RESTRICTED

WT/TPR/S/436

14 December 2022

(22-9268)

Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MALAYSIA

This report, prepared for the eight Trade Policy Review of Malaysia, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Malaysia on its trade policies and practices.

Any technical questions arising from this report may be addressed to Cato Adrian (tel. +41 22 739 5469), Sergios Stamnas (tel. +41 22 739 5382), and Takako Ikezuki (tel. +41 22 739 5534).

Document WT/TPR/G/436 contains the policy statement submitted by Malaysia.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Malaysia. This report was drafted in English.

CONTENTS

CHARTS

TABLES

BOXES

APPENDIX TABLES

SUMMARY

1. With a GDP per capita of USD 11,422 in 2021, Malaysia is a middle-income country, aspiring to become a high-income country between 2024 and 2028. The Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan) is considered transformational and designed to inject fundamental reforms to alter the development trajectory of Malaysia. The Twelfth Plan is organized around three key themes (resetting the economy; strengthening security, wellbeing, and inclusivity; and advancing sustainability), four catalytic policy enablers (developing talent, accelerating innovation and technology adoption, enhancing connectivity and transport infrastructure, and improving public service), and 14 "game changers".

2. Real GDP expanded by 5.8% in 2017, and although the growth rate declined subsequently, it remained above 4% in 2018 and 2019. The COVID-19 pandemic prompted a 5.5% contraction in real GDP in 2020, but growth resumed in 2021. The authorities introduced strict movement control orders to contain the spread of the pandemic and dealt with the economic fallout by introducing sizeable fiscal stimulus packages, including tax relief, cash transfer programmes, and wage subsidies, and monetary policy was eased. The strong fiscal response widened the Government's budget deficit and increased the level of debt, and the debt ceiling was raised twice by a total of 10 percentage points. Federal government debt equalled 63.4% of GDP at the end of 2021, up from 52.4% of GDP two years earlier. Although most of this debt remains domestically financed, Malaysia's external debt has also increased since 2019.

3. Monetary policy is geared towards maintaining price stability, but the central bank (Bank Negara Malaysia) does not set a specific inflation target. Inflation remained subdued in 2018 and 2019, and Malaysia experienced deflation in 2020. However, in line with global trends, inflationary pressures have re-emerged in 2021 and 2022. Although mitigated by job-retention schemes, the unemployment rate jumped from just over 3% before the pandemic to 4.5% in 2020 and 4.6% in 2021, but the labour market has subsequently improved.

4. Malaysia's current account remains in surplus due to significant net exports of goods. The surplus peaked in 2020 (at 4.2% of GDP) even with a widening of the deficit in services trade. Gross official reserves stood at USD 108.2 billion at end-August 2022, equivalent to 5.4 months of imports of goods and services, and 1.1 times the total short-term external debt.

5. International trade and foreign direct investment (FDI) trends reflect the continued importance of Asia as Malaysia's main regional market and origin of FDI. The Asian region accounts for more than 70% of Malaysia's merchandise trade. China, Singapore, the EU-27, and the United States continue to be Malaysia's main individual trading partners, while, as a group, the other member States of the Association of Southeast Asian Nations (ASEAN) represented one quarter of Malaysia's merchandise trade in 2021, slightly less than in 2017. Taken together, Singapore; Hong Kong, China; Japan; the United States; and the Netherlands account for just over 60% of the FDI stock in Malaysia. About one fifth of Malaysia's direct investment abroad goes to Singapore, followed by Indonesia and the United Kingdom.

6. The trade policy framework has remained stable during the period under review. The Ministry of International Trade and Industry (MITI) is the lead agency for international trade, including strategic trade, as well as matters pertaining to investment, productivity, development finance, and small and medium-sized enterprises (SMEs), in general, and the specific development of the halal, automotive, and steel subsectors.

7. Malaysia is an active Member of the WTO. It has not been involved in WTO dispute settlement cases as a respondent since 2018, while a dispute panel was established in July 2021, at Malaysia's request, to examine EU measures affecting palm oil and oil-palm crop-based biofuels. Malaysia has reserved its third-party rights in 17 recent cases. Although Malaysia provides notifications on many subjects covered by the WTO framework, their scope and timeliness could be improved. For example, the most recent notifications of domestic support to agriculture provide information until 2015.

8. Malaysia's regional integration efforts are anchored in ASEAN. The member States established the ASEAN Economic Community (AEC) in 2003, and the AEC Blueprint 2025 provides a framework for ongoing strategic measures. Trade facilitation is embedded in the Blueprint, and the ASEAN Trade in Goods Agreement (ATIGA) was amended in 2019 to simplify rules of origin requirements through

self-certification by the operators. Negotiations to upgrade ATIGA may include new elements such as digital trade. The ASEAN Trade in Services Agreement, in force since April 2021, has become the new legal instrument for further integration of services sectors, and the ASEAN Comprehensive Investment Agreement aims at the creation of a free and open investment environment through progressive liberalization. The ASEAN Agreement on Electronic Commerce, in force since December 2021, is intended to facilitate e-commerce transactions within ASEAN.

9. ASEAN member States have pursued trade liberalization with partners in the region through a network of FTAs. The most recent FTA, with Hong Kong, China, was signed in March 2018. Malaysia has also concluded bilateral FTAs that are either stand-alone FTAs (Chile, Pakistan, and Türkiye) or complement the ASEAN FTAs with the same partners (Australia, New Zealand, India, and Japan). No new bilateral FTAs have been concluded since 2018.

10. The Regional Comprehensive Economic Partnership (RCEP) Agreement broadens and deepens the engagement between ASEAN member States and five of its FTA partners. The RCEP entered into force for most of the participants on 1 January 2022. Malaysia was among the 11 countries that signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018, and as Malaysia became the ninth signatory to ratify the CPTPP, it took effect for Malaysia on 29 November 2022.

11. Regarding the business environment, entrepreneurs are required to register with the Companies Commission of Malaysia for starting a business, but other federal and state agencies are also involved in the process of issuing licences, tax registration, and social security arrangements. The MalaysiaBiz Portal was launched in 2020 as a one-stop centre for business registration and licensing. The Malaysian Investment Development Authority is the principal agency overseeing and driving investment into manufacturing and selected industries in the services sector. The National Investment Aspirations, approved by the Cabinet in April 2021, provides a programme for comprehensive reform of the investment agenda to attract high-quality investments creating high-income jobs.

12. Limitations on foreign investment, to the extent that these persist, are sector-specific and upheld by the supervisory authorities for the sectors in question. Some regulatory agencies may have absolute discretion in rejecting or approving transactions. Restrictions on foreign ownership remain in education, communication and multimedia, freight forwarding and shipping, financial services, and oil and gas.

13. Customs procedures have largely remained unchanged since the last Review, although the Customs Act 1967 has been amended, primarily in respect of provisions that affect customs rulings, duty payments and refunds, duty drawback, enhanced powers of customs officers, the regulation of transit and transhipment, penalties for customs offences related to non-compliance, and origin of goods. Malaysia ratified the WTO Agreement on Trade Facilitation (TFA) on 26 May 2015 and has implemented all categories under the TFA since 1 June 2021. Moreover, at the regional level, Malaysia has been participating actively in several initiatives to facilitate trade between ASEAN member States. These initiatives include the ASEAN Single Window (ASW), the ASEAN-wide Self-Certification Scheme (AWSC), the ASEAN Customs Transit System, and the ASEAN Customs Declaration Document (ACDD). Notably, the ASW currently supports the exchange of intra-ASEAN certificates of origin for preferential tariff treatment and the ACDD, which is an electronic document for the exchange of export declaration information between ASEAN member States. The AWSC allows for certified exporters to self-declare the country of origin for their goods in certain commercial documents for ATIGA tariff preferential claims, instead of applying for a Certificate of Origin.

14. Overall, the tariff structure remains unchanged. About 99% of all tariff lines carry *ad valorem* rates. Non-*ad valorem* duties mainly affect agricultural products such as edible fruit, alcoholic beverages, and tobacco. Malaysia's applied rates (excluding AVEs) decreased slightly from 2017 to 2022, mainly due to tariff cuts on products covered by the expansion of the Information Technology Agreement. However, the inclusion of AVEs in the 2022 tariff analysis raises the simple average applied MFN rate from 7.1% to 7.6%, mainly due to high AVEs on certain alcoholic beverages and tobacco. Malaysia continues to apply TRQs (about 0.2% of total tariff lines), for the most part covering live swine and poultry, poultry meat, liquid milk and cream, eggs, and round cabbage. Almost all applied MFN rates are lower than their bound rates. In the case of 11 tariff lines, where applied rates appear to be exceeding their bound levels, the authorities acknowledged that these were due to transposition errors that should be corrected.

15. Malaysia applies Sales and Service Tax (SST) and excise duties on selected products, having reverted to the SST instead of a Goods and Services Tax (introduced on 1 April 2015) since 1 September 2018. SST rates are generally 5% or 10% on goods, while the service tax rate is 6%. Certain petroleum products are subject to specific rates. Excise duty is charged on certain goods considered non-essential or harmful to health or the environment, including sugar-sweetened beverages, motor vehicles, liquor, cigarettes and tobacco, playing cards, and mahjong tiles. The shares of the SST (about 15%) and excise duties (5%) in total government tax revenue were far higher than the contributions from import duties (1.5%) in 2021.

16. There has been no major change to regulations concerning import and export prohibitions, restrictions, and licensing since the previous Review, although there have been several amendments to the list of items for import/export licensing requirements. Malaysia had 25 anti-dumping measures in force on 30 June 2022, mainly duties affecting iron and steel products. In 2020, Malaysia notified to the WTO Committee on Safeguards that it had initiated a safeguard investigation on imports of ceramic floor and wall tiles. However, the investigation was terminated on 11 January 2021 as no causal link had been found between the increase in imports and any serious injury to the domestic industry.

17. Malaysia levies export taxes on 123 tariff line items (at the 10-digit level). Most duties are *ad valorem* rates ranging from 5% to 20%. Exports of crude palm oil were fully exempted from export duty from 1 July 2020 to 31 December 2020 to alleviate the impact of the COVID-19 pandemic.

18. Exporters are accorded reductions in their statutory income tax depending on the value of increased exports, and successful exporters may qualify for Export Excellence Awards. Regarding investment promotion, "Pioneer Status" and the "Investment Tax Allowance" are the principal tax incentive schemes utilized to encourage investment. Eligibility is determined according to priorities such as the level of value added, choice of technology, and industrial linkages. Enhanced incentives are available to enterprises engaging in specific projects or activities, e.g. manufacturing in selected mechanical and electrical industries or high technology projects. Manufacturing businesses may also qualify for the Automation Capital Allowance or the Reinvestment Allowance. Matching grants may be available for technology upgrading, automation, and other investments that make production processes more competitive under facilities such as the Domestic Investment Strategic Fund, the Industry 4WRD Readiness Assessment, and Smart Automation Grants. To sustain business operations during the COVID-19 pandemic, Bank Negara Malaysia administered various financing facilities (credits and guarantees) with an emphasis on SMEs, including microenterprises.

19. The Department of Standards Malaysia (JSM) is Malaysia's national standardization and accreditation body. Malaysian standards are in principle voluntary unless they have been made mandatory by the relevant domestic regulators. As the standards development policy has evolved from a numbers-based to a needs-based model, there has been a downward trend in the overall number of Malaysian standards. Obsolete standards have been withdrawn and direct use of international standards is promoted. Malaysia submitted 38 TBT notifications and 13 SPS notifications to the WTO during the period under review.

20. Competition policy is based on the Competition Act 2010 and the Competition Commission Act 2010. The Competition Act does not apply to certain sectors (aviation, telecommunications, and energy) as these are regulated under other laws or certain acts, e.g. those involving the exercise of governmental authority. Work is underway to introduce a merger control regime expected to come into force in 2023. Wheat flour and cooking oil are subsidized and subject to ceiling prices. Some goods are subject to price control pursuant to the Price Control and Anti-Profiteering Act, and the Act's Regulations were revised in 2018 to broaden the scope to any goods or services sold. The Regulations provide a specific formula to determine unreasonably high margins.

21. Malaysia has a large number of government-linked companies (GLCs) owned through seven government-linked investment companies. GLCs are present in utilities, banking and finance, and telecommunications, and partly state-owned GLCs are estimated to make up about 25% of the market capitalization of the Bursa Malaysia. Malaysia has notified Padiberas Nasional Berhad (BERNAS) as a state trading enterprise for rice importation.

22. The government procurement system is decentralized except for certain common user items. All individuals and enterprises intending to do business with the Government must register with the relevant authorities, i.e. the Ministry of Finance for goods and services and the Construction Industry Development Board for works. Since 2010, Integrity Pacts (commitments between the procuring authorities and the bidders to respect the integrity of the procurement process) have been in place at federal and state levels. While direct purchase may be used for low-value procurement, all procurement valued at MYR 500,000 or more is subject to tendering. Malaysia has been an observer to the WTO Committee on Government Procurement since 2012.

23. In the area of intellectual property, Malaysia acceded during the review period to the Madrid Protocol, the Marrakesh VIP Treaty, and the Budapest Treaty. A new Trademark Act and trademark regulations were promulgated in 2019, *inter alia*, for compatibility with accession to the Madrid Protocol; to extend the scope of protection to non-traditional marks, collective marks, and certification marks; and to provide stringent penalties for infringements. The Patents Act was amended in 2022, notably to include provisions regarding accession to the Budapest Treaty and to adopt Article 31*bis* of the TRIPS Agreement. Accession to the Marrakesh Treaty was addressed in amendments to the Copyright Act, which also covered offences relating to streaming technology and *ex officio* authority to search and seize relating to importation of infringing goods. The Geographical Indications Act 2022 and its regulations provide higher standards of protection for registered geographical indications.

24. Malaysia is a net exporter of agricultural commodities and a major global producer of crops such as palm oil, natural rubber, pepper, and coconuts. Palm oil remains the most important agricultural commodity. Over 70% of the oil palm area is owned by plantation estates that are vertically integrated enterprises with international operations. Although the pandemic reduced the production and export volume of palm oil and related products during 2020-21, the exported value reached a record MYR 108.5 billion due to higher prices. Rubber remains important for employment, export revenues, and downstream diversification in rubber products. Malaysia is a net exporter of rubber and rubber products. In 2020, strong exports of rubber products were led by rubber gloves, mainly owing to high global demand in the medical and health sectors. Rice accounts for a relatively small share of GDP, but the Government continues to support the sector through minimum prices, fertilizer subsidies, direct payment to producers, and paddy production incentives. In addition to import duties, some agricultural products are subject to tariff rate quotas, surcharges, import and export licensing requirements, and export taxes.

25. Growth in mining and quarrying has been sluggish since 2016. The sector is primarily regulated under the Mineral Development Act, which lays out federal powers, and so-called Mineral Enactments adopted by the states. The National Mineral Industry Transformation Plan 2021-2030 seeks to raise the sector's contribution to the economy, reduce trade imbalances, and develop the entire value chain of the domestic mineral industry. Malaysia is a significant producer of oil and gas, and fossil fuels continue to dominate the energy mix. The sector accounts for 20% of GDP, and the state-owned Petroleum Nasional Berhad (PETRONAS) is a major player in Malaysia and other countries around the world. Domestic demand for electricity rose almost three-fold from 2000 to 2019. The Peninsular Malaysia Generation Development Plan (2020-2039) targets a significantly higher share of renewables in the domestic energy supply, largely to be met with major expansion of solar power. Investments are primarily to be sourced through private funds and public-private partnerships. The National Energy Policy 2022-2040 also targets significant electricity savings from a range of energy efficiency measures.

26. The manufacturing sector has been a key driver in Malaysia's development and economic transformation. The sector accounted for 23.5% of GDP in 2021 and employed about 17% of the workforce. Nearly all companies in the sector are SMEs focused on the domestic market, but many of them are thought to have significant export potential. Recognizing the need for the sector to strengthen its competitiveness, resilience, and capacity, government policy is directed towards accelerated technology adaptation and enhanced incentives to encourage investments in high value-added industries. The Industry 4WRD: National Policy on Industry 4.0 summarizes the Fourth Industrial Revolution as the application of advanced digitization, advanced manufacturing technologies, and efficient resource allocation to infuse higher value-added manufacturing processes. Focus sectors under Industry 4.0 include electrical and electronics, machinery and equipment, chemicals, medical devices, and aerospace. A number of technology development projects are being launched under the National Automotive Policy 2020, and various funding

schemes support the implementation of the policy. The propagation of electric vehicles to reduce carbon emissions is supported with tax incentives for vehicle owners as well as manufacturers.

27. The pandemic affected services unevenly, as transportation, in particular air transport, accommodation, food and beverages, administrative and support services, and real estate were hard hit. Other key sectors such as telecommunications, finance, and insurance continued to grow on a robust path. Services (excluding construction, electricity, gas, and water) contributed 51.6% to GDP in 2021.

28. The Financial Sector Blueprint 2022-2026 follows five basic thrusts: the funding of Malaysia's transformation to a high-income country; improved financial inclusion; infrastructure and regulatory practices dedicated to better digital services while managing cybersecurity risks; climate risks to be integrated into the supervisory and prudential regulatory roles of the central bank to facilitate orderly transition to a greener economy; and Malaysia as a gateway for Islamic finance. Although assets maintained in conventional banking and insurance still outweigh Islamic finance, the Islamic banking and takaful sectors continue to grow at a faster pace. Malaysia's Islamic capital market functions in parallel with the conventional capital market. Malaysia has one of the most developed capital markets in the region and is one of the world's largest sukuk issuers (Islamic financial certificates). Overall, the size of Malaysia's capital market was approximately MYR 3.5 trillion at the end of September 2022.

29. During the review period, Malaysia enhanced its telecommunications infrastructure through several projects in line with national development plans such as the Shared Prosperity Vision 2030, the Malaysia Digital Economy Blueprint, and the Twelfth Plan. The Digital Nasional Berhad (DNB), established by the Government in 2021, is responsible for the development of 5G infrastructure nationwide and the management of Malaysia's 5G spectrum, with the aim of achieving 36% and 80% coverage in populated areas by the end of 2022 and 2024, respectively. Restrictions on foreign equity participation remain in the telecommunications sector.

30. Tourism plays an important role in the economy, including as a major earner of foreign exchange. In 2019, travel services generated MYR 82.1 billion, equivalent to 48.3% of total services exports. However, the Government's movement control orders provoked by the outbreak of COVID-19 led to a sharp drop in international visitors in 2020 and 2021. The Visit Malaysia 2020 campaign was cancelled. The Government introduced various measures to alleviate the adverse impact of the COVID-19 pandemic on the tourism sector. These measures included a wage subsidy programme, exemption from the tourism tax, income tax relief for domestic tourism expenses, and financial assistance for Malaysian SMEs and micro enterprises. Foreign equity participation is restricted in certain tourism activities.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Malaysia with a population of 32.7 million (2021) remains an upper middle-income country expected to become a high-income economy between 2024 and 2028, and one of the most open economies in the world with reportedly about 40% of jobs linked to export activities. According to IMF estimates in early 2022, it was the 8th largest economy in Asia and the 34th largest in the world in gross domestic product (GDP) terms, a rise in its global ranking compared with the 39th position in 2020 based on UN and World Bank estimates.[1] According to the Harvard Growth Lab's economic complexity index, in 2019 Malaysia remained the world's 24th (27th in 2018) most diverse economy.[2] Small and medium-sized enterprises (SMEs) continue to play a considerable role in the economy.[3] Developments in Malaysia's competitiveness position in the world reflect the decline in labour productivity growth and, in particular, multifactor productivity growth (Table 1.1 and Section 1.2.1) – a key long-term determinant of international competitiveness and domestic living standards, but also weaknesses in several areas where reforms have been under way (Section 1.2.4).[4] As a result of various structural reforms, Malaysia has progressively shifted from a manufacturing to a service economy, and from a heavily trade-dependent to a more domestic-demand-driven economy.[5] Pre-pandemic, Malaysia's diversified economy delivered sustained growth, on the back of strong policy frameworks.[6] During the review period, growth slowed down mainly due to the COVID-19 outbreak coupled with strict containment measures (Table 1.1 and Section 1.2.1); as from October 2021, the authorities have progressed in the reopening of the economy to avoid a repeat of the strict lockdown policies that halted the recovery the same year.[7] According to IMF and World Bank estimates, income inequality remains elevated compared with some East Asian peer countries; while it has continued to decline post-Global Financial Crisis, albeit

---

[1] World Bank (2021), *Aiming High: Navigating the Next Stage of Malaysia's Development*. Viewed at: https://www.worldbank.org/en/country/malaysia/publication/aiminghighmalaysia. Department of Statistics Malaysia, *Current Population Estimates, Malaysia, 2021*. Viewed at: https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=155&bul_id=ZjJOSnpJR21sQWVUcUp6ODRudm5JZz09&menu_id=L0pheU43NWJwRWVSZklWdzQ4TlhUUT09; World Bank, *The World Bank in Malaysia*. Viewed at: https://www.worldbank.org/en/country/malaysia/overview#1; IMF, *World Economic Outlook Database*. Viewed at: https://www.imf.org/en/Publications/WEO/weo-database/2022/April; and World Bank, *GDP (Current US$)*. Viewed at: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?year_high_desc=true.

[2] Atlas of Economic Complexity, *Country & Product Complexity Rankings*. Viewed at: https://atlas.cid.harvard.edu/rankings.

[3] According to SME Corporation Malaysia, in 2020, SMEs represented a significant share of overall business establishments (1.52 million, or 97.2% of the total), accounted for 7.25 million jobs (about 48% of total employment), 38.2% of GDP, 13.5% of exports, and 85.5% of the services sector. For the manufacturing sector, they are defined as firms with sales turnover not exceeding MYR 50 million or number of full-time employees not exceeding 200, while for the services and other sectors, they are firms with sales turnover not exceeding MYR 20 million or number of full-time employees not exceeding 75. IMF (2022), *Malaysia: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/126, 28 April. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[4] In 2021, Malaysia ranked 25th among 64 economies (22nd among 63 economies in 2018) and 2nd in Asia in the International Institute for Management Development World Competitiveness Yearbook; this measurement takes into account indices relating to economic performance, government efficiency, business efficiency and infrastructure. Its strengths (highest rankings) *inter alia* related to indicators of the current account balance, petrol prices, consumer price inflation, working hours, graduates in sciences, high-tech exports, and women with degrees, whereas its weaknesses (lowest rankings) included gross fixed capital formation-real growth, start-up procedures, female labour force, total health expenditure, medical assistance, energy intensity, broadband subscribers, and renewable energies. Malaysia Productivity Commission (undated), *Malaysia in the IMD World Competitiveness Yearbook 2021*. Viewed at: https://www.mpc.gov.my/static_files/media_manager/37/Leaflet%20IMD%20WCY%202021%20FINAL.pdf.

