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Invest ASEAN-Malaysia 2025

"Driving ASEAN Integration through Malaysia's Economic Resilience"

STRATEGY

Malaysia

"Capital, Collaboration, Connections"

Invest ASEAN, Maybank's flagship annual event, was jointly organised this year with Bursa Malaysia's Invest Malaysia in conjunction with Malaysia's chairmanship of ASEAN. Themed "*Driving ASEAN Integration through Malaysia's Economic Resilience — Capital, Collaboration, Connections*", the event in Kuala Lumpur on 30 June to 3 July saw participation from 1,500 delegates, including institutional investors with a combined AUM of USD13.6tr. The event also featured 71 PLCs from across ASEAN and India with a combined market value of USD383b which shared their business strategies and outlook with investors. YB Senator Datuk Seri Amir Hamzah Azizan, Malaysia's Minister of Finance II, delivered the Keynote Address.

Keynote Address by YB Minister of Finance II

In his Keynote Address, YB Senator Datuk Seri Amir Hamzah Azizan highlighted Malaysia's economic resilience amid the global headwinds. The Government remains confident of Malaysia achieving the +4.5%-5.5% GDP growth forecast for 2025 with economic restructuring – under the MADANI Economy Framework – remaining on-track. At the same time, Malaysia remains committed to fiscal consolidation, targeting a 3.8% budget deficit to GDP for 2025, while other reforms are underway to support economic growth, build credibility and set governance examples. The upcoming Budget 2026 and 13th Malaysia Plan (2026-2030) will be pragmatic, sensible and drive continuity in Malaysia's progress.

"ASEAN: Strengthening Resilience and Integration"

The discussion, featuring YB Liew Chin Tong, Malaysia's Deputy Minister of Investment, Trade & Industry, and H.E. Ferry Irawan, Indonesia's Deputy Minister for Coordination of State-Owned Enterprises Management and Business Development, and Coordinating Ministry for Economic Affairs, centered on ASEAN's ability to build economic resilience through strategic cooperation and collaboration, while effectively navigating global complexities. Both YB Liew and H.E. Ferry concurred that ASEAN countries must move away from viewing each other purely as competitors, and should adopt a mindset of complementarity. ASEAN should be seen as a single, coherent investment destination, not fragmented markets.

"Navigating Tariff Wars & US-China Rivalry"

The panelists - Professor Tan Kong Yam from Nanyang Technology University Singapore and Mr Julian Neo of DHL Express Malaysia & Brunei - discussed China's preparedness and strategic "war chest" in navigating tensions with the US, and China's growing influence in ASEAN. Discussions were also on the opportunities emerging from global trade disruptions, supported by ASEAN's supply chain resilience and strategic positioning. Three fast-growing emerging markets observed are Mexico (the 2nd-largest market in Latin America), Romania (the 2nd-largest market in Eastern Central Europe) and UAE (emerging as a leader across multiple sectors).

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Keynote Address

YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II, Malaysia

Key takeaways. Amid the global headwinds, Malaysia is fortunate to be well-integrated into ASEAN which has contributed to Malaysia's growth and resilience. The Government remains confident of Malaysia achieving the +4.5%-5.5% GDP growth forecast for 2025 with economic restructuring – under the MADANI Economy Framework – remaining on-track. At the same time, Malaysia remains committed to fiscal consolidation, targeting 3.8% budget deficit to GDP for 2025, while other reforms are underway to support economic growth, build credibility and set governance examples. The upcoming Budget 2026 and 13th Malaysia Plan (2026-2030) will be pragmatic, sensible and drive continuity in Malaysia's progress.

Highlights of Senator Datuk Seri Amir Hamzah Azizan's Keynote Address:

- **Collaboration and connections.** Amid the global headwinds in trade and geopolitics, Malaysia is fortunate to be well-integrated into ASEAN which has a population of close to 700m, GDP of over USD4tr (2024); accounted for 8% of global trade, 5% of value-added manufacturing; and attracted 17% of global FDIs - at a record USD230b. The '*Kuala Lumpur Declaration on ASEAN 2045: Our Shared Future*' marks a milestone towards deeper regional integration with priorities including regional leadership in global affairs, a focus on digital and green economies, greater inclusivity, sustainability and resilience.

- **Malaysia's economic resilience.** The Government remains confident of Malaysia achieving the +4.5%-5.5% GDP growth forecast for 2025 and revision, if any, is expected to be small. ASEAN also contributes to Malaysia's growth and resilience via (i) intra-ASEAN trade (which made up 26.6% of Malaysia's total trade in 2024, with export to ASEAN countries up 4.2% and imports up 8.9%); and (ii) tourism (with over one-third of the 10+m visitors to Malaysia in 1Q 2025 were from ASEAN).

