

# MEGATRENDS

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Kuala Lumpur Convention Centre



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## Geography as Destiny?

Reaping the Dividends of Good Stewardship



The 2016 edition of KMF was brought to conclusion with a Closing Address by YB Datuk Johari Abdul Ghani, the Second Minister of Finance of Malaysia and a Member of Khazanah Nasional's Board of Directors. With a speech that was thoughtful, engaging and sincere, Datuk Johari posited his two tenets of stewardship, which are finding the right balance between long-term and short-term goals, and the need to ensure that all stakeholders are well-taken care of.

Datuk Johari started his speech with a quick tour of Malaysian economic development history, stating that for 59 years, the government has stewarded the developmental and structural change of the Malaysian economy from the First Malaysia Plan in 1966 – when Malaysia had an agricultural-based economy – to a

manufacturing-based economy in the 1980s, and then onto a services-based economy with the Eleventh Malaysia Plan that came into effect this year.

Indeed, the economic development of Malaysia has been guided by a series of national development plans, including the New Economic Policy, the National Development Policy, the New Economic Model and the National Transformation Policy, among others. According to Datuk Johari, the execution of such plans has been vital to national development, with a 23-fold increase in household income from 1970 to 2014, a near total eradication of poverty, a reduction in child mortality and near universal primary school enrolment.

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Along the way, the nation has faced significant challenges and obstacles, such as the Asian Financial Crisis in the late 1990s and the Global Financial Crisis in the late 2000s. However, from each obstacle, Malaysia had recovered strongly, a testament to reforms over the years which have fundamentally strengthened the economy to weather shocks more effectively.

Despite all that, the nation, and indeed the world, faces difficult times. Yet, Datuk Johari says, even a difficult external environment should be no excuse for the government not to continue delivering for the rakyat. As such, Datuk Johari states, good stewardship is about two tenets – finding the right balance between long-term and short-term goals, and the need to ensure that all stakeholders are well taken care of.

On the first tenet, Datuk Johari posed the following question – In an increasingly complex world, why should the government create and execute five year plans such as the Malaysia plans? The answer, according to Datuk Johari, is good stewardship. Strategic plans, especially when they are set in print, provide a True North for where policymakers want to steward the nations in the long-term.

At the same time, Datuk Johari cautions that too much attention on the long-term risks endangering livelihoods in the short-term, potentially to the point where long-term goals could be “rendered futile.” He suggests that while it is reckless to forgo long-term considerations, it is also just as reckless to ignore what is happening in the present.

On the second tenet, Datuk Johari posits that becoming a developed nation is only possible and worthwhile when all of Malaysia’s diversity is represented and has a seat at the table. Hence, stewardship must be inclusive. He highlighted how the government was driving inclusive growth, via reducing regional differences with the development of growth corridors and intensifying human capital development in Malaysia.

Datuk Johari then showed how the Ministry of Finance, via fiscal policy, attempted to live up to these two tenets of stewardship. For instance, the government has had to enact controversial and unpopular policies such as the Goods and Services Tax (“GST”) and subsidy rationalisations to ensure the ongoing long-term fiscal health of the government. On the other hand, the government has also not ignored short-term concerns, particularly for the lower-income families, with policies such as the Bantuan Rakyat 1Malaysia (“BR1M”) meant to help the Bottom 40% (B40) citizens deal with rising costs of living.

Datuk Johari ended his speech with a call to action in which he encouraged all stakeholders to take on the challenge of stewardship, based on concrete data and facts, to pave the way towards greater productivity, transparency and mediation of competing interests, in achieving a developed Malaysia for all.

## Special Address

By Dr Alfonso Vegara and Hamdan Majeed



### Cities as drivers of growth and employment

- Competition is no longer between nations but between cities. People choose cities with good character and identity. As cities become increasingly homogenous, diversity and localisation brings colour to the cities.
- Though urbanisation and densification has been linked to economic prosperity, there is an increased demand for focus on quality of life. Planners need to find a balance between advancing the economy and public interest.

