

## **My Say: Towards a regional investment hub amid Malaysia's digital transformation**

While the Covid-19 pandemic in 2020 is said to have dealt a knockout blow to the global economy unseen since the Great Depression, its repercussions continue to linger on as we move towards the close of the first half of 2021. And no sooner had we thought that the worst of the pandemic was over, than we were pounded with a third wave, where the numbers were staggering indeed with infectivity rates going through the roof and a consequent record number of new cases and increasing number of deaths by the day.

Under these circumstances, the government was presented with the same predicament that confronted it back in March 2020: striking that balance between protecting lives and protecting livelihoods. It is said that in hard times, hard choices have to be made as “close scrutiny will show that most crisis situations are opportunities to either advance, or stay where you are”.

In a world where the only constant is change, staying where you are would mean falling behind. Hence, the government made the hard choice of imposing a full lockdown effective June 1, which has since been extended to June 28.

Nevertheless, in order to advance in our efforts to ensure the sustainability of the micro, small and medium enterprises (MSMEs) as well as the informal sectors that constitute the backbone of the nation's economy, it was vital that steps be taken to mitigate against disruption to the supply chain for essential products and services.

Indeed, decisions cannot be made on a whim but based on science and data, as well as comprehensive feedback and engagement with the relevant stakeholders, prioritising the welfare of the public at large, while ensuring that the imperatives dictated by the overarching need to fight the pandemic continue to prevail. The health of the rakyat is always paramount.

No doubt, given the pervasiveness of the pandemic, sustainable recovery remains largely dependent on how effectively the mass vaccination rollout is implemented. This in turn would significantly impact long-term economic recovery. Nonetheless, for Malaysia's economy, the numbers reported for the first quarter of 2021 are indeed encouraging and provide at least a modicum of solace, hope and optimism.

Thanks largely to spikes in manufacturing and export services. Malaysia's trade performance maintained its strong growth momentum in April 2021 — outperforming March with another record high for trade, exports and imports monthly value. Trade grew by 43.2% to RM190.76 billion compared with April 2020. Exports maintained above RM100 billion for two consecutive months, reaching RM105.62 billion and surging 63%.

This was the fastest growth since February 1998 and the eighth consecutive month of year-on-year (y-o-y) expansion since September 2020.

Imports increased by 24.4% to RM85.14 billion and the trade surplus surged by 663.5% to RM20.48 billion. Trade, exports and imports recorded double-digit growth for three consecutive months. Notably, the expansion in exports was sustained by higher global demand primarily for electrical and electronic products, mainly semiconductors in tandem with increasing digitalisation and 5G technology development, rubber products as well as petroleum products. Exports to all major markets namely Asean, China, the US, the EU and Japan registered positive growth.

Malaysia's leading economic index jumped significantly to 17.3% y-o-y in March, markedly surpassing the 8% registered for January and February and signifying a massive recovery from the March and April 2020 numbers of -3.8% and -6%. Yes, indeed those dismal numbers were the direct consequence of the complete lockdown of MCO 1.0, when all economic sectors were shut.

As reported by the Department of Statistics Malaysia (DOSM), other factors contributing to the stellar performance in the leading index included the growth in the number of housing units approved, the overall impressive performance of the Bursa index, real imports and the number of companies registered.

What do these numbers tell us? While it may be premature to jump to a conclusion, it may not be unreasonable to say that in this resurgence, we sense the working of a Schumpeterian creative destruction, which tells us the world will emerge from the pandemic even stronger and more vibrant on trade and investments.

Nonetheless, creative destruction has its limits. Just as we have been witnessing economic resurgence after the great disruptions in supply chains and business operations, with a full lockdown back in force, we need to be on guard against its recurrence lest we go back to square one. Here again, the ultimate question still hinges on the state of the pandemic and how we are dealing with it.

In this regard, it is a matter of no small significance that the Ministry of International Trade and Industry (Miti) just launched the Public-Private Partnership Covid-19 Industry Immunisation Programme (Pikas) for industry on June 16. This will positively work towards expediting the National Immunisation Programme, where Miti will coordinate the vaccination programme for the manufacturing and services sector.

And just a day before that, Prime Minister Tan Sri Muhyiddin Yassin unveiled Malaysia's exit strategy for the pandemic as outlined in the National Recovery Plan. Undoubtedly, no one is suggesting it will be plain sailing. But with the support of all parties, emboldened by a firm resolve to overcome the challenges, I believe we will emerge triumphant.