  In addition, collaboration and cooperation has allowed for the rapid progress of key projects like the Johor-Singapore Special Economic Zone (JS-SEZ) which has secured six (6) committed investments worth MYR16.7b and identified 57 potential investments worth MYR26.2b since its official signing in Jan 2025. JS-SEZ is a vital catalyst for Johor which attracted MYR30.1b of approved investments in 1Q 2025 and the state aims to secure up to MYR100b by end-2025. Meanwhile, the Forest City Special Financial Zone – located within the JS-SEZ – has attracted 32 companies which have expressed interest to set up family offices there, with two companies having received approval from the Securities Commission.

- **Economic restructuring.** Malaysia's economic restructuring – under the MADANI Economy Framework - is on-track with the (i) New Industrial Master Plan (NIMP) 2030 having attracted MYR95b in committed investments; (ii) National Semiconductor Strategy (NSS) having secured MYR55.8b in electronics and electrical (E&E) investments in 2024; and (iii) National Energy Transition Roadmap (NETR) making good progress towards renewable energy (RE) installed capacity targets of 31% by 2025, 40% by 2035 and 70% by 2050. Meanwhile, Malaysia is spearheading the first phase of the ASEAN regional power grid with RE (from offshore wind) from Vietnam to be exported via a subsea cable and Malaysia's power grid to customers in Singapore. The future phase will involve Cambodia, Thailand, Indonesia and Sarawak.

- **Fiscal consolidation.** Malaysia remains committed to fiscal consolidation, targeting a 3.8% budget deficit to GDP for 2025 (2024: 4.1%) which is consistent with the Public Finance and Responsibility Act 2023's 3% target in the medium-term. This will be achieved via (i) revenue enhancing measures, tax system efficiency and taxpayer compliance; (ii) targeted subsidy, with diesel fuel subsidy rationalisation implemented on 10 Jun 2024, and RON95 petrol subsidy rationalisation to start in 2H 2025 (the focus now is on the final details); (iii) Sales and Services Tax (SST) expansion, which has been fine-tuned to minimise the impact on small-medium enterprises (SME) and the general population.
- **Other reforms.** There are also other reforms in the pipeline to support economic growth, build credibility and set governance examples as current global volatility makes reforms more (not less) urgent - Judicial and Institutional Reforms, Fiscal and Public Sector Reform, Social Protection and Inclusivity Reforms, Digital and Innovation-led Transformations.
- **Budget 2026 and 13MP.** The upcoming Budget 2026 and 13th Malaysia Plan (13MP) will be pragmatic, sensible and drive continuity in the country's progress. Both will respond, where necessary, to current economic headwinds, and build a fairer and more equitable society.
- **Capital markets and ASEAN.** There are two key initiatives in the ASEAN capital markets: (i) Bursa Malaysia's Centralised Sustainability Intelligence (CSI) Solution is part of a broader ASEAN-Interconnected Sustainability Ecosystem (ASEAN-ISE) for ASEAN exchanges to support the transition towards sustainability; and (ii) Bursa Carbon Exchange (BCX) is aligned with the ASEAN Strategy for Carbon Neutrality and exists within the ASEAN Common Carbon Framework to drive national carbon standards, mutual methodologies and resource shaping.

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"Malaysia: Macro Resilience, Fiscal Consolidation"

Fireside Chat with YB Senator Datuk Seri Amir Hamzah Azizan, Minister of Finance II, Malaysia

- **Moderated by Dato' Fad'l Mohamed, Chief Executive Officer, Bursa Malaysia**

Key takeaways from the conversation between Senator Datuk Seri Amir Hamzah Azizan and Dato' Fad'l Mohamed, as well as from fielding questions from the audience are as follows:

- **Insights and updates on Malaysia's negotiations with US on reciprocal tariffs.** Malaysia maintains its principles of supporting multilateralism and a rule-based global trading system. US response and feedback are positive as Malaysia adopt "negotiate, not retaliate" stance, as well as seeking to understand the issues at hand and work on the path of "win-win" outcome. Furthermore, US trade deficit with Malaysia is driven by Malaysia's exports of electronics and electrical (E&E) products – especially semiconductors – that are mainly produced and shipped by US multi-national companies (MNCs), underscoring the cross dependency between US and Malaysia that are hard to decouple without major repercussions. On the issue of non-tariff barriers/ measures raised by the US, Malaysia is open to be flexible in rules and regulations e.g. agriculture products from US.

- **Fiscal consolidation and reforms** are being implemented under favourable economic fundamentals and conditions i.e. resilient growth; tame inflation; healthy labour market. Malaysia is on track to achieve the 3.8% budget deficit to GDP target this year (2024: 4.1%) amid tax and subsidy reform measures. Furthermore, to generate more fiscal space, the Government is rolling out e-invoicing in stages for transparency in business transactions that address tax leakages/under-reporting and improve tax compliance.

- **Sales and Services Tax (SST) measures effective 1 July 2025,** i.e. higher SST rates and broader coverage of Services Tax. Despite recent adjustments/ reviews i.e. exemptions of selected imported fruits and beauty services; raise Services Tax annual revenue/sales thresholds for rental, leasing and financial services to MYR1m from MYR0.5m, the Government maintains revenue uplift projection of MYR5b this year (i.e. annualized MYR10b) as the estimate was on the "conservative side".