### Systems of inter-connected cities

- Medium sized cities could no longer work in isolation, they need to work in an urban system (system of interconnected cities), focusing both on traditional and digital infrastructure.
- Connecting cities requires inter-city dialogues. For instance, the Malacca straits diagonal (connecting Penang, Ipoh, Kuala Lumpur, Malacca, Iskandar and Singapore) offers enormous opportunities.

### Cities can be changed through leadership, technology, innovation and creativity

- People shape city functions. There are successful urban spaces embracing this philosophy, with city planners having to look forward.
- Cities can be connected through technology/digital links. Connecting the physical and digital worlds will be important for the future.

## Session 3: Growth and Development

Going Dutch or True North? Extracting the Blessings, not the Curse, of Rich Endowments



### Geography as influencer of destiny

- Malaysia has been a beneficiary of her geographic endowments which among others have shaped the demographics, institutions, policies that were developed as well as the trajectory that the economy has taken.
- Geography can be divided between absolute and relative geography. Relative geography, focuses on market access and competitiveness, can overcome the limitations of absolute geography.
- However, to ensure that geography does not become destiny, there must be policies that are holistic and inclusive.

### Greater distributional concerns as the population ages

- While the Gini Coefficient for Income has decreased in Malaysia in recent years, the Gini Coefficient for Wealth has increased, and hence, simply looking at Income Inequality alone is insufficient.
- Malaysia is set to be an aging country in approximately 15 years, and an aged country by 2040. This puts greater strain on income and wealth distribution moving forward.
- Furthermore, as growth is set to remain stagnant, with long-term growth dipping to approximately 3.0%, distributional issues become even more pertinent.

### The necessity for a national dialogue

- A lack of political will in Malaysia is typically a consequence of vested interests; hence dispersing those vested interests requires greater engagement in policy.
- Having an open and transparent dialogue is a stepping stone toward developing a robust framework that can address national issues.
- Different policy makers will have different positions toward development and growth and thus, having inclusive conversations can reduce the risk of important issues being overlooked.



# Taman Tugu Project:

## *In Celebration of Knowledge and the Environment*



1. The Taman Tugu Project comprises four components:
  - i. Conservation and activation of a 66-acre urban rainforest park
  - ii. Four connectors to and from the surrounding area
  - iii. Khazanah ILMU – an innovation and learning centre open to the public for free
  - iv. Operations and maintenance, including cleaning, upkeep, security and utilities
2. Up to RM650 million is allocated across the four components as follows:
  - i. 29% for conservation and activation, with the cost of conservation amounting to about RM33 million
  - ii. 27% for the four connectors
  - iii. 29% for Khazanah ILMU
  - iv. 15% or about RM100 million for operations and maintenance up to the year 2030
3. The 66-acre site is nestled within a larger expanse that comprises existing parks, heritage and cultural sites, in the heart of bustling Kuala Lumpur.
4. The site is currently not a natural rainforest but is a secondary forest, which is said to have grown out of a landfill used during colonial times.
5. Forest Research Institute of Malaysia and Malaysian Nature Society have identified and tagged about 1,000 trees that will be preserved on-site. The remainder comprises decaying trees and wild undergrowth which will be removed. An additional 5,000 Malaysian rainforest trees will be planted to blend in with the existing trees and mature into a rainforest reserve with a density of between 200-250 trees per acre.
6. The project is a not-for-profit Corporate Responsibility initiative undertaken through a Public-Private-Civil Society Partnership, led by Khazanah Nasional and involving various public sector agencies, private sector companies, and civil society organisations. They include Dewan Bandaraya Kuala Lumpur, Ministry of the Federal Territories, Ministry of Natural Resource and Environment, Forest Research Institute of Malaysia and Malaysian Nature Society.
7. Once completed, Taman Tugu will be held by an independent public trust and reserved as a green public space in perpetuity, to ensure that it remains forever a people's park.
8. Taman Tugu is expected to be completed by 2018, the four connectors by 2019, and Khazanah ILMU by 2020.
9. The project has multiple elements – education, community development, environment, heritage conservation, and public spaces – all of which are the focus areas of Yayasan Hasanah.
10. The public can provide input and seek further information on the project through various public engagement sessions that are being conducted, as well as online at the Taman Tugu Project website ([www.tamantugu.com.my](http://www.tamantugu.com.my))

