

**LSE Saw Swee Hock Southeast Asia (SEAC)-  
Khazanah Research Institute (KRI) Forum 2023:**

# Malaysia Futures

## FORUM HIGHLIGHTS



On May 31 and June 1, 2023, the **LSE SEAC-KRI Forum 2023: Malaysia Futures** brought together over 300 leading scholars, policymakers, think tanks, thought leaders and young researchers—both in-person and virtually—to engage in riveting discourse on the possible ways in which Malaysia ‘futures’ could be imagined. The Forum is a continuation of “Southeast Asia Futures”, an annual flagship event of the LSE SEAC, held on 9-12 May 2023 in London.



Tan Sri Nor Mohamed Yakcop,  
Chairman of KRI delivering his opening  
speech at the Forum.

In the opening speech, Tan Sri Nor highlighted the forum’s focus on Malaysia ‘futures’ across the 5 domains: Social, Economic, Urban, Institutional and Digital. He described the forum as timely in light of the growing need to re-evaluate strategies to optimise opportunities in the face of new and unprecedented challenges.

Malaysia’s remarkable development journey, from a colonial economy to a diversified one, was acknowledged, along with achievements in poverty reduction and the growth of the middle class. Tan Sri Nor emphasised the importance of inclusive digital systems and good governance of data for a future where everyone can thrive. He highlighted the need for people-oriented design and stress-testing in digital transformation, ensuring a truly inclusive digital future.

# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

Day 1

### Special Address: Recent World Trends and Threats to Malaysian Prospects

Prof. Dr Jomo Kwame Sundaram, KRI, Malaysia

Prof. Jomo's speech focused on the fact that we are living in dangerous times and highlighted the importance of thinking about the changes faced by the world today.

One of the threats currently facing Malaysia stems from its transition from being part of the Trans-Pacific Partnership (TPP) trade agreement to participation in the Indo-Pacific Economic Framework (IPEF) initiative, resulting in a lack of market access for the country. Additionally, Malaysia is threatened by a very biased system, vulnerable to being jammed up. The "one-size-fits-all" rules imposed by the World Trade Organisation (WTO) are not necessarily sensitive to the needs of the country. Malaysia, alongside other developing countries, is powerless when it comes to dispute settlements and in times of public health crises. The latter was depicted through the lack of an appropriate response to address inequity in vaccine distribution.



**"We are living in a time of a new Cold War... [W]e have the real threat of war because war is no longer due to the inability to resolve matters, but it is being deliberately provoked time and time again"**

Prof. Dr Jomo Kwame Sundaram



Prof. Jomo also mentioned that sanctions are now completely legitimised, in the modern form of Cold War. This act of laying siege to a particular place of the economy has allowed certain powers to disrupt supply chains and undermine the evolving world economy. Concerted increases in interest rates worldwide in response to the USA Federal Reserve's actions to keep inflation below 2%, a seemingly arbitrary target, have negatively impacted Malaysia and need re-examination. Stagnation, not stagflation, is a greater challenge in the country's post-pandemic economic recovery.

Malaysia should move to create a zone of peace, freedom and neutrality for itself. Prof. Jomo warned that to avoid being dragged into other people's conflicts, we cannot merely commit to neutrality, but specifically, pacifist neutrality.

# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Session 1: Economic Futures

Dr Guanie Lim, *National Graduate Institute for Policy Studies (GRIPS), Japan*

Prof. Dr Pavida Pananond, *Thammasat University, Thailand*

Prof. Dr Tham Siew Yean, *Universiti Kebangsaan Malaysia (UKM), Malaysia; ISEAS – Yusof Ishak Institute (ISEAS), Singapore*

Prof. Tan Sri Dato' Seri Dr Noor Azlan Ghazali, *UKM, Malaysia*

**Moderator:** Nithiyananthan Muthusamy, *KRI, Malaysia*

Malaysia, alongside many of its ASEAN neighbours, is increasingly affected by the ongoing geopolitical tensions between US and China. The ASEAN region is beginning to rethink their position within existing Global Value Chains (GVCs) amidst rising protectionism and reshoring activities of developed economies.

Prof. Pavida noted the multidimensionality of GVCs involving various strategies at the country-, industry- and firm-level. GVC resilience is not limited to the role of multinational corporation (MNC) lead firms but must also include supplier firms in emerging markets. Supplier firms do not have the same ability to relocate to other markets.

Prof. Tham outlined the ongoing trends of Malaysian economy in relation to the wider shifts in GVCs. She argued the need for strategic focus on policy making to actively direct industrial development in light of geopolitical influences over GVCs, and seize opportunities to innovate while tapping into comparative advantages of domestically available resources.