[5] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[6] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[7] The reimposition of nationwide containment measures that accompanied the worsening pandemic stalled the nascent recovery in 2021 despite several additional fiscal stimulus packages (Box 1.1). IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

at a slower pace, since 2019 it has started to increase again, and this continued into 2020.[8] According to the latest available data, between 2019 and 2020, income inequality and the poverty gap rose due to, *inter alia*, the COVID-19 pandemic, and the various Movement Control Orders (MCOs) that limited social and economic activities.[9]

Table 1.1 Selected macroeconomic indicators, 2017-21

	2017	2018	2019	2020	2021
National accounts (% age change, unless otherwise indicated)					
Real GDP (at 2015 prices)	5.8	4.8	4.4	-5.5	3.1
Consumption	6.7	7.1	6.6	-2.6	2.5
Private consumption	6.9	8.0	7.7	-4.2	1.9
Government consumption	5.7	3.4	1.5	5.0	5.3
Gross fixed capital formation	6.1	1.4	-2.1	-14.4	-0.9
Exports of goods and non-factor services	8.7	1.9	-1.0	-8.6	15.4
Imports of goods and non-factor services	10.2	1.5	-2.4	-7.9	17.7
XGS/GDP (%) (at current market price)	70.0	68.6	65.3	61.6	68.8
MGS/GDP (%) (at current market price)	63.1	61.8	57.8	55.2	61.7
Unemployment rate (%)	3.4	3.3	3.3	4.5	4.6
Productivity (% change)					
Labour productivity, value added per hour worked	3.7	3.5	2.3	3.5	-2.6
Labour productivity, value added per employment	3.8	2.4	2.2	-5.3	1.8
Multifactor productivity	2.2	1.3	1.2	-7.3	..
Inflation and interest rates (annual average)					
Inflation (CPI, % change)	3.7	1.0	0.7	-1.2	2.5
Fixed 3-month deposit rate (commercial banks)	2.92	3.14	2.98	1.95	1.56
Savings deposit rate (commercial banks)	0.96	1.04	1.01	0.61	0.54
Exchange rate					
MYR/USD (annual average)	4.300	4.035	4.142	4.203	4.143
Nominal effective exchange rate (% change)	-3.7	5.3	-0.1	-1.1	-1.4
Real effective exchange rate (% change)	-1.6	4.1	-1.3	-3.6	-1.3
Federal government balance (% of GDP)					
Current revenue	16.1	16.1	17.5	15.9	15.1
Tax revenue	12.9	12.0	11.9	10.9	11.2
Current expenditure	15.9	16.0	17.4	15.8	15.0
Current government balance	0.2	0.1	0.1	0.0	0.1
Development expenditure, net	3.1	3.8	3.5	3.5	4.1
COVID-19 fund	0.0	0.0	0.0	2.7	2.4
Overall balance	-2.9	-3.7	-3.4	-6.2	-6.4
Federal government debt (end-period)	50.0	51.2	52.4	62.0	63.4
Domestic	35.3	38.8	38.7	45.8	46.2
External	14.8	12.4	13.7	16.2	17.2
Saving and investment					
Gross national savings	32.4	30.6	28.6	26.1	29.4
Gross domestic investment	29.6	28.4	25.1	21.9	25.6
Saving-investment gap	2.8	2.2	3.5	4.2	3.8
External sector					
Current account balance	2.8	2.2	3.5	4.2	3.8
Net merchandise trade	8.5	7.9	8.2	9.7	11.0
Merchandise exports	58.4	57.3	54.0	55.0	63.2
Merchandise imports	49.9	49.4	45.8	45.3	52.2
Services balance	-1.7	-1.2	-0.7	-3.3	-3.9
Capital account	-0.0	-0.0	0.0	-0.0	-0.0
Financial account	-0.3	0.8	-2.5	-5.5	0.8
Direct investment	1.2	0.7	0.4	0.2	1.8

[8] World Bank, *The World Bank in Malaysia*. Viewed at: https://www.worldbank.org/en/country/malaysia/overview#1; and IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[9] As at 2020, Malaysia's income inequality indicator stood at 0.411 compared to 0.399 in 2016 and 0.407 in 2019. The Gini coefficient is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive, and it ranges between zero in the case of perfect equality and one in the case of perfect inequality. As at 2020, the poverty gap stood at 8.4% compared to 7.6% in 2016 and 5.6% in 2019. The poverty gap is the ratio by which the mean income of the poor falls below the poverty line. The poverty line is defined as half the median household income of the total population. As per the July 2020 revised national poverty line, 5.6% of Malaysian households were living in absolute poverty. Policy has been focused on addressing the well-being of the poorest 40% of the population ("the bottom 40") that seemingly remains particularly vulnerable to economic shocks as well as increases in the cost of living and mounting financial obligations. World Bank, *The World Bank in Malaysia*. Viewed at: https://www.worldbank.org/en/country/malaysia/overview#1.

	2017	2018	2019	2020	2021
Balance of payments	1.2	0.5	0.6	-1.4	3.0
Merchandise exports (% change in MYR)	16.7	3.6	-1.6	-4.5	25.2
Merchandise imports (% change in MYR)	17.0	4.6	-3.2	-7.1	25.4
Service exports (% change in MYR)	8.0	1.9	4.8	-45.4	-6.7
Service imports (% change in MYR)	9.4	-1.3	0.7	-22.6	5.2
Gross official reserves (USD billion, end-period)	102.4	101.4	103.6	107.6	116.9
in months of following year's imports of goods and non-factor services	5.5	5.8	6.7	5.6	5.4
Gross external debt (USD billion, end-period)	217.9	223.0	231.5	238.8	256.3
% of GDP	68.3	62.2	63.4	70.8	68.7
Short-term external debt/total external debt (%)	39.7	43.9	41.1	38.3	37.5
Debt service ratio	12.8	11.6	12.6	13.6	11.0

.. Not available.

Source: Bank Negara Malaysia and Department of Statistics Malaysia, *eStatistik*; and data provided by the authorities.

1.2. Malaysia's pre-pandemic solid macroeconomic position and its sound policy framework allowed it to react to the pandemic-induced recession swiftly and boldly (Box 1.1).[10] Nevertheless, downside risks to the economic outlook remain and are *inter alia* subject to COVID-19 pandemic developments. Domestic/endogenous risks to the economy may stem from, *inter alia*, a re-intensification of the pandemic with mutated vaccine-resistant variants, fiscal risks from public debt and contingent liabilities, long-standing political and related policy uncertainty, and global information infrastructure failure.[11] External/exogenous risks to the economy may involve, *inter alia*, outbreaks of lethal and highly contagious COVID-19 variants with increased divergence across countries, extended global supply chains disruptions (e.g. lack of semi-conductors), abrupt growth slowdown in China, de-anchoring of inflation expectations in the United States and/or advanced European economies, rising and volatile food and energy prices, spill-over from the Russian Federation-Ukraine war, and natural disasters related to climate change.[12] According to the IMF, macro policies need to be more accommodative if downside risks materialize.

Box 1.1 Malaysia's response to the COVID-19 challenge

The shock caused by the COVID-19 outbreak to Malaysia has been severe. Strict restrictions aimed at containing the first wave of infections in March 2020 resulted in one of the sharpest GDP contractions in the region; after managing the second wave, the third wave of infections in 2021 required renewed strict but targeted restrictions. Malaysia, a trade-dependent economy well integrated into regional and global value chains (Section 1.2.1), was affected by the decline in international trade during the pandemic, although external demand remained an important source of growth. The impact has been felt disproportionately by firms (mainly small and medium-sized enterprises (SMEs)) in the contact-intensive services sector and vulnerable households. Severe income losses occurred mainly in the services and the agriculture sectors. Sub-sectors such as arts, entertainment and recreation, food services, fishing, and transportation were among the most affected.

Malaysia's robust economic position and the sound policy framework allowed it to react to the recession swiftly and boldly by introducing sizeable fiscal stimulus packages and easing monetary policy (Section 1.2.3.1) as well by adopting a job-retention measure, which has been extended several times and currently remains in place. To finance economic stimulus packages, a COVID-19 Fund was established in September 2020 with a limit of MYR 45 billion, which was increased in December 2020 to MYR 65 billion and more recently to MYR 110 billion to account for COVID-19-related spending commitments in the 2022 Budget (see below). In 2020, five stimulus packages (the second included the first one) amounting to 21.5% of GDP, including non-fiscal measures, were in place. The 2021 Budget strengthened the containment and support measures, increasing federal government expenditure by 2.6% from 2020. In 2021, four additional stimulus packages (equivalent to 14.6% of GDP), some of which were front-loaded expenditures from the 2021 Budget, were introduced. The 2022 Budget allocated MYR 23 billion (1.4% of GDP) out of the COVID-19 Fund for COVID-19-related spending, with an increasing share spent on upskilling programs, social assistance support

[10] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[11] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[12] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398; and J. Lim (2022), "World Bank Trims Malaysia's GDP Expansion to 5.5%, with Russia-Ukraine War a Key Growth Risk", *The Edge Markets*, 5 April. Viewed at: https://www.theedgemarkets.com/article/world-bank-cuts-2022-malaysia-gdp-growth-forecast-55-58.

to vulnerable groups, and SME financing. A total of MYR 100 billion was to be spent from the COVID-19 Fund over 2020-22, leaving a MYR 10 billion buffer for contingencies or additional needed spending in 2022. The largest components were financial mitigation measures, mainly including a six-month loan moratorium on all bank loans except for credit card loans (MYR 100 billion) and government loan guarantees (MYR 50 billion). In terms of allocation of spending categories, most spending has been on cash transfer programmes and wage subsidies, which according to the authorities accounted for 40% of total spending (MYR 11.3 billion). With several tax relief/exemption measures extended, including in the 2022 Budget, foregone revenues are estimated to have ranged from 0.3% (government data) to 0.8% (IMF data) of GDP over 2020 and 2021. The strong fiscal response widened deficit and debt levels, and the debt ceiling was twice raised by a total of 10 percentage points.

Source: OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398; Bank Negara Malaysia, *Measures to Assist Businesses and Households Affected by the COVID-19 Outbreak*. Viewed at: https://www.bnm.gov.my/-/measures-to-assist-businesses-and-households-affected-by-the-covid-19-outbreak; KPMG, *Malaysia: Government and Institution Measures in Response to COVID-19*. Viewed at: https://home.kpmg/xx/en/home/insights/2020/04/malaysia-government-and-institution-measures-in-response-to-covid.html; S. Umair, U. Waqas, and M. Faheem (2020), "COVID-19 Pandemic: Stringent Measures of Malaysia and Implications for other Countries", *BMJ Journals*, Vol. 97, Issue 1144. Viewed at: https://pmj.bmj.com/content/97/1144/130; Crowe, *COVID-19 Impact and Response*. Viewed at: https://www.crowe.com/my/insights/COVID 19-impact-and-response, Ministry of Finance (2021), "More than RM330 Bln of Economic Stimulus Packages Utilised – MOF", 5 October. Viewed at: https://www.mof.gov.my/portal/en/news/press-citations/more-than-rm330-bln-of-economic-stimulus-packages-utilised-mof; F. Ng (2021), "Malaysia's Budget 2022 Aims for a Post-COVID-19 Economic Boost", *In the Black*, 1 November. Viewed at: https://intheblack.cpaaustralia.com.au/economy/malaysian-budget-2022; and World Bank, *The World Bank in Malaysia*. Viewed at: https://www.worldbank.org/en/country/malaysia/overview#1.

1.2 Recent Economic Developments

1.2.1 Growth, income, and employment

1.3. The Malaysian economy was on its targeted growth trajectory driven by strong private consumption and net exports. However, annual GDP growth slowed down progressively and contracted by 5.5% (2020) due to the various MCO phases implemented since 18 March 2020 to curb the COVID-19 outbreak after resuming at 3.1% in 2021 (equivalent to 53.4% of its 2017 growth rate level), dragging down its annual average rate for the period 2017-21 at 2.5%, a major drop compared to the average of about 5% in 2013-16 (Table 1.1).[13] The economy rebounded in 2021 supported by the improvement in domestic demand and robust exports performance with growth driven by the manufacturing sector on the back of strong external demand; the export-oriented manufacturing sector underpinned growth, while lockdown measures affected other sectors (e.g. the contact-intensive and the agriculture sectors).[14] According to the authorities, the economy was to improve further in 2022, with growth projected to expand by between 5.3% and 6.3%, supported by the continued expansion in global demand, pent-up domestic demand, the lifting of domestic containment measures following the transition to endemicity, reopening of international borders, and further improvement in labour market conditions. According to the IMF, growth is projected to be solid in the medium term, although risks of long-term economic scarring exist as, *inter alia*, the pandemic could lead to permanent GDP reductions with a persistent negative impact on trade and Global Value Chain (GVC) patterns (Section 1.1 and below).

1.4. During the review period, the overall sectoral pattern of Malaysia's GDP and employment has mainly consisted of the increasing contribution of agriculture and manufacturing and the slight decline of services largely due to the COVID-19 outbreak (Table 1.2). For the same reasons and reluctance to invest in automation and mechanization, overdependence on low-skilled migrant workers, insufficient digital talent as well as low levels human capital upskilling and reskilling and R&D, both labour (in contrast with other Southeast Asian countries) and multifactor productivity growth slowed down and contracted in 2020 or 2021 depending on the indicator (Table 1.2 and

[13] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[14] The severe delta variant outbreak in the middle of 2021 prompted strict nationwide containment measures, which limited real GDP growth. IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

Section 1.1).[15] Malaysia remains deeply integrated in GVCs (Section 1.1), specializing in the final stages of the production process (backward linkage).[16] According to United Nations Conference on Trade and Development (UNCTAD) estimates, in 2017, Malaysia ranked 3rd (same as in 2010) among the world's 25 top exporting developing economies by GVC participation rate; its GVC participation in exports (64% upstream) stood above the average of the developed exporting economies (60%) and the average of developing exporting economies (56%).[17] Stringent COVID-19 lockdown episodes resulted in disruptions in the supply of semi-conductors, which led to shutdowns of many GVC-dependent global manufacturers.[18]

Table 1.2 Basic economic and social indicators, 2017-21

	2017	2018	2019	2020	2021
Real GDP at market price (MYR million, 2015 prices)	1,300,769	1,363,766	1,423,952	1,345,144	1,386,738
Current GDP at market price (MYR million)	1,372,310	1,447,760	1,512,738	1,418,000	1,545,372
Current GDP at market price (USD million)	319,109	358,789	365,178	337,339	372,981
GDP per capita at current market price (USD)	9,965	11,080	11,228	10,353	11,422
GDP by economic activity at constant 2015 prices (% age change)					
Agriculture, forestry and fishing	5.9	0.1	1.9	-2.4	-0.2
Agriculture	9.6	0.6	3.3	-0.5	-0.2
Forestry and logging	-15.9	-3.9	-8.6	-19.5	0.9
Fishing	-0.9	-0.8	-0.8	-6.9	-0.6
Mining and quarrying	0.4	-2.2	-0.6	-9.7	0.3
Manufacturing	6.0	5.0	3.8	-2.7	9.5
Electricity, gas and water	2.9	5.0	6.1	-1.2	2.6
Construction	6.7	4.2	0.4	-19.3	-5.2
Services	6.5	7.0	6.2	-5.6	1.9
Wholesale and retail trade; accommodation and restaurants	7.3	8.4	7.3	-9.5	-0.1
Transport, storage, and communication	7.7	7.5	6.6	-4.7	4.7
Finance and insurance; real estate and business activities	5.9	6.4	6.1	-4.7	2.1
Other services	5.1	5.5	5.6	-10.4	-3.3
Government services	4.8	4.7	3.4	4.6	5.4
Import duties	13.0	-8.5	-2.2	-5.2	1.7
GDP by economic activities at current prices (%)					
Agriculture, forestry and fishing	8.6	7.5	7.2	8.2	9.6
Agriculture	7.1	6.0	5.8	6.9	8.4
Forestry and logging	0.6	0.5	0.5	0.4	0.4
Fishing	0.9	0.9	0.9	0.8	0.8
Mining and quarrying	8.8	9.3	8.7	6.8	8.0
Manufacturing	21.8	21.5	21.4	22.3	23.5
Electricity, gas and water	2.6	2.6	2.7	2.9	2.7
Construction	4.8	4.8	4.7	4.1	3.6
Services	51.9	53.0	54.2	54.8	51.6
Wholesale and retail trade; accommodation and restaurants	19.2	19.9	20.5	20.0	18.6
Transport, storage, and communication	9.0	9.2	9.4	9.6	9.3
Finance and insurance; real estate and business activities	10.8	10.9	11.1	11.3	10.6

[15] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[16] L.M. Han and T.B. Hwa (2017), "Global Value Chains and the Drivers of Exports in Malaysia", *Bank Negara Malaysia Quarterly Bulletin*. Viewed at: https://www.bnm.gov.my/documents/20124/826874/Global+Value+Chains.pdf.

[17] The GVC participation rate indicates the share of a country's exports that is part of a multi-stage trade process. WTO, *Trade in Value-Added and Global Value Chains: Statistical Profiles*. Viewed at: https://www.wto.org/english/res_e/statis_e/miwi_e/MY_e.pdf; and UNCTAD (2018), *World Investment Report 2018 – Investment and New Industrial Policies*. Viewed at: https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf.

[18] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

	2017	2018	2019	2020	2021
Other services	4.8	4.8	5.0	4.8	4.3
Government services	8.2	8.2	8.1	9.0	8.7
Import duties	1.4	1.2	1.1	1.1	1.1
Share of sector in total employment					
Agriculture, forestry and fishing	12.7	12.4	12.4	12.4	12.3
Mining and quarrying	0.6	0.6	0.5	0.5	0.5
Manufacturing	16.8	16.9	16.9	16.9	17.1
Electricity, gas and water	1.1	1.1	0.7	0.7	0.7
Construction	8.9	8.7	9.7	9.3	9.1
Service	59.8	60.3	59.9	60.3	60.4
Wholesale and retail trade	17.8	18.0	16.7	16.9	17.1
Accommodation and food service activities	8.3	8.8	10.8	10.8	10.7
Transport and storage	4.7	4.7	3.6	3.6	3.5
Information and communication	1.6	1.6	1.6	1.6	1.6
Financial and insurance activities	2.7	2.7	2.5	2.5	2.4
Real estate and business activities	7.0	7.1	7.4	7.5	7.3
Other services	17.7	17.4	17.3	17.4	17.6

Source: Bank Negara Malaysia and Department of Statistics Malaysia.

1.5. During the review period, Malaysia's unemployment rate remained relatively stable until it rose to 4.5% in 2020 and 4.6% in 2021 (Table 1.1) as a result, *inter alia*, of pandemic-prompted lockdowns in most sectors particularly those with the lowest ability to work from home (least teleworkable).[19] However, since restrictions, including the closure of Malaysia's international borders, have been lifted and economic activity picked up, the unemployment rate was expected to decline further; as of June 2022, it stood at 3.8% of the labour force.[20] As from 2015, employment in the informal sector declined from 10% of the labour market to 8.3% in 2019; own account workers and employees accounted for 71.7% and 17.1% of the informal sector, respectively, in 2019.[21]

1.2.2 Prices

1.6. During the review period, headline inflation, as measured by the consumer price index, dropped gradually, partially as a result of the 2017-19 policies on retail fuel prices, the zero-rating of the Goods and Services Tax (GST) in 2018, and modest global cost pressures in 2019, and then turned in to deflation in 2020 primarily due to the decline of global oil prices. In 2021 it rose to 2.5% due to the sharp rise of commodity prices, including global food and oil prices, driven by the recovery in economic activity and adverse weather conditions (Table 1.1); as of July 2022, inflation stood at 4.4%.[22] According to the authorities, headline inflation was to average between 2.2% and 3.2% in 2022 amid higher core inflation. According to the IMF, in 2022 the outlook for core inflation remained benign, and headline inflation was to remain broadly unchanged.[23]

[19] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[20] Bank Negara Malaysia (2022), *Economic and Monetary Review 2021*. Viewed at: https://www.bnm.gov.my/documents/20124/6458996/emr2021_en_book.pdf; and *Publications: Monthly Highlights & Statistics in April 2022*. Viewed at: https://www.bnm.gov.my/-/monthly-highlights-statistics-in-april-2022; data viewed at: https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=124&bul_id=bU9ybEFIM2UrUlpxa2g4M1JkOFhTdz09&menu_id=Tm8zcnRjdVRNWWlpWjRlbmtlaDk1UT09 and https://www.bnm.gov.my/national-summary-data-page-for-malaysia.

[21] Department of Statistics Malaysia, *Press Release: Informal Sector Work Force Survey Report, Malaysia, 2019*. Viewed at: https://dosm.gov.my/v1/index.php?r=column/pdfPrev&id=U0tMZmJudTkzNmhwdjZFb2FmVWxOUT09.

[22] In mid-2018 the authorities announced the fixing of the retail fuel price of RON95 petrol at MYR 2.20 per litre for the remainder of the year, with the 22 March 2018 price remaining unchanged. In January 2019, it was announced that the fuel price would be floated, but with the retail price of RON95 petrol capped at MYR 2.20 per litre. At end-February 2019, this price ceiling was lowered to MYR 2.08 per litre. Bank Negara Malaysia (2022), *Economic and Monetary Review 2021*. Viewed at: https://www.bnm.gov.my/documents/20124/6458996/emr2021_en_book.pdf; and *Publications: Monthly Highlights & Statistics in April 2022*. Viewed at: https://www.bnm.gov.my/-/monthly-highlights-statistics-in-april-2022.

[23] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

1.2.3 Main macroeconomic policy developments

1.2.3.1 Monetary and exchange rate policy

1.7. During the review period, the objective of monetary policy remained to maintain price stability while giving due regard to the developments in the economy from the *de jure* independent central bank of Malaysia (Bank Negara Malaysia (BNM)), which uses an overnight policy rate (OPR) as its main policy instrument; BNM does not set a specific inflation target.[24] According to the IMF, monetary policy decisions continued to be data-driven and guided by the evolving balance of risks surrounding the outlook for domestic growth and inflation. During the review period, the BNM continued its accommodative monetary policy stance to *inter alia* respond to the pandemic, with its OPR gradually reduced from 3.25% (January 2018) to 3% (May 2019), 2.75% (January 2020), 2.5% (March 2020), 2% (May 2020), and 1.75% (July 2020), until it was raised to 2% in May 2022 and subsequently to 2.25% in July 2022.[25] According to the IMF, the current accommodative monetary policy stance remains appropriate and Malaysia is well prepared to face a gradual increase in global interest rates although a sharp tightening of global financial conditions and risk-off investor behaviour could lead to surges in capital outflows.[26]

1.8. Malaysia's *de jure* and *de facto* exchange rate arrangements have been floating (i.e. floating exchange rate system) since September 2017.[27] According to the IMF, the exchange rate should continue to serve as a shock absorber, with foreign exchange intervention limited to episodes of disorderly market conditions as Malaysia has a mature and multi-pronged monetary policy framework and its relatively liquid FX market lacks strong evidence of FX mismatches that pose systemic risk to the broader financial system.[28] The BNM introduced a series of measures to improve the functioning of the foreign exchange market; resident exporters were *inter alia* exempted from the requirement to convert export proceeds into local currency below MYR 200,000 per transaction, among other measures, and the conversion requirement was finally removed in April 2021, liberalizing the foreign exchange market further.[29]

1.9. During the review period, the nominal MYR/USD exchange rate appreciated by an overall 3.65% (2017-21) (Table 1.1); in trade-weighted terms, overall, the effective exchange rate appreciated supported by Malaysia's strong export performance, improving current account balance, and strong GDP growth, thus reducing Malaysia's price competitiveness in international trade.[30] The BNM's liquidity and foreign exchange operations provided further support in mitigating excessive market volatility and preserving orderly market conditions.[31]

[24] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398; WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and Bank Negara Malaysia, *About the Bank*. Viewed at: https://www.bnm.gov.my/introduction.

[25] Bank Negara Malaysia, *Overnight Policy Rate Decisions*. Viewed at: https://www.bnm.gov.my/monetary-stability/opr-decisions.

[26] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[27] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[28] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[29] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[30] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[31] Bank Negara Malaysia (2022), *Economic and Monetary Review 2021*. Viewed at: https://www.bnm.gov.my/documents/20124/6458996/emr2021_en_book.pdf; and *Publications: Monthly Highlights & Statistics in April 2022*. Viewed at: https://www.bnm.gov.my/-/monthly-highlights-statistics-in-april-2022.

1.2.3.2 Fiscal policy

1.10. During the review period, Malaysia continued to run a fiscal deficit, albeit at a rising rate, reaching 6.2% of GDP in 2020 and 6.4% of GDP in 2021, 117.5% higher than in 2017, largely due to subsidies, development expenditure, pandemic response-related expenditure, and revenues continuing their pre-pandemic weakening trend (Table 1.1 and Box 1.1). Accordingly, Malaysia's relatively high level of government debt (according to the IMF) has been further pushed up from 50% in 2017 to 63.4% of GDP in 2021, of which 61.5 percentage points are domestically financed.[32] The 2022 Budget remained focused on supporting the recovery and minimizing the pandemic's long-term effects while at the same time lifting-off a cautious adjustment path; it targets a slight narrowing of the overall deficit to 6% of GDP in 2022 and confirms the commitment to medium-term consolidation to rebuild fiscal buffers.[33] Accordingly, the authorities plan to pursue fiscal consolidation through reform initiatives including the introduction of a Fiscal Responsibility Act to further enhance fiscal discipline, expenditure effectiveness, and transparency in fiscal management; as at late October 2022, the relevant bill was pending approval by the Parliament.

1.2.4 Structural policies

1.11. Trade and domestic reform are considered intrinsically linked. During the review period, the authorities envisaged sustaining growth and achieving high-income status through their 11th Malaysia Plan 2016-20, which laid out a comprehensive reform agenda to transform the country into a productivity-driven and knowledge-based economy (Section 1.1).[34] The 12th Malaysia Plan (12MP or Twelfth Plan) for 2021-25 aims for high-income status and a carbon-neutral economy; it provides a five-year road map, to boost labour productivity and transport infrastructure, accelerate innovation, and enhance the digital and green economies, while narrowing development disparities across regions and strengthening fiscal governance.[35] According to the IMF, coordinated policies are needed to *inter alia* address structural challenges including inequality.

