



**TRADE POLICY REVIEW**

REPORT BY

MALAYSIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Malaysia is attached.

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## 1 INTRODUCTION

1.1. This is Malaysia's Eighth Trade Policy Review at the World Trade Organization (WTO). It marks the 28<sup>th</sup> year of Malaysia embracing openness to trade and investment through her membership in the WTO, which has been instrumental in employment creation and income growth of the country. Malaysia remains committed to keeping her markets open and supporting businesses, despite the challenging economic landscape in recent years.

1.2. During the period under review (2017-2022), Malaysia's trade policies has been anchored on the priorities outlined in the Eleventh Malaysia Plan (2016-2020) and the Twelfth Malaysia Plan (2021-2025). These include accelerating technology adoption and innovation, enhancing connectivity and transport infrastructure, and improving the standard of living to achieve a balanced and sustainable growth. These priorities are more crucial for ensuring Malaysia's economic trajectory post-pandemic.

## 2 ECONOMIC DEVELOPMENT

### 2.1 Overview

2.1. The Malaysian economy was on its targeted growth trajectory, expanding by 4.6% over the period 2018-2019 mainly driven by strong private consumption and net exports. In 2020, Malaysia's GDP contracted by 5.6% (2019: 4.3%) following the outbreak of COVID-19 pandemic. However, the economy continued to expand by 3.1% in 2021 due to improving domestic demand and robust exports performance.

2.2. During the period of 2018-2021, the Malaysian economy recorded an average GDP growth of 1.6%. The net foreign direct investment (FDI) grew by 4.5% per annum during the same period. In addition, the per capita Gross National Income (GNI) of Malaysia increased to USD 11,066 in 2021 compared to USD 10,134 in the previous year. The economy is expected to accelerate further by 5.3%~6.3% in 2022, with growth to be underpinned by stronger external demand and higher private and public expenditure.

2.3. The inflation rate increased marginally by 0.7% per annum during the 2018-2021 period. Growth was affected by the negative inflation of 1.2% in 2020 following lower pump prices and the implementation of the tiered electricity tariff rebate beginning April 2020. However, the inflation rate rebounded at 2.5% in 2021, driven mainly by the base effects from the lower fuel prices in 2020.

2.4. As the global economy recovers, inflation is projected to rise in 2022, averaging between 2.2% to 3.2%. This is driven by the sustained demand pressures in an environment of higher energy and commodity prices as well as ongoing disruptions in the global supply chain.

### 2.2 Sectoral Performance

2.5. On the supply side, the services and manufacturing sectors continued to be the main drivers of economic growth during the 2018-2021 period. The services sector grew by 2.2%, mainly driven by wholesale and retail trade, finance and insurance, as well as information and communication services subsectors. The manufacturing sector expanded by 3.8% due to robust demand for electrical and electronics products. Meanwhile, the agriculture and mining & quarrying sectors contracted by -0.1% and -3.3%, respectively.

**Table 2.1 Real GDP by Kind of Economic Activity (2015=100), Annual Change, %**

Sector	2018-2021	2022 <sup>a</sup>
Agriculture	-0.1	1.5
Mining & quarrying	-3.3	2.5
Construction	-5.4	6.1
Manufacturing	3.8	5.2
Services	2.2	6.9
<b>GDP</b>	<b>1.6</b>	<b>5.3 – 6.3</b>

a Projection for 2022.

Source: Department of Statistics Malaysia (DOSM) and Bank Negara Annual Report 2021.

2.6. The decline in the agriculture sector could be attributed to weaker palm oil production while the performance of mining & quarrying sector was weighed down by facility closures for maintenance purposes. Similarly, the construction sector contracted by 5.4% during the same period.

2.7. Consistent with the anticipation of a stronger economic recovery in 2022, all economic sectors are projected to expand further, predominantly driven by the services, manufacturing and construction sectors.

2.8. The services sector registered an average growth of 3.2% for the period 2017 to 2021. The services sector continued to account for the largest share of GDP, accounting for 57% of the GDP in 2021. The sector remains on track to meet the targeted goal of 58.3% set under the Twelfth Malaysia Plan.

2.9. The manufacturing sector was impacted badly by the COVID-19 pandemic in 2020, and contracted 2.6% mainly by a downward performance in refined petroleum, chemicals and chemical products, non-metallic mineral products, basic metal, fabricated metal and motor vehicles & transport equipment. As the COVID-19 restrictions were eased and manufacturing activities resumed, backed by the country's pragmatic and agile policies, the overall performance of the manufacturing sector improved significantly in 2021 compared to 2020, growing by 14.9%.

2.10. During the period from 2016-2020, the agriculture sector's Gross Domestic Product (GDP) contribution remained stable between 6% and 8% with a compound annual growth rate (CAGR) of 1.93% while the total production value was at MYR 107.3 billion in 2020. The major share of this contribution came from the oil palm (37.1%), other agriculture (27.9%), livestock (16.1%), fishery (11.2%), forestry and logging (5.2%), and rubber (2.5%).

2.11. Palm oil contributed MYR 45 billion to GDP in 2021. This accounts for 3.2% of GDP. Nevertheless, palm oil sector recorded a decline of 6.9% in 2021 compared to 2020. Palm oil export in 2021 expanded remarkably by 48% to MYR 108.5 billion compared to MYR 73.3 billion in 2020.

2.12. The construction sector contracted marginally by 0.1% due to reduced construction activity during the period of the Eleventh Malaysia Plan. In 2020, the last year of the Eleventh Malaysia Plan, construction sector growth contracted to 19.4%. It is due to the implementation of MCO and strict standard operating procedures (SOP) to all economic sector to control the spread of COVID-19 pandemic. The construction sector contracted at a smaller pace of 5.2% in 2021 due to better performance of all sub-sector.

2.13. The year-over-year (y-o-y) mineral production value growth for the period of 2018 to 2021 for mines and quarries were at -13.9%, 13.4%, -21.7%, and 2.6%; valued at MYR 6.0 billion, MYR 6.8 billion, MYR 5.3 billion and MYR 5.4 billion, respectively. The COVID-19 pandemic has caused the growth to plunge by 19.2% in 2020 and 17.1% in 2021, compared to the three-years average pre-pandemic. In 2021, a slight increase of 5.2% y-o-y growth were recorded, contributed by the recovery in energy (coal) and non-metallic minerals productions as compared to the previous year when the COVID-19 pandemic started.

2.14. The mining sector registered a contraction of -1.0% in 2017, -2.6% in 2018, and -2.0% in 2019, as crude oil output was weighed down mainly by maintenance works and voluntary supply adjustments by PETRONAS. In 2020, the sector recorded a continued contraction in growth of 10.6% as crude oil and natural gas production were impacted by maintenance closures and weak external demand for commodities. In 2021, it improved and registered its first positive growth of 0.7% since 2017, mainly attributed to the gradual recovery in global oil demand and new output from the PETRONAS Floating Liquefied Natural Gas Two (PFLNG2) facility located in offshore East Malaysia.

2.15. Malaysia recorded a higher current account of the balance of payments surplus in 2021 at MYR 53.5 billion or 3.5% of GDP compared to MYR 38.3 billion or 2.8% of GDP in 2017. This is attributed to the sizeable surplus in the goods account, which more than offset the continued deficit in the services and income accounts. During the 2018-2021 period, gross exports grew by 7.3% per annum, mainly supported by manufactured goods, which accounted for 86.1% of total exports in 2021. Gross imports expanded at an average annual rate of 4.2% driven by intermediate and consumption goods as well as re-exports during the same period. The deficit in the services account reflected continued net payments for transportation, professional and technical services as well as

intellectual property. The travel account recorded a deficit in 2020 and 2021, particularly due to the international travel restrictions following the COVID-19 pandemic. In addition, the income accounts remained in deficit following continued repatriation of profits and dividends by foreign investors as well as outward remittances by foreign workers in Malaysia.

2.16. Malaysia's labour force has increased from 15.3 million persons in 2018 to 15.8 million persons in 2021 while the number of employed persons has increased from 14.8 million in 2018 to 15.1 million in 2021. The increment was relatively small as the labour market has been impacted by the COVID-19 pandemic. The unemployment rate remained low at 3.3% in 2018 and 2019 but increased to 4.5% and 4.6% in 2020 and 2021, respectively. The highest unemployment rate was recorded in May 2020 when it hit 5.3%. The unemployment rate has declined to 3.8% in June 2022, the lowest since the COVID-19 pandemic hit the country. The three main contributors of employment in 2021 were services sector (61.1%), manufacturing sector (17.1%) and agriculture sector (12.3%).

2.17. The current account is expected to register a higher surplus in 2022 at 4.2%~4.7% of GDP, driven by the goods account surplus amid continued strength in external demand and higher commodity prices.

2.18. The international reserves of Bank Negara Malaysia amounted to USD 109.2 billion as of 15 June 2022. The reserves position is sufficient to finance 5.5 months of imports of goods and services and is 1.1 times the total short-term external debt.

2.19. During the 2018-2021 period, private investment recorded an average growth of -1.1%. The net FDI grew by 4.5% per annum during the same period. Private investment is expected to increase further by 5.3% in 2022, supported by the implementation of new and ongoing investment projects.

2.20. During the 2018-2021 period, private consumption expenditure recorded an average growth of 3.2%. In 2022, private consumption is expected to increase by 9.0%, underpinned by stronger domestic and external demand as well as stable employment conditions.

2.21. Gross national savings (GNS) averaged 25.9% of GNI in 2018-2021. In 2022, Gross national savings is expected to record 23.8% of GNI.

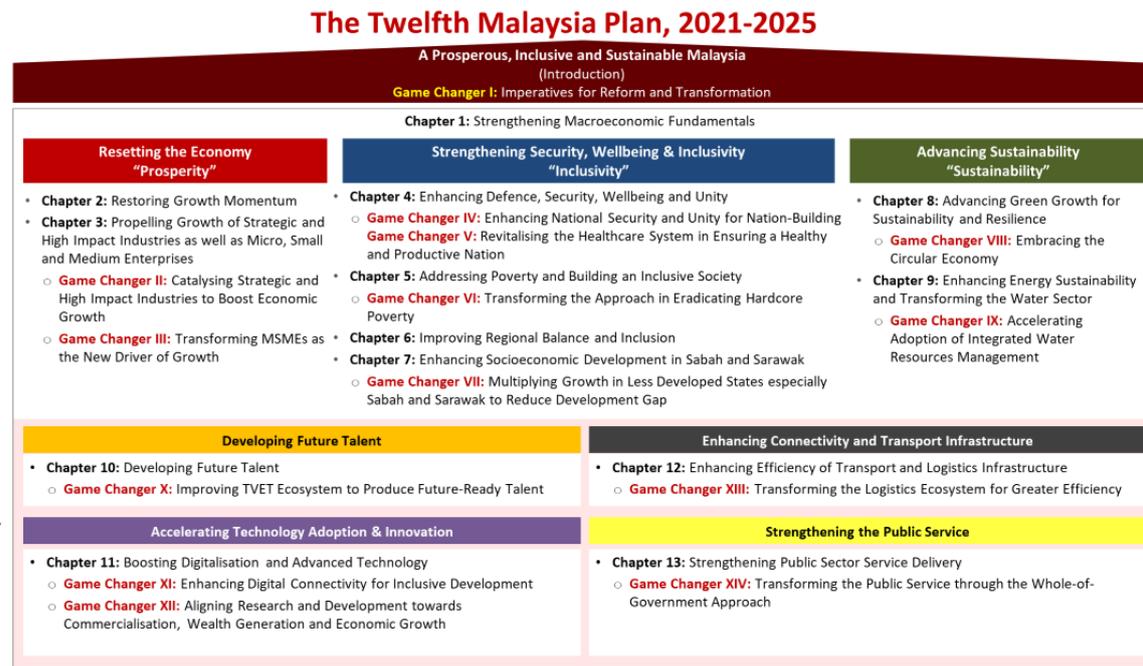
## **2.3 Economic Development Plans**

### **2.3.1 Twelfth Malaysia Plan**

2.22. The Twelfth Malaysia Plan, 2021-2025 is anchored on three key themes focusing on resetting the economy, strengthening security, improving wellbeing and inclusivity as well as advancing sustainability. These themes are supported by four catalytic policy enablers focusing on developing future talent, accelerating technology adoption and innovation, enhancing connectivity and transport infrastructure as well as strengthening the public service, paving the way for a prosperous, inclusive and sustainable nation.

2.23. In line with the transformative nature of the Twelfth Malaysia Plan, 14 game changers that represent the new and innovative ideas were introduced to shift mindsets and fundamentally change the approach of the national development. These game changers will ensure Malaysia attains the targets of the Twelfth Malaysia Plan.

Graph 2.1 The Twelfth Malaysia Plan



2.24. In tandem with the objectives to achieve balanced development and a people-centric economy, greater efforts will be undertaken to achieve the eight multidimensional goals of the Twelfth Malaysia Plan. Eight strategies will be implemented to restore growth and strengthen economic fundamentals. These goals encompass macroeconomic targets as well as socioeconomic goals to balance economic growth, equitable income distribution and wellbeing of the people. The multidimensional goals of the Twelfth Malaysia Plan are as follows:

- i. GDP growth is targeted between 4.5 and 5.5% per annum during the Plan period;
- ii. estimated average monthly household income at MYR 10,065 by 2025;
- iii. the gap in GDP per capita between the Central and Sabah regions to be reduced to 1:2.5;
- iv. reduction in greenhouse gas (GHG) emissions intensity to GDP by 45% by 2030 based on emissions intensity in 2005;
- v. GNI per capita is expected to reach MYR 57,882 in 2025;
- vi. share of compensation of employees is targeted to reach 40% of GDP by 2025;
- vii. labour productivity growth is targeted at 3.6% per annum; and
- viii. the Malaysian Well-being Index (MyWI) is targeted to increase by 1.2% per annum.

