PATHWAY FOR MALAYSIA 2021

RECOMMENDATIONS FROM THE PROFESSIONAL BODIES, TRADE ASSOCIATIONS, CHAMBERS OF COMMERCE AND FOREIGN BUSINESS ASSOCIATIONS & BUSINESS COUNCILS IN MALAYSIA

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The ASEAN Business Advisory Council (ASEAN-BAC) Malaysia Chapter is an integral participant in the regional ASEAN-BAC with regular participation at all Council Meetings and Consultations with the leaders. Over the course of the 16 years that the ASEAN-BAC Malaysia Chapter has been in operation, various recommendations, feedback and input have been provided during the consultation with the ASEAN Economic Ministers and ASEAN Heads of State at the regular ASEAN Consultation and Business Summits. At the same time, various studies on the national and regional economic climate have been conducted to substantiate the recommendations, some of which have already been incorporated into the guidelines of the overall ASEAN Economic Community Agenda.

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ASEAN-BAC Malaysia

CARI ASEAN RESEARCH & ADVOCACY

FOREWORD

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman
ASEAN Business Advisory Council Malaysia

Last year, with the thought leadership of CARI Asean Research and Advocacy, which I also chair, ASEAN Business Advisory Council and the Joint Business Councils had submitted to ASEAN leaders a comprehensive report on business action steps to protect ASEAN economies and set them on the road to post-pandemic recovery.

"A Pathway Towards Recovery and Hope for ASEAN" (Pathway 225) received the support of all ASEAN governments, including Malaysia's, but over half a year after formal submission, almost all the proposals remain to be implemented. The government of Malaysia, which was strong in its support of Pathway 225, should take the lead in driving for the execution of the business initiatives proposed to ensure strong ASEAN economic recovery.

The ASEAN Business Advisory Council Malaysia has taken the initiative to build upon Pathway 225 to come out with "Pathway for Malaysia 2021." This document is the outcome of three virtual consultative dialogues held with Malaysian trade associations, chambers of commerce, professional bodies and foreign business associations and councils in the country. This document has two objectives. First, to inject a Malaysian drive into Pathway 225 proposals that could be pursued and curated as specific ASEAN projects - which would need a strong hand to be played by the Malaysian government at the regional level. Second, to introduce particular concerns at the national level to ensure strong participation not just in ASEAN economic recovery, but also in the RCEP (Regional Comprehensive Economic Partnership) and the Pacific Region through the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership).

There is great potential in ASEAN in the rapidly digitalising regional economy, particularly in Healthtech, Edutech and Fintech. There are specific projects that could be pursued under Pathway 225 within the context of the ASEAN Comprehensive Recovery Framework (ACRF). There are, furthermore, private sector-led projects which are open to being initiated under Malaysia's legacy ASEAN Financial Inclusion Solutions (AFIS). A few ASEAN private sector bodies have already got their country's legacy projects off their ground. The ASEAN Business Advisory Council Malaysia - and CARI - are ready to provide assistance to get such projects going.

"Pathway for Malaysia 2021" also makes clear steps that have to be taken at the national level to position the country for competition as economies open up and regional opportunities expand. Companies and enterprises emaciated in the pandemic must be revived and attention should not just be focused on individuals. The companies must be able to retain their capacity

and assets to continue to employ the individuals who might otherwise be cast into long-term unemployment. The government has to think through the priorities realistically. Many proposals are contained in the document to put the Malaysian house in order.

One particularly strong point to emerge from the consultations is that having signed the agreements, Malaysia should quickly ratify the RCEP and the CPTPP to take early advantage of new trade and investment opportunities, especially in the post-pandemic environment. Malaysia cannot afford to be absorbed with internal issues if it does not want to be beaten to the post by many robust ASEAN countries.

It is hoped the government will give due attention to “Pathway for Malaysia 2021” and will act swiftly at both the regional and national level to position the country advantageously in the post-pandemic world and beyond.

MESSAGE FROM COUNCIL MEMBER

Tan Sri Yong Poh Kon
Council Member
ASEAN Business Advisory Council Malaysia

The ASEAN Business Advisory Council Malaysia Chapter provides a unique forum to not only present Malaysia's business community views to its ASEAN partners, but also to synthesise the various views of the domestic trade associations covering both trading, manufacturing, and services. Furthermore, together with the participation of the foreign investors' chambers of commerce in Malaysia, a composite picture of the business community in the country can be presented holistically.

During the virtual consultations with the three groupings mentioned, there were more issues shared in common than there were at odds and these are summarised in this report.

We intend to further consolidate the key issues via physical seminars, when it is possible to do so, in the near future and present them to the government.

MESSAGE FROM COUNCIL MEMBER

Raja Singham
Council Member
ASEAN Business Advisory Council Malaysia

"Pathway for Malaysia 2021" provides ideas and recommendations from stakeholders on reviving and rebuilding the economy which has been adversely affected by the pandemic. These recommendations focus on achieving sustainable long-term recovery and growth and we hope that the government will give serious consideration to adopting and implementing them as soon as possible. Businesses are the backbone of the economy and we must take quick action to aid our MSMEs. In addition to government initiatives, we must leverage public-private partnerships and help Malaysian businesses access regional and global markets. Malaysia must also quickly ratify the Regional Comprehensive Economic Partnership (RCEP) to reap its various benefits. Our businesses and society must be prepared for the challenges of the next normal and to do this, we must consider the following factors.

The 5Es Road to Recovery

Economy: The economy must be stimulated by increasing government spending and implementing projects to create jobs and increase employment. The benefits of these projects should be spread out to various stakeholders in line with 'shared prosperity' championed by the government.

Employability: We must focus on enhancing employment rates by creating economic activity, supporting businesses, implementing upskilling and reskilling programmes and leveraging gig-economy and global employment opportunities.

Education: We must offer fast-track training opportunities to create a future-ready workforce that bridges the skills gap if we hope to realise Malaysia's vision to become a digital nation. Infrastructure alone will not be enough to attract FDI and convince tech giants to consider Malaysia as their regional hub.

Entrepreneurship: Entrepreneurs must be given access to training, money, markets, and mentors. We need to help our entrepreneurs become more tech-savvy so they can compete globally.

Empathy: Both the public and private sector should explore ways to give back to help businesses and individuals who have been negatively impacted by the repercussions of the pandemic. We are all in this together.

It is our hope that the government will consider the recommendations outlined in "Pathway for Malaysia 2021" when rebuilding the Malaysian and ASEAN economies.

INTRODUCTION

In line with the report called **A Pathway Towards Recovery and Hope for ASEAN** or **Pathway 225** published by the ASEAN Business Advisory Council (ASEAN-BAC) 2020, ASEAN BAC Malaysia has collaborated with CARI ASEAN Research and Advocacy to capture recommendations by the private sector in Malaysia in response to the major developments in Malaysia.

With Malaysia entering gradual recovery despite the third wave of COVID-19, this report captures the feedback and policy recommendations of the private sector towards (i) COVID-19 recovery (ii) entering the ASEAN market (iii) the impending Regional Comprehensive Economic Partnership (RCEP).

This report has been produced by collecting the input of three main groups of business organisations based in Malaysia, namely (i) trade associations and chambers (ii) professional bodies (iii) foreign trade associations based in Malaysia through two methodologies (a) online survey (b) online consultations, involving over 46 organisations.

The inputs have been consolidated and synthesised and later provided with greater context. A total of 137 recommendations have been listed but it is important to note that they are not mutually exclusive, some are more targeted while some are broad-based recommendations.

The report intends to survey the general sentiment of the business sector in Malaysia as a precursor to deeper sector-based discussions where necessary.

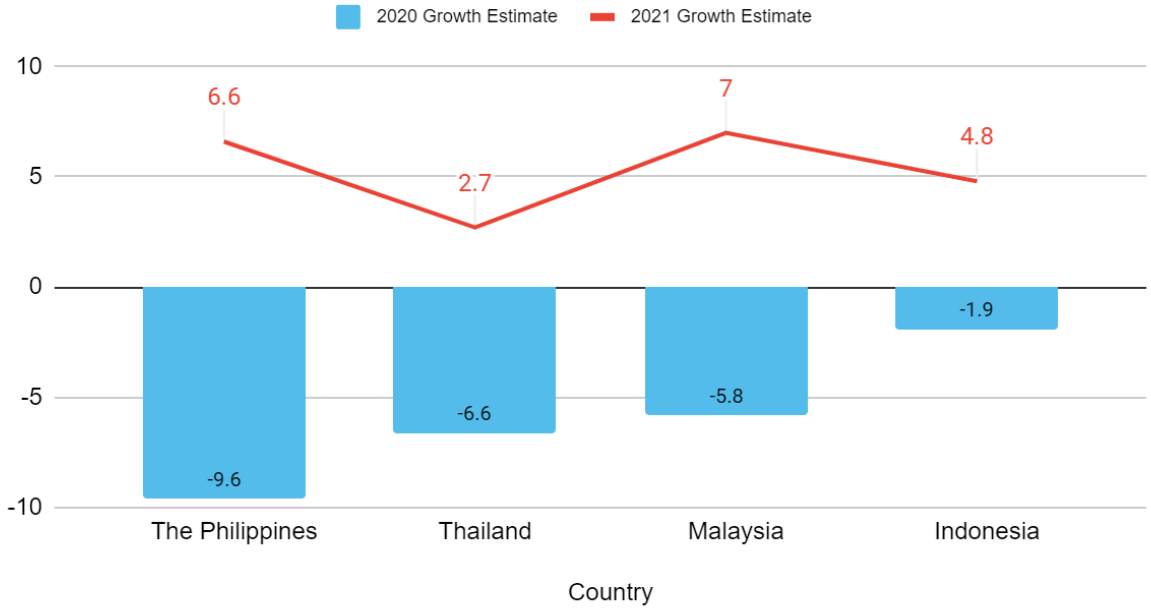
Jukhee Hong
Executive Director
CARI ASEAN Research and Advocacy

CHAPTER 1: ANALYSIS ON POLICY ISSUES IMPACTING MALAYSIA'S BUSINESS COMPETITIVENESS IN ASEAN

As Malaysia begins its vaccination rollouts, which is expected to last over several phases until February 2022, our battered economy will also begin its gradual process of reopening.

While most official projections expect a rebound in 2021, it is expected to be an uneven rebound contingent on the successful containment of the pandemic and a recovery in global demand. According to the most recent projections by the IMF in January 2021, Malaysia is expected to grow by 7.0% in 2021, compared to 6.6% for the Philippines, 4.8% for Indonesia, and 2.7% for Thailand. As such, Malaysia is expected to remain in a relatively strong position vis-a-vis other regional economies (see Figure 1)[1].

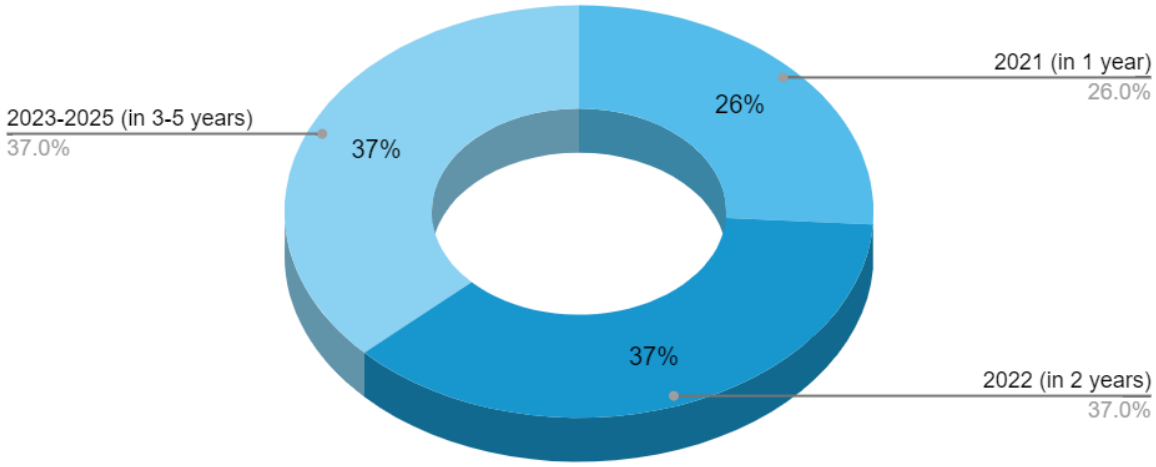
Figure 1: Growth Outlook Of Selected ASEAN Countrie
Source: International Monetary Fund, 'World Economic Outlook January 2021



[1] International Monetary Fund, 'World Economic Outlook January 2021'.

Based on the survey conducted by the ASEAN-BAC Malaysia in February 2021 for this report, 26% of chambers and trade representatives in Malaysia expected businesses to recover within 2021. A total of 74% of the respondents expected that businesses will take more than 2 years to recover, with half of the respondents expecting recovery between 3-5 years.

