



SPEECH

**TUAN YANG TERUTAMA TUN DATO' SERI UTAMA
AHMAD FUZI BIN HAJI ABDUL RAZAK,
YANG DI-PERTUA NEGERI PULAU PINANG**

**“THE CHALLENGES FACING ASIA IN THE POST PANDEMIC
NEW NORMAL – LEADERSHIP, GOVERNANCE AND SECURITY”**

ASIA ECONOMIC AND ENTREPRENEURSHIP SUMMIT (AEES) 2022

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Bismillahirrahmanirrahim

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Excellencies, distinguished speakers, ladies and gentlemen.

Assalamualaikum Warahmatullahi Wabarakatuh,
and a very good morning.

1. It gives me great pleasure to be here today for this Asia Economic and Entrepreneurship Summit 2022.
2. I would like to thank the main organiser, KSI Strategic Institute for Asia Pacific and the co-organisers, for inviting me to speak at this Summit.
3. The Summit's theme of "The Great Reset – Asia Megatrends and Opportunities Post-COVID" is most timely and important as we enter a post-pandemic era.

Ladies and gentlemen,

4. We are now at an important juncture, as we chart the path forward, where we need to reflect and ask some key questions :

- a. What are the megatrends affecting Asia?
- b. Specifically, how has the pandemic affected the economies in Asia?
- c. How different will life be for governments, businesses, and the people in the next five years as we transition into a post-pandemic era?
- d. To what extent can we go back to business as usual or pre-pandemic times?
- e. What are the opportunities for changes in these fluid times?
In other words, how will and should a reset look like?
- f. And for Malaysia in particular, do we have the right leadership to be future ready to meet the challenges ahead?

5. I will not pretend to have the answers to these difficult yet important questions. I believe this Summit will be a good platform for the panels to explore them in-depth and to provide ideas and recommendations for policymakers and businesses alike. We live in a multistakeholder world where no one organisation or entity, be it government or corporation, has all the answers or can solve the world's most pressing problems like climate change, economic inequality and social polarisation.

Ladies and gentlemen,

6. I have been asked to speak on “The Challenges Facing Asia in the Post Pandemic New Normal: Leadership, Governance and Security.”

7. In exploring the challenges faced in the region, I would like to share some thoughts on the megatrends in Asia.

FROM MAN TO MACHINE, BOOMER TO ZOOMER, WEST TO ASIA

8. Megatrends are transformative forces that have a deep and profound impact on everyone. Megatrends do not happen overnight but once set in motion, they will fundamentally reshape the way we live, work, learn and play. We can think of these megatrends as shifts. I believe there are three major shifts happening in Asia that will have a bearing on our economies and societies.

9. The first major shift is the rapid acceleration of technology in everyday use. In only the span of a few years, emerging ABDC technologies such as artificial intelligence, blockchain, data and cloud computing are no longer abstract concepts. Professor Klaus Schwab, Founder and Executive Chairman of the World Economic Forum (WEF), mentioned that these ABDC technologies will drive the convergence of the physical, digital, and biological worlds in his book on The Fourth Industrial Revolution published in 2016. 2016 was not a long time ago but we are already seeing the effects now.

10. The question on our mind is will machines take over our job? And to what extent it depends really on your job. Jobs that have more routine tasks such as assemblers, labourers in manufacturing and construction and plant operators have a higher risk of being automated. On the flipside, occupations that require more creativity such as corporate executives, health professionals and teachers are probably less likely to be replaced by machines. A 2020 World Economic Forum (WEF) report highlighted that the pandemic has accelerated automation by creating a “double-disruption” scenario for workers. Almost half of businesses surveyed by the WEF indicated they are likely to reduce their workforce by outsourcing and integrating technology.

11. However, it is not all doom and gloom. The continuous advent of new technology is not a new phenomena. As with the first three industrial revolutions, technology is likely to bring long-term benefits to our society and economy. Indeed, the steam engine, electricity and the internet created more jobs than it replaced in the long run. A 2018 PwC report estimated that automation from AI and robotics are likely to contribute up to USD \$15 trillion to the global GDP in 2030. That being said, we need to invest heavily in preparing our workforce today through the promotion of universal digital literacy.