1.2.4.1 Tax reform

1.12. The ratio of federal government revenue to GDP remained on a steady decline driven by the decreasing share of petroleum-related revenues as a result of global declines in commodity prices until 2021 when it registered a minor rise (Table 1.1), and despite efforts to diversify revenue sources (below), Malaysia remains overly dependent on this type of revenue.[36] Furthermore, the authorities under-collect in key revenue areas, including consumption tax and personal income taxes, and the generous tax incentives system also contributes to the narrowing of the government's revenue base.

1.13. During the review period, tax reforms included efforts to broaden the tax base; the introduction of taxes concerning imported taxable services (2019) and digital services purchased through foreign service providers (2020) and excise duty on electronic cigarettes (2021); the expansion of the tourism tax to accommodation services booked through online platforms (2021);

[32] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; and IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[33] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[34] WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and Prime Minister's Department, *Mid-Term Review of the Eleventh Malaysia Plan 2016-2020*. Viewed at: https://www.epu.gov.my/en/economic-developments/development-plans/rmk/mid-term-review-eleventh-malaysia-plan-2016-2020.

[35] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[36] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; and World Bank Group (2021), *Aiming High: Navigating the Next Stage of Malaysia's Development*. Viewed at: https://www.worldbank.org/en/country/malaysia/publication/aiminghighmalaysia.

and the enhancement of the progressivity of the personal income tax by introducing a new bracket of above MYR 2 million per annum subject to a 30% tax rate (before 28%) (2020).[37]

1.14. According to the World Bank, financing the transition to high-income status (above and Section 1.1) would require an enhanced effort to raise more revenue and spend it effectively; therefore, reforms to increase tax revenues, strengthen the social safety net, and effectively target assistance are required.[38] According to the OECD, there is also need to strengthen tax compliance and efficiency of tax collection, while securing the transparency of its enforcement (including by reviewing tax incentives and exemptions).[39] In response, the 2022 Budget called for bold and effective reforms to the tax system through the adoption of a medium-term revenue strategy, to ensure sufficient funding for expenditure needs under the Twelfth Plan.[40]

1.2.4.2 Privatization

1.15. The administration maintains a controlling stake in key industries through government-linked companies (GLCs) controlled by government-linked investment companies (GLICs) that account for 5%) of employment and more than half of the value of the local benchmark stock index. As at the previous Review, there has been no progress in this area as the public-private partnership is preferred (Section 3.3.5).[41] In 2022, GLCs and GLICs were requested to direct their efforts towards the three main focus areas outlined in Budget 2022 (i.e. the Malaysian Family (Keluarga Malaysia), businesses, and economy) so as to prioritize economic recovery efforts for a return to sustainability and to narrow the economic gap through community empowerment, sustainability concept-based projects, and development projects to stimulate recovery, as well as digital connectivity projects.[42]

1.2.4.3 Competition policy

1.16. According to the authorities, an economy with healthy levels of competition increases a country's attractiveness as a place of doing business and lead to large flows of domestic and foreign investments; the Malaysia Competition Commission (MyCC) continued to ensure that concerted efforts are taken to combat anti-competitive practices and to cultivate a healthy and competitive marketplace in sync with the needs for sustainable growth of the Malaysian economy (Section 3.3.4).[43] In January 2022, MyCC suggested structural policies to facilitate the adoption of e-commerce strategies, particularly by SMEs, taking the lessons from the pandemic years.[44] Furthermore, work to amend the Malaysian Competition Act 2010 has been under way since 2019 (Section 3.3.4); key amendments would introduce a merger control regime and strengthen MyCC's investigation and enforcement powers.[45]

---

[37] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[38] World Bank Group (2021), *Aiming High: Navigating the Next Stage of Malaysia's Development*. Viewed at: https://www.worldbank.org/en/country/malaysia/publication/aiminghighmalaysia.

[39] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[40] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[41] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[42] *The Malaysian Reserve* (2022), "GLCs, GLICs Should Give Focus on Three Main Areas under Budget 2022", 13 March. Viewed at: https://themalaysianreserve.com/2022/03/13/glcs-glics-should-give-focus-on-three-main-areas-under-budget-2022/.

[43] Malaysia Competition Commission (2020), *Annual Report 2019*. Viewed at: https://www.mycc.gov.my/sites/default/files/pdf/newsroom/MyCC%20AR%2719_ENG_0.pdf.

[44] *The Malaysian Reserve* (2022), "MyCC to Amend Competition Law to Drive Innovation", 10 January. Viewed at: https://themalaysianreserve.com/2022/01/10/mycc-to-amend-competition-law-to-drive-innovationn/.

[45] Baker McKenzie (2022), *Malaysia: Proposed Amendments to Competition Act 2010 – Strengthening MyCC's Investigation and Enforcement Powers*. Viewed at: https://insightplus.bakermckenzie.com/bm/antitrust-competition_1/malaysia-proposed-amendments-to-competition-act-2010-strengthening-myccs-investigation-and-enforcement-powers.

1.2.4.4 Corporate governance

1.17. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital.[46] Malaysia's Securities Commission's (SC) Corporate Governance Strategic Priorities 2017–2020 comprised enhancing the corporate governance (CG) regulatory framework; strengthening the CG ecosystem; promoting greater gender diversity on boards; embedding CG early in the life cycle of companies and among youth; and leveraging technology to enhance monitoring of CG practices and shareholder activism.[47] Under the Corporate Governance Strategic Priorities 2021-2023, the SC will be focusing on *inter alia* strengthening board capacity to address sustainability, scale up investor stewardship, enhance availability of CG data through the use of digital tools, and further develop the collaboration with universities to deepen engagement with youth on CG.[48] In 2019, the relevant rules and guidelines were updated to mandate listed issuers and capital market intermediaries to have anti-corruption and whistleblowing policies in place. In April 2021, the SC issued an update of the Malaysian Code on Corporate Governance (MCCG). In relation to promoting board diversity and independence, a 12-year tenure limit was introduced in January 2022 for independent directors on boards of listed issuers, effective on or after 1 June 2023. Furthermore, the Listing Requirements were also amended to require boards of listed issuers to include at least one female director, coming into effect on 1 September 2022 for large issuers (those with market capitalization of MYR 2 billion and above) and on 1 June 2023 for the remaining issuers.

1.18. Efforts to strengthen the GLCs' (Section 1.2.4.2) governance included the issue of a directive in 2018 requiring all such to establish an Integrity and Governance Unit (IGU) in order to strengthen internal controls and prevent the risk of corruption and abuse of power; however, it seems that political appointments for board and chairperson positions persist and threaten the autonomy of GLCs decision-making bodies.[49] According to the OECD, Malaysia could benefit from adopting the recommendations of the OECD Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises. Consequently, the updated MCCG highlighted that the OECD Guidelines on Corporate Governance of State-Owned Enterprises (Guidelines) *inter alia* recommend that SOE board composition should allow the exercise of objective and independent judgment.

1.2.4.5 Labour market policies

1.19. During the review period, labour market developments took place in several areas. The minimum wage was standardized in 2018 across the country to MYR 1,100 per month (USD 273), a rise from MYR 1,000 (USD 241) in Peninsular Malaysia and MYR 920 (USD 222) in East Malaysia in 2016, followed by another increase to MYR 1,200 per month (USD 286) (MYR 5.77 per hour) in 56 city and municipal council areas and MYR 1,100 per month (MYR 5.29 per hour) in other areas in 2020. Effective from 1 May 2022, a minimum wage of MYR 1,500 has been implemented for employers with five or more workers and employers who are carrying out professional activities regardless of the number of employees employed, while those employing five workers or less are given deferment until 31 December 2022; as from 1 January 2023, the minimum wage of MYR 1,500 is to be implemented across the country.[50] While the statutory retirement age of public sector workers was raised to 60 in 2013 (Minimum Retirement Age Act 2012), private sector employees are allowed to opt for early retirement by the age of 55 as mandatory retirement is at 60 for them too. According to the OECD, encouraging more elderly people to stay longer in the labour force would bring about multiple economic benefits; however, others consider that it is not the right time for

[46] World Bank Group, *World Bank Group A to Z 2016: Corporate Governance*. Viewed at: http://elibrary.worldbank.org/doi/full/10.1596/978-1-4648-0484-7_corporate_governance.

[47] Securities Commission (2018), *Corporate Governance: Strategic Priorities 201-2020*. Viewed at: https://www.sc.com.my/api/documentms/download.ashx?id=7373ce94-78e9-456b-9b8f-c7749f11c08c.

[48] Securities Commission, *Corporate Governance*. Viewed at: https://www.sc.com.my/regulation/corporate-governance.

[49] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[50] Reportedly, enforcement of the minimum wage remains lax for certain migrant workers, especially low-skilled labourers recruited by labour supply companies from poor neighbouring countries. EIU (2021), *Regulatory Environment: Malaysia*, 1 July. Viewed at: https://viewpoint.eiu.com/analysis/geography/XO/MY/reports/regulatory-environment; Rödl & Partner (2022), "Malaysia: New Minimum Wages Order Effective as of 1 May 2022", 11 May. Viewed at: https://www.roedl.com/insights/malaysia-increase-minimum-wage-amendment; and OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

Malaysia to implement a blanket increase in the statutory retirement age taking into account the current overall and youth (aged between 15 and 24) unemployment rates amid COVID-19 and economic uncertainties.[51]

1.20. During the review period, a mix of measures were introduced to, *inter alia*, limit the number of migrant workers; they included a new job advertisement requirement for the employment of expatriates, effective January 2021, at the government-run portal for jobseekers called MyFutureJobs (https://www.myfuturejobs.gov.my), managed by the Social Security Organisation (SOCSO) as a prerequisite condition when applying for expatriate posts to the relevant approving authorities that include, *inter alia*, the Malaysian Investment Development Authority (MIDA) and the Malaysia Digital Economy Corporation (MDEC), according to their respective sectors and scope of coverage, as well as a Malaysia@Work incentive programme providing cash incentives for a two-year period to encourage the recruitment of four categories of nationals (those who replace migrant workers, women returning to work after a career break of at least one year, college graduates who were unemployed for at least 12 months, and apprentices).[52] As a result of pandemic-related restrictions on economic activities and border closures, the share of the non-Malaysian citizens dropped from 15% (2019) to 14% (2020) of the total labour force; as of end-November 2020 there were about 1.38 million registered migrant workers and seemingly an estimated 1.8 million more worked illegally. Several industries – including electronics manufacturing, oil palm plantations, and construction – continue to rely on lower-skilled migrant labour.

1.21. Malaysia's labour market saw a distinctive advancement in its inclusiveness. Female labour force participation increased from 5.95 million (55.2% of total labour force) in 2018 to 6.17 million (55.5%) in 2021; furthermore, according to the OECD, prior to the pandemic the share of women in the total labour force participation (aged 15-64) rose from 64% in 2010 to 69% in 2019 along with the increase in their education attainment, helping the economy achieve high growth.[53] According to the IMF, active labour market policies to upskill workers dislocated by the pandemic could incentivize movement from informal to formal employment, thus facilitating a reallocation of resources and limiting the pandemic's scarring.[54]

1.2.5 Balance of payments

1.22. During the review period, Malaysia's current account surplus peaked at 4.2% of GDP in 2020, reflecting higher goods surplus and lower deficits in the primary and secondary income accounts, and then slightly declined to 3.8% in 2021 as a result of a larger decline in travel receipts and higher income accrued to foreign investors in Malaysia amid strong external demand for manufactured goods with these factors more than offsetting the larger goods surplus (Tables 1.1 and 1.3); it averaged 3.3% of GDP during 2017-21, the same as in 2013-16. According to the IMF, the current account surplus is to decline gradually over the medium term, as consumption and capital-related imports recover, despite a gradual pick-up in foreign tourism flows as the economy reopens.[55]

[51] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; and information viewed at: https://www.thestar.com.my/news/nation/2022/03/06/no-to-increasing-retirement-age#:~:text=Malaysia's%20retirement%20age%20for%20public,at%2060%20instead%20of%2055.

[52] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; and EIU (2021), *Regulatory Environment: Malaysia*, 1 July. Viewed at: https://viewpoint.eiu.com/analysis/geography/XO/MY/reports/regulatory-environment.

[53] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en.

[54] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[55] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

Table 1.3 Balance of payments, 2017-21

(MYR million)

	2017	2018	2019	2020	2021
Current account balance	38,296.1	32,295.0	52,917.5	59,091.1	58,700.3
Goods and services balance	94,254.5	97,105.8	113,863.3	90,325.1	109,845.0
Goods balance	117,113.2	114,620.8	124,738.3	137,486.4	170,572.9
Exports	801,394.1	830,136.7	817,260.2	780,510.8	977,076.2
Imports	684,280.9	715,515.9	692,521.9	643,024.4	806,503.3
Services balance	-22,858.7	-17,514.9	-10,875.0	-47,161.3	-60,727.9
Credit	159,383.9	162,374.5	170,221.2	92,966.6	86,740.9
Debit	182,242.6	179,889.4	181,096.1	140,127.9	147,468.9
Primary income balance	-38,658.3	-45,082.2	-39,495.8	-28,520.2	-41,550.5
Credit	53,706.5	60,413.7	65,344.1	53,124.4	98,165.7
Debit	92,364.7	105,495.8	104,839.9	81,644.6	139,716.2
Secondary income balance	-17,300.4	-19,728.6	-21,450.0	-2,713.8	-9,594.2
Credit	16,796.8	15,601.7	16,905.1	27,185.4	20,503.5
Debit	34,097.1	35,330.3	38,355.1	29,899.2	30,097.6
Capital account	-25.7	-89.1	370.7	-419.1	-570.6
Financial account	-4,730.0	11,430.5	-38,023.5	-77,396.4	13,021.3
Direct investment	16,171.1	10,103.5	6,554.5	3,111.1	28,465.5
Assets	-24,234.3	-23,431.1	-31,154.5	-13,807.8	-48,896.8
Liabilities	40,405.5	33,534.6	37,709.0	16,918.9	77,362.3
Portfolio investments	-15,358.0	-49,395.6	-32,402.9	-49,584.5	18,769.0
Assets	-19,442.2	-11,984.4	-46,919.5	-60,694.6	-35,822.5
Liabilities	4,084.2	-37,411.2	14,516.5	11,110.1	54,591.5
Financial derivatives	-196.9	980.8	-477.8	407.2	-2,250.0
Other investments	-5,346.2	49,741.8	-11,697.3	-31,330.3	-31,963.2
Net acquisition of financial assets	-2,260.8	9,581.9	-2,561.6	3,907.5	23,236.4
Net incurrence of liabilities	-9,208.9	-1,675.6	10,274.8	-20,826.3	36,060.8
Reserve assets	-16,408.6	-7,758.3	-8,416.0	19,296.6	-45,685.7
Errors and omissions	-17,131.9	-35,878.1	-6,848.0	-573.0	-25,465.0
Memorandum:					
Direct investment according to directional principle	16,171.1	10,103.5	6,554.5	3,111.1	28,465.5
Malaysia's direct investment abroad	-24,247.9	-20,637.5	-25,809.7	-10,169.8	-19,678.8
Direct investment in Malaysia	40,419.0	30,741.0	32,364.2	13,281.0	48,144.3

Source: Bank Negara Malaysia.

1.23. During the review period, Malaysia's gross external debt grew by 17.6%, to USD 256.3 billion (37.5% (government data) or 36.8% (IMF data)) short-term by original maturity in 2021) due to, *inter alia*, an increase in non-resident holdings of Ringgit-denominated government debt securities, net issuances of foreign currency bonds and notes, higher trade credits, and an additional allocation of Special Drawing Rights (SDRs) to Malaysia by the IMF in 2021 (Table 1.1). As a result, during the review period the debt service ratio peaked at 13.6% of GDP in 2020 and then bottomed to 11% in 2021. As a percentage of GDP, gross external debt peaked at 70.8% in 2020 due to the smaller GDP value, and dropped slightly in 2021 driven by a reduction in offshore borrowings, namely private sector external debt (Table 1.1).[56] According to the IMF, over the medium term, external debt-to-GDP ratio is to return to a steady downward path, reflecting the net effect of sustained current account surpluses (excluding interest payments), a recovery in economic growth supported by domestic demand, capital inflows, and low external financing rates; the share of short-term debt, by original maturity, is to stabilize at about 35% by the end of the medium term.[57] According to the authorities, while external debt is high, it remains manageable due to mitigating factors.

1.24. During the period 2018-21, Malaysia's foreign exchange reserves increased steadily by an overall 15.2%, largely due to strong export performance from 2019 to 2021 and the IMF's SDRs allocation in 2021 (Table 1.1), and as from February 2022 they have declined progressively.[58] As at 30 August 2022, foreign exchange reserves had dropped slightly to USD 108.2 billion, equivalent

---

[56] OECD (2021), *OECD Economic Surveys: Malaysia 2021*. Viewed at: https://doi.org/10.1787/cc9499dd-en; and IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[57] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[58] Bank Negara Malaysia, *International Reserves and Foreign Currency Liquidity*. Viewed at: https://www.bnm.gov.my/international-reserves-and-foreign-currency-liquidity.

to 5.4 months of imports of goods and services, and 1.1 times the total short-term external debt.[59] Gross official reserves are adequate under the IMF Assessing Reserve Adequacy ((ARA) or risk-weighted) metric.[60]

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.25. Openness to trade and investment has been instrumental in employment creation and income growth (Section 1.1).[61] The openness of the Malaysian economy to international trade and its integration into the world economy continued to be reflected in the high ratio of the country's trade (exports plus imports) in goods and services to GDP. Nevertheless, this ratio continued to drop progressively from 133.2% in 2017 to 130.6% in 2021 (Table 1.1), including a bottoming to 116.8% in 2020, partly due to global economic conditions affecting the volume of trade, compared with the decrease from 142.7% in 2013 to 126.9% in 2016.[62]

1.26. Since the previous Review, merchandise trade has remained almost entirely dependent on manufactures (Chart 1.1, and Tables A1.1 and A1.2). As of 2021, the share of all items (e.g. machinery and electrical equipment, precision equipment, base metals and articles thereof, chemicals, and plastics and rubber) in total exports had risen except for the share of petroleum and mineral products, which registered a drop related to global oil prices developments. Machinery and electrical equipment and petroleum and mineral products continued to account for more than half of total imports.

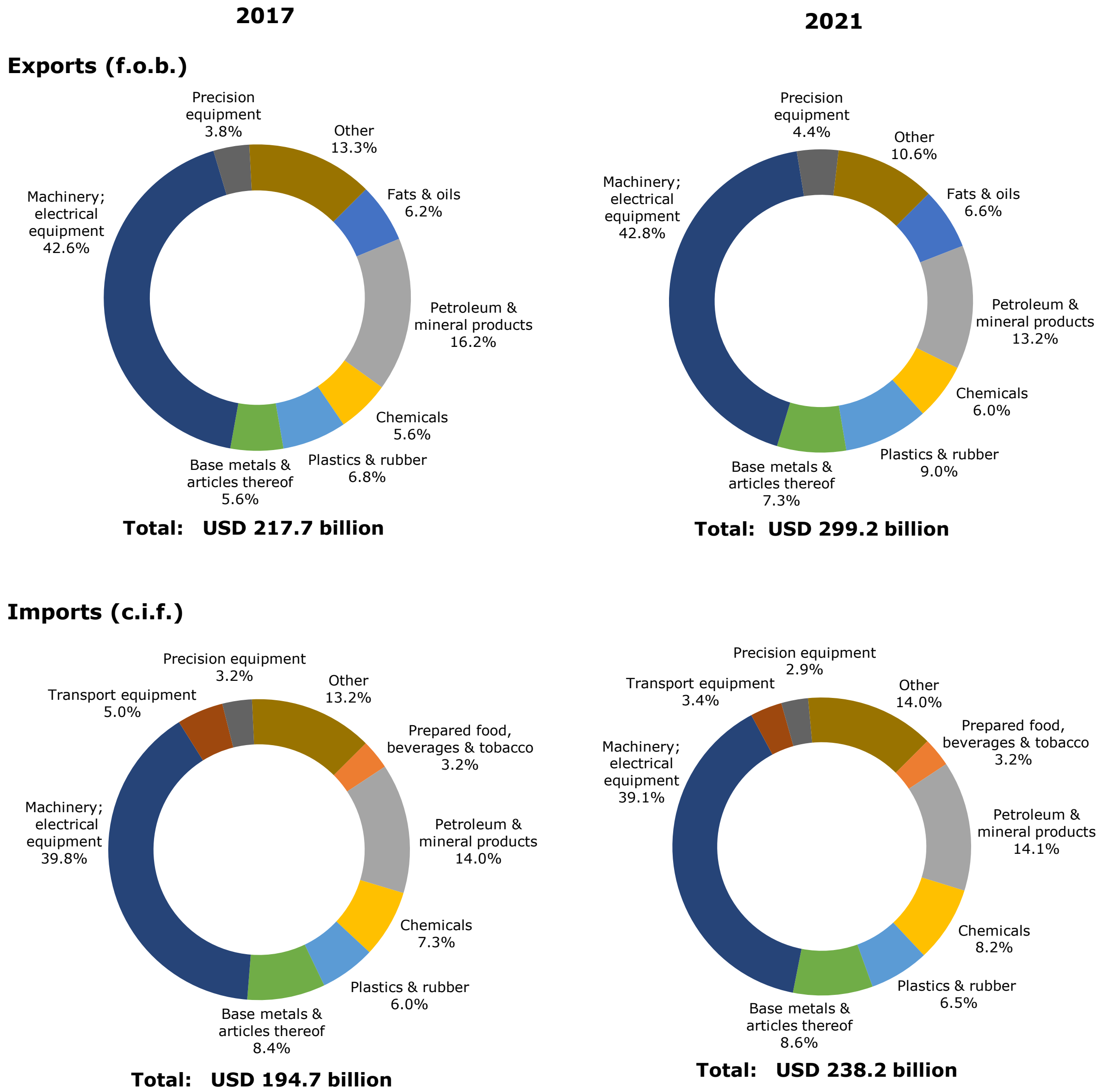
[59] Bank Negara Malaysia, *International Reserves of Bank Negara Malaysia as at 30 August 2022*. Viewed at: https://www.bnm.gov.my/-/international-reserves-of-bank-negara-malaysia-as-at-30-august-2022.

[60] IMF (2022), IMF Country Report No. 22/126. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2022/04/28/Malaysia-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-517398.

[61] World Bank, *The World Bank in Malaysia*. Viewed at: https://www.worldbank.org/en/country/malaysia/overview#1.

[62] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

Chart 1.1 Product composition of merchandise trade by main HS section, 2017 and 2021



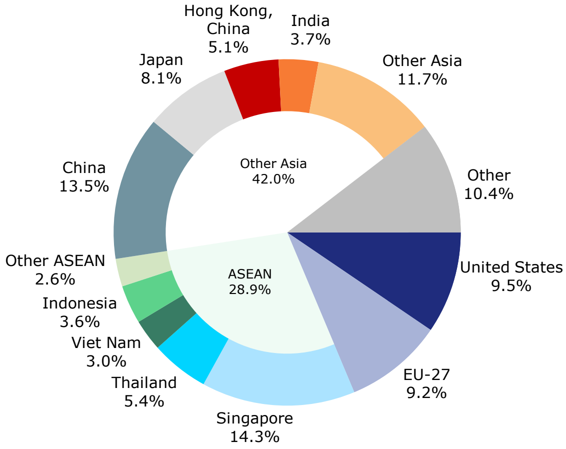
Source: WTO Secretariat calculations, based on UN Comtrade database.