**“We are no longer  
Factory Asia but also  
Factory and Market  
Asia”**

- Prof. Dr Pavida Pananond



Dr Lim gave an overview of near-term China-Malaysia investment trajectories. Although there is pathway-shaping potential in large-scale projects, i.e., real estate, logistics, e-commerce, and railway development, he argued that the size of the project itself could distort incentive structures, which may not be of benefit to Malaysia. In terms of government strategies, a whole-of-nation approach instead of one-off, siloed policies is more beneficial.

Tan Sri Azlan discussed Malaysia's position in GVC in relation to economics and in terms of economic complexity. He emphasised the need for countries to develop capabilities via improving the connectivity of products, thus increasing economic complexity. He argued for the localisation of growth process, focusing on micro-elements of competitiveness, and strengthening cluster-wide development.



# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Session 2: Urban Futures

Dr Koh Sin Yee, *Institute of Asian Studies (IAS), Brunei; LSE SEAC, UK*

Yin Shao Loong, *KRI, Malaysia*

Prof. Dr Tim Bunnell, *National University of Singapore (NUS), Singapore*

Dr Kristian Saguin, *University of the Philippines (UP), Philippines*

**Moderator:** Prof. Dr Hyun Bang Shin, *LSE SEAC, UK*



**“Some people already have a right to the city, based on what they purchase, whereas many others do not have the same fortunes”**

Prof. Dr Hyun Bang Shin urged the panellists to ponder how inclusivity and sustainability are defined within the context of city-making.

The diverse nature of cities, the multiplicitous challenges that they face, and the need for policy interventions to reflect these complexities were the underlying thread that linked the discussion on inclusive and sustainable approaches to city making during the Urban Futures session.

Dr Koh stressed that given the diversity within each urban society, “there are necessarily multiple urban futures and that these imagined futures are not static”. She emphasized that when looking at how governments design urban policy, we must consider which groups are excluded from the stated policy goals and why.

Prof. Bunnell expounded on the role of language and words as a tool for mobilization in setting the urban agenda, both at the grassroots and state level. For Malaysia, he reflected on the past ‘Wawasan 2020’ as a unifying policy instrument for national development and argued that “it is helpful to have a common language” in defining the way forward for a country.

Shao Loong stressed the need to anchor climate adaptation as a headline policy agenda for Malaysia and to establish effective institutions and mechanisms for policy making that considers the local context. He argued that without a consultative and collaborative approach to climate mitigation, policies undertaken will result in maladaptation.

Dr Saguin underlined the importance of looking at the local context, particularly in considering how urban spaces emerge and are connected to each other. He further highlighted the need to implement a more flexible approach to city making, which can account for the diversity and vitality of current approaches to urban sustainability.



# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Session 3: Institutional Futures

Prof. Dr Chua Beng Huat, *NUS, Singapore; LSE SEAC, UK*

Prof. Dr Yeah Kim Leng, *Sunway University, Malaysia*

Dr Kim Dong Soo, *Korea Institute for Industrial Economic and Trade (KIET), Korea*

Dr Sarena Che Omar, *KRI, Malaysia*

**Moderator:** Yin Shao Loong, *KRI, Malaysia*

The Institutional Futures session revolved around two central questions: When should the government intervene or retreat from markets, and what constraints do governments face when doing so, and how can they overcome them?

Prof. Yeah began by painting the lessons learned from Malaysia's past with interventionist policy. He highlighted that while success stories exist, particularly within the financial sector, there has been more dismal performance in the manufacturing sector where certain industries remain sheltered. Prof. Yeah also encourages policy reforms and government recalibration that balances their respective strengths.

Dr Kim continued the session by sharing the development of the Korean Economy from the 1960s until the present. While the general economic rule of growing input leads to growing outputs holds, technological shifts and the role of leadership derive further economic value in Korea. Dr Kim also touched on an important question: "When should the government engage", which points back to the capacity and capabilities of each actor.



**"The need to build innovative institutions, and not extractive institutions"**

Prof. Dr Yeah Kim Leng



Meanwhile, Prof. Chua and Dr Sarena shared on two sectors that are highly intervened by the government. Using the Singaporean housing model as an example, Prof. Chua discussed how government intervention can produce beneficial outcomes not only for society but also for the government. Leveraging housing provision as a political good has rewarded the government by increasing its legitimacy. On the other hand, Dr Sarena shared that policy direction should adapt as the economy evolves such as how Malaysia's growing diversity in food consumption lessens the need for protectionist rice policies which have been maintained in the past 80 years.

# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Concluding Remarks (Day 1)

Sr Dr Suraya Ismail, KRI, Malaysia

Prof. Dr Hyun Bang Shin, LSE SEAC, UK

“Now is a great time to forge new relationships among Southeast Asian Nations and understand the strengths of each country as we can be stronger as a region.”

Sr Dr Suraya Ismail



In envisioning a Malaysian Future, Sr Dr Suraya highlighted several key considerations: our geopolitical standing within Southeast Asia; the balance between efficiency versus social welfare; and the role of alternative growth indicators (besides GDP) in promoting more participatory, inclusive governance.

Prof. Shin, on the other hand, emphasised the importance of interdisciplinary dialogue, particularly between economics and urban studies; of informing our national policies with localist perspectives; and of bringing these (inherently political) discussions to everyday citizens, beyond politicians and think tanks.



# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

Day 2

### Keynote Address: Big Power Politics Behind the “Come-Back” of Industrial Policy

Prof. Dr Robert Wade, LSE, UK

Prof. Wade kicked off the discourse on Day Two by discussing the geopolitical underpinnings which drive the Global North's current adoption of interventionist policies to protect domestic interests and ward off perceived foreign threats. He outlined the ideological shifts made by countries like the US and the EU, which have historically advocated for neoliberal approaches to development, in embracing more targeted industrial policies for their respective countries.

Prof. Wade started his keynote speech by arguing that despite a “spectacular failure” in improving income outcomes for developing countries, amidst all the talk about development, neoliberal approaches have been historically lauded while industrial policy shunned.



“What changed policy decisions now, what has produced these responses on a big scale, is the national security threat posed by China.”

Prof. Dr Robert Wade

The ideological consensus on limiting government intervention has now weakened. Instead, Prof. Wade posited that the current shift towards increasingly protectionist policies by the US, alongside the EU and Japan, has been driven by a perceived “national security threat by China”. More recently, a key policy goal for these countries is to “decouple” or “de-risk” from China i.e., to reduce their dependence on China and to prevent China's emergence as a regional ‘hegemon’. Prof. Wade cited key examples of domestic subsidies adopted by the US and regulatory hurdles imposed by the EU to slow China's progress on the global stage.

For developing countries, Prof. Wade argued that this ideological shift away from the free market and free trade ideals towards a more targeted industrial policy has made this development pathway more palatable to adopt. Prof. Wade ended his keynote by urging the audience to consider the ways in which industrial policy can be designed to improve income outcomes for the Global South.

# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Session 4: Digital Futures

Adilah Junid, *Microsoft, Malaysia*

Farlina Said, *Institute of Strategic & International Studies (ISIS), Malaysia*

Dr Orlando Woods, *Singapore Management University (SMU), Singapore*

Dr Jun-E Tan, *KRI, Malaysia*

Moderator: Dr Rachel Gong, *KRI, Malaysia*



The Digital Futures session explored current and emerging trends seen in Malaysia's digital transformation, and how the public, private and civil sectors can shape the direction of digital adoption to ensure all of society thrives.

Adilah stressed the importance of trust in digital technology and discussed ongoing trends in cybersecurity threats, with these compounding threats potentially engendering a lack of trust. She called for a whole-of-nation approach to addressing this and stressed the significance of cyber resilience.

Dr Jun-E pointed out that current efforts to regulate artificial intelligence (AI) are largely based on addressing individual harms, but this approach fails to address a range of other harms that affect society. She highlighted the potential of using a relational lens to understand the societal impacts brought about by technology.

**“As much as the digital future is imbued with potential and opportunities, so too it is imbued with threats, some of which we are unaware of, or which are unknowable, right now.”**

Dr Orlando Woods

Dr Orlando urged the audience to recognise that the digital approach is not necessarily an implicit good and to consider its more critical aspects, as well as the interoperability of the digital alongside sovereign, political, and economic futures. He used Singapore as a case study of key challenges faced by urban digital infrastructures, namely energy consumption and environmental harms, alongside maintaining data sovereignty in a hyperscale cloud computing environment.

Farlina emphasised the need to strive for a digital future where systems and transactions are anchored in security and trust. She warned of complex challenges in preparing for such a future and argued that while the ideal digital future is to have an open, relatively free and safe cyberspace environment, recent trends suggest that the situation is less fluid.





# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### In Conversation with Danny Quah.

