# RESILIENCE THROUGH OPENNESS

Malaysia's Second Finance Minister **Amir Hamzah Azizan** discusses fostering economic growth amid global uncertainty and preparing for the AI era

In the past half century, Malaysia has transformed itself from a producer of commodities such as tin, rubber, and palm oil to a diversified upper-middle-income economy spanning services, manufacturing, and trade. The IMF projects the $516 billion economy will grow 4.7 percent this year, boosted by an influx of investment in artificial intelligence, data centers, and semiconductors.

Amir Hamzah Azizan, 59, was appointed finance minister II in December 2023 following a career across industries including oil, shipping, and electricity. Most recently, he was chief executive officer of the Employees Provident Fund, which manages $315 billion in retirement savings for private sector workers.

In an interview with F&D's Gita Bhatt and Jeff Kearns, the minister discusses how Southeast Asia's fifth-largest economy is navigating global geopolitical turbulence and how it can benefit from the boom in AI investment.

**F&D: How do you see Malaysia's economy performing over the next five years, and where is the greatest growth opportunity?**

**AHA:** Our Thirteenth Plan indicates that annual growth will average 4.5 to 5.5 percent between 2026 and 2030, effectively repeating what we've achieved over the past three years or so.

Resilience has been a key feature of the economy. We've identified key drivers for the economy and put enough policy focus behind them so that when investment comes to the country, it aligns with our national plans.

Our electrical and electronics sector and our semiconductor sector have been vibrant for more than 50 years. But we lacked the deeper supply-chain ecosystem. Today we are focused on attracting new investment at the higher end of the value chain. We're developing data centers, including AI-layered data centers.

**F&D: Malaysia's economy withstood several shocks, including the sharp increase in energy prices caused by the Middle East war. What explains this resilience?**

**AHA:** A lot of it comes down to policy consistency. You must be clear about where you want to go. You must be clear about government policy, both in the planning and the execution, and make it transparent so that it inspires investors with confidence.

When investors put money into Malaysia, they trust the system. They are confident that if they put money in they can get it out. The law and policy don't change overnight, so people can take long-term investment decisions.

**F&D: How can Malaysia and other midsize emerging economies navigate geoeconomic fragmentation?**

**AHA:** I go back to our open economy. We have an export base that is diversified in

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manufacturing, services, mining, and so on. The export markets we sell these products to are also diversified. Multilateralism may be under threat, but it's still possible to strike free trade deals with many places. Those deals can give you certainty about what practices are permitted, and they build a base from which to build prosperity through trade.

We are making a great effort to create better jobs that pay higher wages and to strengthen our social protection networks. This will give us a much stronger domestic market.

The more money we put into the hands of the people, the stronger and more vibrant our domestic market will become, and this will make our country more resilient.

We are also focused on "high-grading" the economy. If you look at changes like the advent of AI and the expansion of data centers, this is driving new markets around the world. For countries like Malaysia, which is a high-middle-income nation, we need to reinvent ourselves. We must innovate and focus on efficiency so that we build relevance from a global perspective. And with the connectivity we build through trade arrangements, we don't get left behind as changes happen. We secure our future.

**F&D: You have reduced the deficit substantially by curbing subsidies and increasing sales tax. How do you get public buy-in for such potentially unpopular measures?**

**AHA:** We laid out our response with the Fiscal Responsibility Act. We said that we could not continue to sustain years of high deficits, especially after COVID, because the less fiscal space the government has the less it is able to stimulate other forms of economic activity.

When we introduced taxes, we moderated the impact on more vulnerable groups. When we increased the sales and service tax, for example, we mitigated the impact of price increases for necessities like food and water on the poorest in society.

As we created fiscal space, we not only reduced government debt but also gave back some of the savings to society.

## "Malaysia has made a strategic bet on becoming a major data-center hub."

We provided better social protection, better talent management, and better training so those at lower levels of society could improve their skills.

Communication was important, tailoring intervention so that the poorest in society could manage as we carried out these reforms. And if better jobs are created, wages go up, and people's livelihoods improve, this compensates for the difficult decisions that we must take.

We were lucky that we started the fuel price reform about two and a half years ago, when prices were much more manageable. When the Middle East crisis hit and oil prices went up, our subsidy bill went up, but only moderately.

**F&D: With the advent of AI, young people are increasingly worried about job prospects. What are you doing to assuage those concerns?**

**AHA:** We need to make sure that our people are ready to participate in terms of skilling our society and by incentivizing businesses to use AI responsibly. Tax reforms can create a lot of incentives. So can government programs that train people and partner with new investors so that job creation moves hand in hand with the redesigned economy we want to create.

Malaysia has made a strategic bet on becoming a major data-center hub. By attracting investment and building the supporting ecosystem, we can create better jobs and new opportunities for our people.

**F&D: How do you see Asia's future?**

**AHA:** Asia has a big pool of people and still has a fairly positive demographic dividend. Its ambition drives a lot of innovation and experimentation. I think the future looks decent.

But in today's geopolitically fragmented world, Asia needs to partially insulate itself by doing more within the region. Take ASEAN as an example. Trade between ASEAN countries is probably 32 percent of its potential. The more that ASEAN can do together through alliances, the more resilient it will become in the face of the economic shocks we see from trade wars, supply-chain disruptions, and so on. Then you just expand that from an ASEAN play to an Asian play.

**F&D: What keeps you up at night?**

**AHA:** In today's world a lot of things keep everybody up at night, right? The key is to deal with the things that you can control, fix those, and worry less about things that you cannot control. Sometimes people think too much, or look too far down the road, and so get lost.

Climate change is going to be a big thing. Let's deal with it in a measured way. If geopolitical fragmentation is a big thing, then let's build resilience with new friends, new relationships, and new partnerships. These things I can fix, but I can't fix wars that are beyond our control. F&D

*This interview has been edited for length and clarity.*