- **Goods and Services Tax (GST).** The Government acknowledges that GST is not a "wrong tax" but is not considering its comeback anytime soon. There are the reality of GST being a tax that hit consumers directly versus SST that can be targeted; the practical issue of lead time of two years to bring back the GST – which is not ideal as the Government is in the midst of fiscal consolidation; and the Government's focus on raising average/median income first so that the people can absorb the GST if it makes a comeback.

- **Targeted RON95 petrol subsidy rationalisation**. The Government is carefully considering the scope and mechanism as the impact to inflation/cost of living and the affected people/vehicles are larger versus targeted diesel subsidy rationalisation last year. The Government is currently looking at what should be the cut-off level/threshold in terms of income level as the eligibility criteria and the use of MyKad (national identity card of Malaysians) as the mechanism - currently MyKad is used for the monthly cash handouts benefiting 5.4m people to buy essential items at 400,000 shops nationwide. The idea is to co-opt MyKad into card readers at the 4,000 petrol stations across the country to enable eligible recipients of targeted RON95 petrol subsidy to purchase the fuel at subsidized price.

- **Medium-term target of 45% labour income to GDP ratio** versus one-third in 2024. To achieve this ambitious target, Malaysia needs to get out of low-cost and cheap foreign labour dependent industries and economic activities that cause the middle income trap. The key to this is attracting high value investments and activities that generate higher paying jobs, as well as upskilling local workers via technology adoption e.g. digitalisation, automation.
- **Redefining income / income groups**. Classification of income groups into Top-20% (T20), Middle-40% (M40) and Bottom-40% (B40) is somewhat "archaic". There is a need for a new way to look at things e.g. adopting the concept of "living wage" as "disruptor" by going beyond the minimum wage. Nine (9) government-linked companies (GLCs) have adopted "living wage" with the remaining 25 GLCs to follow suit by end 2025, which will benefit 153,000 employees.
- **Johor-Singapore Special Economic Zone (JS-SEZ) Blueprint** is a work-in-progress and being done together with Singapore. Nonetheless, things are already moving e.g. Invest Malaysia Facilitation Centre - Johor (IMFC-J) is already operational and the Ministry of Finance has announced fiscal incentives for JS-SEZ which led to approved investments in Johor surging so far this year, signaling that investors have already made the decisions to invest in JS-SEZ ahead of the blueprint, which will provide clarifications and clarity on certain issues e.g. infrastructure, talents.

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"ASEAN: Strengthening Resilience and Integration"

Panelists:

- **YB Liew Chin Tong, Deputy Minister of Investment, Trade & Industry, Malaysia**
- **H.E. Ferry Irawan, Deputy Minister for Coordination of State-Owned Enterprises Management and Business Development, Coordinating Ministry for Economic Affairs, Indonesia**

Moderator: Dato' John Chong, Group Chief Executive Officer, Global Banking, Maybank

Context setting. The discussion centred on ASEAN's ability to build economic resilience through strategic cooperation and collaboration, while effectively navigating global complexities.

Key takeaways. ASEAN countries must move away from viewing each other purely as competitors, and should adopt a mindset of complementarity, where each country specializes in areas where it has strengths. ASEAN should be seen as a single, coherent investment destination, not fragmented markets.

Highlights of the conversation:

ASEAN trade and investments

- **ASEAN countries must move away from viewing each other purely as competitors.** Instead, they should adopt a mindset of complementarity, where each country specializes in areas where it has strengths. For example, Malaysia and Singapore may need to accept that some industries are better suited for Indonesia, and vice versa.

  Crucially for Malaysia, the question is whether it wants to continue competing on cost-efficiency or shift towards high-value activities - such as innovation and advanced manufacturing. If Malaysia commits to the latter with determination and clarity, it can play a central role in a more integrated and complementary ASEAN production network.

- **Several ASEAN policies are helping to pave the way for stronger regional trade:**

  - ✓ ASEAN Single Window & Customs Transit System: Streamlining customs and document exchange.
  - ✓ Tariff reduction: Under the ASEAN Trade in Goods Agreement (ATIGA), ~98% of tariffs have been eliminated.
  - ✓ Local content rules: Companies meeting these can avoid up to 50% in import duties.
  - ✓ Free Trade Agreements (FTAs): Broaden market access and reduce barriers, supported by the Regional Comprehensive Economic Partnership (RCEP).
  - ✓ Standards harmonization: Simplifies product classifications and speeds up cargo processing (from 7 to 3 days).
  - ✓ Digital connectivity & sectoral cooperation: Enhance efficiency and integration.

- **ASEAN should position itself as the "indispensable middle" in global tech** - not necessarily leading in cutting-edge innovation, but producing mid-level technologies accessible to the broader global population.