### 2.3.2 Strengthening Infrastructure and Connectivity

2.25. Transport infrastructure is central to economic and social development with its function to improve mobility of people and goods and also as key drivers of our nation's growth in moving towards becoming a developed nation. In the Eleventh Malaysia Plan, the government placed strong emphasis on the development of transport infrastructure, namely urban rail, intercity rail, road, airport and ports to serve the need of the people and the industries. The enhancement of the transport system has resulted in better quality transport and logistic services including improved public transport utilization.

2.26. Malaysia aims to become a transport and logistics hub in the region by 2025. Appropriate initiatives will also be introduced to enhance the competitiveness of the transport and logistics sectors. The adaptation of a multimodal cargo movement approach will be introduced to enhance logistics services capability and reduce the cost of distribution. In addition, a national warehouse regulation will be developed to ensure uniformity in warehouse development. The orderly development of warehouses will open up opportunities for Malaysia to be ASEAN's distribution centre, particularly for goods purchased online and courier services.

2.27. The development of the National Transport Policy (NTP) and the Highway Network Development Plan (HNDP) 2030 aims to streamline the fragmented transport initiatives among Federal and state governments, to ensure effective and efficient use of resources to provide seamless movement of people and goods, thus contributing to economic expansion and prosperity.

2.28. Priority will also be given to the construction of roads, connecting villages as well as linking villages with the nearest towns. Under the Eleventh Malaysia Plan, 3,000 km of paved roads were planned to be constructed. The linkage between rural and urban areas will be strengthened by improving connectivity and mobility to foster greater economic integration. For instance, the Pan-Borneo Highway is expected to promote better connectivity for movement of people, goods and services in Sabah and Sarawak.

2.29. Connectivity across regions will be enhanced through the development of transport infrastructure to serve the needs of the people and the industries. Rail and road networks will also be integrated to provide better connectivity between airports, ports, industrial areas, and cities in promoting growth and mobility as well as providing economic opportunities. Projects such as the Central Spine Road (CSR), Kota Bharu-Kuala Krai (KBKK) Highway and West Coast Expressway (WCE) which are currently under construction will provide better connectivity in the eastern and western corridor of Peninsular Malaysia. The Pan-Borneo Sabah Highway and the Pan-Borneo Sarawak Highway will improve accessibility and connectivity in Sabah and Sarawak.

2.30. Major rail projects, namely the Electrified Double Track Gemas-Johor Bahru (GJB) and East Coast Rail Link (ECRL) will reduce travel time, increase land public transport ridership, air passenger and cargo movement. The ECRL, with a 665 km trail that connects several townships between Klang Valley and the East Coast, would be a game-changer for the east coast corridor of Malaysia. The ECRL project would create new areas for developments along the new route where small businesses and tourism can flourish. The project is expected to be completed by the end of 2026.

2.31. Efforts are also undertaken to facilitate the shift in the mode of cargo transport from road to rail, in delivering cargo to and from hinterland to ports. Projects such as the Klang Valley Double Track Project (KVDT) Phase 1 from Rawang to Salak Selatan and KVDT Phase 2 from Salak Selatan to Seremban and Simpang Pelabuhan Klang to Pelabuhan Klang are expected to increase the transportation of cargo via rail.

2.32. To enhance urban transportation efficiency, the Government has approved the implementation of the MRT3 Circle Line. MRT3 Circle Line will have a circular alignment running along the perimeter of Kuala Lumpur City at 50.8 km in length and 33 operational stations, of which 26 are elevated and 7 underground. Constructions are expected to begin in early 2023, while operations for the first phase is expected to commence in 2028 and completion target has been set as 2030.

2.33. In terms of air transport, the efficiency and effectiveness of the aviation industry will be continuously improved through upgrading of the airport infrastructure and improving system to enhance capacity of airport services and aircraft. The installation of the simple approach light system for Kuching international Airport, the completion of the new Kuala Lumpur Airport Traffic Control Centre, the construction of a new Mukah airport in Sarawak, the upgrading of the Air Traffic Management System in Kota Kinabalu Flight Information Region and the upgrading of Sandakan Airport in Sabah will further increase the efficiency of airport services and air traffic management.

2.34. Malaysia will also continue to enhance connectivity and safety of Rural Air Services (RAS) by improving Short Take-Off and Landing Airports (STOLports).

### 2.3.3 Digital Economy

2.35. Malaysia's digital economy has contributed MYR 310 billion or 22.6% of the country's GDP in 2020, registering a double-digit growth of 10.4% compared to the 7.3% in the previous year.

2.36. During the period under review, Malaysia has introduced and implemented medium- and long-term development plans namely the Eleventh Malaysia Plan, Twelfth Malaysia Plan and Malaysia Digital Economy Blueprint in moving towards digital economy. Among the strategies and initiatives on digital economy, digital inclusion, infrastructure, governance and security were outlined in the strategic plans. Highlights of the digital agenda are as follows:

- i. Malaysia Digital Economy Blueprint;
- ii. Digital Infrastructure;
- iii. Digital Inclusion;
- iv. Cyber Security;
- v. Digital Governance;
- vi. National E-Commerce Strategic Roadmap 2.0;
- vii. Start-up Ecosystem Roadmap; and
- viii. Cross-Border Data for Trade Facilitation.

#### *Malaysia Digital Economy Blueprint*

2.37. The Malaysia Digital Economy Blueprint was introduced in February 2021 to transform Malaysia into a digitally-driven and high-income nation and ultimately become a regional leader in digital economy. The Blueprint is aligned with the digital initiatives under the Twelfth Malaysia Plan. Through the Blueprint, Malaysia defines digital economy as economic and social activities that involve the production and use of digital technology by individuals, businesses and government.

2.38. The Blueprint also outlines strategies and initiatives to achieve an inclusive, responsible as well as sustainable development. The Blueprint sets out six thrusts to steer the national digital initiatives, namely:

- i. drive digital transformation in the public sector;
- ii. boost economic competitiveness through digitalization;
- iii. build enabling digital infrastructure;
- iv. build agile and competent digital talent;
- v. create an inclusive digital society; and
- vi. build a trusted, secure and ethical digital environment.

#### *Malaysia Digital*

2.39. On 4 July 2022, the Communications and Multimedia Ministry together with Malaysia Digital Economy Corporation (MDEC), Malaysia's lead digital economy agency, have launched Malaysia Digital (MD), a national strategic initiative by the government to encourage and attract companies, talent and investment while enabling Malaysian businesses and the people to play a leading part in the global digital economy.

2.40. The MD initiative is set to succeed MSC Malaysia, which has served to transform Malaysia into a knowledge-based economy since 1996. Prepensed with a new and enhanced framework, MD seeks to transform the nation's digital capabilities and boost the digital economy via the introduction and execution of various MD Catalytic Programmes (PEMANGKIN). The Government have introduced two initial PEMANGKIN projects namely:

- i. DE Rantau, a programme to establish Malaysia as the preferred Digital Nomad Hub in a bid to boost digital adoption and to promote digital professional mobility and tourism across the country; and
- ii. Digital Trade, to drive interoperability and greater harmonization of standards and regulatory approaches as well as to facilitate trade within and across borders.

#### *Digital Infrastructure*

2.41. In line with the Malaysia Digital Economy Blueprint, a targeted programme to further enable digital infrastructure known as the National Digital Network Plan (JENDELA) was established in collaboration with industries to increase broadband connectivity throughout the nation. JENDELA was formulated to provide wider coverage and better quality of broadband experience to the people. JENDELA is being implemented in two phases from 2020 to 2025, with the aims of achieving 100% internet coverage in populated areas, wider 5G coverage, average speed of 100 Mbps for mobile broadband and nine million premises passed with gigabit broadband service.

2.42. 4,323 points of presence (PoP) will be developed in the rural areas to equip government premises, housing and commercial areas with quality broadband connectivity. In addition, as of Q3 2022, a total of 1,416 new sites for digital infrastructures have been constructed in urban and suburban areas to provide better 4G broadband experience. For the rural and remote areas, satellite broadband wireless access has been deployed at 839 locations throughout the country. Apart from that, 1,661 new 4G sites are currently being developed across Malaysia to extend the mobile 4G coverage.

2.43. The JENDELA Map, which is accessible to public, allows consumers to check the network coverage and speed in their area, submit feedback, as well as request new services from the respective Service Providers. JENDELA Map can be accessed at via <https://jendela.my/>, while the progress report on JENDELA can be accessed via <https://myjendela.my/>.

#### *Digital Inclusion*

2.44. The Government focuses on digital programmes to narrow digital divide within the society including in the rural areas. Efforts were undertaken to enable all segments of the society will have equal opportunities with necessary knowledge and skill sets to thrive in the digital economy. Apart from digital programmes, Malaysia has also gazetted the telecommunication services as a public utility in ensuring access to telecommunication services for every individual.

#### *Cyber Security*

2.45. The National Cyber Security Agency (NACSA) launched Malaysia Cyber Security Strategy 2020–2024 (MCSS) to govern cybersecurity planning and implementation. MCSS aims to have a secure, trusted and resilient cyberspace. While advancing the economy and wellbeing, its mission is to fortify the local capabilities to predict, detect, deter and respond immediately to cyber threats. MCSS introduces the "Whole-of-Nation Approach" concept where everyone is included in the national cybersecurity agenda, through structured governance, competent talent, best practices and effective technology.

2.46. Malaysia is ranked 5<sup>th</sup> for Global Cybersecurity Index (GCI) 2020 with the score 98.06. The GCI was established by the International Telecommunication Union (ITU) to measure the cybersecurity commitment of 193 ITU member states and Palestine. The goal is to assist member states in identifying areas for improvement and encouraging countries on cybersecurity awareness. Malaysia has been consistently ranked among the top 10 countries in the world for GCI since 2014 and second in the Asia Pacific.

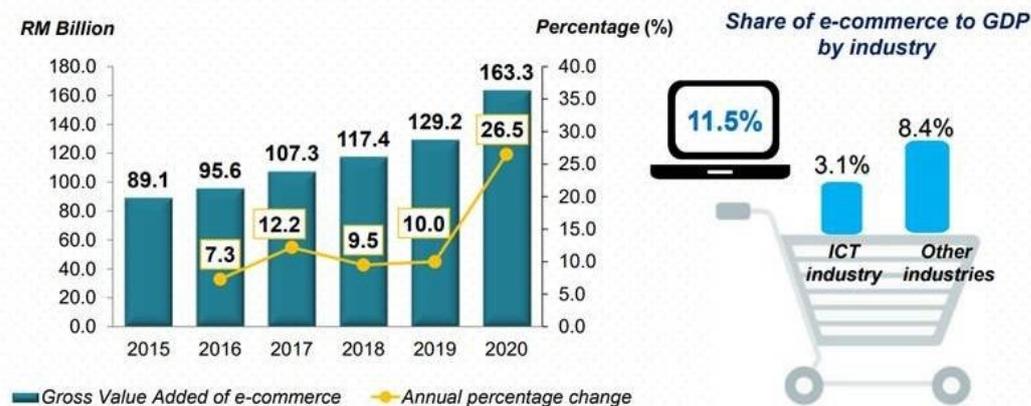
### Digital Governance

2.47. In enhancing Malaysia's digital governance, the Government launched the Public Sector Digitalisation Strategic Plan (PSDSP) 2021-2025. The strategic plan for public sector is aligned with the Twelfth Malaysia Plan, Malaysia Digital Economy Blueprint, National Fourth Industrial Revolution Policy as well as the UN Sustainable Development Goals 2030 (SDG 2030). Specific targets set in the PSDSP are designed to ensure 100% digital literacy among civil servants, 80% end-to-end online services and option for cashless payments in all ministries and agencies.

### National E-Commerce Strategic Roadmap 2.0

2.48. Malaysia's e-commerce has grown tremendously in the past five years. Malaysia's e-commerce contribution to GDP in 2021 was recorded at 13% compared to 11.6% in 2020. Gross value added of e-commerce to GDP increased to MYR 201.1 billion from MYR 163.8 billion in 2020, an increase of 22.7% in 2021 compared to the 26.7% growth in 2020.

**Graph 2.2 Gross value added on e-commerce to GDP**



2.49. Recognizing the critical role of e-commerce in accelerating the growth of the digital economy in Malaysia, the National E-Commerce Strategic Roadmap (NESR) was launched in 2016 as a collaborative approach between the public and private sector. The Roadmap has transformed the landscape of e-commerce in Malaysia from a nascent stage into an ecosystem which is accessible and adopted by businesses as well as consumers.

2.50. With NESR 2016-2020, 489,000 SMEs (including registered businesses and individuals in informal sectors) have adopted e-commerce while 378,000 SMEs have been trained in e-commerce through the various programmes and activities. NESR 2016-2020 has also recorded investment worth MYR 1.5 billion (USD 365 million) in the establishment of regional e-fulfilment hubs.

2.51. The Government continues the momentum in growing the e-commerce ecosystem in Malaysia into the next phase, by implementing the NESR 2.0 for the period from 2021 to 2025 as a key component of Malaysia Digital Economy Blueprint. The NESR 2.0 sets the strategic direction and provides a holistic and coordinated approach at the national level in formulating and implementing relevant interventions towards ensuring a more inclusive outcome by aligning diverse stakeholders towards a common vision to make e-commerce as the engine for catalytic growth for businesses in Malaysia. By year 2025, NESR 2.0 aspires to grow the e-commerce market size to reach MYR 1.65 trillion and to empower 1,148,000 MSMEs in adopting e-commerce.

### Start-up Ecosystem Roadmap and MYStartup

2.52. Between 2008 and 2016, the start-up ecosystem contributed MYR 3.4 billion to Malaysia's GDP, and is projected to contribute MYR 30.8 billion to the GDP by 2030.

