

PLEASE TRACK AGAINST DELIVERY



**MINISTERIAL ADDRESS BY
THE HONOURABLE RAFIZI RAMLI
MINISTER OF ECONOMY**

INVEST FAIR 2023

**3 June 2023 | Saturday | 10.00AM
Dewan Pameran 1, Mid Valley Exhibition Centre, Kuala Lumpur**

Central message:

- Managing the economy is like an investment strategy, where you think about tradeoffs and opportunity costs before deciding where to place your bets. Our actions now will have an enormous impact on the future.
- The best way to assess our economy is to take a long-term, holistic view, rather than bite-sized, knee-jerk snapshots.
- Institutional reforms are a prerequisite. This administration will focus on fiscal consolidation, resource allocation to high-growth, high-value industries, and building the talent pipeline.

SALUTATIONS

- **Datuk Muhamad Umar Swift, CEO of Bursa Malaysia;**
- **Christopher Lee, CEO of ShareInvestor Malaysia;**
- **Esteemed guests.**

Ladies and gentlemen.

Thank you for inviting me to the annual event of “Invest Fair”.

2. The strategy of running an economy is not unlike an investment strategy. With limited resources at hand, you have to think about tradeoffs and opportunity costs when you decide where to place your bets. You have a time horizon ahead of you, and timing your investments right will make a huge difference. Most of all, whether in economic strategy or investment strategy, the oldest rule is that the actions we take now will have an enormous impact on the future.

3. The Ministry of Economy is a coordinating ministry that is tasked to do long-term planning that will fundamentally change the structure of our economy. The decisions we make today will have a compounding effect on the future. The Ministry is not designed to simply fulfil populist pledges like giving more handouts under different names or announcing expensive megaprojects that benefit only a few, at the expense of harming the next generation. We could no longer think of growth in terms of pure GDP numbers, without also accounting for the quality, pace, and sustainability of growth.

4. That means when we assess how our economy is doing, we must account for the holistic changes that are planned and undertaken, and not simply resort to a bite-sized, knee-jerk snapshot approach of what happened. Of course, in the short-term, there will be ups and downs, as well as implementation challenges, besides external headwinds that will be out of our control. That will happen in the natural cycle of the global economy. But to assess accurately how we are doing, we must take a long-term view, and see whether this government is undertaking the necessary structural reforms to move us forward.

5. Of course, the short-term stabilisation measures were also done and will continue to be done to keep the economy under control. This government came into power at the peak of global inflation, where food prices soared to historic highs. By focusing on a series of stabilisation measures, inflation numbers have come under control, and the GDP growth has also exceeded expectations. The window of opportunity we have earned from this stabilisation is necessary so that we have time and space to undertake longer term structural reforms.

6. Structural reforms are the opposite of running things business-as-usual; it is a dramatic shift to how the country, industry, and market operates. The need for structural reforms have become irrefutable: Our country's growth will be affected if we continue to incur high debts with high committed payments taken away from actual development; if we continue to operate in a low-skill, low-value, low-wage environment; if society's inequality remains persistent and social safety nets stays neither adequate nor sufficient.

7. For those of you who look at the global stock market, you would also accept that Malaysia's stock market profile does not carry the same lustre as other countries. The stocks that dominate our counter reflect our past history rather than give an exciting promise of the future. My discussions with fund managers, bankers, and investors proved to me that technology and innovation must gain prominence again if we want to lead the region.

8. The Ministry of Economy will undertake key structural reforms in a few areas that will yield positive results in the next few years.

9. One, we have undertaken vital institutional reforms in stemming out corruption and practising high standards of governance. No developed

country has succeeded through rampant corruption and institutional distrust. Setting this right from the start was a key reform that we have pushed.

10. Two, fiscal consolidation in ensuring that the government spends prudently and fairly, so that we could reduce our fiscal deficit and ensure financial sustainability in the long-term. Among others, the efforts of retargeting subsidies is important so that the most deserving people receive the help they need and we reduce instances of wastage and abuse. If we could keep to our target of reducing the fiscal deficit to 3.5%, while meeting our GDP growth targets, then confidence in our economy will return as foreign investors and local entrepreneurs will believe that this government is serious in reforms.

