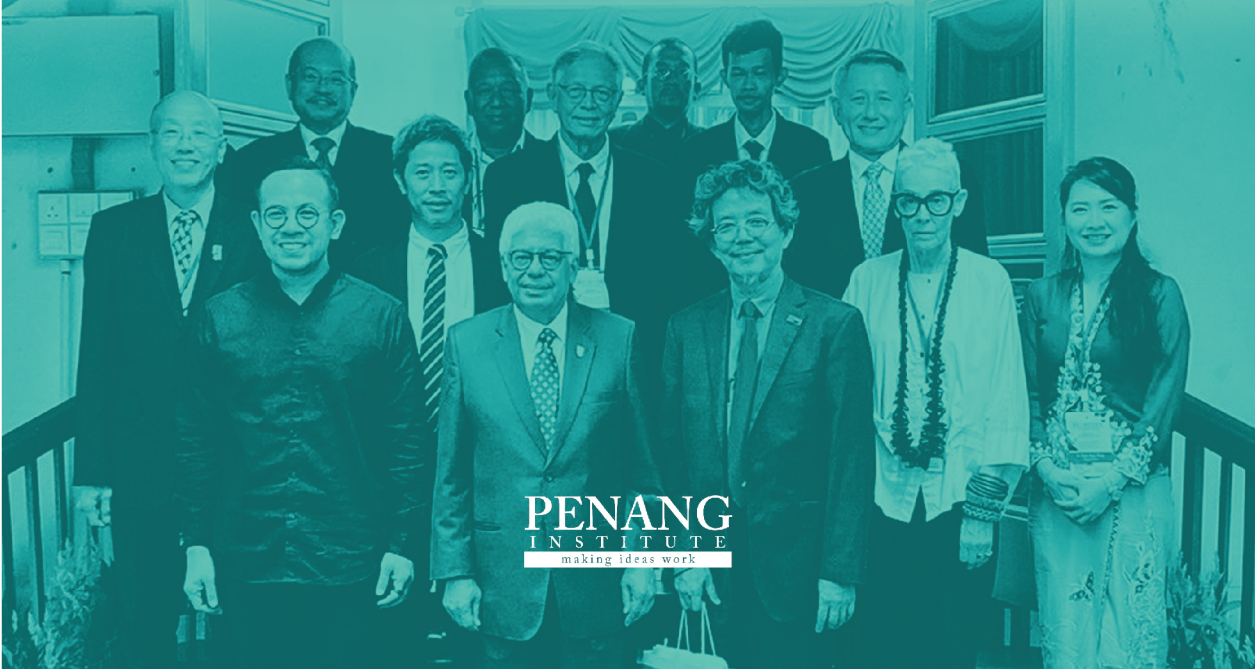




THE PROCEEDINGS

BEL RETIRO ROUNDTABLE 2023

PENANG IN 2050
STAKING THE PATH TO SUSTAINABILITY



PENANG
INSTITUTE
making ideas work

— THE PROCEEDINGS —

BEL RETIRO

ROUNDTABLE 2023

PENANG IN 2050 STAKING THE PATH TO SUSTAINABILITY

Held on 14 November 2023 at Bel Retiro, Penang Hill

Edited by Ooi Kee Beng and Fauwaz Abdul Aziz

PENANG
INSTITUTE
making ideas work

Contents

<i>Prologue: Enhancing Penang’s Policymaking Ecosystem</i>	1
Background rationale	2
Agenda for Bel Retiro Roundtable 2023	3
PART I: INAUGURATION	
Welcoming Remarks	6
Tuan Yang Terutama Tun Ahmad Fuzi Abdul Razak (Host and Governor of Penang)	6
Dato’ Dr Ooi Kee Beng (Executive Director, Penang Institute)	8
PART II: EXECUTIVE SUMMARY	
YB Steven Sim Chee Keong (Deputy Finance Minister, and Member of the Board of Directors, Penang Institute)	10
Economic Evolution	12
Tan Sri Andrew Sheng (Chairman, George Town Institute of Open and Advanced Studies, Wawasan Open University)	12
Mr Tony Yeoh Choon Hock (Special Advisor to EXCO YB Zairil Khir Johari, for the digital portfolio; retired founding CEO of Digital Penang)	12
YB Gooi Hsiao Leung (State assemblyman for Bukit Tengah, and Member of Penang’s Federal-State Relations Committee)	14
Questions & Comments on Economic Evolution	14
Environment and the City	15
Dato’ Seri Harry Cockrell (Chairman, Pacific Tiger Group; The Habitat Group)	15

Prof. Dato’ Dr. Zulfigar Yasin (Marine Environment Hon. Professor, CEMACS, USM; Visiting Senior Analyst, Penang Institute)	16
Dato’ Cheok Lay Leng (General Manager, Penang Hill Corporation)	17
Questions & Comments on Environment and the City	18
 Socio-Cultural Development	 20
Lee Khai (Managing Partner, Ong and Manecksha; Advisor to Penang Art District)	20
Narelle McMurtrie (Owner, Bon Ton Langkawi & ChinaHouse, Penang)	21
Questions & Comments on Socio-Cultural Development	23
 PART III: TRANSCRIPTS	
Keynote Speech by YB Steven Sim Chee Keong (Deputy Finance Minister, and Member of the Board of Directors, Penang Institute)	26
“Political competition, fiscal devolution, economic evolution”	26
Political competition	26
Fiscal devolution	28
Economic evolution	30
 ECONOMIC EVOLUTION	 33
Tan Sri Andrew Sheng (Chairman, George Town Institute of Open and Advanced Studies, Wawasan Open University)	34
Oil and gas	39
Palm oil	40
Tourism	42
Tech	43

Mr Tony Yeoh Choon Hock (Special Advisor to EXCO YB Zairil Khir Johari for the digital portfolio, former CEO of Digital Penang)	43
Synthetic biology	45
YB Gooi Hsiao Leung (State assemblyman for Bukit Tengah, and Member of Penang’s Federal-State Relations Committee)	45
Penang’s History of Economic Innovation	46
Federal-State Relations	46
Enabling Decentralisation	47
Questions & Comments	48
 THE ENVIRONMENT AND THE CITY	 51
Dato’ Sri Harry Cockrell (Chairman, Pacific Tiger Group; The Habitat Group)	51
Penang Hill & The Habitat	51
Pahang ESG blueprint	52
Big challenges	52
Capitalising on Malaysia’s mega-diversity	54
Prof. Dato’ Dr. Zulfigar Yasin (Marine Environment Hon. Professor, CEMACS, USM; Visiting Senior Analyst, Penang Institute)	55
Penang is a maritime state	55
Flooded or underwater	56
Establishing priorities	57
Middle Bank Marine Sanctuary	57
Penang as a model for the tropics	58
Resilience vs mitigation	59
Dato Cheok Lay Leng – General Manager, Penang Hill Corporation	60
Harmonizing economic, human and environmental activities	60
ESG not operationally ingrained in medium and smaller companies	62

Mitigation, Adaptation, Resilience	62
Striving for Triple-Count status	63
Questions & Comments	63
SOCIO-CULTURAL DEVELOPMENT	69
Lee Khai (Managing Partner, Ong and Manecksha; Advisor to Penang Art District):	69
Penang’s racial, religious eclecticism	70
Lacking basic arts infrastructure	71
Narelle McMurtrie (Owner, Bon Ton Langkawi & ChinaHouse, Penang):	72
Penang as gateway and destination	72
Stopping the creative brain drain	72
Branding Penang as what?	73
A general manager for the arts	74
Questions & Comments	76
CLOSING REMARKS	78

Prologue: Enhancing Penang's Policymaking Ecosystem

DESPITE being a state that is vital to the political, cultural and economic health of the country, Penang is more often than not allotted a peripheral role with regards to administrative, funding and nation-building matters. Caught between local government approaches and an until-recently less-than-caring federal government, Penang state discourses have been defensive, and geared more towards local governance than nation-building concerns.

Consequently, masterplans constructed in Penang have tended to be more cautious than inspirational, more short-term than long-term, and more piecemeal than aspirational.

Given the Federal Government's present desire for national unity and its relatively more extroverted perspective regarding Malaysia's role in the region and the world, Penang's potential in staking out progressive conceptual paths for the country needs to be embraced, expressed and advanced. It is time for Penang to see itself as inspirational again.

This Roundtable is a contribution towards this towering goal. Penang Institute held several discussions with the Governor, TYT Tun Fuzi, on gathering experts with intimate knowledge about how Penang works—or does not work—to identify ways by which Penang can lead again in innovativeness in public discourse and policy thinking.

This ties in well with the objectives of the state government's Penang2030 vision, and Penang Institute's newly-initiated FLAG (Forum for Leadership and Governance) project that aims to stimulate into being, a dynamic network of institutional "brain trusts" tightly connected to government actors, and to provide platforms for Penang's public intellectuals to meet.

These proceedings from Bel Retiro Roundtable 2023 will be used as basis for policy publications at Penang Institute, such as its ISSUES policy papers and EXCO Briefs, and Penang Monthly.

Even as these proceedings go to print, it has been decided that Bel Retiro Roundtable 2024 will be held in November 2024. It is hoped that this series will become an annual affair,

OOI KEE BENG
April 2024



Background rationale

The present Roundtable will discuss how Penang would have, could have or should have developed by 2050, along the following inter-connected themes:

1. Economic evolution
 - a. From Blue Collar to White Collar, from Manufacturing to Service
 - b. Digital potentials: EV, AI, Chip Hubs, Creative Economy
 - c. Federal-State Relations: Putting Penang in Front
 - d. Regional assets to embrace
 - e. Eco-tourism and Value-adding Tourism
 - f. Raising Penang State Income

2. The Environment and the City
 - a. Climate Change Resilience
 - b. Penang – Part Maritime Reserve, Part Biosphere Reserve
 - c. Traffic, traffic, traffic
 - d. Land use, Sea use
 - e. Beyond climate-change resilience

3. Socio-cultural Development
 - a. Cosmopolitan or burst
 - b. Develop thy neighbours
 - c. Art as Catalyst and Measure of Progress
 - d. Creative Industries (White Collar) and Cosmopolitan/Port Heritage

Agenda for Bel Retiro Roundtable 2023

- Date: 14th November, 2023
 - Dress Code: Lounge Suit for men / Office wear for ladies
 - Venue: Bel Retiro, Penang Hill
-
- 10.30 am: Welcoming remarks by the Host, TYT Tun Ahmad Fuzi bin Abdul Razak (Yang di-Pertua Negeri Pulau Pinang)
 - 10.40 am: Opening remarks by the Convenor, Dato' Dr Ooi Kee Beng (Executive Director, Penang Institute)
 - 10.50 am: Keynote speech by the Guest of Honour, YB Steven Sim Chee Keong (Deputy Finance Minister, and Member of the Board of Directors, Penang Institute)
 - 11.00 am: Roundtable discussion begins, moderated by Dato' Dr Ooi Kee Beng
 - 1.00 pm: Lunch at Bel Retiro, hosted by TYT Tun Fuzi bin Abdul Razak
 - 2.30 pm: Event ends



Roundtable Guests

A. Economic Evolution

1. Tan Sri Andrew Sheng (Chairman, George Town Institute of Open and Advanced Studies, Wawasan Open University)
2. Mr Tony Yeoh Choon Hock (Special Advisor to ExCO YB Zairil Khir Johari on the Digital Portfolio, and retired Founding-CEO of Digital Penang)
3. YB Gooi Hsiao Leung (Member of Penang's Federal-State Relations Committee, and State assemblyman for Bukit Tengah)

B. The Environment & the City

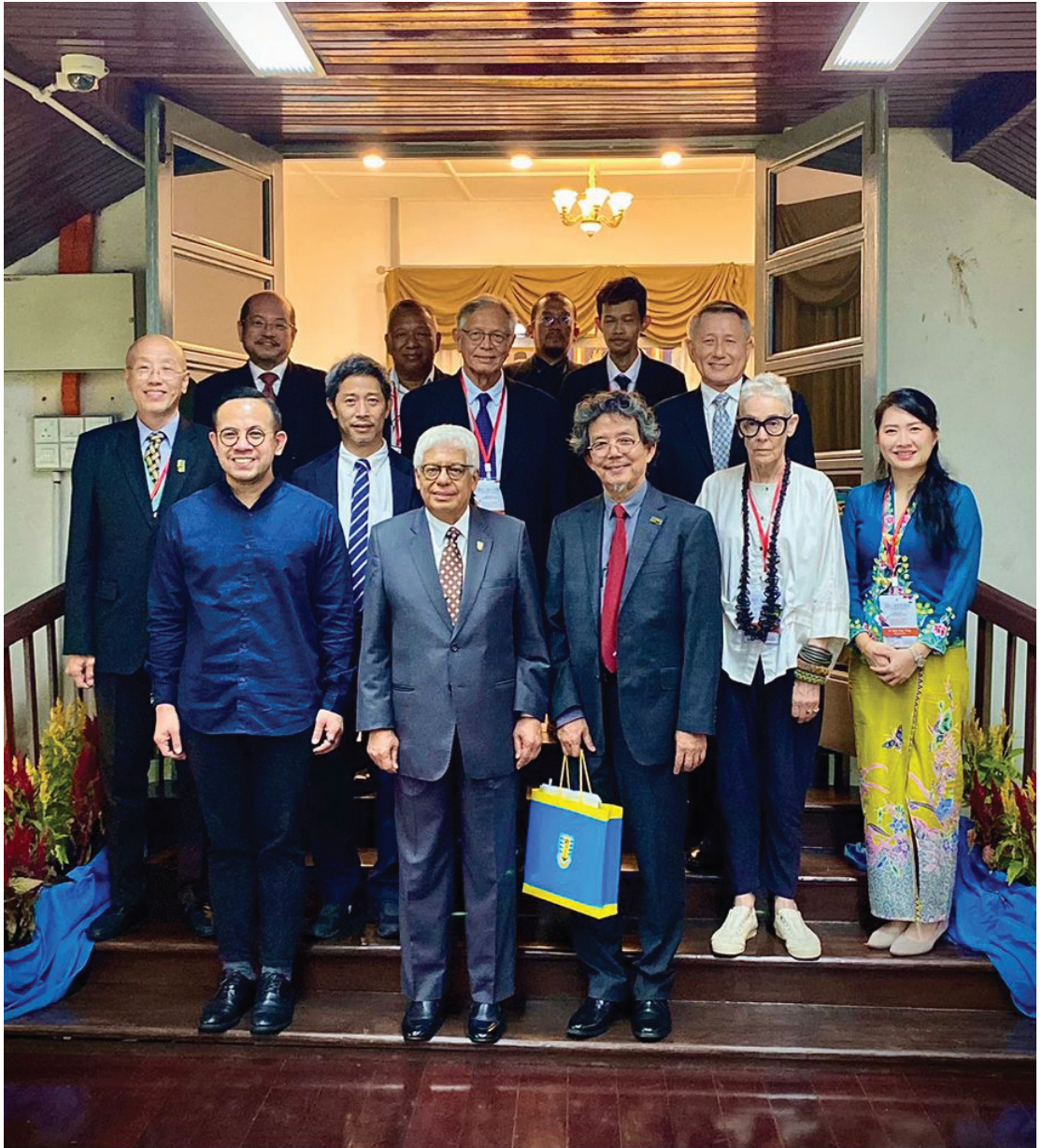
1. Dato' Sri Harry Cockrell (Managing Director, Pacific Tiger Group; Co-founder of The Habitat Group)
2. Prof. Dato' Dr. Zulfigar Yasin (Marine Environment Hon. Professor, CEMACS, USM; Visiting Senior Analyst, Penang Institute)
3. Dato' Cheek Lay Leng (GM of Penang Hill Corporation; Founder of Infinecs Systems)

C. Socio-Cultural Development

1. Mr Lee Khai (Managing Partner, Ong and Manecksha; Advisor to Penang Art District)
2. Ms Narelle McMurtrie (Owner of Bon Ton Langkawi and ChinaHouse, Penang)

Penang Institute

1. Dato' Dr Ooi Kee Beng (Convenor and Moderator)
2. Dr. Beh May Ting (Mistress of Ceremonies)
3. Encik Fauwaz Abdul Aziz (Rapporteur)
4. Encik Azmil Aqil (Rapporteur)





PART I: INAUGURATION

Welcoming Remarks

Tuan Yang Terutama Tun Ahmad Fuzi Abdul Razak (Host and Governor of Penang)

Bismillah al-Rahman al-Rahim. Salaam alaikum and a very good morning to all. Young Berhormat Tuan Steven Sim Chee Keong, Deputy Finance Minister and Member of the Board of Directors, Penang Institute; Yang Berbahagia Tan Sri Andrew Sheng, Chairman of Georgetown Institute of Open and Advanced Studies, Wawasan Open University; Yang Berbahagia, Dato' Cheok Lay Leng, General Manager of Penang Hill Corporation. Dato' Dr. Ooi Kee Beng, Executive Director of Penang Institute. Yang Berbahagia Tuan-Tuan dan Puan-Puan yang saya hormati sekalian.

I'm not sure how many of you have been to Bel Retiro before, but of course, we have Dato Cockrell here with us, who is a resident of Penang Hill. But as host, let me welcome all of you to this historical governor's residence as participants of this inaugural "Bel Retiro Roundtable 2050: Staking the Path to Sustainability". I am aware of the Bahasa Malaysia requirement, but we can be a bit flexible here and conduct our discussion in English, as at a PLC (professional learning community) board.

In considering to offer Bel Retiro as the venue for this Roundtable, and as conveyed during my preparatory discussions with Dato' Dr Ooi Kee Beng, it was always my intention to open up for productive purposes this under-utilised building. In this regard, I want to thank Dr Ooi and his dedicated team for making all the necessary arrangements with my office, including assembling a highly distinguished group of experts and professionals in various fields to participate in this Roundtable.

I'm delighted to see so many prominent thinkers and leaders present here this morning, including, in particular, YB Tuan Steven Sim Chee Keong, the Deputy Finance Minister. Let me be clear at the outset that this Roundtable is not an official government event. The purpose is to initiate an informal platform for discussions under Chatham House Rules, where participants are free to voice their ideas, views, comments and suggestions on methods pertaining to Penang for the benefit of the people of Penang. Penang Institute will take rapporteur records of the proceedings and look at how best to publish them in the Institute's relevant publications, with the permission of all participants.



I believe the theme chosen for this inaugural Roundtable is most relevant as the state moves into the next phase of its socio-economic development and transformation. As we are well aware, the state government under the current Chief Minister is preoccupied with implementing the Penang2030 vision. The achievements thus far have been commendable, with Penang's economic growth at 13.1%; investment in the manufacturing sector at RM13.7 billion, constituting 16% of the total manufacturing nationwide in 2022; and Penang becoming a leading manufacturer of E&E products for the world; and Penang contributing significantly to the country's GDP.