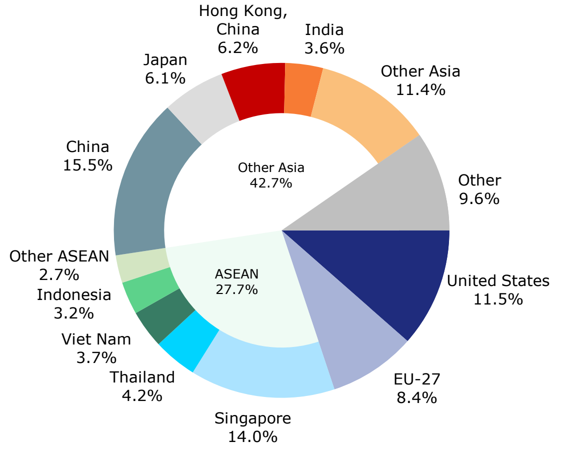
1.27. At the same period, Malaysia's more than 70% dependence on merchandise trade with economies in the region remained unchanged, with shares varying on annual basis for both imports and exports (Chart 1.2, and Tables A1.3 and A1.4). Notwithstanding some fluctuation in trade shares, as of 2021, 25.9% (27.2% in 2018) of total merchandise trade was conducted with trading partners from the Association of Southeast Asian Nations (ASEAN) (Section 2.3.2.1). Malaysia's main individual trading partners remain China, Singapore, the European Union (EU-27), and the United States.

Chart 1.2 Direction of merchandise trade, 2017 and 2021

2017 **2021**

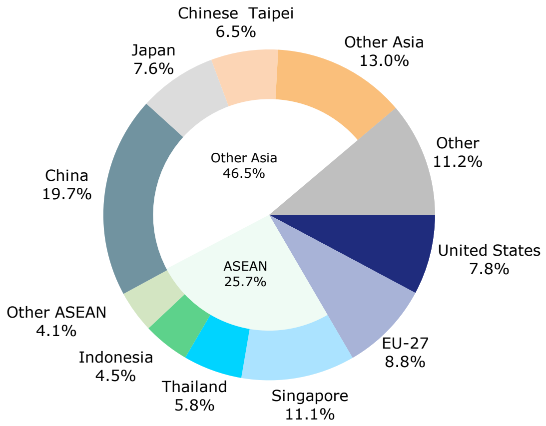
(a) Exports (f.o.b.)

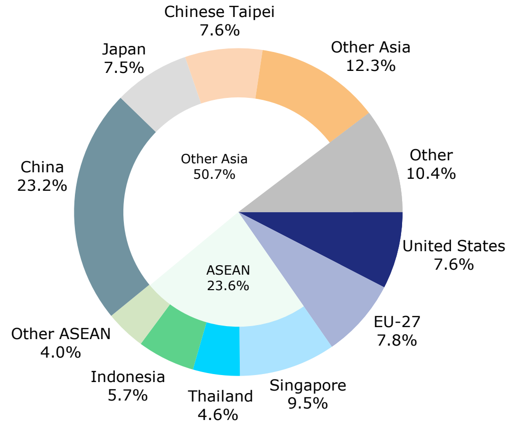




Total: USD 217.7 billion **Total: USD 299.2 billion**

(b) Imports (c.i.f.)





Total: USD 194.7 billion **Total: USD 238.2 billion**

Source: WTO Secretariat calculations, based on UN Comtrade database.

1.28. During the review period, Malaysia remained a net importer of services, running a deficit in the services account that bottomed at 0.7% of GDP in 2019, then rose to peak at 3.9% of GDP in 2021 (Section 1.2.4.5, and Tables 1.1, 1.3, and 1.4). Other business services, transportation, travel, and manufacturing services remain the major traded services.

Table 1.4 Trade in services, 2017-21

	2017	2018	2019	2020	2021
Total credit (MYR billion)	159.4	162.4	170.2	93.0	86.7
	(% of total credit)				
Manufacturing services on physical inputs owned by others	6.7	7.2	7.0	13.7	17.8
Maintenance and repair services	1.1	1.3	1.4	2.0	2.0
Transport	12.1	12.6	12.8	14.8	17.8
Travel	49.5	48.8	48.3	13.4	0.4
Construction	2.6	2.1	1.6	3.5	4.4
Insurance and pension	0.8	0.8	0.9	1.9	2.3
Financial services	1.4	1.5	1.5	2.9	2.9
Charges for intellectual property	0.8	0.7	0.5	1.1	1.4
Telecommunication, computer and information	7.2	7.0	7.3	14.4	15.9
Other business services	16.2	16.5	17.2	29.3	31.2
Personal, cultural and recreational services	1.3	1.2	1.4	2.7	3.4
Government goods and services n.i.e.	0.3	0.2	0.2	0.4	0.4
Total debit (MYR billion)	182.2	179.9	181.1	140.1	147.5
	(% of total debit)				
Manufacturing services on physical inputs owned by others	0.2	0.3	0.3	0.6	0.9
Maintenance and repair services	1.1	1.1	1.3	1.3	1.4
Transport	26.8	26.8	26.3	29.4	32.5
Travel	25.5	27.2	28.3	14.3	10.1
Construction	9.2	6.5	3.1	2.7	3.0
Insurance and pension	5.4	5.5	5.4	6.7	7.1
Financial services	1.3	1.4	1.5	1.8	1.8
Charges for intellectual property	4.3	4.5	5.1	7.2	7.3
Telecommunication, computer and information	7.2	7.3	8.1	11.9	11.9
Other business services	16.2	17.0	18.2	21.2	21.0
Personal, cultural and recreational services	1.9	1.8	1.8	2.1	2.3
Government goods and services n.i.e.	1.0	0.6	0.6	0.7	0.8

Source: Department of Statistics Malaysia, *eStatistik*.

1.3.2 Trends and patterns in FDI

1.29. Inward foreign direct investment (FDI) is not only an additional source of capital, but it also brings entrepreneurship, management skills, and especially new technology, which contribute to improved multifactor productivity. Malaysia's relatively liberal foreign investment regime and ease of doing business continued to ensure robust and rising FDI inflows during the review period. On a balance of payments basis, FDI inflows bottomed in 2020 amid the contraction in global economic activity, domestic lockdown measures to contain the pandemic and low commodity prices, and peaked in 2021 (Table 1.3) driven by the recovery in global and domestic economies, which encouraged global multinational corporations to expand capacity and undertake new investment in the country. Malaysia's FDI was also supported by the continued global technology upcycle as foreign firms invested to meet rising demand for electrical and electronics (E&E)-related products. Between 2017 and 2021, inward FDI stock rose steadily by 32.5%. As of 2020, it remained largely allocated to services (mainly finance and insurance/takaful activities) and manufacturing; it mainly originated in Singapore; Hong Kong, China; and Japan (Table 1.5).

Table 1.5 Stock of foreign direct investment in Malaysia, 2017-21

	2017	2018	2019	2020	2021
Total (MYR billion – end-period)	595.5	639.7	687.8	684.9	788.8
% of GDP	43.4	44.2	45.5	48.3	51.0
By sector (% of total)					
Agriculture, forestry and fishing	2.0	1.8	1.8	1.6	1.8
Mining and quarrying	8.3	7.1	6.5	5.1	5.3
Manufacturing	39.4	40.8	39.5	39.9	42.2
Construction	1.5	1.5	1.7	1.6	1.5
Services	48.8	48.8	50.6	51.7	49.2
Wholesale and retail trade	6.9	5.9	5.9	6.0	5.6
Finance and insurance/takaful activities	20.9	23.8	23.0	24.8	22.5
Information and communication	8.1	5.9	5.4	5.0	4.8
Other services	12.8	13.1	16.2	16.0	16.3

	2017	2018	2019	2020	2021
By partner (% of total)					
Singapore	19.7	18.7	20.7	22.2	21.4
Hong Kong, China	9.5	11.7	12.8	12.2	10.9
Japan	12.1	12.8	10.9	11.0	10.5
United States	5.6	5.8	6.0	5.8	9.7
Netherlands	6.8	6.9	8.5	7.8	7.8
Switzerland	5.0	6.6	6.1	5.5	4.1
United Kingdom	3.5	3.4	3.2	2.6	3.8
British Virgin Islands	4.8	3.2	2.9	3.3	3.6
China	3.0	2.8	2.6	3.3	3.2
Korea, Rep. of	2.9	2.7	2.1	2.1	2.5
Germany	4.1	3.9	3.3	3.1	2.4
Cayman Islands	2.5	2.3	2.6	2.5	2.3
Bermuda	2.8	2.3	1.7	1.8	1.6
Australia	1.2	1.3	1.0	1.2	1.3
Denmark	1.0	1.0	1.2	1.0	1.2
France	1.0	1.1	1.1	1.1	1.0
Chinese Taipei	0.8	0.6	0.5	0.6	0.6
Thailand	0.2	0.2	0.2	0.7	0.2
Other	13.7	12.8	12.5	12.3	11.9

Source: Bank Negara Malaysia.

1.30. Malaysia remains not only an exporter of goods, but also of capital, with domestic companies investing their earnings and savings abroad. As such, there is considerable direct investment abroad (DIA) by Malaysian companies. On a balance of payments basis, DIA outflows peaked in 2019 and bottomed in 2020 to recover at 81.1% of their 2017 level in 2021 (Table 1.3). DIA outflows were lower in 2020 and were mainly channelled into the financial services and information and communication services sub-sectors, as well as manufacturing and mining sectors, with Canada, the United Kingdom, and Indonesia being the major recipients. In 2021, DIA outflows were higher and mainly channelled into the same activities in the Netherlands, Canada, and Indonesia. DIA stock declined considerably in 2018 as from when it rose progressively by an overall 3.9% above its 2017 level in 2021 (Table 1.6). During the review period, it remained concentrated in the services sectors (mainly financial, insurance, and takaful activities) followed by sizeable investments in the mining, agricultural, and manufacturing sectors. The bulk was channelled into Singapore, Indonesia, the United Kingdom, and the Cayman Islands.

Table 1.6 Stock of direct investment abroad, 2017-21

	2017	2018	2019	2020	2021
Total (MYR billion – end-period)	526.5	489.0	498.4	515.1	547.0
% of GDP	38.4	33.8	32.9	36.3	35.4
By sector (% of total):					
Agriculture, forestry and fishing	7.8	8.1	8.5	8.7	8.1
Mining and quarrying	15.6	16.8	15.2	13.1	11.9
Manufacturing	7.2	7.4	7.3	7.1	9.8
Construction	2.3	2.2	1.5	1.5	1.8
Services	67.2	65.6	67.5	69.6	68.4
Wholesale and retail trade	2.6	2.6	2.4	2.1	2.1
Finance and insurance / takaful activities	35.8	41.3	43.2	44.4	43.2
Information and communication	9.0	-0.6	-0.5	0.5	0.4
Other services	19.7	22.2	22.4	22.7	22.7
By partner (% of total):					
Singapore	17.5	19.1	19.5	21.3	20.0
Indonesia	8.6	9.5	9.5	9.4	9.4
United Kingdom	4.9	6.1	6.1	6.5	6.4
Cayman Islands	5.7	6.1	7.1	6.6	6.3
Netherlands	1.1	1.6	2.2	2.2	4.6
Canada	5.3	2.9	2.6	3.3	4.1
United States	1.4	3.7	3.9	3.5	3.6
Hong Kong, China	3.2	3.3	3.1	3.0	2.6
British Virgin Islands	3.1	3.0	3.0	2.4	2.4
China	1.7	2.0	2.0	2.2	2.3
Thailand	1.8	1.9	2.1	2.2	2.3
Viet Nam	1.2	1.5	1.8	2.0	2.3
Cambodia	0.9	1.1	1.2	1.3	1.4

	2017	2018	2019	2020	2021
Chinese Taipei	1.0	0.4	0.4	0.7	0.8
Philippines	0.2	0.3	0.4	0.5	0.8
Germany	1.0	0.8	0.7	0.7	0.7
Australia	4.7	4.7	2.9	2.1	0.5
India	3.2	0.3	0.3	0.3	0.4
United Arab Emirates	0.2	0.2	0.3	0.2	0.2
Other	33.3	31.3	30.9	29.6	28.9

Source: Bank Negara Malaysia.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. The Federal Constitution of Malaysia provides for Malaysia as a federation of 13 states and 3 federal territories. The Yang di-Pertuan Agong is the Supreme Head of the Federation and acts as a constitutional monarch. There are three branches of government, i.e. the executive, the legislature, and the judiciary. Each state is headed by its own ruler and has similar structures of government for non-federal matters. Islam is the religion of the Federation, but other religions may be practised in peace and harmony in any part of the Federation.

2.2. Federal legislative authority is vested in a Parliament comprising the Yang di-Pertuan Agong, the House of Representatives, and the House of Senate. The House of Representatives comprises 222 elected members while the House of Senate comprises 70 elected and appointed members. Unless dissolved earlier, Parliament continues for five years from the date of its first meeting and then stands dissolved. Once dissolved, a general election must be held within 60 days of the dissolution and Parliament shall be summoned to meet on the date not later than 120 days from that date. Under the Westminster system adopted by Malaysia, Parliament may also be dissolved by the Yang di-Pertuan Agong upon advice of the Cabinet before the expiry of the life of the legislature, or upon request of the Prime Minister should he cease to command the confidence of the majority of the members of the House of Representatives.

2.3. Dissolution of Parliament does not affect the membership of the House of Senate. Of the 70 members, 26 are elected by the State Legislative Assembly, 2 for each state (irrespective of size or importance) and 4 for the federal territories. The other 44 members are appointed by the Yang di-Pertuan Agong on the advice of the Cabinet and must be persons who have rendered distinguished public service or have achieved distinction in the professions, commerce, industry, agriculture, cultural activities, or social service, or who are representative of racial minorities or are capable of representing the interests of aborigines. A Senator's term of office is three years. It is not affected by the dissolution of Parliament and the term shall not be more than two terms either continuously or otherwise.

2.4. The powers and authority of Parliament and the state legislatures to make laws are derived from the Federal Constitution. It distributes the powers to legislate between Federal Parliament and the state legislatures, and the law-making bodies must operate and act within their own or respective spheres of constitutional legislative function and authority prescribed by the Federal Constitution. The distribution of legislative powers between the Federation (to be exercised by Parliament) and the state (to be assumed by the state legislatures) are set out in the Federal List, the State List, the Concurrent List, the Supplement to State List for States of Sabah and Sarawak, and the Supplement to Concurrent List for States of Sabah and Sarawak in the Ninth Schedule to the Federal Constitution. The state legislatures may make laws with respect to any matters not enumerated under any of the subject matters in any one of the Legislative Lists.

2.5. Treaties and other international legal instruments have no legal force in Malaysia until and unless they are incorporated into municipal or domestic law. Pursuant to Article 76(1)(a) of the Federal Constitution, Parliament may make laws with respect to any matter in the State List but no law shall be made for that purpose with respect to any matters of Islamic law or the custom of the Malays or to any matters of native law or custom in the States of Sabah and Sarawak. Furthermore, no bill for a law for the purpose of implementing any treaty, agreement, or convention between the Federation and any other country, or any decision of an international organization of which the Federation is a member, for the purpose of promoting uniformity of the laws of two or more states or if so requested by the Legislative Assembly of any state shall be introduced into either House of Parliament until the government of any state concerned has been consulted.

2.6. Malaysia's legal system is based mainly on British common law tradition, and all courts take cognizance of federal and state laws. The highest court, the Federal Court, has original, appellate, referral, and consultative jurisdiction. The Federal Court has an exclusive original jurisdiction to determine whether a law made by Parliament or the legislature of a state is invalid on the grounds that it makes provision with respect to a matter it has no power to legislate and decide disputes on any other question between states or between the federation and any state. In exercising its appellate jurisdiction, the Federal Court hears appeals referred to it by the Court of Appeal, the

High Court in Malaya, and the High Court of Sabah and Sarawak. In exercising its referral jurisdiction, the Federal Court has the jurisdiction to decide a question that may have arisen in another court concerning interpretation or the effect of any provision of the Federal Constitution. When the Federal Court has decided, it shall remit the case to the other court to be disposed of in accordance with the determination. The Federal Court in exercising its consultative jurisdiction shall pronounce in open court its opinion on the question referred to it by the Yang di-Pertuan Agong regarding the effect of any provision in the Federal Constitution (which has arisen or appears likely to arise). The Court of Appeals has jurisdiction over decisions of High Court and Session Court. Matters of Islamic law are decided by Shariah Courts. Native Courts were established under the law of the states of Sabah and Sarawak. They serve as a mechanism for settling disputes concerning breach of customary law among the natives in the state.

2.7. The executive branch of government consists of the Cabinet of Ministers led by the Prime Minister. The Prime Minister is appointed by the Yang di-Pertuan Agong from among the members of the House of Representatives (the person who in his judgement is likely to command the confidence of the majority of the members of that House). The Yang di-Pertuan Agong on the advice of the Prime Minister appoints other Menteri (Ministers) from among the members of either House of Parliament. The rest of the members of the Cabinet are selected from either House of Parliament and are collectively responsible to Parliament. The current government, formed on 21 August 2021, comprises 4 Senior Ministers, 26 ministers, and 38 deputy ministers.

2.2 Trade Policy Formulation and Objectives

2.8. The Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan) is transformational and designed to inject fundamental reforms to alter the development trajectory of Malaysia. While it is recognized that the COVID-19 pandemic accelerated the adoption of digital technology through its impact on business operations and the way people interact, the pandemic also exacerbated socio-economic inequalities and disparities. The formulation of the Twelfth Plan has taken into account the strategy of phased reopening of the economy and the eight stimulus packages (amounting to more than 35% of GDP) under the National Recovery Plan, introduced in June 2021. The Twelfth Plan is organized around three key themes (resetting the economy; strengthening security, wellbeing, and inclusivity; and advancing sustainability), four catalytic policy enablers (developing talent, accelerating innovation and technology adoption, enhancing connectivity and transport infrastructure, and improving public service), and 14 "game changers". The development priorities are aligned with the Sustainable Development Goals of the 2030 Agenda for Sustainable Development.

2.9. Since its establishment in 2009, the Malaysian Anti-Corruption Commission has been responsible for combatting corruption through investigation, prevention, and community action. Several high-profile scandals in the public sector in recent times exposed weaknesses in procurement practices, enforcement, and administration, and seriously eroded public confidence in institutional transparency and credibility. The National Anti-Corruption Plan 2019-2023 focuses on six dimensions of importance: political governance, public sector administration, public procurement, laws and the administration of justice, law enforcement, and corporate governance. The plan's 17 strategic objectives encompass 115 initiatives to be implemented over the 5 years. According to the National Centre for Governance, Integrity and Anti-Corruption), 29 initiatives had been implemented by the end of 2020, notably the establishment of a code of ethics for members of the administration.

2.10. The Ministry of International Trade and Industry (MITI) is responsible for international trade, including strategic trade, as well as matters pertaining to investment, productivity, development finance, small and medium-sized enterprises (SMEs), industry generally, and the specific development of the halal, automotive, and steel subsectors. The MITI carries out its functions together with associated agencies such as the Malaysian Investment Development Authority (MIDA), the Malaysian External Development Corporation, the Malaysia Productivity Corporation, Malaysian Industrial Development Finance, the Malaysia Automotive, Robotics and IOT Institute, the Malaysia Steel Institute, SIRIM Berhad, Exim Bank, Department of Standards Malaysia, Invest KL, Halal Development Corporation, Malaysia Design Council, and National Development Council.

2.11. On 31 October 2018, the National Policy on Industry 4.0 (Industry 4WRD) was launched to drive the digital transformation of the manufacturing and related services sectors by facilitating companies to embrace Industry 4.0 technologies in a systematic and comprehensive manner, and be smarter and more strongly driven by people, process, and technology. The policy envisions

Malaysia to be a strategic partner for smart manufacturing and related services in Asia-Pacific, a primary destination for high-tech industries, and a total solutions provider for advanced technology. Transformation progress is to be monitored through indicators on labour productivity growth (a 30% increase is targeted), manufacturing's contribution to the economy, the capacity to innovate (global innovation index ranking), and the creation of high-skilled jobs. The "enablers" of Industry 4WRD involve funding and outcome-based incentives, an enabling ecosystem and efficient digital infrastructure, the adoption of Industry 4.0 technologies and processes with regulatory support, upskilling and producing future talent, and access to smart technologies and standards.[1]

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.12. As a strong supporter of multilateral cooperation, Malaysia participates actively in the WTO. Over the last two years, Malaysia has chaired the Committee of Participants on the Expansion of Trade in Information Technology Products as well as the Working Groups on Trade and Transfer of Technology and Trade, Debt and Finance. Malaysia has joined the Joint Statement Initiatives on electronic commerce, investment facilitation for investment, and micro, small, and medium-sized enterprises. For Malaysia, the WTO with its principles of non-discrimination and transparency provides stability, security, and predictability to the conduct of trade. Malaysia welcomes the outcomes of the 12th Ministerial Conference towards the curbing of harmful fisheries subsidies, responding to the COVID-19 pandemic, facilitating purchases by the World Food Programme, and continuing the moratorium on customs duties on electronic transmissions.

2.13. Malaysia is a strong advocate at the WTO of special and differential treatment, which it sees as a fundamental developmental tool that has facilitated its own integration into the global economy. Among the priorities in revitalizing the negotiating functions of the WTO, Malaysia considers it essential to find a permanent solution to the issue of public stockholding of agricultural commodities. Supporting efforts on WTO reform, Malaysia considers an effective dispute settlement mechanism critical to ensure equal and impartial application of multilateral trade rules.

2.14. Malaysia has not been involved in new WTO dispute settlement cases as a respondent since 2018. At the request of Malaysia, the WTO established a dispute panel in July 2021 to examine EU measures affecting palm oil and oil palm crop-based biofuels. It has reserved its third-party rights in 17 recent cases, namely the *United Arab Emirates – Goods, Services and IP Rights*, complaint by Qatar (DS526); *US – Fish Fillets*, complaint by Viet Nam (DS536); *US – Steel and Aluminium Products*, complaints by China (DS544), India (DS547), the European Union (DS548), Canada (DS550), Mexico (DS551), Norway (DS552), the Russian Federation (DS554), Switzerland (DS556), and Turkey (DS564); *US – Safeguard Measures on PV Products*, complaints by the Republic of Korea (DS545) and China (DS562); *Russia – Additional Duties*, complaint by the United States (DS566); *India – Additional Duties*, complaint by the United States (DS585); *EU – Palm Oil*, complaint by Indonesia (DS593); and *Australia – AD/CVD on Certain Products*, complaint by China (DS603).

2.15. Malaysia provided notifications on many subjects covered by the WTO framework during the review period (Table A2.1). However, their timeliness could be improved in some areas. In agriculture, the most recent notifications on domestic support date from August 2022 and 2018, covering the periods 2015 and 2012-14, respectively. Moreover, Malaysia's obligations under Article III:3 of the GATS to notify "any new, or any changes to existing laws, regulations or administrative guidelines which significantly affect trade in services" remain unfulfilled.

2.3.2 Regional and preferential agreements

2.3.2.1 Association of Southeast Asian Nations (ASEAN)

2.16. Malaysia forms the ASEAN together with Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Myanmar, Philippines, Singapore, Thailand, and Viet Nam. ASEAN leaders decided to establish the ASEAN Free Trade Area (AFTA) in 1992. The main instrument for the reduction and eventual elimination of intra-regional tariffs was the Common Effective Preferential

[1] The entire policy document may be downloaded from the Official Portal of the Ministry of International Trade and Industry: https://www.miti.gov.my/index.php/pages/view/industry4WRD?mid=814.

Tariff (CEPT). AFTA members do not apply a common external tariff to imports from third countries, and export duties remain national policy instruments.

2.17. ASEAN leaders took regional integration efforts one step further when they decided to establish the ASEAN Economic Community (AEC) in 2003, aiming at the free movement of goods, services, investment, skilled labour, and liberalized capital flows. The original deadline for the creation of the AEC of 2020 was later pushed forward to 2015. The CEPT scheme was replaced by the ASEAN Trade in Goods Agreement (ATIGA) in 2010 with a view to establishing a single market and production base. ATIGA consolidated and streamlined rights and obligations, including for the modification of concessions and trade remedies, and expanded the scope to full tariff reduction, addressing non-tariff measures (such as TBT and SPS) and behind-the-border measures, trade facilitation, and transparency.[2] ATIGA was amended in January 2019 to simplify rules or origin requirements through self-certification by the operators. ASEAN economic ministers agreed to upgrade ATIGA in March 2022. The negotiations are expected to commence in 2022. The agreement may include new elements such as digital trade in making the agreement modern and relevant to cater to business needs.

2.18. Trade facilitation is embedded in the AEC Blueprint 2025, and includes the ASEAN Self-Certification Scheme; the ASEAN Single Window, which integrates ASEAN member States' national single windows to enable exchange of electronic trade documents via a streamlined, synchronized submission and processing of data for faster clearance of cargo and release of shipments; the ASEAN Trade Repository, bringing together comprehensive national trade repositories of trade and customs legislation and trade-related information (e.g. rules of origin, administrative rulings, lists of authorized economic operators); the ASEAN Solutions for Investments, Trade and Services (a consultative mechanism to resolve issues encountered by enterprises expeditiously); the ASEAN Customs Transit System; and the ASEAN Trade Facilitation Joint Consultative Committee.