  Post-COVID and amid global decoupling, there's a rare window for ASEAN to emerge as a top global manufacturing and tech region. Outside the U.S., China, and Europe, ASEAN (led by countries like Malaysia) could become the fourth most sophisticated supply chain region globally.

- **ASEAN must not overly depend on Western markets like the U.S., and instead focus on internal integration and developing its own middle class.** By 2045, ASEAN should aim to have half of its projected 800m population living a middle-class life, thereby creating a strong internal consumer market and economic resilience. To realize this vision, ASEAN must improve cross-sectoral coordination, policy agility, and monitoring mechanisms, while partnering with the private sector and external stakeholders. If successful, ASEAN could unlock an estimated USD540b in intra-ASEAN trade potential by 2030.

- **With the July 8 pause deadline approaching, there is uncertainty over whether tariff negotiations with the U.S. would conclude on time,** but a resolution is inevitable. The goal is to establish a mutually beneficial and stable arrangement, particularly around reciprocal tariffs.

  The U.S. accounts for 10% of Indonesian exports, mostly in labor-intensive commodities (e.g., apparel, footwear). The Indonesian Government is proposing to reallocate some imports to the U.S. and expand cooperation in education, technology, and financial services.

- **ASEAN should be seen as a single, coherent investment destination, not fragmented markets.** ASEAN can attract FDI by:

  - ✓ Leveraging complementary strengths of member states (not competing, but cooperating).
  - ✓ Strengthening regional value chains.
  - ✓ Improving coordinated promotion and digital platforms for investment facilitation.

- **Capital must be linked to purpose, not just for returns, but for development impact.** A major initiative is the ASEAN Power Grid - to enhance regional energy connectivity. This requires a coherent financing framework, possibly using blended finance (public + private capital). It must also ensure equity – e.g., Laos should have enough energy for its own development before exporting.

- **The upcoming ASEAN Economic Community Strategic Plan (2026–2030)** focuses on:

  - ✓ Investment liberalization
  - ✓ Ease of doing business
  - ✓ Capital market integration

Malaysia's economic momentum

- **Malaysia is on track with its economic strategies** under the MADANI Economy Framework, National Energy Transition Roadmap, and New Industrial Master Plan (NIMP). Progress is reflected in metrics like the World Competitiveness Ranking, where Malaysia moved from 34th to 33rd position

While progress is evident, more must be done, especially to ensure:

- ✓ Better wages for workers
- ✓ Malaysians "get rich before they get old"
- ✓ A stronger, genuine middle class

- **The key priority is to shift Malaysia's identity from a "trading nation" to a "technology nation".** Greater emphasis is needed on horizontal industry linkages, such as connecting semiconductors to automotive, medical devices, green tech, and defense sectors. Developers and industrial players are urged to move beyond land sales and instead invest in technology ecosystems. The goal is to create broad-based prosperity through strategic, tech-driven industrial development.
- **Malaysia should shift its FDI focus from just monetary inflows to attracting foreign technology owners.** The aim is not only to receive capital, but to embed technology transfer into the investment process.
- **Malaysia also needs fewer speculators and real estate-driven investments.** Instead, there should be more focus on a) linking capital markets to tech ventures, and b) encouraging landowners and developers to invest in technology, not just property.
- **The Government aspires to turn Malaysia into a tech-driven economy, akin to South Korea over the next 10-15 years.** Achieving this requires a) a mindset change in the Government, GLCs, and banks, b) strong commitment to industrial transformation, and c) a move away from land-based economic thinking.

Indonesia's economic momentum

- **President-elect Prabowo has targeted 8% annual GDP growth by 2029** as part of Indonesia's path to becoming a high-income nation by 2045. The Government is implementing a multi-pronged growth and investment strategy to exceed the historical 5% growth trend.
- **The four pillars of Indonesia's economic growth** are:
  - ✓ Manufacturing: Indonesia's downstreaming policy aims to process raw commodities (e.g. nickel, cobalt) domestically to increase value-add. Industrial zones and processing hubs are established in Sulawesi and North Kalimantan.
  - ✓ Services: Focus on tourism, digital economy, and new initiatives like bullion banking. Digitalization alone could lift GDP by 1%.
  - ✓ Agriculture & Food Security: Targeting self-sufficiency in food and boosting agricultural productivity. Agriculture grew faster than overall GDP in 1Q 2024 (~10%).
  - ✓ Construction: Flagship programmes include 3 million subsidised housing units and major infrastructure investment.

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"Regional Corporate Roundtable: Opportunities Amid the Headwinds"

Panelists:

- **Dr. Melvin Heng, Executive Director and Group Chief Executive Officer of Thomson Medical Group Ltd**
- **Vincent Lim Aun Seng, President Commissioner of PT FKS Food Sejahtera Tbk**
- **Jessica Ng Kim Teng, Chief Executive Officer and Executive Director of Eco-Shop Marketing Berhad**

Moderator: Michael Oh-Lau, CEO, Maybank Investment Banking Group

Context setting. The current decade has been challenging, marked by the pandemic at the start, followed by supply chain issues, and global economic uncertainty stemming from fundamental shifts in US policies – especially on trade. In response, governments are re-calibrating and re-prioritising economic policies to navigate through the complexities of global trade, and to ensure economic security. Meanwhile, businesses are taking a relook on their priorities and strategic direction for the near- to longer-term.