Figure 2: Expectations Of Business Recovery from COVID-19
Source: ASEAN-BAC Malaysia Business Survey February 2021



A) DESPITE POSITIVE PROJECTIONS IN 2021, COVID-19 EFFECTS CONTINUE TO HAMPER BUSINESSES

Nonetheless, certain sectors such as tourism, hospitality, aviation and retail will continue to be hampered by the slow global recovery as well as ongoing restrictions on global travel.

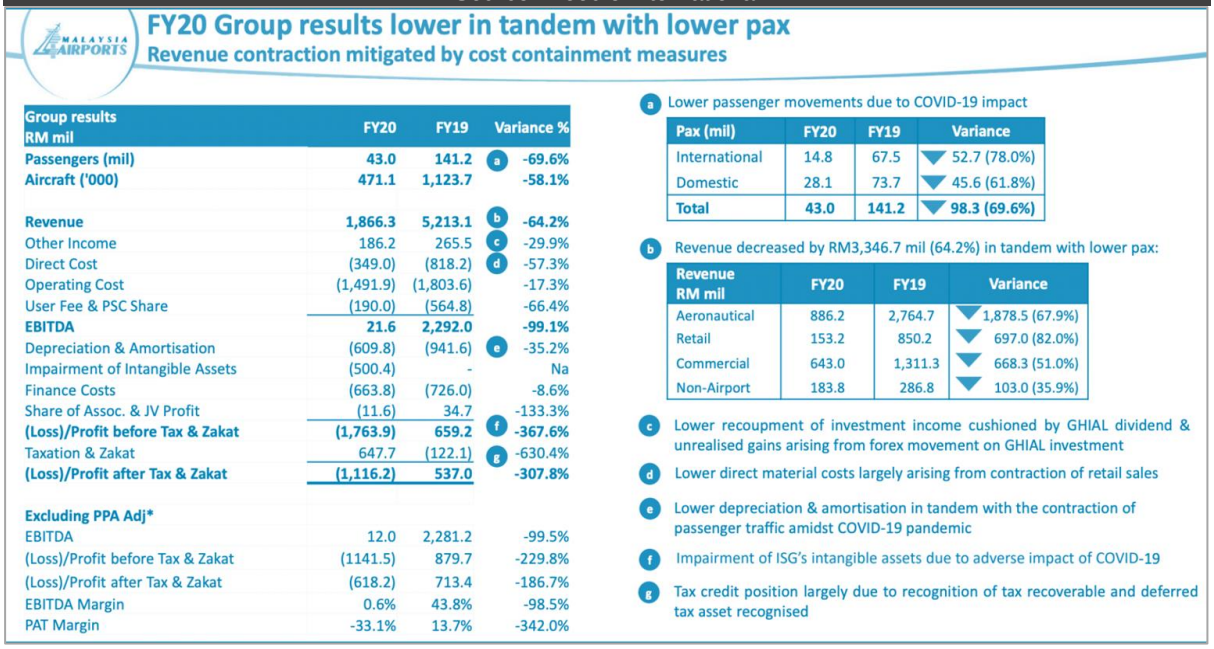
Tourism, hospitality and aviation

According to the Malaysian Association of Hotels, hotel booking cancellations from January 2020 to 20 March 2020 breached over 193,000 rooms, which translates into RM76 million losses in revenue for the industry. At the same time, the hotel occupancy rate dropped from 61.6% in January 2020 to 25% in March 2020[2]. Likewise, the aviation industry lost RM13 billion in 2020 alone due to international travel restrictions put into place around the world[3].

According to Malaysia Airports, international passenger traffic fell by 78% to 14.8 million and domestic volumes declined 61.8% to 28.1 million passengers. The key location, Kuala Lumpur International Airport (KLIA), recorded a 78.9% fall in passenger traffic to 13.2 million passengers while other airports in Malaysia recorded an aggregate decline of 70.6% to 12.6 million passengers[4].

[2] Ministry of Finance Malaysia, 'Economic Outlook 2021', November 2020
[3] Ibid
[4] Moodie International, Malaysia Airports retail revenue slides by -82% on COVID-19 impact - The Moodie Davitt Report, 26 February 2021

Figure 3: FY20 Group Results Lower in Tandem with Lower Pax
Revenue contraction mitigated by cost containment measures
Source: Moodie International



FY20 Group results lower in tandem with lower pax

Revenue contraction mitigated by cost containment measures

Group results RM mil	FY20	FY19	Variance %
Passengers (mil)	**43.0**	**141.2**	**-69.6%**
Aircraft ('000)	**471.1**	**1,123.7**	**-58.1%**
Revenue	**1,866.3**	**5,213.1**	**-64.2%**
Other Income	186.2	265.5	-29.9%
Direct Cost	(349.0)	(818.2)	-57.3%
Operating Cost	(1,491.9)	(1,803.6)	-17.3%
User Fee & PSC Share	(190.0)	(564.8)	-66.4%
EBITDA	**21.6**	**2,292.0**	**-99.1%**
Depreciation & Amortisation	(609.8)	(941.6)	-35.2%
Impairment of Intangible Assets	(500.4)	-	Na
Finance Costs	(663.8)	(726.0)	-8.6%
Share of Assoc. & JV Profit	(11.6)	34.7	-133.3%
(Loss)/Profit before Tax & Zakat	**(1,763.9)**	**659.2**	**-367.6%**
Taxation & Zakat	647.7	(122.1)	-630.4%
(Loss)/Profit after Tax & Zakat	**(1,116.2)**	**537.0**	**-307.8%**
Excluding PPA Adj*			
EBITDA	12.0	2,281.2	-99.5%
(Loss)/Profit before Tax & Zakat	(1141.5)	879.7	-229.8%
(Loss)/Profit after Tax & Zakat	(618.2)	713.4	-186.7%
EBITDA Margin	0.6%	43.8%	-98.5%
PAT Margin	-33.1%	13.7%	-342.0%

a Lower passenger movements due to COVID-19 impact

Pax (mil)	FY20	FY19	Variance
International	14.8	67.5	▼ 52.7 (78.0%)
Domestic	28.1	73.7	▼ 45.6 (61.8%)
Total	**43.0**	**141.2**	**▼ 98.3 (69.6%)**

b Revenue decreased by RM3,346.7 mil (64.2%) in tandem with lower pax:

Revenue RM mil	FY20	FY19	Variance
Aeronautical	886.2	2,764.7	▼ 1,878.5 (67.9%)
Retail	153.2	850.2	▼ 697.0 (82.0%)
Commercial	643.0	1,311.3	▼ 668.3 (51.0%)
Non-Airport	183.8	286.8	▼ 103.0 (35.9%)

c Lower recoupment of investment income cushioned by GHIAL dividend & unrealised gains arising from forex movement on GHIAL investment

d Lower direct material costs largely arising from contraction of retail sales

e Lower depreciation & amortisation in tandem with the contraction of passenger traffic amidst COVID-19 pandemic

f Impairment of ISG's intangible assets due to adverse impact of COVID-19

g Tax credit position largely due to recognition of tax recoverable and deferred tax asset recognised

Retail

On the travel retail front, revenue follows the downward trend of passenger traffic. Malaysia Airports reported retail revenues falling by 82% to RM153.2 million (US$37.8 million), compared to 2019, for the year ending 31 December 2020.[5]

Retail Group Malaysia (RGM) which collected data on behalf of the Malaysian Retail Association (MRA) estimated 51,000 stores, or 15% of the country's total retail supply, were expected to cease operations between March 18, when the Movement Control Order (MCO) was imposed, and January 2021[6].

Malaysia's retail industry recorded its worst performance since the Asian financial and economic crisis of 1998, contracting by 16.3% and recording only RM90 billion in retail sales in 2020.[7] The majority of the retail sub-sectors contracted by double digits with department stores, and fashion and fashion accessories segments shrinking the most at 38.3% and 37.9% respectively. The only two sub-sectors which grew last year were the mini-markets, convenience stores and cooperatives which expanded by 14.8%, and furniture and furnishings, home improvements and electrical and electronics (E&E) which grew by 0.4%.

[5] Moodie International, Malaysia Airports retail revenue slides by -82% on COVID-19 impact - The Moodie Davitt Report, 26 February 2021
[6] Retail Group Malaysia (RGM) managing director Tan Hai Hsin stated in an interview with the Edge Markets, in Surviving The Impact of Covid-19: Pandemic leaves retailers feeling dejected, 11 January 2021
[7] The Edge Malaysia, Pace of retail growth in 2021 won't undo 2020's devastation, says RGM, March 2021

Figure 4: Year-on-year percentage change in retail sales by retail sub-sector in 2020 Source: The Edge Malaysia					
Retail sub-sector	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Whole**
Department store cum supermarket	-8.5	-34.6	-6.2	-26.8	-18.7
Department store	-17.5	-62.3	-17.7	-44.7	-38.3
Supermarket and hypermarket	-3	-9.9	-15.1	-19.6	-12
Mini-market, convenience store and cooperative	NA	NA	NA	10.2	14.8
Fashion and fashion accessories	-30.5	-44.2	-12.5	-49.6	-37.9
Children and baby products*	NA	NA	NA	-28.2	-20.2
Pharmacy and personal care	-3.9	-26.2	-11.1	-11.7	-11.8
Furniture & furnishing, home improvement as well as electrical & electronics	NA	NA	NA	11.7	0.4
Other specialty retail stores	-17.9	-40.9	1.5	-5.2	-11.7
Food & beverage outlets (cafe and restaurant)	NA	NA	NA	-18.8	-12.8
Food & beverage outlets (kiosk and stall)	NA	NA	NA	-14.9	-18.3

*children and baby products include apparel, accessories, equipment, school uniform and toys
NA : not available

Figure 5: Malaysia's retail industry Quarterly Growth Rate in 2021 Source: Retail Group Malaysia	
Quarter	**Performance (%)**
First	(e) -13.4
Second	(e) 7.0
Third	(e) 4.1
Fourth	(e) 13.9
Whole year	(e) 4.1

(e) : estimate

Despite this, RGM expects the retail industry to turn around in 2021, growing at a forecast of 4.1%, which would bring approximately RM94 billion in total retail sales. RGM cautions that because the Klang Valley is a critical retail market, accounting for 60% of the country's retail sales, any restriction on inter-district and inter-state travel may derail the recovery.

B) COVID-19 AND GLOBAL SUPPLY CHAIN DISRUPTION DRIVING REGIONALISATION

Finding a way to meet short-term needs without compromising long-term strategy has never been easy for businesses. The uncertainty brought on by COVID-19 has made the task much harder. The COVID-19 pandemic has altered the business landscape radically by changing patterns of consumption, production and government behaviour. The pace of change is so fast and its scale so challenging that companies have been forced away from a long-term mindset towards short-term thinking to ensure their survival.

ASEAN market and integration critical in ensuring business continuity and sustainability

Given the adverse impact of COVID-19 on the global supply chain, many Malaysian businesses have shifted their focus to nearshore sources for inputs and supplies and Malaysian manufactured exports. This leads to the possibilities of deeper integration through the ongoing initiatives under ASEAN to promote trade and investments.

C) THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (RCEP)

The signing of the Regional Comprehensive Economic Partnership Agreement (RCEP)[8] on 15 November 2020 has also highlighted the need for Malaysian businesses to look into internationalisation as a key strategy for business sustainability and growth.

RCEP will enter into force 60 days after six ASEAN member states and three of its partners ratify the agreement. Indonesia, the Philippines, and Australia have targeted to ratify RCEP by the end of 2021[9][10][11], while Japan's cabinet gave the approval on 24 February[12]. As of 15th April 2021, Singapore[13], China[14] and Thailand[15] are among the first to ratify the trade pact.

RCEP is the largest free trade agreement (FTA) in the world, surpassing the US-Canada-Mexico FTA as well as the European Union. The agreement covers a market of 2.2 billion people, accounting for nearly a third of the world's gross domestic product and trade flow of approximately US$12 trillion[16] (RM49.1 trillion). RCEP is anticipated to benefit local industries as the mega free trade agreement will lower barriers to entry for Malaysian goods and services in East Asia.

D) COMPETITION IN THE FACE OF TRADE LIBERALISATION

While trade liberalisation should boost Malaysia's economy, it also means the country will have to work harder in competing with lower-cost destinations like Vietnam and Indonesia for investments. As frequently warned by observers, many of Malaysia's neighbours have begun to rapidly catch up in terms of liberalisation and becoming more business-friendly, thereby challenging Malaysia's once-assured regional dominance.