But the challenge is, where do we go from here? Should we be contented with where we are today? Or should we create our own niche, as it were, set a high benchmark and perhaps achieve at least half of what has been successfully attained by other major island-cities like Singapore and Hong Kong? Sarawak today is moving fast ahead with its own petroleum corporation, own airline, own sovereign wealth fund, own EV public transport, with production of hydrogen, and many other high-impact initiatives and catalysts for development.

I am not suggesting that we follow Sarawak blindly. The circumstances of the two states, including size and availability of resources, are not the same. But what we can discuss are exciting new ideas that are doable and practical, which can be considered and, if deemed appropriate, followed up for implementation by the relevant authorities.

In this regard, I believe there is a whole range of issues that can be discussed. We can look at the bigger picture for the state, in tune with global economic developments. And we can look at the smaller picture, namely, specific project proposals covering finance, education, tourism, art and culture, environment, and science and technology. We can also look at policy directions and priorities, and consider how we can translate them to suit the Federal Government-inspired Madani concept.

As financial resources have been a major constraint for Penang, we can also look at new ideas to raise revenue for the state. I learned that in Hong Kong, for instance, the government managed to raise substantial revenue from the development of building projects on entirely leasehold state land. It will be good for us to look at such financial models.

I am fully aware that we are not discussing all this in a vacuum. The Chief Minister himself took the initiative to chair a retreat with EXCO members last week, and I'm sure many interesting ideas were discussed. But we should be happy if ideas discussed here can ultimately be considered further at the state level, at the level of the Federal Government, at the level of Federal-State collaboration, perhaps, or at the private-sector level.



It is my sincere hope that this Roundtable, held at a comfortable venue with clean air, extraordinary views, inspiring company, and perhaps a good meal at the end of it, will generate lots of interesting ideas as takeaways, beneficial to the government and the people of Penang. Thank you. I will now pass the floor over to Dr Ooi.

Dato' Dr Ooi Kee Beng (Executive Director, Penang Institute)

Let me first start by thanking all of you for taking the time to be here. I am most grateful to TYT, Tun Ahmad Fuzi Abdul Razak, for letting us use this beautiful building for the Roundtable. Getting YB Steven Sim was an easy thing to do because he had always promised me that he would participate in any Penang Institute event to which he is invited if his schedule allowed. So thank you for your vote of confidence. A special thanks to Dato' Sri Henry Cockrell for coming all the way from Hong Kong to be with us. I've also found out that most of you who don't live in Penang travelled in late last night, and some of you are travelling out again after the event. Thank you, Tan Sri Andrew Sheng, Mr. Tony Yeoh, YB Gooi Hsiao Leung, Professor Dato' Zulfigar Yasin, Dato' Cheok Lay Leng, Mr. Lee Khai and Ms. Narelle McMurtrie. I consider all of you close friends to me and to Penang Institute.

The Bel Retiro Roundtable, we hope, will be an annual affair with participants chosen according to the subjects to be discussed. This inaugural year, we are raising issues rather broadly, but the main point, as mentioned by Tun Fuzi, is to think far ahead to 2050 so that we can imagine beyond the immediate constraints that limit our imagination for how Penang can become the progressive and yet traditionalist place that we all wish for it to be.

As you know, Penang policy thinking has been focusing on 2030 over the last five years. Penang Institute has been in the middle of that conversation. What we missed when doing that is a higher level of ambition in our thinking. Knowing that the strength of Penang lies with its people, we decided, therefore, to invite all of you here today to discuss what you, in your wildest dreams wish for in the Penang that your great-grandchildren will live in.

We have three themes today, which all of you have been informed about: "Economic Evolution", "The Environment and the City", and "Socio-Cultural Development".

Let me now hand the floor over to my old friend and one of Penang Institute's most important supporters, YB Steven Sim, Deputy Finance Minister of Malaysia, for his keynote address.






PART II: EXECUTIVE SUMMARY

YB Steven Sim Chee Keong (Deputy Finance Minister, and Member of the Board of Directors, Penang Institute)

- Political competition: Healthy and mature political competition between states, and between states and the Federal Government, will have a positive impact if driven by larger public interests. Good examples of this include Penang leaders' insistence in the 1960s on the establishment of a university college, which eventually led to the founding of Universiti Sains Malaysia (USM) in 1969. In the 1970s, the creation of the Penang Development Corporation (PDC) allowed the state to take control of its development plans against the Federal Government's efforts to centralise all economic planning. In more recent years, Penang has pursued several state development programmes with little or no federal assistance, such as infrastructure construction to tackle floods, housing and transport challenges as well as welfare and health projects during the Covid-19 pandemic. These were in fact "copied" and implemented at the federal level to benefit Malaysians at large.
- Fiscal devolution: The arguments for and against fiscal devolution have been widely expressed. These include issues of greater or lesser efficiency, of subsidiarity, of political competition, of costs and diseconomy of scale, of "solidarity versus subsidiarity", and of limited budgetary and fiscal space for higher federal-state transfers. An update of the current federal-state arrangement is in order, as suggested by the greater planning and regulatory powers and larger allocations given recently to Sabah and Sarawak. For greater efficiency and effectiveness, perhaps fiscal devolution can take the form of greater regional involvement, coordination and collaboration, rather than the granting of larger allocations per



se. In this way, regional bodies of state governments can determine how best to complement each other's strengths rather than to compete with each other. Kedah, Penang, Perak, and Perlis, for example, may collaborate to develop their systems of transportation, water management, local governments and tourism. Some advantages of this model include: (i) returning some local development power and resources to states; (ii) dealing with the issue of economies of scale due to the limited size of states' land areas, populations and resources; (iii) increasing the states' bargaining power vis-a-vis federal powers; (iv) maintaining some centralised control of resources for efficiency and solidarity; and (v) improving the ability to discipline 'delinquent' states and politicians into a common rule-based process of resource-management and sharing.

- Economic evolution: The Penang Financial Hub is seen as the next stage in the economic evolution of the state. This is essential due to the lack of capital to fund Penang's next generation of entrepreneurs. Penang is a start-up state: since its earliest years as a regional trading hub to its current pole position in the E&E industry and the semiconductor sector. But despite the advanced state of Penang's tech ecosystem, our talents and our amazing living environment, our start-ups lack funding. The 'free financial zone' idea might be Penang's 21st century mirror of the free port zone, one that goes beyond 'flirting' with quick money or finance and instead seeks to ensure long-term sustainable development.




Economic Evolution

Tan Sri Andrew Sheng (Chairman, George Town Institute of Open and Advanced Studies, Wawasan Open University)

- Tectonic changes are underway in terms of global warming, superpower geopolitics, civilizational conflicts, and economic recessions. Closer to home, Malaysia is seeing the rise of countries that used to be economically lagging: Bangladesh, Philippines, Vietnam, and Indonesia are fast catching up with Malaysia – if they have not already overtaken us on some fronts. Bigger countries such as Indonesia, India and China are fast making a dwarf of Malaysia. Malaysia’s growth model is still debt-driven – its household debt is currently the highest in ASEAN, if not the world, while its domestic investments are very low. Malaysia’s major exports – oil and gas, palm oil, tourism, and the tech- or knowledge-economy – do not look like they will keep saving us for very long. Of critical strategic implication is the relocation of Indonesia’s capital from Jakarta to Nusantara in Borneo; as Sabah and Sarawak benefit from it, Putrajaya will face new challenges in keeping the country united.
- With crises come opportunities: The answers lie in (i) strengthening our knowledge-based and nature-based economy (Talent-to-Talent plus Equity and Environment: T2T+E&E) and (ii) leveraging the rise of ASEAN and the shift of attention and resources to Asia.

Mr Tony Yeoh Choon Hock (Special Advisor to EXCO YB Zairil Khir Johari, for the digital portfolio; retired founding CEO of Digital Penang)

- Penang’s main strengths in the digital technology industry have been in hardware and manufacturing. There are things we cannot change and have to adapt to and take advantage of, such as Penang’s history of diversity and its physical size and geographical location.
- No doubt Penang needs to continue to strengthen our core economic pillar in high-tech Manufacturing. Critically, we need to retain talent. Our only precious resource is people’s talent and how we grow, retain and attract talent will determine our future economic dynamism to attract investments. More important than simply having foreign capital/presence into



Malaysia is for us to plug into their global supply chains. For example, in the future of digital and synthetic biology, we may not have the capability to be in R&D but we should leverage our engineering and manufacturing prowess to diversify into making bio-medical machines for test reactors, centrifuges etc. We have to broaden our sector focus into other adjacent engineering sectors beyond electronics and medical tech.

- With increasing AI adoption in advanced manufacturing, we should develop a strong local ecosystem in making automation equipment - make and supply the machines that make the products rather than use low cost labour to make the products.
- We need to worry when the following three things converge: (i) advancements in chip processing speeds, (ii) advances in cognitive autonomous AI algorithms, and (iii) energy storage-battery technology. We also need to be aware of the life cycles of technology. Technology adoption has a very long life-cycle of about 50 years, but technology creation happens much faster, taking three years perhaps. So we need to be very conscious of that change, and to prepare ourselves. If we are to look towards 2050, we need to prepare and put the foundation into place now especially in our talent base and skills.
- Tourism: Penang cannot compete with our neighbours in terms of nature attractions. We should pick our niches instead, and go into the MICE [Meetings, incentives, conferences and exhibitions] business, and develop spaces where people can play and work.
- In the other economic pillar of tourism, Penang cannot compete with our neighbours in terms of attractions given our limited size and natural endowments. We should pick our niches instead, and go into the MICE [Meetings, incentives, conferences and exhibitions] business, and develop spaces where people can play and work.



YB Gooi Hsiao Leung (State assemblyman for Bukit Tengah, and Member of Penang's Federal-State Relations Committee)

- Penang has to draw on its history of innovations as well as continue its advocacy for greater devolution of powers from the federal level to the states. There is no lack of examples of Penang's innovative ways of dealing with federal-state relations and furthering the interests of Penangites. For example, the setting up of (i) Penang Development Corporation (ii) a state land bank, and (iii) Penang Skills Development Centre.
- Three recommendations for improving federal-state relations that we have recently made are for the creation of: (i) a national commission on federal-state relations to look comprehensively at the working arrangement of federal-state relations, address particular problems (e.g., fiscal imbalances, quantum and control of allocations), and propose clear, defined policies and structures for decentralisation; (ii) an all-states collaboration committee, and; (iii) a Penang state select committee on federal-state relations to (1) raise public awareness about the significance of federal-state relations and importance of greater devolution of powers and funds, (2) be a platform for inter-agency meetings, engagements to improve workings at the state level; and (3) revive the role of local governments.

Questions & Comments on Economic Evolution

On land management and buildings

- Tony Yeoh: I think the federal reinvestment into a state needs to be proportional to the revenues generated by that state.

We need to look at how we recycle land. Today, most land is alienated on a freehold basis. Given that we have limited land, I think the state needs to require that land can only be held as leasehold, so that we can recycle it for future generations. Today it is not in state hands. Much of it is in the hands of the private sector, which makes it very hard for the state to drive any intervention for growth.

- Dato' Cheok Lay Leng: In many countries, land portions actually have limited lifespan for private use. For example, in China, it is 60 years, and similarly so in Singapore and Hong Kong.


We have many Special Area Plans that I think are good developmental policies, but there needs to be discipline and strong political will to manage them. Otherwise, we will have a lot of wastage of current resources, and inefficient implementation of policies

- Lee Khai: The MBPP is sitting on a lot of dilapidated buildings. In that connection, I think there is a waste of resources and inefficient use of them.
- Tony Yeoh: There's a lot of duplication at the federal level as well as the state level. For example, the Malaysian Digital Economy Corporation (MDEC) as a central agency should be dealing with strategy and planning, and be leaving implementation to the states. Instead of working with Digital Penang, for example, MDEC wants to set up their own state-MDEC in Penang. This doesn't make sense; we are duplicating resources.

Environment and the City

Dato' Seri Harry Cockrell (Chairman, Pacific Tiger Group; The Habitat Group)

- The Habitat, Penang Hill, has become part of the "UNESCO Man and the Biosphere" programme, and is a good example of a successful public-private partnership. It is now among the top tourist attractions in Penang, bringing in revenue through hotel stays, foreign and local tourists, domestic travels, etc. Revenues are shared with The Habitat Foundation, which in turn distributes funds for education, heritage and environment preservation.
- Penang Hill and The Habitat have inspired Pahang to draft and adopt an Environmental, Social, and Governance (ESG) blueprint for the state. This in turn led to the enactment of the Pahang Biodiversity Council, a 110,000-hectare peat swamp carbon project. A small rainforest project is also being planned in Sabah.


- 
- Despite a lot of discussion, there is very little coming from the federal government in terms of legislation, policies and tax environments for a national carbon market. We are currently looking at the voluntary carbon market because there is no compliance market. But this has meant a lost opportunity, because the voluntary carbon market has effectively collapsed due to excessive greenwashing. Malaysia's current development trajectory is dependent on the extraction industries, but how long this continue is hard to say. We have to shift away from the zero-sum mind-set of "environment vs development", towards seeking equilibrium and larger benefits for future generations. The Federal Government needs a very clear policy on carbon markets that is specific for Malaysia.
 - Malaysia is currently one of the world's 12 Mega-Diverse countries, with a nature 'backyard' as old as the Amazon, the Congo, Dunham Valley. This can be taken advantage of.

**Prof. Dato' Dr. Zulfigar Yasin (Marine Environment Hon. Professor, CEMACS, USM;
Visiting Senior Analyst, Penang Institute)**

- Modelled sea-level rise for Penang by 2050 based on the current trajectory of representative concentration pathway (RCP) shows that business-as-usual will see our coastline and Bukit Tengah becoming the foreshore. This means that economically very significant areas in the state are going to be flooded or underwater by 2050. Business-as-usual will also mean that many of our plans (infrastructure, agriculture, housing) will turn out to have been unrealistic. Balik Pulau and Bayan Lepas will be underwater by 2050.
- The development of carbon markets and biodiversity credit needs to take a regional, ecosystem-based approach (vs a national/political approach). We need a long-term approach. For example, we should ask how we can develop saline-tolerant paddy.
- If gazetted, the prospective Middle Bank Marine Sanctuary can serve many functions: as cheap, natural barrier against tsunamis; as fish sanctuary to benefit maritime areas and habitats far away; and even as freshwater reservoir.
- We should stress resilience more than mitigation due to the greater effects of the former compared to the latter.
- Space management will be key. How do we develop our crops in relation to the changing spaces? Can we turn parking spaces into spaces full of trees? Where can solar panels be best located?

Dato' Cheok Lay Leng (General Manager, Penang Hill Corporation)

- UNESCO's 'Man and Biosphere' reserves are not about the environment as such, but also about economic activities harmonising with Nature. The year 2050 is Net Zero year. Our eco-tourism should emphasise the distinctiveness of our environmental destinations, and even offer visas to those who can help develop our biospheres.
- For "Penang 2050", there should be four basic conditions for sustainability: (i) Nature: We need to protect not just Penang Island but the mainland, too; (ii) Economy: We should continue to drive industrial growth. Problems will, however, arise if we keep too much to the trajectory set 30 years ago; (iii) Society: We urgently need a good balance between state and community/society, and lastly; (iv) Individual well-being. We need to consider the wellbeing of all groups in the state.
- There are many challenges facing Net Zero 2050: Do industries place importance on ESG? The torch is currently being carried by the larger companies, not the smaller companies.
- The best way to conserve is to take proactive steps to redevelop the ecosystem, as opposed to waiting for the ecosystem to decline before we react.
- We should tap into the expertise available in Penang of expatriates who have retired but still have a lot to offer. Among the areas to relook is how to reduce the outflow of FDI through, for example, the repatriation of salaries and other outflows. How much do we benefit, ultimately, from FDI if most MNCs are staffed by foreign workers who send their salaries home? How do we increase the salaries of locals and middle income groups?
- At UNESCO meetings, many social other scientists are involved, and a lot of time is spent discussing data. I suggest we engage more engineers and bring them into the conversation to think of solutions and to implement them.
- We need to update our masterplans, use more renewable energy, upgrade our technology adaptation, adoption and deployment.
- We need more multi-disciplinary and inter-disciplinary research—not the old, compartmentalised way of doing things. Climate change is a huge topic, but there is increasingly less discussion




about forests. Forest preservation is a priority, but the bulk of the discussion should be on what the economic activities and mitigation efforts are which we need to create resilience.

- We need greater state government efficiency, and agility in the way we operate. Smaller states ought to be more agile. We have to speed up the way we do things.
- We need to promote, rebrand and re-imagine eco-tourism. Engineering innovations are sustainable. Penang Hill and many other eco-tourism hotspots have remained the same way over 30 years ago. We don't need to build theme parks in such eco-tourism spots, but we do have to promote eco-tourism, and rebrand and re-imagine Penang Hill.
- Triple-Count status: Penang state should strive to attain Triple-Count Site status under UNESCO. We currently have the George Town World Heritage Site and Penang Hill Biosphere. There is some way to go. Sabah already has UNESCO Triple-Count Site status.

Questions & Comments on Environment and the City

- Dato' Dr Ooi Kee Beng: The Middle Bank Marine Sanctuary, if successfully gazetted, would be a good addition to Penang's general heritage status. We would then have an urban UNESCO site, a Biodiversity Sphere, and a maritime sanctuary all in one small state.
- YB Gooi Hsiao Leung: We need to build on Malaysia's ESG status. Malaysia supposedly ranks 7th in the world for green solutions. Bursa Malaysia has started a carbon exchange, but I don't think we are tapping into it. There are no Validation and Verification Bodies (VVBs) operating in Malaysia. No carbon credit has been given to any Malaysian entity, in spite of all the talk about ESG's importance.
- Dato' Seri Harry Cockrell: There's going to be a groundswell of funding for green finance. I think it's a wonderful idea to bring Penang into that picture, to make it a centre for green finance. A financial centre is a wonderful way to lead to that.

We could showcase what we're doing in Pahang. Aside from the carbon project, we have also secured the first tiger reserve outside of India: 134,000 hectares which sits on the southern border of Taman Negara. That in itself requires funding. We have the opportunity – because of degraded areas that were created by palm oil, logging, mining – to convert



those into carbon projects. That would be a revenue stream for these kinds of projects. This can be replicated everywhere in Malaysia; we anticipate a groundswell of requirements and demands for funding. If we have the right kind of structure, the right kind of entity, and a financial centre that's leading. Penang would benefit tremendously. We have just secured the management rights over the tiger reserve; the intention is to support the state park corporation. We're talking about sukuk, or a bond issue – 'tiger bonds'.


