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The Edge Billion Ringgit Club 2023



Championing a mission-oriented approach to innovation

By [Tengku Datuk Seri Zafrul Abdul Aziz](#) / The Edge
Malaysia

13 Nov 2023, 12:00 am



"NIMP 2030 focused on missions — missions that all of us care about, resonate with, and the achievement of which will offer the biggest chances of success in resolving the grand challenges of our time. To help Malaysia re-industrialise systematically and sustainably, while supporting the nation's fulfilment of its global pledges, the master plan's four missions are to enhance economic complexity, embrace technology rapidly, push for net zero as well as ensure economic security and inclusivity." — Zafrul

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Keynote Speech by Yang Berhormat Tengku Datuk Seri Zafrul Abdul Aziz
Minister of Investment, Trade and Industry (Mandarin Oriental Kuala Lumpur, Oct 23, 2023)



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Yang Berbahagia Tan Sri Tong Kooi Ong, chairman of The Edge Media Group; Yang Berbahagia Datuk Ho Kay Tat, group CEO and publisher of The Edge Media Group; award winners; distinguished guests of The Edge Billion Ringgit Club Awards 2023.

Ladies and gentlemen, a very good evening to all of you. Thank you, The Edge, for inviting me to the 14th edition of The Edge Billion Ringgit Club (BRC) Awards, to recognise and celebrate the biggest and best performing companies on Bursa Malaysia.

The BRC Corporate Awards, started in 2010, recognises the biggest and best-performing listed companies in Malaysia. It is a real honour to be here three years in a row now, under three different administrations — twice as the Minister of Finance and now as the Minister of Investment, Trade and Industry.

On with the awards, we all know that membership in The Edge BRC is based on the criterion of market capitalisation of at least RM1 billion on Bursa Malaysia on the last trading day of the first quarter of the current year, that is, March 31.

I was informed that there are currently 181 members of the BRC, up from 178 last year. This gives us hope that post-pandemic and despite the current operational challenges, many of our bigger companies have remained resilient and have been able to prosper, with fresh targets achieved.

MITI'S POLICY TARGET AREAS TOUCH MOST SECTORS

Ladies and gentlemen, tonight, 55 awards will be presented to companies across 14 sectors. From the full list of sectors, I can see that perhaps only two really belong to the manufacturing sector, that is, consumer products and services, and industrial products and services.

For your information, Malaysia's manufacturing sector contributes 24% to our GDP and roughly 80% of exports. In short, the health of the manufacturing sector will have an impact on the other supportive sectors on the BRC list, including construction, energy and utilities, financial services, technology, transport and logistics as well as telecommunications and media.

Before I delve further into policies, allow me to briefly frame the problem that all economies and multinationals face today.

At last year's BRC, I talked about the tightening of financial conditions which raised government borrowing costs, the prolonged Russia-Ukraine conflict and China's zero-Covid policy. This year, the challenges are:

- a) First, the global economy and trade growth are slowing — we thought China's full reopening of its borders would mitigate this, but it did not. Early this month, the International Monetary Fund's latest report forecast that global growth would slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024. Growth for Emerging Market and Developing Economies (EMDEs) is projected to decline slightly from 4.1% in 2022 to 4.0% in both 2023 and 2024. Malaysia's GDP is still expected to grow by 4% to 5% in both 2023 and 2024, barring any unforeseen circumstances. The World Trade Organization now expects the volume of world merchandise trade to grow by 0.8% this year, down from the 1.7% forecast in April.
- b) Second, geopolitical tensions have become more intense. US-Sino strained relations are fast turning into a trade war. While the Ukraine-Russia conflict heads into its 20th month, we now have a fresh, escalated Israel-Palestinian conflict and humanitarian crisis in the Middle East, which began on Oct 7. For businesses and economies, the key concern is the impact on the oil supply chain, should the situation escalate further. Five decades ago, the world used roughly one barrel of oil to produce US\$1,000 worth of GDP. By 2019, the figure was 0.43 barrels — a 56% decline. But oil still matters. This is why the government is monitoring events in the Middle East carefully.
- c) Third, the pursuit and management of ESG issues are not even close to achieving the targets set by, for example, the Sustainable Development Goals (SDGs). The annual

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funding required to achieve the SDGs has an estimated US\$4.2 trillion gap. This funding gap will exacerbate risks on rising wealth gaps, climate change, increasing digital gaps and cybersecurity, to name a few. These must be addressed quickly if we want to ensure a more sustainable foundation for our future growth.

So, how can Malaysia build its manufacturing industry's resilience to navigate future uncertainties? To answer that, allow me to briefly share the thinking behind our New Industrial Master Plan 2030 (NIMP 2030) as well as on how Miti is steering our policies to ensure the survivability, resilience, prosperity and sustainability of Malaysia's manufacturing and export sectors.

SHARED MISSIONS ARE OUR KEY TO INDUSTRIAL REFORM SUCCESS

Ladies and gentlemen, when we crafted NIMP 2030, we made a drastic departure from the past policy-crafting practice of focusing on sectors to a totally new approach based on broad-based acknowledgement of the biggest key issues facing our industrial reform agenda. Huge planet-wide challenges, such as climate change, and global supply chain risks cannot, and will never, be solved by championing only a handful of sectors in any country.

Instead, what we need to champion is a mission-oriented approach to innovation, industrial strategy or finance, which is not business as usual. So, Miti shifted its focus from marginal improvements driven by ideas of "value for money" to a notion of public value-creation driven by public purpose.