11. Three, resource allocation to high-growth, high-value sectors such as technology, renewable energy, and food security. For these three areas, we stand a real chance of taking a leadership position in the region if we set the right path forward and stick to it. In particular, in my recent trip to Qatar, I have talked about the opportunity for Malaysia to lead Southeast Asia in renewable energy, by stretching our climate goals, lifting export ban, liberalising the energy industry, and jumpstarting the Energy Transition Roadmap through a series of high-impact catalyst projects. Upon the series of announcements, many foreign investors have shown keen interest to participate, and step by step, Malaysia will emerge as a serious player that is no longer overlooked in the region. Over the next 20 to 30 years, the industry would see investments up to \$150 billion being funnelled into renewable energy that will surely take the region to the next level.

12. These are the chosen focus areas because the opportunity sizes are among the largest, and if we succeed, the compounding returns that bring forth the developments of other industries will be the highest as well.

13. Fourth, labour reforms are critical to change the talent pool in this country. Even if we have rightly identified the strategic industries, and put long-term money and commitment into growing them, we could not succeed without having the right skills and talents. Granted, this is a difficult and continuous task that even the most developed countries have not fully grasped, given how quickly in-demand skills are changing. But that also means that our country stands an equal chance of succeeding in building a sustainable and reliable talent pipeline, provided we undertake skills programs at a large scale. We need depth, quality, flexibility in our programs, but the one

insight that could not be ignored is *scale*—something sizable enough to make a meaningful difference to the structure of the economy.

14. This is the best time to undertake structural reforms. The reason why past governments in history did not commit to these changes is because structural reforms, although necessary, are politically costly. A government with a thin majority, constantly worrying about defections and politics, will simply resort to popular announcements to retain power. Even though those popular announcements do not change our country's long-term trajectory; or worse, they are harmful in the long-run. Political will is rare and could only be present in a strong and stable government.

15. For the first time in a generation, our unity government is the stablest, with a two-third majority that focuses on getting tough reforms through. The party that leads this government is reformist in its makeup, and through a steady buildup, it should be evident by the first and second year what core reforms will come to define our generation.

16. Moreover, this is also an opportune time to get structural reforms through because technology is also at its sweet spot between cost and value. The speed of advancement and government investments through the decades have meant that technology cost is low enough for widespread adoption in Southeast Asia. As proven, time and time again, the acceleration to economic growth is highest when tied with technology and innovation.

17. This could only happen because governments somewhere in the world had the foresight to make bets on strategic areas and persevered with political will.

18. Solar energy is only cheap enough today because other countries and companies decided to launch programs to build the industry fit for global consumption, even though solar energy was prohibitively expensive at that time. Silicon Valley was also started because the US government decided to invest heavily in R&D and basic research, besides rewarding private companies that took risks, even though there were no models to replicate at that time.

19. The actions we take now will have a substantial impact on the future. That is true for investing, and that is also true for how we run the economy. When I was assigned the task of managing the economy, I knew that it would be

difficult because I would not have popular programs or policies to announce every other day. The fruits of my Ministry's labour will only be evident in the next 2 to 3 years to come, and for some reforms, even longer. But I hope that when we put the foundational pieces together, and bring the private sectors on board, you could appreciate the moment in history and know that we are in the right direction.

20. I welcome feedback and suggestions on how best to steer our economy out of uncertainty and into our common future. A government's obligation is to diagnose our challenges, anticipate the road ahead, and decide where to place our bets. The genius of the private sector is finding the path to commercialisation, accelerating, and scaling up. The government will remain supportive by building an ecosystem that enables the best to thrive, and create a safety net for those who missed, but we would rely on you to do what you do best.

Thank you for having me at your event. I wish you a fruitful time this Saturday. I hope you find people of common values to do what is best for the economy. Have a good weekend.

RAFIZI RAMLI
Minister of Economy
3 June 2023