

Digital Silk Road: Potential Benefits for Malaysia's Digital Economy

With Covid-19 hitting Malaysia and the world in 2020, various companies were forced to digitise their businesses to stay afloat. While we see that many businesses were not able to sustain themselves through this pandemic, we also see the rapid development of the digital economy, especially through how companies are improvising and changing their business model for business continuity.

According to the United Nations Conference on Trade and Development (UNCTAD) Digital Economy Report 2019, the digital economy can be broken down into three main components: (i) core aspects which comprise fundamental innovations and enabling infrastructures; (ii) a narrow scope of the digital economy, which consists of digital and information technology sectors that produce key products or services relying on core digital technologies; and (iii) a broad scope of the digitalised economy where digital products and services are most used. Through this broad scope of the digitalised economy, we see the emergence of e-business, e-commerce, Industry 4.0, sharing economy and the gig economy.

Malaysia's digital journey started in 1996 through the introduction of the Multimedia Super Corridor (MSC), which was established to accelerate growth of the nation's digital economy. In January 2022, Communications and Multimedia Minister Tan Sri Annuar Musa announced that MSC Malaysia will be enhanced and renamed as Malaysia Digital. This is in line with the need to evolve following the rapid shift and advancements in digital technology.

The government, through Malaysia Digital Economy Corporation (MDEC), will continue to chart the path of Malaysia's digital economy by ensuring that Malaysia makes the Digital Leap into the Fourth Industrial Revolution to establish Malaysia as the Heart of Digital Asean.

Over the past few years, we have seen a rapid development of the digital economy in Malaysia. As reported by the **Department of Statistics Malaysia**, the digital economy contributed 22.6% to the national economy in 2020, an increase of 3.4% from 2019. Of this, 14.2% came from gross value-added information and communication technology (ICT), whereas 8.4% was from e-commerce of other industries. This shows the growth potential of Malaysia's digital economy.

The importance of Malaysia's digital economy is evident through various government plans and policies including the 12th Malaysian Plan, the Malaysia Digital Economy Blueprint and the National Fourth Industrial Revolution (4IR) Policy. In the Malaysia Digital Economy Blueprint, the digital economy is expected to bring opportunities for the society, businesses and government. Greater job opportunities for gig and skilled digital workers are expected to impact society. Through the development of the digital economy, businesses will have new and innovative business models coupled with new products and services. Through e-commerce, the market reach for businesses will no longer be limited to the local market but will be further expanded to the international market. Lastly, through automation there is an opportunity for the government to improve public service delivery by increasing its efficiency.

The development of Malaysia's digital economy can be fuelled through China's Belt and Road Initiative (BRI), which was launched by the Chinese government in 2013. It aims to promote global infrastructure development and cooperation. Malaysia was one of the first countries to take part in it.

According to the UNCTAD Digital Economy Report 2021, China and the United States are the frontrunners of the digital economy accounting for about 90% of the market capitalisation of the world's largest digital platforms. Apart from that, 94% of all funding for artificial intelligence (AI) start-ups are from China and the United States, and they too have the highest 5G absorption in the world. Furthermore, these two countries have 50% of the world's hyperscale data centres.

BRI is guided by several principles, innovation being one of them. In China's President Xi Jinping's address at the 2017 Belt and Road Forum for International Cooperation, it was mentioned that efforts to innovate should focus on "innovation-driven development and intensify cooperation in frontier areas such as digital economy, artificial intelligence, nanotechnology and quantum computing, and advance the development of big data, cloud computing and smart cities so as to turn them into a digital silk road of the 21st century".

Through close diplomatic and trade relations between Malaysia and China, it is believed that

BRI can accelerate Malaysia's journey in developing the digital economy. At the 130th China Import and Export Fair (Canton Fair) in 2021, Prime Minister Datuk Seri Ismail Sabri Yaakob said that the digital economy, the Fourth Industrial Revolution (4IR) and the adoption of sustainable development are "domains with untapped economic potentials" in bilateral trade between Malaysia and China. This indicates that there are many opportunities for Malaysia and China to forge collaborations to drive the digital economy.

In the First China-Malaysia High Level Committee Meeting in December 2021, it was mentioned that Malaysia looks forward to participating in the Global Development Initiative. Both countries will focus on promoting cooperation in areas of digital economy and green development, and together seize opportunities for development in the post-pandemic era.

Through this, we hope to see greater progress in the digital economy and green development. In Malaysia's pursuit of high-income country status, the digital economy presents tremendous new opportunities for Malaysia. The close collaboration between Malaysia and China in various areas including industrial parks, infrastructure construction, equipment manufacturing, ICT and digital economy will also pave the way for promoting economic recovery and long-term prosperity.

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