2.19. The ASEAN Framework Agreement on Services (AFAS) covers horizontal commitments by the member States, specific commitments at sector/subsector levels, and lists of MFN exemptions. Liberalization has proceeded gradually through the adoption of packages; the last such package (10^{th}) was concluded in 2018. Liberalization of financial services and air transport is conducted through separate packages. In addition, trade in certain professional services is facilitated through mutual recognition agreements (MRAs) covering accountancy, medical professionals, dental practitioners, engineering services, nursing services, architectural services, and a framework MRA for surveying qualifications. The ASEAN Trade in Services Agreement (ATISA), which entered into force on 5 April 2021, has become the new legal instrument for further integration of services sectors within ASEAN.

2.20. The ASEAN Comprehensive Investment Agreement (ACIA) aims at the creation of a free and open investment environment within an integrated economic community through progressive liberalization of the investment regimes of the member States. ACIA foresees progressive liberalization of existing investment restrictions in manufacturing, agriculture, fisheries, forestry and mining, and services incidental to these sectors. ACIA strengthens investment protection and enhances the transparency of laws, regulations, and administrative guidelines related to investment. Restrictions maintained under the ACIA Reservation Lists may be phased out or eliminated. Three protocols to amend ACIA have been adopted since its initial conclusion in 2009, but these modifications did not concern measures maintained by Malaysia.

2.21. The ASEAN Agreement on Electronic Commerce, signed on 22 January 2019 and in force since 2 December 2021, is intended to facilitate e-commerce transactions within ASEAN. It includes elements such as harmonized consumer rights and protection laws, a harmonized legal framework for online dispute resolution, e-identification and authorization (electronic signature) schemes, and a framework for personal data protection.

[2] Malaysia includes alcoholic beverages, arms, and weapons (82 tariff lines) on its General Exclusion List and applies tariffs ranging from 5% to 20% on certain highly sensitive items (i.e. rice products), tobacco, and tropical fruit (73 tariff lines).

2.22. ASEAN member States have pursued trade liberalization with partners in the region through a network of FTAs (Table 2.1). The most recent ASEAN FTA – with Hong Kong, China (known as the AHKFTA) – was signed in March 2018, and depending on the domestic ratification processes in the member States, entered into force between June 2019 and February 2021. The AHKFTA comprises 14 chapters addressing market access liberalization, trade facilitation, rules to promote confidence in trade, and cooperation to facilitate trade in the region. Currently, subcommittees on rules of origin and investment are undertaking work under the built-in agenda in their respective areas.

Table 2.1 Malaysia's regional (ASEAN) and bilateral FTAs, 2022

Regional/ bilateral FTAs	Coverage/principal instruments	Implementation date (by Malaysia)	Further information
ASEAN Free Trade Area	Common Effective Preferential Tariff (CEPT) Scheme, superseded by the ASEAN Trade in Goods Agreement (ATIGA). ASEAN Framework Agreement on Services (AFAS). ASEAN Trade in Services Agreement (ATISA), signed on 07/10/2020. ASEAN Agreement on the Movement of Natural Persons, signed on 19/11/2012. ASEAN Comprehensive Investment Agreement (ACIA). Three protocols to amend ACIA have been signed.	29/03/2012	https://asean.org/asean-trade-in-goods-agreement-atiga/
ASEAN – Australia, New Zealand (AANZFTA)	Trade in goods, services, investment, movement of natural persons, intellectual property, competition policy, economic cooperation.	01/01/2010	http://aanzfta.asean.org https://fta.miti.gov.my/index.php/pages/view/asean-australia-newzealand
ASEAN – China (ACFTA)	Trade in goods and services, investment, early harvest programme, dispute settlement, economic cooperation. Protocol to upgrade the ACFTA signed on 22/11/2015.	2005 (goods) 2007 (services)	
ASEAN – India	Goods and services.	01/01/2010 (goods) 01/07/2015 (services)	
ASEAN – Japan (AJCEP)	Goods, and services, investment, rules of origin, TBT, SPS, dispute settlement, economic cooperation.	2009	https://fta.miti.gov.my/index.php/pages/view/asean-japan?mid=36
ASEAN – Korea (AKFTA)	Goods and services.	2007 (goods) 2009 (services)	https://fta.miti.gov.my/index.php/pages/view/asean-korea?mid=37
ASEAN – Hong Kong, China (AHKFTA)	Goods and services, customs procedures and trade facilitation, intellectual property, economic and technical cooperation, dispute settlement.	13/10/2019	https://asean.org/wp-content/uploads/2012/05/AHKFTA-compressed.pdf Its annexes: https://asean.org/wp-content/uploads/2012/05/AHKFTA-annex-2-11.pdf and https://asean.org/wp-content/uploads/2012/05/Annex-8-1-compressed.pdf Investment: https://asean.org/wp-content/uploads/2012/05/AHKIA.pdf

Regional/ bilateral FTAs	Coverage/principal instruments	Implementation date (by Malaysia)	Further information
Malaysia – Australia	Goods and services.	01/01/2013	Malaysia-Australia Free Trade Agreement
Malaysia – Chile	Goods.	25/02/2012	MCFTA Agreement
Malaysia – India	Goods and services.	01/07/2011	Comprehensive Economic Cooperation Agreement between the Republic of India and Malaysia
Malaysia – Japan	Goods and services.	13/07/2006	MJEPA Agreement to be read together with the Implementing Agreement
Malaysia – New Zealand	Goods and services.	01/08/2010	MNZFTA Agreement
Malaysia – Pakistan	Goods and services.	01/01/2008	MPCEPA Agreement
Malaysia – Türkiye	Goods.	01/08/2015	MTFTA Agreement

Source: WTO Secretariat, based on information provided by the authorities.

2.23. The ASEAN-Korea FTA (AKFTA) is currently undergoing a joint review study. The final report is targeted to be endorsed during the 20th AKFTA-IC Meeting in the second quarter of 2023. Regarding the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), the agreement was initially limited to trade in goods, but additional chapters on trade in services, movement of natural persons, and investment were agreed in 2016. These chapters were incorporated into AJCEP through a First Protocol, which Malaysia ratified on 5 April 2021, and which entered into force (for Malaysia) on 1 July 2021. Malaysia has been implementing the AJCEP Tariff Reduction Schedule (in HS17) since 1 July 2020. Implementation of product-specific rules (also in HS17) under the AJCEP is targeted for implementation by 1 March 2023.

2.24. Within the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation, the parties have agreed to activate a joint committee to make their ASEAN-India Trade in Goods Agreement (AITIGA) more user-friendly, simple, and trade facilitative for businesses. The ASEAN-India Trade in Services Agreement and the ASEAN-India Investment Agreement entered into force on 1 July 2015. Negotiations to upgrade the AANZFTA have been underway since October 2020 and are expected to be concluded by the end of 2022.

2.3.2.2 Bilateral FTAs

2.25. Malaysia has concluded bilateral FTAs that are either stand-alone FTAs (Chile, Pakistan, and Türkiye) or complement the ASEAN FTAs with the same partners (Australia, New Zealand, India, and Japan). Although the AANZFTA is the single most ambitious undertaking made by ASEAN, the Malaysia-Australia FTA is also a comprehensive agreement that covers goods, services, investment, and economic cooperation, as well as provisions for intellectual property rights, e-commerce, and competition policy. No new bilateral FTAs have been concluded since 2018.

2.26. Although ASEAN member States and the European Union have discussed the establishment of a region-to-region ASEAN-EU FTA in the past, the joint committee formed to detail the modalities, work programme, and timetable paused its work in 2009, and the European Union moved to pursue bilateral FTAs. With Malaysia, the negotiations for an FTA reached an impasse in 2012 as both sides had exhausted their negotiating options. Instead, Malaysia and the European Union concluded an Agreement on Partnership and Cooperation in December 2015. Negotiations with European Free Trade Association (EFTA) countries for a partnership agreement were initiated in 2012, and the last round of negotiations (13th) was held in October 2022.

2.3.3 Other agreements and arrangements

2.3.3.1 Regional Comprehensive Economic Partnership (RCEP) Agreement

2.27. The RCEP Agreement, which entered into force on 1 January 2022 for most of the participants, broadens and deepens the engagement between the 10 member States of ASEAN and five of its FTA partners (Australia, China, the Republic of Korea, Japan, and New Zealand). The 20 chapters of the RCEP Agreement include areas not covered in the existing ASEAN FTAs with its partners such as government procurement. Among the key elements of the trade in goods chapter (Chapter 2) are reduction and elimination of customs duties, duty-free temporary admission, general elimination of quantitative restrictions, and enhanced transparency in the application of non-tariff measures, import licensing procedures, and fees and formalities.

2.28. Provisions on reasonability, objectivity, and impartiality of domestic regulations in the trade in services chapter (Chapter 8) go beyond the existing FTAs. The general removal of restrictive and discriminatory measures is combined with a negative list approach for the scheduling of services commitments. Specific annexes on financial services, telecommunication services, and professional services govern the further liberalization of these sectors. Chapter 9 of the RCEP Agreement is designed to facilitate the temporary entry and stay of natural persons engaged in trade in goods or services, or investment activity.

2.29. The investment chapter, which is based on four pillars (protection, liberalization, promotion, and facilitation), also addresses investor aftercare, e.g. assistance in resolving complaints and grievances, and sets up a work programme on investor-state dispute settlement provisions. The provisions relating to intellectual property rights go beyond the WTO TRIPS Agreement, notably with respect to technological protection measures and enforcement in a digital environment, with appropriate criminal procedures and penalties to be applied to unauthorized commercial-scale copying of cinematographic works. Procedures for the establishment of certain intellectual property rights are aligned and streamlined, for example in regard of electronic filing of applications and online availability of relevant information.

2.30. Regarding electronic commerce, the parties have agreed to adopt or maintain a legal framework that constitutes a conducive environment for e-commerce, including the protection of consumer rights and protection of user information. Data-related issues, such as the location of computing facilities and electronic cross-border transfer of information, are also addressed. Other areas specifically covered in the RCEP Agreement include customs procedures and trade facilitation, rules of origin, TBT and SPS matters, trade remedies, competition policy, SMEs, government procurement, and economic and technical cooperation.

2.31. For Malaysia, participation in RCEP mainly involved revision of its IP laws governing patents, copyright, and geographical indications. Parliament amended the three laws in December 2021, which paved the way for Malaysia's deposit of its instrument of ratification with the ASEAN Secretariat in January 2022. The RCEP Agreement entered into force for Malaysia on 18 March 2022.

2.3.3.2 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

2.32. The CPTPP is a separate treaty that incorporates, by reference, the provisions of the original Trans-Pacific Partnership (TPP) Agreement. Certain provisions of the TPP remain suspended until the CPTPP partners agree, by consensus, to remove their reservations. Malaysia was among the 11 countries that signed the CPTPP in March 2018, and it has concluded bilateral arrangements (side letters) with some its partners in the context of the CPTPP. Malaysia submitted its instrument of ratification to New Zealand (the CPTPP's depositary) on 30 September 2022. Malaysia was the ninth signatory to ratify the CPTPP, and the Agreement officially took effect for Malaysia on 29 November 2022.

2.3.3.3 Indo-Pacific Economic Framework (IPEF)

2.33. Although the stated purpose is not to create an FTA, the negotiations launched on 23 May 2022 to establish the IPEF are to address fair and resilient trade; supply chain resilience; clean energy, decarbonization, and infrastructure; and tax and anti-corruption. Malaysia has taken the position to participate in all the pillars. The IPEF Ministerial meeting held on 8-9 September 2022 concluded and adopted ministerial statements for all the pillars. The next phase of the framework is to negotiate the agreements for each pillar.

2.3.3.4 Other arrangements

2.34. Malaysian exporters are eligible for GSP treatment in Norway, Switzerland, and Liechtenstein.[3] Malaysia is a signatory to the Global System of Trade Preferences among Developing Countries, under which it grants a 10% preferential tariff for certain woven fabrics made of man-made fibres.

2.35. As a member of the Asia-Pacific Economic Cooperation (APEC), in respect of achieving free and open investment by 2020 through reduction in trade barriers and promotion of free flow of goods, services, and capital (the Bogor Goals), Malaysia submitted its Individual Action Plan for 2018 as well as the final review of the Bogor Goals in 2020.[4] During Malaysia's tenure as host in 2020, APEC Ministers issued a declaration to ensure the openness of the supply chain for essential goods during the pandemic, and Malaysia participated in a survey that led to a report on non-tariff measures on essential goods during the COVID-19 pandemic in the APEC region.[5]

2.36. The APEC Economic Committee oversees structural reforms in six areas: competition policy, regulatory reform, ease of doing business, strengthening economic and legal infrastructure, public sector governance, and corporate law governance. Under the Enhanced APEC Agenda for Structural Reform 2021-2025, Malaysia holds several leadership roles in the Economic Committee, notably on regulatory reform, and it is the "Champion Economy" for resolving insolvency under the Third APEC Ease of Doing Business Action Plan 2020-2025.[6] Malaysia has led capacity-building programmes on regulatory policy development, good regulatory practice, and crowdfunding between 2018 and 2022. Malaysia has submitted its Timber Legality Guidance Documents to the APEC Experts Group on Illegal Logging and Associated Trade. These documents serve to promote trade in legally harvested forest products in the APEC region.

2.4 Investment Regime

2.37. The Special Task Force to Facilitate Business (PEMUDAH) was established in February 2007 to improve public service delivery to the business community. The process for setting up a business was examined by a technical working group under PEMUDAH. Entrepreneurs wishing to start a business have first to register with the Companies Commission of Malaysia (SSM). Registration may be in the form of sole proprietorship or partnership under the Registration of Business Act 1956 (Act 197); company (limited or unlimited liability, private or public) under the Companies Act 2016 (Act 777); or limited liability partnership under the Limited Liability Partnerships Act 2012. Changes to the particulars of a business (e.g. type, ownership, address) and a company (e.g. director, company secretary, address) should be notified within 30 days and 14 days, respectively. As at the end of 2020, the SSM had registered just under eight million businesses, mainly sole proprietorships. Nearly 44,000 new companies (20 of them foreign) were incorporated during 2020, bringing the total number of registered companies to nearly 1.4 million.

2.38. The stakeholders involved in the establishment of a business are the SSM (general licence covering registration of a company), the Royal Malaysian Customs Department and the Inland Revenue Board (tax registration), the Employees Provident Fund, the Social Security Organization, and the Human Resources Development Fund. In addition, business premise/signboard licences are delivered by the responsible state authority.

2.39. Malaysia uses the World Competitiveness Yearbook (WCY) of the International Institute for Management Development to measure indicators for starting a business. The WCY measures the number of procedures, time, cost, and paid-in minimum capital requirement for a small to medium-size limited liability company to start up and formally operate in each economy's largest

---

[3] Malaysia graduated from the GSP schemes of the Russian Federation, Belarus, and Kazakhstan on 21 October 2021, and Japan on 1 April 2019. ASEAN member States graduated from the GSP donor schemes of the European Union and Türkiye on 1 January 2014.

[4] The reports may be downloaded from: APEC, *Assessment of Achievements of the Bogor Goals in 2018*. Viewed at: https://www.apec.org/about-us/about-apec/achievements-and-benefits/2018-bogor-goals; and https://www.apec.org/about-us/about-apec/achievements-and-benefits/bogor-goals.

[5] APEC (2021), *Non-Tariff Measures (NTMs) on Essential Goods during COVID-19 in the APEC Region*. The report may be downloaded from: https://www.apec.org/publications/2021/04/non-tariff-measures-on-essential-goods-during-covid-19-in-the-apec-region.

[6] The workplan on regulatory reform prepared by Malaysia may be accessed at: http://mddb.apec.org/Documents/2022/EC/EC1/22_ec1_015.pdf.

business city. Malaysia's indicators in the WCY are start-up procedures (ranked 53rd among 63 economies in 2020) and start-up days (50th out of 63 economies).

2.40. The MalaysiaBiz Portal was launched in December 2020 and is currently managed by SME Corporation Malaysia, an agency under the Ministry of Entrepreneur and Cooperative Development (MECD). This Portal acts as a one-stop centre for business registration and licensing to improve ease of doing business and to encourage formation of new businesses. To date, information regarding nearly 3,000 licensing or registration requirements have been uploaded onto the Portal. Covering the requirements at federal, state, or local authority levels of 6 registration bodies and 518 licensing authorities encompasses 1,174 business activities. Among these, 6 registration bodies and 66 licensing authorities have been integrated through the Portal.

2.41. Commencing 1 March 2018, the SSM made mandatory the lodgement of annual returns, unaudited financial statements, and the certificate relating to exempt private companies through the Malaysian Business Reporting System (MBRS). However, the lodgement of audited financial statements and reports via the MBRS remains voluntary for the time being.

2.42. The SME Corporation Malaysia was established under the Small Medium Enterprises Act 1995 (Act 593) as a single dedicated agency to formulate policies and strategies towards SMEs and to work as a coordinator of programmes across ministries and agencies. SME programmes include access to financing, human capital development, market access, innovation and adoption of technology, and infrastructure. Under the Business Accelerator Programme 2.0, SMEs may apply for grants (50/50 basis) and soft loans provided in collaboration with the SME Bank and Bank Rakyat.

2.43. MIDA is the principal agency overseeing and driving investment into manufacturing and selected industries in the services sector in Malaysia. Within MIDA, an Advisory Services Centre that includes representatives of various government agencies and departments assists investors, and the Project Acceleration and Coordination Unit facilitates projects that have been approved by the National Committee on Investment (NCI). On 8 May 2019, the NCI was approved as the sole approving committee for incentives in accordance with the government decision to centralize all assessment and approval of investment packages relating to tax incentives and grants art the national level. MIDA has launched several digital applications to ease approval processes, including the e-Manufacturing Licence 2.0 (e-ML 2.0) platform that enables licences to be issued within two business days for non-sensitive industries, the e-Incentive 2.0 module according import duty and sales tax exemptions for raw materials, components, machinery, and equipment. The InvestMalaysia portal (https://investmalaysia.mida.gov.my/EIP/InvestMalaysia.aspx) guides investors towards these and other services.

2.44. The Promotion of Investments Act 1986 and the respective tax laws offer incentives for investment in the form of partial or full relief of direct or indirect taxation (Section 3.3.1). Information about investment incentives offered by the Federal Government such as tax exemptions, grants, soft loans, equity funding, training, and regional establishment status may be accessed through MIDA's i-Incentives portal (https://incentives.mida.gov.my). These incentives are offered to domestic and foreign investors alike.

2.45. The Cabinet approved a programme for comprehensive reform of Malaysia's investment agenda on 21 April 2021. The National Investment Aspirations (NIA) programme seeks to attract high-quality investments that create high-income jobs and emphasizes the fostering of a robust and dynamic tax and incentives regime, building a talent pool in close collaboration with the relevant industries, improved regulatory and licensing frameworks, and augmenting facilitation elements such as customs procedures. The NIA has six thrusts: a unified investment strategy to laser-focused delivery, agile and forward-looking incentive packages, clear roles and responsibilities for a simplified investor journey, an accelerated innovation system, a vibrant talent pool meeting the needs of the labour market, and improved ease of doing business.[7]

2.46. In general, Malaysia welcomes foreign investment, and there are 61 Investment Guarantee Agreements in force that are intended to provide reciprocal protection against nationalization and expropriation, guarantee prompt and adequate compensation in case of nationalization/expropriation, ensure free transfer of profits and capital, and allow for arbitration of

[7] MITI, *National Investment Aspirations, Overview*. Viewed at: https://www.miti.gov.my/NIA/overview.html.

investment disputes under the Convention on the Settlement of Investment Disputes (which Malaysia joined in 1966). Investors may also resort to the United Nations Commission on International Trade Law (UNCITRAL), the Asian International Arbitration Centre, or other fora for arbitration or adjudication.

2.47. Foreign investment is not regulated by general legislation, regulations, or guidelines in Malaysia. Limitations, to the extent that they exist, are sector-specific and upheld by the supervisory authorities for the sectors in question. Some regulatory agencies may have absolute discretion in rejecting or approving transactions. Restrictions may take the form of equity caps and/or local representation requirements such as membership on the board of directors or the hiring of Malaysian workers. For example, companies that provide transportation services to third parties in Peninsular Malaysia must obtain a Carrier Licence A from the Land Public Transport Agency (APAD) under the Ministry of Transport, and APAD is required to ensure that the company has minimum 51% Malaysian equity, of which 30% must be in indigenous (Bumiputera) ownership.

2.48. Since June 2003, foreign investors have been allowed 100% ownership in new projects in the manufacturing sector, as well as investments in expansion or diversification projects by existing companies, irrespective of the level of exports and without excluding any product or activity. Some 45 services subsectors were liberalized in 2009, and foreign investment restrictions have subsequently been removed for unit trust management companies (2014), quantity surveying services (2016), credit rating agencies (2017), and investment banks. Restrictions or limitations on foreign ownership remain in education, communication and multimedia, freight forwarding and shipping, financial services, and oil and gas.

2.49. Policies to encourage Bumiputera ownership have been in place for decades, but there is no exhaustive or indicative list of Bumiputera requirements that affect foreign direct investment. Approval must be sought if an acquisition leads to dilution of Bumiputera or government agency ownership, which may not be less than 30% of the equity or MYR 250,000 in paid-up capital. Joint ventures between Malaysian and foreign investors are encouraged, particularly for the bidding on government procurement contracts.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. The Customs Act 1967 provides the main framework for customs procedures. The Act was amended several times during the review period, mainly to meet the needs of industry, facilitate trade, and enhance transparency.[1] The changes pertain, *inter alia*, to provisions governing customs rulings, duty payments and refunds, duty drawback, enhanced powers of customs officers, the regulation of transit and transhipment, penalties for customs offences related to non-compliance, and origin of goods (Table 3.1).

Table 3.1 Main amendments to the Customs Act, 2017-22

Part/section in the Act	Overview
Public ruling (Part IIA, Section 10F)	The Director General of Customs is authorized to make a public ruling on the application of any provision under the Customs Act.
Refund of duty or other charges overpaid or erroneously paid (Part III, Section 16)	The amendment imposes a one-year timeline to submit a claim for refund of customs duties paid under protest or appeals of decisions of the Director General or the Customs Appeal Tribunal (counting from the date a decision on classification, valuation, verification of origin, review or appeal is made known to the claimant).
Payment of duty etc., underpaid or erroneously refunded (Part III, Section 17)	The timeline that the Royal Malaysian Customs Department may demand for settlement of erroneously refunded or underpaid duties is extended from three to six years.
Transit and transhipment (Part IVA)	The amendment introduces, *inter alia*, detailed procedures on transit and transhipment activities, necessary measures to safeguard against any unauthorized interference with goods, the requirements for the owner of the goods to pay duties in case of termination of transit and transhipment procedures, and hefty penalties for non-compliance with the procedures.
Conditions under which drawback may be paid (Part X, Section 93)	Drawback duty may be claimed on imported goods to be re-exported. Changes include raising the minimum amount for eligibility to MYR 200 (from MYR 50) and shortening the timeline for goods to be re-exported from 12 to 3 months from the date on which customs duty is paid.
Offsetting of drawback or refund against amount owed (Part X, Section 99A)	Customs is authorized to offset any amount of drawback or refund due to a person against any unpaid customs duty, excise duty, sales tax, service tax, Goods and Services Tax (GST), etc.
Origin of goods, and preferential and non-preferential tariff treatment (Part XA)	A new chapter on origin of goods deals with various issues covering the appointment of a government agency to issue preferential or non-preferential certificate of origins; application for a certificate of origin, responsibility of importer, producer, or exporter; and the eligibility for preferential tariff treatment; verification of documents and information related to origin of goods, among others. A customs ruling may be sought on matters relating to the origin of goods under the public ruling (Part IIA, Section 10F).
Records relating to customs matters (Part XI, Section 100A)	The amendment provides a list of items to be kept for seven years (six years under old provisions), including all payments and bank records; all accounting, management, and financial records; inventory records; and sales, distribution, and royalty contracts or agreements. Any person shall keep full and true records of all the transactions on any matters under the Act.
Power to intercept communications (Part XII, Section 111C)	The Public Prosecutor may authorize customs officers to intercept communications such as postal shipments, messages, and conversations through telecommunications that may be relevant for investigations of any offence under the Act.
Compounding of offences (Part XIII, Section 131)	The amendment provides for the issuance of regulations setting out the offences to be compounded, and criteria, methods, and procedures for the compounding of offences.

