

Navigating Malaysia's AI Future: Toward Coordinated and Adaptive Governance

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Introduction

The regulation of Malaysia's AI ecosystem is a multifaceted challenge that requires careful navigation and coordinated governance across different sectors.

This article draws on insights from the Artificial Intelligence Impact and Governance (AIIG) Roundtable¹ organised by Khazanah Research Institute, held in Kuala Lumpur on 27 August 2024. The objective of this event was to discuss the preliminary findings of the AIIG study that commenced earlier in 2024².

Views are short opinion pieces by the author(s) to encourage the exchange of ideas on current issues. They may not necessarily represent the official views of KRI. All errors remain the authors' own.

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¹ More details can be found here: [https://www.krinstitute.org/Events-@-Roundtable-Discussion-on-Artificial-Intelligence-Impact-and-Governance-\(AIIG\).aspx](https://www.krinstitute.org/Events-@-Roundtable-Discussion-on-Artificial-Intelligence-Impact-and-Governance-(AIIG).aspx)

² For the study, KRI interviewed 21 key stakeholders in the Malaysian AI policy landscape on their perceptions of AI risk, challenges faced in AI governance, as well as strategic and feasible pathways forward. A discussion paper is slated to be published by the end of 2024.

I summarise key takeaways from the roundtable and propose initial policy recommendations for advancing AI governance in Malaysia. These discussions may also serve as useful reference for other countries at a similar stage in their AI adoption journey.

Stakeholders prefer soft standards and sectoral regulation

The roundtable revealed a spectrum of perspectives on how best to approach AI governance, particularly in defining the roles of various stakeholders and the nature of regulatory frameworks. To facilitate discussion, we provided a broad definition of "regulation"³, referring to "a means to intentionally influence and/or constrain the behavior of actors, be they individuals, groups, or legal entities such as companies."

Acknowledging some dichotomies within AI governance models, we held virtual polls to gauge participants' preferences in two aspects. The first was whether the focus should be on building standards or establishing laws as primary vehicles for AI governance. **Out of 31 responses, 25 votes (81%) were for standards, indicating a clear preference for a softer approach in AI regulation.**

The second poll sought to find out if participants preferred a more horizontal or generalised approach to regulation, similar to the EU AI Act; or a vertical or specialised approach that tailors regulations to specific sectors (e.g. finance, healthcare). **A majority of the responses (23 votes out of 30) favoured the vertical approach**, underscoring the need for flexibility to allow existing regulators and ministries to adapt regulations to their specific contexts.

While recognising that the sample is not representative and the policy choices not binary, these reactions nonetheless provide a quick temperature check of a room full of stakeholders interested in the topic of AI governance.

Coordination is key to streamlining initiatives on adoption and governance

There was general agreement within the group that while there are many AI initiatives run by different agencies within government, most happen in silos and are largely uncoordinated. This leads to overlapping work and inefficiencies in employing limited resources.

In response to KRI's suggestion for a central AI agency to facilitate national coordination and communication, there was broad support among participants. Discussions primarily focused on implementation details, including governance structure and the necessity for strong leadership and a clear mandate. It was emphasised that the agency should have well-defined objectives and functions. There was also considerable debate over whether it should oversee regulations.

The proposed agency can fine-tune and implement the national strategy on AI, building upon the National AI Roadmap (2021-2025), which is set to expire next year. Other non-regulatory functions that it could take on include fostering connections between experts across different

³ Smuha (2021)

sectors and locations, as well as gathering and disseminating information about AI's impacts to the public.

More AI Readiness Will Help in Risk Management and Meaningful Adoption

Given that participants represented different stakeholder interests, there was a spectrum of preferences on how to balance free innovation and regulation for safety. The conversation on AI risks oscillated between fears of being left behind and perceived risks of unsafe AI, unintended consequences, or AI being weaponised by malicious actors.

However, there was some consensus around the lack of readiness by Malaysian institutions and the general public, which exacerbates AI risks and reduces the country's ability to adopt AI effectively. Boosting readiness in terms of governance structures, state and industry capacity, and public AI literacy will be good interim measures as Malaysia figures out its risk appetite and governance approach.

Policy Recommendations

From the key takeaways of the roundtable and preliminary findings of the AIIG study, three policy recommendations for the Malaysian context are proposed:

1. **Establish and Empower a Central National AI Agency:** As of the time of writing, the Ministry of Digital has announced that a National AI Office has been approved by the Cabinet and will begin operations late 2024⁴. The established AI Office can assume some of the functions proposed above. Clear communication about its governance structure and mandate is essential for building public trust in the office and its operations.
2. **Develop a Flexible Regulatory Framework:** Malaysia requires a regulatory framework that adapts to the evolving AI landscape while being grounded in the local context. An agile regulatory framework should be accompanied by initiatives to improve readiness for regulations and compliance. Efforts ensuring that AI adoption is safe and trustworthy should also acknowledge the cross-border nature of emerging technologies; therefore, the country needs to participate actively in global governance and rules-setting of AI.
3. **Prepare Citizens and Businesses for Future AI Challenges:** As the lack of readiness will exacerbate AI risks and hamper successful adoption, policies need to be in place to prepare Malaysian citizens, consumers, and businesses for future challenges and opportunities that AI can bring. These may take the form of AI literacy campaigns⁵ for the public and capacity-building for businesses, focusing on effective adoption and awareness of potential risks and best practices for responsible use.

⁴ Faiqah and Janani (2024)

⁵ MyDigital Corporation (2024)

Conclusion

In keeping with global trends of AI governance, conversations in Malaysia have moved beyond ethical principles and are now focused on regulatory frameworks and practical actions to maximise the benefits and minimise the risks of AI adoption.

Different actors, state or non-state, are gearing up efforts to prepare the ground. A National AI Office can coordinate these initiatives and connect stakeholders to optimise resources spent. A concerted focus on boosting readiness and building an agile regulatory framework will ensure that Malaysia's AI ecosystem is robust and inclusive, serving the needs of its communities and industries.

References

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