[8] ASEAN Secretariat, LEGAL TEXT – RCEP
[9] Republic of the Philippines, PH targets to ratify RCEP next year, 29 December 2020
[10] Deloitte, Global Trade Advisory Newsflash The Regional Comprehensive Economic Partnership (RCEP), 8 January 2021
[11] Department of Foreign Affairs and Trade of Australia, Regional Comprehensive Economic Partnership (RCEP)
[12] The Mainichi, Japan Cabinet OKs bill to ratify RCEP trade deal including China, 24 February 2021
[13] MTI Singapore, Singapore Ratifies The Regional Comprehensive Economic Partnership Agreement,9 Apr 2021
[14] SCMP, China Ratifies RCEP Trade Deal Three Months Ahead Of Schedule, Urges Other Members To Follow Suit ,9 March 2021
[15] AIPA Secretariat, Thailand: Parliament Approves Regional Comprehensive Economic Partnership (RCEP),11 February 2021
[16] DBS, Macro Insights Weekly: RCEP is a big deal, 16 Nov 2020

- For example, in the **Global Competitiveness Index 4.0 2019**, while Malaysia dropped 2 spots as compared to the previous year, Vietnam gained 10 spots, concurrent with the latter's rapidly developing reputation as an up-and-coming regional player[17].

- In November 2020, Indonesia passed the **Omnibus labour-market law,** aiming squarely to raise its competitiveness in attracting investments and stimulate domestic investment by removing bureaucratic red tape that has long stalled competitiveness. The Omnibus Law is designed and written to amend 76 existing laws and eliminate 4,451 central government regulations and 15,965 regional government regulations[18].

Besides the country level competition, trade liberalisation also means that Malaysian small and medium enterprises (SMEs) will have to compete against multinational corporations as well as its peers in lower-cost countries. For the Malaysian government, earnest support must be given to help Malaysian businesses solve their immediate challenges so that businesses can proceed to move their focus to building capacity and to take advantage of the opportunities presented by the RCEP markets.

Malaysia lost FDI inflows at twice the rate of the ASEAN average in 2020

The UNCTAD Investment Trends Monitor, released on 24 January 2021, determined that Malaysia's FDI 2020 was down 68% from 2019 and amounted to just US$2.5 billion (RM10.1 billion), compared to the ASEAN region that lost 31% on average to reach US$107 billion[19]. UOB Global Economics & Markets Research quoted the same decline for Malaysia[20] (see Figure 6). It further reported that FDI in developing Asia fell by a mere 4%, and developing countries dropped by 12%, compared to developed nations that saw a 69% decline. Global FDI decreased by 42%[21].

Figure 6: ASEAN: Foreign Direct Investment (FDI), Annual Inflows, 2020
Source: Macrobond, UOB Global Economics & Markets Research

Source: Macrobond, UOB Global Economics & Markets Research

UNCTAD Last: 25 Jan 2021	USD, billion 0 20 40 60 80 100	2020	y/y % chg 2019-2020	2019	CAGR 2009-19	2009
ASEAN		107 billion	-31.3	156 billion	14.2	41 billion
Singapore		58 billion	-37.0	92 billion	17.4	19 billion
Indonesia		18 billion	-24.0	24 billion	17.1	4.9 billion
Vietnam		14 billion	-10.0	16 billion	7.4	7.6 billion
Malaysia		2.5 billion	-68.0	7.8 billion	18.3	1.5 billion
Philippines		6.4 billion	29.0	5 billion	9.6	2 billion
Cambodia		n/a	0.0	3.7 billion	14.2	985 million
Thailand		1.5 billion	-50.0	3 billion	-5.6	5.4 billion
Burma (Myanmar)		n/a	0.0	2.8 billion	58.8	27 million
Laos		n/a	0.0	557 million	11.4	190 million
Brunei		n/a	0.0	275 million	-2.9	370 million

■ 2020 ▲ 2009

[17] World Economic Forum, 'Global Competitiveness Report 2019', October 2019
[18] PWC, Omnibus Flash / November 2020 / No. 01 - New Jobs Creation Omnibus Law Signed, November 2020.
[19] UNCTAD, Investment trends monitor no38., 24 January 2021
[20] UOB Macro Note, ASEAN: FDI Inflows Declined In 2020 But RCEP To Be The Next Impetus, 29 January 2021
[21] UNCTAD, Investment trends monitor no38., 24 January 2021

Indonesia, Singapore and Vietnam received more than 84% of the US$107 billion in FDI that ASEAN countries pulled in 2020. Only 2.33% or just US$2.5 billion went to Malaysia, which does not seem to augur well for the country. By contrast, the Philippines has transformed into ASEAN's best performer last year, with FDI rising 29% to US$6.4 billion. Singapore saw a 37% drop of FDI inflows to US$58 billion but is still the most attractive FDI destination in the region.

E) KEY ISSUES AFFECTING MALAYSIAN COMPETITIVENESS

(I) NON-TARIFF MEASURES (NTMS) AND NON-TARIFF BARRIERS (NTBS)

It has been observed that a major impediment to greater intra-regional trade has been the rising number of Non-Tariff Measures (NTMs), and specifically the Non-Tariff Barriers (NTBs), the latter of which are often cited as a mechanism by certain governments for protectionist purposes. Although NTMs often function to protect public health or the environment, they also directly affect trade through information, compliance and procedural costs. Exporters can incur greater costs through NTMs, such as by increasing the number of days to clear the cross-border movement of goods. In some instances, NTMs can also be used to act as barriers to trade and are put in place for protectionist purposes and thus often referred to as NTBs.

Existing ASEAN mechanisms to facilitate intra-regional trade should be pursued more vigorously by Malaysia's private sector. Initiatives such as the ASEAN Solutions for Investments, Services and Trade (ASSIST) platform provide a non-binding and consultative mechanism that help expedite solutions for operational cross-border problems. ASSIST allows ASEAN businesses to lodge e-complaints anonymously and directly towards ASEAN governments.

Although removing NTMs can be a cumbersome process, initiatives such as ASSIST can help facilitate greater trade through regulatory transparency, so that traders are aware of their rights and responsibilities.

As the ASEAN economies developed the total number of NTMs implemented by the ASEAN Member States between 2008 and May 2020 has gradually increased over a period of 12 years, jumping by 118% from 4,356 measures to 9,494 respectively (see Figure 7), according to data from the United Nations Conference on Trade and Development (UNCTAD). Malaysia alone has imposed a total of 920 NTMs as of May 2020, and ranked fourth within ASEAN in terms of total NTMs, behind Thailand, the Philippines, and Indonesia (see Figure 8)[22].

It should be noted that the number of NTMs is not an indicator of protectionism and is not indicative of the coverage of the NTMs and frequency of application, it is generally indicative of potential compliance and trade costs associated with the NTMs[23].

[22] United Nations Conference on Trade and Development, TRAINS Database.
[23] CARI, The ASEAN Non-Tariff Measures, Services and Investment Restrictiveness Tracker, July 2020

Figure 7: Total number of ASEAN NTMs

Source: UNCTAD TRAINS NTM database (Updated May 2020)

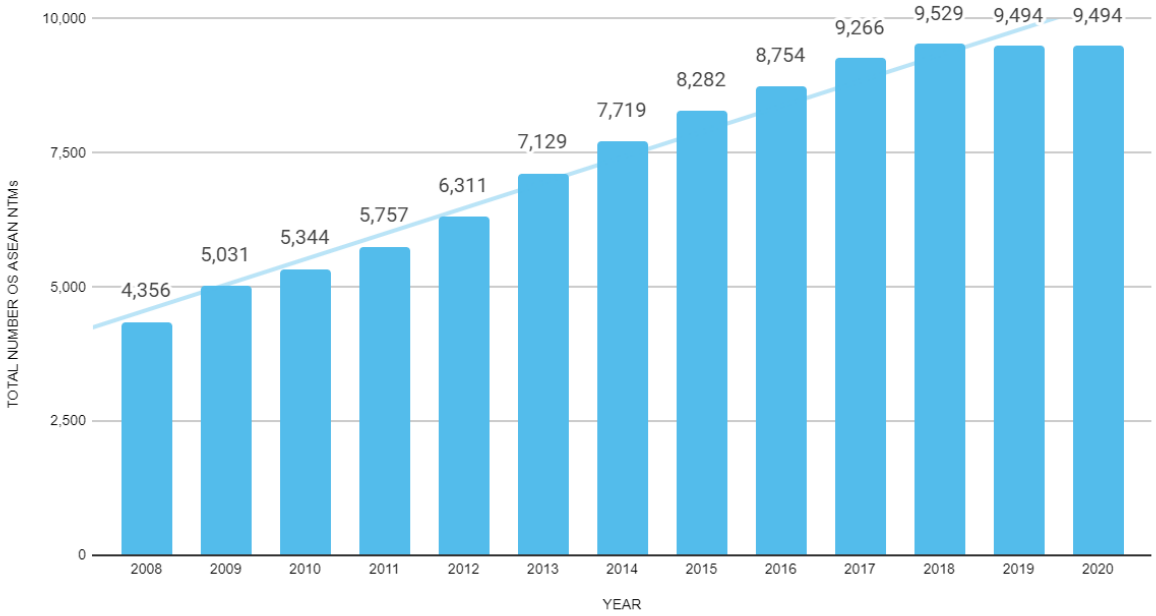
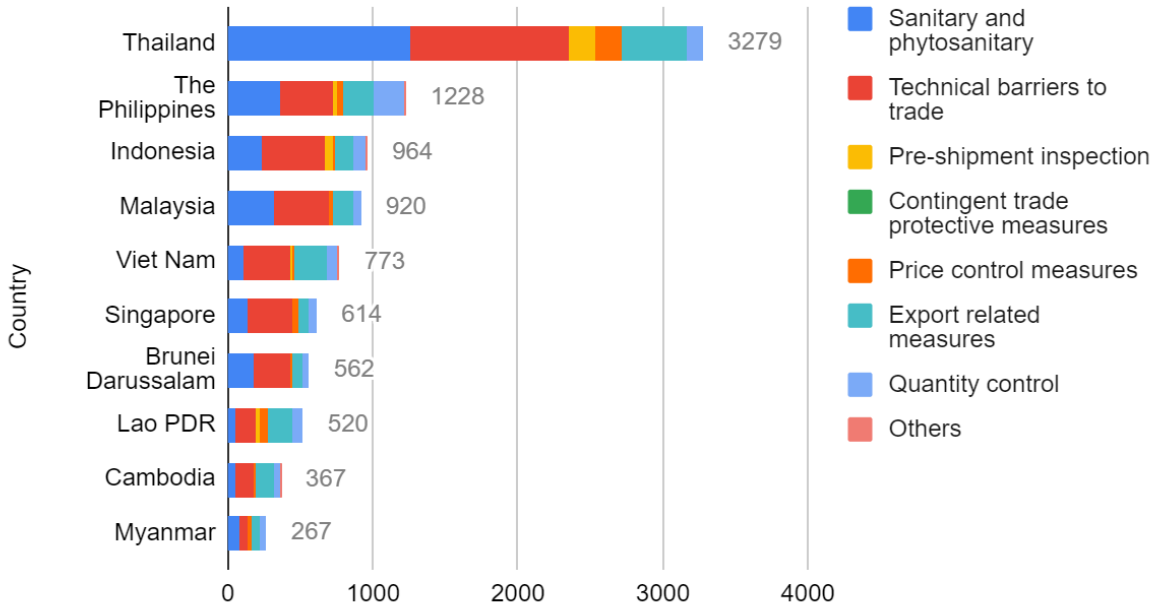


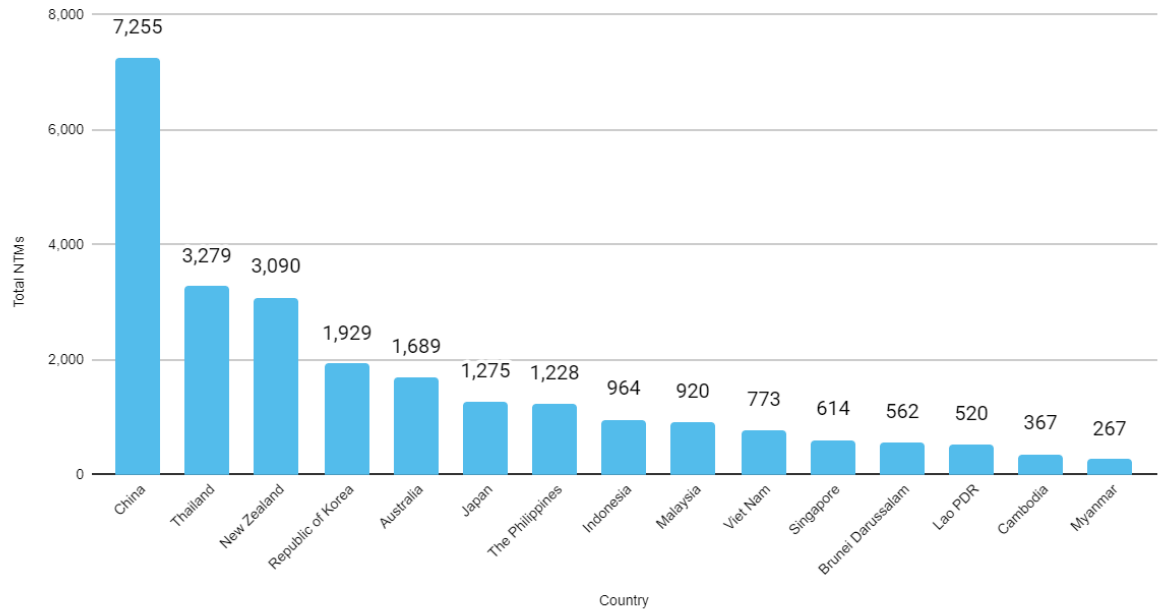
Figure 8: ASEAN NTMs By Measures and By Country (2020)

Source: UNCTAD TRAINS NTM Database (Updated May 2020)



In comparison to the fifteen signatories of the RCEP Agreement, Malaysia ranked ninth in terms of total NTMs (see Figure 9).