[1] The Customs Act 1967 as at 1 June 2021 incorporates the Customs (Amendment) Act 2018, the Customs (Amendment) (No. 2) Act 2018, and the Customs (Amendment) Act 2019.

Part/section in the Act	Overview
Offences and penalties (Part XIV)	Several changes have been made to the penalties applicable for a range of customs violations, including illegal/incorrect declarations and documents for customs procedures; offences related to damages, destruction or manipulation of data stored in computers; illegal claims for drawback; unlawful claims for refund; and smuggling.
Pangkor (Part XIXD)	Pangkor is a new duty-free island. Part XIXD stipulates the appropriate customs treatment of goods transported to or from Pangkor or the principal customs area.

Source: Compiled by the WTO Secretariat, based on the Customs Act 1967 (as at 1 June 2021); *Asia Business Law Journal* (2019), "Malaysian Customs Act Revamp Affects Businesses", 18 September. Viewed at: https://law.asia/malaysian-customs-act-affects-businesses/; and information provided by the authorities.

3.2. The Royal Malaysian Customs Department (RMCD) is responsible for enforcing import procedures, while other government agencies such as the Ministries of International Trade and Industry (MITI) and Health (MOH) may issue import licences. All imports are subject to declarations made by customs agents, authorized economic operators (AEO), or direct users. The declarations should be accompanied by commercial invoices, bills of lading, packing lists, and approval documents (where applicable).[2] Malaysia does not maintain any laws or regulations that mandate pre-shipment inspection of any goods.[3]

3.3. Customs procedures have been fully automated since 2007. Import declarations are processed electronically (eDeclare) for the assessment and payment of duties, and customs release. Most import licences are paperless, and they may be attached electronically to the customs declarations.[4] Customs has no facility to enable electronic submission of other supporting documents (e.g. invoice, bill of lading) with the import/export declaration.

3.4. Malaysia ratified the WTO Agreement on Trade Facilitation (TFA) on 26 May 2015.[5] Malaysia implemented all categories, including Articles 7.8 and 11.9 of the TFA, on 1 June 2021.[6] It is a party to the World Customs Organization Revised Convention on the Simplification and Harmonization of Customs Procedure (Revised Kyoto Convention).

3.5. Malaysia continues to streamline customs procedures and facilitate trade through its National Single Window (NSW) launched in 2009. All documents required for regulatory trade processes can be submitted through the NSW (myTRADELINK) operated by Dagang Net. Hard copies of supporting documents need only be presented by traders, as requested.[7] The system links traders with the relevant government agencies and other trade and logistics operators to simplify clearance procedures and facilitate the exchange of trade data.[8] According to the authorities, the RMCD uses the Time Release Study (TRS) analysis continuously to improve customs clearance procedure. A TRS report should be available by the end of 2022.

3.6. The AEO programme continues to play an important role in securing and facilitating trade, as well as in increasing operational efficiency. The Government announced in the 2021 budget speech that it would simplify the AEO accreditation process and broaden the AEO programme to include logistics services providers and approved warehouse operators.[9] As of 31 August 2022, there were 114 AEOs in Malaysia, up from 94 AEOs in 2021.[10]

3.7. At the regional level, Malaysia is pursuing several initiatives to facilitate trade together with other ASEAN members, notably the ASEAN Single Window (ASW), the ASEAN-wide Self-Certification

[2] RMCD, *Import Procedure*. Viewed at: http://www.customs.gov.my/en/cp/Pages/cp_iimp.aspx.
[3] Malaysia National Trade Depository, *Pre-Shipment Inspection and Other Formalities*. Viewed at: http://mytraderepository.customs.gov.my/en/ntm/psi/Pages/psi.aspx.
[4] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[5] WTO document WT/PCTF/N/MYS/1, 23 July 2014.
[6] WTO document G/TFA/N/MYS/1/Add.2, 9 August 2021. Malaysia designated all provisions in Articles 1-12 of the Agreement under Category A, except for Article 7.8 (Expedited Shipments) and Article 11.9 (Advance Filing and Processing of Transit Documentation and Data Prior to the Arrival of Goods).
[7] myTRADELINK, *eDeclare*. Viewed at: https://www.mytradelink.gov.my/web/guest/edeclareinfo.
[8] Dagang Net, *NSW for Trade Facilitation*. Viewed at: http://www.dagangnet.com/trade-facilitation/national-single-window/.
[9] Ministry of Finance of Malaysia, Budget 2021 Speech, p. 38.
[10] Information provided by the authorities.

Scheme (AWSC), and the ASEAN Customs Transit System (ACTS). The ASW integrates each member's NSW and allows the electronic exchange of trade documents. By the end of 2019, all 10 ASEAN members were connected through the ASW network.[11] The ASW currently supports the exchange of intra-ASEAN certificates of origin (ASEAN Trade in Goods Agreement (ATIGA) Form D) for preferential tariff treatment. Malaysia has issued e-Form D since 18 March 2020.[12] Paper-based Form D will only be issued if there are any technical issues that cannot be resolved promptly. The authorities note that the COVID-19 pandemic catalysed Malaysia's 100% issuance of e-ATIGA Form D in order to encourage faster and contactless service delivery in facilitating intra-ASEAN trade and business. The AWSC is fully operational in Malaysia since 20 September 2020.[13] Under the scheme, certified exporters, who demonstrate their competence to comply with ATIGA Rules of Origin requirements[14], may self-declare the country of origin for their goods in certain commercial documents (e.g. invoice, bill of lading) for ATIGA tariff preferential claims, instead of applying for a paper-based Certificate of Origin (Form D) or e-Form D.[15] As at 22 August 2022, there were 193 Certified Exporters (CE) registered in Malaysia.[16]

3.8. Concerning the cross-border transit movement of goods via land within the ASEAN, the ACTS was launched on 2 November 2020, immediately operational in Malaysia.[17] The purpose of the ACTS is to increase the efficiency of moving goods across land transport routes, reduce transaction costs and movement time for the trading community, and improve the prevention and detection of smuggling and fraud.[18] The system facilitates free transit of goods within the region and allows traders to make a single electronic customs declaration. Each participating ASEAN member State may track the status and movement of goods using a regional computerized customs transit management system. All traders are eligible to use the system, but must first register as transit trader with the Customs Administration of the participating member State (i.e. to become an Authorised Transit Trader).[19] According to the authorities, no trader was given the status of Authorised Transit Traders as at October 2022.

3.9. Concerning Malaysia's appeals system, under the current provisions in the Customs Act 1967, any person aggrieved by the decision of the Director General of Customs may apply for a review of the decision within 30 days from the date of notification of the decision, provided that the appeal of the same decision has not been made to the Customs Appeal Tribunal (CAT). Upon such application, the Director General of Customs shall carry out the review, where practicable, within 60 days from the date the application is received. The current provisions also allow any person aggrieved by the decision resulting from the review to file an appeal to CAT within 30 days from the date of notification of the said decision in writing. There were 460 appeals to CAT from 2018 to September 2022 and 1,672 applications for review from 2020 to September 2022.[20]

3.10. Smuggling remains a concern and is related to, *inter alia*, duties and tax evasion, circumvention of prohibitions.[21] As noted earlier, the amendments introduced hefty penalties for smuggling offences, for example in relation to cigarettes containing tobacco and intoxicating liquor.[22] Information regarding value of seized goods is confidential and therefore not publicly available.

---

[11] MITI, "*ASEAN Single Window (ASW) Under ASEAN Trade in Goods Agreement (ATIGA)*". The ASW initially became operational on 1 January 2018 with five members, i.e. Indonesia, Malaysia, Singapore, Thailand, and Viet Nam.

[12] MITI, "*ASEAN Single Window (ASW) Under ASEAN Trade in Goods Agreement (ATIGA)*".

[13] MITI, *Preferential Certificate of Origin (PCO)*. Viewed at: https://www.miti.gov.my/index.php/pages/view/3911. The First Protocol to amend the ATIGA to include the AWSC was signed on 22 January 2019.

[14] Requirements to become a certified exporter are described at the MITI website related to preferential certificates of origin. Viewed at: https://www.miti.gov.my/index.php/pages/view/3911.

[15] MITI, *Preferential Certificate of Origin (PCO)*.

[16] Information provided by the authorities.

[17] Malaysia participated in the pilot stage of the ACTS from November 2016 to April 2017.

[18] ASEAN, *ASEAN Customs Transit System*. Viewed at: https://acts.asean.org/acts.

[19] ASEAN, *ASEAN Customs Transit System*.

[20] Information provided by the authorities.

[21] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[22] Customs Act 1967 (as at 1 June 2021), Part XVI, Section 135.

3.1.1.1 Customs valuation

3.11. There have been no significant changes to the Customs (Rules of Valuation) Regulations 1999 since the previous Review. Malaysia's customs valuation rules follow the hierarchy of valuation methods laid down in the WTO Agreement on Implementation of Article VII of the GATT 1994 as they stipulate the transaction value (based on the c.i.f. price) as the principal basis for the valuation for imported goods. If this method cannot be used, the Customs Regulations outline the alternative valuation methods, i.e. the transaction value of identical or similar goods, the deductive value, the computed value, or other valuation methods.[23]

3.12. Section 12 of the Customs Act authorizes the Minister of Finance to fix the value of any dutiable goods by notification in Federal Government Gazette. In this capacity, the Minister acts upon recommendations of the Customs Valuation Management Section.[24] The measure has been applied to completely built-up (CBU) motor vehicles (new or used) imported by open Approved Permit (AP) holders, ostensibly to combat under-invoicing.[25] However, according to the authorities, effective from March 2020, the Minister of Finance stopped exercising his power under Section 12 of Customs Act on the CBU motor vehicles. The newly imported CBU (New) and CBU (Used) vehicles are now processed using the WTO valuation method.[26]

3.1.2 Rules of origin

3.13. Malaysia has not established non-preferential rules of origin. Preferential rules apply to imports under preferential trading arrangements and FTAs. As noted earlier, the amendments to the Customs Act set out provisions that regulate various aspects of origin of goods, as well as non-preferential and preferential tariff treatment. All Malaysia's FTAs contain preferential rules of origin of varying complexity. In general, the rules stipulate as stand alone or in combination the (i) wholly obtained or produced criterion for natural products; and/or (ii) the substantial transformation criterion based on value added, change in tariff classification at the HS 2-, 4- or 6-digit level (tariff-shift rule), or specific processing requirements that must be fulfilled for a product to be considered an originating good.

3.1.3 Tariffs

3.1.3.1 Bound rates

3.14. According to Schedule XXXIX, Malaysia has bound approximately 80% of its MFN tariff lines.[27] The majority of the lines (72.2%) are bound at *ad valorem* rates ranging from 2% to 168%. About 4.5% of all tariff lines are bound at zero. The simple average *ad valorem* bound tariff is 15.6%, 10.9% for agricultural products, and 16.5% for non-agricultural products (WTO definition).[28] Non-*ad valorem* rates primarily concern preparations of vegetables, fruit, and nuts; edible fruits and nuts; edible vegetables; alcoholic beverages; and sugar. Some 20% of Malaysia's tariff lines remain unbound, mainly items of iron and steel, organic chemicals, plastics and articles thereof, machinery and parts thereof, and motor vehicles. On all tariff lines where Malaysia has bound the import duty, it has also bound other duties and charges (ODCs) within in the meaning of Article II.1(b) of the GATT at zero. ODCs are unbound when the import tariff is unbound.

---

[23] Customs (Rules of Valuation) Regulation 1999.

[24] Customs (Rules of Valuation) Regulation 1999, Regulation 11.

[25] The most recent values for new and used CBU imported motor vehicles were published in the Federal Government Gazette on 6 August 2020.

[26] The power of the officer to value the goods is under Section 13 of the Customs Act 1967. Methods used to determine the value for imported goods as per the Customs (Rules of Valuation) Regulations 1999 conferred by subsections 142 (35b) of Customs Act 1967.

[27] The Secretariat's calculations reported here are based on Malaysia's Schedule XXXIX at the national tariff line level in the HS 2002 nomenclature extracted from the WTO CTS database. However, it may be worth noting that Malaysia's binding coverage is estimated at 84.3% at the six-digit level according to the World Tariff Profile 2021. Viewed at: https://www.wto.org/english/res_e/booksp_e/tariff_profiles21_e.pdf.

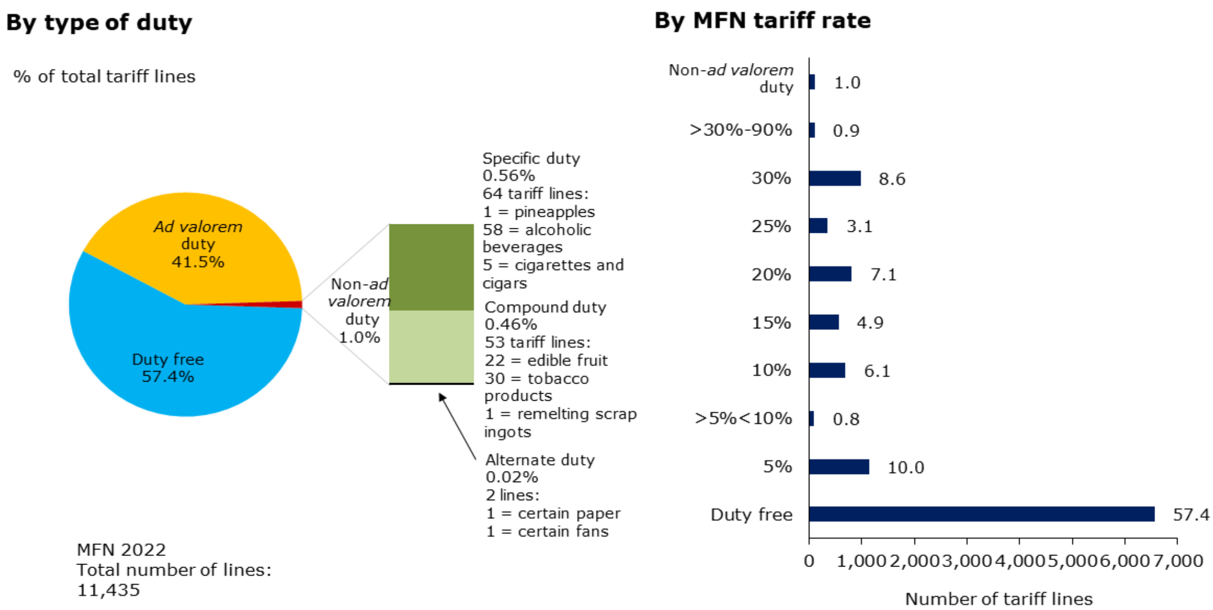
[28] *Ad valorem* equivalents (AVEs) of non-*ad valorem* rates have not been included due to HS nomenclature differences. Bound in-quota TRQ rates have also been excluded, while the *ad valorem* components of compound and alternate rates have been taken into consideration in the calculations.

3.1.3.2 Applied MFN rates

3.15. Under Part III (11) of the Customs Act 1967, Malaysia levies import duties on goods in accordance with the Customs Duties Order 2022.[29] The applied tariff is reviewed annually as part of the national budget process. The authorities and the business community engage regularly in dialogues that include discussions about the tariff structure and tariff rates.[30] The RMCD maintains a public online database, JKDM HS Explorer, that contains information about applied MFN and preferential duties and other relevant charges.[31] Malaysia continues to submit its applied tariff (MFN rates only) regularly to the WTO Integrated Database.

3.16. Overall, the tariff structure has remained unaltered since the previous Review. The 2022 applied tariff is based on HS22. It comprises 11,435 tariff lines (excluding in-quota tariff lines) at the 10-digit level, of which 99% carry *ad valorem* rates (Chart 3.1). About 74.3% of all tariff lines face *ad valorem* rates of 10% or less, as more than 50% the tariff lines are duty-free on an MFN basis. Non-*ad valorem* duties affect 119 tariff lines – mainly agricultural products such as edible fruits, alcoholic beverages, and tobacco – and involve considerable tariff protection in some instances. The AVEs the Secretariat was able to estimate ranged from 4.4% to 452.8% (on flue-cured Virginia-type tobacco) and exceeded 50% on nearly one quarter of the estimated tariff lines.[32]

Chart 3.1 Tariff distribution by type and rate of duty, 2022



Note: The MFN tariff rate presentation highlights the main applied rates. A modest number of tariff lines (0.1%) are subject to other rates (e.g. 2%, 3%, 17%, and 18%). Figures above the bars refer to the percentage of total lines.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.17. Malaysia's applied rates (excluding AVEs) fell slightly from 2017 to 2022 (Table 3.2). This was mainly due to implementation of tariff cuts on products covered by the expansion of the Information Technology Agreement (ITA). The inclusion of AVEs in the 2022 tariff analysis, which raises the simple average applied MFN rate from 7.1% to 7.6%, mainly affects agriculture (3.5% vs. 7.0%) due to high AVEs on certain alcoholic beverages and tobacco (Chart 3.2).

---

[29] Federal Government Gazette, *Customs Duties Order 2022 (P.U.(A) 114)*, 15 April 2022.
[30] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[31] RMCD, *JKDM HS Explorer*. Viewed at: http://mysstext.customs.gov.my/tariff/home.
[32] The Secretariat used import data provided by the authorities to compare the specific rates in the 2022 applied tariff with average import values using 2020 trade data (at the 10-digit level). AVEs could not be calculated for slightly more than one third of the tariff lines due to lack of imports, insufficient volume data to estimate reliable unit values, etc. Beyond the tariff peak, estimated AVEs are also high for certain other tobacco goods (206.3% to 321.8%).

Table 3.2 Malaysia's tariff structure, 2017 and 2022

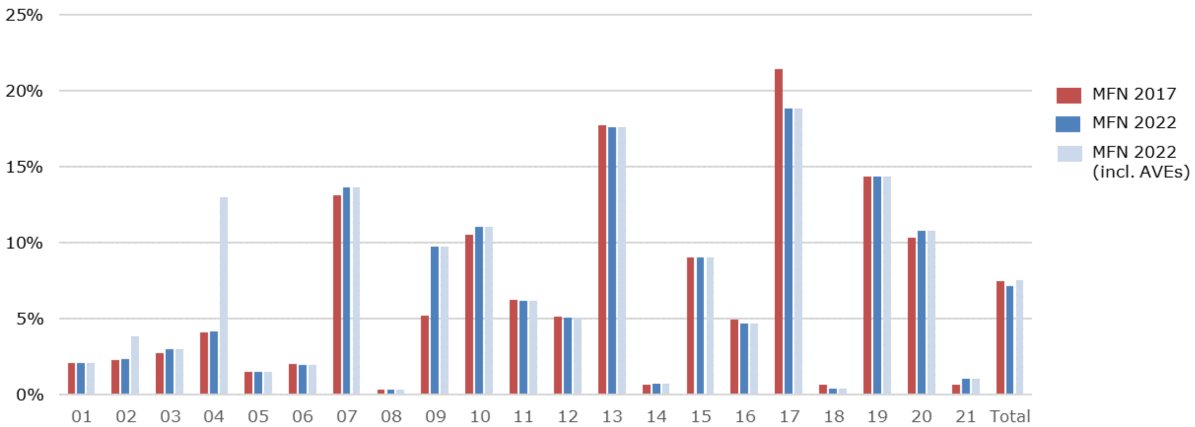
	2017	2022	2022 including AVEs
Simple average rate (%)	7.5	7.1	7.6
HS 01-24	2.7	2.8	5.5
HS 25-97	8.3	7.9	7.9
WTO agricultural products	3.3	3.5	7.0
WTO non-agricultural products	8.0	7.6	7.6
Duty-free tariff lines (% of all tariff lines)	56.2	57.4	57.4
Simple average of dutiable lines only	17.2	16.9	17.8
Tariff quotas (% of all tariff lines)	0.2	0.2	0.2
Non-*ad valorem* tariffs (% of all tariff lines)	1.0	1.0	1.0
Domestic tariff "peaks" (% of all tariff lines)[a]	13.9	12.6	13.1
International tariff "peaks" (% of all tariff lines)[b]	20.7	19.8	20.4
Nuisance applied rates (% of all tariff lines)[c]	0.03	0.03	0.03
Coefficient of variation	1.4	1.5	1.8
Total number of tariff lines	11,690	11,435	
Duty-free rates	6,573	6,566	
Ad valorem rates (>0%)	5,001	4,750	
Specific rates	64	64	
Compound rates	50	53	
Alternate rates	2	2	

a Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
b International tariff peaks are defined as those exceeding 15%.
c Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: Calculations exclude in-quota tariff rate quota (TRQ) rates and specific rates, but include *ad valorem* components of compound and alternate rates. The 2017 and 2022 applied tariffs are based on the HS17 and HS22 nomenclatures, respectively.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.2 Average applied MFN tariff rates, by HS section, 2017 and 2022



01 Live animals & products
02 Vegetable products
03 Fats & oils
04 Prepared food, beverages, tobacco
05 Mineral products
06 Chemicals & products
07 Plastic & rubber
08 Hides & skins
09 Wood & articles
10 Pulp, paper, etc.
11 Textiles & articles
12 Footwear, headgear
13 Articles of stones
14 Precious stones, etc.
15 Base metals & products
16 Machinery
17 Transport equipment
18 Precision instrument
19 Arms & ammunition
20 Miscellaneous manufacturing
21 Works of art, etc.

Note: The 2017 and 2022 applied tariffs are based on the HS17 and HS22 nomenclatures, respectively. Calculations exclude in-quota and specific rates and including the *ad valorem* part of compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.18. The applied 2022 MFN tariff structure indicates some tariff escalation: on average, rates are 3.5% on raw materials, 6.3% on semi-processed products, and 8.7% on fully processed goods (Table A3.1). For example, whereas imported cocoa beans are duty free, the average duty on cocoa paste and cocoa powder is 8%, and 14.4% on cocoa preparations. Similarly, average import duties on raw timber (zero) increase for semi-processed wood (6.9%) and processed wood (16.0%).[33]

3.19. Significant nomenclature differences render impossible a full comparison between the bound Schedule XXXIX (in HS02) and the 2022 applied tariff (in HS17).[34] Approximately 20% of the tariff lines could not be compared. Although almost all applied MFN rates are lower than their bound rates, some 11 tariff lines appear to be exceeding their bound levels. The authorities acknowledged that these errors should be corrected.

3.1.3.3 Tariff rate quotas (TRQs)

3.20. Malaysia continues to apply TRQs to satisfy the needs of small and medium domestic producers, affecting approximately 0.2% of total tariff lines (Table 3.2). TRQs apply to certain agricultural products, mainly live swine and poultry, poultry meat, liquid milk and cream, eggs, and round cabbage. The allocation of TRQs is determined by the Ministry of Agriculture and Food Industries and allocated to importers on a first-come, first-served basis. The in-quota rates averaged 15.2% in 2022, whereas the out-of-quota rates averaged 43%. In-quota rates ranged from 0% to 25% while out-of-quota rates varied between 20% and 90%.

3.21. Malaysia administers 19 WTO tariff quotas to regulate market access, mainly for milk, poultry meat, and eggs.[35] Its most recent notification of TRQs to the WTO covers 2018 (calendar year).[36] Quota fill rates reached 100% for poultry meat in 2018[37], but otherwise most TRQs were underutilized or not filled at all. According to the authorities, low fill rates were due to high import prices for products such as eggs, poultry, and liquid milk, and low demand for products such as live swine and pork carcasses.

3.1.3.4 Tariff exemptions and reductions

3.22. The Customs Duties (Exemption) Order 2017 enumerates various products that allow specific users to claim import duty exemption according to prescribed conditions under the Order.[38] Moreover, manufacturers are eligible to apply for import duty exemptions on raw materials and components used in the manufacture of goods, and for machinery and equipment not available in Malaysia essential to the manufacturing process. Only the Ministry of Finance (MOF) has the authority to approve and grant duty exemptions.

3.1.3.5 Tariff preferences

3.23. As indicated in Table 3.2, Malaysia grants duty-free treatment on 57.4% of its tariff lines on an MFN basis, and its network of preferential agreements widens the duty-free regime significantly. At present, Malaysia has implemented 15 FTAs, including the newly signed ASEAN-Hong Kong, China FTA and the Regional Comprehensive Economic Partnership (RCEP).