2.53. To transform Malaysia into a top 20 global start-up ecosystem by 2030, the Government launched the Malaysian Start-up Ecosystem Roadmap (SUPER) 2021-2030 and the MYStartup platform. These will help Malaysia to realize its goal to create 5,000 start-ups, including five with

unicorn status by 2025. In order to achieve SUPER's vision, the roadmap outlines strategies based on the ecosystem drivers in funding, talent, innovation, policies and regulations, and market environment.

2.54. MYStartup as a digital information resource portal provides comprehensive facilitation services for start-up ecosystem networks. It is designed to increase the nation's GDP and to contribute to high-value job creation, as well as expanding deep technology investments by 2030.

#### *Cross-Border Data for Trade Facilitation*

2.55. One of Malaysia's key drivers to maintain trust in the digital environment and international trade is balancing open data flows and data protection. The Digital Economy Blueprint has charted the pathway forward to increase public confidence in the management of personal data and data privacy in all trade agreements by incorporating cross border data protection. This has led to the development of National Data Sharing Policy in 2022 and the review of Malaysian Personal Data Protection Act (PDPA) to improve cross-border data transfer provisions and implementation mechanism by 2025.

2.56. The balance between open data flows and data protection will ensure seamless and secure international trade ecosystem in the transfer of information across national borders. This enables Malaysian government agencies to transmit information for online transaction, track global supply chain, share research, provide digital cross border service and support technological innovation among countries.

#### **2.3.4 National Fourth Industrial Revolution Policy**

2.57. The National Fourth Industrial Revolution (4IR) Policy launched on 1 July 2021 is a broad, overarching national policy that drives coherence in transforming the socioeconomic development of the country through ethical use of 4IR technologies. It supports national development policies such as the Twelfth Malaysia Plan. It also complements the Malaysia Digital Economy Blueprint in driving the growth of digital economy. The policy outlines key focus areas which impact the people, business and government, in order to seize growth opportunities and to address potential risks arising from 4IR.

2.58. The National 4IR Policy provides key guiding principles and strategic direction in harnessing the 4IR for the country's development and mitigating associated risks through resource optimization. In line with the national agenda, the policy intends to achieve a balanced, responsible and sustainable growth, measured by two key aspects, i.e. economic growth (namely productivity, innovation and technology) and social wellbeing (namely social connection, environment preservation and family institutions). Hence, the three main objectives of the policy are seizing growth opportunities arising from the 4IR, creating a conducive ecosystem to cope with the 4IR and building trust in an inclusive digital society.

2.59. The National 4IR Policy has outlined the following key policy thrusts:

- i. equip the people with 4IR knowledge and skill sets;
- ii. create a connected nation through digital infrastructure development;
- iii. future-proof regulations to be agile with technological changes; and
- iv. accelerate 4IR technology innovation and adoption.

2.60. The policy thrusts are supported by 16 strategies and 32 national initiatives, targeting three key beneficiaries, namely society, businesses and government. Sixty sector-specific initiatives were identified across 10 key sectors, namely:

- i. wholesale and retail trade;
- ii. transportation and logistics;

- iii. tourism;
- iv. finance and insurance;
- v. professional, scientific and technical services;
- vi. utilities;
- vii. education;
- viii. manufacturing;
- ix. healthcare; and
- x. agriculture.

To mitigate potential social-related risks arising from the 4IR, elements of trust, cyber security as well as inclusivity and sustainability have been woven across the initiatives.

2.61. The National 4IR Policy is governed by the National Digital Economy and 4IR Council, chaired by the Prime Minister.

## **2.4 Tax Policy**

### **2.4.1 Sales Tax and Services Tax**

2.62. The Government has reinstated the Sales Tax and Services Tax (SST), effective 1 September 2018 to replace Goods and Services Tax (GST). SST comprises two independent taxes, governed by separate legislation, namely the Sales Tax Act 2018 and the Service Tax Act 2018. Whilst maintaining the salient features of the previous SST, the new SST incorporates enhancements to minimize the inherent weaknesses associated with SST and increase tax efficiency.

2.63. Sales tax is imposed on taxable goods manufactured in Malaysia and on taxable goods imported into Malaysia. Sales tax is levied at 5% or 10% of the sale value depending on the types of taxable goods, except on petroleum products which are taxed at specific rates. However, the Government has decided to exempt basic necessities and widely used items, especially by the lower income group and specific industries such as fresh foods, medicines, basic construction materials as well as motorcycles below 250cc.

2.64. A manufacturer is liable to be registered for sales tax when the sales value of taxable goods manufactured exceeds the threshold of MYR 500,000.00 within 12 months or wage value for work performed on taxable goods by subcontract manufacturer exceeds MYR 500,000 within 12 months.

2.65. Service tax is imposed on the provision of any taxable services in Malaysia at a standard rate of 6%. Service tax is also imposed on the importation of taxable services by businesses into Malaysia (business to business – B2B) from 1 January 2019, and on digital services (also known as SToDS) from 1 January 2020.

2.66. For service tax, any person who provides taxable services and exceeds the prescribed value of taxable services for a period within 12 months is required to be registered. The threshold for service tax is MYR 500,000.00 except for food & beverage sector whereby the threshold is set at MYR 1.5 million.

### **2.4.2 Tourism Tax**

2.67. Effective from 1 September 2017, a tourism tax is levied on tourists staying at any registered premises at a fixed rate of MYR 10.00 per room per night. Every operator who provides accommodation to a tourist shall collect the tourism tax on behalf of the Royal Malaysian Customs Department (RMCD).

2.68. The scope of tourism tax has been expanded to include accommodation premises reserved through online platforms by the Tourism Tax (Amendment) Act 2021. Any person who provide digital platform services whether located in Malaysia or outside of Malaysia, is to register and charge the tourism tax on tourists who book their accommodations online.

2.69. Under the National Economic Recovery Plan (PENJANA) stimulus package, tourism tax has been fully exempted from 1 July 2020 to 30 June 2021 to help revive the tourism sector affected by the COVID-19 pandemic. The tourism tax exemption has been further extended until 31 December 2022.

## **2.5 Labour and Minimum Wage Policy**

### **2.5.1 Ratification of the International Labour Organization (ILO) Protocol of 2014**

2.70. Malaysia is highly reliant on foreign workers in labour-intensive sectors and industries. Thus, Malaysia has undertaken various initiatives to enhance the working environment by strengthening the workers' right as well as addressing and eradicating forced labour issues in the country.

2.71. These initiatives include amendments to the labour laws; fostering strategic partnerships with the United States and the United Kingdom to address forced labour issue; as well as the signing of the MOU on the Decent Work Country Programme (DWCP) with the ILO in 2019.

2.72. The DWCP has outlined the cooperation framework between Malaysia and the ILO until 2025 which includes three country priorities, namely rights at work, future of work and labour migration. Through DWCP, Malaysia has successfully established the inaugural National Action Plan on Forced Labour 2021-2025 and is currently implementing it.

2.73. Malaysia has become the 58th country in the world and second in ASEAN to ratify the ILO Protocol of 2014 to the Forced Labour Convention on 21 March 2022. The ratification has also made Malaysia the member of Alliance 8.7, as a Pathfinder country that could accelerate efforts towards achieving the 2030 Sustainable Development Goal's Target 8.7 on eradicating forced labour, end modern slavery and human trafficking, and secure the prohibition and elimination of the worst forms of child labour. This ratification could also assist Malaysia in acquiring the necessary supports in improving the existing initiatives, especially matters pertaining to labour and human rights.

### **2.5.2 Amendments to Employment Acts 1955 and Children and Young Persons (Employment) Act 1966**

2.74. At domestic level, Malaysia has amended multiple labour legislations and policies to protect the rights of the workers in order to comply with the ILO's minimum requirement of the international standards and practices. These amendments are also part of the Government's efforts in combatting labour misconduct.

2.75. Among the legislation which have been amended are the Employment Act 1955 which came into effect on 1 September 2022. The main amendments of the laws include the additional provisions on discrimination and the expansion of the Act to cover all workers irrespective of wages. In addition to that, the amendment provides specific clause on forced labour that protect workers against forced labour while focusing on the empowerment of workers and employers.

2.76. In addition, Malaysia has reduced the weekly working hours from 48 to 45 hours effective 1 September 2022. This is following the amendments to the Employment Act 1955 which aims to safeguard the welfare of workers in line with the ILO Convention.

### **2.5.3 Employees' Minimum Standards of Housing and Amenities (Amendment) Act 2019**

2.77. The Employees' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Act 446) came into force on 1 June 2020. Under the new amendment, the Act which previously covered housing and accommodation of workers in the plantation and mining sectors has been extended to all employment sectors.

2.78. Act 446 also seeks to improve the Guidelines for Foreign Workers Accommodation 2018, which covers the minimum standard for accommodation space, basic facilities for workers' accommodation and elements of security and hygiene. The enforcement of the Act, including the new regulations governing housing and workers facilities was aimed at preventing the spread of the COVID-19 pandemic in accordance with Recommendation 115 (Workers Housing Recommendation, 1961) by the ILO.

#### **2.5.4 National Action Plan on Forced Labour 2021-2025**

2.79. The National Action Plan on Forced Labour (NAPFL) 2021-2025 was formulated with the technical assistance from the ILO through one of the projects under DWCP namely "From Protocol to Practice: A Bridge to Global Action on Forced Labour" (BRIDGE). The action plan sets out commitments of the Government to eradicate forced labour in Malaysia through one-nation approach.

2.80. There are four strategic goals that fall under the action plan which are the '4Ps strategy' (Prevention, Protection, Prosecution and Partnership) which are in line with ILO Recommendation 203 (R203) – Forced Labour (Supplementary Measures) that accompanies Protocol 29 (P29).

2.81. The Task Force on Compliance on Labour Laws and Policy has been developed in order to implement the NAPFL and to ensure that the industries are practicing the standards under the existing national legislations and policies.

#### **2.5.5 Minimum Wage Policy**

2.82. The Minimum Wage Order (MWO) was gazetted on 23 November 2018 to increase the minimum wage rate from MYR 1,050 to MYR 1,100. Subsequently, the minimum wage for major cities was increased to MYR 1,200 per month in 2022.

2.83. In 2022, the Federal Government Gazette has provided a standardized salary rate of not less than MYR 1,500 per month effective from 1 May 2022, applicable to all employers who employ a minimum of five workers as categorized under Malaysia Standard Classification of Occupations (MASCO). Nonetheless, effective 1 January 2023, MWO 2022 is compulsory to all employers including those who employ less than five people and those who are not listed under the MASCO category.

### **3 TRADE POLICY DEVELOPMENTS**

#### **3.1 Overview**

3.1. The Malaysian business community has remained resilient despite global uncertainties and concerns during the review period. Trade grew by 18.3% to MYR 2.228 trillion (USD 537.50 billion) compared to MYR 1.883 trillion (USD 466.65 billion) in 2018.

3.2. Malaysia's exports increased by 7.3% in 2018, exceeding the export growth of 4.4% projected in the Economic Outlook 2019. This trend continued in 2019, as Malaysia's trade surplus grew significantly even as global demand slowed due to rising trade tensions.

3.3. Trade activities remained intact during the pandemic period, as Malaysia's trade surplus in 2020 recorded double-digit growth for the fourth consecutive year since 2017. In 2021, Malaysia's external trade surpassed MYR 2 trillion (USD 500 billion) for the first time, and recorded the fastest trade growth since 1994. Export value grew to a record high of MYR 1.241 trillion (USD 299.33 billion) in 2021.

3.4. Malaysia's trade continued its stellar performance in the first half of 2022. Between January and June 2022, trade rose by 28.2% to MYR 1.355 trillion (USD 316.76 billion) compared to the same period in 2021. Trade expansion was seen mainly to the Association of Southeast Asian Nations (ASEAN), the People's Republic of China, the United States, the European Union and Chinese Taipei.

**Table 3.1 Malaysia's External Trade 2018-22**

Year	Total Exports		Total Imports		Trade Balance		Total Trade	
	MYR Bil	Growth Rate %	MYR Bil	Growth Rate %	MYR Bil	Growth Rate %	MYR Bil	Growth Rate %
2018	1,003.59	7.3	879.80	5.2	123.78	25.7	1,883.39	6.3
2019	995.07	-0.8	849.41	-3.5	145.66	17.7	1,844.48	-2.1
2020	983.83	-1.1	800.48	-5.8	183.35	25.9	1,784.31	-3.3
2021	1,241.02	26.1	987.34	23.3	253.68	38.4	2,228.37	24.9
2021 (Jan-Jun)	586.04	30.3	470.65	21.2	115.40	88.3	1,056.69	26.1
2022 (Jan-Jun)	739.00	26.1	615.93	30.9	123.06	6.6	1,354.93	28.2

3.5. Malaysia's trade growth is anticipated to sustain its positive momentum, underpinned by continuous demand for E&E and commodity-based products.

### 3.2 Initiatives to Facilitate Trade

3.6. Trade is an important engine of growth for Malaysia. As a result, reducing unnecessary regulatory burdens, facilitating trade and improving border competitiveness are at the forefront of policy improvement. Among the initiatives introduced by Malaysia to facilitate trade are:

#### 3.2.1 Reviewing Non-Tariff Measures

3.7. Reviewing non-tariff measures (NTMs) is an on-going initiative under the Malaysia Productivity Blueprint (MPB) since 2017, where the main objective is to streamline processes and regulations for export and import permits to reduce unnecessary regulatory burdens, facilitate trade and improve border competitiveness. As a result of implementing this initiative, a total of 62 legislation and 80 subsidiary legislation were reviewed, while a total of 412 NTMs were identified and upload reviewed NTMs (sanitary and phytosanitary measures and technical barriers to trade) into the ASEAN Trade Repository as per commitment under the ASEAN Trade in Goods Agreement (ATIGA).