Key takeaways. The current global economic climate presents both headwinds and opportunities for businesses. While Thomson Medical Group (TMG) faces regulatory burdens, rising costs and an aging population, it sees growth in purpose-built facilities, data investment and regional expansion. Meanwhile, FKS Food Sejahtera (FKS Food) aims to boost distribution outlets in highly populated Indonesia and explore overseas markets as it battles high commodity prices and soft Indonesian consumer spending. As for Eco-Shop, it is planning for aggressive store expansion in Malaysia (and potentially abroad) as it navigates supply chain pressures and rising labour costs in Malaysia. Eco-Shop's business model is premised on scale and hence growing its store base will help to keep unit cost low.

Highlights of the discussion:

Headwinds and challenges

- **A highly regulated healthcare sector.** The healthcare industry, particularly in Southeast Asia, faces significant challenges amid rising medical inflation and tightening regulations. Evolving government policies – such as Malaysia's shift to Diagnosis-Related Group (DRG) – further complicate the landscape. In Malaysia, the recent cap on insurance premium increases at 10% p.a. (w.e.f. Jan 2025) adds pressure on insurers, especially as medical claims escalate.
- **Rising healthcare costs.** Higher case complexities from an ageing/aged population, secondary impact of US tariff changes on prices of medical supplies and currency fluctuations are driving up healthcare costs, posing risks to the industry.
- **Soft consumer buying power in Indonesia.** FKS Food notes that online gambling and lending have significantly indebted the Indonesian population, reducing their purchasing power and impacting the fast-moving consumer goods (FMCG) market.
- **High commodity prices and supply chain pressure.** Companies like FKS Food (whereby wheat, corn, and rice account for 80% of its cost of goods sold) have experienced substantial cost increases due to volatile commodity prices (especially during the COVID-19 period), depreciating IDR, and supply chain pressures. Meanwhile, Eco-Shop (a retailer) faces rising store operating costs and supplier led product price pressure.

- **Post-COVID market re-entry challenges.** FMCG companies in Indonesia faced difficulties regaining market share and consumer trust after COVID-19, thus requiring significant investments in rebuilding relationships and ensuring timely, quality deliveries.

Opportunities and strategies

- **Healthcare network expansion & data investment.** Opportunities in healthcare include developing purpose-built facilities especially in eldercare and preventive wellness, investing in data infrastructure and digitalisation, scaling up delivery of specialised healthcare across underserved markets via investments in core infrastructures, and providing greater transparency in patient care.
- **Leveraging pension funds for healthcare.** The potential use of pension funds for healthcare payments offers a liquidity injection into the system especially for vulnerable retirees, thus easing financial pressure on public healthcare systems, insurers, and out-of-pocket payers, and enhancing resilience across the healthcare risk pool.
- **FMCG outlet growth & product diversification.** Companies like FKS Food aim to significantly increase their active retail outlets and even cater to evolving consumer preferences for value and smaller, prepared products for at-home cooking.
- **Eco-Shop's domestic expansion & cost control.** Eco-Shop, with its ultra-affordable model, sees vast untapped potential for expansion within Malaysia, focusing on scaling up its operations, procuring directly from factories, and keeping fixed costs minimal. Its business model is based on scale. Volume is key and hence Eco-Shop targets 70 new store opening a year, from its current size of >300 stores. Eco-Shop could potentially benefit from shifting trade dynamics due to the US-China tariff war.
- **Regional expansion potential.** While currently focused on their core markets, TMC (with an existing presence in Singapore, Malaysia and Vietnam) is actively exploring regional expansion beyond its current strongholds. FKS Food meanwhile is looking to diversify its product reach via exports, with Indonesia remaining its main market given its huge population size of over 280 million people. Eco-Shop also hopes to expand its homegrown brand outside Malaysia in the future.

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"The Rising AI Wave – Ambitions vs. Ambiguity"

Panelists:

- **John Lee, Director, East West Futures**
- **Fong Swee Kiang, Chief Executive Officer, Skyechip**
- **James Morley, Senior Investment Officer and Malaysia Anchor for Manufacturing, Agribusiness and Services, International Finance Corporation (IFC), The World Bank Group**
- **Giorgio Migliarina, Group Chief Technology & Digital Officer, Maybank**

Moderator: Robert Lea, Senior Technology Analyst, Bloomberg Intelligence

Key takeaways. The global AI race is being led by the US and China, with hardware players like Nvidia benefitting most amidst a capex surge from US tech giants. In contrast, AI software faces monetisation challenges due to commoditization and free access, especially in China. Future AI growth hinges on breakthroughs in Artificial General Intelligence (AGI) and the development of unique, high-impact applications. ASEAN nations, including Malaysia, can tap into this boom by boosting AI adoption across sectors, supported by investments in infrastructure, data centres, and R&D.