12. The second major shift is the changing demographics that are leading changes in societal values and consumer behaviour. Our population is shifting from Baby Boomers to Millennials and Zoomers. Both Gens Y and Z are accelerating the digital way of life. These digital natives are more likely to shop online, stream content and use digital payment methods. Young people these days are more likely to support brands and organisations that are championing social and environmental causes. There is a generational shift from the Boomers to the Zoomers.

13. Let me give an example to illustrate this demographic shift. The media industry now is catering to the changing tastes of digital natives with groups such as BTS and 88rising having global reach. It was estimated the Korean group BTS contributed USD \$4.65 billion to South Korea's GDP in 2018. In 2017, 1 in 13 tourists in South Korea visited the country because of BTS. The "BTS Effect" has clearly created thousands of new jobs while strengthening the country's global soft power. The question for Malaysia is whether we have what it take to be creative enough to enable the country to enjoy similar benefits.

14. The third major shift is global economic and political power from the West to Asia. The US-led international order has experienced tremendous stress with various challenges from the conflicts in Iraq and Afghanistan coupled with the global financial crisis in the late 2000s. The decline or lack of Western global leadership was accompanied with the rise of China as the second largest economy and a strong proponent of multilateralism. Unlike the Cold War when the US and The Soviet Union competed for military power, this century will see America and China compete for technological supremacy especially in semiconductors, AI and building 5G connectivity. It is no exaggeration when author Parag Khanna argued in his 2019 book that “The Future Is Asian”.

15. There are many implications of the power shift from the US to China in the Asian region. Countries in ASEAN would often look to China for economic cooperation. Indeed China has been most proactive in developing its Dialogue Partnership with ASEAN. Evidently, China has spent over US\$200 billion on infrastructure development, benefitting mainly Asian countries from Pakistan to Malaysia. China has been ASEAN’s largest trading partner for more than 10 years. On the other hand, Asian countries look to the US on upholding a rules-based regional order, albeit not without cynicism.

America's policy of upholding 'Free and Open Indo-Pacific' ensures that all countries play by the same rules. The intensifying strategic rivalry between the US and China may push Asian countries to choose sides. However, ultimately, Asia needs both countries as they play differing but important roles in developing the region as the next engine of economic growth.

16. To sum up these three major megatrends or shifts: the advent of the Fourth Industrial Revolution will shift manual labour jobs to automations; demographic changes will shift from Baby Boomers to Millennials and Zoomers; and the centre of economic and political power will shift from the West to Asia.

LEADERSHIP IN THE MEETING CHALLENGES IN ASIA

Ladies and gentlemen,

17. When we think of the megatrends, we must be cognisant of an underrated but crucial concept: risk. Simply put, risk is the possibility of something bad happening. It involves uncertainty and it can come from anywhere and in any form.

Think about accidents, natural disasters, conflict, credit risk and legal liabilities. Leaders in their respective fields need to identify, assess, and manage risks. True leadership means the ability to take tough decisions to respond to the challenges and risks faced by turning them into opportunities.

18. Against the backdrop of the three major shifts in Asia, I wish to narrow down to the most urgent and pressing challenge: climate change. As we all know, man-made activities have been relentlessly pumping carbon dioxide into the atmosphere, trapping heat in it and making Earth warmer. World temperatures could rise between 0.3 and 4.8 degree Celsius, leading to sea level rise between 0.26 and 0.98 metres according to the UN's Intergovernmental Panel on Climate Change Report. The consequences will be catastrophic: emergence of new diseases, more extreme weather patterns, food shortages, forced migration and more conflicts. Even in where we are in Kuala Lumpur, many would have thought we were insulated from the worst effects of the climate crisis. That, of course, quickly changed when we were rudely awakened with the serious floods in December 2021.

19. Our hope lies in collective leadership. Leadership is needed now more than ever in these uncertain times. According to the United Nations, most countries have announced a peak carbon target by 2030 while 130 countries have pledged net-zero carbon emissions by 2050. Businesses, big and small, are moving beyond corporate social responsibility (CSR) to being compliant with Environmental, Social, and Governance (ESG) standards – either by choice or by regulation.