#### 3.2.2 National Policy on Good Regulatory Practice

3.8. National Policy on Good Regulatory Practice (NPGRP) is a revision and improvement of the National Policy on the Development and Implementation of Regulations (NPDIR) introduced in 2013. The objective of NPGRP is to promote an effective, efficient and accountable regulatory system and a rule-making process that support efforts to realize Malaysia's economic development goals. Through NPGRP, the Government requires its regulatory agencies to adopt and implement good regulatory practice (GRP) by:

- i. embracing the NPGRP and the underlying principles of GRP;
- ii. ensuring readiness to undertake the responsibility of delivering a high-quality regulatory environment; and
- iii. establishing systems and procedures to ensure regulatory quality.

3.9. The Malaysia Productivity Corporation (MPC) is being given the responsibility to act as an oversight body to promote, support, and facilitate GRP and Regulatory Impact Analysis (RIA) implementation by the regulators. RIA is an essential GRP component in proposing new regulations or amendments to existing regulations, aims to improve the quality of regulations through a robust and thorough analysis of regulatory proposals. RIA is intended to provide assurance that problems are adequately identified and addressed through regulatory or non-regulatory measures and ensure that specific policy solutions have been drafted to enhance the public interest.

3.10. Regulatory Impact Statements (RIS) is a document prepared by the regulator in support of a proposal for a new regulation or an amendment to a regulation following consultation with affected parties. It contains a description of the RIA undertaken and its analysis, recommended option and implementation strategy. RIS is presented to the decision-maker to enable informed decisions to be made based on a balanced assessment of the best available information. Additionally, when a

proposed regulation has a direct bearing on trade, a trade impact assessment should be incorporated into RIS. From the period of 2014 until July 2022, a total of 992 Regulatory Notifications (RN) and 186 RIS have been received from the regulators.

3.11. MPC in collaboration with the World Bank has established the Unified Public Consultation (UPC) portal as a one-stop portal for online consultation on rulemaking initiatives. UPC was launched in October 2019, where the main objectives are to facilitate consultation with stakeholders through online feedback; and comply with the standards set out by good practice on public consultation.

3.12. As of July 2022, a total of 74 ministries and agencies are utilizing the UPC portal to conduct public consultations with stakeholders. Meanwhile, a total of 424 consultation documents are uploaded to obtain feedbacks on the existing regulations so that they can be coordinated and remain relevant with current situation. The portal received a total of 510,600 visitors and 17,671 registered users. Consultation paper relating to trade includes on standards development, international trade & industry, and domestic trade & consumer affairs.

### **3.2.3 Malaysia Productivity Blueprint**

3.13. Malaysia Productivity Blueprint (MPB) has mapped the significant contribution of the priority subsectors to Malaysia's productivity and economic growth. In 2017, upon the launch of MPB, nine Productivity Nexus namely, agro-food, chemicals and chemical products, electrical and electronics, information, communication and technology, machinery and equipment, private healthcare, professional services, retail and food & beverages, and tourism were established. In 2021, the nine Productivity Nexus conducted more than 60 productivity improvement programs, benefiting more than 60,000 companies. Two more Productivity Nexus have been added for the Construction and Logistics sectors in the Twelfth Malaysia Plan, bringing the total number to 11 Productivity Nexus.

3.14. The establishment of the Logistics Productivity Nexus (LPN) was a timely move under the Twelfth Malaysia Plan to boost Malaysia's e-commerce market. LPN's productivity improvement programs were able to facilitate domestic and international trade by strengthening the efficient movement of goods and enhancing logistics supply chain.

### **3.2.4 Export Promotion Activities**

3.15. The Malaysia External Trade Development Corporation (MATRADE) actively assists foreign companies that are keen to source products and services from Malaysia. As a trade promotion organization, MATRADE also engages in Joint Promotion Activities with other TPOs to help promote and strengthen economic partnership, such as with the Japan External Trade Organization (JETRO), Asian Trade Promotion Forum (ATPF), ASEAN-Japan Centre (AJC) and ASEAN-Korea Centre (AKC).

3.16. The Export Coordination Committee (JK-X) was established in 2018. The JK-X is supported by 10 Sectoral Task Force (STF), led by MATRADE to assist relevant Ministries and Agencies to coordinate export promotion activities. The 10 sectors involved are:

- i. construction services, building materials, education services, franchise, professional services;
- ii. electrical and electronics;
- iii. information & communications technology;
- iv. machinery & equipment;
- v. food and beverage;
- vi. lifestyle, rubber, timber, medical tourism, medical devices, leisure and MICE (meetings, incentives, conferences and exhibitions);
- vii. oil & gas, and green technology;
- viii. aerospace, automotive, maritime, rail and defence;

- ix. exporters development; and
- x. cross border e-commerce.

### **3.2.5 National Trade Blueprint**

3.17. The National Trade Blueprint was launched on 25 October 2021 to increase Malaysia's trade competitiveness through improved business ecosystem, as well as to improve Malaysia's position as an exporting country.

3.18. The framework of the Blueprint is guided by four key priorities, namely:

- i. increase exporting companies by enhancing the capabilities of SMEs and encouraging them to be part of global value chains;
- ii. increase the export of high value goods;
- iii. diversify export products by moving into high value niche products; and
- iv. improve export ecosystem by removing red tapes and barriers faced by exporters.

### **3.2.6 Promotion of Investments for Manufacturing and Services Sectors**

3.19. The Malaysian Investment Development Authority (MIDA) is an agency under MITI. It is Malaysia's principal Investment Promotion Agency (IPA), which is responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country. MIDA plays an active role as a one-stop-centre with free access to useful and pertinent information on investment, trade, financing, productivity and services. Among the initiatives under MIDA during the review period to promote investments include:

#### **i. Project Acceleration and Coordination Unit**

MIDA established the Project Acceleration and Coordination Unit (PACU) to provide end-to-end facilitation to all projects approved by the National Committee for Investment (NCI), enabling a speedy and efficient implementation of projects. PACU will assist all stakeholders, both small businesses and multinational corporations. It also acts as an intermediary between the business community and relevant stakeholders such as the federal and state government departments, IPAs, technical agencies and related utility service providers.

#### **ii. One Stop Centre for Business Travellers**

During the COVID-19 pandemic, Malaysia introduced the One Stop Centre (OSC) for Business Travellers that was set up in Business Travellers Centre (BTC) at the Kuala Lumpur International Airport (KLIA) to ease the movement of business travellers by expediting the approval of their entries to do business in Malaysia.

Following the transitioning into the endemic phase, Malaysia reopened its border for international travellers including business travellers. Thus, the OSC for Business Travellers located in KLIA was phased out effective 1 April 2022.

### **3.2.7 The New Investment Policy based on National Investment Aspirations**

3.20. The New Investment Policy based on New Investment Aspiration (NIA) was launched on 6 October 2022 to serve as a basis for comprehensive reforms of Malaysia's investment policies. The Government has been working with multiple stakeholders through series of engagements and labs to put in place comprehensive reforms and enabling policies to strengthen our offerings to investors.

3.21. The New Investment Policy based on NIA will intensify high technology and innovation which balance economic and environmental sustainability, consistent with global benchmarks in environmental, social and governance (ESG). Subsequently, NIA is aligned with the Twelfth Malaysia Plan.

3.22. Pivotal to this New Investment Policy based on NIA are six strategic thrusts to address economic and investment challenges of a dynamic and fast changing world:

- i. unified investment strategy on our National Investment Aspirations and the ESG Agenda;
- ii. agile and forward-looking incentive packages targeted directly to match the needs and demands of investors;
- iii. Investment Promotion Agencies (IPA) landscape with clear roles and responsibilities for seamless and smooth investor journey;
- iv. accelerated innovation ecosystem to nurture high quality investments;
- v. vibrant talent pool that meets the needs of the labour market; and
- vi. streamlining of a holistic business ecosystem that ensures the ease of doing business, enhances competitiveness, and secures Malaysia's position as a preferred investment destination in the region.

3.23. The NIA will provide the necessary impetus to pursue high-technology and sustainable investments as well as to intensify innovation, striking a balance between economic and environmental sustainability while reducing dependency on foreign labour, in line with global benchmarks in ESG. New investments that are anchored upon these elements will propel growth in the technologically-sophisticated sectors, as well as strengthen forward and backward linkages. This will also provide a pathway for investors to access new market opportunities, particularly in developed countries that mainstream sustainability throughout their value chain.

3.24. In this context, the NIA takes into account global interest surrounding carbon-neutrality, including the use of technology to help reduce carbon footprint. The following are among the transforming strategic sectors that have been identified based on the latest ESG-based practices:

- i. Manufacturing: transformation to drive increased manufacturing of sustainable products such as electric vehicles and adoption of ESG practices such as social responsibility;
- ii. Services Sector: incorporation of latest ESG practices into services such as corporate governance standards and sustainable investing;
- iii. High-Tech Sectors: integration of advanced technologies with latest ESG trends such as green data centres; and
- iv. Energy and Power: accelerated transition of energy and utility industries towards renewable sources.

### **3.2.8 SME Masterplan 2012-2020**

3.25. In 2021, SMEs represented a significant share of overall business establishments (1,224,494.52 million, or 97.44% of the total), accounted for 7.31 million jobs (about 47.8% of total employment), 378.42% of GDP, 113.75% of exports and 835.85% of the services sector.

3.26. For the manufacturing sector, MSMEs are defined as firms with sales turnover not exceeding MYR 50 million or number of full-time employees not exceeding 200, while for the services and other sectors, they are firms with sales turnover not exceeding MYR 20 million or number of full-time employees not exceeding 75.

3.27. The SME Masterplan (2012–2020) provides policy direction for SMEs development in Malaysia. During the Plan period, the average annual growth of SMEs GDP was at 5.4% which outperformed the overall GDP growth of 3.8% and non-SME growth of 3.0%. This performance was achieved against a backdrop of a challenging global and domestic economic landscape in 2020, particularly with the outbreak of pandemic across the globe. Throughout the same period, the SMEs value-added increased by MYR 173.7 billion, from MYR 339.1 billion in 2012 to MYR 512.8 billion in 2020.

3.28. The focus of the Plan was on the implementation of the six High Impact Programmes (HIPs):

**Table 3.2 Performance under the HIPs of SME Masterplan**

<b>HIP 1: Integration of Business Registration and Licensing</b>	<b>HIP 2: Technology Commercialisation Platform (TCP)</b>	<b>HIP 3: SME Investment Partner (SIP)</b>
<ul style="list-style-type: none"> <li>- MalaysiaBiz portal, a single gateway for business registration and licensing developed</li> <li>- Information on 2,919 licences covering 1,174 business activities from 508 Federal, State and local licensing authorities</li> </ul>	<ul style="list-style-type: none"> <li>- 200 projects approved for integrated assistance from proof of concept to the commercialisation phase</li> <li>- 220 licensing deals signed</li> <li>- 85 innovations commercialized</li> <li>- MYR 121 million sales generated</li> </ul>	<ul style="list-style-type: none"> <li>- Two funds of MYR 90 million established with MYR 40 million investment from Government and MYR 50 million from private sector</li> <li>- MYR 19.5 million invested into 9 early-stage SMEs</li> </ul>
<b>HIP 4: Going Export (GoEx) Program</b>	<b>HIP 5: Catalyst Program</b>	<b>HIP 6: Inclusive Innovation</b>
<ul style="list-style-type: none"> <li>- 321 SMEs assisted, of which 179 participated in market immersion programmes</li> <li>- MYR 770.9 million in potential export sales</li> </ul>	<ul style="list-style-type: none"> <li>- 134 SMEs assisted               <ul style="list-style-type: none"> <li>- SMEs in BioNext Initiative recorded average sales growth of more than 20% (2016 to 2018)</li> <li>- 27 SMEs in Aerospace Manufacturing Initiative obtained AS9100 certification to be part of the global supply chain, resulting in 49% increase of sales revenue, from MYR 18.1 million (2017) to MYR 26.9 million (2019)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- 60 innovations diffused, benefitting 37,451 people in 51 communities</li> </ul>

3.29. Two areas are identified as catalysts to promote growth namely (i) value chains in high impact industries, with focus on linking SMEs with larger firms and (ii) internationalization of SMEs, with focus on developing targeted market and strategic alliances for SMEs' participation in the global value chains.

### 3.2.9 National Entrepreneurship Policy 2030

3.30. The National Entrepreneurship Policy 2030 (NEP2030) launched on 11 July 2019 is a long-term strategic document that sets the direction towards making Malaysia an entrepreneurial nation by 2030. To fulfil this aspiration, the policy will create a dynamic entrepreneurship ecosystem which will benefit all segments of society.

3.31. The goal of NEP2030 is to spearhead an integrated national entrepreneurship development with the following objectives:

- i. to create a holistic and conducive entrepreneurship ecosystem for sustainable, balanced and inclusive socio-economic development;
- ii. to develop a community with an entrepreneurial mindset and culture;
- iii. to increase quality, viable, resilient and competitive entrepreneurs with global mindset;
- iv. to scale up enterprises and SMEs; and
- v. to make entrepreneurship as a preferred career of choice.

3.32. The achievement of the five objectives under the NEP2030 requires effective cooperation, sustainable coordination, as well as the commitment and support from all stakeholders. With the NEP2030 framework, all public and private stakeholders involved in entrepreneurship can play an effective role in making Malaysia an entrepreneurial nation by 2030.