As a "market shaper", the government and Miti's key task is to encourage, enable and provide a sense of direction for industry-centric global-scale challenges that impact us locally, while recognising that we cannot decide in advance what the best solutions might look like. We also examined the most important aspects of policy that must be reformed to adopt a mission-oriented framework.

So, after lengthy deliberations, NIMP 2030 focused on missions — missions that all of us care about, resonate with, and the achievement of which will offer the biggest chances of success in resolving the grand challenges of our time. To help Malaysia re-industrialise systematically and sustainably, while supporting the nation's fulfilment of its global pledges, the master plan's four missions are to enhance economic complexity, embrace technology rapidly, push for net zero as well as ensure economic security and inclusivity.

To get there, our industrial reforms entail embracing new tools and techniques in redesigning our public service, focusing on shifting or shaping technology and innovation frontiers, as well as managing complex systems in contexts of uncertainty. As an illustration, take the first mission, which is to increase economic complexity, and we shall use the electrical and electronics (E&E) sector as an example.

Malaysia's E&E/semiconductor industry has progressed commendably in its first 50 years. The semiconductor production ecosystem incorporates front-end activities such as R&D/design and development (D&D), wafer fabrication and testing, as well as back-end activities such as outsourced semiconductor assembly and testing (Osat), and packaging of the chip. In terms of value, however, our players are mainly capturing only 10% of the global value chain, because they are largely limited to back-end activities like testing and packaging.

So, to enhance economic complexity, we need to move the industry higher on the value chain by attracting companies that will invest in wafer fabrication and IC (integrated circuit) design, or the front-end semiconductor activities. Under NIMP 2030, supported by Budget 2024, we have already identified a few companies for this.

The more front-end semiconductor companies locate their operations here, the stronger our E&E ecosystem will be. As many sectors have converged, a strong E&E ecosystem will attract more investors in sectors such as medical devices, electric vehicles (EVs), greentech, agrotech and other tech-based sectors. The Asean EV market size, for example, is expected to grow from US\$0.86 billion in 2023 to US\$3.54 billion by 2028. Hence, strengthening Malaysia's E&E ecosystem will place us in a good position to

capitalise on such prospects, with the potential to emerge as a pioneering force and regional hub for Asean's EV market.

When that happens, there will be a positive spillover impact for our companies and SMEs in terms of technology transfer, talent development and higher-paying job creation. In short, the benefits of enhancing economic complexity will cut across various sectors, not just the E&E sector per se.

BRC MEMBERS CAN REORIENTATE THEIR PURPOSE TOWARDS THE NIMP 2030 MISSIONS

Ladies and gentlemen, to all of you sitting here, as the market's biggest movers and shakers, I would like to invite you to also embrace our mission-based approach. Since I used to be in the financial industry, and finance is the lifeblood of our economy and our companies/SMEs, I would like to use this industry as an example. I am aware that many banks have published their sustainability finance framework.

Strategising these frameworks around sectors for financing typically involves allocating a risk budget to specific sectors under their coverage. Such an approach would generally penalise all players in a sector deemed "high risk", although there are players who are progressive and are bucking the sector's trend.

Take, for example, a steel manufacturer, Company A. We know that steel is among the world's major eco offenders. What if with innovative advances in manufacturing technology, Company A's steel production method does not need blast furnaces (which cuts emissions by two thirds) and its plant switches from natural gas to eco-friendly hydrogen, which further reduces its carbon footprint? Surely this company should not be denied financing just because it belongs to an industry historically known for its high-polluting processes.

So, perhaps banks could relook at how their risk budgets could be reallocated towards missions, as opposed to sectors, and consider how their financing rate could also be tiered or gradually reduced to "reward" each ESG milestone achieved.

Such an approach to financing moves us towards our mission, or collective common goal for public good, by encouraging and rewarding "good behaviour". So, I would like to humbly request that all of you consider realigning your own internal policies towards the NIMP 2030's four missions, so we can truly rally the whole country in trying to achieve the most public good in the medium to longer term for the manufacturing sector, our industries and Malaysia's economy.

To support the nation's economic growth moving forward, it is critical to strengthen the resiliency and competitiveness of Malaysia's manufacturing industries. To that end, Miti looks forward to working together with all of you — as leaders in your respective industries — on achieving our NIMP 2030 missions.

One possible collaboration is how you can help the SMEs in your respective ecosystems to embrace ESG principles. We already have the National Industry on ESG (i-ESG) for the manufacturing sector, which will be rolled out as one of the action plans under the NIMP's Industry Development Fund (NIDF) for 2024.

Through the i-ESG, we will guide and hand-hold SMEs in embracing ESG principles, starting with a sustainability disclosure report, which will also support your respective supply chains that will be a consideration by potential global investors. These, in turn, will help Miti attract the right investments, whether FDI or DDI, into our manufacturing sector.

To The Edge, as the organiser of these BRC Awards, perhaps you could also consider orientating your future BRC Awards criteria towards a few of our NIMP missions.

Ladies and gentlemen, I would like to add that the members of the BRC — given their strength and influence — are in the best position to become the government's partners in crafting or executing existing and future mission-based projects. As such, please share your ideas, if any, on how best we can move NIMP 2030 forward.

To conclude, my congratulations to all award winners tonight. To The Edge and all guests, thank you for having me and enjoy the evening!

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