We're estimating roughly US\$10 million per year for operational costs, not including CapEx requirements. CapEx requirements, I estimate in the next four to five years would be in the neighbourhood of US\$25 million, and this anticipates a soft-release facility in order to save the Malayan tiger. We need to identify where the Malayan tigers are, and have natural increases in the population. But we will complement it with what can be produced in Malaysian zoos; we would then have the landscape which we can re-wild.

Within Man and the Biosphere, we have a 5,000-hectare marine park. If the Middle Bank Marine Sanctuary is gazetted, that would sit very well in terms of responding to Sumatra, in terms of baby fish. And there are also Irrawaddy dolphins in Penang waters, which are critically endangered.

- Tan Sri Andrew Sheng: The carbon market is very complex, and I believe only practitioners like Dato' Seri Harry Cockrell can get it done – not the kind with present structures nicely designed by consultants who are not really on the ground. How we can fund social change is to bring to Malaysia the latest innovations. The Indians have started what is known as a social stock exchange. The true Islamic stock exchange is all about equity and no debt. The real fundamental of Islamic finance is "equity with justice". The Bursa has all the machinery to do this – matching of people who demand capital with people who can supply the capital.

The big problem is branding: as a commercial company, you spend 7-10% of your money just getting an IPO. The Indians suddenly realised that the machinery's all there: the trading platform, the clearing platform, the payments platforms... they're all there, even the IPO process. What is now needed is the instrument to match the social enterprises who need money but who don't know where to get the money.

The social stock exchange is a brilliant idea. The Indians have done this because it needs very little legislation; it can be quickly done; all the infrastructure is there. What does it trade? It trades a zero coupon, no returns. Basically, you give money on the promise that



they deliver what they promise to deliver. If they promise on biodiversity, they deliver. If they promise on social care, they deliver.

So all we need is to get this infrastructure done, to persuade Bursa Saham and the Securities Commission. We will have to teach them how to IPO, essentially.

- YB Steven Sim: Islamic wakaf/endowment can be a form of the alternative financing that the world is now seeking. In the 2024 Budget, Prime Minister Anwar Ibrahim put a lot of premium on wakaf-based development. Penang has already started; Wakaf Penang and Wakaf Selangor already work on an endowment concept to create an “Islam for development” fund.


‘Old Money’ capitalists are investing, but they’re doing that in property and the stock market. I think it is incumbent to spark off the conversation and incentivise Old Money to invest in technological start-ups, in artificial intelligence, in medical tourism, etc. The Old Money is there; the problem is that there is no courage or little incentive for them to move beyond traditional asset investments.

- Ms Narelle McMurtrie: We have an amazing product in eco-tourism and MICE that a lot of tourists don’t know about. We have much that can be turned into tourism products. We have a lot of opportunities that we’re not looking at.
- YB Steven Sim: We can develop our core competencies, such as in heritage tourism, eco-tourism, medical tourism, niche tourism, education as a semi-tourism sector, cultural tourism, etc.
- Tony Yeoh: The George Town Heritage area is already looking tired, what more in 2050. We really need to have a stronger urban renewal policy. Perhaps we need to relook local government policies, especially regarding en bloc. Currently, 100% agreement from owners is required before a building can be sold en bloc. A change there can spur the economy along.

Socio-Cultural Development

Lee Khai (Managing Partner, Ong and Manecksha; Advisor to Penang Art District)

- Despite challenges, there is great potential for art to thrive in Penang: Penang’s art ecosystem is rudimentary and nascent, with numerous missing links. The absence of a well-established




art establishment makes Penang an intriguing experimental landscape for the arts. Advocacy for a higher public appreciation of aesthetics and the arts must be highlighted as a means to foster citizen expectations for higher standards – of the government as well as players in the creative industry.

- The East and West shall meet - in Nusantara. Penang is characterized by racial and religious eclecticism, often described as “rojak” in a positive sense, reflecting a delicate equilibrium achieved over 200 years. However, this diversity is fragile though dynamic, and requires continuous effort to maintain. In the realm of the arts, distinct parallel worlds exist between Western and Eastern traditions, particularly in visual arts. The challenge is to bring these worlds together and to foster intersections. In the performing arts, three parallel worlds— Eastern, Western, and Nusantara (Malay arts)—rarely intersect; this clearly indicates a need for collaboration. The importance of driving local narratives should be stressed, calling for the development of a robust arts ecosystem, including the active involvement of art schools and regional platforms to showcase the rich cultural heritage of Southeast Asia and the Southern Seas.
- Need for basic infrastructure... and more specialists: Penang’s arts scene is hindered by a lack of basic infrastructure, notably the absence of a dedicated online and physical box office. There is a great need for the creation of a centralised platform for arts promotion and branding. The state government should invest in an online presence for the arts, and a digital billboard dedicated to arts events. The absence of such an infrastructure is a factor contributing to the difficulties in maintaining world-class events like the Penang International Jazz Festival. Art professionals beyond artists should be nurtured, with an emphasis on creating curators, historians, critics, conservators, appraisers, and insurers. Together, these constitute a dynamic and comprehensive arts ecosystem. Given the boost from the World Heritage Site status and private initiatives like street art, the need for proper arts infrastructure is ever stronger, if Penang is to regain its age-old status as the art hub of Malaysia.


Narelle McMurtrie (Owner, Bon Ton Langkawi & ChinaHouse, Penang)

- Rejuvenating Penang arts: The vision is to transform Penang into a creative destination, by collaborating with neighbouring countries and offering permanent spaces for artists. The outflow of creative brains needs to be slowed, for example, by incentivising young individuals to establish creative spaces, and setting up mentor programmes so that established creatives



can nurture the next generation. Inviting back Penang's diaspora, especially those who have achieved success elsewhere, is a valuable strategy for gaining insights and fostering collaborations in the creative realm.

- **Engaging the private sector:** There is a pressing need for significant funding to revitalise the arts in Penang. We could engage multinational corporations and large organisations that have invested in the region, and leverage the tech presence in Penang. We could establish a tech R&D museum downtown to showcase innovations from chip makers and other tech companies, fostering a connection between the tech industry and the community.
- **Organising the creative industry:** A suggestion is made for the appointment of a General Manager for the creative industry who can bring together various stakeholders, secure grants, design marketing programmes, and facilitate collaboration. The Federal Government should be convinced to shift from small grants with limited impact to a comprehensive approach that amounts to a strategic plan for the creative industry's growth not just in Penang but across the country.
- **Creative visas:** A one-year Under-30 work creative visa from the Federal Government, akin to Australia's model, would encourage young talents from around the world to come to Penang; this would help foster a reciprocal learning environment.
- **Real museums, please:** The need for the establishment of authentic museums in Penang should be emphasized, and the proliferation of pseudo-museums that dilute the artistic and cultural objectives of the state should be curbed. Addressing tourism offerings downtown, a rethink is needed for us to move beyond cafes, souvenir shops, and superficial museums. It is essential that we revitalize downtown spaces to encourage repeat visits and retain foreign tourism interest. We should be concerned at the lack of creative spaces, music venues and theatres downtown.
- **Repurposing existing vacant buildings:** A practical suggestion involves repurposing existing vacant buildings for use as galleries, museums, studios, art residences, creative offices, and tech schools. Acknowledging potential challenges in securing public buildings, private owners should be engaged and inspired with a compelling and comprehensive plan. The



approach suggests highlighting the potential property value increase as an incentive for private owners to contribute to the cultural and creative revitalisation of Penang.

- Utilising the public-private partnership model, governments can play a facilitating role in encouraging multinational corporations (MNCs) to be patrons of the arts, thereby fostering support for the creative sector.

Questions & Comments on Socio-Cultural Development

- Tony Yeoh: I have a question for Dato' Seri Harry Cockrell: The public-private partnership model used for The Habitat, can it apply to the creative arts? And what would the success factors be, you think?


Dato Seri Harry Cockrell: Absolutely. It can be used.

- YB Gooi Hsiao Leung: My constituency is on the mainland. That constituency alone has 1,800 factories. And I have always thought and wondered: you have so many MNCS, so many foreign companies, why are we not tapping into them, working with them on PPP initiatives? I think that is very important.

In Penang, we have always prided ourselves in having close relations with the companies that set up shop here. Knowing and making use of the extent to which we nurture the relationship, the extent to which they feel that Penang is their home, those are fundamental ways for Penang to grow... in the arts and also in industry.

- Dato' Cheok Lay Leng: In all my observations regarding art and culture, the private sector is very important. The government or state government's role is to facilitate and make it easy for things to happen.

When I was based in Japan in the early '90s, about 30 years ago, I visited a lot of galleries, and I noted acknowledgements of Mitsubishi Sumitomo's contributions. Of course, there are entrance fees, but the major sponsors were the big corporations. So you need that Habitat



model. I talk a lot about The Habitat model in meetings in the NRECC (Natural Resources, Environment, and Climate Change Ministry); the public-private partnership model can be replicated in all national parks across the country to educate the general public. Not many people have access to the deep, deep parts of national parks, nor would they have time to do so. The Habitat model gives people 3-5 hours of experience that create huge mileage, and cater to the needs of perhaps 95% of the population. We need that for art and culture. We need to have patrons; we need commitment from the private sector. Personally speaking, I don't think we have done enough speaking to industry players.

We did engage tech companies about supporting Penang TechDome. We should engage them a lot more. I am talking about tier-one public corporations, not the smaller ones. I think we should engage those who have made it, to get them to promote the arts.

- Narelle McMurtrie: I've been working with Think City here, and we were looking at what we could do with the whole stretch of that road. Think City managing director Hamdan Abdul Majeed told me the CIMB is only using the ground floor; all the other buildings are empty. So why can't they give that back to the arts and even show their art collection there? Let's look at the small problems and the easy fixes; things could happen fast. We should use spaces that are not being used.
- Dato' Seri Harry Cockrell: Dato' Cheok touched upon a very good point. In the corporate world, the commitment of public corporations, for example, on the New York Stock Exchange, has very clear and definitive commitments to ESG. So when you have Intel operating in Penang, it's really the head office that needs to be tapped upon in terms of patronage. They will be responsive because they see an opportunity to meet their commitments for ESG and to support their own operations. I think that's an untapped area.

When you talk about ESG, you don't talk about the operations in Malaysia, you talk about the head office in London, the head office in Frankfurt, New York, San Francisco, Tokyo, Singapore, wherever the case may be, That's where you go, and you attack them for the purposes of patronage. I think the response can be very strong.



PART III: TRANSCRIPTS

Keynote Speech by YB Steven Sim Chee Keong (Deputy Finance Minister, and Member of the Board of Directors, Penang Institute)


“Political competition, fiscal devolution, economic evolution”

Thank you, Dato’ Dr Ooi Kee Beng. Tuan Yang Terutama Tun Dato’ Seri Utama Ahmad Fuzi Abdul Razak, Yang Dipertuan Negri Pulau Pinang. Distinguished guests and friends. I have a very difficult role here because on one hand I speak as a true-blue Penangite, very dedicated to my state, and on the other, I represent the Federal Government. So, speaking on federal-state relations puts me in a huge dilemma. But I will try to manage.

I just looked through Andrew’s many impressive slides, so I’m going to skip the externalities and leave those to the professional economists. I’m not going to talk about the risks and issues that we are facing. I’ll go straight into three points with which to frame our discussion. The first is *political competition*; the second is *fiscal devolution* and the third is *economic evolution*. In fact, on the third point, I’m also going to cut out a lot of my thoughts because I think Tan Sri Andrew has articulated similar views very well in his slides.

Political competition

In 1962, the Penang state government tabled a motion to establish a university in Penang, and subsequently, a token M\$10 allocation was provided in the budget, in then-Chief Minister Wong Pow Nee’s words, to indicate that the government had approved the project in principle. So, a M\$10 token allocation was made in 1962. Then-Opposition leader, DS Ramanathan, who was former mayor of George Town and leader of the Socialist Front protested over the token sum and moved a motion to increase the amount to M\$100,000. The State Assembly rejected that. The very next day, DS Ramanathan, being also a councillor in the George Town City Council, moved a motion in the council, which was controlled by the Socialist Front, to set aside M\$100,000 as an “initial and first donation”. Those were his words: “initial and first donation”. This was to set up a university college in Penang, and the motion was of course accepted by the council. About a year later, the Penang state government put in M\$1.5 million for the university project.



Why all the posturing? This old story from the 1960s showcases the impact of healthy and mature political competition. I'm not saying that it's easy, easily in a situation like the one we are in, charged with extreme racial and religious rhetoric. But whether as federal opposition or part of the federal government, Penang has always held a firm stance, especially when it comes to safeguarding the interests of our state. The above example is not only between the city council and the Wong Pow Nee state government; the state government also stood its ground against the federal government until the establishment in reality of a university in Penang in 1969, the precursor of Universiti Sains Malaysia.

Another example is Lim Chong Eu's industrialisation strategy. In November 1969, about six months after his historic win, Chief Minister Lim formed the Penang Development Corporation (PDC) to define and implement the development strategy in the state. In essence, the state government thus took over control of Penang's development's plans, in contradistinction to the federal government's centralised economic planning via the federal Five-Year Plan Strategy.

Similarly, the Lim Guan Eng administration (2008-2017) pursued several state development programmes, often with little or no federal assistance, such as infrastructure construction – notably flood mitigation projects, affordable housing, roads and highway expansion under the Penang Transport Master Plan, the ambitious LRT – as well as the South Island reclamation project.

It is also very interesting to note the popular anecdote about how former Prime Minister Najib (Razak] began giving out BRIM only after Lim Guan Eng started the senior citizens cash transfer programme here in Penang first.

Chief Minister Chow Kon Yeow's Covid-19 strategy is another example. It helped Penang cushion the impact of the pandemic from the onset. Under his leadership, Penang was the first to launch a state-wide Covid-19 campaign, even before the federal government had announced any movement restriction strategy. Penang was also the first to announce and implement the Covid-19 stimulus package; again, some of the aid implemented in Penang was “copied and pasted” elsewhere by the federal and other state governments. Penang was also first to articulate a gradual recovery strategy, one that was praised by experts, including epidemiologists in Malaysia. And finally, we also introduced our own tracer app, called the PgCare (Alliance] app, which was later discontinued to accommodate a “one country, one app” strategy.

This federal-state political competition can obviously yield positive results, especially in favour of local interests. Best practices can be copied and pasted.



Fiscal devolution


My second point is about fiscal devolution. This topic has been widely discussed and we all know the arguments for decentralisation, efficiency, subsidiarity, political competition, *et cetera*. We also know the limitations: how a devolved system can be disadvantageous in terms of costs and diseconomy of scale; the need to balance solidarity with subsidiarity, and; limited budgetary and fiscal space to fund higher federal-state transfers.

Penang is one of the states on the frontlines demanding greater devolution, especially since 2008. But over the years – with the emergence of what I call “strongman chief executives”, such as Lim Guan Eng in Penang in 2008, Zambry Abdul Kadir in Perak in 2009, Mohamed Khaled Nordin in Johor in 2013, Adenan Satem in 2014 in Sarawak, and later, Mohamed Azmin Ali in Selangor in 2014 and Abang Abdul Rahman Johari Abang Openg in Sarawak in 2017 – state governments have been demanding more power and resources from the federal centre. I think we all can agree that the current setup is problematic, to say the least. At the least, like the iOS on our iPhone, we need to update apps to meet our current requirements.

The present devolution of some power to Sabah and Sarawak is proof that we are updating our system under the Unity Government. The Federal Government has initiated and implemented the following devolutions of power:

1. Handing oil and gas supply regulatory power to Sabah;
2. Handing power to the Sabah and Sarawak state governments to decide on projects by JKR (Jabatan Kerja Raya, or Public Works Department] and JPS (Jabatan Pengairan dan Saliran, Department of Irrigation and Drainage), and which are below RM50 million. Previously, all such projects had to be referred to and decided upon by the central government;
3. Increasing the special interim allocations to Sabah and Sarawak in the spirit of Article 112D of the Federal Constitution. Sarawak since 1969 had received RM16 million under this provision. In 2024, they will receive RM300 million. Sabah formerly received RM125.6 million ringgit; in 2024, they will also receive RM300 million.

What is the way forward? Can the federal government afford to devolve power, like in the context of Sabah and Sarawak, to other states in Malaysia, including Penang? What sort of formula should be implemented in the devolution? I think it is worth mentioning that the substance of the devolution debate is not the size of the allocations to the state – or at least, that is not the key issue because the federal government does allocate to states beyond the fixed grant in the form of federal development projects. Just to give you an example: in 2024, for the state of Penang,



on top of the fixed grant of RM341 million, the Federal Government allocated RM1.4 billion for various development projects.

The main problem is this: the state government has very little control, if any at all, over this total of RM1.7 billion fund. As such, to me, the first point of contention here is not the amount allocated, but rather the control over the allocation.

Having said that, devolution to individual states is both impractical and inefficient, given the size of our federation, our states, the physical size of our state population, our budget, and perhaps even in view of legacy institutions like the Federal Constitution.

Hence, I want to suggest perhaps a sub-national devolution by regions instead of states. Essentially, the current devolution policy towards Sabah and Sarawak is regional, in the spirit of Article 112D where both states are perceived, or seen as, two-third partners in the federation. In 2018, I met up with the three chief ministers and Mentris Besar of the northern Pakatan Harapan states: Kedah, Penang and Perak. I suggested to the three states to gang up and create a common strategy in four areas:

1. Transportation: in particular, rail and air transport;
2. Water management;
3. Local government, and;
4. Tourism.

Just to give you an example from this line of thinking: Penang should not compete with Kulim to build manufacturing plants – I know this is controversial, especially when said by a politician – but instead, we should be complementing each other. Perhaps Penang, with our costlier real estates, should focus on high-value high-growth sectors such as design, AI, digital technologies, data analytics, financial services, etc. And Kulim, with cheaper land costs, can then complement us with larger-scale manufacturing facilities. But all this would necessitate a joint-venture development road map, not just with Kulim, but also between the northern states, in particular border towns such as Kepala Batas, Sungai Petani, Nibong Tebal, Parit Buntar, Alor Setar, Kangar. We call this group the Northern Gang. My exact incentive to the three chief executives back then in 2018, was that the Northern Gang would then have greater bargaining power with the central authorities, especially in terms of negotiating for development resources. Perhaps it is time for us to move beyond the federal agency-driven model of regional development vis-a-vis the NCIA (Northern Corridor Investment Authority) to a new model consisting of a consociation of neighbouring state governments.