### 3.2.10 Social Entrepreneurship Action Framework 2030

3.33. The Government launched the Malaysia Social Entrepreneurship Action Framework 2030 (SEMy2030) on 23 April 2022 with the theme of "mainstreaming the social enterprise, normalizing social impact". This framework outlines five objectives in line with the aspirations, strategies and initiatives set out under the Twelfth Malaysia Plan and the NEP2030, which are:

- i. to build a cohesive and holistic ecosystem for social entrepreneurship development in Malaysia;
- ii. to create a critical mass of social entrepreneurs;
- iii. to strengthen the capacity building and competitiveness of home-grown social enterprises;
- iv. to mainstream social enterprise as effective contributors to national development; and
- v. to enhance and normalize social enterprise to bring positive social and environmental impact.

3.34. SEMy2030 provides a new national direction for the social entrepreneurship in Malaysia by developing a comprehensive and conducive ecosystem to support the growth of social enterprises. The framework also outlines initiatives for enhancing awareness, reach and inculcation of a social entrepreneurship concept that is competitive and impactful to improve the livelihood of society.

## 3.3 Multilateral Trading System

### 3.3.1 Overview

3.35. Malaysia has been an active member of the WTO and also participate in various international organizations and fora such as the Organisation for Economic Co-operation and Development (OECD), World Economic Forum (WEF), Indian Ocean Rim Association (IORA), and the Commonwealth.

### 3.3.2 Malaysia's Involvement at the WTO

#### *The TRIPS Waiver*

3.36. Malaysia recognizes the challenges faced by developing and least-developed countries in accessing vaccines, diagnostics and therapeutics during the COVID-19 pandemic. As a strong believer in vaccine multilateralism through closer cooperation, Malaysia decided to co-sponsor the proposed waiver of certain provisions in the TRIPs Agreement (the TRIPS waiver) which has been adopted by the Ministers during the Twelfth WTO Ministerial Conference (MC12) in 2022.

#### *Dispute Settlement System*

3.37. Malaysia values the multilateral trading system as it provides platforms and mechanisms through which Members can ensure their rights under the WTO covered Agreements can be enforced. Currently, Malaysia is leveraging on the dispute settlement system to defend her trade interest by initiating a dispute case over certain measures concerning palm oil and oil palm crop-based biofuels (DS600). In addition, Malaysia actively participates as third party in other dispute cases of interest.

#### *Implementation of Commitment in Trade Facilitation Agreement*

3.38. Malaysia has fully implemented its TFA commitments from February 2017 to June 2021. Malaysia has notified the full commitments of Article 7.8 on Expedited Shipment and Article 11.9 on Advance Filing and Processing of Transit on 1 June 2021, ahead of initial notification deadline of 22 February 2022.

3.39. The monitoring and coordination of the domestic implementation of the WTO TFA are conducted by the Trade Facilitation Cluster Working Group (TFCWG) that was established in 2015

which also serves as the national trade facilitation committee. The current focus of the TFCWG is on implementing the trade facilitation measures as outlined under National Trade Blueprint 2021-2025 and Trade Facilitation and Logistics Related Strategies under the Twelfth Malaysia Plan.

3.40. In addition, the Unified Public Consultation (UPC) portal also serves as a platform to facilitate stakeholder engagements as part of an informed decision-making and good regulatory governance. It provides an opportunity to traders and other interested parties to comment on new or amendments to regulations that impacts trade before entry into force which is in line with Article 2 (Opportunity to Comment, Information Before Entry into Force, and Consultations) of the TFA.

#### *Implementation of Commitment in the Expansion of Information Technology Agreement*

3.41. Malaysia together with 23 other WTO members had adopted the Ministerial Declaration on the Expansion of Trade in Information Technology Products (ITA2). Malaysia's commitment for the 201 products covers 410 affected tariff lines (9 digit), in which 351 lines (86%) are already at zero duty (nil import duty). The remaining 59 tariff lines have current applied duties ranging from 5% to 30% which will be progressively reduced.

3.42. Malaysia's involvement in ITA1 had helped the country's ICT industry increase exports by nearly three-fold from USD 21.7 billion in 1996 to USD 60.5 billion in 2010, with an average annual growth of 8%. Further liberalization under ITA2 enabled local producers in Malaysia's ICT industry to have wider market access. Malaysian producers of ICT products also benefited from the cheaper imported parts and components which contributed to lower cost of production.

### **3.4 Free Trade Agreements**

3.43. Malaysia continues to place high priority on market opening and considers its active engagement in free trade agreements (FTAs) as building blocks for wider multilateral trade liberalization. To date, Malaysia has implemented a total of 15 FTAs which comprises seven bilateral FTAs with Australia, Chile, India, Japan, Pakistan, New Zealand and Türkiye; and eight regional FTAs, which are the ASEAN Free Trade Area (AFTA), Regional Comprehensive Economic Partnership Agreement, as well as ASEAN's FTAs with China, Australia and New Zealand, India, Japan, Republic of Korea and Hong Kong, China.

3.44. Trade with FTA partners during the first six months of 2022 which took up 66.6% of Malaysia's total trade, increased by 27.6% to MYR 902.35 billion (USD 210.97 billion) compared to the same period of 2021. Exports expanded by 27.0% to MYR 495.97 billion (USD 116.00 billion) and imports rose by 28.3% to MYR 406.38 billion (USD 94.97 billion).

**Table 3.3 Malaysia's External Trade with FTA Partners 2018-22**

Year	Total Exports		Total Imports		Trade Balance		Total Trade	
	MYR Bil	Growth Rate %	MYR Bil	Growth Rate %	MYR Bil	Growth Rate %	MYR Bil	Growth Rate %
2018	694.36	9.0	572.76	4.3	121.60	38.3	1,267.12	6.8
2019	678.57	-2.3	551.77	-3.7	126.80	4.3	1,230.35	-2.9
2020	669.40	-1.4	520.22	-5.7	149.18	17.6	1,189.63	-3.3
2021	831.92	24.3	659.22	26.7	172.70	15.8	1,491.14	25.3
2021 (Jan-Jun)	390.39	26.5	316.71	25.6	73.68	30.3	707.10	26.1
2022 (Jan-Jun)	495.97	27.0	406.38	28.3	89.59	21.6	902.35	27.6

#### **3.4.1 Bilateral Agreements**

3.45. Cognisant of the crucial role assumed by FTAs as a significant component of trade policy, Malaysia is embarking on FTA negotiations with European Free Trade Association (EFTA) States (Iceland, Liechtenstein, Norway, and Switzerland).

3.46. Further broadening the present FTA between Malaysia and Türkiye that covers trade in goods, Malaysia and Türkiye have completed the expansion negotiations to include trade in services, investment and e-commerce. The First Protocol to Amend the FTA between the Government of

Malaysia and the Government of the Republic of Türkiye which is the legal instrument for the expansion package was signed by both Governments on 29 September 2022 in Ankara, Türkiye.

3.47. Malaysia's FTA negotiations with the European Union (EU) which was launched in 2010 has been suspended since 2019. Informal discussions are underway to determine the way forward for this FTA.

### **3.4.2 Regional Trade Agreements**

3.48. As a member of the Association of Southeast Asian Nations (ASEAN), Malaysia is a party to all ASEAN FTAs, including the ASEAN Free Trade Area and ASEAN's FTAs with China, Australia and New Zealand, India, Japan, Republic of Korea and Hong Kong, China.

3.49. As part of her efforts to continue deepening regional economic integration through regional trade agreements, Malaysia has also become a party to the negotiations to review the ASEAN Trade in Goods Agreements (ATIGA) and to upgrade the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), as well as the negotiations towards establishing an FTA between ASEAN and Canada.

3.50. In 2013, ASEAN and its six dialogue partners i.e. Australia, China, India, Japan, Republic of Korea and New Zealand launched the Regional Comprehensive Economic Partnership (RCEP) negotiations. The objective of the RCEP is to streamline the six ASEAN FTAs with its dialogue partners into a single regional trade agreement that can contribute to strengthening regional value chain in the region.

3.51. All chapters were concluded in March 2020 and the 15 countries signed the RCEP Agreement on 15 November 2020. On 17 January 2022, Malaysia successfully submitted its Instrument of Ratification to the ASEAN Secretariat and the Agreement entered into force for Malaysia on 18 March 2022.

3.52. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is the most ambitious FTA for Malaysia. What sets the CPTPP apart is its level of ambition and the magnitude of its scope, as it provides for commitments and concessions that are of very high quality, compared with other FTAs.

3.53. Malaysia has officially submitted the Instrument of Ratification for the CPTPP to New Zealand, the CPTPP Depository on 30 September 2022. Malaysia becomes the ninth country to ratify the CPTPP and the Agreement officially takes effect for Malaysia on 29 November 2022.

3.54. Malaysia's ratification of the CPTPP is expected to bring significant economic and investment benefits. CPTPP ratification will lead to an increase in exports, which is projected at USD354.7 billion and increase in investments, with cumulative gains amounting to USD112.3 billion over 2021-2030.

3.55. Despite being an observer to the plurilateral Government Procurement Agreement (GPA) under the WTO, Malaysia has undertaken specific commitments on Government Procurement, under the CPTPP. Most of these commitments are identical to those in the GPA, while in some areas, it goes beyond the GPA. This includes dedicated measures by the Parties to ensure effective participation by SMEs in government procurement activities.

### **3.5 Association of Southeast Asian Nations (ASEAN)**

3.56. Malaysia continues to implement the ASEAN Economic Community (AEC) Blueprint adopted in 2015 that embodies the overall vision for ASEAN regional economic integration from 2016 to 2025. The AEC Blueprint 2025 strives to achieve targeted strategic measures under each of the five characteristics of AEC 2025 which are: (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN. The strategic measures are operationalized through 23 sectoral work plans by various sectoral bodies in ASEAN.

3.57. On 28 April 2021, the Mid-Term Review (MTR) of the ASEAN Economic Community (AEC) Blueprint 2025 was launched as part of the monitoring process on the progress in achieving those

targeted strategic measures underlined in the AEC Blueprint 2025. The MTR exercise, among others is aimed to identify issues and challenges on implementation; and propose recommendations to implement the Blueprint.

3.58. The recommendations of the MTR are currently being implemented under the AEC Blueprint 2025. Additionally, the findings of the MTR are also acknowledged as a useful tool in the process of formulating a post-2025 vision for ASEAN. This document would be especially important and relevant as Malaysia take the reins of the ASEAN Chairmanship in 2025, where a new vision or blueprint will be unveiled.

3.59. The development of the ASEAN Community has been greatly aided by the ASEAN Connectivity Agenda. In order to progress toward a more integrated Southeast Asian region, ASEAN launched the Master Plan on ASEAN Connectivity (MPAC) 2011-2015 as a flagship initiative in 2010. Subsequently, the ASEAN Leaders adopted the Master Plan on ASEAN Connectivity 2025 (MPAC 2025) in Vientiane, Lao PDR, on 6 September 2016. The MPAC 2025, which focuses on five major areas: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility.

3.60. Malaysia recognizes the MPAC as essential to ASEAN's efforts towards further regional economic integration and fervently believes that the MPAC's effective implementation will help to increase intra-ASEAN trade. Malaysia is dedicated to making MPAC 2025 a success by supporting its initiatives including to expand cooperation with the EU in the area of connectivity, reinforce ASEAN member states' commitment by working closely with strategic partners, stakeholders, and other interested parties to find ways to streamline national economic and infrastructure development planning or programs.

### **3.6 Asia Pacific Economic Cooperation (APEC)**

3.61. Malaysia helm the APEC Chairmanship for the second time in 2020 with the theme "Optimising Human Potential Towards a Resilient Future of Shared Prosperity: Pivot. Prioritise. Progress". Malaysia successfully concluded APEC 2020 with the adoption of the APEC Putrajaya Vision 2040 as well as the 2020 Kuala Lumpur Declaration.

3.62. While the year-long hosting was originally planned for a physical setting, the unintended consequences of the global outbreak of the COVID-19 pandemic led Malaysia on a historical journey when all the related meetings including APEC Ministerial Meeting (AMM) and APEC Economic Leaders' Meeting (AELM) were conducted in a fully virtual format. In fulfilling the commitment, Malaysia recalibrated its organization of the APEC 2020 by adapting to the new norm, thus creating a new landscape for APEC meetings as a pragmatic response to the challenges brought by the pandemic.

3.63. In continuing APEC's aspiration for a more integrated and open region, the maturity of the Bogor Goals in 2020, led to the formulation of a new Vision in which APEC Leaders successfully adopted, known as the APEC Putrajaya Vision 2040. The Vision outlines APEC Economies' aspirations and the way forward for APEC for the next 20 years. The Vision aspires for an open, dynamic, resilient and peaceful Asia Pacific community by 2040 premised on three key economic drivers, namely:

- i. trade and investment;
- ii. innovation and digitalization; and
- iii. strong, balanced, secure, sustainable and inclusive growth.

3.64. APEC as an incubator of ideas had enabled Malaysia to participate in the various capacity building efforts toward supporting the regional and economic integration, as well as in support of the discussions on the multilateral trading system.

### **3.7 Belt and Road Initiative**

3.65. The Belt and Road Initiative (BRI) is an important economic framework between Malaysia and the People's Republic of China (PRC), particularly in the realm of infrastructure development and regional connectivity. Both countries have inked the Memorandum of Understanding (MoU) on

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Promoting Mutual Economic Development through the PRC's Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road Initiative in 2017.

3.66. The BRI MoU has further strengthened trade and investment linkages between Malaysia and the PRC. Since 2018, Malaysia participated in the China International Import Expo (CIIE), which is one of the key trade expos in BRI, where PRC made commitments to import over USD 30 trillion and USD 10 trillion worth of goods and services respectively, over the span of 15 years.

3.67. In addition, the Malaysia-China Kuantan Industrial Park (MCKIP) and China-Malaysia Qinzhou Industrial Park (CMQIP) endorsed as the BRI projects, have been progressively expanded to include major investments from PRC and other countries in strategic sectors.