Malaysia is well-positioned to move up the semiconductor value chain - from back-end assembly to IC design and AI-specific chips - by aligning with US trade policies while deepening ties with China. Talent development, digitalisation, and sustained government backing are seen as critical enablers. Governments must also address the AI talent gap through education reform, funding, and infrastructure. AI itself can help elevate learning through automation and personalisation.

Venture capital (VC) investment in ASEAN AI remains small - only USD6b between 2020–2024 - highlighting room for growth, especially in Malaysia. Meanwhile, Maybank is leading by example, applying AI across operations and supporting AI startups through funding and strategic partnerships.

Key highlights of the conversation:

- **Hardware still dominates software in a duopolistic AI landscape.** The global AI landscape is currently defined by a two-horse race between the US and China. Although Europe and Japan are home to some innovative AI startups, neither are positioned as major global players in AI. Notwithstanding the proliferation of AI-based software applications, it is hardware providers like Nvidia who are currently benefitting the most from the AI boom as Amazon, Meta, Google and Microsoft's combined capex is expected to breach c.USD300b in 2025. The outlook for AI software remains challenging as (i) a lack of differentiation, (ii) the ubiquity of free AI models & applications, and (iii) low switching costs for users have all led to the commoditization of AI - especially in China, where majority of AI-enabled software products are currently offered without charge. Hence, a concerted shakeout is required to consolidate and improve the profitability of AI software providers.

- **Future AI profitability will be driven by the race to achieve AGI**. To achieve sustainable profitability and unlock the full potential of AI, the development of "killer apps" that offer unique and compelling value propositions (beyond the likes of ChatGPT/DeepSeek), is essential. Progress towards Artificial General Intelligence (AGI), which would match human-level intelligence, is seen as a key driver for future growth and commercialization. ASEAN nations have the potential to capitalize on the AI boom by increasing domestic adoption across various industries (agriculture, digital economy, business etc.). To attain this goal, sustained investment in data centres and support for R&D are imperative.

- **Opportunities for Malaysia in the ongoing AI supercycle**. The ongoing AI supercycle is expected to drive substantial semiconductor industry growth in the years ahead, presenting significant opportunities for ASEAN. Malaysia, with its well-established presence in back-end assembly and testing, would do well to leverage on compliance with US export controls while simultaneously pursuing deeper trade integration with China. ASEAN/Malaysian semiconductor companies have the potential to move up the value chain by focusing on IC design, advanced packaging, and the development of specialized chips (ASICs) for AI applications. The panellists identified talent development, digitalisation, and sustained government support as critical enablers to this end.

- **Governments' role in addressing the AI talent bottleneck**. Governments play a pivotal role in fostering the growth of the AI sector by providing financial incentives, supporting education and training programs, as well as attracting investment in high-end facilities. Drawing parallels with the CHIPS Act in the United States, the discussion emphasized the importance of ASEAN governments addressing potential bottlenecks in skilled labour and ensuring access to capital for investments in AI-based technology. AI itself can also be a useful tool to improve the overall quality of the education system when used for personalised tutoring, automated grading, and other educational applications.

- **VCs' role in accelerating the growth of AI-based startups in ASEAN**. There is a growing need for increased investment in private equity (PE) and venture capital (VC) initiatives focused on AI in ASEAN, particularly in Malaysia. Greater availability of capital can help support the growth of AI startups and foster innovation in the region. Between 2020-2024, c.USD6b was invested in AI-related VC initiatives in ASEAN, with around 70% of those investments concentrated in Singapore. However, the USD6b invested only accounts for <1% of global VC investments over the same time period, indicating ample spare capacity for future capital deployment.

- **Maybank's adoption of AI gives it an early mover advantage.** Maybank is actively exploring AI applications to improve productivity, enhance customer interactions, streamline internal processes, and develop innovative financial industry use cases. The bank is focusing on leveraging existing cloud infrastructure and partnering with strategic AI providers to accelerate the adoption of AI technologies. Maybank also plays a crucial role in regional AI startup fundraising either via equity, debt or investment banking and advisory support.

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"Navigating Tariff Wars & US-China Rivalry"

Panelists:

- **Prof Tan Kong Yam, Emeritus Professor, School of Social Sciences, Nanyang Technology University Singapore**
- **Julian Neo, Managing Director, DHL Express Malaysia & Brunei**

Moderator: Erica Tay, Director, Macro Research, Maybank

Key takeaways. Globalisation, outsourcing, and technology transfers have enabled emerging markets to move up the value chain, raising their competitiveness against advanced economies in higher-end manufacturing via lower costs. This structural shift has triggered backlash in the US, often referred to as the "Grievance Doctrine," where voters have become disillusioned with the downsides of globalisation, paving the way for Trump-era trade policies. The panelists discussed China's preparedness and strategic "war chest" in navigating tensions with the US, China's growing influence in ASEAN, and the opportunities emerging from global trade disruptions, supported by ASEAN's supply chain resilience and strategic positioning.