Let me list at least five advantages that come from this model:

1. We return some local development power and resources to the state government.
2. We deal with the weak economies of scale stemming from the small size of our states in terms of physical area, population and resources.
3. We increase state bargaining power with federal authorities. In fact, a common formula can be agreed upon between federal authorities and regional authorities on resource allocation.
4. We maintain some level of centralisation of resources for efficiency and solidarity.
5. Perhaps, very relevant to our time, we can at least discipline, for the lack of a better word, “delinquent” states and politicians into a rules-based process of resource-management and sharing.


Of course, there are many other matters to be addressed on the issue of fiscal devolution, such as taxation, questions of state government raising bonds, et cetera. But I leave that for another time.

Economic evolution

My third point is about economic evolution in Penang. But as I said, I’ve seen the slides from Tan Sri Andrew, and I think I cannot better articulate things than he does on the future of our economy. So I will not elaborate on this point too much.

I just want to touch on one point which is close to my heart: the issue of the Penang Financial Hub. I know this has been a hot topic in the last few months, and I know what you’re thinking. But bear with me.

First, a bit of background. I started to articulate the need for a more vibrant financial sector in Penang and Malaysia when I went to the Ministry of Finance about a year ago. Then on March 21, I had the privilege to have dinner with His Excellency, Tun Ahmad Fuzi, and among other things, we discussed the possibility of Penang being a financial hub, especially with the blank slate opportunity offered us by the new islands. This, I said, would be the next stage of evolution in our economy. I have spoken to a few state and federal leaders since then, but have not articulated these thoughts widely in public. But in the last few months, several leaders – political and business – have spoken about Penang being a financial hub. I just wish here to clarify my original views.




What I aspire for Penang is a more vibrant capital market, not as an end in itself, but rather as an end game for new growth in our home state. I have always believed in the entrepreneurial spirit of Penang. We are, after all, a society of pioneers and technically, of *pendatang*. We all came from elsewhere. The island was populated only by a handful of families when Francis Light arrived in 1786. So, we were a start-up state even before the word was popular.

Malaysia's E&E supply chain is made up of home-grown set-ups such as Intech (Penang), UWC (Berhad), Globetronics (Technology Berhad), Pentamaster (Corporation), and newer ones like Inari (Amertron Berhad) and ViTrox (Corporation Berhad). And we are also seeing newer high-tech start-ups such as IC (integrated circuit) design companies Oppstar Technology and SkyeChip (Sdn Bhd), and high-tech testing and inspection system providers Inari and Vitrox. We have start-ups like Future School training the next coders and AI designers here in the heritage enclave of George Town. And the Chief Minister Chow Kon Yeow just recently launched '42 Penang', a globally-renowned computer science school. This project was a collaboration between Digital Penang, formerly led by Mr. Tony Yeoh, Sunway Education Group, and Khazanah. Some of these companies are now at the front end of the chip revolution and industry.

But what is our problem? We have the ecosystem; we have a charming living environment, good food. We have the talents of Silicon Valley. But unfortunately, we do not have the money. We don't have the funds. I envision the unlocking of private capital, both new and old money, including via corporate venturing, to fund the next UWC or Oppstar or Vitrox into the 21st century, in high-growth high-value sectors, be it in the digital economy, deep tech, green economy or R&D, all in line with the Unity Government's National Energy Transition Roadmap (NETR) and NIMP (New Industrial Master Plan) 2030 strategies. In *Belanjawan 2024*, MOF recognises the perennial problem faced by SMEs in Malaysia, i.e., money. And hence, one of the biggest increases was to the SME sector, with RM4 billion additional money this year, raising the total SME fund to RM44 billion ringgit.

But government money is never enough. We need to unlock the highly untapped private capital in this country. In Penang, these monies are likely to go into property or the share market. I think it is time to incentivise investments into strategic sector-SMEs. Hence, the need for a financial hub.



Coming here reminds me of what Dato' Seri Chet Singh Karam Singh used to say about how then-Chief Minister Lim Chong Eu would bring his confidantes and colleagues up to this bungalow in Penang Hill for what he called, 'jamming sessions'. Chet Singh also said that Kuala Lumpur was suspicious when the Bayan Lepas Free Trade Industrial Zone was implemented in Penang; the federal government thought that to be Penang's way of getting back the free port status through the back door. As I told the Governor at our March 21 2023 dinner, the 'free financial zone' is our 21st century answer to the loss of the free port zone.

But just like the free port zone and the subsequent free trade zone, the free financial zone is not an adulterous flirt with money or finance alone. It is to ensure sustainable development for Penang.

And with those thoughts on political competition, fiscal devolution, and the economic evolution of Penang, I return the session to our moderator. Thank you.

ECONOMIC EVOLUTION

Dr Ooi: Thank you, YB Sim, for providing the framework for the discussion today.

I shall start by contextualise the day's discussions as best I can. In Penang Institute recently, we started a programme that we call FLAG, short for Forum for Leadership and Governance. And the point of that is to enable Penang Institute and its researchers to participate in conversations beyond immediate Penang policies, and go national, regional, and so forth. This Roundtable is part of that movement. Penang is well known for its public intellectualism, but I don't think we have used that asset properly. There have not been enough platforms to synergise all the brain trusts that actually exist on the island. Over the next three to five years, Penang Institute hopes to play the role of synergizing the many brains, the many public intellectuals, known throughout the region and the world, to help Penang and, by extension, Malaysia, to live up to its potential.

We have three sessions today: Economic Evolution, The Environment and the City, and Socio-Cultural Development.

Why did we choose the term Economic Evolution? As can be gleaned from what YB Sim was saying, during the Covid-19 pandemic, it became clear to us that Penang is very much SME-based. Penang was actually very badly hit; most companies are SMEs, and they suffered greatly for being small and vulnerable. So there has been a lot of discussion after that on diversifying our economy.

Digital Penang was established on our suggestion and planning, right in the middle of all that because we knew that digitalisation of the economy was sorely needed. Getting SMEs to digitalise would need state support. We also looked at agro-tech as another path for growth. In short, *evolution* is a better word to use for how we now think about economic development.

I now ask Tan Sri Andrew Sheng to start the discussion on *economic evolution*.



Tan Sri Andrew Sheng (Chairman, George Town Institute of Open and Advanced Studies, Wawasan Open University)

Thank you very much. Good morning, TYT. Thank you for supporting this event in this beautiful environment, literally at the top of Penang. It's a great honour; it's also the first time I'm here in this building. Not being a full Penangite, I can only claim to be a son-in-law, having married a Penang girl. As Wang Gungwu has wisely said, Home is where the heart is, so that's where I am. Anyway, it's great being here, thanks to Dato' Dr Ooi Kee Beng.

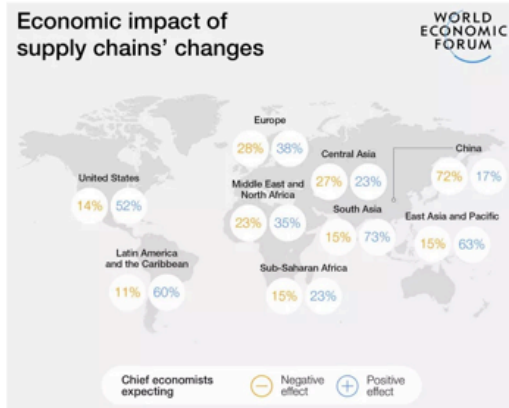
The world is in deep trouble. We all know this. Malaysia is in deep trouble. But crisis is always an opportunity, and we really need to think out of the box. This retreat is a very good opportunity to set all these things in the right tone.

Why is the world in trouble? It's geopolitical. No one ever expected that China would within 40 years move to Number 2 in the world, and mostly achieved in the last 20 years. And so, The Great Bargain has now become The Great Containment. Global supply chains are splitting. And Gaza has revived something that is not just a split between the East and the West, but between Christianity, Judaism and Islam. We now see the moral leadership of the West under severe strain – and suffering distrust from the rest, let's put it that way.

We have gone beyond 1.5 [degrees] in global temperature rise, we're past it. There's no way we can reverse from that. We're lucky if we only get to 2 degrees. And climate disasters are going to increase, temperatures are going to be widened, creating food shortages and water shortages. The Pacific islands will be flooded over time.

In essence, the 'first class' passengers on Planet Earth are telling the business class, "You're not allowed to get up to first class. And by the way, you in the economy class, you'll pay for it all." That's the bluntness of this.

Return of Industrial Policy Means More Protectionism, Less Free Market Competition

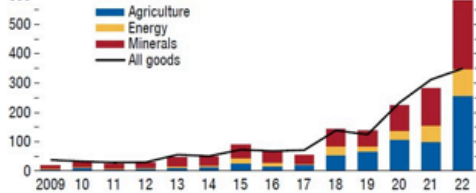


All these factors have behind them old mind-sets that don't work anymore. The free markets have gone, it's all about protectionism and state intervention now.

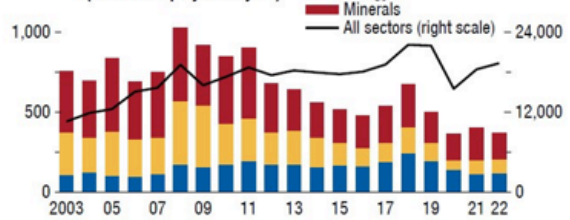
Trade-restricting Measures on Overall Trade Increased 3.5 Times in 2022

Figure 3.4. Signs of Fragmentation

1. Number of Trade Interventions by Sector (Indices, 2016-19 = 100)



3. Foreign Direct Investment and Cross-Border Mergers and Acquisitions (Number of projects a year)

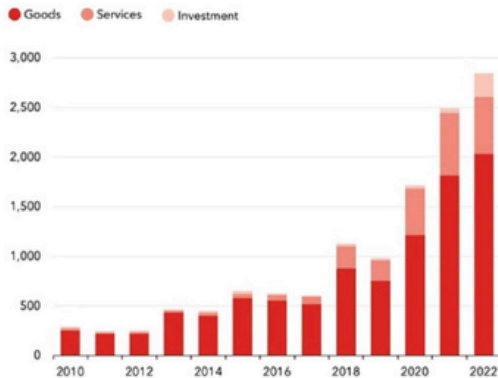


Source: IMF, 2023

8

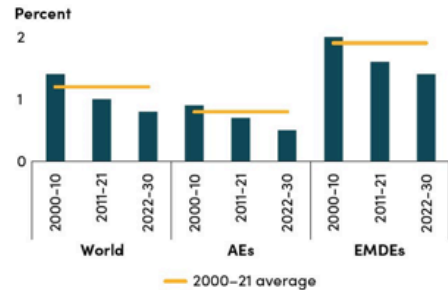
Trade Barriers Inching Upwards and Worldwide Drought in Factor Productivity

FIGURE 5. Number of trade restrictions imposed annually worldwide



Source: CGD, 2023

FIGURE 6. TFP growth



10

In this environment, how is Malaysia to survive and thrive? The answer is, by all accounts of studies on the period up to 2050 - with the exception of war: East Asia plus South Asia will generate 50%-plus of world growth. Northeast Asia is aging, and rich Southeast Asia is young and moving toward middle-class status.

The environmental impact is going to be huge, unless China and India and the others get their act together. Forget about the West getting its act together. They just talk, but are not willing to fund the rest. That's the big-money problem. So, recession and slow growth – if not war – are the danger, and everybody has to man the lifeboats and plan for themselves. There's no Seventh Cavalry coming. My joke of this 'Western' movie is that I used to love clapping with the 7th Cavalry coming. Now I realize I'm the Indian – the Seventh Cavalry is coming after me. We have to look after ourselves. And the good news, of course, is that we are in the growth zone. And Northeast Asia needs ASEAN, South Asia needs ASEAN. The West needs ASEAN. We are going to be the growth zone provided we are not Balkanized. That is the big geopolitical strategy on which, TYT, you are the expert. I'm only seeing it from my perspective. There is opportunity for ASEAN.

By 2030, ASEAN fourth largest PPP \$14.7 trn, after CN (\$47.4), US (\$24.3), India (\$19.4) and Japan (\$5.9 trn)





But within ASEAN, Malaysia is in trouble because we are moving from top-end to middle-end, to be grouped with Vietnam, Philippines and Indonesia. These are economies with 100 million-plus populations, which are growing very rapidly. Indonesia is to become the 4th largest economy in the world. It was meant to be ASEAN being the 4th largest. But Indonesia says, 'If I grow like that, I don't need the others. Vietnam is a mini-China, Communist Party-led, very focused, very hard working. They have their corruption issues, but they're getting beyond that. The Philippines, also; just on the digital side, people tend to forget that the Philippines is Number 2 in call stations and offshore business centres, after India. Frankly, in some areas, they are better than India.

Regional Growth by 2050 (PwC estimates) – Indonesia 4th largest by PPP,

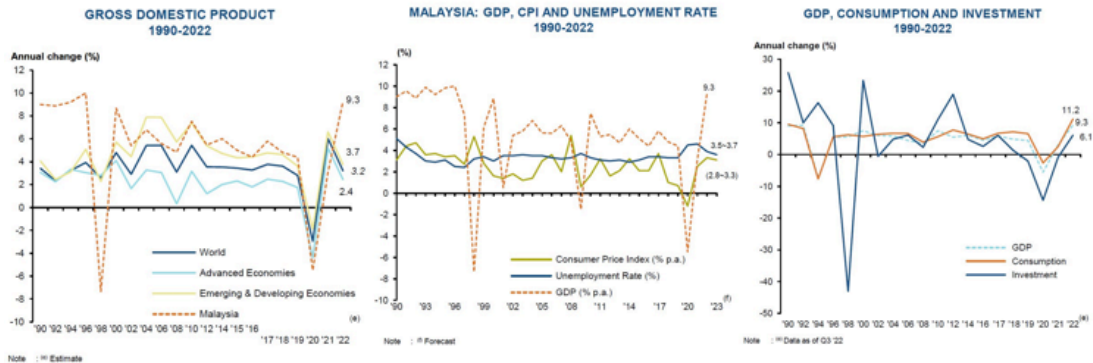
- **Indonesia** - by 2045, at 100th year of independence, population of 309 million people, growth rate of 5-6 percent and GDP of US\$9.1 trillion, with income per capita of US\$29,000
- By 2050, larger than Japan
- **Vietnam** to double GDP per capita by 2030 and eightfold to \$32,000 by 2050. Per capita GDP of \$4,100, up 10.8% from 2021. Target GDP growth of 6.5-7.5% between 2030 and 2050
- 20th position by 2050 (ahead of PH)
- **Philippines** – growing at 6.3% in 2023, PwC estimate by 2050, 19th largest economy (just behind South Korea)
- **Thailand** – PwC 25th largest
- **Malaysia** – Mid-Term Review of 12MP 5-6% growth, achieving High Income per capita RM61K or US\$13K; 24th largest by 2050

12

But our problem is that our growth model since the Asian financial crisis is, sorry to say, debt-driven. Our fiscal debt has increased rapidly. Our household debt is highest in ASEAN, if not the world. And our domestic investments are very low.



1990-2022: Growth Slowed post -1998 Asian Financial Crisis, Driven By Consumption and Debt Increase



Source: EPU, 2022

33

So, we have been very successful in getting foreign direct investments in, but that's only because of US and China, not because we've got a lot of cheap labour or got a lot of tax benefits, It's just because Indonesia, Vietnam and the Philippines are moving. Because of the 2018 hiatus, we lost the opportunity, while Vietnam and Bangladesh took advantage of that faster than us.

Oil and gas

Now, if we look at the economy in the three areas where our three major exports come from, we see clearly that we are in serious trouble.

Most – 80% – of our oil and gas is offshore. And because of the dispute over 30% versus 5% (royalties to the states), Petronas does not want to accelerate production. So oil and gas will not save us. There's very little downstream oil and gas. Private sector players are not very much involved, because Petronas dominates the industry.

Malaysia's GDP by Activity (1970-2022) and by Expenditure (2022) – Oil, Palm Oil, Tech and Tourism

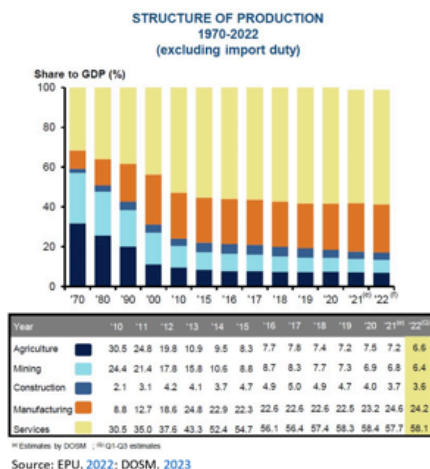


Table 1: Annual Percentage Change of Malaysia's GDP by Production and Expenditure Approach, 2021 - 2022 and Q1 2021 - Q4 2022 (%)

Economic Activity/ Expenditure	2021	2022	2021				2022			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	5.1	8.7	-0.5	15.9	-4.5	3.6	5.0	8.9	14.2	7.6
PRODUCTION										
Agriculture	-0.2	0.1	0.1	-1.5	-2.0	2.8	0.1	-2.4	1.2	1.1
Mining & Quarrying	0.3	3.4	-4.4	10.6	-3.2	-0.6	-1.1	-0.5	9.2	6.8
Manufacturing	9.5	8.1	6.7	26.7	-0.8	9.1	6.6	9.2	13.2	3.9
Construction	-5.2	5.0	-10.4	40.3	-20.6	-12.2	-6.2	2.4	15.3	10.1
Services	1.9	10.9	-2.3	13.4	-4.9	3.2	6.5	12.0	16.7	8.9
EXPENDITURE										
Private Final Consumption Expenditure	1.9	11.3	-1.5	11.7	-4.2	3.7	5.5	18.3	15.1	7.4
Government Final Consumption Expenditure	5.3	3.9	5.6	8.2	7.1	1.6	6.7	2.6	4.5	2.4
Gross Fixed Capital Formation	-0.9	6.8	-3.3	16.4	-10.6	-3.0	0.2	5.8	13.1	8.8
Exports	15.4	12.8	11.7	37.1	4.2	13.0	8.0	10.4	23.9	9.6
Imports	17.7	14.2	12.2	35.5	11.4	14.5	11.1	14.0	24.4	8.1

Mining and Agriculture down, Manufacturing and Services up from 8.8% to 24.2%; and 30.5% to 58.1% respectively.