## **4 CHALLENGES AND OPPORTUNITIES OF EXTERNAL ENVIRONMENT**

### **4.1 Overview**

4.1. During the period under review, there were a number of global events that affected economic growth arising from geopolitical tensions, COVID-19 pandemic and volatility in commodity prices.

4.2. Nevertheless, Malaysia's trade remained resilient despite continued uncertainties in the global environment. In 2021, Malaysia's external trade surpassing MYR 2 trillion for the first time and recorded the fastest growth since 1994. Exports valued at MYR 1.24 trillion, achieving the Twelfth Malaysia Plan export projection for 2025, four years ahead of the target. Trade surplus was posted for 24 consecutive years since 1998. Malaysia also recorded stellar investment performance for 2021, attracting record-breaking approved investments worth MYR 306.5 billion. This is due to the country's openness, pragmatic and agile policies that were introduced to foster a conducive trade and investment climate.

### **4.2 COVID-19 Response Measures**

#### **4.2.1 Public Health Response to COVID-19**

4.3. The COVID-19 pandemic placed an unprecedented burden on the public healthcare system globally. Despite the uncertainties brought about by the pandemic, Malaysian economy remained resilient against these challenges by placing various measures to ensure business continuity.

4.4. Malaysia has a robust regulatory framework such as the Control of Drugs and Cosmetics Regulations (CDCR) 1984, which enables the conditional fast track registration for pharmaceutical products during disasters to provide expedited access to pharmaceutical products for treatment or prevention of disease. The same regulation was also applied for implementing fast track evaluation for Clinical Trial Import License (CTIL) evaluation of investigational products during pandemic situations starting 28 August 2020 without compromising the quality of assessment and adherence to international regulatory requirements.

4.5. The Medical Device Authority (MDA) under the Ministry of Health exempted the registration requirements and approval were given to these essential medical devices through special access and conditional approval. This provision minimized the disruption of treatments and ensured the availability and timely access to medical device in healthcare facilities.

#### **4.2.2 Economic Response to COVID-19**

4.6. The Government unveiled an economic stimulus package worth MYR 530 billion through various proactive and immediate measures to mitigate the impact of the pandemic, especially in fulfilling the needs of the public health system, assisting affected citizens and supporting business continuity.

4.7. The Government introduced the 6R National Economic Recovery Strategy, i.e. Resolve, Resilience, Restart, Recovery, Revitalise and Reform to spur national economic recovery and help Malaysia to bounce back from the pandemic. Following the implementation of these policy measures, the economy registered a positive growth of 3.1% in 2021 and further expanded by 5% in the first quarter and 8.9% in the second quarter of 2022. This was mainly supported by improved domestic demand as economic activity continued to normalize with the easing of containment measures. The

improvement also reflects the recovery in the job market, with unemployment rate declining further to 3.9% as of April 2022, compared with 4.6% in the corresponding period of 2021.

4.8. The Government introduced initiatives to ensure domestic supply chain resilience including:

- i. introduction of an integrated digital platform in March 2020 to ensure that the manufacturing and services sector are able to operate throughout the Movement Control Order (MCO) period.<sup>1</sup> This system is known as COVID-19 Intelligent Management System (CIMS) which allows government agencies to process and issue operating approvals for sectors listed in the essential services sector throughout the MCO. This enabled domestic companies to remain in operation and continue to supply parts and components for the global supply chain;
- ii. acceleration of immunization rate for the manufacturing sector workers to ensure their safety and wellbeing are protected during the pandemic. A Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS) was launched as part of Phase Four of the National COVID-19 Immunisation Programme (PICK) to allow the manufacturing companies to continue to operate within a safe environment at workplace. This helped to reduce the number of COVID-19 clusters in the workplace as well as revive the Malaysian economic recovery process; and
- iii. introduction of Safe@Work programme that focuses on creating safe work bubbles at both the manufacturing sites and workers' living quarters. This initiative was intended to prevent disruption of operations and reduce the adverse impact on productivity in the event of COVID-19 infection at workplace. Companies that are Safe@Work certified can be considered for full operation during future crisis and avail themselves for tax incentives.

4.9. All these initiatives have resulted in business continuity where the manufacturing and manufacturing-related services sectors were allowed to operate and ensure minimal disruption to the supply chain of critical parts, components and finished products. It also ensured the continued operations of critical infrastructures and front-liners such as security, healthcare systems, information, communications, and adequate supply of basic necessities for the people.

#### **4.2.3 COVID-19 Measures Related to Standards**

4.10. Malaysia undertook facilitative measures in the area of standards and conformity assessment in response to the COVID-19 pandemic.

4.11. The Department of Standards Malaysia (JSM) as the national standards body provided free public viewing access to 30 Malaysian standards related to pandemic management, such as medical devices, risk management, laboratory management, and food hygiene. JSM is also the national accreditation body for the issuance of accreditation certificates to conformity assessment bodies (CABs), namely laboratories, certification bodies, inspection bodies and proficiency testing providers, for greater market access and global recognition of technical competence and quality assurance.

4.12. Malaysia undertook the following steps to reduce the burden of conformity assessment bodies and organizations, as well as enable businesses to operate smoothly:

- i. allowed assessments to be conducted remotely;
- ii. allowed assessments to be postponed for up to six months; and
- iii. extended the validity period of accreditation certificates which expire between 1 March 2020 and 31 March 2021 for up to three months.

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<sup>1</sup> MCO was a series of national quarantine and *cordon sanitaire* measures implemented by the federal government of Malaysia in response to the COVID-19 pandemic in the country starting on 18 March 2020.

4.13. JSM also provided temporary or one-off waiver of annual accreditation fees to all its accredited CABs in May 2020, and extended the annual fee exemption to 2021. It is estimated that 80% of the 1,018 accredited organizations have received the annual fee exemption in 2020.

4.14. As an outcome of these measures, Malaysia was able to provide uninterrupted accreditation services to CABs that were part of essential services, such as those in the manufacturing of food and medical device, as well as healthcare. These measures enabled the continued recognition of services by customers and regulators, especially for those involved in the import and export of goods.

### **4.3 Trade and Environment**

4.15. In recognition of the importance of climate change and deforestation on the environment and livelihoods, Malaysia has introduced various policies and initiatives to ensure the sustainability of its economic sector, such as:

#### **4.3.1 Initiatives on Sustainable Palm Oil**

4.16. The palm oil industry is one of the most regulated industries in Malaysia, with more than 60 national laws and regulations governing the industry. Malaysia is also committed to meet the Amsterdam Declaration that was signed by seven European countries in 2015. The Declaration requires exporters to comply with '100% Sustainable Palm Oil in Europe by 2020'.

4.17. The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme was made mandatory from 1 January 2020 to ensure the country's palm oil industry produces Certified Sustainable Palm Oil (CSPO) as per the requirements of international consumers and the Amsterdam Declaration 2015. This has further enhanced the Malaysian palm oil industry's efforts towards becoming more sustainable and environmentally friendly.

4.18. The MSPO Trace is established to track and trace MSPO certification, from plant to the supply chain. The MSPO Trace comprises four modules: Certification; Logo; Complaints and Grievance; and Traceability. The MSPO Trace platform was also set up to monitor the certification and traceability, which provides assurance on the sustainability of Malaysian palm oil.

#### **4.3.2 Malaysia Plastics Sustainability Roadmap**

4.19. The plastics industry in Malaysia contributes a significant amount to the economy and Malaysia is a net exporter of plastic resin. The total import and export of resin in 2019 were close to 3.1 million tonnes and 3.5 million tonnes respectively with export amounting to MYR 15.03 billion of worth.

4.20. The Malaysia Plastics Sustainability Roadmap 2021-2030 was launched in 2021 with the vision to transform the whole plastic value chain through having more sustainable practices and adopting circular economy principles throughout plastic lifecycle.

4.21. The Roadmap was developed to guide the country towards a sustainable plastic economy, enabled through the principles of circularity. This sustainable circular ecosystem covers the whole plastic value chain starting from its product design stage until the collection and sorting of plastic waste, making sure that the materials are kept in circulation in its highest possible value, can easily be recovered and recycled as well as be effectively reused. It involves design innovation, supply chain collaboration, high value recycling industry, resource efficiency through manufacturers as well as brand owner's accountability in managing end-of-life impacts of their products.

4.22. The action plans outlined under this Roadmap are targeted at minimizing the environmental impact due to plastic pollution and subsequently achieving plastics circularity and sustainability for 2030, and beyond. Among the national targets that we aim to achieve are phasing out problematic single-use plastics, having 25% post-consumer plastic packaging to be recycled by 2025, 100% recyclability of plastic packaging by 2030, 15% average recycled content by 2030 and 76% average collected-for-recycling (CFR) rate by 2030. This is in tandem with the Government's objective of a sustainable Malaysia and creating business opportunities from plastic waste.

### 4.3.3 National Mineral Industry Transformation Plan

4.23. The National Mineral and Industry Transformation Plan 2021-2030 (TIM 2021-2030) is a 10-year plan to develop local mineral industry in a comprehensive and integrated manner through transformation at every level of value chain based on the principle of sustainability.

4.24. The basic principle of the framework is to adopt sustainable mining to generate economic potential without compromising the environmental and well-being of the people. This industry will be focusing on the value-added activities, circular economy, optimal use of resources and waste reduction or zero waste.

4.25. Transformation outlined in TIM 2021-2030 will include strengthening activities in upstream, midstream and downstream of value chain. The plan aims to increase the country's income from new economic activities based on mineral resources and attracting more foreign investments. Based on the preliminary mapping, the country's mineral resources are estimated to reach MYR 4.11trillion. TIM 2021-2030 which was launched on 22 April 2021, outlines five key thrusts as listed below:

- i. governance and legislation;
- ii. development of mineral industry and value chain;
- iii. inventory and mapping of mineral resources;
- iv. technology and innovation; and
- v. human capital development.

### 4.3.4 Policy on Forestry

4.26. Malaysia has taken into consideration new developments in the policies and legislations related to forestry. Forests are no longer regarded merely as a source of timber production for socioeconomic development of the country. In fact, the protective functions of forest specifically in conservation of biological diversity, environmental stability and preservation of culture have now become more pertinent.

4.27. Based on the Forest Resource Assessment 2020 (FRA 2020) conducted by the Food and Agriculture Organization (FAO), Malaysia is amongst the 25 developing countries that have high forest cover and low deforestation activities (HFLD) in the world. Malaysia has been recognized as a HFLD country as our forest areas cover more than 50% of land areas and the deforestation rate is below the average global deforestation rate. Furthermore, Malaysia has set a control mechanism by setting a national cap palm oil plantation amounting to 6.5 million hectares, no new planted area on peat soil and no conversion of Permanent Reserve Forest for oil palm plantations, or for any other agricultural activity.

4.28. The Ministry of Energy and Natural Resources has set a policy of not giving any Operational Mining Scheme (OMS) approval in the Permanent Forest Reserve area. Legal action will be taken against anyone found conducting mining activities without permission.

4.29. In these contexts, Malaysia had completed the process of reviewing its forestry policies (Forestry Policy of Peninsular Malaysia 2020, Sabah Forest Policy 2018 and Sarawak Forest Policy 2019) and launched the Malaysia Policy on Forestry in conjunction with the International Day of Forests 2021 on 21 March 2021. This policy covers key areas which include sustainable forest management, protection and conservation of biodiversity, climate change mitigation and adaptation, application of latest forestry technology, strengthening research and development as well as enhancing sharing of knowledge.

4.30. The objectives of Malaysia Policy on Forestry are to:

- i. ensure forest areas are managed through good governance and practices for the conservation of biodiversity and ecosystem services;

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- ii. manage, conserve and rehabilitate the permanent reserved forests based on the principle of sustainable forest management;
  - iii. ensure continuous supply of raw materials from natural forests and forests plantations to sustain development of wood-based and non-timber forests industries;
  - iv. encourage the participation of indigenous, native and local communities in the protection, conservation and rehabilitation of forests; and
  - v. strengthen capacity building; research, development and commercialisation; innovation including providing adequate human and financial resources to improve forest management and utilization of forest resources.

4.31. While the Federal Government takes lead in the implementation of this policy, its jurisdiction is limited to providing guidance and support to the states in the three regions. The Peninsular Malaysia, Sabah and Sarawak will adopt this policy into their respective state forest policies and regulations in accordance to their states' circumstances. The respective targets, goals and strategies are detailed in the Forestry Policy of Peninsular Malaysia for the states in the Peninsular, Sabah Forest Policy for Sabah and Sarawak Forest Policy for Sarawak.

#### **4.3.5 Convention on International Trade in Endangered Species of Wild Fauna and Flora**

4.32. Malaysia is a party to Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) since 18 January 1978. The International Trade in Endangered Species Act 2008 [Act 686] is the main legislation for the implementation of CITES in Malaysia and came into force on 28 December 2009. Activities regulated include the import, export, transit, captive breeding and artificial propagation of scheduled species.

4.33. The Ministry of Energy and Natural Resources (KeTSA) is the lead management authority and national focal point pertaining to CITES matters in Malaysia. There are nine management authorities responsible for the implementation of CITES, each empowered according to their respective legislation, jurisdiction of species and area. The authorities are:

- i. Department of Wildlife and National Parks (Peninsular Malaysia);
- ii. Department of Fisheries Malaysia;
- iii. Malaysian Timber Industry Board;
- iv. Department of Agriculture Malaysia;
- v. Forestry Department Peninsular Malaysia;
- vi. Sarawak Forestry Corporation;
- vii. Sabah Wildlife Department;
- viii. Sabah Fisheries Department; and
- ix. Sabah Forestry Department.

4.34. At the ASEAN level, the ASEAN Working Group on CITES and Wildlife Enforcement was formed as a forum for ASEAN member states to discuss policy coordination and regional cooperation in CITES issues and illegal wildlife trade. Malaysia regularly participate in various programs conducted within CITES framework and committed to enhance our capacity in the implementation of CITES provisions as well as strengthening our efforts in combatting illegal wildlife trade.