### Growth and Welfare: Policy-Making in Emerging Economies

Prof. Dr Danny Quah, *NUS, Singapore; LSE SEAC, UK*

Moderator: Sr Dr Suraya Ismail, *KRI, Malaysia*

The conversation between Sr Dr Suraya and Prof. Quah centred around the question of what we (Malaysia and other third nations) really want from the international systems, as well as recognising our agency in charting this new relationship. While discussions surrounding geopolitics have become more consequential, Prof. Quah cautioned that these conversations have been missing the point—that beyond questioning the next move of the US or China, we should instead drill down on what is it that Malaysia and other third nations demand.

“The way the world is going, for all the scary things that are going on, we could potentially move to a much better place for us”

Li Ka Shing Prof. Dr Danny Quah



The current debate surrounding the future of geopolitics is also centred around a fallacy that international systems are only between the US and China ideologies, often not recognising the agency held by third nation countries, Prof. Quah argued. Instead, he proposed that the rest of the world—about 80% of humanity—exercise their agency, develop a third nation centrality and reject the philosophy of “the great powers do what they will, the rest of us suffer what we must”.

Prof. Quah concluded by stating that there will be challenges, and it may be expected that it would be a difficult task to get the third nation’s voice heard. However, to be able to be successful in shifting the world order is to be prepared to stand behind the narrative we are pushing, such as ASEAN centrality, to ensure that the great powers will act in a way that is beneficial to our people.

# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Session 5: Socio-Economic Futures

Hawati Abdul Hamid, *KRI, Malaysia*

Dr Ye Junjia, *Nanyang Technological University (NTU), Singapore*

Bryan Lim, *Khazanah Nasional Berhad (KNB), Malaysia*

Datuk Abdul Rasheed Ghaffour, *Bank Negara Malaysia (BNM), Malaysia*

**Moderator:** Sr Dr Suraya Ismail, *KRI, Malaysia*



Malaysia continues to face challenges in overcoming low wages, low productivity and heavy reliance on foreign workers. In the Socio-Economic Futures session, panellists delved into these issues and identified specific countermeasures to address them.

Hawati noted two major reasons for socio-economic dissatisfaction: job insecurity and the lack of job opportunities. Related to this is the problem of low wages. Datuk Abdul Rasheed attributed these labour issues to a number of structural issues including misaligned wages relative to productivity and low labour income share, low-cost production model, insufficient creation of high-skilled jobs and skills mismatches.

Some measures mentioned to tackle these issues include active labour market policies emphasising lifelong learning and reskilling. The government plays a crucial role in facilitating wage setting and fostering an environment conducive to wage bargaining. It is also essential to reduce reliance on low-skilled migrant workers and to provide clarity regarding the roles of migrant workers in fostering growth. Bryan Lim cited China as a success story in reducing reliance on migrant workers by creating a high-skilled labour force. These steps consequently improve wages and promote a more prosperous economy.

It is important to prioritise inclusivity and create favourable environments for vulnerable populations including migrant workers. Dr Ye emphasised the significance of recognising migrant enclaves as dynamic spaces that play a crucial role in fostering social networks and facilitating community building. This is particularly important as we navigate through an era of diverse and varied futures. By acknowledging and supporting these communities, we can promote a more inclusive society that values the contributions of all individuals, regardless of background and origin.

“Creating a future where we have peace, prosperity and harmony, and at the same time not leaving anyone behind”

Hawati Abdul Hamid



# LSE SEAC-KRI Forum 2023: Malaysia Futures

## FORUM HIGHLIGHTS

### Concluding Remarks (Day 2)

Sr Dr Suraya Ismail, *KRI, Malaysia*

Prof. Dr Hyun Bang Shin, *LSE SEAC, UK*

“What came up [from the various sessions] was the importance of framing problems and how to reframe the way these issues are discoursed and I think it’s really important and what best way to change the way the framing is being conducted than in a sitting together in the way that we have done in the last two days—where researchers, academics, and other expert professionals actually get a chance to sit together and have conversations about these issues together.”

Prof. Dr Hyun Bang Shin



In her concluding remarks, Sr Dr Suraya expressed her hopes that the Malaysia Futures Forum had deconstructed “false dichotomies”. She posited that macro and micro issues should be approached as one integrated whole; and that our Economic, Urban, Institutional, Digital and Socio-Economic Futures should be viewed not as separate entities but as mutually overlapping visions. But in acknowledging this need for complexity, she also stressed the importance of decisiveness: of proposing solutions that not only address current issues but also allow for adaptation to a dynamic future.

Prof. Shin ended the Forum by placing great emphasis on the value of diversity and inclusion. He asserted that people from diverse backgrounds produce equally diverse imaginations of the future; and that by fostering dialogue across this diversity, we learn how to better frame and approach issues from varying perspectives. However, because these different visions of the future are hierarchised according to who envisions them, these conversations come with an inherent power imbalance that we must strive to rectify.