Highlights of the panel discussion:

- **China's preparedness for Trump 2.0.** **Professor Tan** highlighted that China was better prepared during Trump 2.0 versus Trump 1.0. Its response to the tariff hikes was almost instantaneous, having already established internal "Trump Committees" across major ministries and agencies. China's war playbook for Trump 2.0 emphasised the importance of holding strong leverage against the US, with rare earth identified as the "Trump card against Trump".

  Another key point in China's war playbook in Trump 2.0 included President Xi Jinping's assessment on Trump. China must stand firm as Trump respects strength and despises weaknesses. The country can better absorb economic pain given its centralised control and greater societal tolerance for hardships.

  The "pain-point differential" forms a cornerstone of China's tariff strategy. The US would likely experience more immediate effects of its own trade policies and tariff actions, such as financial market disruptions, rising consumer and voter discontent, and higher inflation. In contrast, China's "pain-point" is expected to emerge with a time-lag through rising unemployment, weakening demand and declining exports, but these are also somewhat cushioned by government support through its national team's help to stabilize the stock market and to shore up consumer confidence.

  President Xi Jinping sent his most trusted senior ministers, Vice Premier He Lifeng and Ministry of Public Security Wang Xiaohong to negotiate with the US, signaling his seriousness and strategic intent in the trade war.

- **China's bargaining power.** Professor Tan also emphasised that China holds greater bargaining power in the trade war given the current trade structure where the US has a higher share of imports into China compared to its relatively smaller share of China's exports. He cited China's leverage over the US through rare earth exports as an example, noting that President Trump may have underestimated their strategic importance, particularly as inputs for sectors such as manufacturing of motor vehicles and fighter jet components.

- **Trade war escalation?** Professor Tan assessed that the US-China trade war is unlikely to escalate significantly, and that ASEAN could continue to benefit, supported by trade differential and diversion, and China plus one strategy.

- **China's domestic challenges.** However, China's domestic challenges should not be underestimated particularly the decline in consumer confidence and subdued domestic spending on the back of higher savings. Professor Tan underscored this with anecdotal observations from his time in China, noting shifts in consumer spending patterns, modest subway passenger volumes indicating slow recovery, continued slump in property sales and increase in gig economy employment amid rising unemployment, especially among university graduates.

- **China's potential game changer.** A potential game changer and boost for China lies in its fresh focus on the private sector, particularly in technology development, as it seeks to compete with the US through the emergence and growing influence of DeepSeek, advancements in AI and semiconductor chips. This is expected to support a renewed push for economic development and productivity for the country.

- **ASEAN and China.** Professor Tan further pointed out ASEAN has become more closely aligned with China and observed that enforcing tariffs would be difficult at the micro level.

- **Opportunities have emerged.** **Mr Julian Neo** argued that while global trade may seem to be in "huge turmoil," opportunities have emerged as the broader global economic landscape has shifted meaningfully. The focus should not be on the disruptions, but on recognising emerging patterns which present opportunities for those who are prepared.

  He highlighted three trends that have emerged through major crises (SARS, COVID-19, and trade tensions):

  (i) The rise of the "China + X" strategy, where companies increasingly diversify production out of China in swift response to tariffs. One DHL customer shifted production from Mexico to Penang in under a week following US tariff announcements.

  (ii) Supply chain diversification strategies such as near-shoring, re-shoring, and friend-shoring have gained traction.

  (iii) A surge in FDI and domestic investment flows, creating opportunities for startups to emerge from the gaps left by MNCs.

  Despite geopolitical tensions, Julian believes that global trade remains "too big to fail," with 3.1% annual growth expected between 2024–2029. He noted that in 2024, only 21% of the value of global goods and services was traded internationally, while US-China trade ties accounted for just 2.6%.

- **Fast-growing emerging markets.** Julian highlighted three fast-growing emerging markets:

  (i) Mexico: The second-largest market in Latin America, which has a higher trade volume with the US than China.

  (ii) Romania: The second-largest market in Eastern Central Europe, enabling Europe to diversify its supply chains.

  (iii) UAE: Emerging as a leader across multiple sectors.

- **Seizing the opportunity.** Amid the ongoing trade war, Julian observed that over 60% of Malaysian companies have adopted a wait-and-see approach. His advice to MNCs: (i) avoid being swayed by geopolitical noises and rely/focus on data; (ii) work closely with government agencies; and (iii) diversify and leverage free trade agreements (FTAs) to tap into growth markets.

- **Sectors most affected.** Julian highlighted the sectors most affected by current trade developments: retail, vehicles & parts, basic chemical materials, metals & mining, and apparel & accessories.

