

Executive Summary

Towards an Economically Competitive, Inclusive, and Green Malaysia: Policymaking to Create Sustainable Jobs and Industry

Malaysia's pursuit of green development is often framed as a false and incomplete trade-off between climate ambition and economic growth, with inclusivity being a secondary concern. The imperatives of climate change mitigation and adaptation broaden the policy challenges that are faced by Malaysia in its pursuit of an economically prosperous and socially compassionate development model. Additionally, siloed and one-dimensional policy framing, diagnosis, and treatment create formidable barriers to success. Policymakers have an opportunity to forge a future that corrects economic and social imbalances, supports global imperatives to decarbonise, and offers sustainable jobs and growth in green industry. They equally face the threat of deeper fractures along existing fault lines should the opportunity not be seized.

The real trilemma Malaysia faces is how to pursue an economically prosperous, socially inclusive and more environmentally friendly (including less carbon-intensive) future simultaneously. Malaysia's economic, sociopolitical, and environmental objectives increasingly intersect, with the success of policies for one conditioning the success of the others. A decarbonisation strategy that is poorly timed or with concentrated costs will erode competitiveness and divide stakeholders. Electrification that prioritises rapid growth and clustering of capital-intensive business activity while ignoring remaining access gaps for poor and remote households may overly sacrifice equitability for productivity, diminishing Malaysia's social fabric. And a transition that overlooks workers, micro, small and medium-sized enterprises (MSMEs), and less-developed regions will be sociopolitically fragile.

Malaysian policymakers understand the challenges and aspire to meet various targets for climate change mitigation, economic growth, and social inclusion. Net-zero and clean energy ambitions are set but remain to be sufficiently backed by detailed policy design, implementation, and enforcement. The pursuit of economic prosperity through business competitiveness is part of Malaysia's DNA, but its state-owned and fossil fuel-heavy model risks being left behind as the world goes green. Inclusiveness remains more aspiration than reality, in a Malaysia that is still significantly unequal in terms of socio-economic status across both geography and demography.

Policymakers are yet to develop the frameworks and tools to effectively synthesise and navigate complex competitiveness, inclusion, and green trade-offs. Major policies like the National Energy Transition Roadmap (NETR) and New Industrial Master Plan 2030 (NIMP 2030) set out clear objectives for decarbonisation and industrial transformation, but are light on inclusion objectives and would benefit from further design, institutional, and implementation depth. The New Incentive Framework (NIF) seeks to prioritise

investments that increase economic complexity, create better jobs and deeper supply chain linkages, improve inclusivity, and enhance sustainability, but executing this involves complex trade-offs between apples, oranges and pears that would benefit from further thinking and tools.

This policy report addresses this gap by providing a synthesised framework and implementation-oriented tools that policymakers can use to consider difficult trade-offs. It offers approaches to assessing integrated competitiveness, inclusion, and environmental considerations to support the generation of green jobs and industry while attending to climate change mitigation and adaptation imperatives. It offers both quantitative metrics and qualitative approaches to support integrated and holistic analytical inputs to policy development and implementation.

Key innovations include a practical Competitiveness–Green–Inclusion (CGI) scorecard that provides a policy design checklist and both simple and aspirational quantitative indicators that integrate CGI measures. The report also assesses Malaysia’s historical relationship between sectoral productivity and employment shifts, offers practical guidance on using different green industry policy instruments, and offers a baseline for assessing the policies and frameworks using the CGI.

Collectively, these contributions form a policy toolkit that Malaysian institutions can adapt to design, stress-test, and refine policies supporting structural transformation, quality jobs, and a competitive, inclusive, and decarbonising economy. They are particularly valuable for policy implementation, monitoring, and evaluation, while also supporting the mainstreaming of CGI considerations into future policy design. The authors hope the report equips policymakers across the wide variety of ministries, agencies, and government-affiliated entities contributing to Malaysia’s industrial, employment, and energy future to practice holistic policymaking. The report could support central agencies in their efforts to champion Malaysia’s overarching and cross-cutting development policy priorities.