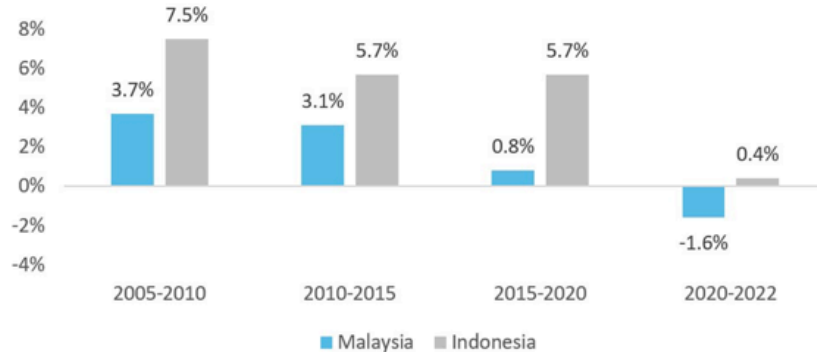
35

Palm oil

Our palm oil has reached its limits. In fact, from an environmental point of view, palm oil has some serious problems. After three cycles of 25-year growth, the soil may be depleted. We are right in the middle of that tricycle. It's difficult to predict. Frankly speaking, we handed our technology and our estate management to Indonesia, made them Number Two, and then we didn't even go downstream. From a strategic point of view, the palm oil guys who are the richest, never benefited from the largest commodity price increases in palm oil ever.

Crude Palm Oil Plantation Growth Limited By Land and Labour

Crude palm oil production growth, %



- ❑ Drop in production due to foreign labor shortage from 2020-22 due to covid restrictions.
- ❑ Ageing palm trees lowering production yields.
- ❑ Planted area growth stagnated after 2015 and limited landbank due to environmental considerations.

Source: UBS. 2023

38

The stock markets did not go up because every typical 28-year-old Western investor sells when the price goes up. Palm oil kills orang-utans, destroys the environment, we don't like this, we sell. Look at palm oil stock prices – they never went up.

We had the highest palm oil price, and the highest tech last year, and the economy did not boom. Nobody felt it. This is really serious: it is the dog that did not bark in the night.

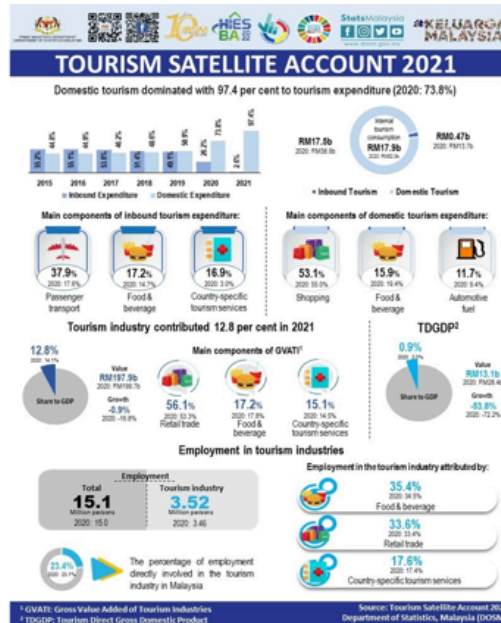
Tourism

Tourism is major driver of services growth, accounting for 12.8% of GDP in 2021 (mining 6.8%, agriculture 7.2% and manufacturing 24.6%).

Domestic tourism accounted for 97.4% of tourism expenditure in 2021 (44.8% in 2015).

Huge opportunities for eco-tourism in states like Sabah, Sarawak, Pahang etc.

Source: DOSM, 2022



41

Tourism has been our mainstay. Domestic tourism has done very well, and held on after the Covid-19 crisis. I must congratulate the Malaysian civil services on the health side and on the security side. They did well, and that goes to show that Malaysia still has a lot of strengths.

But eyeing the competition that's coming up, things look scary for Malaysia. I happen to be on the International Advisory Board of the Thailand Development Research Institute. I'm one of three foreigners, alongside Zeti Aziz, the former Bank Negara governor, and a third person who is with the Bank of Indonesia Institute. So I do keep track of what's happening to our neighbours; their talent, vision and execution just scare the life out of me, as a Malaysian. It's not something that I say lightly because, as you know, TYT, I was with Bank Negara and the EPU.

Tech


What Penang can do historically, obviously, has to be tech and tourism. And to supplement what was said by YB Sim, the way of the future is the knowledge-based, nature-based economy. It's all about what I simply call Talent-to-Talent plus Equity and Environment, or T2T + E&E. If we have a very good strategy building upon our talents in Penang, which is being exported to Singapore, Hong Kong and beyond, we can train all our digital coding guys tomorrow. But being offered 3.5 times our salary level, they go to Singapore. It's a reality. So we really need to be thinking out-of-the-box in this area. I see a lot of opportunities. As YB Sim said, and I've just come back from Sabah and Sarawak, I think those two states are moving. Can Semenanjung get its act together now or not?

The strategic issue for us is that Nusantara, the new Indonesian capital, is going to be in Borneo, and it will just take one hour flying from Kuching to Nusantara and 1.5 hours flying from KK, to get to. To Kuala Lumpur takes 2.5 hours. So, Semenanjung and Putrajaya needs to understand the national threat here. With Indonesia growing at 7-8% annually, their government's first priority will be to develop Kalimantan (Borneo), which means Sabah and Sarawak will boom. If Sabah and Sarawak boom, that may be good for Malaysia at some level. But how will it affect national unity? Very clearly, that's a key issue that is facing us all.

Mr Tony Yeoh Choon Hock (Special Advisor to EXCO YB Zairil Khir Johari for the digital portfolio, former CEO of Digital Penang)

Thank you, Dr Ooi for the invitation. And thank you, Tun, for hosting us in this beautiful place. Just a bit of background about myself: I left Penang when I was 17 years old; I was away for 40 years, living and working in six different countries. After I came back, the state government was setting up a digital agency. I became its CEO and spent three years, over the course of the Covid pandemic to help set up the agency, Digital Penang. Some of the experiences that I had during those three years made me think: "Maybe we're doing a bit too little, too late". That agency probably should have been started 10 years ago. We have missed the IT wave. But I also hope that it's still not altogether too late; we still need to be in the game.

The main strength of Penang has always been in hardware and in manufacturing. Malaysia as a whole as well. We're not very strong in software. But I think it is still worth going into it because we need to have a balance of software and hardware in the economy.



What cannot be changed in Penang are the geography and the history. The question then is, how do we leverage our geography and our history?

In terms of geography, I think we haven't really taken advantage of our position. Obviously, global connectivity is our natural asset. But we don't seem to have proper telecommunication connectivity. That's one big hole in our ecosystem.

There are certain things that are very critical and essential for Penang: water, energy, and by far the most important, talent. Take myself as an example: a person who left when young and then comes back only in his sunset years to try and contribute. Much has been lost. How we *retain* talent is a key issue for us.

If we consider the fundamental economic factors of land, capital and talent. there's only so much we can do about land. Reclamation can take you only so far.

We need to look at how we attract capital. As an example, during the 2008 crisis, Singapore attracted two integrated resorts, each one investing about a billion Singapore dollars each. And that inflow has continued to grow for them. A huge inflow of capital is what we really need in Penang. How do we get that kind of inflow? One challenge is that the ringgit keeps dropping.

And the last part is talent. We have two engines of growth: manufacturing and tourism. Manufacturing is actually morphing itself. It's becoming "source, make and sell". You have entrepreneurs from China now setting up factories in Mexico because it's close to the markets. Indonesia and Vietnam have huge markets; Malaysia doesn't have that. So how do we "morph" our manufacturing? If you look at the technology trends, definitely, automation is the way to go. Robotics and all that is going to come with AI.

So we need to defend the strength that we have in semi-conductors. How do we defend that? Perhaps by getting into making automation equipment; this is something our factories are doing already. We just need to double down on automation equipment-making.

But more importantly, what other adjacent supply chains can we branch into? I tossed this around when I was running Digital Penang: We need to leverage our engineering talent and get into adjacent supply chains, like satellites. That's going to be the future. Wars are going to be fought from space. Getting Tesla in is great. But actually getting into Tesla's *supply chain* would be even better. SpaceX's supply chain is even better. We don't need to actually be the research arm and all that stuff, but we have to be in their supply chains.

Synthetic biology

In terms of life sciences, again, I am afraid that we are a bit too late, because synthetic biology is coming; DNA design and editing; all that is coming. And so getting into life sciences will require a huge investment. But I think we can still get into that supply chain because reactors are needed, machines for gene-testing are needed; stuff like that is needed. So that is another supply chain that we can get into.

We humans need to worry about three technological advances converging:

- (i) Chip technology is now very advanced and processing is very fast;
- (ii) Artificial Intelligence algorithms are getting better, which means that the ability for machines to become a bit more like human increases by the day; and
- (iii) Advancements in energy technology or storage.

A lot of convergence is in fact already happening. Technology creation is very fast – new technology, new versions. Technology adoption is a slower process, often taking about 50 years – one to two generations. We're only now seeing ATMs being phased out by e-wallets. That took about 50 years. So technology adoption is a very long process, while technology creation is rapid. Looking at 2050, we need to prepare and predict what's coming.

One last point, and this is on tourism. I don't think Penang can compete regionally in many areas of tourism. We have to be very niched. For example, we could get more seriously into MICE (Meetings, Incentives, Conferences and Exhibitions).

Dr Ooi Kee Beng: Thank you Tony. We move to the next speaker, to a subject mentioned earlier by YB Sim. The Chief Minister's Office contacted Penang Institute a couple of years ago, to work on federal-state relations. That was when we began working very closely with YB Gooi Hsiao Leung. We ended up having a Federal-State Relations Committee being formed, of which YB Gooi is a member. May I pass the floor to you now, YB Gooi?

YB Gooi Hsiao Leung (State assemblyman for Bukit Tengah, and Member of Penang's Federal-State Relations Committee)

Thank you, Dr. Ooi. Tun, YB Sim, distinguished members of the panel. Tun, I'm Penang-born, Penang-bred, and have lived here all my life – 50 years. Just to give a brief introduction: I'm a trained lawyer. I've known Mr Lee Khai here for a long time. Formerly, I was the Member of Parliament for Alor Setar, and I'm now serving as state assemblyman for Bukit Tengah. Thank you again, Dr Ooi, for asking me to join this very meaningful Roundtable.



Penang's History of Economic Innovation

Penang has really come a long way since the '60s and '70s when we were faced with critical challenges. As YB Sim pointed out, and all the very distinguished members here know, when the free port status was taken away, Penang's economy suffered badly. We had a very high unemployment rate - higher than in many states, reaching 43%, at some time. We managed to overcome that very difficult period. I was inspired, in fact, by Tun's speech recently, in March 2023, at the Penang Future Forward Summit held at G Hotel. I was not there, but I read about it. Tun struck a chord with me when you said that Penang requires boldness on the part of its leaders. They need to stare into the eye of the 21st century. You were also talking then about reviving the free port and also setting up a sovereign wealth fund for Penang.

If we go back in history, we see some very ingenious or innovative ways with which Penang has had to deal with challenges. One was the setting up of PDC (Penang Development Corporation). I think Penang was the first state that actually established an economic development cooperation. In doing so, it basically limited federal control over its economy. Or rather, it gave the Penang state government control, limiting bureaucratic constraints and restrictions coming from the Federal Government. That worked very well. It was very novel, and the switch into manufacturing export and industrialisation worked very well for Penang.


There are two other innovations that I find interesting regarding actual future planning in Penang. One is the PDC's creation of a land bank, and the other is the founding of the Penang Skills Development Centre (PSDC).

The implementation of the (1970 Robert) Nathan Report at the time was for PDC to start acquiring land for the next 20 or 30 years. It was to create a land bank. That innovation has helped create a lot of industrial parks. One other problem then was the lack of skilled labour. To solve that, the PSDC was formed. The PSDC has been noted for its success, leading many countries to implement the model.

Federal-State Relations

Penang's people may be relatively rich, but the state government is not. Tun, Malaysia is one of the most over-centralised countries in the world. The states are given very little power. We all know that after 2008, after Pakatan Rakyat, or the federal opposition, came into power in Penang, the Federal Government did much to stop, or rather, to interfere or obstruct the running of the state.

In DUN (Dewan Undangan Negeri, state assembly) sittings, we often heard many complaints about this. I remember our Chief Minister talking about how sometimes, in those days, not now,



MIDA (Malaysian Investment Development Authority) would actually dissuade investors from coming in Penang.

YB Jagdeep Singh, during his speeches at the state assembly, would often talk about how difficult it was to get an appointment with, or to step through the doors of the Housing Ministry to talk about housing problems that Penang faced.

Development funds from the Federal Government would get diverted to state development offices outside the control of the state government, so that basically, they could manage the money and the state government would not have access to those funds. The examples are many.


The Penang Master Transportation Plan (PMTTP) is one area where we had huge problems getting funding and approvals. Then in 2018, when Pakatan took over the federal government, we enjoyed a brief period where we got guarantees from the federal government on funding. But after the Sheraton Move, those were taken back. Now when we have a new federal government, and a new prime minister, we are, of course, very happy at his announcement that the Federal Government will fund the LRT project in Penang.

Our federal-state relations remain complex. The old story goes that, basically, the Penang state government does not even have the power to design or plan bus routes or where to set up a bus station.

I want to inform the panelists here that with the help of Penang Institute, we were asked by the Chief Minister sometime last year to come up with a report on enabling decentralisation. The report, now downloadable on the Institute's website, offers three recommendations.

Enabling Decentralisation

The first calls for the establishment of a national or royal commission on federal-state relations to look at the whole working arrangement of federal-state relations. I think that could go a long way. We need clearly defined policies and structures. Tun, regarding many of the development projects Steven pointed out earlier, yes, we have RM1.4 billion in allocations that come from the federal government. But this goes into the hands of the ministries implementing these projects. The state government has no say whatsoever. When you have a situation like this, it's difficult for the state government to plan. And, of course, historically, Penang has continuously gotten the lowest development funds or allocations from the federal government. This is a fact, and the excuse I hear often through the Chief Minister, and which is given by the federal government is: "Penang is already doing so well, so Penang doesn't need the money." But that is a flawed way of looking at development.



The second recommendation in the report is somewhat similar to what YB Sim was suggesting. This is about having regional cooperation between states. The recommendation calls for the forming of an all-states collaboration committee. Now the purpose of that is for states to come together and talk, whether formally or informally, and find common causes that they can work on. In fact, last year, our committee had already organised a meeting between three [state leaders] of Pakatan states: Penang's CM, Selangor's MB, and Negeri Sembilan's MB' This would have been the first inter-state collaboration meeting to strategize on federal state relations. This was to be held at Penang Institute. However, elections were called, and the event was quickly cancelled by these chief executives.


The third proposal is to establish a select committee in Penang on federal-state relations. This was done just before the elections. For the first time in Penang, a Select Committee on Federal State-Relations was set up. Unfortunately, electoral considerations that arose then meant that not much serious work was ever carried out. The Select Committee was tasked:

- (i) To raise awareness on federal-state relations among the general public. understanding that these would allow for deeper discussions on devolution and stronger support for a rethink of federal-state relations.
- (ii) To be a platform for meetings among civil servants from different agencies. On any subject, social welfare for instance. The agencies involved could meet up with other stakeholders throughout society, to air problems and discuss solutions.
- (iii) To stimulate discussions on the layered system of government. Penang's people have long advocated for the reinstatement of local government elections.

I shall end here. Thank you, Tun and everyone, for your attention.

Questions & Comments

- Tony Yeoh: I don't know what the real formula is, but I think reinvestment into a state needs to be proportional to the revenue generated by the state. There must be some element of that. That should be how the formula can be redesigned.




When you said that Penang people are rich and the state poor, I think it goes back to our land policy. We need to look at how we recycle land for future generations. Today, all land is alienated on a freehold basis, and given that we have limited land, I think the state needs to look at requiring land to be held on leasehold. That way, we can recycle it for future generations. Today, a lot of land is not in state hands; it's in the hands of the private sector, and it's therefore very hard for the state to drive any intervention for growth. I think that's something that needs to be looked into.

- Dato' Cheok Lay Leng: I just want to add a comment about land use. Having spent many years overseas, I think in many countries, land pieces actually have limited lifespan for private use. For example, in China, it's 60 years. The same applies in Singapore and Hong Kong.

Penang has resource constraints. Land is one big issue. So I do concur that land use is something that we ought to seriously look into. We have many Special Area Plans, we keep on coming out with special area plans. Penang Hill also has special area plans. And now, the councils are coming out with local special area plans. I think they are good developmental policies, but I think there's a need for discipline and strong political will.

The policies proposed by consultants – I've read many for the budget especially, I'm not a planner – seem competent. But somewhere along the way, we keep changing our minds in order to gain short-term and mid-term benefits. I like the idea, when doing land reclamations, to seriously look at making them sustainable for future generations.

- Lee Khai: As a further observation on what Tony and Cheok have mentioned, the MBPP is sitting on a lot of dilapidated buildings. That's a waste of resources. We don't manage our resources well. We may say that the Penang government is not rich, but that is also because they do not manage their resources well. Earlier this year, after much waiting for the policy on the renewal or extension of leasehold properties, something people in industry have been waiting for for many years, it was announced by the Chief Minister that it would come out in January 2023, But even by September, the policy had still not been properly formalised. I asked the Chief Minister, I asked PDC. They blame PTG (Pejabat Tanah dan Galian, Department of Lands and Mining) for not formalising the proposal. I asked as a



lawyer because we have foreign investors enquiring. I'm told to rely on Buletin Mutiara's report to advise my clients because PTG, after ten months, had still not come out with a proper policy document. I think there's a lot of bad management of resources.

The other area that I always raise is on government agencies having this idea that we have to spend budgets and allocations by the end of the calendar year. That, I figured out, is not correct. But practically, that is how it is done at the ground level by various government agencies. We easily can save millions if we're more efficient in utilising our allocations.

- Tony Yeoh: On the agency question, maybe YB Sim can bring it back to the federal level. From my experience dealing with federal agencies, I think there's a lot of duplication. We all know that; duplication happens at the federal level as well as the state level. Let me take the example of MDEC (Malaysian Digital Economy Corporation): The way a lot of the federal agencies work is through the hub-and-spoke model. Everything is in KL, and the spokes go out to the states, with centralised implementation hub-in-spoke. I think that cannot work, because the role [of MDEC] as a central agency should be about strategy and planning, and implementation should be left to the states. So instead of working with Digital Penang as a state agency, they wish to set up their own state MDEC in Penang. To me, this doesn't make sense. The necessary separation of planning from implementation needs to be made clear, otherwise, we end up increasingly duplicating resources.

