

Digital investment accelerates economic growth: Mustapa Mohamed

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Minister in the Prime Minister's Department Datuk Seri Mustapa Mohamed says the Covid-19 pandemic had created a landscape that boosted digitalisation, allowing economic activities to transition online. NSTP pix by Mohd Khairul Helmy Mohd Din.

KUALA LUMPUR: Malaysia needs to fully exploit the fast-growing digital economy and attract more investment into digitalisation as a key strategy for economic recovery.

Minister in the Prime Minister's Department Datuk Seri Mustapa Mohamed said the Covid-19 pandemic had created a landscape that boosted digitalisation, allowing economic activities to transition online.

"Digitalisation of businesses and the rapid expansion of the digital economy have proven to be robust, resilient and versatile," Mustapa said in an email to the New Straits Times.

Digital economy is defined as economic and social activities that involve the production and use of digital technology by individuals, businesses and government.

Based on a recent report by the United Nation Conference on Trade and Development, foreign direct investment inflows into Asean had declined 25 per cent from an all-time high of US\$182 billion in 2019 to US\$137 billion in 2020 due to the pandemic.

Mustapa said despite the adversities arising from the lacklustre investment climate and the pandemic, the situation also offered ample opportunities for Malaysia to capitalise as well as restore investor confidence and attract investment.

Thus, it becomes all the more imperative for Malaysia to find its niche in the digital economy, as well as attract and drive investment to achieve the aspiration set in the Malaysia Digital Economy Blueprint.

Malaysia aims to become the regional leader in the digital economy and achieve inclusive, responsible and sustainable socioeconomic development by 2030.

For this reason, Mustapa said Malaysia has to remain attractive as a digital investment location, as well as narrow the gaps in four key elements, namely policy, regulation, infrastructure and digital talent. The Malaysia Digital Economy Blueprint, identifies initiatives, programmes and plans to enable Malaysia to address these gaps in order to achieve its aspirations.

An example is the establishment of the Digital Investment Office through collaboration between the Malaysian Investment Development Authority and Malaysia Digital Economy Corp, aimed at coordinating and facilitating foreign and domestic digital investments into the country.

Policies and regulations need to be versatile in supporting digitalisation and encourage more digital FDI. The existing regulatory framework has to be responsive to innovative business models arising from the growth of digital economy and the rapidly changing digital technology.

In charting the way forward to capture high quality digital investment, Mustapa said the 12th Malaysia Plan aimed to attract investment and advance the country's digital economy, in tandem with the Malaysia Digital Economy Blueprint and the National Investment Aspirations.

This should build on our early successes in attracting interest from corporations such as Microsoft, Google and Amazon in investing in data centres, to the tune of RM12 billion and RM15 billion over the next five years.

Three focus areas have been identified to further develop the digital economy, namely cyber security, digital content and fintech.

Measures will be undertaken to improve the investment climate and digital economy ecosystem to encourage more large global companies in these areas. Hence, Malaysia would benefit from international partnerships, especially in technology and knowledge transfer.

He said Malaysia was on the right path to accelerate the creation, adoption and innovations that will enable researchers, innovators, start-ups and high-tech entrepreneurs to test products, services, business models and delivery mechanisms in a controlled environment.

This is reflected by among others, the launch of the National Technology and Innovation Sandbox in 2020,

Mustapa, however, reminded that there were still issues and challenges that need to be addressed.

Malaysia faces the risk of losing investments due to policy and regulatory uncertainties related to cabotage, data centre licencing, data governance and renewable energy, among others.

Alignment of policies and regulation is critical to create a conducive environment for digital economy growth, to facilitate our national aspirations.

"We have to find immediate solutions to resolve these issues in order to strategically draw in digital FDI into the country.

"This will provide support and broaden the income opportunities for local micro, small and medium enterprises by integrating new forms of e-value chains while increasing productivity and global competitiveness."

He added that Malaysia also needed to reassess incentives in attracting digital FDI and improve the existing MSC incentive framework.

Digital infrastructure, despite being the much-needed backbone for a thriving digital economy, is still lacking as accessibility remains limited and unaffordable to certain segments of the society," he said.