#### 4.3.6 Guidelines for Scrap Metal Importation

4.35. The Government has introduced a new import regulation for all waste paper and scrap metal intended to be imported into Malaysia to ensure a more sustainable production of the steel and paper industry. The importation of all waste paper and scrap metal is now subjected to inspection process and issuance of Certificate of Approval (COA) as per the Customs (Prohibition of Imports) (Amendment) (No. 2) Order 2022 which came into effect on 10 January 2022. The COA process is prescribed under the Guideline for Importation and Inspection of Scrap Metal and The Guideline for Importation and Inspection of Waste Paper respectively.

4.36. The overarching objective of the new policy measure is to facilitate genuine importation of scrap metal and waste paper, while protecting the environment from any hazardous contaminants, in line with Goal 12: Ensure Sustainable Consumption and Production Patterns of the United Nations Sustainable Development Goals (SDG); Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; as well as the domestic law, i.e. Environmental Quality Act (EQA) 1974.

### 5 SECTORAL POLICIES

#### 5.1 Manufacturing Sector

##### 5.1.1 Overview

5.1. The overall investment performance in the manufacturing sector improved significantly in 2021, growing by 113.7% compared to a modest growth of 10.3% in 2020. In 2019, the manufacturing sector saw a drop in approved investment of 5.3%, attributed mainly to the Government's policy to curb the spread of COVID-19 pandemic by implementing the nationwide MCO which restricts movement of people as well as businesses.

5.2. Under the Twelfth Malaysia Plan, Malaysia aims to energize the manufacturing sector in order to sustain Malaysia's resilience and long-term competitiveness, and contribute to leading-edge, high-paying job opportunities for Malaysians. Malaysia will continue to move forward and strengthen resilience through policies that would further enhance the positive trajectory. The New Investment Aspirations (NIA) is poised to attract high impact investments in new growth areas which will bring about positive spillover effects to the economy.

5.3. The electrical and electronics (E&E) industry in Malaysia continues to be the backbone of the manufacturing sector, the driver of technology adoption, and the main contributor to the national GDP. The approved investment for the E&E sector was valued at MYR 148 billion in 2021. The highest investment went into solar products, accounting for MYR 42.2 billion over a 15-year period. This is set to transform Malaysia into an integrated hub for solar products in the region.

5.4. Among the major initiatives being implemented to develop the E&E subsector is the tariff elimination commitment of the ITA2. With this, Malaysia's ICT industry will have easier access to a wider market globally for its products and will provide market opportunities for more than 600 local producers to boost their exports to participating countries.

##### 5.1.2 New Industrial Master Plan 2030

5.5. The New Industrial Master Plan 2030 (New IMP 2030) has been developed to succeed the Third Industrial Master Plan (2005 to 2020). The New IMP 2030 is expected to be launched in the first quarter of 2023 and will set the strategic direction for industrial development.

5.6. The New IMP 2030 aims to strengthen the nation's competitiveness through industrial development that incorporates social inclusivity and environmental sustainability. Therefore, these three principles, namely economic growth, inclusive growth and green growth are set to serve as the guiding principle for the growth of Malaysia's industries.

5.7. The five policy objectives of the New IMP 2030 are:

- i. transition towards advanced manufacturing and services;

- ii. robust and agile supply chain with self-sufficiency in targeted areas;
- iii. world-class capabilities and innovation capacity;
- iv. global connectedness with good standing in the global value chain; and
- v. conducive ecosystem to attract quality and strategic investments.

5.8. The following five policy thrusts form the foundation and building blocks for achieving Malaysia's industrial development vision by 2030:

- i. embrace technology and innovation to grow the industries;
- ii. strengthen internationalization for greater integration into global economy;
- iii. accelerate talent development to meet current and future industry demand;
- iv. mainstream adoption of environmental, social and governance (ESG) criteria in industrial development; and
- v. strengthen business ecosystem and institutional framework to increase efficiency and resiliency.

### **5.1.3 Industry 4.0**

5.9. In 2018, Malaysia put in place the National Policy on Industry 4.0 (Industry4WRD) which provides a concerted and comprehensive transformation agenda for the manufacturing sector and its related services. The policy is intended to accelerate transformation of Malaysia's manufacturing sector into a smart and modern one. This will require an approach and an ecosystem to optimize the relationships among people, process and technology. The specific goals and targets will support the national vision for the transformation of the manufacturing sector by guiding and measuring Malaysia's progress in improving productivity, strengthening the innovation capacity and capability, and driving the shift to a higher skilled workforce.

5.10. The broad strategies and action plans under Industry4WRD are intended to provide a holistic ecosystem that facilitates such digital transformation through five strategic enablers of Funding, Infrastructure, Regulatory Framework, Skills, and Talent and Technologies (F.I.R.S.T). The effective implementation of the policy would fulfil the following four national goals set for Industry4WRD by 2025:

- i. to increase productivity rate in the manufacturing sector;
- ii. to increase the contribution of the manufacturing industry to the economy;
- iii. to increase the country's position in the Global Innovative Index; and
- iv. to increase the number of skilled workers in the manufacturing sector.

### **5.1.4 National Automotive Policy**

5.11. The fourth version of National Automotive Policy (NAP 2020) was launched on 21 February 2020. NAP 2020 intends to enhance the Malaysian automotive industry through the transformation of this sector into connected mobility. This is in line with the global digital transformation experienced by all sectors of the industry.

5.12. The framework of the NAP 2020 adds on three new elements, namely:

- i. Next Generation Vehicles (NxGV), which are energy efficient vehicles (EEV) embedded with intelligent mobility technology with capability to go autonomous. The NAP 2020 set the year 2025 as the target for NxGV market penetration;

- ii. Mobility as a Service (MaaS), which is the evolution from personal transportation to mobility solutions that are consumed as a service. This entails development of sharing concept in transportation and logistics, multimodal transportation, connected living, telematics and e-payment; and
- iii. IR4.0, which is the enabler for NxGV and MaaS in manufacturing, after sales and services.

5.13. These new elements are being introduced into the strategies of NAP including promoting investments in green and autonomous technologies, deploying high level of technology and engineering, expanding market, as well as development of human capital and supply chain.

### **5.1.5 Aerospace Industry**

5.14. The Twelfth Malaysia Plan charts the way forward for the aerospace industry as a strategic sector to transform the nation into a major player in this industry.

5.15. To ensure the growth of the aerospace industry, the Government launched the Malaysian Aerospace Industry Blueprint (MAIB) 2030 in 2015. The second phase of the MAIB implementation has commenced under the Aerospace Industry Framework of the Twelfth Malaysia Plan. The implementation of key initiatives of MAIB has resulted in significant growth for the industry in 2019 with the industry revenue recording MYR 16.2 billion and employing 27,000 technical workers.

## **5.2 Agriculture Sector**

### **5.2.1 Overview**

5.16. Malaysia's main agricultural outputs consists of industrial commodities such as palm oil, rubber, cocoa, pepper, and kenaf (dried stem) and agrofood produce such as rice, fruits, vegetables, livestock, and fisheries. The total agricultural land area is approximately 8.57 million hectares, and the sector employs 10.5% of the labour force in Malaysia in 2020.

5.17. Malaysia has a trade surplus in agriculture with a value of MYR 20.4 billion in 2020 mainly contributed by the export of commodities. Despite the positive trade balance, Malaysia is still a net importer of food items, primarily because of the high demand for animal feed, sugars, honey, meat, meat products, and vegetables to meet the country's food demand.

### **5.2.2 National Agrofood Policy 2011-2020**

5.18. Throughout the 10-year period of the National Agrofood Policy (NAP) 2011-2020, the value-added from agrofood sector has increased from MYR 35 billion to MYR 51 billion. In terms of trade performance, the export of agrofood products has increased from MYR 18.1 billion to MYR 33.7 billion.

5.19. The continuous growth of agrofood sector is driven by high demand of food produce to fulfil the increasing population and the needs of food processing industries. Moving forward, the National Agrofood Policy 2021-2030 is formulated with the aim to transform the agrofood sector into a sustainable, resilient and technology-driven industry in strengthening food security, driving economic growth and enhancing the wellbeing of the people.

### **5.2.3 National Agrofood Policy 2021-2030**

5.20. The National Agrofood Policy 2021-2030 (NAP 2.0) is a continuity of Malaysia's food security and agrofood sector transformation agenda in the decade of 2021-2030. The formulation of the NAP 2.0 considers current challenges including global climate change, resource scarcity, population growth, labour force competency as well as the need for food system transformation and national socio-economic development. The policy supports the aspirations of the agrofood sector to be more sustainable, resilient and technology-driven to propel economic growth while prioritizing national food security and nutrition.

5.21. The NAP 2.0 framework incorporates economic, social, and environmental elements as key principles with an emphasis on modernization and smart agriculture, strengthening market and

product access, human capital development, food system sustainability, as well as creating conducive business ecosystems and governance. To increase the nation's food security and income of the food producers, 18 strategies and 58 action plans are being implemented across four subsectors of the agrofood sector comprising paddy and rice, fruits and vegetables, livestock, as well as fisheries and aquaculture.

5.22. To achieve these goals, modern technology adoption based on the 4IR to increase productivity, the participation of competent youths and increased private investment in high-impact projects, will be the catalytic enablers. The Ministry of Agriculture and Food Industries (MAFI) plays the leading role in the implementation and monitoring of the NAP 2.0 with collaboration and contribution from all stakeholders.

### **5.3 Services Sector**

5.23. The services sector continues to be the biggest sector in Malaysia's economy, contributing more than 57% to total GDP in 2021. The services sector is driven by the traditional services subsector, while the modern services subsector has expanded, mainly contributed by the information and communication, finance and insurance as well as business services subsectors. In addition, e-commerce activities have also contributed to growth as more Malaysians turned to online platforms to purchase goods and services.

5.24. With the aspiration of transforming Malaysia into a knowledge-intensive and services-driven economy, the Government launched the Services Sector Blueprint (SSB) 2015-2020. The SSB 2015-2020 is a set of horizontal strategies and action plans to address obstacles which potentially hinder further growth of the services sector. Since its inception, SSB has achieved most of its macro targets, which covered the following five areas:

- i. GDP contribution;
- ii. jobs created;
- iii. value-added per worker;
- iv. contribution of the knowledge-driven subsectors to GDP; and
- v. share of services under exports.

5.25. Under the Twelfth Malaysia Plan, the services sector is targeted to grow at 5.2% per annum, contributing 58.3% to GDP by 2025. Concerted efforts will be undertaken to ensure higher adoption of technology to enhance efficiency and productivity within the sector in line with the Malaysia Digital Economy Blueprint and the National 4IR Policy.

## **6 OTHER DOMESTIC POLICIES**

### **6.1 Companies Act 2016**

6.1. The Companies Act 2016 which succeeded the Companies Act 1965, was passed by the Parliament in April 2016 pursuant to corporate law's regulatory review and reform process since 2003. It has been enforced by the Companies Commission of Malaysia (CCM) since 31 January 2017 (except section 241 on mandatory registration of companies' secretaries with the Registrar, and Division 8 of Part III on Corporate Rescue Mechanism). The new Act encapsulates the dynamic business environment in today's global corporate scenario, as well as Malaysia's consistent economic growth.

6.2. Subsequently, Division 8 of Part III on Corporate Rescue Mechanism and section 241 of the Act was enforced on 1 March 2018 and 15 March 2019 respectively. Currently, CCM has introduced new policies for improvements including measures in improving the insolvency framework and beneficial ownership reporting through amendments to the Act.

6.3. As temporary reliefs during the pandemic, provisions such as increasing the threshold for the company's inability to pay its debts as well as other measures were introduced to alleviate financial

burdens faced by companies. As long-term measures, the reforms to the Act will introduce provisions to support companies to mitigate their risks in the following main clusters:

- i. widening the application of corporate rescue mechanism to allow certain classes of companies to adopt corporate voluntary arrangement or judicial management;
- ii. enhancing the framework in relation to restructuring and rescue mechanisms; and
- iii. enhancing the framework in relation to beneficial ownerships to fill in gaps as identified by the Financial Action Task Force (FATF) through the Malaysian Mutual Evaluation Report published in 2015.

## **6.2 Competition Act 2010**

6.4. Since 2019, the Malaysia Competition Commission (MyCC) has embarked on an amendment exercise for the Competition Act 2010 to make Malaysia's competition law more extensive and in line with international best practices. The amendment of the Act includes the amendment of provisions relating to the investigation and enforcement powers and procedures as well as appeal provisions, taking into account developments in the digital economy and the introduction of a merger control regime. The amendment will strengthen MyCC's mandate in promoting competition in the market as well as empower MyCC to review mergers that will substantially lessen or distort competition in the market.

6.5. MyCC has undertaken various advocacy programmes to raise awareness and inculcate a culture of compliance with the Act. These include conducting local and international advocacy programmes for various sectors of the economy and government bodies, signing memorandum of understanding (MoU) with agencies and public/private universities, implementing MyCC's Strategic Plan for 2021-2025, launching of the MyCC Guidelines on Intellectual Property Rights and Competition Law, and undertaking market reviews for various industries or market conditions. For the period from January 2012 to June 2022, MyCC has successfully resolved or closed 76% or 821 out of 1,087 complaints, as well as investigated 153 complaints that have merits of infringement.

## **6.3 Protection of Intellectual Property Rights**

6.6. Within the period of 2018 to 2022, four intellectual property (IP) legislations were updated namely the introduction of the new Trademarks Act 2019 and Geographical Indications Act 2022 together with amendments to the Patents Act 1983 and the Copyright Act 1987.

