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ZAFRUL**

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**MINISTER OF INVESTMENT, TRADE &
INDUSTRY, MALAYSIA**

Opening Keynote Address

**Panel session: The Role of Finance in Implementing
Structural Reforms**

13 JUNE 2024

Yang Berbahagia Datuk Abdul Rasheed Ghaffour

Governor, Bank Negara Malaysia

Senior Officials of BNM

Chairmen and CEOs

Distinguished guests

Ladies and Gentlemen,

Assalamualaikum, Salam Malaysia MADANI and a very good day to everyone.

1. Thank you for having me deliver this Keynote Address at this Symposium, which will discuss ways and means on how the financial sector can support the nation's structural reform agenda.
2. The world is changing at an unprecedented rate. Coming out of another historical economic crisis, the global economy is also being challenged by new megatrends, the most challenging of which are deglobalisation, an increasingly AI-driven future and climate risks.

3. This is, therefore, also a pivotal moment of transformation for Malaysia. Malaysia has a good track record of reinventing itself and implementing difficult structural reforms. Over the past few decades, for example, the Malaysian economy transformed from an agriculture- and commodities-based economy into one of the most vibrant manufacturing-based economies in Southeast Asia today.
4. Starting in 1986, the three previous Industrial Masterplans (IMP) we had brought together businesses, workers, investors and government in forging new industries such as E&E, automotive, aerospace, pharmaceuticals as well as medical devices.
5. Successes include more complex sectors, such as the semiconductor industry we see in Penang and Selangor today. These have also developed home-grown firms which are critical to the global supply chain. For example Carsem, Siltera, Vitrox, Inari, Oppstar and many others supplying to global MNCs.

6. Another example is where past reforms have resulted in downstreaming activities within the oil and gas sector, which have put Malaysia's name on the global map. Along with this, Malaysia also enjoyed an increase in household income and standard of living.
7. Unfortunately, premature deindustrialisation in the last decade or so has hampered our progress in economic complexity, where we lag behind advanced economies such as Japan, South Korea, Taiwan, and Singapore.
8. Malaysia's involvement in the manufacturing value chain is also currently concentrated in relatively lower-value segments. In sectors like E&E and semiconductors, for example, there is so much potential to elevate our industries higher in the global value chain.
9. Furthermore, our labour productivity growth has lagged countries like Singapore, Vietnam, Thailand, and the Philippines. Reliance on low-skilled foreign workers must be reversed by investing in technology and innovation.

10. The lesson here is that change, and reforms may be daunting, but we have done it before and can do it again. The key to our success has always been the private sector working together with the government, based on a whole-of-nation approach.
11. Hence, the introduction of the New Industrial Masterplan 2030 (NIMP 2030).
12. The NIMP 2030 has been designed to guide Malaysia's industries towards technological advancement, sustainability and greater integration into the global value chain. In achieving this, the Government has also recognised the importance of SMEs and the need to scale up to increase their contributions to the sector and the overall economy. Together these efforts will undoubtedly raise income levels, benefitting Malaysians across all income segments.
13. The investments in targeted sectors we have been bringing in are also meant to create more high-skilled, higher-paying jobs.

14. The structural changes envisaged by NIMP are both critical and necessary to ensure benefits from additional economic activities truly cascade down to the masses.
15. Unlike past IMP, Malaysia's approach this time is to be "mission based". This means placing every stakeholder's focus on four key missions, which are increasing economic complexity; teching up with best-in-class technologies; pushing for net zero and promoting economic security, resilience and inclusivity.
16. These transformations must cut across sectors, and every industry must contribute to push our economic reforms ahead. Funding-wise, the Government estimates a total of RM95 billion in investments are needed over the next 7 years, with an allocation of RM8.2 billion from the Government.
17. This means that the private sector must play an important role in driving the NIMP missions. While the figures may be daunting, I call upon the banking and financial sector to rise

to the challenge and take this opportunity to create impactful change.

18. I am confident that together, we can achieve these targets especially as innovative financing is able to drive new industries. This can be done by embedding new dimensions of how banks and the financial sector assess risks, particularly those related to new technology, climate and ESG-related considerations.
19. As a former Banker, I'm fully convinced that this will be a "win-win" for financial institutions. The NIMP presents new opportunities for banks and the capital market to innovate and offer the right financing products to finance new sectors and technologies.
20. We would like to invite the financial sector to take on a more active role in achieving the missions outlined by the NIMP 2030, and our most recent policy, the National Semiconductor Strategy launched by the Prime Minister in May 2024.

21. In the last year and a half, MITI's policies have been crafted to not only embrace those megatrends I mentioned earlier, but also be agile enough to take on fresh industrial, geopolitical or economic developments.
22. Both execution and agility are key to our successful manoeuvring of such challenges. The events of 2023 not only tested our resilience and vulnerabilities, but also highlighted the potential for public-private innovation and collaboration to reap opportunities afforded by those same megatrends.
23. While financial institutions are always looking at shorter-term gains, the whole sector must also take a more long-term perspective in funding these structural reform agendas.
24. The hallmark of successful reforms and true nation building is a win-win end-game for all stakeholders. Securing Malaysia's future sustainable growth is also securing future income streams of banks and financial institutions.

25. I would like to end with a quote by Idowu Koyenikan, an African author. "Your pride for your country should not come after your country becomes great. Your country becomes great because of your pride in it."
26. Thank you and I wish you a productive symposium ahead.