3.24. Towards its ASEAN partners, Malaysia grants duty-free treatment to nearly all originating products (98.7% of all tariff lines) from ASEAN partners under the ATIGA. Products excluded from the ATIGA are mainly alcoholic beverages, tobacco, and arms and ammunition (Table 3.3). Malaysia's preferential tariffs for intra-ASEAN trade remain under the ASEAN Harmonized Tariff

[33] The WTO Secretariat considered the following product groups: for raw cocoa (HS 1801), semi-processed (HS 1802-1805), and processed cocoa (HS 1806); and raw timber (HS 4403), semi-processed wood (HS 4404-4413), and processed wood (HS 4414-4421).

[34] Malaysia's most recent certified Schedule XXXIX is in the HS02 nomenclature and annexed to WTO document WT/Let/1555, 13 August 2021. The original transposition of the schedule from HS1996 to HS02 included a number of errors and inconsistencies. A rectification to the initial certification (WTO document WT/Let/793, 24 June 2011) was accordingly circulated in 2017 (WTO document WT/Let/1243, 28 February 2017).

[35] WTO document G/AG/N/MYS/55, 26 September 2022.

[36] WTO document G/AG/N/MYS/55, 26 September 2022.

[37] TQ IDs for Q008, Q009, and Q010 corresponding to tariff lines HS 0207130000 and HS 0207140000.

[38] Federal Government Gazette, *Customs Duties (Exemption) Order 2017, P.U.(A) 455*, 29 December 2017. The amendments to the Order 2017 include Customs Duties (Exemption) 2017 (Amendment) Orders 2021 (P.U.(A) 280), 2021 (P.U.(A) 335), 2022 (P.U.(A) 20), 2022 (P.U.(A) 80), 2022 (P.U.(A) 177), 2022 (P.U.(A) 299), and 2022 (P.U.(A) 300), all of which have been published in the Federal Government Gazette.

Nomenclature (AHTN) 2022 classification system, which consists of 11,435 at the 10-digit tariff line level (excluding in-quota tariff lines).[39]

Table 3.3 Preferential tariff regime, 2022

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates (%)	Average (%)	Duty-free rates (%)	Average (%)	Duty-free rates (%)
MFN	**7.6**	**57.4**	**7.0**	**66.6**	**7.6**	**56.1**
ASEAN Trade in Goods Agreement (ATIGA[a]) (HS17)	0.3	98.7	1.7	91.3	0.0	99.7
ASEAN-Australia-New Zealand FTA (AANZFTA) (HS12)	0.7	94.3	3.9	89.4	0.3	95.0
ASEAN-China FTA (ACFTA – HS17)	1.8	88.9	3.5	92.4	1.6	88.4
ASEAN-Hong Kong, China FTA (AHKTA) (HS17)	5.2	66.3	5.7	81.1	5.1	64.2
ASEAN-India FTA (AIFTA) (HS07)	3.6	78.1	4.9	87.4	3.4	76.8
ASEAN-Japan (AJCEPA) (HS07)	1.5	89.5	4.6	88.8	1.0	89.7
ASEAN-Korea, Rep. of, FTA (AKFTA) (HS12)	2.0	85.3	4.3	89.2	1.7	84.7
Malaysia-Australia FTA (MAFTA) (HS12)	0.5	98.6	3.8	91.0	0.0	99.7
Malaysia-Chile FTA (MCFTA) (HS07)	1.0	90.2	4.3	88.8	0.6	90.4
Malaysia-India CECA (MICECA) (HS07)	3.4	78.6	4.6	87.7	3.2	77.3
Malaysia-Japan EPA (MJEPA) (HS07)	0.6	98.1	4.3	90.6	0.1	99.2
Malaysia-New Zealand FTA (MNZFTA) (HS07)	0.5	98.6	3.8	91.0	0.0	99.7
Malaysia-Pakistan CEPA (MPCEPA) (HS07)	4.8	73.3	3.9	88.8	4.9	71.1
Malaysia-Türkiye FTA (MTFTA) (HS12)	0.6	96.8	4.1	88.9	0.1	98.0
RCEP[b]	7.0	63.1	5.9	81.9	7.2	60.3

a Malaysia together with Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

b RCEP comprises Australia, Brunei Darussalam, Cambodia, China, Indonesia, Japan, the Republic of Korea, Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Viet Nam.

Note: Calculations exclude in-quota TRQ rates and specific rates and include the *ad valorem* part of compound and alternate rates. The Secretariat adjusted the preferential tariffs in various HS nomenclatures into HS22, to the best extent possible, for computation purposes.

Source: WTO Secretariat calculations, based on data received from the authorities and information taken from the Official Portal of the MITI – Malaysia's Free Trade Agreements.

3.25. Under preferential tariff arrangements (other than ATIGA noted above), duty-free treatment covers about 87% of tariff lines on average. The main exceptions from preferences relate to motor vehicles, iron and steel, alcoholic beverages, plastics, and tobacco. The simple average tariff rates under preferential tariff arrangements remain lower than the average MFN tariff rate overall. However, at a disaggregated level, the rates vary considerably between the arrangements and among sectoral groups.

3.1.4 Other charges affecting imports

3.26. The RMCD charges no fees for customs procedures or formalities connected with importation (or exportation). However, imported goods and services are subject to the same internal taxes as those applicable to domestically produced goods and services, in particular the Sales and Service Tax (SST) and excise duties on selected products. The SST accounted for nearly 15% of total government tax revenue in 2021 (Table 3.4). Revenues from excise duties are also substantial (about 5%) and far more important for the budget than the contributions from import duties (1.5% of total tax revenue).

[39] Federal Government Gazette, *Customs Duties (Goods of ASEAN Countries Origin) (ASEAN Harmonized Tariff Nomenclature and ASEAN trade in Goods Agreement) Order 2022, P.U.(A) 199*, 31 May 2022.

Table 3.4 Structure of direct and indirect tax revenue, 2018-2021

(MYR million, unless otherwise indicated)

	2018	2019	2020	2021
Total tax revenue	174,060	180,566	153,050	172,874
Share of GDP (%)	*12.0*	*11.9*	*10.8*	*11.2*
Direct taxes	130,034	134,723	112,511	130,116
% of total tax revenue	*74.7*	*74.6*	*73.5*	*75.3*
Corporate income tax	66,474	63,751	50,065	79,829
Petroleum income tax	20,082	20,783	12,772	11,570
Income tax on persons	32,605	38,680	38,953	27,051
Stamp duties	5,924	6,213	5,506	6,340
Other	4,949	5,296	5,215	5,326
Indirect taxes	44,026	45,843	40,539	42,758
% of total tax revenue	*25.3*	*25.4*	*26.5*	*24.7*
Export duties	1,725	1,126	746	2,057
Import duties	2,897	2,733	2,346	2,645
Excise duties	10,779	10,511	8,507	8,768
Domestic	4,918	5,131	3,900	4,200
Import	5,861	5,380	4,607	4,568
GST	20,236	n.a.	n.a.	n.a.
Sales tax	3,971	15,385	14,767	14,241
Domestic	1,095	6,445	6,494	5,306
Import	2,876	8,940	8,273	8,935
Services tax	1,473	12,283	12,006	12,018
Other	2,945	3,805	2,167	3,029
Memorandum				
Petroleum income tax (% of total tax revenue)	11.5	11.5	8.3	6.7
Import duties (% of total tax revenue)	1.7	1.5	1.5	1.5

n.a. Not applicable. The Goods and Services Tax (GST) system was replaced by Sales and Service Tax (SST).

Source: Bank Negara Malaysia; and information provided by the authorities.

3.27. The Goods and Services Tax (GST), introduced on 1 April 2015, was abrogated with effect from 1 September 2018 as Malaysia reverted to the SST system. The MOF announced the decision in May 2018, and a tax holiday (i.e. GST rates reduced to zero) was declared on 1 June for the period of transition to the SST. The present SST regime is governed by the Sales Tax Act 2018 and the Service Tax Act 2018. SST tax rates are generally either 5% or 10% for goods, while the service tax rate is 6%. Certain petroleum products are subject to specific rates of sales tax.

3.28. On goods, the sales tax is a single-stage tax levied on taxable imports and locally manufactured taxable goods, either at the time of importation or at the time the goods are sold by the manufacturer.[40] The sales tax is levied at a standard rate of 10% of the dutiable value or a reduced rate of 5% on certain goods listed in the First Schedule of the Sales Tax (Rates of Tax) Order 2022, e.g. basic food stuffs, building materials, personal computers, and watches. Specific rates for petroleum products are listed in the Second Schedule of the Sales Tax (Rates of Tax) Order 2022. Furthermore, the Sales Tax (Person Exempted from the Payment of Tax) Order 2018 stipulates that the SST does not apply to certain legal persons such as government departments, duty-free shops, public higher education institutions, and manufacturers.[41] These exemptions under Order 2018 are classified into three schedules: (i) Schedule A – classes of persons meeting the criteria and conditions; (ii) Schedule B – manufacturers exempt of tax on the acquisition of all goods excluding petroleum to be used solely and directly in manufacturing of specific goods listed under Schedule B and non-taxable good for export activities; and (iii) Schedule C – registered manufacturers of taxable goods exempt of tax on the acquisition of raw materials, components, and packaging materials to be used solely and directly in manufacturing of taxable goods. A sales tax exemption for passenger vehicles of 100% of the purchase price on domestically assembled passenger cars and 50% on imported passenger cars has been in place since 15 June 2022. Buyers who made reservations for vehicles before 30 June 2022 could still enjoy the benefit of sales tax

[40] RMCD, Malaysia Sales & Service Tax (SST), *Legislation and Guides*. Viewed at: https://mysst.customs.gov.my/.

[41] Federal Government Gazette, *Sales Tax (Persons Exempted From Payment of Tax) Order 2018, P.U.(A) 210*, 28 August 2018.

exemption incentives after the registration period of the vehicles at the Road Transport Department, now extended until 31 March 2023.[42]

3.29. SST on goods is levied on registered manufacturers. Registration is mandatory when the annual turnover of taxable goods exceeds MYR 500,000. Manufacturers whose sales do not meet the prescribed annual threshold may apply for voluntary registration.[43]

3.30. Regarding services, the SST initially did not apply to imported services. However, a 6% service tax has been applied to imported digital services supplied by registered foreign services providers since 1 January 2020.[44] The authorities note that the introduction of this policy aims to ensure equal treatment for services supplied by both local and foreign service providers to consumers in Malaysia.[45] The total number of registered foreign service providers was 376 as at October 2022. Digital services are subject to 6% services tax when the total value of taxable services exceeds MYR 500,000 within a 12-month period.

3.31. Excise duty is charged on certain goods considered non-essential or harmful to health or the environment, including sugar-sweetened beverages, motor vehicles, liquor, cigarettes and tobacco, playing cards, and mahjong tiles.[46] The Excise Duties Order 2022, effective since 1 June 2022, lists 386 items at the 10-digit tariff line level (Table A3.2). Motor vehicles account for about 70% of the excisable tariff lines, followed by alcoholic beverages (14.8%). Malaysia levies high excise duties on motor vehicles (60%-105% in most cases), differentiated by engine size and type of vehicle. Non-*ad valorem* excise duties mainly apply to beverages. Although the rates of excises do not distinguish between domestic and foreign alcoholic beverages at the tariff line level, some beverages (e.g. rice wine, samsu, arrack, and bitters) are taxed considerably more lightly than imported wine and spirits (e.g. whiskies, brandy, gin and Geneva, vodka, and rum).

3.32. The tax base was broadened during the review period as the coverage of excise duties was extended to sugary drinks or sugar-sweetened beverages (MYR 0.40 per litre, effective from 1 July 2019) as well as devices for all types of electronic and non-electronic cigarettes (10%) and liquid used in electronic cigarettes (MYR 0.4 per ml, effective from 1 January 2021).[47] In addition, excise duties of MYR 0.47/100 g were introduced on sugar-containing premix preparations (exceeding 33.3 g/100 g), effective from 1 November 2022.[48]

3.33. Excise duties are exempted for some goods specified in the Excise Duties (Exemption) Order 2017 and its amendments. The 2017 Order specifies persons or institutions that may claim duty exemption provided they meet the conditions prescribed in the Order. For example, the Rubber Research Institute of Malaysia may apply for duty exemption on all goods except motor vehicles when goods are imported from a licensed manufacturer for research purposes.

3.1.5 Import prohibitions, restrictions, and licensing

3.34. Pursuant to subsection 31(1) of the Customs Act, importation of certain goods into Malaysia may be fully prohibited or admitted conditionally. The Customs (Prohibition of Imports) Order 2017, effective since April 2017, remains Malaysia's main legislation for import prohibition and licensing requirements, along with other legislation related to poisonous substances, drugs, chemicals, and security concerns (Table 3.5).

---

[42] Information provided by the authorities.

[43] RMCD, Malaysia Sales & Service Tax (SST), *Legislation and Guides*.

[44] RMCD, Malaysia Sales & Service Tax (SST), *Legislation and Guides*; and Federal Government Gazette, *Service Tax (Rate of Digital Services Tax) Order 2019, P.U.(A) 271*, 30 September 2019.

[45] The imposition of service tax on imported services was done in phases: services imported by businesses (business to business (B2B)) implemented from 1 January 2019, and digital services imported by consumers (business to consumer (B2C)) from 1 January 2020.

[46] RMCD, *Excise Duty*. Viewed at: http://www.customs.gov.my/en/cp/Pages/cp_exc1.aspx.

[47] Federal Government Gazette, *Excise Duties (Amendment) Order 2019*, *P.U.(A) 154*, 31 May 2019, and *Excise Duties (Amendment) Order 2020, P.U.(A) 417*, 31 December 2020.

[48] Federal Government Gazette, *Excise Duties (Amendment) Order 2022*, *P.U.(A) 287*, 9 September 2022.

Table 3.5 Structure of the Customs (Prohibition of Imports) Order 2017

Schedule	Description
First Schedule	Goods absolutely prohibited from importation
Second Schedule	
Part I	Conditional prohibition except under import licence
Part II	Conditional prohibition except under import licence, and does not apply to specified free zones
Part III	Conditional prohibition except under import licence, and shall not apply to Labuan, Langkawi, Tioman, Pangkor, and specified free zones
Third Schedule	
Part I	Conditional prohibition except in the manner provided for
Part II	Conditional prohibition, except in the manner provided for, and shall not apply to the free commercial zones
Part III	Conditional prohibition, except in the manner provided for, goods controlled under the International Trade in Endangered Species Act 2008
Fourth Schedule	
Part I	Conditional prohibition except conforming to the Malaysian Standard or other standards approved by the Malaysian authorities and in the manner provided
Part II	Conditional prohibition except conforming to the Malaysian Standard or other standards approved by the Malaysian authorities and in the manner provided for, and does not apply to the free commercial zones

Source: Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103*, 31 March 2017; and *Customs (Prohibition of Imports) (Amendment) (No. 6) Order 2019, P.U.(A) 407*, 31 December 2019.

3.35. The RMCD administers import controls, while other government ministries and agencies are responsible for legislation and approval of licences.[49] The importation of certain goods is prohibited or restricted for reasons of sanitary and phytosanitary (SPS), health, safety, religion, environmental purposes, or Malaysia's compliance with international agreements. The product coverage may change, and the modifications are announced in the Federal Government Gazette. Since the previous Review, the 2017 Order has been amended several times to account for changes in the licensing requirements for various products.[50] Import restrictions also apply to infringing goods, infringing copies, and goods with falsely applied geographical indication. The Trademarks Act 2019 provides restriction on importation of infringing goods (Section 82). The Copyright Act 1987 provides restriction on importation of infringing copies (Section 39). The Geographical Indications Act 2022 provides that importing or selling goods with falsely applied geographical indication is an offence (Section 35).

3.36. The First Schedule of the Customs (Prohibition of Imports) Order 2017 lists products that may not be imported or transited through Malaysia, mainly for the protection of human health or safety, the environment, or on religious grounds (Table 3.6). One product group – mixed waste and scrap of miscellaneous paper or paperboard – was added to the list in early 2022.[51] The authorities note that this amendment is to ensure the importation of the product into the country is controlled by relevant government agencies and does not contribute to negative externalities to the environment in the long term.

[49] WTO document G/LIC/N3/MYS/15, 28 January 2021.
[50] Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017 (P.U.(A) 103)*, 31 March 2017, together with *Customs (Prohibition of Imports) (Amendment) Orders 2017 (P.U.(A) 225), 2018 (P.U.(A) 57), 2018 (P.U.(A) 223), 2019 (P.U.(A) 35), 2019 (P.U.(A) 73), 2019 (P.U.(A) 228), 2019 (P.U.(A) 332), 2019 (P.U.(A) 358), 2019 (P.U.(A) 407), 2020 (P.U.(A) 70), 2020 (P.U.(A) 175), 2020 (P.U.(A) 231), 2020 (P.U.(A) 370), 2020 (P.U.(A) 406), 2022 (P.U.(A) 7), 2022 (P.U.(A) 8), 2022 (P.U.(A) 156), and 2022 (P.U.(A) 257).*
[51] Federal Government Gazette, *Customs (Prohibition of Imports) (Amendment) (No. 2) Order 2022, P.U.(A) 8*, 7 January 2022.

Table 3.6 Import prohibitions

Description of product
Imported from all countries:
• A number of products related to religious, security, health, environmental protection, and safety;
• Some broadcast receivers;
• Comb or comb chunk;
• Lightning arresters containing radioactive material;
• Liquid-filled type electric heating bag; cushion, pillow, pouch or pad using alternating current (AC) or AC and direct current (AC/DC);
• New pneumatic snow tyres and new re-treaded snow tyres;
• Poisonous chemicals and minerals;
• Certain animal feed;
• Sodium arsenite;
• Substances covered under the Montreal Protocol; and
• Mixed waste and scrap of miscellaneous paper or paperboard.
Imported from Indonesia:
• Logs; wood in the rough logs; wood in the rough, whether or not stripped of its bark or merely roughed down; wood roughly squared or half-squared but not further manufactured; and baulks.

Source: Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103, First Schedule*, 31 March 2017; and *Customs (Prohibition of Imports) (Amendment) (No. 2) Order 2022, P.U.(A) 8*, 7 January 2022.

3.37. Import licence/import permit requirements may be automatic or non-automatic, depending on the product. Licences are also utilized to allocate TRQs (Section 3.1.3.3). According to the authorities, automatic licence/import permit is implemented to collect data or for monitoring purposes. Products subject to automatic licence/import permit include sugar; passenger and commercial motor vehicles; motorcycles; bodies (including cabs) of motor vehicles; chassis and parts thereof for motor vehicles; ships' derricks; semi-finished products of iron and steel, including slab, bloom, and billets; and flat-rolled products of iron or non-alloy steel.[52]

3.38. The import licensing system is mainly non-automatic. The Customs (Prohibition of Imports) Order 2017 lists three types of situations (schedules) where import licences or permits are issued by the relevant authorities. The import licence is required upon arrival. All types of licence applications may be submitted electronically (ePermit) through the NSW operated by Dagang Net or manually to the licence-issuing authorities.[53] Once issued, import licences may not be changed, amended, or reused.[54]

3.39. Items listed in the Second Schedule of the 2017 Order include sugar, rice, radar apparatus, used brakes, unmanufactured tobacco, and all goods originating in (or exported to) Israel (Table A3.3). However, the import controls authorized according to the second schedule do not apply to certain goods destined for Labuan, Langkawi, Tioman, Pangkor, and specified free zones.[55] Most Second Schedule import licences are issued by the MITI, the MOH, or the Ministry of Environment and Water. In 2019, import licences issued by the MITI for the importation of certain iron and steel products were replaced by Certificate of Approval requirements.[56] According to the authorities, importation of certain iron and steel products and steel require a certificate of approval from the Construction Industry Development Board (CIDB) for construction purposes and SIRIM Berhad for non-construction purposes.

[52] WTO documents G/LIC/N/3/MYS/15, 28 January 2021; and WT/TPR/S/366/Rev.1, 25 May 2018.
[53] WTO document G/LIC/N/3/MYS/15, 28 January 2021.
[54] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[55] Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103, Second Schedule, Parts II and III*, 31 March 2017; and WTO document G/LIC/N/2/MYS/8, 19 August 2017. As noted in the previous Review (2017), import licence requirements for some of iron and steel products (181 tariff lines) were abolished in July 2017.
[56] Federal Government Gazette, *Customs (Prohibition of Imports) (Amendment) (No. 3) Order 2019, P.U.(A) 228*, 16 August 2019; and Ministry of International Trade and Industry, *Approved Permit*. Viewed at: https://www.miti.gov.my/index.php/pages/view/3796. Items include flat-rolled products of other alloy steel, of a width of 600 mm or more under HS 7225.30.9000 and 7225.40.9000 (effective on 1 June 2019) and bars and rods, hot-rolled of other alloy steels under HS 7225.30.1000, 7225.40.1000, 7225.50.1000, 7225.50.9000, 7227.10.0000, 7227.20.0000, and 7227.90.0000 (effective from 1 November 2019).

3.40. The Third Schedule of the 2017 Order, Part I, predominantly lists goods subject to licensing or approval[57] on SPS grounds, but also includes imports restricted for other reasons (e.g. bullet-proof suits, pepper spray, arms and ammunition, and rough diamonds) (Table 3.7). Licences (or approval) are issued, *inter alia*, by the Malaysian Quarantine and Inspection Services (MAQIS), the Department of Environment, the Department of Wildlife and National Parks, the Food Safety and Quality Division of the MOH, the Department of National Solid Waste Management, the Ministry of Home Affairs, the Pesticide Board under the Department of Agriculture (DOA), the Malaysia Timber Industry Board, and the Atomic Energy Licensing Board.[58] In many cases, inspection may be required prior to release by the RMCD. Legislation on which the licensing requirements (or approval) include the Malaysian Quarantine and Inspection Services Act 2011, the Plant Quarantine Act 1976, the Plant Quarantine Regulations 1981, the Wildlife Conservation Act 2010, Atomic Energy Licensing Act 1984, the Radiation Protection (Licensing) Regulations 1986, Atomic Energy Licensing (Low Activity Radioactive Material) (Exemption) Order 2020, the Food Act 1983 and Food Regulations 1985, the International Trade in Endangered Species Act 2008, the Animals Ordinance, 1962 (Sabah No. 16 of 1962) (Sabah), the Veterinary Public Health Ordinance, 1999, Cap 32 (Sarawak), and the Environmental Quality Act 1974. For imports into Sabah and Sarawak, permits and approvals are issued by the competent state authorities.

Table 3.7 Products covered the Customs (Prohibition of Imports) Order 2017, Third Schedule

Category	Main items
Part I	
Products related to SPS reasons	Animals and animal products; plant and plant products; agricultural products (e.g. pasta, rice, flour, vegetables, coffee), soil including earth, food products, solid waste; logs and wood in the rough from all countries (except Indonesia), wood and articles wood, radioactive materials and irradiating apparatus, baby feeding bottles, ceramic tableware and kitchenware; tobacco and manufactured tobacco; alcohol; stones; and water
Products not related to SPS reasons	Bullet-proof suits, pepper spray, arms and ammunition, fireworks; toxic and hazardous waste; amusement machines; rough diamonds; substances covered under the Rotterdam Convention
Second-hand materials	Used pneumatic tyres and used retreaded pneumatic tyres of rubber; used household electronics (e.g. televisions, washing machines)
Part II	Cigarettes; apparatus or equipment for the brewing of beer at home; beer, wine, vermouth and other wine of grapes; other fermented beverages; ethyl alcohol, spirits and liqueurs, etc.
Part III	Goods controlled under the International Trade in Endangered Species Act 2008: any terrestrial animal; any marine animal; any terrestrial plant excluding timber species; and any timber species as specified in the CITES

Source: WTO Secretariat based on Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103*, 31 March 2017; and WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

3.41. The requirements applicable to Third Schedule, Part II items, i.e. cigarettes and alcoholic beverages, do not apply to free commercial zones (FCZs). Part III concerns importation and transit of goods controlled under the International Trade in Endangered Species Act 2008. CITES permits are principally issued by the DOA, the Malaysian Timber Industry Board, or the Department of Fisheries.[59] For goods in transit, each consignment must be accompanied by: (i) a valid export or re-export permit, licence, certificate, or written permission in accordance with CITES issued by the competent authority of the country of export or re-export; and (ii) where required by the country of importation, a valid import permit, licence, certificate, or written permission, in accordance with CITES, issued by its competent authority.[60]

3.42. In addition to import requirements regulated by the 2017 Order, Malaysia continues to maintain its AP system for the automobile industry. A company must obtain APs to import foreign-built or assembled cars, trucks, and motorcycles as part of the National Automotive Policy.[61]

[57] According to the authorities, the term "approval" is applied for food products under the MOH.
[58] WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and Federal Government Gazette*, Customs (Prohibition of Imports) Order 2017*, P.U.(A) 103, 31 March 2017.
[59] Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103, Third Schedule, Part III*, 31 March 2017.
[60] Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103, Third Schedule, Part III*, 31 March 2017.
[61] WTO documents WT/TPR/S/292/Rev.2, 8 April 2014; and WT/TPR/S/366/Rev.1, 25 May 2018.

