

# KERATAN AKHBAR

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## The people and the nation

# THE PEOPLE AND THE NATION

creating jobs to ensure at least some employment and wages. The weak value of the ringgit compared to 10 to 20 years ago contributes to higher food prices due to Malaysia's high dependency on food imports. Can Ekonomi Madani help strengthen the ringgit's value and what is its approach to reducing food costs? As mentioned earlier, short-term factors impact the ringgit's value. In the long run, the ringgit's value depends on demand for it. Why would people or companies want to hold the ringgit? If demand decreases, its value falls as well.

Over the past 20 years, Malaysia's economy has become more domestically oriented. A significant portion of growth sources comes from domestic activities. The service sector (the largest sector) is mostly domestic. International trade has shrunk. Before the 1998 Asian economic crisis, trade was more than twice (200%) the size of the economy, now it's only about 20% larger. This constrains demand for the ringgit via trade and structurally weakens its value. Additionally, Malaysia's stock market has lost significance. The Kuala Lumpur Stock Exchange is no longer the primary stock market in Asia as it used to be. Capital inflow has decreased, and Malaysia has failed to attract new businesses that captivate investors.

Foreign direct investment (FDI) inflow has also relatively diminished. All of these have contributed to the ringgit's decline over the past two decades.

The only structural way to strengthen the ringgit is through the development of competitive companies capable of exporting to international markets. We need to internationalise our economy from a primary production economy to large companies. Expanding international

**"Ekonomi Madani is based on the philosophy that economic development and growth is caused by social factors, values and societal norms."**

Dr Nungsi Ahmad Radhi

trade will increase demand for the ringgit and reinforce its value. Ekonomi Madani includes this. When we have competitive companies like this, the stock market will thrive, attracting interest and funds to raise the ringgit.

The government recently made several announcements on the amounts of FDI. However, the common people do not seem to feel the benefits of these investments. Especially for the Malay community, many still work as Grab drivers or operate small stalls. Realistically, could the common people fall further behind if Malaysia is upgraded to a high-income economy?

I've already explained part of this earlier. Certainly, significant investments, especially FDI, take time to materialise and then create job opportunities. What's crucial is the preparation in terms of skills to meet the demands of these companies.

Indeed, one of the main reasons investors choose to invest in Malaysia or any country is the availability of skilled labour. Without skilled labour, companies won't expand their businesses in Malaysia.

The concerning issue is the number of young Malays who do not pursue further education or skills training after leaving

school. Involvement in the gig economy or social media does not provide a sustainable career or entrepreneurship. The digital phenomenon, including artificial intelligence (AI), will reshape jobs significantly – eliminating various types of jobs. What's clear is that those lacking specialised skills or advanced education will suffer the consequences.

This is why Ekonomi Madani emphasises the societal aspect of economic outcomes. The population needs to have a mindset of continuous improvement and lifelong learning.

Prime Minister Datuk Seri Anwar Ibrahim has mentioned developing micro, small and medium enterprises (MSMEs). How can the government and Ekonomi Madani make MSMEs regional champions?

The Prime Minister emphasised this extensively – internationalising MSMEs. The focus is on transforming all types of businesses or entrepreneurship into competitive players in the international market.

The emphasis on internationalising MSMEs is not about creating "regional champions" based solely on size. Ekonomi Madani's hope is that innovation in product development will be led by small firms, not large ones. Thus, size is not the measurement; the ability to compete in



international markets is.

The government has signed numerous free trade agreements (FTAs) with various countries. Access to diverse markets exists, but it's not seen as something that can benefit MSMEs. This needs to change. Simultaneously, closer bilateral economic cooperation with neighbouring countries is necessary, going beyond Asean-level cooperation.

The Minister of Economy announced the establishment of economic cooperation zones with Singapore, for instance. Economic zones where goods and labour can move freely between neighbouring countries will open up these bilateral markets.

Ekonomi Madani emphasises increasing worker wages to contribute more to Malaysia's GDP. In simpler terms, the government wants worker wages to rise more significantly. What is the government's plan to achieve this goal?

Ekonomi Madani targets increasing wages and income. Apart from legislative measures like minimum wage rates, most of the effort must be productivity and company competitiveness-based.

This requires changes in what companies do. If the current focus remains on activities like agriculture with seven million hectares of land, wages won't

change. They can at most adjust to minimum wage levels.

If there's innovation, new technology that requires fewer workers to yield results, then wages will rise. If it's just about selling goods or services in the local market, wages won't increase significantly.

If competitiveness is aimed at penetrating higher-paying foreign markets, wages will increase. That's why Ekonomi Madani emphasises internationalising MSMEs as the main agenda for economic transformation. Malaysian companies solely focused on the domestic market can only afford limited wages.

**Ekonomi Madani is not the first economic concept in Malaysia aimed at increasing female labour force participation. What are the main reasons behind the current low rate of female participation, and how will Ekonomi Madani approach this differently from previous economic frameworks to increase female participation rates?**

I've addressed the issue of previous economic frameworks. As for female participation rates, they are not declining but remain low and stagnant. Despite higher female enrolment in schools and better performance in tertiary education compared to males, female labour force participation is low. Moreover, it drops further after childbirth and does not recover.

This means Malaysia isn't utilising its human capital to the fullest. This is connected to societal attitudes and norms. However, the main reason is women's roles as mothers and the market perception of women raising children is not considered economically valuable.

Support for working mothers is minimal in the workplace. Employers discriminate against women who give birth and then raise their children.

Hence, Ekonomi Madani proposes increasing female labour force participation through legislation and incentives for employers. If childbirth and child-rearing are economically valuable activities, laws and policies should not discriminate against working mothers. Moreover, working mothers should be supported to continue working through workplace childcare facilities.

**Can people place their hopes in Ekonomi Madani becoming a reality? What are the main risks that could hinder the Ekonomi Madani framework?**

Reforming institutions and the economy is not easy. It will be opposed by those with vested interests in maintaining the status quo. It will also be resisted by those who oppose for the sake of opposing without offering better alternatives.

Every policy decision comes with a cost – some gain, some loss. There's no policy decision without its benefits and costs.

Understanding this and the ability to evaluate facts and data are necessary to navigate this reform process. Without this, critics who promise only positive outcomes might succeed in derailing these efforts.



The government needs to manage the economy to generate meaningful growth – creating jobs to ensure at least some employment and wages.