Figure 9: Total number of NTMs in RCEP 2020
Source: UNCTAD TRAINS NTM database



Malaysia should negotiate with both its fellow ASEAN Member States as well as other RCEP signatories to decrease and streamline NTMs across the region to further develop internal trade and investments within both regional trading blocs.

(II) MALAYSIA'S LOGISTICS AND SUPPLY CHAIN CHALLENGES

Delving into the specific issues, our respondents have complained of congestions and interruptions in Malaysia's supply chains since the outbreak of the COVID-19 pandemic, especially with regards to its ports. Common complaints raised included shortages in container and vessel capacity, port infrastructure being overwhelmed, as well as bottlenecks in customs clearances for cross-border shipments.

These supply chain issues have directly impacted Malaysia's overseas trade, with the Malaysian National Shippers Council estimating in December 2020 that container and space shortage on board shipping lines increased container freight rates for both export and import shipments by between 300% to 400% during the second half of 2020. These costs are then borne by Malaysia's businesses and end consumers[24].

[24] Malaysian National Shippers Council, ' Press Release: MNSC Calls for Government Intervention to Address Issue of Container Shortage', December 2020

(III) LACK OF FOCUS AND GLOBAL BRANDING FOR MALAYSIAN GOODS AND SERVICES

A common complaint by Malaysian small and medium enterprises (SMEs) and manufacturers with regards to taking advantage of free trade agreements such as RCEP is the lack of awareness of the opportunities they present.

Malaysian exporters have also argued that for Malaysia to fully take advantage of free trade agreements, Malaysian exporters should receive government support such as through investment promotion bodies.

One suggestion made was to centralize all relevant trade and investment agencies into one to help create a single Malaysian brand, to make Malaysian products and services more globally competitive.

Among the sectors in which Malaysia is believed to be globally competitive include:

- **Islamic finances and services**
    - Malaysia emerged as the top country in the annual Global Islamic Economy Indicator (GIEI) for the year 2020/21, its eighth year in a row, when it came out top in four out of six categories, including Halal Food, Islamic Finance, Muslim Friendly Travel, and Pharmaceutical & Cosmetics sectors. The Global Islamic Economy Indicator measures how leading national ecosystems are best able to support the development of Islamic economy business activities. The report noted the significant opportunities within the global Islamic economy; observing that Muslims worldwide spent US$2.02 trillion (RM8.23 trillion) in 2019 on food, pharmaceuticals, cosmetics, modest fashion, travel, and media[25].
- **Medical devices**
    - Malaysia is the largest medical device market in Southeast Asia, with a market worth US$1.55 billion. Public sector procurement alone accounts for about 50% of that.[26]
- **Digital hubs**
    - Malaysia's digital economy is projected to have good growth potential, with the internet economy expected to expand by 6% by gross merchandise value (US$ billion) between 2019 and 2020, and a further 21% between 2020 and 2025, according to a November 2020 report by Google and Temasek[27].

[25] DinarStandard, 'State of the Global Islamic Economy 2020/21', December 2020
[26] Malaysian Investment Development Authority, 'Medical devices industry is Penang's hidden gem', October 2020
[27] Source: Google and Temasek, 'e-Conomy SEA 2020', November 2020

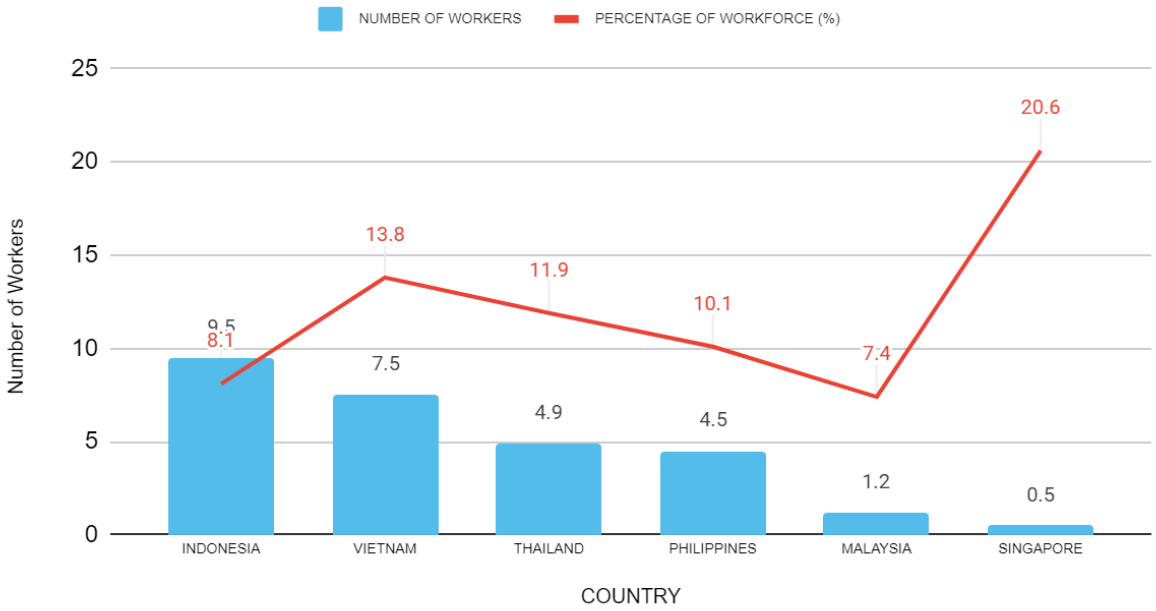
(IV) NEED TO BUILD MALAYSIA'S SERVICES CAPACITY AND THE INTERNATIONAL BRANDING OF MALAYSIAN PROFESSIONAL SERVICES

With regards to Malaysia's trade in services, a common complaint by our respondents was that Malaysia's services sector is not perceived internationally as high valued compared to that of other countries. A consensus was that Malaysia needed to invest more in building up local capacity to make Malaysian services more competitive globally.

Another key aspect of capacity building will be building up Malaysia's human capital. This should include efforts to improve Malaysians' English language capabilities to help them further tap into ASEAN markets (where English is the official language of administration and widely used in regional business), as well as larger reskilling efforts to keep the Malaysian worker internationally competitive in a dynamic international economy.

Indeed, as Malaysia's economy moves further into the Fourth Industrial Revolution, the adoption of new technologies poses challenges for the future Malaysian workforce - a 2018 report by Oxford Economics and Cisco estimated that between 2018 and 2028, 1.2 million workers could be displaced due to technological disruption in Malaysia, representing 7.4% of the country's total workforce (see Figure 10)[28].

Figure 10: Jobs displacement by technology, by country (2018-2028)
Source: Oxford Economics and Cisco



[28] Oxford Economics and Cisco, 'Technology and the future of ASEAN jobs: The impact of AI on workers in ASEAN's six largest economies', September 2018

In Line with Brunei's Priorities of Post-COVID Recovery, Digitalisation, and Sustainable Growth

The key measures set out below are in the spirit of, and in line with, the intentions of the theme set out by Brunei Darussalam as Chair of ASEAN of 2021, which is 'We Care, We Prepare, We Prosper'. These include the three key strategic thrusts for its Priority Economic Deliverables under its chairmanship, which include:

Figure 11: Brunei's Priorities of Post-COVID Recovery, Digitalisation, and Sustainable Growth 2021
Source: ASEAN Chair

RECOVERY		DIGITALISATION		SUSTAINABILITY	
1.	Comprehensive Assessment to Streamline Non-Tariff Measures	5.	Work Plan on the Implementation of the ASEAN Agreement on e-Commerce 2021-2025	7.	ASEAN Framework to support Food, Agriculture, and Forestry (FAF) Small Producers, Cooperatives, and MSMEs to Improve Product Quality to Meet Regional or International Standards and Ensure Competitiveness
2.	Post-COVID-19 Recovery Plan for ASEAN Tourism	6.	Regional Action Plan on the Implementation of the Norms of Responsible State's Behaviour in Cyberspace	8.	ASEAN Joint Declaration on Energy Transitions and Energy Security
3.	Launch the negotiations of the ASEAN-Canada Free Trade Agreement			9.	Framework for Circular Economy
4.	ASEAN Investment Facilitation Framework			10.	Imperatives for Regional Cooperation in Minerals: Key Recommendations to Respond to the Opportunities and Challenges of a Minerals-Intensive Future

- The region’s economic recovery post-COVID-19 pandemic:
    - A focus on clarifying rules on non-tariff measures and facilitating investments into the region.
    - The development of a recovery roadmap for the tourism sector will serve as guidance in the preparation of a comprehensive and coordinated plan and solutions.
    - To open new markets and partnerships for ASEAN.
- Fostering digitalization, and promoting inclusiveness:
    - Fostering a resilient ASEAN through the leveraging of new technologies with a focus on providing a safe, secure, and harmonized e-commerce environment and digital ecosystem within the region.
- Sustainable growth within the region:
    - Advancing inclusive and sustainable economic growth in ASEAN with a focus on ensuring the provision of guidance and support to MSMEs, sustainable energy transition, and cooperation in the area of minerals.

CHAPTER 2: DEALING WITH THE CURRENT PANDEMIC AND COVID-19 RECOVERY EFFORTS

A) BALANCING HEALTH AND THE ECONOMY

Although the Malaysian Government has lifted some of the stringent economic and movement restrictions in stages, businesses continue to be affected by the need for social distancing while some are still unable to operate. Until the effective vaccination programme is accelerated and achieves an 80% herd immunisation by Q1 2022, some businesses' operation and costs of doing so will continue to be affected. For businesses to have long-term sustainability, they need to transform substantially.

1. **Ensure government policies support facilitate businesses transformation and adjustment to operate effectively post-COVID-19 environments**. What constitutes good policy will be different during the recovery and restructuring phases than during the initial rescue phase. To enable and encourage business restructuring and recovery, targeted government support should be directed at facilitating businesses to transform and adjust to operate effectively post-COVID-19 environments.

2. **Ensure a continuous supply of COVID tests** as more people return to work, and employers are increasingly requiring periodical COVID-19 testing of their employees.

3. **Speed-up the national vaccination plan and increase vaccination drive.**

4. **Ensure that COVID-19 treatment and care are accessible and affordable** for the people of Malaysia, especially for the M40 and B40 groups.

5. **Ensure that private hospitals are equipped with Infection Control Physicians and Specialists** to ensure proper COVID-19 management at private hospitals. It has been cited that there is a lack of expertise in this area in the country and private sector.

B) CONTINUED CASH FLOW ASSISTANCE TO MSMES IN TARGETED SECTORS (TRAVEL, TOURISM AND RETAIL)

6. **Provide support to ease businesses financial burden by financial institutions.** The continued provision of targeted loan repayment assistance is a welcome relief. As some businesses and sectors would take a long while to heal, banks should continue to provide more compassionate support in facilitating borrowers' loan repayment obligations during this critical moment.

7. **Enhance the utilisation rate of SMEs financing and soft loan funds.** The various financial relief and soft loan schemes to support SMEs and micro-enterprises for the purpose of financing, business revitalisation and transformation (such as technology, automation and digitalisation) have registered a mixed level of utilisation rates, with some funds having a low utilisation rate of between 2.4% and 5.4%.

8. **Ease the access to loan facilities in terms of criteria and the process of application** as well as enhance the terms and conditions, such as considering lowering the cost of

borrowing. Increase the size and amount of loan of some existing loan schemes, especially for micro-enterprises. For example, the amount of special grants to micro-enterprises from RM3,000 to RM5,000 per enterprise. A fast approval procedure, for example, a small business loan can be obtained online in 24 hours from the time of approval; and shorten the number of working days required for the approvals of the loan applications.

