished Speakers, Guests,

Ladies & Gentlemen.

1. It gives me great pleasure to be speaking to you here today, in front of such a distinguished crowd of corporate leaders, policymakers, academics and NGO leaders.
2. I would like to express my appreciation to Datuk Shahril and the organising committee for organising this annual Khazanah Megatrends Forum and putting together an impressive line-up of speakers.
3. At last year's forum exactly a year ago, I spoke about the global landscape being in turmoil with emerging economies severely hit by depreciating currencies and some countries raising interest rates to unprecedented levels.

4. By then the world's two largest economies were already locked in a full-blown trade war underscoring the repercussions of a breakdown in globalisation and the myth of free trade.

5. Today, rather than abating, this trade war has escalated with US imposing additional tariffs on \$550 billion worth of Chinese goods in August 2019, and China letting the Yuan falling below the critical rate of 7 Yuan to a Dollar. Meanwhile, as of June 2019, global manufacturing numbers fell to the lowest level since 2012, with new orders weakening sharply and business optimism at the lowest level on record.

6. I can go on about how the financial markets are adding to the gloom and stock analysts raising the spectre of an impending recession but I believe we get the picture.

7. Indeed, my purpose is not to be a foreteller of doom and gloom but merely to do a reality check and to recognise that turbulent times are ahead for the global landscape including Malaysia.

8. In light of this, the paramount question is how best can we chart a new path for economic growth, for the short and medium term?

9. In this regard, our strategic direction for the next ten years will be guided, or shall I say driven, by Prime Minister Tun Dr. Mahathir Mohamad's new development blueprint, Shared Prosperity Vision 2030, which was launched just last Saturday.

10. Three core objectives of this vision will be our touchstone of success.

11. First, the vision will restructure the Malaysian economy to be more progressive, knowledge-based and high-valued with full community participation at all levels.

12. Second, it will spur growth to address economic disparities across income groups, ethnicities, regions and supply chains to protect and empower the *rakyat* in ensuring that no one is left behind.

13. Third, through this vision, Malaysia can be developed as a united, prosperous and dignified nation, subsequently becoming an economic centre of Asia.

14. The conventional paradigm of calibrating economic progress solely in terms of GDP growth has proven to be inadequate.

15. While GDP numbers are a useful measure of the economy's strength and progress, emphasis must be also given to other signals as economies become more complex such as the purchasing power of the people.

16. Furthermore, it is no longer acceptable to be concerned with growth alone without due regard to issues of poverty and the widening wealth disparities.

17. We cannot settle for trickle-down economics which to my mind is effectively "leftover economics" benefiting only a few at the expense of the majority or average citizen let alone the low-income group.

18. The Government is committed to a more inclusive growth model that would take care of the well-being of all the *rakyat*, and more so the less fortunate and the poor, be it rural or urban.

19. Nevertheless, to breathe life into this modern-day distributive justice, we cannot ignore the prerequisites, that is, to grow and enlarge the economic pie so that all Malaysians can enjoy the prosperity of the nation more equitably.

20. While it is important for the Government to maintain fiscal discipline, we also need booster jabs for the economy to grow and become hale and hearty.

21. The overarching objective is to launch Malaysia into a new era by restructuring the economy towards greater economic complexity, where emphasis will be given to developing new capacity and capability to unlock new growth areas.

22. The Twelfth Malaysia Plan (12MP) from 2021 to 2025 will be the first phase in operationalising the vision, where the objectives and spirit of Shared Prosperity will form the underlying philosophy to drive sustainable and inclusive growth.

23. As we plan for Malaysia's next stage of economic development, we are cognisant of the global economic uncertainty. Nevertheless, we must be armed with the certainty that our nation has developed resilience and extensive know-how and, thereby, draw lessons from our political and economic history.

24. One clear lesson is the importance of industrialisation as an accelerated path to grow a country's collective know-how and economic complexity, or in line with our theme, the Collective Brain.

25. Hence, almost three decades ago, Tun Dr Mahathir presented a strategic, long-term vision to transform Malaysia from an agrarian society to a developed industrial nation by 2020.

26. It became a source of imagination and spurred the Malaysian spirit to challenge ourselves and expand our abilities to adopt new skills and compete in more advanced and developed markets.

27. The launch of the first national car became a hallmark of our industrialisation trajectory signifying Malaysia as a producer of technology rather than just a consumer nation.

28. Within 20 years of implementing Vision 2020, Malaysia has successfully emerged as a Newly Industrialised Country (NIC) and since then has led other developing countries in manufacturing and export in the E&E sector.

29. Today, this sector has grown into a blend of multinational corporations and national champions, and in 2018, it makes up 38% of Malaysia's total exports.

30. However, particularly in the last decade, our economy has become increasingly reliant on commodity, as evidenced by the export contribution of oil and gas growing from only 6% in 1998 to 15.5% in 2018.

31. This trend gives us cause for concern because the continuous growth of our experience and knowledge as a population has a direct impact on her development for greater economic complexity.

32. According to Harvard's Atlas of Economic Complexity, Malaysia is ranked 28th out of 133 countries, having slipped 2 positions in the past 10 years.

33. Therefore, the execution of Shared Prosperity Vision 2030 will be aimed at rectifying this by further growing economic complexity and propelling the nation towards high value-added economic activities.

34. While intensifying technological advancement in expanding our services sector, we also need to prepare our existing industries to adapt to tech disruption as well as re-examine supply chains and ensure that the profit pool doesn't just accrue to the large monopolies.

35. While we have ambitious plans of pursuing high-growth industries, we also need to equip our human capital with the necessary know-how and create talent pools to support these pursuits.

36. Currently, 60% of employment is semi-skilled, while only 27% are high-skilled and the remaining 13% are low-skilled. Lower-skilled jobs will continue to suppress average wages. Therefore, the challenge is to generate wage growth to improve living standards for the *rakyat*.

Ladies and gentlemen,

37. In closing, let me reiterate that by placing the prosperity and wellbeing of its people at the forefront of its development policies, Shared Prosperity Vision 2030 will ensure the equitability of outcomes for all Malaysians.

38. I believe that as a nation, we are on the right track towards achieving that.

Thank you.