## Reflections on Day 2 by Tan Sri Dato' Azman Hj Mokhtar, Managing Director, Khazanah Nasional Berhad



The first day of KMF 2016 was a real treat – it produced an incredibly diverse set of perspectives on our theme for this KMF, namely, “Geography as Destiny? Reaping the Dividends of Good Stewardship: The Political Economy of Location, Environment, Demographics.” The lively and engaging discussions and debates on Day 1 by our wonderful speakers continued onto Day 2, with further insightful deliberations onto the theme.

In many ways, Day 2 was certainly worthy successor to Day 1 and completed the thesis we wanted to cover. By the end, I believe, it was quite clear that the collective sense coming out of KMF was that while geography was certainly very important to the fortunes of nations, firms and societies, it certainly does not singularly drive destiny *per se*.

Several of our speakers and indeed participants in the audience put forth their ‘candidates’ or ideas on what exactly drives destiny. These included culture, ethics, leadership, ‘connectography’ and so on. As such, I think we learned quite a lot about stewardship. The right solution, I believe, to the challenges of geography is probably a mix of all of the above and that mix must be in the right proportions, at the right time, and at the right place, and in the right way. Indeed, underlying a lot of the discussion is context; for instance, it was pointed out that geography could be absolute or relative and is not just about space, it can be across time as well.

The various sessions progressed very smoothly, and we kept in perfect timing throughout. We witnessed another round of wonderful special addresses, focusing on how humans live and connect, kicked off by Alfonso Vegara and Hamdan Abdul Majeed who discussed cities and diagonals, and rounded off by Parag Khanna who talked about ‘connectography.’ This was supplemented by John Rice’s Luncheon Address on corporate stewardship and culture.

In terms of the core sessions, I thought the Growth and Development panel tackled some really hard-hitting policy issues of the day, including inequality, education and policy. A highlight perhaps is the statement that education cannot be just “okay lah!” The People and Leadership session re-focused us all back to people, who would ultimately be the stewards of all we do and was a fitting final session. We also had a special session on the ethics of geography, where the speakers showed true stewardship in action via their tremendous positions and responsibilities.

As per KMF tradition, we launched a book entitled, “Discovering Langkawi with Irshad Mobarak,” a part travelogue, a part storybook, a part reference guide to the flora and fauna of Langkawi. The book was launched with the gracious support of Tun Abdullah Badawi and Tun Jeanne Abdullah, as well as the Second Minister of Finance, YB Datuk Johari Ghani. YB Datuk Johari Ghani then closed proceedings with a thoughtful and powerful speech, presenting his two tenets of Stewardship.

KMF 2016 was a truly incredible experience for me, personally and I do hope that that is also true for everyone attending, speakers, moderators and participants alike. I would also like to thank the working team who devoted themselves to the success of this KMF. Indeed, the richness of the 2 days of KMF 2016 will stay with me for a long time.

# Special Session

## The Ethics of Managing Geography



### Reinventing how we move forward

- BAU is no longer relevant and hence, existing systems need reinvention. For example, large companies with more than 50% of its employees aged 35 and below must adapt to their culture and strengths.
- Taking stewardship of the environment is an important part of taking responsibility, especially given our overuse of limited natural resources at the expense of the unlimited potential of human capital growth.

### Responsibility and accountability are key

- Paternalism can be used for countries to take responsibility of their location. Societies should elect leaders they can trust to make decisive actions that the masses cannot achieve.
- We must also encourage a bottom up participation to unleash creativity. This would then enable the people to take responsibility of the environment.
- Additionally, stewardship can arise from effective partnerships between entities, focusing on key factors such as resource management, knowledge transfer and an environment of integrity.

### The role of government in resource management

- The Petroleum Development Act of 1974 formed Petronas which has since introduced self-imposed requirements which mimic that of listed companies allowing for good governance and transparency.
- The government can also ensure effective stewardship by ensuring that its office is not controlled by big companies but remains independent and accountable to the people.