9. **Simplifying and expediting administrative procedures, approvals and disbursement of the DPGS.** Danajamin PRIHATIN Guarantee Scheme (DPGS), which offers a maximum guarantee coverage of RM800 million or 80% of the financing facility (minimum financing amount of RM5 million and maximum financing amount of RM1 billion). The administrative procedures need to be simplified to expedite the approval and disbursement of loan guarantees. Expedite the approval process and quick disbursement of loan guarantees as time is of the essence for businesses facing cash flow issues and in need of working capital to manage this difficult time. The evaluation process of loan guarantees can be expedited as the banks would have undertaken a thorough evaluation to ascertain whether the applicant is eligible for financing.

10. **Extension of the wage subsidy programme.** Given the continued challenging economic and business conditions, it is proposed that the extension of wage subsidy by a further three months would help to ease the cost of employment and retain employment. The Employment Insurance System (EIS) data showed that the loss of employment remains high at 8,334 persons in Jan and 3,452 persons as of 14 Feb 2021. In 2020, a total of 107,024 persons were jobless in 2020, 267.0% higher than 40,084 in 2019.

    Wage subsidies should be provided for 6 months for those companies whose sales have dropped by at least 20% as compared to the same quarter in 2019. In addition, the wage subsidy should be extended to all employees as assistance to the company regardless of wages. If the company collapses it would take a long time to put together the business, marketing networks and skill set of the employees.

11. **Banks to ensure loan availability** by extending the loans repayment period, providing a more extensive business loan with a low or free interest rate, making available flexible financing applications and drawdown, especially for SMEs.

12. **Banks to reinstate the automated bank moratorium** with a waiver of interest for BE businesses for a minimum period until 31 Dec 2021.

C) OTHER CRITICAL FINANCIAL SUPPORT

13. **Government to defer all increases in the cost of doing business** including quit-rent, property assessment, minimum wages, increases in statutory contribution rates, port tariffs, etc given the serious impact on business viability during this critical time of business recovery. In addition, the burden and cost of regulatory compliance must be significantly reduced to remain competitive in the long run. To achieve this, the Government must recognise the seriousness of and intensify its efforts to achieve a world-class regulatory environment that facilitates rather than hampers business.

14. **Government to assist in reducing taxes and business operational costs.** In mitigating the impact of Covid-19 impact on business operations, it was also proposed that additional assistance from the Government must be provided in the following areas to reduce the cost of doing business and provide operational support:
    - A reduction in corporate tax – gradually reduce the rate to 20%
    - Discounts for electricity and natural gas
    - Extension of the targeted wage subsidy for all workers in all sectors
    - Additional export incentives for market expansion
    - Lower regulatory and statutory costs such as increases in assessment and quit-rent charges.

15. **Government to provide financial aid for business revival.** A focused financial aid plan to revive the business events industry but not a blanket of aid to all businesses as essential businesses and the majority of other industries or sectors are allowed to operate during MCO.

16. **Government to assist financing on cash flow through Bank Negara Malaysia (BNM)'s Fund** for SME, BNM Targeted Relief and Recovery Facility (TRRF), High Tech Facility - National Investment Aspirations (HTF-NIA) and Automation and Digitisation Facility (ADF), to name a few.

17. **Roll out on soft loans to businesses based on their average 6 months expenses in the pre-COVID period.** Use the working capital requirement model and not that of the routine banking evaluation currently being employed. Need a quicker turnaround time. Long application time, heavy documentation process has all collectively made many of the applicants pending.

18. **To make available further enhanced governmental stimulus packages** (Incentives, Subsidies, Moratorium etc).

D) REVIEW THE RESTRICTION ON HIRING OF FOREIGN WORKERS MANAGEMENT AND INSTITUTIONALISING FOREIGN WORKERS MANAGEMENT SYSTEM

19. **Ensure sustainable inflow of quality and skilled foreign workers to complement the domestic workforce.** As the process of IR 4.0 takes time and requires immense capital, it is therefore expected that during the transitional period moving from Industry 2.0 or 3.0 to IR 4.0, the industry needs sustainable inflows of quality and skilled foreign workers to complement the domestic workforce to meet economies of scale of demand while the industry upgrading their processes in adopting technological advancement.

    The contentious issues concerning locals' basic working attitudes, job expectations as well as work scope remain. These include shunning what is deemed the 3D (Dirty, Dangerous and Difficult) jobs; the poor attitude of the new generation of local workers; discipline and absenteeism issues; unwillingness to work overtime when needed; and being less reliable and focused on their jobs.

20. **A thorough review of the Governmental decision and engagement with industry stakeholders are conducted** before a restriction is imposed. Lifting the freeze of foreign workers intake for employers who are unable to secure workers after putting up job advertisements on job recruitment portals is required.

21. **The government to institutionalise a well-managed foreign worker (FW) management system.** A holistic and clear foreign manpower system is needed to regulate the management and deployment of foreign workers to support the economy and business community.

    i. **A Single Ministry or One-Stop Agency vested with the authority to address all issues concerning foreign workers.**
        (i) Specific legislation and governing of recruitment and employment of foreign workers should be enacted and be placed under the purview of the Ministry of Human Resources (MOHR); and
        (ii) The Ministry of Home Affairs (KDN) and Immigration Department of Malaysia (JIM) should only confine to the issuing of document papers and enforcement for the employment of foreign workers after approval by MOHR.

    ii. **Foreign workers' levies to be used to support reskilling, retraining and industry restructuring of SMEs.** The foreign workers' levies (estimated RM12.0 billion in 2018-2021 with an additional estimated RM95 million through the legalisation program announced on 12 November) collected to be ploughed back into a Designated Fund for retraining, skill upgrading, automation, the building of nurseries and child care facilities to bring in more local women back into the workforce as well as to support the industrial restructuring of SMEs.

    iii. **Establish a transparent end-to-end system to apply and approve the application of FWs.** The online system will automatically feed all relevant information (required by MOHR) and data concerning foreign workers into a central database and linked to all related systems – payment system, health screening, PLKS renewal fees, insurance, etc.

The recruitment system should not be managed by a third party. For monitoring and tracing purposes, it is proposed to have a robust tracing mechanism with a single PIN identification given to each FW to ensure effective management of FWs.

iv. **Implementing approval by process (no manual intervention) for FW levy.** Implement a Multi-Tier Levy Mechanism (MTLM), that is pegging with the dependency ratio of FWs between 20% and 80% varies by industry. The higher the FWs dependency ratio, the higher levy imposed. No arbitrary quota cut. The levy model should be reviewed periodically every 3 to 5 years, according to the economic and business environment as well as labour market conditions.

The tiered-levy model must be a mutually acceptable market-based mechanism by all relevant stakeholders and implementation must come with a pre-announcement on the date of implementation and details of the tiered-levy model. A sufficient grace period, preferably one year or six months before implementation.

(I) WORKER'S MINIMUM STANDARDS OF HOUSING AND AMENITIES ACT 2019 (ACT 446)

The Worker's Minimum Standards of Housing and Amenities Act 2019 (Act 446) is a step in the right direction as it ensures that businesses and employers have maintained proper and decent standards of housing and amenities for their workers. The industry's adherence to the stipulated guidelines of the Act, which conforms with the stipulated International Labour Organisation (ILO) conditions will enhance our country's reputation and businesses' good ethic as responsible employers in the eyes of the investing community. A number of issues have been identified, which pose challenges for employers to comply with the Act on time. These cover the confusion and inconsistency of treatment on the buildings for accommodation, the time taken and process of the approval, including building-related issues with the local authorities as well as some unclear compliance matters.

22. **Extension of the timeline to comply with Act 446.** Given that most industries, especially SMEs are still struggling to revive their businesses under a prolonged impact of the virus containment measures and restrictions on movements, an extension of time to comply with Act 446 is needed.

    Businesses' anxiety and uneasiness about complying with the Act is further worsened by the Emergency Ordinance (Worker's Minimum Standards of Housing and Amenities) 2021, which was gazetted on 17 Feb 2021, which see stiffer penalties against employers or owners of accommodation for failing to provide proper housing facilities for workers. These include owners of accommodation who fail to comply with the order can be fined up to RM200,000 or be jailed up to three years or both. The harsh regulation and enforcement under the Emergency Ordinance are deemed inappropriate as it would burden businesses that are still struggling under the current pandemic and business conditions. In this critical moment, the Government should help to facilitate businesses recovery.

23. **Providing a 12-month grace period for companies** to undertake the required adjustments with an assurance of a detailed action plan by companies on their compliance strategies can be used to continually educate the industry and for the authorities to issue

a notice of non-compliance without the imposition of any immediate punitive penalty.

24. **Cooperation from Local authorities or Pihak Berkuasa Tempatan (PBT) in approving non-residential buildings currently in use as dwelling places.** In trying to meet the minimum requirements and amenities especially the sleeping area for non-dormitory at 3.6 square meters per employee, employers are faced with problems in sourcing for additional accommodation space as well as encountering obstacles and non-cooperation of other stakeholders especially the local authorities or Pihak Berkuasa Tempatan (PBT) in approving buildings currently already being used as dwelling places as well as the conversion of non-residential buildings or spaces to be used for dwelling.

25. **Allowing for the conversion of empty shop lots into temporary worker housing** to meet the minimum requirement and called for the local government to allocate a designated land area for the construction of the worker accommodation. Unfortunately, there is a lack of hostels and centralised living quarters for employers to use as additional accommodation space to fulfil the conditions of living space for each worker.

    There should be less restriction by PBTs on the use of commercial buildings to be converted as housing for workers. PBTs should be more flexible and facilitative in the process of allowing conversion of such spaces for dwelling given that there is a dearth of unoccupied commercial buildings everywhere especially the upper floors of shophouses.

26. **Providing leeway of 3-5 years to build new accommodations for workers.** The building of new accommodations for workers requires some planning and time and therefore a leeway of 3-5 years should be provided to the affected industries. Industries are also not able to immediately build their own hostels as it would involve having to source for the land, obtain all the necessary approvals and construct. At the same time, there are cost and logistic considerations to the alternative options such as the unoccupied hotels under the latest initiative introduced by the Government.

27. Many of the local councils across the country do not have standards guidelines, procedures and definite timelines to assist the industry with the required approvals or endorsements needed as a pre-condition to apply for the Certificate for Accommodation from the Labour Department.

    - **The Ministry of Human Resources to work with the Ministry of Housing and Local Government or Kementerian Perumahan dan Kerajaan Tempatan (KPKT) to finalise the standard guidelines for all PBTs** throughout the country to follow including a quick turnaround time taken to grant the approval for certificate of completion and compliance (CCC) fee to be charged and land allocation to build centralised labour quarters (CLQs).

    - **Adopt a centralized accommodation format** such as that being practised in Singapore[29] for better regulation and standardization.

28. For long term measure, **State Governments should advocate a public-private partnership (PPP) model to allot land to build hostels or CLQs**, especially where there

[29] Ministry of Manpower Singapore, "Work Permit for Foreign Workers: Housing", March 2021. Available from: https://www.mom.gov.sg/passes-and-permits/work-permit-for-foreign-worker/housing.

are restrictions to house foreign workers in residential areas or shophouses. State Governments should work with the private sector to build CLQs in designated areas preferably within or close to industrial parks. For example, collaboration with interested developers to construct the workers' accommodation quarters to provide a win-win situation for both parties.

(II) WORKFORCE IN THE FURNITURE INDUSTRY

The furniture industry is a labour-intensive industry as certain furniture manufacturing processes such as sofa making, packaging and workmanship varies depending on the clients' request and therefore is not easily replaced by machinery and Automation. A survey conducted in May 2020 found out that the industry still requires 12,370 foreign workers.

29. **The government should exempt the 1:3 local workers to foreign workers ratio** after the legalisation of foreign illegals held at depots.

30. **The government should allow furniture companies to employ foreign workers from other sectors** which have been retrenched, especially for jobs that are not well received by the local manpower or local manpower supply is lacking.

    The industry will continue its effort to woo locals to join the furniture industry by willing to pay a reasonable wage as well as other benefits in accordance with the law. This is also in line with the government's policy to emphasise locals over foreign workers with many locals being retrenched due to the pandemic.

31. **Providing a One-Stop Centre and simplification of processes for the PATI Recalibration Programme.** Currently, the ongoing PATI Recalibration Programme has given the opportunity for employers to seek foreign workers through legalizing existing foreign workers. However, the programme requires the involvement of many government departments and ministries which is time- consuming. For example, the current process to hire foreign workers now under the Recalibration Programme involves SOCSO, Immigration Department and also the Labour Department which is strenuous. The simplification of processes such as the introduction of a One-Stop Centre which handles all the processes in a single place is required.

32. **Centralisation of foreign workers related applications under the Ministry of Home Affairs (MOHA).** All applications regarding foreign workers are handled only by a single ministry which is the Ministry of Home Affairs.