THE ENVIRONMENT AND THE CITY

Dr Ooi Kee Beng: We have been putting our minds to the issue of economic evolution and not simply economic growth. Now, the next session will discuss how nature relates to urbanity.

Personally, I was overjoyed to hear about Penang Hill and its surroundings being considered a UNESCO biodiversity sphere a couple of years ago. Having such an area right next to the city brings to the fore the fake dichotomy between growth and greenness.


May I ask Dato' Sri Harry Cockrell to share his ideas on The Environment and The City.

Dato' Sri Harry Cockrell (Chairman, Pacific Tiger Group; The Habitat Group)

Your Excellency, YB Sim, Dr Ooi, distinguished fellow-panellists. Thank you very much for allowing me to be here. My journey here into Malaysia started before some of you were born. It started actually in 1970, that was the first time I came to Malaysia. Fast-forward a few years, and I did the right thing, as Tan Sri Andrew Sheng did; I married a local girl. And that, of course, established my roots in Penang.

Penang Hill & The Habitat

What I'd like to address is a journey that I've been on together with Dato' Cheok Lay Leng when we first started The Habitat, Penang Hill, which then translated into becoming part of the UNESCO Man and the Biosphere programme. There's a lot of history related to that, but what is very important to point out here is that this is a very good example of a public-private partnership that has been successful. The Habitat Corporation has a revenue-sharing agreement with the state, and I'm pleased to tell you that the revenue-sharing agreement has been in effect, and the state is making money, and the Habitat Foundation is also receiving money. The difference with the Habitat is that, while it is a for-profit operation, all the proceeds that we generate from the park goes into the Habitat Foundation, and the Habitat Foundation, in turn, distributes funds for education, for heritage, for the environment and generally, for charity. But this is a journey of collaboration with Penang Hill Corporation and Universiti Sains Malaysia. Today, Penang Hill – and I truly believe that it's because of the UNESCO listing and because of the park – is one of the top five things to do formally in Penang, and this has translated into tourist dollars, foreign exchange.



So we can talk about the profitability of the park, we can talk about the profitability of the tram, both of which are very good examples. But actually, it goes well beyond that. It translates into hotel revenues and foreign tourism, into domestic travel; we have people coming from all states in Malaysia to Penang.

Pahang ESG blueprint


Now I'll take it to another level, and talk about Malaysia as a whole. This journey that I have been on has now moved to other states, specifically into Pahang. The Governor will remember when, prior to your appointment, your predecessor hosted the *Agong* and the *Permaisuri* to visit Penang Hill, which I thought was just going to be a quick 20-minute, typical 'I saw it, I've been there, done that'. But it actually led to a second visit. His son, who is now the Crown Prince Regent of Pahang, came to Penang Hill. Again, I thought it was going to be a 20-minute quick look-see. But *that* turned into an a whole-day affair which took place at my house, and ultimately translated into a blueprint on ESG (Environmental, Social, and Governance) for the state of Pahang. And so the Habitat Foundation undertook this task, and that blueprint was, after being critiqued, then finalized and adopted. It was taken to the Agong. His Crown Prince wanted to champion ESG for his state. And then, subsequently it was taken to the Pahang Menteri Besar, and then to the rest of the state government apparatus. And it was adopted.

What it translated into was a very significant event, the enacting of the Biodiversity Council for the state of Pahang. We now have a carbon project which is a for-profit operation in the last remaining contiguous peat swamp in mainland Asia. It's not including Indonesia, of course, but it is a 110,000-hectare peat swamp in Pekan, for which we now have a 60-year lease from the state government – again, a profit-sharing arrangement. And today, we're in the process of implementing this project. I want to highlight that every bullet point here is considered in that project: economic evolution, environment, and social development. All of these elements are extremely important for validation as an approved project that's accepted internationally. It is in fact the first in Peninsular Malaysia.

We also have in Sabah a small rainforest project. But this is certainly the largest in Malaysia and I would say, at this juncture, the most important. What we're really doing is, we're speaking to the commitment of the Federal Government to Net Zero by 2050.

Big challenges

But in all honesty, when it comes to the implementation of these policies, we've seen very little from the federal government. There's been a lot of talk, but we've seen very little in legislation,



policies, tax environments, all of which are issues that need to be addressed. At the moment, we're looking at the voluntary carbon market. For the voluntary carbon market, we can take carbon credits that are being created and sell them on the international market. Of course, the national accounting policies for carbon emissions have to be taken into consideration. But in lack of a policy, vagueness exists.


What this really translates into is a lost opportunity. The lost opportunity is in the form of the compliance market. Within the carbon industry, you have the voluntary carbon market, and you have the compliance market, and the compliance market is dictated by G-to-G relationships and a government policy. For Malaysia, the latter is extremely important because, in today's market, the voluntary carbon market has effectively collapsed. This is because a lot of green washing takes place, and this has put a lot of scrutiny on the verification agencies, specifically Verra [Verified Carbon Standard] and the Gold Standard out of London.

But it will come back, there's no question. At this point in time, we are not *the* solution, but we are *the best available* solution. This lies in the protection of our rainforest; and in stopping the emissions of CO₂ into the environment. And it is places like Penang which should be promoting these policies, because Penang itself, being a significant emitter of CO₂, will eventually need to buy offsets from Pahang, Sarawak, Sabah or Kelantan – states that do have forest cover, mangroves, and peat swamps; they are very rich in carbon sequestration.

So what it really speaks to is a transformation of the economy for future generations. Can we continue with a Malaysia that is dependent on extraction industries? No, we cannot. Every time you cut a tree, you make money, but you don't create an annuity. When you have a carbon project, you create an annuity of cash flows going well into the future. I think this is a particular area that needs to be better understood.

When I was going through the process in Pahang of talking about carbon sequestration, in the beginning, it was like talking to a blank wall, because the question that always came up was, "Well, if you tell me not to cut a tree, how am I going to generate the revenue to fund my budgets? How do I build a school? How do I build a new hospital? How do I build highways and the other normal things that a state government does for the people?"

So, we had to go through this learning curve of demonstrating how the carbon industry can complement the state's revenue-generation. And there is an equilibrium that has to be established in order to do that. We're not speaking out against the timber industry, nor are we



speaking out against the oil palm industry or mining. But there has to be an equilibrium, and that equilibrium is to the benefit of all of the states of Malaysia. A state like Penang – which doesn't have forest cover; it has lost its forest cover to palm oil – will face federal government tax on carbon emissions. And it should. There will be a demand from the states, because the emissions created by the high-tech industry, by the cement industry, by palm oil, will be taxed and they will have to have carbon credits at this point in time. The answer to it, of course, is investment into the hydrogen industry. But that is a long-term perspective that is going to take trillions of dollars of investment to become a commercial viability. We cannot afford to wait. As Tan Sri mentioned earlier, we are already exceeding 1.5 degrees on global warning. Not only that, every country that has made commitments in Net Zero Fifty are cheating. The biggest cheaters, of course, are the United States and China – the biggest emitters.

Capitalising on Malaysia's mega-diversity

How do we, a small country, address this? We look at our natural capital, which is enormous. We are one of 12 mega-diverse countries in the world. Our backyard right here, as small as it is, is as old as the Amazon, the Congo or Dunham Valley, as old as Taman Negara. These are treasures. So how do we, with limited natural resources, take advantage of it?

Well, we already are doing that in the form of tourism. But there's more to it, and that's biodiversity credits. This is a very new instrument that came out of COP15 (15th UN Biodiversity Conference of Parties, December 2022). It achieved a landmark agreement to guide global action on nature through to 2030. Representatives from 188 governments gathered in Montreal for two weeks, during which they pledged \$64 billion to protect biodiversity. This is a new form of revenue-generation, and we don't have to do anything. We just need to protect biodiversity. So being able to tap into these resources is a strategic position that not only the state should take, but it should be led by the Federal Government.

I'm going to COP28 (Dubai, Nov 30 – Dec 13, 2023) as a private citizen, where all these policies will be discussed and, hopefully, properly implemented. It's extremely important that the Federal Government has a very clear policy on how they're going to address the carbon markets. In absence of that, it's going to be an opportunity lost. We don't want to be playing second fiddle, which we already are doing, to Indonesia. Indonesia is way ahead of us in terms of government policy, in terms of carbon projects.

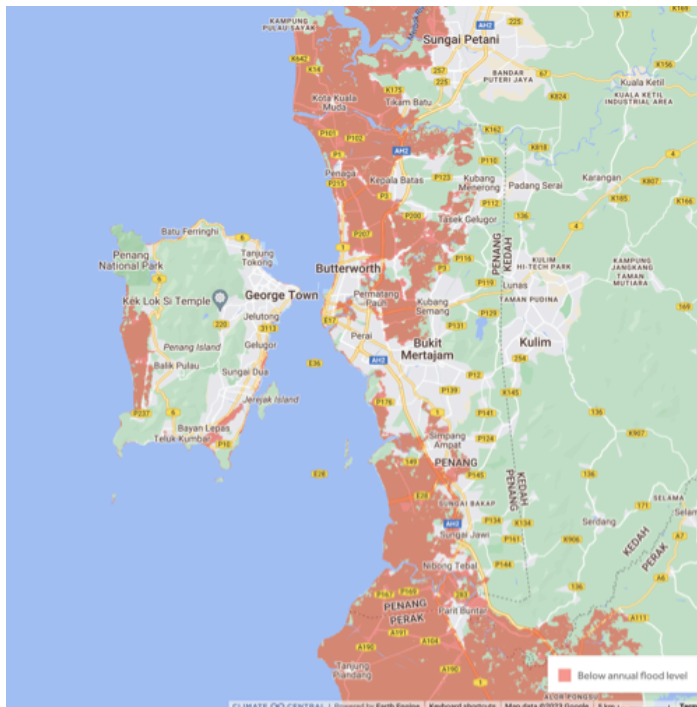
But we're not too late. That's the beauty of the opportunity before us. We take advantage of our position as a mega-diverse country. Meeting the demands of the developing world only speaks to one thing: greater demand, greater prices, greater revenue for Malaysia.

**Prof. Dato' Dr. Zulfigar Yasin (Marine Environment Hon. Professor, CEMACS, USM;
Visiting Senior Analyst, Penang Institute)**

Penang is a maritime state

Thank you, Dr Ooi. Your Excellency, TYT (we met at CEMACS, the Centre for Marine and Coastal Studies, Penang, a couple of months back(, YB Sim, Distinguished participants. There are many things that have been said today that are very significant for Penang, but I would like to bring out a very solid picture about the geography and the environmental situation in Penang in 2050. We are first and foremost, a maritime state; there lies our niche. The sea constituting Penang is bigger than the land area.

I've circulated some slides. If you don't look at any of the other slides, look at least at the second page, which has a map of the modelled sea-level rise in Penang by 2050, based on the current trajectory of RCP (representative concentration pathway) 8.5, which means business-as-usual. Firstly, our coastline and Bukit Tengah are going to be the foreshore.



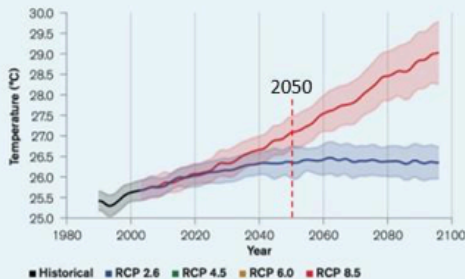
Land projected to be below sea level, below annual flood level in 2050

Flooded or underwater

There are two significant things here. Very significant areas of the state are going to be flooded, or underwater. And that is just for starters.

If you look at the lower part of the graph, the divergent point is around 2030-2040. We start to diverge there, and it goes on a very sharp incline. By 2050, the red areas will be underwater, and this is the canvas upon which the state is going to operate. It brings into question a lot of things that we have mentioned before: development, the population itself, et cetera. We are currently 1.83 million people, 50% living on the mainland and 50% on the island. If you look at the island, Balik Pulau and Bayan Lepas will be underwater. But much will still be above sea level. This is due to the built-up areas, and that perhaps protects the coastline. But on the mainland side, it is mostly all red. Kedah will be very badly hit. In fact, the lowlands correspond to paddy-growing areas.

FIGURE 6. Historic and projected average annual temperature in Malaysia under RCP2.6 (blue) and RCP8.5 (red) estimated by the model ensemble. Shading represents the standard deviation of the model ensemble.²⁴




Source: ADB

FIGURE 7. Projected change (anomaly) in monthly temperature, shown by month, for Malaysia for the period 2080–2099 under RCP8.5. The value shown represents the median of the model ensemble with the shaded areas showing the 10th–90th percentiles.²⁴



Paddy-growing areas are very low-lying, but they are also the core of our food security. Most of Malaysia are coastal areas. Unfortunately, by 2050, we are going to reach a temperature not conducive to present agricultural activities. April is the hottest month for Malaysia, and if you look at the trajectory for April in the country report, we are approaching a 5-degree rise. This is above average.



Most of the country will experience a 1.5 to 2-degree rise, with Chuping (in Perlis) and Negeri Sembilan going way above that. Given this scenario, some of the infrastructure that we are building now – the coastal roads, the new LRT – where will they be? Are we being foolish with our planning? As the Malay proverb goes, are we guilty of *Buang garam di laut*. Will we be casting salt into the sea', i.e. wasting our efforts? How is Penang to strategize and position itself to handle such rapid changes?

Establishing priorities

Maybe instead of looking at climate risks, which is no doubt important, we should look at climate *opportunities*. As many have pointed out, blue carbon and other things like biodiversity credit are coming our way, along with new markets in support of these.


As we plan for the future, for climate change and for biodiversity, political boundaries become a hindrance. This should be taken into consideration. I wish to echo some of the points brought up this morning. For example, a northern states consortium of sorts for green development would be a good thing; perhaps it can be expanded through a remodelling of the Indonesia-Malaysia-Thailand Growth Triangle. If you are to secure biodiversity at Langkawi, for example, you need to consider the relationship between Langkawi's nature and the wider environs.

A good example would be the southern islands and the northern islands off Langkawi: the southern islands are more closely related to Aceh than to the northern part of Langkawi. So by not taking care of the 'mother' and just taking care of the 'daughter' areas – say, reefs in particular – you will have a problem. This is the same for fisheries. Not many know that much fish larvae and juveniles come from Sumatra.

Middle Bank Marine Sanctuary

For Penang itself, we have a project that the state government is supporting—the Middle Bank Marine Sanctuary. As you leave on the Penang Bridge and you look to the left, there is a small island that is the tip of a big bank, traditionally called Middle Bank. As uncared for as it is, it has been there for a long time. It can be seen on old British charts. This prospective marine sanctuary supplies fish for Perak and Kedah, not only for Penang. It's a juvenile growing area.

I would say that we need a new lens to bring green development to Penang, not based on what we actually want, but what is there at the moment, and on how we can see things in a new light. For example, given that scenario on rising waters, should we develop the island, or the mainland? What can be developed on the mainland, bearing in mind that by 2050, much of it is going to be saline? What do we do with the paddy-growing areas?



Perhaps we don't have to be that innovative. Vietnam has been looking at this, as well as China, and they have started growing saline-tolerant paddy. Do we need to go that way, or shall we continue to rely on agricultural maps made 20 years ago?

Coming back to the Middle Bank Marine Sanctuary. I think that is a very useful tool for the development of Penang. All marine sanctuaries and marine parks have been under the Federal Government, which implements one solution for all parks, all 40 of them. This is ridiculous, especially for Penang, which doesn't have coral reefs. All the other 40 parks have coral reefs. And what was not taken into consideration is the localised importance and speciality of this particular reef, the Middle Bank. Last year, we discovered two species new to science. And as you look at that particular example, you begin to realise that Middle Bank actually saved Jelutong and Gelugor from the 2004 Tsunami. It is nature's cheapest green barrier against such disasters.

What if we expand that idea and create a chain of sanctuaries based on the requirements of Penang's needs? Pulau Kendi, for example, is a very good place for fish sanctuaries, if you're going to reclaim southern Penang. And with all the bad publicity that you have, a sanctuary there for the purpose of establishing a fisheries area would be a good counterpoint.


There are areas that we have turned into sanctuaries but have not really engaged significantly with. For example, the Pantai Aceh Forest Reserve: the marine corridor of that particular reserve is bigger than the land area. But nothing is being done there. Could we not put artificial reefs there to raise fish landing tonnage, and stop the slow depletion that has been happening over the past 20 years? That is not a big thing to do, but it has to be taken care of by the state. The ones who will profit from enriching the coastal areas is going to be the people of Penang.

Why are these sanctuaries and marine parks important, apart from the ecosystem services that they provide? Middle Bank, for example, has very good growths of seagrass for carbon sequestration. Perhaps we have capital of our own in carbon there, like with the Pantai Aceh Forest Reserve. We really need to relook our spaces and how we engage with them.

Much of mainland is paddy land, and paddy does not fare well in high temperatures. Do we change crops? And if we do, how are we going to engage with some particular crop that is already in place? Do we plant more heat-tolerant, non-seasonal crops? These are some of the things we need to look at.

Penang as a model for the tropics

But more importantly, good examples of environmental management in tropical areas are very difficult to find. This makes us special. When the Middle Bank project was announced, some



agencies from the United Nations got excited, and for exactly the reason I mentioned—good examples from tropical areas are difficult to find. Much of the research is done in temperate areas. What is happening in Penang is an opportunity to be transplanted to other areas. By playing the right role, we can provide Penang with an exciting future.

We also need to study neighbouring states, not regarding what we have but what they lack. And perhaps there could be trade in fundamental commodities, and so on. In Penang, we tend to work in silos: You don't have land, you build an island; you don't have water, you get it from Kedah.

But what about the stretch of water between the island and the mainland? That could easily be a reservoir. It's a thinkable idea. That is an inter-tidal area, which means that there is no marine water at low tide. It is an area that is able to sustain storage of freshwater.

We also need to make novel use of our spaces. Next year (2024) in April, we anticipate a record-breaking heat wave in Penang. We broke records last year already, but we are going to do it again. This heat is not good for productivity in any industry, including tourism. Think City has done some work on this. Some of the solutions are not demanding, economically. We need to plant more trees, however clichéd that might sound. If you think that we don't have space to plant trees in the George Town World Heritage Site, I will say that we have a lot of parking spaces. These can be used to plant trees,


Putting up solar panels throughout Penang should also be a strongly expressed policy on the part of the city councils.

Again, there needs to be some agency or someone, whether in the federal or state governments, to push for this idea and to show that it can be profitable. I think people will entertain such a design in Penang. Penang people are very environmentally conscious, and it is something that we should capitalize on.