## Luncheon Address

By John G. Rice



### Global-local intersection

- Global-local balance requires investment in training and capacity building, enabling the placement of leaders in 180 countries.
- Leaders have to be connected to the centre, influential, capable, and able to make the company work for them. The company also has to work for the people in the different countries/markets.

### Digital-industrial intersection

- Digitalisation is not just a trend but a tsunami. GE is currently developing an industrial operating system, known as Predix. It will be open-source and available to competitors.
- Predix leverages advanced data management and analytic tools and marries that with vertical capabilities that have been developed for decades.
- Predix combines the scalability of cloud computing, Big Data management, and advanced analytics to power new generations of industrial companies.

### Horizontal-vertical leadership

- Everything is done by teams. Teams matter more than organisation charts, influence matters more than titles. Ability to influence team-based effort matters more.
- Annual performance reviews which have been a GE birthright, were thrown out last year. GE now focuses on instant feedback about what employees have done well or did not do well.



## Special Address

### Why Connectivity is Destiny

By Parag Khanna



Connectivity, not geography, is destiny

Supply and demand driven world

From connectivity to resilience

- The combination of all infrastructural lines together is longer than our nominal political boundaries.
- The cartographic evolution is such that natural geography transformed into political and then functional geography. Yet, built infrastructures outlast any geographical frontiers.
- Urbanization is a proxy for the search of connectivity.
- All great global cities that are welcoming to migration are melting pots. Competitive connectivity builds pathways for supply to meet demand.
- It leads to the perpetual optimisation of land, labour and capital for production, in which case, inefficiency is our enemy.
- Infrastructure investment is the key to build global supply chains to strike a balance between supply and demand.
- Young people view themselves more as global citizens and do not retreat away from connectivity.
- Furthermore, people from conflict zones yearn for an identity beyond their nationality.
- The world is moving towards antifragility. War is an event, while networking building is a process.

## Session 4: People and Leadership

### Reclaiming the Commons – From the Paradigm of Ownership to the Paradigm of Stewardship



Role of leaders and stewards

- The idea of stewardship and duty of care are very important as we are only the custodians and trustees of this planet.
- To be a good steward, one cannot be comfortably situated in ivory towers but instead, needs to go on the ground to accurately assess the situation and context.
- With good stewardship, come great responsibilities. A steward is someone who takes a long-term perspective to ensure the sustainability of the mission during their tenure as well as after their departure.

What makes a good steward?

- A good and sustainable leader must have unquestionable integrity, the right intelligence and competencies, and humility.
- Effective leaderships help form social cohesion which then allows for sustainable growth. Growth-conducive economic and political environments are fostered by institutions. These institutions have to be introduced and nurtured.

The role of policy and society

- Societies do not break down on their own, they are broken down by people. Policies, depending on the leaders who implement them, can significantly improve or deteriorate the standards of living of the nation.
- Inclusive systems allow for creative destruction—launching new ideas and businesses, while extractive systems are more likely to be led by vested interests of incumbents.
- Governments that have inclusive education policies are key to overcoming poverty – levelling the playing field and giving the disadvantaged group an opportunity to excel.

## Book Launch *Discovering Langkawi with Irshad Mobarak*



At this year's Khazanah Megatrends Forum, we launched a book by Khazanah Fellow (2016-2017), Langkawi-based naturalist Irshad Mobarak. Part travelogue, part reference guide, and part storybook, *Discovering Langkawi with Irshad Mobarak* is an exhilarating armchair voyage of the Langkawi archipelago through the lens of its most devoted naturalist.

The book was launched by Minister of Finance II and Board Member of Khazanah Nasional Berhad, YB Datuk Johari Abdul Ghani, and former Prime Minister Tun Abdullah Ahmad Badawi. Also present at the launch were Tun Jeanne Abdullah, Tan Sri Dato' Seri Utama Nor Mohamed Yakcop, Deputy Chairman of Khazanah Nasional Berhad and Tan Sri Dato' Azman Hj Mokhtar, Managing Director of Khazanah Nasional Berhad.