E) EASING OF BORDER RESTRICTIONS AND INCREASING SUPPLY CHAIN EFFICIENCY FOR GOODS

33. **The exploration of "Travel Bubbles" and "Green Lanes" with China, South Korea, Japan and within ASEAN must be given priority** to facilitate investment and tourism once it is assessed that the reciprocal countries have the same level of low risk.

34. **The abolishment of approved permits (APs) on all goods.** There are about 800 types of APs in Malaysia on cars, agro-food and many other goods, leading to market inefficiencies and affecting the Malaysian market competitiveness. The removal of APs is

especially important to ensure that Malaysia and Malaysian companies remain competitive in the ASEAN or RCEP markets.

35. **Easing of border restriction and standardization in pandemic handling standard across ASEAN** by simplifying and expediting port clearances.

36. **Establishing a One-Stop Centre for import and export documentation.** MITI provides basic information for importers and exporters. This is however insufficient. Importing and exporting companies currently need to deal with multiple departments and agencies in import-export documentation when they require information or to execute documents specific to the importing and exporting of goods for their businesses. Many times, companies were not given clear directions and were referred to multiple parties that may or may not deliver the information required. Alternatively, a company may need to travel to multiple departments to get multiple documents certified and endorsed. In addition, many of the departments that companies have to visit for the information or performance of documentation is at a distance from each other, thus leading to delays in importation/ exportation and increased cost of business for companies. Providing a One-Stop Centre with other relevant government representatives in place will lead to increased efficiency for companies.

37. **Enhance port infrastructure to cope with the volume of goods coming in and going out.** Port congestion has also led to long waiting lines for containers clearances. There is a need to increase port infrastructure and efficiency to cope with the volume of goods coming in and out of the country. This has also led to export issues due to shipping congestion and an increase of cost from shipping charges, leading to cash flow issues for exporters as a result of the delay in shipment and invoicing. This also leads to a delay in supplier chain supplies.

38. **Customs and import-export relevant agencies to ensure sufficient workforce and extend working hours to facilitate import-export verifications, endorsement and clearances.** Documentation backlogs also resulted from the limited working hours and decrease in manpower as a result of COVID-19. The shorter transaction time frame per day is causing cascading effects on goods clearances. This is especially detrimental for perishable goods. Ensuring sufficient workforce and extending counter hours at customs and all agencies handling customs and certification related documentation is recommended.

39. **Decreasing downtime of the websites and e-systems at the Ministry of International Trade and Industry (MITI), customs department and related certification departments** website to ensure smooth e-application can smoothly go through.

40. **Utilising e-signature to allow for e-submissions or verification of customs documents.** The signatory's national identity card (NRIC) can be verified through MyGovernment portal for e-submissions instead of requiring hardcopy verifications.

41. **Establish a Central Agency under the MITI to facilitate and address issues** relating to non-tariff barriers and measures imposed domestically and internationally.

42. **Establishing green lanes for overseas visits**, especially with specific 'green' countries like China and Singapore. The development of relationships with business partners is negatively affected when travel is not possible.

43. **Lift the interstate travel restrictions.** Followed by an effective EMCO to implement at the targeted areas whereby the ACTIVE clusters are detected mainly from the manufacturing and construction sectors.

F) ENHANCING IMPORT AND EXPORT CAPACITY

44. **Developing export capacity of SMEs.** SMEs must be able to adapt quickly and efficiently to international market signals to reap the benefits of trade and investment opportunities. Effective exports capacity development is needed to enhance the competitiveness and productivity of the export of SMEs in domestic, regional, and global markets.

45. **MITI and SME Corporation Malaysia (SME Corp) to provide detailed information on RCEP and advise businesses on market potential under the agreement.** The signing of RCEP, the world's largest free trade deal, opens up more trade and investment opportunities for the Malaysian SMEs to have a wider market reach and deeper integration into global supply chains. MITI and SME Corporation Malaysia (SME Corp) must collaborate with as well as support trade, chambers and industry associations and enterprises in providing information on markets and standards, advice on strategies, and access to technology and innovation coupled with appropriate financing packages.

46. **MITI and SME Corp to provide market intelligence and help establish networks for ASEAN or RCEP markets.** Provide business information about specific markets, competitors and potential customers. It is difficult to set up companies in most ASEAN countries with various different market conditions and regulations in each country. Businesses face a lack of accessibility to information on networks, duties and taxes, investment restriction in cross border e-commerce to name a few.

47. **MITI and SME Corp to help businesses establish market presence and brands in overseas markets.** Assist with foreign market visits and hold overseas exhibitions and international trade events as well as Market and Brand Development grants.

48. **Review Market Development Grant (MDG) and other initiatives to promote exports by MATRADE and other government agencies.** To enhance the efficacy of these programmes as an enabler for greater market access through the removal of the RM300,000 ceiling on MDG for

    - Companies participating in international trade fairs & trade missions organised by associations; and
    - Associations that organise trade fairs & missions.

49. **Government-linked agencies (GLCs) to lead in competing in the international market** due to its branding and marketing resources. It is suggested that SMEs with their expertise can leverage on GLCs to go for international tenders and foray into overseas markets with a joint venture (JV) or Priority Placement Programme (PPP) method.

50. **Expedite the progress of Malaysia's Bilateral Free Trade Agreements (FTAs),** which are under the status of proposal or under consultation and studies, the status of negotiations launched, the status of signed, and the status of signed but not yet in effect.

G) REVIVING DOMESTIC DIRECT INVESTMENT (DDI)

The Malaysian Investment Development Authority approved domestic direct investment (DDI) had declined by 6.0% pa from RM175.1 billion in 2014 to RM128.5 billion in 2019 while approved FDI increased by 5.1% pa from RM64.6 billion in 2014 to RM82.9 billion in 2019. In Jan-Sept 2020, approved DDI contracted by 21.6% to RM67.2 billion to make up 61.2% of total approvals while approved FDI went down by 34.9% to RM42.6 billion. For the period 2010-2019, DDI had accounted for a higher share of total approvals, averaging 69% amid a declining share in recent years. FDI share of total approved investment was averaging 31% per annum for the same period.

51. **Streamlining of investment promotion agencies.** The departments and agencies at all levels (Federal, state and local authorities) play a decisive role in creating a predictable enabling business investment environment while efficiently facilitating investment at ease, regardless of domestic investors or companies (large, SMEs and small businesses) and foreign investors. This can be done through an effective One-Stop Centre.

52. **Government to renew focus on improving the regulatory and investment facilitation offer a key to reducing friction costs in government-business interactions.** Common government-to-business pain points are delays; lack of transparency in the approval process; paperwork burden; duplication; inconsistency and complexity. While most businesses would welcome fewer regulations, what businesses want is to spend less time and effort on compliance.

    There is widespread agreement that Federal, state and local authorities need to refocus on removing the obstacles that businesses face in fostering an environment conducive to investing and doing business here. It is in that government's interest to make regulations and compliances as painless as possible. Policymakers must harness the power of investment by making both domestic and foreign investment working together to generate the maximum benefits for our economy.

53. **Design a "Reconstruct, Resilience, Reimagine Package" for micro and SMEs.** The package comprises fiscal, monetary, financial, marketing, technology, digitalisation and automation, technical advisory, product and market development as well as human capital development.

54. **Focusing on investing in "new smart infrastructure" used for high-tech, digitalisation and sustainable purposes** (renewable energy, climate change, eco-green). These include Big data centres, 5G infrastructure, and charging stations for new energy vehicles (NEVs), solar energy, healthcare, smart cities etc.

55. **Ministry of Finance (MOF) and the Inland Revenue Board (IRB) to review the Reinvestment Allowance (RA).** It is proposed to extend RA by another five years to 20 years from 15 years previously OR An automatic extension of Special RA by another five years for all sectors that have exhausted either RA or Special RA. The Special RA will expire in YA 2022.

H) BRANDING, DRIVING AND SUPPORTING "MADE IN MALAYSIA"

56. **Government to enforce buying "Made in Malaysia" goods and services on all agencies.** Government to enforce all governmental departments and GLCs to purchase locally made products and assisting local manufacturers in upgrading to the required standard for tender requirements.

57. **Provide tax incentives** to MMCs, LLCs and SMEs to buy Made in Malaysia products.

58. **Promote buy local campaigns at the end-user level.**

59. **Create brand owners out of manufacturers**, rather than focusing on manufacturers as OEM manufacturers. Assisting Malaysian manufacturers in branding their own products will enable manufacturers to "upgrade" their businesses and increase the value of their production or output.

I) GOVERNMENT SPENDING

60. **Reduce government wastage** and ensure efficiency in government spending.

61. **Promote and initiate more local infrastructure projects** to revive the economy.

62. **Prioritising local suppliers for goods and services** and providing opportunities for Malaysian SMEs in government procurement. SMEs may or may not be price competitive due to their smaller size and lack of economies of scale, and there is a need to move beyond cost considerations if the government and its agencies are to support Malaysian businesses, to recognising that these supports are critical to the sustainability of businesses in Malaysian and job creation in the country.

J) SUPPORTING BUSINESS TRANSFORMATION

Promoting technological advancement and innovations among SMEs is crucial to their success in the era of IR 4.0, which refers to an industrial transformation aided by smart manufacturing and data exchange, such as high-level factory automation, digitalisation, and Internet of Things applications.

The adoption of new technologies will pose challenges for the future Malaysian workforce - a 2018 report by Oxford Economics and Cisco estimated that between 2018 and 2028, 1.2 million workers could be displaced due to technological disruption in Malaysia, representing 7.4% of the country's total workforce.

(I) COLLABORATIVE ECOSYSTEM

63. **Develop a joint partnership approach among all stakeholders** (Government and agencies, academia, training providers and industry associations) to develop SMEs training and business support schemes and solutions.

64. **Promote strategies and best practices to raise awareness of SMEs for technology adoption**, e.g., via their B2B environment and supply chains.

65. **Research the potential of SMEs training and business support schemes** that would allow SMEs to invest in training and skills development.

66. **Funding people and technical knowledge exchanges for SMEs.** Provide funding to the ecosystem and SMEs community to provide local support to SMEs and people and technical knowledge exchanges.

67. **Develop common criteria of best practices for private and public collaborations**. Blueprints of successful private and public collaboration that can be scaled up across the sectors and industries are important to provide a clear structure for future collaborations and encourage the scaling up of private and public collaborations.

(II) SUPPORTING DIGITAL ADOPTION

68. **Invest in facilities to support training programmes.** SMEs may lack the expertise or human resources to transform the business online.

69. **Develop and strengthen SMEs skills and technological capability** in strategic areas by bringing together larger companies, SMEs and research and education to stimulate the collaboration of innovative SMEs with industry and academia to engage in consortia for innovation projects.

70. **Source talent and bring together SMEs, industry and education institutions to support strategic projects** (for example Cloud, blockchain, AI, open-source software).

71. **Support matchmaking between SMEs to pool talent** for the creation of innovative services.

72. **Promote open source-based technologies and skills.**

73. **Continue to invest in infrastructure that enables technology adoption.**

74. **Train more expertise to assist SMEs to transform towards higher productivity** via automation or digitalization etc.

K) PEOPLE TRANSFORMATION AND THE MALAYSIAN HIGHER EDUCATION INDUSTRY

75. **The Ministry of Education (MOE) needs to move education beyond academic courses** to focus on industrial training and immersive projects at all levels of the education system.

    The big shift in the demands of the giant multinational companies (MNCs) who no longer require students to undergo 4-year degrees to be employed must be recognised and taken into account in designing the education policies and resource allocation of Malaysia. The top universities of the world (Oxford, Harvard etc) and the top MNCs such as Google and Apple, are collaborating to develop curricula that are being taught online for a fraction of the usual tuition fees and within 6 months to a year. Such platforms include Udemy, Coursera, Igo as a few examples.

76. **Malaysian Qualification Agency (MQA) to review The Code of Practice for Program Accreditation (COPPA) for higher learning institutions (HLIs).** Despite the vision of the Malaysian Higher Education Blueprint (2015-2025), many challenges remain in breaching the academic-industrial skills gaps of Malaysian graduates. As evidenced by previous research, accreditation poses one of the main challenges in delivering quality education in many higher education institutions (HLIs). Research conducted on 29 HLIs in Malaysia concluded that Malaysia suffers from the same where the achievement of quality education is limited by accreditation requirements. The research by Anis et al (2018) found that the challenges in achieving quality of education reflect the same area of evaluation as prescribed by COPPA in Malaysian HLIs.[30]

77. **Government of Malaysia to set up an online recruitment platform for skilled workers, based on the European model (EURES).** Perhaps such a platform could be moved by Malaysia, Singapore, Thailand, Vietnam initially, and include the others later given the different levels of development.