20. In Southeast Asia, greater awareness of climate change and sustainability has led to more emphasis on ESG. In November 2021, ASEAN released its Taxonomy for Sustainable Finance to provide a common language for member countries. In Asia, ESG represents many opportunities: green financing to enhance the ‘E’; alternative financing to complement the ‘S’; and better ‘G’ collaboration to facilitate sustainable recovery.

21. Another aspect to keep at the back of our minds is Black Swan events. Black Swan events by definition, are rare and extremely hard to predict. I am reminded by how the late US Secretary of Defense Donald Rumsfeld, approached this complex matter. In the context of strategic planning and risk management, he lays out three categories: ‘known knows,’ ‘known unknowns,’ and ‘unknown unknowns.’

Known knowns are things that we know and known unknowns are things that we don't know. What is interesting is unknown unknown: things that we don't know we don't know. That unknown unknown recently manifested in the COVID-19 pandemic, although many would argue that such pandemic has been predicted before in memories. But nobody could have predicted the scale of this once-in-a-century event. It has upended the way we live, work and play - for better or for worse.

22. Much has been written and spoken about the COVID-19 pandemic and its impact. I will not repeat the points, which I believe will be discussed at length during the panels. What is clear is that, the business-as-usual approach, is no longer sustainable. Governments and businesses alike must be ready to face another black swan event. We cannot afford to be caught off guard as we were in 2020. Even the ongoing conflict in Ukraine is a reminder of how fragile our global economy is and, by extension, the global value chains. It is no longer an exaggeration to say that when one country sneezes now, the world can catch a cold.

23. In this regard, the role of leadership becomes more important. Leaders, in both the public and private sector today, need to be visionary and strategic. They need to be able to comprehend and anticipate major shifts and global trends to better prepare their countries and companies in a volatile world. But in meeting the expected demands of the people, they also need to have high moral ethics and integrity and to give a high priority to complying to good governance. National reputational damage will be the end-result, with all their attendant consequences, if these are simply ignored.

24. It is undeniable that we are living in a relatively more peaceful of times in the context of our overall history. This point was made by Steven Pinker in his book 'The Better Angels of Our Nature 'whereby he argued that violence in the world has somewhat declined both in the short and long term. However, the risk of conflict is ever present in the 21st century. It also doesn't mean that there are no conflicts in this day and age. Indeed conflicts and tensions in the South China Sea, Myanmar, Afghanistan, Yemen and Iran provide stark reminders of how fragile peace is.

25. For Member States of ASEAN, it is crucial to maintain and preserve ASEAN's centrality in adherence to the ASEAN Charter, to avoid taking unilateral decision independent of ASEAN and at the expense of ASEAN unity and to reinvigorate their commitment to upholding the longstanding Zone of Peace, Freedom and Neutrality Declaration (ZOFPAN) in the region. And for the South China Sea in particular, an early conclusion of the long standing Code of Conduct between ASEAN and China would bring a greater measure of peace and stability to the region, long desired by the Parties concerned.

26. The role of global governance is important to facilitate cooperation and resolve long standing disputes. This entails creating, monitoring and enforcing rules and norms for all countries. The UN was established in the aftermath of World War II for this purpose and to maintain international peace and security. However, it need to be fully functional in bringing about a just and fair system for all member States. Every member is responsible to uphold the international order and promote multilateralism to ensure disputes and conflicts are resolved peacefully.

27. Within countries, good governance is also a prerequisite for success and to prevent countries from becoming failed states. Indeed good governance should be well instituted and practised to provide the necessary checks and balances whilst preserving the principle of accountability, trust and transparency within the country concerned. In this regard, Malaysia needs to be transformative by undertaking the necessary reforms so as to be successful in an ever competitive world.