6.7. The Trademarks Act 2019 which entered into force on 27 December 2019, among others, allows Malaysia to implement trademark international filing system under the Madrid Protocol, expands the scope of trademark protection to include non-traditional marks, collective marks and certification marks as well as stringent penalties for infringements.

6.8. The new Geographical Indications Act 2022 has entered into force on 18 March 2022 to provide a better protection for registered geographical indications including stringent penalties for infringement, to allow electronic filing for geographical indications applications and to provide clearer grounds for refusal.

6.9. With the amendments to the Patents Act 1983, Malaysia (i) adopts the Article 31bis of the TRIPS Agreement, (ii) introduces third-party observation and (iii) introduces post-grant opposition.

6.10. The amendments to the Copyright Act 1987, among others, allows members of collective management organization to refer any dispute between the members and CMO to the Copyright Tribunal, improves provision relating to CMO to ensure transparency, accountability and good governance, provides ex-officio act to search and seize any infringing copies that are prohibited from being imported into Malaysia and offences relating to streaming technology.

6.11. With regards to IP-related international treaty, Malaysia deposited the instrument of accession of the Budapest Treaty and the Marrakesh Treaty on 31 March 2022 and these treaties entered into force in Malaysia on 30 June 2022.

6.12. In response to the COVID-19, Malaysia introduced fee waiver for certain requests for trademark and offered modification of renewal fee for registration that expired within the period of 1 January 2021 until 30 June 2021. Surcharge fee for late renewal of patents were also waived for patent that expired within the period of 1 January 2021 until 30 June 2021.

#### **6.4 Development of Halal Industry**

6.13. The global Halal landscape is rapidly changing, as rising demand has resulted in the entrance of many new global players that offer Halal products and services. Hence, Malaysia's Halal industry development will be strengthened to produce competitive Halal industry players in capturing a bigger global Halal market share.

6.14. Measures will be undertaken to enhance the capacity and capability to contribute to the growth of the Halal industry, increasing its share to GDP to 8.1% and generating MYR 56 billion export revenue by 2025, through:

- i. uplifting the development of Halal talent;
- ii. establishing Halal professional recognition;
- iii. accelerating industry development;
- iv. increasing product competitiveness; and
- v. positioning Malaysia as a global Halal hub.

6.15. During the first Halal Industry Master Plan 2008-2020 (HIMP 1.0), initiatives were undertaken to ensure an integrated and comprehensive development of the Halal industry. Efforts were focused on the development of Halal standards and certification, branding and promotion as well as commercialisation of Halal products and services.

6.16. Building upon the strength of HIMP 1.0, the Halal industry will be further developed by the new Halal Industry Master Plan 2030 (HIMP 2.0). HIMP 2.0 will be aligned with Malaysia's development plans, the United Nations Sustainable Development Goals, and the United Nations Global Compact Principles.

6.17. The HIMP 2.0 aims to enhance Halal industry development by creating a larger talent pool, improving integrated infrastructure and accelerating the production of high value-added products and services to better capture the global Halal market opportunities, through:

- i. collaboration and co-investment between local and international businesses to commercialize R&D output;
- ii. enhanced role of MSMEs as a key driver for the development of the Halal industry;
- iii. inclusive participation in the Halal supply chain which will facilitate the expansion of high value products; and
- iv. Halal innovation-focused business incubator programmes to grow companies and connect with other business incubators globally for better networking, acceptance and recognition.

#### **6.5 National Tourism Policy**

6.18. The National Tourism Policy 2020-2030 focuses on efforts to increase revenue, secure smart international and national partnerships, empower local communities and ensure the sustainability and resilience of the industry. The implementation of the policy is based on three main elements, namely competitiveness, inclusiveness, and sustainability as catalysts for the transformation of the country's tourism industry.

6.19. This policy will be carried out through six strategic thrusts which are:

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- i. strengthen governance capacity of tourism sector related agencies;
  - ii. foster economic development through the creation of special tourism investment zones;
  - iii. move towards smart tourism through digitalization and provide the necessary tools for the industry;
  - iv. enhance demand sophistication through targeted marketing, diversifying cultural tourism products, and improving destination attractiveness for high-value tourists;
  - v. practice sustainable and responsible tourism; and
  - vi. upskill the human capital to be future-ready and able to deliver a quality service.

6.20. These thrusts aim to make Malaysia the world's preferred tourism destination, attracting high - yield tourists, with a focus on ecotourism and cultural tourism. This is consistent with Malaysia's commitment to the SDG 2030 Agenda.

### **6.6 National Policy on Science, Technology and Innovation 2021-2030**

6.21. The National Policy on Science, Technology and Innovation (NPSTI) 2021-2030 demonstrates Malaysia's commitment in utilizing and advancing science, technology and innovation (STI). NPSTI was launched in December 2020 as a 10-year national STI plan that outlines six thrusts, 20 strategies and 46 initiatives. In supporting trade, NPSTI aims to enhance domestic and international collaboration through science diplomacy and science, technology, innovation and economics (STIE) negotiation skills.

6.22. The National Technology and Innovation Sandbox (NTIS) is one of the programmes mandated under NPSTI which allow researchers, innovators and entrepreneurs to test their products and services in a live environment as well as to bring those products and services to the market. NTIS relaxes certain regulatory requirements to accelerate the development of innovation from the R&D stage to being commercially ready.

6.23. The Malaysian Research Accelerator for Technology and Innovation (MRANTI) is another leap program under NPSTI, tasked to accelerate commercialisation for Malaysian industry to penetrate global market. Among MRANTI's supports for the industry are technology development, market access, prototyping, product testing and funding.

### **6.7 10-10 Malaysian Science, Technology, Innovation and Economy Framework**

6.24. In supporting the National Policy on Science, Technology and Innovation 2021-2030, Malaysia launched 10-10 Malaysian Science, Technology, Innovation and Economy (10-10 MySTIE) Framework, a framework to identify the gap between socioeconomic development and science, technology and innovation (STI) priorities. 10-10 MySTIE is a tool to transform Malaysia into a knowledge-intensive economy by design and linking STI priorities to economy, in the hope of creating a collaborative ecosystem to move Malaysia up the global innovation value-chain.

6.25. The framework helps to identify potential national STI priority areas. This includes Diversified Renewable Energy, Subscription Business Models and Sharing Platform, Integrated Infrastructure and Infostructure Management and Next-Gen Smart Factories. The identified national priority areas help to facilitate trade and investment to achieve an inclusive knowledge-based economy across the Key Economic Growth Activities (KEGA).

### **6.8 National Nanotechnology Policy and Strategy 2021-2030**

6.26. The National Nanotechnology Policy and Strategy 2021-2030 (NNPS) was launched on 15 November 2021. NNPS aims to create a dynamic and progressive ecosystem for nanotechnology innovation in Malaysia. Malaysia aims to be the preferred regional hub for nanotechnology in Southeast Asia and a strong player internationally, with a compound annual growth rate of 14.3% and expected market size for nanotechnology product reaching MYR 1.25 trillion by 2030.

6.27. In addition, the National Nano Products and Technology Roadmap 2021-2025 was launched on 13 April 2022 as a supporting document to the NNPS. The Roadmap aims to create more than 30,000 employment opportunities especially for high-skilled workers and to contribute more than MYR 150 billion to Malaysia's GDP by 2025.

### **6.9 National Policy on Biological Diversity 2016-2025**

6.28. As one of the 17 megadiverse countries, Malaysia's biological diversity is among the richest in the world, harbouring an enormous range of plants, animals and marine life, which has created a unique ecosystem. While focusing on economic growth and development, the Government gives equal emphasis to promote biodiversity conservation.

6.29. The Government introduced the National Policy on Biological Diversity 2016-2025 (NPBD) to serve as a national guide for biodiversity management over the next 10 years. It also reflects the Government's effort and initiative to strongly and continuously emphasize on continued conservation, sustainable utilization and shared benefits from biodiversity in a fair and equitable manner, as well as to strengthen the involvement and participation of all relevant stakeholders. The NPBD will be reviewed to align with the Post-2020 Global Biodiversity Framework taking into account national priorities.

### **6.10 Women and Youth Empowerment**

6.30. Malaysia's 2021 Global Gender Gap score for Economic Participation and Opportunity sub-index is 63.9% which is above the global average of 58%. Further to that, the Government is committed to continue ensuring the participation of women in the country's planning and development by incorporating specific chapter for women empowerment in the Twelfth Malaysia Plan and 2022 Budget. Its ultimate goal is to minimize the gender gap and establish a conducive ecosystem for women which includes a quota for women in the decision-making positions, credit facilities for women entrepreneurs and support services such as capacity building programs, child care services and social security scheme.

6.31. In line with the national agenda to empower women, the Ministry of Women, Family and Community Development (MWFC) continues to promote and encourage the implementation of gender responsive budgeting (GRB), and initiative that aims to ensure that the various perspectives of gender are integrated into the formulation of national policies from the planning to the implementation stage.

6.32. In order to further empower youth and their political participation, the Parliament passed the Constitution (Amendment) Act 2019 to amend Article 119 of the Federal Constitution by granting suffrage to citizens aged 18 and above. The lowering of the voting age added 5.8 million new voters, thereby enlarging the electorate to 21 million. This wider enfranchisement results in greater youth's participation in democracy and nation building.

### **6.11 National Anti-Corruption Plan 2019-2023**

6.33. In recognition of the importance of good governance in attracting trade and investment, the Government has intensified the fight against corruption through governance reforms. In this regard, Malaysia remains committed to adopting good governance principles of transparency, accountability, efficiency and effectiveness in policy planning and delivery processes. The National Anti-Corruption Plan (NACP) 2019-2023 was launched on 29 January 2019 with the aim to create a corrupt-free ecosystem, in line with the country's commitment towards the United Nations Convention Against Corruption (UNCAC).

6.34. Malaysia also recognizes the importance of corporate governance through the introduction of the Corporate Liability provision under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 that came into effect on 1 June 2020.

6.35. The following initiatives were also introduced to improve the transparency and efficiency of public service delivery to enhance good governance across all aspects of government administration:

- i. Malaysian Licensing Guidelines (MyGP) launched by the Malaysia Productivity Corporation (MPC) in collaboration with the Governance, Integrity and Anti-Corruption Centre (GIACC) with the aims to authorize a strong and effective mechanism in the permit and license issuance process;
- ii. Prime Minister's Directive in implementing integrity vetting as (i) a selection criterion for top management positions and (ii) to govern disclosure of conflict of interest in Statutory Bodies, Government Interest Company (GIC) and Government Established Company Limited by Guarantee (CLBG); and
- iii. MyGovernance, a comprehensive plan which will institutionalize the principles and best practices of governance in all Government agencies.

## 6.12 Standards and Conformance

6.36. The national quality infrastructure (NQI) is one of the key elements underpinning the success of Malaysia's trade and investment environment. The establishment of a robust NQI system, with all the necessary components (standardization, metrology, accreditation, and conformity assessment, particularly testing, certification, inspection services, and market surveillance), stimulates industrial development, productivity, trade competitiveness and innovation. Department of Standards Malaysia (JSM) as National Standards Body and National Accreditation Body together with National Metrology Institute of Malaysia (NMIM) as National Metrology Institute are the key institutions championing NQI in Malaysia, supported by regulators and conformity assessment service providers.

6.37. JSM also assist industries' marketability through its Standards Compliance Stewardship Programme for Enterprises (ESCAPE), conducted collaboratively with various strategic partners. This program encompasses technical training and expert advisory services ranging from the awareness phase to the compliance phase which is demonstrated through certification.

## 7 WAY FORWARD

7.1. Despite the external economic uncertainties, the Malaysian economic recovery process is expected to gain momentum. The Malaysian economy returned to pre-pandemic level in the first and second quarters of 2022 with eased restrictions on domestic activities and trade improvements.

7.2. Trade has historically been an engine of growth and will remain pivotal in Malaysia's economic development goals. In this vein, we will continue to uphold an open, fair, transparent and rules-based multilateral trading system with the WTO at its core, and support the efforts to strengthen the WTO through reforms and modernization.

7.3. The pandemic highlighted the importance of supply chain resilience. Moving forward, Malaysia is developing a resilient supply chain framework for manufacturing and manufacturing-related services. This involves identifying the risks, addressing vulnerabilities, and developing strategies to promote a resilient supply chain based on the lessons learnt during the implementation of the MCO.

7.4. Malaysia has identified six essential sub-sectors namely electrical and electronic, pharmaceutical, medical device, automotive, food and beverage and advanced personal protective equipment (PPE) in developing the supply chain mapping. The main objective is to help facilitate the adoption of disruptive technologies such as "track and trace" through blockchain technology and predictive analysis to anticipate potential disruptive events across the supply chain.

7.5. Malaysia is working with other countries within the ASEAN and APEC region to strengthen supply chain resilience by facilitating effective cross-border movement and international cooperation. Malaysia is also a partner in the Indo-Pacific Economic Framework for Prosperity (IPEF) where supply chain resiliency has been identified as one of the four pillars.

7.6. The pandemic has also intensified the shift in consumer behaviour and business model. To minimize future disruptions caused by similar crises and external shocks, our development initiatives outlined in the Twelfth Malaysia Plan, 2021-2025 are geared towards providing an enabling and robust environment for the growth of the digital economy, strengthening the provision of digital infrastructure and services, and developing future-ready digital talent.

7.7. In recognition of the move towards green economy, Malaysia will prioritize the adoption of environmental, social and governance (ESG) agenda in the manufacturing sector, in line with Malaysia's net zero green-house gas emissions target by 2050.

7.8. By putting greater emphasis on these areas, Malaysia is optimistic that the objectives of the Twelfth Malaysia Plan, namely resetting the economy, strengthening security, wellbeing and inclusivity as well as advancing sustainability can be achieved and bring about sustainable economic recovery.

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