78. **Focus on the future talent pool of Malaysia as one of the strategies to attract new FDIs.**

79. **Prioritising English and common business languages in the education system.** Emphasise the need to upgrade the level of English proficiency and business languages of the Malaysian workforce. This is especially important in an era where we are looking to internationalise and expand our exports into the international markets.

(I) THE MALAYSIAN HIGHER EDUCATION INDUSTRY

Higher Education operates over three to 4-year cycles. Any loss during any one year carries an impact over the next three to four years which is the normal duration of typical undergraduate courses. Furthermore, the closing of borders has adversely impacted the arrival of international students.

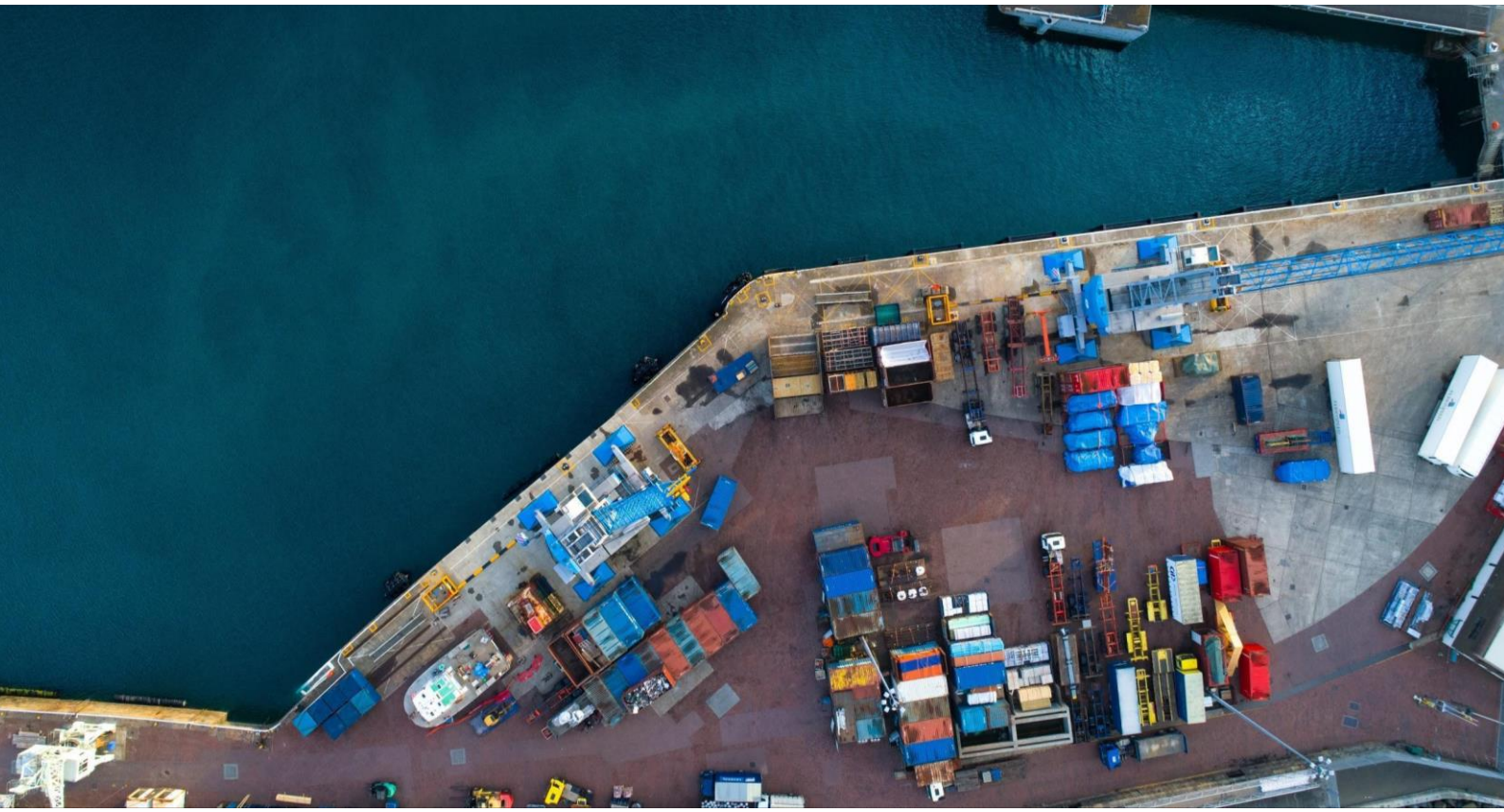
[30] Anis, A., Islam, R. and Abdullah, N.A. (2018), "Challenges faced by Malaysian private HLIs in providing quality education: a thematic analysis", *Quality Assurance in Education*, Vol. 26 No. 3, pp. 349-373. https://doi.org/10.1108/QAE-10-2015-0039

80. **The industry seeks to be allowed to open up gradually in a phased manner.**

81. **Facilitation or the entry of foreign students from safe countries.**

82. **Provide financial relief and assistance for the education sector.** Education has not received any form of financial assistance during the pandemic and relevant reliefs during the next budget cycle are requested.

83. **Providing a uniform framework for education accreditation** across borders in ASEAN.



CHAPTER 3: MALAYSIA AS THE GATEWAY TO THE ASEAN & RCEP MARKETS

Given the adverse impact of the pandemic on trade and supply chains, restoring production networks and supply chain integration is key for Malaysian manufacturers to mitigate the impact of the pandemic. Nowhere has this been more crucial than with our ASEAN or RCEP counterparts, not only as a nearshore source for inputs and Malaysian manufactured exports but also the possibilities of deeper integration through the ongoing initiatives under ASEAN to promote trade and investments.

Moving forward, issues faced by manufacturers in exporting and investing in ASEAN markets need to be addressed to assist in their recovery and help build resilience from the crisis.

A) DEALING WITH NON-TARIFF BARRIERS (NTBS) AND NON-TARIFF MEASURES (NTMS)

84. **Consistent application of border processes related to RCEP and a centralised authority to govern the commitments made in the agreement.** The total number of NTMs implemented by the ASEAN Member States between 2008 and May 2020 jumped by 118% from 4,356 measures to 9,494 respectively, according to data from the United Nations Conference on Trade and Development. Malaysia alone has imposed a total of 920 NTMs as of May 2020. Trade among RCEP member states is also heavily restricted by NTMs.
    - The highest level of imposed NTMs occurs in the Philippines, New Zealand, Myanmar, and Vietnam, up to 15% in ad-valorem equivalents. However, NTMs are much higher in some specific sectors such as **Textiles** (24% in the Philippines), Services (communication and business services, 73% in the Philippines) for example.

    The RCEP chapter on NTMs is expected to provide greater transparency on the requirements for import and export. There should however be c**onsistent application of border processes related to RCEP and a centralised authority to govern the commitments made in the agreement.**

85. **Improving regulatory processes at the border and addressing market access inefficiencies beyond the border** is urgently required. Below are some examples of NTBs or NTMs issues faced by businesses.

    - International NTBs or NTMs:
        i. **Malaysian Halal certification** is not recognised by other countries. For example, Indonesia does not accept the HALAL certification from Malaysia. Therefore ASEAN and RCEP countries should set a common certification and standard for the products.
        ii. High standards imposed by the **Agri-Food and Veterinary Authority (AVA),** a statutory board under the Ministry of National Development Singapore which regulates food safety, animal and plant health safeguards, and the agri-food and fisheries trade sectors.

- Domestic NTBs or NTMs:
  i. Unfamiliar exporting procedures and paperwork, and regulatory barriers and complexity imposed by Permit Issuing Authorities.
  ii. Inconsistencies are also present in the process where some forms are online and some are offline.
  iii. Although permits can be applied online, companies sometimes need to make a trip to the Permit Issuing Agencies (PIAs) to obtain verification.
  iv. There have been cases of unnecessary and additional certification to be applied for export purposes despite importing countries not requesting it.

86. **Establish a Central Agency to facilitate and address issues relating to non-tariff barriers and measures imposed domestically and internationally.** Clear information provided (with detailed application procedures) in one single website with links to other relevant agencies to guide new exporters.

B) IMPROVING EASE OF DOING BUSINESS IN MALAYSIA

87. **Improve ease of capital transfer.**

88. **Improve ease in visa and work permit regulations.**

89. **Providing alternative means for government-related audits.** Given the COVID-19 travel restrictions, requirements for i.e. product or factory registrations or audits will be very difficult. Alternative solutions to physical audits will need to be considered.

90. Dealing with Halal requirements are important in some markets, but these requirements sit outside of the FTA context.

C) BUILDING CAPABILITIES OF MALAYSIAN COMPANIES TO INTERNATIONALISE

The lack of understanding of the market environment and regulations of foreign markets is the biggest obstacle the company has encountered in its regional expansion. Lack of access to reliable export distribution channels and market access information. Exporters may not have reliable export distribution channels and importing customers.

Based on the preliminary findings of the FMM-MIER 2H2020, 64% of the respondents to the business outlook survey are aware of this FTA but further information is needed. Although 17% are aware of the RCEP, they have concerns over competition and 18% are not aware of it at all.

91. **Provide specialist technical support for exporting companies (particularly SMEs).** SMEs suffer from poor understanding and empathy of local ASEAN business culture as ASEAN is not homogenous. This is especially in areas related to languages, legal and regulatory framework and judicial systems to name a few.

92. **Leverage the Federation of Malaysian Manufacturers (FMM) to carry out focused awareness sessions** for exporters or SMEs to better understand how to leverage on RCEP.

93. **Focus on PPE or medical device exports as these are developing areas for Malaysia**; target support mechanisms.

94. **Further, strengthen the ability of Malaysian manufacturers producing for the global supply chain**. The RCEP is expected to intensify and diversify Malaysian production networks and assist manufacturers to export to global supply chains including global OEMs located in the RCEP countries.

95. **Incentivise and strengthen primary, secondary and tertiary suppliers through the Industrial Linkage Programme (ILP).**

96. **Socialise RCEP to provide for better understanding of the benefits and its application.** The complexity of the RCEP agreement (i.e. 20 chapters) with over 14,000 pages involving tariff schedules of 15 countries. There is a need to socialise RCEP to provide for better understanding of the benefits and its application for manufacturers to take advantage of the agreement once it is ratified.

97. **MITI, Matrade and SME Corp can work closely with trade associations and chambers to support companies' internationalisation** through:
    - Workshops and seminars to learn more about the different markets;
    - In-market business missions to explore opportunities in the various markets; and
    - Extensive market knowledge and a network of partners that companies can tap.

98. **Incentive Malaysian made products** via e-commerce, trade shows etc.

99. **Set up a One-Stop Centre to handle related issues to ASEAN market access.**

100. **Supporting export initiatives beyond trade missions and exhibitions.** MITI, MATRADE, chambers of commerce, trade associations and other agencies have organised many trade missions and exhibitions overseas, but there is a lack of follow up efforts. Government agencies could support the export of services by providing better platforms for emerging professional firms and exporters to establish themselves in foreign countries. For example, if the government can buy or rent office space at major cities overseas and allow the exporter to utilise the office space as co-working space with a local address to market themselves and use it as international incubators for emerging set-ups.

D) ENCOURAGING INTRA-ASEAN TRADE

Malaysia was a founding member of ASEAN and so far, the collaboration and cooperation in both economic, social, political have been cordial and harmonious. ASEAN Economic Community (AEC) aims to be a single market and production base that is highly integrated, and each member country should freely trade with each other.

101. **Malaysia government needs to take the lead to ease the cross border e-trade regulations** with ASEAN countries and make Malaysia a regional free trade hub.

102. **Expedite customs clearances to ensure the smooth flow of goods** from the region and Malaysia. For example, ensuring consistent interpretation of customs requirements at the importing border(s).

103. **Harmonising of standards in ASEAN**, if possible at RCEP level too. Areas of harmonisation required in supply chain regulations, standardisation of tax laws among ASEAN markets. The different RCEP or ASEAN members must cooperate to ensure that there is compatibility in the levels of digitalisation, harmonised terms and conditions of contract, immigration rules and work permits, quality benchmarks and repatriation of monies to name a few.

104. **Recognised Malaysia Standard initiatives.** Ensuring the Malaysia Standards (SIRIM or Halal and so on) are recognised in ASEAN countries.

105. **Explore the feasibility of a single land checkpoint** to save time and cost for exporters from Malaysia, Thailand and Singapore.

106. **Promote Malaysia as a trade commercial hub for agro and food industries** from our neighbouring countries

107. **Ensuring acceptance of Malaysian accredited professionals by all ASEAN and RCEP countries.** For example, accredited Malaysian lawyers to be accepted by all member countries.

