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**KEYNOTE ADDRESS BY
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MINISTER OF ECONOMY**

AFFIN CONFERENCE SERIES 2023

Malaysia 2023: A New Investment Chapter

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Central message:

- **Restructuring the economy requires us to make key bets as to which strategic areas that will yield the highest compounding returns to the economy in the long-run.**
- **Malaysia stands a good chance of taking a leading role in the renewable energy sector in the region.**
- **Renewable energy intersects with innovation and related technology, while creating a need to prepare tech talents on a large scale to drive the economy.**

SALUTATIONS

- **Yang Berhormat Tuan Zairil Khir Johari, *State Executive Councillor for Infrastructure and Transport in the Penang State Government;***
- **Yang Berhormat Tuan Lee Ting Han, *Johor State Exco for Investment, Trade and Consumer Affairs;***
- **Yang Berbahagia Dato' Agil Natt, *Chairman of Affin Bank Berhad;***
- **Yang Berbahagia Datuk Wan Razly Abdullah, *President & Group Chief Executive Officer, Affin Bank Berhad;***
- Board members and senior management of the Affin Group;
- Distinguished Speakers for today's Conference;
- Delegates from various bodies, institutions, corporations and media houses;
- Ladies and gentlemen

I just came back from Qatar to attend the Qatar Economic Forum last week. Amidst global headwinds, there was an air of uncertainty that filled the halls. This is expected as we see a global growth slowdown, volatility in the US banking sectors, rapid hikes of interest rates, food and energy prices that reached historical highs. The conversations were on how we could, as countries, navigate this increasingly challenging outlook, on top of geopolitical tensions and a threat of de-globalisation.

2. But when the conversations shifted to Malaysia, there was a palpable sense of optimism and opportunity. A higher-than-expected post-Covid recovery and strong economic fundamentals helped Malaysia deliver respectable growth rates for 2022. A new government with the stablest majority in a generation assured investors of policy consistency and political certainty. An economy

that will shift to strategic sectors and focus on structural reforms is what gets investors excited about Malaysia.

3. Restructuring the economy requires us to make bets on where we think the biggest growth opportunities are and what pathways we ought to design to get there.

4. In this scope, the Ministry of Economy's biggest bets are on the **digital and green economy** — which intersect in many areas — and to **scale up tech talents in a targeted way** so that we build the necessary capabilities.

5. In today's speech, I will emphasise the green economy piece.

6. In an interview with Bloomberg at the Qatar Economic Forum, **I talked about how Malaysia stands a good chance of playing a leading role in the renewable energy space in Southeast Asia.** While it has sometimes been assumed that Malaysia is always in the game of catching up, we could lead the way in this strategic area, if we pick our bets early, and follow through with funding, collaboration, and a robust policy and regulatory framework.

7. In a few months, Malaysia will **create a regional cross-border electricity exchange system that would allow a rapid scale-up of the renewable energy capacity**, by relying on the regions' competitive advantage.

8. We are anticipating that the green economy will massively expand and be the driving force towards the growth of Southeast Asia. This administration had taken the bold step of stretching our climate ambitions and opening up the energy industry in a meaningful way.

9. To spur the renewable energy industry to meet the calling of our generation, Malaysia has **increased our renewable energy capacity targets from 45% to 70% by 2050.** At the same time, we have also lifted our export ban on renewables. By the end of June 2023, our country will also roll out an **Energy Transition Roadmap** that puts our net zero ambition into action by identifying key impact initiatives and implementation plans for the next 2 decades.

10. This is an important step in putting our money in strategic growth areas; not merely paying environmental sustainability lip service, and no longer seeing economic growth and carbon emissions as incompatible goals. While some may still debate the financial returns of certain renewable projects, we

are willing to put in money there, and open up the field to as many interested investors as possible to come along.

11. We estimate that this ambition would require an investment of RM637 billion (or US\$150 billion), an amount that would substantially reshape the landscape and conversation about renewables in the region.

12. Another reason why this bet in the green economy makes sense is because it will **compound innovation and related technology**. Aligning our sectors to net-zero energy pathways **requires us to put innovation at the centre, especially in the end-use sector**.

13. For example, wide-scale adoption of electric mobility requires investment into electric charging infrastructure. In the industry, greater electrification is needed, and also shifting energy demand to cleaner energy carriers like green hydrogen and biomass based residues and waste. Technology used would need to be changed in the industry and the upstream fuel supply chain.

14. The true test of innovation is not whether a new technology could be created, but whether it could be produced at a low-enough cost for widespread adoption. That requires a keen understanding of manufacturing processes, supply chains, pricing, and end-user behaviour.

15. To ensure that we get there as we had planned, the biggest decider is capability — whether we have the right people for the right job.

16. Malaysia's talent policy has been very supply-driven in the past — we were focused on how many new workers we introduce to the market, without sufficient closeness to what the industry wants. **As industry evolves more rapidly and skills replenish at shorter cycles, the need to listen and align to what the industry demands, and have sufficient outlets for upskilling and reskilling that are affordable and practical.**

17. Most of the Malaysian workforce today are at the mid-skilled level, and only 30% of our workforce is considered high-skilled. To put this into context, OECD countries typically have an average of 40% as high-skilled. According to the World Bank, Malaysia would need to create another 2 million high-skilled jobs to reach the same level as the OECD countries. This is a massive, but essential, task.

18. This problem, however, is not unique to Malaysia as the turnover of skills accelerate, and lifelong acquisition of future skills become an ongoing endeavour.

19. As a country, we will take this evolution in our stride, and we are ready to apply the core insight to tech skills programs: **Scale is essential to make any meaningful difference to the talent shortage**. We have started debottlenecking the training processes and intend to train tens of thousands of high-skilled individuals every year to take advantage of the investments from the tech players in the world. That entails working closely with the industry to build up a talent pipeline that will be absorbed into well-paying, high-quality jobs.

20. We are doing this on two levels, in manufacturing and services. At the manufacturing level, the Academy in Industry will bring secondary-school graduates through programs that emphasise on on-the-job (OTJ) training instead of traditional classroom instruction. On the services level, we are putting together a large-scale, continuous training for young Malaysians through rigorous bootcamps and digital training providers. This is the only way to move the conversation from talent shortages in skills and productivity, to building a hub of tech talents for the region and beyond.

21. Reinvigorating the talent portion will also solve other structural issues relating to wages, inclusion, and wellbeing as more Malaysians are able to unlock opportunities previously unavailable to them. That is what we mean by restructuring the economy — and that is why it requires us to put scale to our ambition.

22. In a time of global economic and geopolitical uncertainty, Malaysia will maintain our position of being an open trading nation (Malaysia is more open than 90% of the countries) that will prioritise mutual benefits and long-term value to the people we serve. We will also use this period to take on structural reforms so that when the economy bounces back, we could fully take advantage of it.

23. I could foresee a future where Malaysia grows our economy by taking a leading role in renewable energy within an innovative ecosystem that is filled with tech talents and startups ready to collaborate with others to solve the world's challenging problems.

24. The past few months of going through the details of our ministries and programs, meeting stakeholders of different sizes and sectors, and garnering interest abroad — have all validated to me that the ambition here is not at all unrealistic. We need to stay longer at the problem, and work through the implementation intricacies, while maintaining an agile mindset of iteration, and success won't be far away as we march into being a high-income nation.

Thank you for having me at your conference today. I wish you a pleasant discussion. My door is always open.

RAFIZI RAMLI
Minister of Economy
30 May 2023