Resilience vs mitigation

I would also like to bring an important message about 'mitigation vs resilience' in climate change. So much emphasis in Malaysia has been on mitigation: reduction in, for example, the amount of CO₂ that we produce because Malaysia is signatory to many international policies.

Our total sum of emission for the whole country is less than 1%. If we were to score an A by reducing emissions to zero, we would reduce Malaysian total emission in the globe by less than 1%. I'm not saying that it is not important. It is important. But as things stand, climate change



and all its risks are going to come. There is no doubt about it. And the longer you leave it, the more expensive it is going to be to engage with those risks.

Dr Ooi Kee Beng: Thank you, Prof Zul. We now come to the third speaker for this session. First, I would like to especially thank Dato Cheok (Lay Leng) for his support. Being the CEO of PHC (Penang Hill Corporation), of course, he is a co-host for this event. And thank him so much for arranging the logistics, and easing so brilliantly the journey up to this bungalow.

Dato Cheok Lay Leng – General Manager, Penang Hill Corporation

Thank you Dr Ooi for the opportunity to participate in this interesting and meaningful forum.


Just a little bit about myself and how I ended up with this job. I had retired from the industry. After working in Silicon Valley, I was invited back to Malaysia by Datuk Seri Wong Siew Hai to set up the first chip design centre in 1992. And I'm happy to say that the companies YB Steven Sim mentioned, Oppstar and SkyeChip, all came out of that. These are all my former colleagues, including some I hired. Subsequently, I went back to the United States to continue my work, and there I managed some global organisations. In 2005, I went to Hong Kong to build up several companies. In 2016, I took early retirement, and received an invitation from the former chief minister, Lim Guan Eng, to come out of retirement in order to do this job. I agreed to do it for a year; it is my seventh year now.

One of my former bosses commented that, "I never expected Cheok to end up in the mountains to be a monk." Of course, he was teasing me about my lack of hair!

But I've always been interested in socio-economic issues. My participation and involvement in UNESCO entrepreneurship programmes led me to many countries that I never dreamt to visit, like Sudan, some Caribbean states, Ecuador and Iran.

Harmonizing economic, human and environmental activities

I have been involved in the UNESCO Man and the Biosphere programme. Many times, I've acknowledged the huge contribution of The Habitat under Dato' Sri Harry Cockrell. He initiated the idea, and then the state carried through and we got Penang Hill listed as a UNESCO biosphere reserve. I have attended three UNESCO biosphere meetings. I just came in at midnight from one held in Kota Kinabalu. Sabah is hosting the 14th Southeast Asian Biosphere Reserves Network (SeaBRnet) Meeting [13-15 November, 2023]. I could only attend one day.



Most of the topics raised there are socio-economic issues. ‘Man and Biosphere’ reserves are not just about nature and environment, but about economy activities harmonising with Nature. There are lots of initiatives driving the programme. The year 2050 is Net Zero year, which means that by then, our carbon emissions are to have reached equilibrium with our carbon removal. For Penang to be successful in this by 2050, we have to look at the SDG goals, too. How do we measure against those goals?

I have attended country reports of the ASEAN countries. The first was in Jakarta in November 2022. And just yesterday, I heard of another country report. Without elaborating, I’ll just list down the 17 UN SDGs (Sustainable Development Goals): a) No Poverty, 2) Zero Hunger, 3) Good Health and Well-Being, 4) Quality Education, 5) Gender Equality, 6) Clean Water and Sanitation, 7) Affordable and Clean Energy, 8) Decent Work and Economic Growth, 9) Industry, Innovation, and Infrastructure, 10) Reduced Inequalities, 11) Sustainable Cities and Communities, 12) Responsible Consumption and Production, 13) Climate Action, 14) Life Below Water, 15) Life on Land, 16) Peace, Justice and Strong Institutions, and 17) Partnerships for the Goals.

The Stockholm Resilience Center divides these 17 goals into three layers. What’s interesting is that Biosphere, Nature, and Environment are ranked lowest. If we develop without looking to Natur, we will destroy ourselves. Their middle layer is Society, and the top layer is the Economy.

At the UNESCO headquarters in Jakarta, there was acknowledgement of a growing number of biosphere reserves. Indonesia has announced ten proposals for biosphere reserves. Malaysia has only three. No representative for Tasik Cini Wetland Reserve attended. Only Penang Hill Biosphere Reserve and Sabah’s Crocker Range were there. Laos and Timor Leste were represented. They each proposed their first biosphere reserve; they recognise that economic growth and development have to coexist with nature and the environment. Timor Leste openly offered to the audience, “We will issue you visas if you can come and help us develop.”

Maybe the Habitat can consider that offer.

For sustainability in Penang, there are four systems to consider:

- *Nature*. We need to protect not just Penang island but the mainland, too; the state should protect nature as our great natural resource;
- *Economy*: We continue to push industrial growth but we have realised that problematic issues arise when we keep to trajectories set 30 years ago;
- *Society*: We need a good balance between community/society and the state. Definitely, we’re moving in that direction, but perhaps fast enough;
- *Individual well-being*. In the end, no group or individual should be forgotten in all our planning.



ESG not operationally ingrained in medium and smaller companies

Where ESG goals are concerned, one has to ask whether these are an ingrained part of company operating culture. As of today, the torch is being carried by the larger companies, and not the smaller ones. So, we definitely need to do something about this.

Biodiversity management is not just about the natural biodiversity. We are privileged, actually, to have the Penang Hill Biosphere Reserve, even if it is one of the smallest biosphere reserves you can find. Most are larger, such as those in Indonesia. Cambodia has presented on the 7.2 million hectares of land they are preserving and conserving. Penang Hill's is only 12,481 hectares, mind you. But we are unique because the area spreads from the terrestrial to the maritime, so we call it 'H2O', Hill to Ocean. But we need to identify the critical natural resources that need to be reserved and conserved. For me, the best way to conserve is to redevelop the ecosystem, as opposed to waiting for the ecosystem to decline and then to act reactively. Then there's marine life. So, it's not just biological diversity that we possess, but also economic diversity.

My friend Tony Yeoh mentioned that we cannot change history. We have the geography we are given. However, within this small state, with its small areas of land, there's a lot of biodiversity. Sadly, we do a lot of things in an ad hoc manner. What we really need now is proper zonation.


Some of the smartest people retire in Penang, and, yet, we are not utilizing their brains. They can bring to bear their experiences, and collectively, they can help chart a road map for Penang. We have a lot of retired professors who were teaching overseas who opted for MM2H (Malaysia My Second Home). We should tap their brains.

Mitigation, Adaptation, Resilience

As for the impact of global climate change, Professor Zulfigar has given the figures and touched on that. Biodiversity and the ecological system will definitely be impacted. I'm concerned about Penang Hill and the surrounding areas, and we are doing a lot of mitigation projects. Every year we put money to strengthen infrastructures, repair drains etc., to ensure that there is no more '4 November, 2017', the day we experienced 319 landslides.

At UNESCO meetings, many social scientists and economists are involved. It's time we invite more engineers to be part of the conversation, to think of solutions, and to implement solutions – as opposed to mostly discussing data. I was happy that they actually invited to the Jakarta UNESCO Biosphere meeting in November representatives from Vietnam, one of whom was a civil engineer.

We have to change the way we look at things; 2050 is not that far off. Things such as public transportation and current capacities, need to be updated, including master plans. We've got to



uptake our technology adaptation, adoption and deployment. We are already far behind in terms of technology adoption and adaptation. I think Penang state can take a big leap. Being a small state, it can be more agile and efficient. We have to speed up.

And whatever research we do, has to be multidisciplinary; we cannot continue with the compartmentalised approach. The UNESCO biosphere reserves programme is very interesting in that many in the audience come from various backgrounds. They touch on a range of socio-economic and development issues, but not much is said about forests. Of course, forest preservation should come first, everybody knows that, but the bulk of the activity is on what type of economic activities and mitigation efforts are needed to create resilience.

Finally, I propose to set up a Penang Hill Conservation Trust, mimicking Rocky Mountain and Yosemite (national parks), which I have visited many times, traveling and camping. We don't need to build theme parks on Penang Hill. Yes, we are building a cable car system to complement the funicular services to improve traffic distribution, but that's about it. We've got to promote eco-tourism, and rebrand and re-imagine Penang Hill.

Striving for Triple-Count status


I get suggestions for Penang to attain Triple-Count Site status under UNESCO. The first UNESCO Triple-Count Site status was attained by South Korea. Then there's Shennongjia in China. The third UNESCO Triple-Count site is Sabah, which gained that status in May 2023. Thailand's Nakhon Ratchasima made the country the fourth such site.

So, perhaps the state government should pursue Triple-Count status for Penang.

Questions & Comments

Dr Ooi Kee Beng: If we can get Middle Bank Marine Sanctuary gazetted at the state level, Penang will actually have a UNESCO heritage centre, a UNESCO biodiversity sphere, and a state-supported maritime sanctuary right next to each other in a little city. That would be one step in the right direction, I think.

YB Gooi Hsiao Leung: Can I make a comment on ESG? Various speakers have mentioned ESG. Malaysia supposedly ranks seven in the world when it comes to ESG potential. Bursa Malaysia started a carbon exchange earlier this year, but I don't think we are tapping on it. There are no VVBs (Validation and Verification Bodies), right? There are no VVBs operating in Malaysia. That



means that there's no carbon credit being given for any Malaysian entity. That, I think, requires federal government initiatives to change. If not, it's all talk.

YB Steven Sim: Dato' Seri Harry Cockrell has also talked about Verra and certification. The Securities Commission is already doing a study on this. Also, the Finance Ministry is doing a study on carbon taxation. Some of us are thinking that at this point, to introduce additional carbon tax on the populace in general would be problematic.


I would also like to point out that in the 2024 Budget, we are looking at about RM20 billion in fiscal injection. The government has made available up to RM200 billion for sustainability, so there is a move towards ESG. Bank Negara was one of those at the forefront on this a few years ago – I think it was 2021 or maybe earlier – to introduce what we call the taxonomy on transition financing. That, in a way, became the foundation for the ASEAN taxonomy which was launched recently. So I think Malaysia is not behind in this region, in that sense. But I agree with you, there are a lot more policy gaps to be filled up.

Dato' Seri Cockrell, you mentioned carbon capture and storages. This is also something that is contained in the NETR (National Energy Transition Roadmap) strategy. one of the ten catalytic projects under Petronas' carbon capture and storage projects. MOF is also doing a study on tax exemptions for this sector. We have also expanded the Green Investment and Green Income tax allowances exemptions on, what you mentioned just now, hydrogen technology, and on energy transition this year.

Narelle McMurtrie: We don't have many tourism products but we are discovering amazing possibilities in eco-tourism and MICE, which I really think a lot of tourists don't know about. I think we have a lot of opportunities that we're not looking at which can be branded for tourism.

Tony Yeoh: On green financing, Penang as a financial centre offers an opportunity for us to create some kind of matching public-private sector mechanism to attract capital to Penang. That may be a good area for us to get into.

We didn't talk about urban renewal. By 2050, I think even the George Town heritage area will be looking tired. It's already looking a bit tired. We really need to have a stronger urban renewal policy. Penang is full of factories and condos, right? We need to look at local government policies, especially en bloc possibilities. Today, you need 100% of owners' agreement to sell before you can sell en bloc. That needs to change in order to spur the economy.



YB Steven Sim: I agree with Tony to an extent about tourism. I've always said that we cannot compete in terms of hedonistic tourism with Thailand, or with Bali. But in terms of heritage tourism, eco-tourism, medical tourism, 'niche' tourism, even education as a semi-tourism sector, I think these are core competencies that can be developed ... even cultural tourism.

Tony Yeoh: In medical tourism, for example, the future is going to be about gene therapy tourism. People will be going into clinics for hormone therapy and gene therapy.

YB Steven Sim: There's been some outcry about Bali becoming a medical tourism centre. We are seeing packs of Indonesian patients in our hospitals because there is trust in the Malaysian medical and healthcare system. It's still there for us to capitalise on. And I agree with you, we should move towards AI and gene therapy and high-end activities.


Dato' Seri Harry Cockrell: Regarding green finance, a groundswell of funding is going to be required. I think it's a wonderful idea to bring Penang into that picture to be the home of, or the centre for, green finance. A financial centre is a wonderful way to lead to that, and I would also just throw out that one of the things that we could do is to showcase what I'm doing in Pahang.

We need funding, right? Aside from the carbon project, we have also secured the first tiger reserve outside of India. This is 134,000 hectares which sits on the southern border of Taman Negara. And that in itself requires funding. But even there, we have the opportunity – because of degraded areas created by palm oil, logging, mining – to convert this into carbon projects and have a revenue stream. This can be replicated everywhere in Malaysia because, as I said, we anticipate there's going to be a groundswell of requirements and demands for funding. And if we have the right kind of structure, the right kind of entity, a financial centre that's leading it, the benefits to Penang would be tremendous, despite the state not having any of the natural assets other than the marine parks. Within Man and the Biosphere, we have the 5,000-hectare marine park. That in itself sits very well in terms of baby fish for Sumatra.

People don't talk much about that, but the Irrawaddy dolphins that we have in Penang waters are critically endangered. Biodiversity credits follow these things, and it's a great opportunity for us.

YB Steven Sim: Do you have a ballpark figure for the tiger sanctuary, just off the top of your head?

Dato' Seri Harry Cockrell: In terms of funding? The initiative is much bigger than the tiger reserve. The tiger reserve is 134,000 hectares. But what we're trying to do is to build the capacity of the




State Park Corporation. At this point in time, the State Parks Corporation is a brand new entity. It's staffed with maybe ten people. So we're talking about capacity-building. So, through our operation, we have just secured the management rights over the tiger reserve. But that intention is very much to support the State Park Corporation. So we're talking about sukuk, or a bond issue. You've heard people talking about 'tiger bonds' and things like that. In reality, we have it in our hands. But because we're looking to incorporate other state parks into this, I'm only talking about Pahang. So hopefully, this week we'll hear back on another landscape that we'll secure for a new state park.

That kind of funding is exponential. There are many other landscapes that we anticipate to bring into this. So we're estimating at this juncture roughly US\$10 million per year for operational costs, not including CapEx requirements. CapEx requirements, I estimate in the next 4-5 years, would be in the neighbourhood of US\$25 million, and this anticipates a soft-release facility to save the Malayan tiger. What we need to do is identify where the Malayan tigers are, so as to know of natural increases in the population. But we will complement it with what can be produced in Malaysian zoos, because we then have the landscape which we can re-wild for the release of the tigers.

Tan Sri Andrew Sheng: What we're really talking about is basically a governance problem. Our business model is broken; everybody's working in silo. The Federal Government takes all power up to the centre, and then there are silos in individual ministries and agencies which, when it comes to implementation of policies on the ground, don't quite understand the nuances of local differences. So the result is, nobody's happy: Federal is not happy, Local is not happy, Community is not happy.

Ultimately, it's a lot of talk and not enough action. And the funders? None of the funders are around. In fact, all the money's going out, right?

So what I've been working on is this: The carbon market is very complex; it should be done and I totally support the idea. But the more I get into it, the more I realise that only practitioners like Harry Cockrell can get it done; not the present structures, the kinds that are very nicely designed by consultants but who are not really on the ground. So what I have been working on is this: The best way to fund social change is to bring to Malaysia the latest innovation, which is an old idea but one that has never implemented.




The Indians have started what is known as a social stock exchange. I have convinced the Securities Commission to brand it as an Islamic stock exchange, because the true Islamic stock exchange is all about equity and no debt. TYT knows. I've always been arguing that the real fundamental of Islamic finance is "equity with justice".

Now the Bursa has all the machinery to do this matching of people who demand capital, with people who can supply the capital. The big problem is branding. As a commercial company, you spend 7-10% of your money just getting an IPO. The Indians suddenly realised that the machinery's all there: the trading platform, the clearing platform, the payments platforms. They're all there. In fact, even the IPO process is all there. What is now needed is: What is the instrument to match the social enterprises who need money but cannot get money because they don't know where to go?

Let me give you an illustration. I'm working on smart villages in Sabah. I went to see Temasek Foundation. They told me the minimum they would give is S\$30 million. What does this mean? As I said, you need about S\$10 million on the ground. But if you go to Temasek, you might not qualify, right? So how do we scale to overcome this simple barrier, how do we package? How do we teach the NGOs how to get funding? The social stock exchange is a brilliant idea. The Indians have done this because they discovered that needs very little legislation, can be very fast, and all the infrastructure is already there.

What does it trade? It trades a zero-coupon, no-return instrument. What is that? It's basically, "I give money to you on the promise that you deliver what you promise to deliver. If you promise on biodiversity, you deliver. If you promise on social care, you deliver". So all I need is to get this infrastructure done, persuade Bursa and the SC to get the capital released straight away. All these projects - we just have to teach them how to IPO, essentially.

We cannot solve near fires with distant water. We have to do some of these infrastructure things fast. Otherwise, all our NGOs die, because they can't get money. And the world will not know about this, unless we are the fastest to get into the market and build the first true Islamic market. The Islamic stock market is actually institutionalising wakaf. It's the circular idea: Instead of the rich getting richer, the rich must give back to the poor and give back to society.



I think the chairman of the Securities Commission has bought into the idea. But getting them to translate this into action takes a lot of time. I had to bring the executive director of the Securities and Exchange Board of India (SEBI) here to convince everybody that it will work.

And just to report to you, TYT, that is happening. So we hope, if we can get that through next year, some of these projects can be funded.

Regarding the question why Penangites (including landowners) do not want to invest? I just want to plant an idea – and Malaysia has not had this conversation: Why is it that landowners in Penang do not want to invest? The answer is, either they have no ideas, which is not true because the younger generation really wants to change, or there is not enough conversation between the state and the landed gentry or whoever owns land, on how to get them to reinvest. What we're finding out is that the foreign investment we get is very good, and if they're willing to donate to charity, it's very, very good. But we really need to get the money to be recycled faster within Malaysia, rather than being recycled outward, which is the fundamental problem facing us.

YB Sim, the ringgit going down cannot solve our problems. It worsens it. It's a real issue that we really have to address.

YB Steven Sim: Actually we have been talking about wakaf. In fact, I raised this issue about wakaf when I was in Jakarta, and we talked about how this Islamic endowment idea can be the alternative financing that the world is now seeking. And true enough, in the last Budget, the Prime Minister put a lot of premium in it, including working towards some sort of wakaf system. Penang has already started. Wakaf Penang and Wakaf Selangor are basically implementing what you say, Tan Sri, an 'Islam for development' fund as endowment.