E) IMPROVING FDI CRITERIA, BUILDING EXPORT INFRASTRUCTURE & ENCOURAGING TECHNOLOGY AND KNOWLEDGE TRANSFER

The interest in using technology to boost their competitiveness is also supported by the ASEAN SME Transformation Study 2020 by UOB, Accenture and Dun & Bradstreet. The study found that 64% of small- and medium-sized enterprises across ASEAN have ranked technology as their top area of investment amid the COVID-19 Pandemic. Business investment and market opportunities have accelerated in areas such as e-commerce, digitalisation, remote business networking, e-spending, telemedicine, education, medical devices, eco-green and cloud-based solutions as the COVID-19 pandemic transforms the way we live, work and play.

108. **Providing more attractive criteria for FDI** to encourage technology transfer and benefiting the local economy via productivity and high value-added activity, spur the growth of local supporting industries.

109. **Improve supply chain infrastructure and process.**

110. **Improve Telecommunication infrastructure** and increase the speed of the internet and lower the cost of the internet.

111. **Assist in providing expertise to help local industries** to be better equipped and to transform domestic players to compete against other competitors in the region.

F) RATIFYING TRADE AGREEMENTS & TRADE AND INVESTMENT FACILITATION

112. **Ratify Free Trade Agreements (FTAs) already signed**, especially the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) by this year to ensure Malaysia does not lose out further to Vietnam and Singapore which have already implemented CPTPP.

    The Government's work does not end at the conclusion of negotiations or the signing of the FTAs.

113. **Resume negotiations with the European Union (EU) for Malaysia after the ratification of RCEP and CPTPP.** EU Free Trade Agreement which was launched in 2010 and has been put on hold after seven rounds of negotiations at the request of Malaysia. The EU is one of the largest export markets for Malaysia. It is hoped that the Government and its counterpart could achieve some amicable solutions and conclude the FTA as soon as possible.

114. **Establish Preferential Trade Agreements with the following countries** instead of traditional Free Trade Agreements:
    - MERCOSUR (Argentina, Brazil, Paraguay, Uruguay)
    - Pacific Alliance (Chile, Colombia, Mexico, Peru)
    - Common Market for Eastern and Southern Africa (COMESA); 20 African countries
    - Middle East
    - Russia
    - Eastern Europe
    - Sri Lanka

115. **Improve the quality of trade facilitation rules, protect data flows and reduce border barriers.**

116. **Ensure exporters and investors understand their rights** under international agreements and provide a contact point for companies facing non-tariff barriers.

117. **Improve the market network and website** to include information on new forms of export, new risks and international digital compliance advice.

118. **Urgent negotiation to ease logistics and trade flow amongst all the RCEP countries** to establish and promote Malaysia as a regional distribution hub (DFTZ model) for e-commerce.

G) FINANCIAL AND TAX CONSIDERATIONS

119. **Harmonise Sales and Service Tax** for better simplicity and efficiency so that all registered business entities with a sales tax or service tax registration number need not charge tax on one another. This will address the biggest setback of the current SST and will avoid the cascading of sales and service tax along the value chain and result in a more competitive business environment. Sales and service taxes are paid for only at the final consumer level. This is similar to GST where input taxes are given credit when businesses pay the output tax. In this Harmonised Sales and Service tax, no taxes on the inputs of businesses are charged or taxed.

120. **Harmonising ASEAN level tax regulations and standardisation of tax** among ASEAN markets.

H) DRIVING TRADE AND INCREASING MALAYSIA'S ATTRACTIVENESS IN THE INTERNATIONAL MARKETPLACE

(I) BRANDING MALAYSIA

121. **Extending promotions of Malaysian branded and made products** in ASEAN and RCEP member countries.

122. **Centralised though One Focal Agency all initiatives to build Malaysian brand** globally in a collective, inclusive and integrated approach.

(II) EXTENDING MARKET REACH BEYOND MALAYSIA

123. **Raising competitiveness in supply chain set-up and relocation.** There will be a natural tendency for production facilities to be invested and sited in RCEP members to serve the large RCEP market opportunities. Malaysia has to raise its competitiveness in the supply chain setup and relocation.

124. **Making Malaysia more inclusive of South Asia markets.**

125. **Set up a One-Stop Centre to handle related issues regarding market access for Malaysian businesses.** Establish a single trade information gateway to provide market access information, assist in identifying distribution channels and connecting exporters with verifiable potential business partners and contacts.

    Centralised and coordinated efforts needed at the ASEAN-wide level to facilitate investments including tax incentives and removal of stringent investment restrictions for ASEAN-owned enterprises intending to invest in ASEAN countries.

(III) INVESTMENTS

126. **Increase in investment promotion activities.** There is a current lack of investment promotion facilitation. With an exception of a few ASEAN countries i.e. Malaysia and Singapore where 100% foreign ownership is allowed and low minimum capital, other

ASEAN countries have stringent foreign ownership restrictions and higher minimum capital requirements which restrict Malaysian manufacturers from venturing into ASEAN markets to invest.

I) STRENGTHENING PROTECTION OF THE RIGHTS OF BUSINESSES

127. **Strengthening intellectual property protection**. There must be a common law within RCEP for Patent, Trademark, Copyright, Certification and other standards. For example, a registered Patent in Malaysia must be recognized by all the countries in the RCEP. This will reduce the cost to the manufacturer and brand owners as it is very costly to register patents individually in every country.

128. **Respect for intellectual properties**, patents rights or copyrights of member countries, adoption of common business ethics and prohibiting corruption and transparency in goods and services exchanges is also needed to foster trade under ASEAN and RCEP.

129. **Protecting local sellers rights.**

130. **Establishing ASEAN based conditions of contract and adjudication act** to protect buyers for non-payment.

J) BUILDING CONFIDENCE IN MALAYSIA'S ECONOMIC RECOVERY PLANS

131. **Ensuring adherence to 5Cs is critical for FDI and businesses: Clarity, Certainty, Consistency, Continuity and Confidence.** Malaysia remains a good investment location for both domestic and global investors and will continue to be given its proactive economic policies, a highly-diversified economy and multilingual workforce, coupled with good infrastructure and connectivity as well as a strategic location. What is more important is to maintain an investment climate that is politically and economically stable as well as a transparent, business-friendly legal and regulatory environment to attract more foreign direct investment (FDI) from RCEP partnering countries.

132. **Effective communication and plan should be rolled out by the Government** to assure the nation that we are paving our way to the economic recovery and boost confidence to foreign investors that our country is 'business as usual' and safe to travel.

133. **Ensure consistency and clear communication in policies relating to economic recovery and future economic roadmap.** With the onslaught of uncertainty businesses are already facing, clear policy direction, policy stability and consistency are important to help businesses successfully navigate through the COVID-19 crisis.

134. **The government should share through the CBA and National Interest studies** its inspiration and focus to provide clear direction to businesses and investors.
    - Which Industries Malaysia can compete regionally?
    - Malaysia is going to compete in terms of Cost or technology capability?
    - How RCEP gives Malaysia a greater advantage compared to current FTAs?

135. **Prohibiting corruptions and ensuring transparency in goods and services exchanges.** The government needs to walk the talk of transparent practices, integrity and clean practices based on merits, not connections. The various regulatory agencies and bodies must work in tandem, not in a silo so that foreign investors have confidence in the various 'incentives and opportunities' being offered. The government needs to ensure that the incentives offered by one governmental agency are acknowledged by other regulatory bodies in the country to ensure that investor "benefits" promised are delivered without further ado especially in relation to trade exchanges.

136. **Engaging the Malaysian private sector in the development of government strategies and policies.** Given the rapidly changing pace of technological development and the indispensability of these new technologies in manufacturing, addressing the Fourth Industrial Revolution and its implementation in ASEAN is becoming more urgent. In this regard, the Development of the Consolidated Strategy on the Fourth Industrial Revolution (4IR) for ASEAN is important. The private sector in ASEAN should be engaged in the development of the consolidated strategy and perhaps the consultations could be carried out through the newly formed ASEAN Business Network.

137. **Government Ministries to increase inclusiveness and increase the establishment of private-public partnerships** through Chambers and Trade Associations to address pressing and future challenges facing companies in Malaysia, including initiatives at the ASEAN level through joint seminars between the Ministries and Chambers and Industries once every 4 or 6 months.

ABOUT ASEAN-BAC MALAYSIA

ASEAN-BAC Malaysia

The ASEAN Business Advisory Council (ASEAN-BAC) Malaysia Chapter is an integral participant in the regional ASEAN-BAC with regular participation at all Council Meetings and Consultations with the leaders. Over the course of the 16 years that the ASEAN-BAC Malaysia Chapter has been in operation, various recommendations, feedback and input have been provided during the consultation with the ASEAN Economic Ministers and ASEAN Heads of State at the regular ASEAN Consultation and Business Summits. At the same time, various studies on the national and regional economic climate have been conducted to substantiate the recommendations, some of which have already been incorporated into the guidelines of the overall ASEAN Economic Community Agenda.

Moving forward, ASEAN-BAC as a collective endeavour to venture into more operative initiatives such as business matchmaking and promotional activities between the private sector businesses within the region, with particular emphasis on SMEs, the main economic driver of the region. Every national council is responsible for the implementation of these initiatives at the national level with collaboration, support and connectivity with the various other national councils.

The initiatives are set in accordance with the guidelines and timeline of the implementation of the ASEAN Economic Community (AEC), with its formation year in 2015 and hosted by Malaysia.

ASEAN-BAC Malaysia is represented by Tan Sri Dr. Mohd Munir Abdul Majid (Chairman), Mr Raja Singham (Council Member and ASEAN-BAC's Secretary) & Tan Sri Yong Poh Kon (Council Member).

RESEARCH PARTNER

CARI ASEAN RESEARCH & ADVOCACY

CARI ASEAN Research and Advocacy is an independent think tank created to support ASEAN economic integration and development through policy research and advocacy. Since 2011, it has been at the forefront of ASEAN policy dialogues and consultations, mainstreaming the voices of business and the ASEAN integration agenda.

VIRTUAL DIALOGUES

SESSION 1

TRADE ASSOCIATIONS

1. Federation of Malaysian Foundry & Engineering Industries Associations (FOMFEIA)
2. The Federation of Malaysia Hardware, Machinery & Building Materials Dealers' Association (FMHMBA)
3. Malaysian Rubber Products Manufacturers Association (MRPMA)
4. Federation of Malaysian Freight Forwarders (FMFF)
5. Malaysian Footwear Manufacturers Association
6. Electrical & Electronics Association of Malaysia (TEEAM)
7. Malaysia Printers Association (MPA)
8. Sarawak Timber Association
9. Federation of Malaysian Manufacturers (FMM)
10. Motorcycle and Scooter Assemblers and Distributors Association of Malaysia (MASAAM)
11. Malaysian Furniture Council (MFC)
12. SME Association of Malaysia

CHAMBERS OF COMMERCE

1. Malaysia Sri Lanka Business Chamber & Federation of Malaysian Sri Lankan Organizations (FOMSO)
2. Kuala Lumpur Malay Chamber of Commerce (KLMCC)
3. Malaysia China Chamber of Commerce (MCCC)
4. Malaysian Associated Indian Chambers of Commerce and Industry (MAICCI)
5. National Chamber of Commerce and Industry of Malaysia (NCCIM)
6. The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)
7. Malay Chamber of Commerce (MCCM)

SESSION 2

PROFESSIONAL BODIES

1. Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)
2. Malaysia Medical Device Association (MMDA)
3. The Institute of Internal Auditors Malaysia
4. Malaysian Institute of Architects
5. Malaysian Evaluation Society (MES)
6. Malaysian Medical Council (MMC)
7. Master Builders Association Malaysia (MBAM)
8. Malaysian Medical Association (MMA)
9. Association of Environmental Consultants & Companies of Malaysia
10. Sabah Law Society

11. Board of Engineers Malaysia (BEM)
12. Association of Consulting Engineers Malaysia
13. The Advocates Association of Sarawak
14. Malaysian Employers Federation (MEF)
15. Association of the Computer and Multimedia Industry, Malaysia (PIKOM)

SESSION 3

FOREIGN BUSINESS ASSOCIATIONS & BUSINESS COUNCILS IN MALAYSIA

1. Arab Malaysian Chamber of Commerce
2. Malaysian Australia Business Council (MABC)
3. Malaysia New Zealand Chamber of Commerce (MNZCC)
4. Malaysia Norway Business Council (MNBC)
5. EU Malaysia Chamber of Commerce and Industry
6. Malaysian Thai Chamber of Commerce
7. Malaysia Japan Economic Association
8. Malaysia India Business Council (MIBC)
9. Chamber of Commerce & Industry France Malaysia
10. Malaysian Spanish Chamber of Commerce & Industry
11. Swiss Malaysian Chamber of Commerce

TRADE ASSOCIATIONS AND CHAMBERS OF COMMERCE

PROFESSIONAL BODIES

FOREIGN BUSINESS ASSOCIATIONS AND BUSINESS COUNCILS IN MALAYSIA

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Malaysia

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ADVOCACY