- **FDI into ASEAN.** On the trend of FDI into ASEAN, both panelists highlighted the region's bright prospects. Professor Tan further underscored ASEAN's strategic importance from China's perspectives, particularly Malaysia, Indonesia and Vietnam, suggesting that China's initial investments in these countries may spur greater demand for Chinese products in the long run. He described China-ASEAN ties as a complimentary strategic partnership, also noting the rising relevance of the Islamic world, especially with Malaysia and Indonesia, and ASEAN's expanding market potential.

- **Trade realignments.** Meanwhile, Julian maintained that ASEAN markets will continue to be key beneficiaries of ongoing trade realignments. Citing DHL's Strategy 2030, he pointed to favourable geographic tailwinds, with 7 of the 20 fastest-growing markets located in Asia, including Malaysia, Singapore, Vietnam, Thailand, Indonesia, and the Philippines. He also noted the region's proven supply chain resilience during past crises (e.g. SARS, COVID-19), highlighting DHL's strategic shift in investments toward hubs like Singapore and sub-hubs such as KLIA as part of its contingency planning. This shift responds to growing demand for shorter lead times and next-day deliveries, reflecting a broader trend towards nearshoring and evolving customer expectations in a fragmented global environment.

- **On whether ASEAN can be self-sufficient,** Julian expressed his confidence given the region's resilience and focus on supply chain security, with lessons from COVID-19, prompting the expansion of regional hubs such as the shift from Hong Kong to Singapore and sub-hubs in Malaysia, aligning with the "China + X" strategy. Professor Tan, however, offered a more cautious view, noting that while cross-dependency on China and the US remains, ASEAN should continue diversifying towards other partners such as Japan, South Korea and Europe.

- **Both panelists were asked for their views on the growing trend of near-shoring, friend-shoring, and on-shoring.** Julian observed that this shift has gained momentum, largely driven by rising geopolitical tensions. He noted that companies are increasingly transitioning from "just-in-time" to "just-in-case" supply chain models, as shorter product shelf lives and heightened focus on resilience reshape logistics strategies. Nearshoring and friend-shoring have become strategic priorities for multinational corporations (MNCs), with Malaysia emerging as a key beneficiary of this shift.

  Professor Tan agreed that the trend is likely to persist but also notes that relocating substantial manufacturing capacity to the US remains challenging due to structural cost barriers, such as high minimum wages and tariffs. These factors make large-scale reshoring economically unviable and create dilemmas for corporates whose cost structures limit flexibility. Firms, therefore, must adopt a pragmatic approach, carefully balancing geopolitical risks with operational realities.

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"Spotlight on e-Commerce in ASEAN"

Featuring:

- **Catherine Lim, Head of Asian Equities, Bloomberg Intelligence**
- **Hussaini Saifee, Head of ASEAN TMT Research, Maybank Investment Banking Group**

Key takeaways. Despite structural headwinds in traditional Western markets, Chinese e-commerce platforms are demonstrating adaptability through logistics optimisation, business model evolution, and strategic regional pivoting. ASEAN, in particular, offers a compelling growth runway, driven by rising digital adoption, underpenetrated retail markets, and improving platform economics.

Highlights of the session:

- **Evolution of the e-commerce landscape.** Catherine Lim and Hussaini Saifee provided insights into the evolving landscape of cross-border e-commerce, shaped by ongoing US-China trade tensions. The removal of the US de minimis duty exemption, previously set at USD800, has raised entry barriers for Chinese exporters, contributing to a slowdown in cross-border e-commerce (CBEC) volumes to the US, which remains a key market (37% of China's CBEC exports in 2024). In response, China is accelerating bilateral trade diversification efforts to sustain export momentum and production output. Near-term challenges persist, particularly as new markets require longer ramp-up times due to logistical and regulatory complexity.
- **Competitive landscape.** The ASEAN region remains a key strategic focus for Chinese platforms, underpinned by geographic proximity, favourable digital adoption trends, and underpenetrated e-commerce potential. Shopee maintains market leadership in the region with a c.52% share, while TikTok Shop is gaining traction. Lazada, however, continues to cede market share. Competitive dynamics remain rational, with platforms raising seller commission rates in recent years. New entrants such as Temu and Shein have limited disruptive impact due to high shipping costs and relatively low average basket sizes in ASEAN. Both companies are adjusting their business models, Temu has moved towards partial consignment and warehouse partnerships, while Shein is expanding its offering beyond fast fashion toward a third-party marketplace model.
- **Environment remains healthy.** Survey data cited during the session pointed to encouraging consumer and seller sentiment in ASEAN. Despite inflationary pressures and a shift towards essential goods, online channels continue to benefit from price advantages over offline retail. Sellers, too, remain largely supportive of platform fee hikes, suggesting minimal margin stress. That said, average basket sizes are expected to remain flat or decline, reflecting a widening user base skewed toward price-sensitive consumers. Separately, Indonesia's ride-hailing and food delivery segments remain healthy, supported by rational pricing behaviour. Speculation of a potential GoJek-Grab consolidation, if realised, may create a more disciplined operating environment in the mobility and delivery verticals.

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