Secondly, I mentioned in my opening speech that Old Money are investing, but they're investing in property and, perhaps, the stock market. So I think it is incumbent on us to spark off the conversation and to incentivise for this money to be invested in technological start-ups, in AI, in gene therapy tourism, et cetera. The Old Money is there, but the problem is that there is no enticement or incentive to move them beyond investing in traditional assets.

SOCIO-CULTURAL DEVELOPMENT

Lee Khai (Managing Partner, Ong and Manecksha; Advisor to Penang Art District):

Tun, thank you very much for this platform. As we were talking about wakaf, I immediately thought about how glad I am that we started with Economic Evolution and are ending with the arts. Arts is where we need the money, but we can also unleash the money through the arts.


Last year, the state legislature came up with the new Penang Museum Board Enactment. I had the privilege of being involved in the drafting of that enactment, and that's where I insisted that there should be a provision on a Trust Fund. So finally, there is now one. But currently, the trust fund has stayed at "0". So perhaps wakaf can be a fantastic source of funds for it.

First, a bit about myself: I'm a practising lawyer and a busybody when it comes to the art world. Why do I see myself as that? We don't really have an industry when it comes to art, especially the visual arts and the performing arts. Even PenangPac (Performing Arts Centre of Penang) could not survive. I did an exhibition before, and the artist had a work showing a man hanging on a noose. The title of the work was "*I suka, I rela, I want*". It's a play on the word sukarelawan ('volunteer'). Basically, that is a good synopsis of persons involved in the arts in Malaysia.

In Penang, we do things out of passion. I *suka*, I *rela*. I want, I volunteer. And then, I hang myself.

Sounds like politics, yes! But I say I can survive in the art world for some time because I, the self-deprecating Me, says that I'm only looking to bring Penang from the 4th Class to the 3rd Class. Lots of people want to bring Penang from 4th Class to 1st Class. And in the art world, they die trying.

But perhaps I see things positively. Our art ecosystem is rudimentary at best. I call it nascent. There are lots of missing links. Recently, Cendana (Cultural Economy Development Agency) did a study on the art ecosystem in Penang, and when they came out with a list of the players and stakeholders in the art ecosystem, plenty were missing. Even the people who were engaged to do the study missed out. They wrote on what we have. But what they failed to do was to point out what we *don't* have. Penang is sorely lacking in many things, but that also makes Penang a very interesting place. When it comes to the arts, we are a "cowboy town". But every little thing we do *can* make a difference, because there is as yet no art establishment as such.



When YB Lim Guan Eng became Chief Minister in 2008, a group of us art people paid a courtesy call on him. And he said, “You can’t have a better chief minister than me for art and culture. But we have three Cs that we are concerned with: Cleanliness, Congestion, Crime.’ All of us asked, “What about culture? I’m sure as the government, you can take care of cleanliness, congestion and crime. At the same time, you must also take care of culture.”

Culture, perhaps, is like butter. It is the harbinger of social advancement. That’s why I love the perspective YB Steven Sim has. Earlier this year, we had a conversation, His perspective on the arts is that he wants the citizenry to have a higher appreciation for aesthetics, for the arts. The logic is, when they appreciate things of beauty, their expectations of the government will be higher; and they will then demand a more efficient government.


Penang’s racial, religious eclecticism

What is the best word to describe Penang? I use the word eclecticism, rojak, rojak in a good sense. I think the equilibrium that we have achieved in terms of ethnic and religious diversity is precious. It took 200 years to achieve, but it is also very fragile, It’s something dynamic that we need to keep working on.

When it comes to the arts, there are actually two parallel worlds, especially when it comes to the visual art of Eastern traditions and Western traditions. Our Nusantara culture does not quite have a fine art tradition. We’re more into the crafts. So when it comes to fine art, it is Western art and Eastern art, and these parallel worlds seldom intersect. This is something we need to work on.

When it comes to the performing arts, we have three parallel worlds: Eastern or Eastern Oriental; Western; and then we have Nusantara, the Malay arts. Again, they seldom intersect. And that, again, is something we need to work on.

I’ve been promoting the need to drive our own narratives. Western art is looked up to, sought-after in the world, because they talk incessantly about their art. They write incessantly about their art. It’s all about branding. We do not do well at all when it comes to art in this part of the world. I think we need to drive our own narratives. We have a rich culture. As an entity, Malaysia may be too small to make a difference, but Southeast Asia and the South Seas can be a big enough platform to push our narratives. And, again, back to my argument that we don’t have a real ecosystem. We are missing the art writers, art critics, art historians. Penang has the oldest art school in the country at a public university. USM had the first one, I think, from 1972. But as I’ve always complained: how involved is the art school in our city? I’m very involved in the art circles,



and I seldom see students from USM involved in the local community. So, the art ecosystem is something that we need to work on.

Lacking basic arts infrastructure

Government-wise, there is some very basic infrastructure that we can work on. I've been lobbying for this for many years, with three chief ministers, but still we have not gained headway. A very basic example of infrastructure in the arts is an online and physical box office. That we don't have. We tried in the '80s, it survived only for a short while, but we need one now.


What is the biggest complaint that we hear of when it comes to art, culture, and events? "Oh, I didn't hear about it. I didn't know about it".

So, branding is needed, promotion is needed. We need a platform. We need an online presence; that should be done by the state. That's where the little money and resources that we have should go to. And also a digital billboard, a physical billboard that advertises anything and everything about the arts. We don't have that, even though that can take us a long way.

We had a world-class Penang Island Jazz Festival. The Penang House of Music personality, Paul Augustine, was behind the Festival, and he is sadly now struggling to keep the Penang House of Music alive. The Penang International Jazz Festival did not survive because of the lack of infrastructure, lack of consumers. It's not an industry unless we have enough consumers. And we are lacking that because the ecosystem is lacking. We need to nurture art professionals. We have lots of talents out in the world. We have people who graduate from Paris, from London, from Rome; art practitioners who are practising overseas. And they cannot come back because we don't have art professionals in that sense. I'm not talking about artists. Artists are the primary producers, and then there are consumers. What's lacking is the middle: the curators, the historians, the critics, the preservers, the appraisers, the insurers – they are all lacking. You can't call it an industry when you don't have a proper ecosystem. We are fortunate with the World Heritage Site status; it gives us some boost, particularly in street art, with Ernest Zakharevich, for example.

But that cannot be an end itself. That was a very good initiative, a boost for us. But we used to be the art hub of Malaysia. We lost it to KL naturally in the '80s and '90s. But with the boost through street art, we can make a headway and give KL a run for their money.

I'm still waiting for that private funding, the RM300 million private funding that I've been promised for the Penang Art District. The Penang state government came out with a nine-acre site. I'm glad that YB Lim Guan Eng started that idea. YB Chow Kon Yeow has been holding on to it, and



I hope that it will come to fruition and we can provide them a big enough platform towards 2050, to make Malaysia and Penang a hub for the arts.

Narelle McMurtrie (Owner, Bon Ton Langkawi & ChinaHouse, Penang):

Penang as gateway and destination

I represent two islands, Langkawi and Penang, and we've had some serious conversations the last two weeks in Langkawi because we are really in a bad state. So I've taken as many notes as I can today, which I can hopefully bring back to my colleagues in Langkawi. So for the Penang side, I represent, I suppose, 'soft power' tourism, hospitality, and arts. A lot of what we can do has been talked about by Lee Khai and other people.


My ideas for Penang is to turn it into a creative destination. How do we achieve this? I agree that Penang should be the gateway to Malaysia – or maybe northern Malaysia to start with. We've had the tagline of Truly Malaysia for years, but no one has ever been game to put what that means into words. What are our cultures, what are our foods? If you're a tourist in London, you have no idea what Truly Asia means. So can Penang take that tagline to the next level? And, therefore, be the gateway to Malaysia? Or the northern states?

Penang will never be a KL; we'll never be a Singapore. But why can't we look at what Southeast Asia, the artists, are doing, and position ourselves as the fringe? The arts can revolve around, not the top end, but the other end for Southeast Asia. Again, it's looking north, not south at Singapore. We should set up collaborations with all these countries, give them permanent spaces, and get a whole programme working.

Stopping the creative brain drain

We really have to stop the creative brain drain. It's really impossible for me, even in ChinaHouse to find creative staff. Anyone who's good is in Singapore or KL. So how do we stop that? How do we incentivise the young to set up spaces? We incentivise the factories, but we're not looking at our own young people.

We can set up a mentor programme. We can work with the established creatives in Penang to help the younger kids. We really need this programme. I look at world talents, and so many of these people were originally from Penang. How can we invite them back to help, to make us a true leader for the future? In every country, there are people that have made good, and they're from Penang! So, invite them back to give us ideas, to help, to do the collaborations. Make the plans happen.



I hate to say, but there's a lot of talk and not much action. Over the years, I've sat in many meetings, with Think City, in Penang Bay. How do we make the plans happen, rather than just talk? We really need action.

Branding Penang as what?

Our branding needs a massive change. At the moment, our branding is street food and fading murals. And you know, we can look at The Habitat as our main one. We could look at all the points we've spoken about today, even the digital economy: What is our branding for Penang? Street food is in every Southeast Asian country, so we don't need to keep pushing that. And our murals have faded.


A lot of the points raised today are very good. If Penang can lead the way, hopefully the rest of Malaysia will follow. We should be the leaders. Art ought to be the broad umbrella, and music one of the strong segments that put us back on the map. Enhance the Penang House of Music rather than hide it. Bring back our festivals. We need all of this.


I spoke earlier with Andrew about how we lost two major opportunities to make Penang a huge art centre. One prominent patron of the arts was looking to put her whole collection here, but the locale was then taken over to become a transport hub. If we had that collection in Penang, we would have had a world class arts museum. We lost the opportunity because this patron was very upset when we took away the space that she'd been promised. She still hasn't put that anywhere else, so maybe we can recover that. I spoke to her the other day, I looked at the old post office building near the fort, but she's looking for a building that she can buy so it's there forever, so that she doesn't have ongoing problems.

Then there is Angela Hijjas, I spoke to her again on the weekend. She's a major Malaysian art patron and her artisan residency programme is huge. She approached the art gallery to take over half of the maternity hospital to turn it into 30 art residences and studios. She would run the programme. At that stage, it was knocked back because the art gallery said they needed the space for storage.

We've lost those opportunities. She was up here on the weekend, and she said if she could do anything for Penang, she would. So we do have backing. We just need to really go back to people and start again.

I think we need to look at the big creative picture. We have to put some serious funding into the arts; that was originally – especially the George Town Festival – what put us on the international map. We don't have that anymore.





We could look to all the factories and all the big organisations who've invested in Penang, and ask them for support.

We're now segregated. I totally agree, there's this huge factory population that doesn't really help our agenda. But we need to unite on the creative side. We need to involve the big investors in our creative plans, make them feel part of it, not only for funding but for individual projects.

For many years, we've talked about having a tech R&D museum downtown. All the chip makers are here, they're part of the community; how can we not use them?

A general manager for the arts

I think we need a GM for the creative industry who can pull all the players together. This GM can help find individual grants. They can design the marketing programme. They can reach out to the people that we need.


We need also great collaterals to show we mean business. And I agree with Lee Khai. We need digital boards. We need to know what's happening in Penang. We need to print brochures. We need to print signs on our creative websites with everyone on it, books on all our art exhibitions, to start getting out there with collaterals.

I've been involved with Think City KL, talking with them about how they could take downtown to the next level in KL. But at the moment, they're just giving out RM50,000 and RM100,000, and everyone does something over the weekend. There's no big picture. It's not leading to anything. So a lot of SMEs are getting small money, but there's nobody overall taking them to the next level. There's no plan of where we're going to go – not just for Penang, but for the whole country.

We must reach out to the community that we have in Penang; we have a lot of people living here. On the art side, we have Adrian Jones. Not only is he a huge tech guy, he's got the biggest Vietnamese art collection in the world. He started the first e-mail system – Windmail. He's sitting here and he says, 'No one talks to me.'

We have Vanini, who was for six years Singapore Art Gallery Curator. She's living in Penang because her husband is with Park Royal Hotel.

We have Masia Wan, who is Canadian-Singaporean, living in Penang. She's the top hip-hop artist in the world.



A lot of these people, a lot of the professors, are here, retired. We're not reaching out. They should all be in forums like this, we should be asking them, 'How can you help us?' They're here, but they don't feel included. So how do we include them?

We could arrange for the Federal Government to allow one-year Under-30 work creative visas. Australia does this Under-30 visa, so people can come in; we can learn from them, they can learn from us. I think if Penang had that creative visa, young kids that have just finished university all around the world would come, even if it's only for six months. It would really help us. They'd take us to another level. They would learn, and we would learn.

We need also real museums, not pretend museums. I was told yesterday we have 40 museums that are not museums. We need to really not let them use that title. The more "upside down" museums and such we have, the less our art world can be taken serious. You can build a theme park or whatever, but it shouldn't be called a museum.

Downtown needs a real rethink. At the moment, it's cafés and souvenir shops and museums. A lot of downtown is looking really shabby. It's got no substance. It needs to encourage short-haul visitors to return. After we opened ChinaHouse, we had so many young Thai kids coming down who lasted only six months. They never came back. You do Penang once, you do the walk, you have a look at the fading murals, you have some street food. What else can you do? And all we're doing is open cafés and souvenir shops. We have no creative spaces. We've got no music spaces. One thing in ChinaHouse, we've had live music every night for 12 years, apart from the Covid lockdown. And the sales there are going up, even though the food section is going down at the moment because there are no tourists. On the music side, everyone wants a bit of fun. We need music venues. We have no theatre venues. We have no music venues. We're really in trouble.

We need to re-use existing empty buildings for galleries, museums, studios, art residents, creative office blocks, more tech schools. I actually went and saw the city council on this. They told me that they really don't have a lot of buildings. I don't know if you know different, but we have to go out to the private owners and put up a good plan and say, "We can't afford to pay you rent. But by doing this it will double the value of your property." That's one way we can look at it.

To stimulate all involved, we could list out every institution, GLC, government department, private corporation, hotel, shopping centre, all those who can play their part. We suggest to them what we hope from them to make Penang a creative destination. We state a timeline and we keep to it.



Questions & Comments

Tony Yeoh: I have a question for Dato' Seri Harry Cockrell: The public-private partnership model used for The Habitat, can it apply to the creative arts? And what would be the success factors, you think?

Dato Seri Harry Cockrell: Absolutely. It can be used there.

YB Gooi Hsiao Leung: My constituency is on the mainland, and in my constituency alone, there are 1,800 factories. And I have always thought and wondered: you have so many MNCs, so many foreign companies, but are we really tapping into them, working with them on PPP initiatives? I think that is very important. I would be interested to know also, there's a state government working with them; do they have a policy promoting the arts, long-term?


Narelle McMurtrie: It's all ad hoc. And there's very limited budget.

YB Gooi Hsiao Leung: In Penang, we have always prided ourselves in having close relations with the companies that set up shop here. The extent to which we nurture the relationship, the extent to which they feel that Penang is their home, those are fundamental ways for Penang to grow... in the arts and also in industry.

Narelle McMurtrie: That's where the funding can come from.

Dato' Cheok Lay Leng: In all my observations regarding art and culture, the private sector is very important. The state government's role is to facilitate and make it easy to happen.

When I was based in Japan in the early '90s, about 30 years ago, I visited a lot of galleries, and I noted acknowledgement of Mitsubishi Sumitomo's contributions. Of course, there were entrance fees, but the major sponsors were the big corporations. So you need that Habitat model. I talk a lot about The Habitat model in meetings in the NRECC (Natural Resources, Environment, and Climate Change Ministry), the public-private partnership model can be replicated in all the national parks across the country to educate the general public. Not many people have access to the deep, deep parts of national parks, nor would they have time. The Habitat model gives people 3-5 hours of experience that create huge mileage, and cater to the needs of perhaps 95% of the population. We need that for art and culture. We need to have patrons; we need commitment from the private sector. Personally speaking, I don't think we have done enough talking to industry players.



We spoke to tech companies about supporting Penang TechDome. We should engage them a lot more. I am talking about tier-one public corporations, not the smaller ones which are struggling to build themselves up. I think we should engage those who have made it, to get them to promote the arts.

Narelle McMurtrie: I've been working with Think City here, and we were looking at what we could do with the whole stretch of that road. And Think City managing director Hamdan Abdul Majeed told me the CIMB is only using the ground floor; all the other buildings are empty. So why can't they give to the arts or even show their art collection there? Let's look at the small problems and the easy fixes, and things could happen fast. Use spaces that are not being used.

Dato Seri Harry Cockrell: Dato' Cheek touched upon a very good point. When we talk about patronage, we talk about ESG. But in the corporate world, the commitment of public corporations, for example, on the New York Stock Exchange, have very clear and definitive commitments to ESG. So when you have Intel operating in Penang, it's really the head office that needs to be tapped upon in terms of patronage and they will be responsive, because they see an opportunity to meet their commitments for ESG and support their own operations. I think that's an untapped area.

When we talk about ESG, we shouldn't talk about the operations in Malaysia; we should talk about the head office in London, the head office in Frankfurt, New York, San Francisco, Tokyo, Singapore, wherever the case may be, That's where we go, and we attack them for the purposes of patronage. I think the response can be very strong.



CLOSING REMARKS

- TYT Tun Ahmad Fuzi Abdul Razak: I think this is a very good start. This is a cosy little gathering, and most productive in many ways. I've listened attentively to the views and suggestions made by the distinguished speakers around the table, and I'm most impressed with what have been suggested. I think the views expressed need to be brought to the next level. I'm not sure whether some of these issues have been discussed before, and whether they are already on the agenda of the various EXCOs of the state government. In any case, we need to engage with them.

I would like to suggest for Penang Institute to present all that has been said in properly structured reports, and with a series of recommendations covering all the three clusters. Perhaps Penang Institute or YB Sim himself can take this up at the state level, if not the federal level. I think it is important that this session does not remain Talk Only, No Action; we should bring it to the next level and see what can be implemented.

I think there are a lot of useful suggestions here. Some need to be further developed; maybe Penang Institute can consider how some can be implemented.

I wish to thank all of you for your attendance and your contribution to this first Bel Retiro Roundtable. Thank you all, very much.

- Dr Ooi Kee Beng: Thank you, Tun. It is the Penang Institute's ambition to do exactly what you're saying. I would need the permission of everyone here, since we did say that this event is held under Chatham House Rules. We need your permission for anything you've said to be published in a collated form. Once we have the proceedings published, we wish to submit the ideas in various formats to the different EXCOs, or the whole state government, perhaps event to the federal ministries. That is the plan.

The Bel Retiro Roundtable will continue next year as an annual event, albeit with different invited speakers and experts. Thank you all for joining us.



www.penanginstitute.org