Clichéd as it may sound, crisis can always be transformed into opportunity but mere contemplation won't do. Hence, for economic recovery to be sustainable, a comprehensive approach to reinvigorate the investment ecosystem and respond effectively to emerging challenges is mandatory, given Malaysia's position as an active trading nation that adopts a market-oriented foreign trade policy. This entails a whole-of-nation approach across a wide spectrum of initiatives, the most recent being the National Investment Aspirations (NIA), which is the nation's new investment policy to attract quality and technological investments.

The NIA will navigate Malaysia towards being a regional investment hub with a view to increasing economic complexity, creating high-value jobs, extending domestic linkages, developing new and existing clusters, and improving inclusivity. New investment strategies will provide the impetus to pursue high-technology and sustainable investments as well as to intensify innovation, striking a balance between economic and environmental sustainability while reducing our dependence on foreign labour, in line with global benchmarks in environmental, social and governance (ESG) practices.

Naturally, this strategic growth framework will further drive our efforts in making Malaysia the preferred investment destination in the region. The NIA will be central to revitalising Malaysia's investment climate, attracting further high-quality investments into the country with efforts focused on investing in human capital, creating high-skilled and high-paying jobs. Thriving under a digital economy, the NIA will foster innovation and sophistication through big data analysis, and improve income prospects by targeted data valuation. Miti will assume a leadership role in driving these efforts as well as in the review of the policies of the nation's investment strategies, as mandated by the NIA.

In terms of competitiveness as a strategic investment destination, Malaysia was ranked No 2 in terms of ease of doing business in Asean (No 12 globally) and for protecting investors, according to the World Bank Doing Business Report 2020, and No 5 among emerging economies as a key destination for investment and business, on the back of a potential rapid economic recovery and stable fiscal and financial position. Any suggestion of a mass exodus of multinational corporations (MNCs) out of Malaysia is totally unfounded. The fact is MNCs are using the country as a hub for treasury management services as well as the myriad activities in related services.

As for Malaysia's trajectory for a digital economy, major steps towards digital transformation were made with the launch of the National Digital Network (Jendela), which lays out the digital infrastructure plan to enhance digital connectivity and the transition of 5G capabilities. This will have a far-reaching impact on how Malaysians will live, work and play.

Flowing from this, the government further launched MyDIGITAL, which represents a systematic policy for businesses and the rakyat to benefit from a holistic and integrated digital ecosystem. This further solidifies the country's commitment to transforming the nation into a digitally driven, high-income nation and make its mark as a regional leader in the digital economy.

In this regard, it is indeed significant that Microsoft has taken the forward-looking and strategic decision to invest US\$1 billion in Malaysia's digital ecosystem, which will see the establishment of its first data centre region. This is expected to generate about US\$4.6 billion in new revenue over the next four years in partnership with Malaysia under the "Bersama Malaysia" initiative. As stated by Microsoft, "this marks a significant commitment to empowering Malaysia's inclusive digital economy and advancing the nation's digital transformation across the private and public sectors".

The data centre region will help create 19,000 new job opportunities, including 4,000 IT-related jobs, thereby enabling economic redistribution and levelling the playing field. The partnership — which includes value-added public-private partnerships that Microsoft will form with its partners such as the Malaysian Administrative Modernisation and Management Planning Unit (Mampu), the Human Resources Development Fund (HRDF), Petroliaam Nasional Bhd (Petronas), Celcom and Grab Malaysia — will commit to skilling one million Malaysians by December 2023. The initiative underscores the importance of data as one of the most fundamental drivers of value creation and helps continue the progressive development of a reliable and more equitable digital economy environment in Malaysia.

Malaysia's advancement towards a digital economy will also have a significant impact on the development of SMEs, with Miti leading strategies to boost their economic competitiveness. We empower them to use e-commerce and digitalise their operations and add value to their skills by being creators of their own business model — equipped with the skill set and talent in using technologies.

As we rush headlong into the challenges of the pandemic, everyone must come aboard to join the fight so that as a nation, we can marshal our resources and thereby emerge victorious in saving lives and protecting livelihoods.

<https://www.theedgemarkets.com/article/my-say-towards-regional-investment-hub-amid-malaysias-digital-transformation>