PENANG'S SUCCESS STORY AS THE SILICON VALLEY OF THE EAST

Ladies and gentlemen,

28. I would be remiss if I did not say a few words about my home state, Penang. Penang plays an important role in Asia as an economic, cultural, and logistical hub. Even though we are a geographically tiny state with a small population of 1.8 million people, Penang clearly punches above our weight. Penang's economy accounts for 6.85% of Malaysia's GDP in 2020 which makes us the 6th biggest economic contributor.

Penang has been able to adapt to the changing times as its economy has transformed from an entrepôt in the 19th century into a manufacturing hub in the 21st century.

29. Penang has been dubbed as the 'Silicon Valley of the East' and for good reasons. The state boasts a strong and vibrant electrical and electronics (E&E) ecosystem. Interestingly, Penang's achievement in E&E can be traced back to the 1970s when companies from the original Silicon Valley such as Intel, AMD and Hewlett-Packard invested and operated in Bayan Lepas in Penang. These multinational corporations (MNCs) created many opportunities for foreign and local companies and transferred the spirit of innovation to the state. These eight major MNCs, dubbed as "The Eight Samurai", have not only stayed in Penang throughout the decades but expanded their operations. The establishment of Bayan Lepas Free Industrial Zone as the first free trade zone in Penang was a game changer for Penang as a regional E&E hub. I am proud to say that Penang commanded about 5% share of the global semiconductor exports in 2019.

30. Penang is now home to more than 350 MNCs and over 4,000 small and medium enterprises. In 2020, Penang contributed close to 30% of Malaysia's total trade which is second only to Selangor, a major state. Penang contributed close to 70% of Malaysia's exports of electronic integrated circuits and 44% of the nation's other E&E products. Despite the pandemic and the many lockdowns, Penang exports actually grew by 7% year-on-year. This is a testament to visionary leadership that accounted for the megatrends at the time and which took decisive actions accordingly.

31. In understanding the current shifts in Asia, particularly with the adoption of IR4.0 emerging technologies, Penang has repositioned itself as an Innovation Supercluster. There are only a handful of innovation superclusters around the world: Silicon Valley for technology, Boston for healthcare and London for fintech. Penang will be an innovation supercluster for manufacturing. As such, the State has been developing another industrial zone in Batu Kawan on the mainland. The Batu Kawan Industrial Park boasts 1,151 acres and houses over 160 companies, both MNCs and local companies alike. Many of these companies are the cutting edge of innovation and technological advances.

With an ecosystem comprising start-ups, corporations, investors, academic institutions and regulators, Penang as an innovation supercluster, is well set to be the next game-changer.

32. Penang today has some of Malaysia's most creative and innovative entrepreneurs. There are many major businesses that started off as start-ups in the state such as JobStreet, Piktochart and Exabytes. There isn't any data on this, but I am confident that Penang has among the highest start-up per capita in Malaysia. Penang is moving in the right direction with the state government providing seed funding and support for start-ups in various sectors such as Internet of Things, advanced manufacturing, education technology, clean tech and health tech. I dare say the next unicorn start-ups will come to Penang. The state has the right ingredients to create the next unicorn, be it the next Grab, Carsome or Lazada.

CAUTIOUS OPTIMISM OF THE POST-PANDEMIC ERA

Ladies and gentlemen,

33. We are now seeing the world rapidly reopening following two disruptive years brought about by the pandemic. We are expected to live with COVID-19 as an endemic. I am cautiously optimistic that the region will bounce back better and stronger. According to the OECD's economic outlook for Asia in 2022, Asian economies are expected to grow by 5.8%. There are some short-term risks; future waves of COVID-19, rising inflation, multiple disruptions affecting supply-chain, education, incomes and relationships, and political instability can derail economic recovery. While we live in a very resilient region that has proven itself able to meet difficult challenges we must be vigilant and we must adapt when necessary.

34. On that note of cautious optimism, I look forward to hearing the ideas and inputs from the panels. My appreciation again to the main organiser, KSI Strategic Institute for Asia Pacific and co-organisers, for inviting me to deliver the keynote address. I wish all participants a fruitful Summit.

Thank you .

Wabillahitaufig Walhidayah, Wassalamualaikum Warahmatullahi
Wabarakatuh.