The system does not set a maximum number of APs that a company may obtain. The approval for AP is based on the performance, business plan, and financial capability of the company. The MITI introduced a New Open AP policy on 1 January 2019. The new policy is intended to provide opportunities for qualified Bumiputera automotive entrepreneurs to be involved in the industry.[62] The stated purpose of the Franchise AP Policy is to monitor and collect data, as well as to facilitate the participation of Bumiputera in the automotive supply chain.[63]

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.43. The Countervailing and Anti-Dumping Duties Act 1993 and the Countervailing and Anti-Dumping Duties Regulations 1994 constitute Malaysia's basic legal framework for the investigation, imposition, and revocation of anti-dumping and countervailing measures. The legislation is administered by the MITI.

3.44. Malaysia initiated 25 anti-dumping cases between January 2017 and June 2022. According to the most recent WTO notification, Malaysia had 25 anti-dumping measures in the form of duties in force on 30 June 2022, mainly covering iron and steel products (Table 3.8).[64] In some cases, the duties had been extended as a result of the outcome of sunset reviews investigations. Malaysia terminated anti-dumping measures relating to 15 cases during the review period.[65] Malaysia notified the WTO Committee on Subsidies and Countervailing Measures (SCM Committee) that it had not taken any countervailing measures during the review period.[66]

Table 3.8 Anti-dumping measures in force, 30 June 2022

Product	HS Code	Trading partner	Current expiry date
Cold-rolled stainless steel in coils, sheets or any other form	7219.31.00 00, 7219.32.00 00 7219.33.00 00, 7219.34.00 00 7219.35.00 00, 7220.20.10 00 7220.20.90 00	China Korea, Rep. of Chinese Taipei Thailand Indonesia Viet Nam	07/02/2023 23/04/2026
Galvanized iron coils/ sheets or galvanized steel coils/sheets	7210.41.11 00, 7210.41.12 00 7210.41.19 00, 7210.41.91 00 7210.41.99 00, 7210.49.11 00 7210.49.12 00, 7210.49.13 00 7210.49.19 00, 7210.49.91 00 7210.49.99 00, 7212.30.11 00 7212.30.12 00, 7212.30.13 00 7212.30.14 00, 7212.30.19 00 7212.30.90 00, 7225.92.90 00 7225.99.90 00, 7226.99.11 00 7226.99.19 00, 7226.99.91 00 7226.99.99 00	China Viet Nam	07/03/2024
Cellulose fibre reinforced cement flat and pattern sheets (FCB)	6811.82.90 10, 6811.82.90 90	Thailand Indonesia	23/09/2024 20/03/2025
Cold-rolled coils of iron or non-alloy steel, of width more than 1,300 mm	7209.15.00 00, 7209.16.90 00 7209.17.90 00, 7209.18.99 00 7225.50.90 00	China Japan Korea, Rep. of Viet Nam	21/02/2025

[62] MITI (2019), "New Open AP Policy Implementation", 13 March. Viewed at: https://www.miti.gov.my/miti/resources/Media%20Release/Media_Release_-_New_Open_AP_Policy_Implementation.pdf.

[63] MITI, *National Automotive Policy 2020 (NAP 2020)*, 21 February 2020.

[64] WTO document G/ADP/N/370/MYS, 26 August 2022.

[65] WTO documents G/ADP/N/314/MYS, 16 October 2018; G/ADP/N/322/MYS, 4 February 2019; G/ADP/N/328/MYS, 21 October 2019; and G/ADP/N/342/MYS, 28 September 2020.

[66] WTO documents G/SCM/N/321/Add.1, 23 October 2017; G/SCM/N/328/Add.1, 20 April 2018; G/SCM/N/334/Add.1, 19 October 2018; G/SCM/N/342/Add.1/Rev.1, 15 November 2019; G/SCM/N/349/Add.1, 15 November 2019; G/SCM/N/356/Add.1/Rev.1, 14 October 2020; G/SCM/N/363/Add.1, 14 October 2020; G/SCM/N/371/Add.1/Rev.1, 14 October 2021; and G/SCM/N/392/Add.1, 13 October 2022.

Product	HS Code	Trading partner	Current expiry date
Steel concrete reinforcing bar	7214.10.11 00, 7214.10.19 00 7214.10.21 00, 7214.10.29 00 7214.20.31 00, 7214.20.39 00 7214.20.41 00, 7214.20.49 00 7214.20.51 00, 7214.20.59 00 7214.20.61 00, 7214.20.69 00 7214.30.10 00, 7214.30.90 00 7214.99.11 00, 7214.99.19 00 7214.99.91 00, 7214.99.92 00 7214.99.93 00, 7214.99.99 00 7228.10.10 00, 7228.10.90 00 7228.20.11 00, 7228.20.19 00 7228.20.91 00, 7228.20.99 00 7228.30.10 00, 7228.30.90 00 7228.40.10 00, 7228.40.90 00 7228.50.10 00, 7228.50.90 00 7228.60.10 00, 7228.60.90 00 7228.80.11 00, 7228.80.19 00 7228.80.90 00	Singapore Türkiye	
Flat-rolled product of non-alloy steel plated or coated with aluminium and zinc	7210.61.11 00, 7210.61.12 00 7210.61.19 00, 7210.61.91 00 7210.61.92 00, 7210.61.99 00 7212.50.23 00, 7212.50.24 90 7212.50.29 10, 7212.50.29 90	China Korea, Rep. of Viet Nam	11/12/2025
Prepainted, painted or colour coated steel coils (PPCCSC)	7210.70.11 00, 7210.70.19 00 7210.70.91 10, 7210.70.91 90 7210.70.99 10, 7210.70.99 90	China Viet Nam	19/07/2026
Cold rolled coils below than 1,300 mm	7209.15.00 00, 7209.16.10 00 7209.16.90 00, 7209.17.10 00 7209.17.90 00, 7209.18.99 00 7225.50.10 00, 7225.50.90 00	China Korea, Rep. of Viet Nam	08/10/2026
Stranded steel wires for prestressing concrete	7312.10.91 00	China	24/12/2026

Source: WTO document G/ADP/N/370/MYS, 26 August 2022; and MITI, *Investigations*. Viewed at: https://www.miti.gov.my/index.php/pages/view/8405.

3.45. The Safeguards Act 2006 and the Safeguard Regulations 2007 regulate the procedures for investigation, imposition, and revocation of safeguard measures. The MITI is responsible for conducting investigations. In 2020, Malaysia notified to the WTO Committee on Safeguards that it had initiated a safeguard investigation on imports of ceramic floor and wall tiles.[67] The investigation was terminated on 11 January 2021 based on the negative preliminary determination since the investigation was not able to ascertain any causal link between the increase in imports and a serious injury of the domestic industry.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.46. Exports are regulated under the Customs Act 1967, the Strategic Trade Act (STA) 2010, and other legislation enforced by relevant the competent authorities. All goods for export must be declared electronically on Customs Form No. 2, and an export permit, and veterinary health certificate, where applicable, must be attached electronically (ePermit) or in hard copy. The RMCD reserves the right to inspect consignments to ensure that exports comply with laws and regulations.[68] At the regional level, Malaysia has been rolling out ASEAN Customs Declaration Documents (ACDD) since 31 March 2021. ACDD, which is fully operational in Malaysia, is an electronic document for the exchange of export declaration information between ASEAN member States.

3.47. Export proceeds must be repatriated to Malaysia in full, as per the sales contract, within six months from the date of export. Proceeds may be received in foreign currencies (except for the

[67] WTO documents G/SG/N/6/MYS/6, 23 September 2020; and G/SG/N/9/MYS/3, 15 January 2021. The products under investigation refer to tariff codes 6907.21.21 00, 6907.21.23 00, 6907.21.91 00, 6907.21.93 00, 6907.22.11 00, 6907.22.13 00, 6907.22.91 00, 6907.22.93 00, 6907.23.11 00, 6907.23.13 00, 6907.23.91 00, and 6907.23.93 00.

[68] RMCD, *Export Procedure*. Viewed at: http://www.customs.gov.my/en/cp/Pages/cp_timp.aspx.

currency of Israel) or in ringgit from a licensed onshore bank to meet foreign currency obligations.[69] Resident exporters may extend the repatriation of export proceeds beyond 6 months (up to 24 months) in exceptional circumstances (e.g. buyer in financial difficulties, foreign exchange restrictions in the buyer's country, quality and/or quantity claims, or fraud).[70]

3.2.2 Taxes, charges, and levies

3.48. Malaysia levies export taxes on a number of products in accordance with the Customs Act 1967, Part III (11) (Table 3.9). The revenue from export duties accounted for 0.8% of total tax revenue on average between 2018 and 2021. In 2022, 123 tariff line items at the 10-digit level were subject to export duties. Most tariff lines carry *ad valorem* duties ranging from 5% to 20%. The authorities note that the rationale for levying export duties on selected items is for conservation of natural resources. Regarding palm oil, the rate of export duty varies according to the market price, and an export duty exemption is in place to ensure that smallholders' income is supported and improve oil palm industry competitiveness. Malaysia fully exempted the duty for exports of crude palm oil from 1 July 2020 until 31 December 2020 under the National Economic Recovery Plan (PENJANA) initiatives in order to cushion the impact of COVID-19 pandemic. Approval for the exemption is under the purview of the MOF.

Table 3.9 Export duties, 2022

Export duty rate (%)	No. of tariff lines	Products
5	66	Live animals; palm kernel oil; palm nuts suitable for sowing/planting; platinum; slag and ash; copper and articles; unwrought zinc
10	14	Palm kernel oil; crude petroleum oil; gutta-percha; jelutong; waste and scrap of alloy steel; remelting scrap ingots; copper waste and scrap; master alloys of copper; nickel mattes; nickel oxide sinters; unwrought nickel; aluminium waste or scrap
15	26	Wood in the rough (19 tariff lines); ferrous waste and scrap; lead waste and scrap; unwrought lead
20	2	Kernels
3-8[a]	5	Crude palm oil; processed palm oil
Specific rate	10	Live plants; rattan; rubber tree seeds

a Export duty rates only refer to crude palm oil (tariff code: 1511.10.0000); these rates vary according to the gazetted value.

Source: WTO Secretariat calculations, based on information provided by the authorities.

3.2.3 Export prohibitions, restrictions, and licensing

3.49. Subsection 31(1) of the Customs Act stipulates that exportation may be prohibited absolutely or conditionally. Export controls, enforced pursuant to the Customs (Prohibition of Exports) Order 2017, apply to a number of products. The stated purposes for export prohibitions or export licensing requirements are mainly to safeguard health, safety, or security; for environmental purposes; or to comply with international agreements.

3.50. Prohibited exports, enumerated in the first schedule of the 2017 Order, include poisonous chemicals and minerals, and substances covered under the Montreal Protocol. Export licensing requirements apply to products listed in the second schedule of the Order, notably plants and plant products, sugar, cement, and waste and scrap (Table A3.4). The Third Schedule lists products that may be exported subject to certain conditions, including SPS-related requirements for animals and animal products, arms and ammunition, toxic and/or hazardous waste, pesticides, and second-hand household electronics (Part I). Face masks (surgical/medical) were added to the product list on 20 March 2020 with reference to the Control of Supplies Act 1961, and these export restrictions are still in place.[71] Face masks may be exported with a letter of approval from the Controller of Supplies, Ministry of Domestic Trade and Consumer Affairs. Part II of the Third Schedule covers goods

---

[69] Bank Negara Malaysia (BNM) (2021), "Liberalization of Foreign Exchange Policy", 31 March. Viewed at: https://www.bnm.gov.my/-/liberalisation-of-foreign-exchange-policy-2021.

[70] BNM (2021), "Liberalization of Foreign Exchange Policy", 31 March.

[71] Federal Government Gazette, Customs *(Prohibition of Exports) (Amendment) (No. 2) Order 2020 (P.U.(A) 92)*, 19 March 2020.

controlled under the CITES, and include terrestrial animals, marine animals, and terrestrial plants (excluding timber except as specified in the CITES).[72]

3.51. The Strategic Trade Act (STA) 2010, in force since 2011 and last amended in 2017, regulates the export, transhipment, and transit of various strategic items such as arms and related materials in compliance with Malaysia's international obligations stemming from the United Nations Security Council Resolution 1540.[73] The Strategic Trade (Strategic Items) List 2021 contains a comprehensive list of such items.[74] Export licences for such goods are granted by the MITI's strategic trade controller and other relevant authorities which are Atomic Energy Licensing Board, Malaysian Communications and Multimedia Commission, and Pharmaceutical Services Programme. According to the Strategic Trade (Compounding of Offences) Regulations 2022, effective since 1 June 2022[75], any offence committed by any person handling strategic goods prescribed in the Regulations may be compounded. An offer to compound may be made at any time after the offence is committed.

3.2.4 Export support and promotion

3.52. The Malaysian External Trade Development Corporation (MATRADE) assists exporters in developing and expanding their opportunities overseas. Its services include developing training programmes to enhance the marketing skills of exporters, conducting market research and collecting commercial intelligence, matching exporters with foreign importers, representing Malaysia in international trade fora, protecting Malaysia's trade interests abroad, and advising the Government on trade-related matters. Focusing on exports of manufactured and semi-manufactured goods, MATRADE formulates and implements an export marketing strategy for such goods. MATRADE also promotes imports on a selective basis.

3.53. Market development grants (MDGs) were introduced in 2002 to assist exports in promoting their goods and services globally. MDGs' lifetime limit is MYR 300,000. They may be used for physical or virtual participation in international trade fairs and exhibitions or business-to-business meetings, and trade missions. SMEs, professional services providers, trade and industry associations, chambers of commerce, and cooperatives are eligible for MDGs, and the grant applications are submitted online through MATRADE's website.

3.54. The Services Export Fund (SEF) is a trade support facility that assists Malaysian entities involved in the service industry such as companies (Malaysian Service Providers (MSPs)), trade and industry associations, chambers of commerce, professional bodies, government-linked investment companies (GLICs), government-linked companies (GLCs), and cooperatives to undertake export-related activities in international markets. At least 60% of the equity of the business must be Malaysian owned, and the provider must have been in operation for at least one year. The maximum grant per business entity is MYR 4.3 million, also taking into account specific grant limits for each of the 12 eligible activities.[76]

3.55. Malaysia operates a number of free zones under the Free Zones Act 1990 and governed by the Free Zones Regulations 1991 (as amended). They were established to facilitate the expansion of export-oriented businesses. The free zones are designated areas supervised by the MOF where enterprises engage in production (free industrial zones (FIZs)) or commercial activities (FCZs). At present, there are 21 FIZs and 23 FCZs. Free zone enterprises enjoy multiple tax benefits, including exemptions from customs duties, sales tax, and excise taxes on specific raw materials and equipment. As the free zones are not considered part of Malaysia's regular customs territory, sales from enterprises located in the free zones into Malaysia's principal customs area will be subject to normal customs procedures, including the payment of duties and taxes.

---

[72] WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and *Customs (Prohibition of Exports) Order 2017 (P.U.(A) 102), Part II*, 31 March 2017.

[73] MITI, *Strategic Trade Act (STA) 2010*. Viewed at: https://www.miti.gov.my/index.php/pages/view/sta2010.

[74] MITI, *Strategic Trade Act (STA), Strategic Items List*. Viewed at: https://www.miti.gov.my/index.php/pages/view/8702.

[75] Federal Government Gazette, *Strategic Trade (Compounding of Offences) Regulations 2022 (P.U(A) 154)*, 10 May 2022.

[76] MATRADE, *Services for Exporters*. Viewed at: https://www.matrade.gov.my/en/about-matrade/media/news-clippings/25-malaysian-exporters/services-for-exporters/3750-services-export-fund.

3.56. Manufacturers established in the FIZs must export at least 80% of their production, unless a lower export requirement (minimum 60%) has been approved by MITI. Import duty exemptions also depend on the value of local content; if this is less than 40%, then non-originating raw materials must have undergone substantive transformation during the manufacturing process. Goods manufactured inside a free zone area are intended for export in accordance with subsection (8)(1)(a) of the Free Zones Act 1990. However, based on the current policy, manufacturers are eligible to enjoy local sales not exceeding 20% of their total production. Manufacturers are required to obtain approval from Malaysian Investment Development Authority (MIDA) for local sales of finished goods exceeding 20%. Good removed from an FIZ to the principal customs area are subject to import duty according to the rate under Customs Duty Orders. Starting 1 January 2011, manufacturers in FIZs may enjoy payment of import duty equal to the ATIGA rate for local sales if they comply with the following conditions: (i) the percentage of raw materials from ASEAN countries used in the manufacturing of finished goods exceeds 40%; or (ii) the final product has undergone substantive transformation either resulting in a change in HS chapter, tariff heading, or tariff subheading; or according to a process rule.

3.57. The free zones regulations were amended twice during the review period, but the amendments did not materially change the benefits applicable in the free zones.[77] The objective of the Free Zones (Amendment) Act 2019 is to enhance measures in controlling and preventing revenue leakages in the free zones through additional enforcement provisions. The Free Zones (Amendment) Regulations 2019 seek to balance the role of Customs between facilitating trade and securing the trade environment for the purposes of national and global security and also for subsequent amendments to the Customs Regulations 2019. Outside the free zones, manufacturers may alternatively apply to operate licensed manufacturing warehouses (LMWs) to avail themselves of the same privileges and benefits. In September 2022, there were 2,202 LMWs registered with Customs. Companies with LMW status (or those that operate in an FIZ) may, upon application, sell up to 40% of their production on the domestic market.

3.58. Claims for drawback of import duty and excise tax paid on goods subsequently exported may be submitted to the RMCD in accordance with Section 93 of the Customs Act 1967 and Section 19A of the Excise Act 1976, as amended. The rules were tightened through amendment Acts A1593 and A1594 with effect from 1 January 2020. The period of eligibility from the date of importation and re-exportation was shortened from 12 months to 3 months, and the minimum amount of paid duty or excise tax to be reclaimed was raised from MYR 50 to MYR 200 per consignment. The RMCD subsequently ruled that the earlier conditions were still applicable for goods imported before 31 December 2019 and re-exported in the course of 2020.[78]

3.59. Malaysia accords exporters reductions in their statutory income tax that are dependent on the value of increased exports. Manufacturing companies that attain 30% of value-added exports receive an allowance equal to 10% of the value of the increased exports (limited to 70% of the statutory income). The allowance is 15% when the value-added percentage is 50% or more. In agriculture, a 10% allowance applies to the value of increased exports of prescribed agricultural produce. Enhanced allowances are available for companies (in agriculture or manufacturing) that attain significant increases in exports (at least 50%) or are successful in penetrating new markets.[79] These incentives are limited to firms with minimum 60% Malaysian equity. In addition, successful exporters may qualify for Export Excellence Awards that correspond to 100% of the value of the increased exports.[80] In the case of services exports, deductions are applicable for qualifying expenditures, and the allowance for increased exports corresponds to 50% of the value of the growth in exports.

3.2.5 Export finance, insurance, and guarantees

3.60. Export-Import Bank of Malaysia Berhad (EXIM Bank) is the only institution dedicated to the promotion of cross-border businesses. In 2005, EXIM Bank merged with Malaysia Export Credit

[77] Federal Government Gazette, *Free Zones (Amendment) Regulations 2019*, 31 December 2019, and *Free Zones (Amendment) Regulations 2022*, 1 April 2022. Viewed at: http://www.customs.gov.my/en/pg/Pages/pg_prtnzb.aspx.

[78] RMCD, *Public Ruling No. 2/2020*. Viewed at: http://www.customs.gov.my/en/pg/pg_pr/PR%2002-2020%20-%20Relation%20To%20Drawback%20Claims.pdf.

[79] The allowances correspond to 30% of the value of the increased exports in case of significant export increase and 50% for the penetration of new markets.

[80] All allowances, including enhanced allowances, are always capped at 70% of the statutory income.

Insurance Berhad to provide export credit as well as export credit insurance. EXIM Bank offers conventional and Islamic banking facilities as well as export credit takaful services, overseas investments, and guarantee facilities. Malaysian manufacturers, exporters, and suppliers of Malaysian goods may also take advantage of the Bank's trade finance facilities to increase their exports to international markets through supplier credit or financing facilities. Cross-border term financing is provided directly to Malaysian companies, foreign governments, or foreign buyers of Malaysian goods or services. EXIM Bank is owned by the MOF but operates under the purview of MITI.

3.61. EXIM Bank's balance sheet has been contracting in recent years. Its total assets declined from MYR 13.6 billion in 2017 to MYR 7.9 billion in 2021.[81] After three years of consecutive and mounting losses, the Bank's operations were once again profitable overall in 2020 and 2021. At the end of 2021, its portfolio of gross loans and other financing assets totalled MYR 5.3 billion, divided between conventional products (57.4%) and Islamic financing (42.6%). Its exposures covered 52 countries.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.62. Malaysia provides qualifying companies incentives in the form of partial exemption or relief from company income tax and indirect taxation (customs duty and excise tax) further to the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Excise Act 1976, and Free Zones Act 1990. The beneficiaries may be investing in manufacturing, agriculture, tourism (including hotels), or approved services sectors. More generally, incentives are also available to support research and development, training, and environmental protection activities.

3.63. The MIDA reviews applications from enterprises seeking "pioneer status" or recourse to the "investment tax allowance", which are the principal incentive tools for new investments. Eligibility is determined according to priorities such as the level of value added, choice of technology, and industrial linkages. Based on the Promotion of Investments Act 1986, a general list of 22 categories of promoted activities and products (with subcategories) has been established. The general list is supplemented by lists promoting certain high technologies, specific activities for small-scale companies, selected industries, and reinvestments.[82]

3.64. An enterprise that has been granted pioneer status pays tax on 30% of its statutory income during the first five years from the start of production.[83] Unutilized capital allowances may be carried forward past the pioneer stage, and accumulated losses are deductible for up to seven consecutive years following the end of the pioneer period. As an alternative to seeking pioneer status, an enterprise may apply for the investment tax allowance, amounting to 60% of qualifying capital expenditures on the plant, factory, machinery or other equipment purchased for the approved project within five years of the first qualifying expenditure. The allowance may be offset against 70% of the statutory income in each year of assessment and carried forward until fully utilized. The remaining 30% of the statutory income is taxed at the prevailing rate of company tax.[84] In 2020 and 2021, pioneer status was granted to 75 projects involving investments of MYR 8.1 billion, down from 210 projects involving investments of MYR 11.6 billion in 2016 and 2017. The Government granted an investment tax allowance to 20 projects involving investments of MYR 45.4 billion in 2020 and 2021, compared with 73 projects involving investments of MYR 42.2 billion in 2016 and 2017. The two schemes are mutually exclusive.

3.65. Enhanced incentives are available to enterprises that engage in specific projects or activities. For example, in manufacturing, enterprises may attain 100% exemption from the company income tax for investments in selected mechanical and electrical industries, high-technology projects, or priority production lines in the automotive sector (Table 3.10). Enhanced incentives also apply to SMEs and small-scale companies. Investors may search for available support on the MIDA

[81] EXIM Bank Malaysia (2022), *Optimising Opportunities, Annual Report 2021*. Viewed at: https://www.exim.com.my/annual-report/2021/pdf/EXIM_AR2021.pdf.
[82] MIDA. Viewed at: https://www.mida.gov.my/?s=promoted+activities.
[83] Production day is defined as the date when production reaches 30% of capacity.
[84] The general rate of company income tax is 24%, with a lower rate (17%) applicable to the first MYR 600,000 earned by companies with paid-up capital of less than MYR 2.5 million.

website through its Investment Incentives Portal (i-Incentives): https://investmalaysia.mida.gov.my/incentives/.

Table 3.10 More favourable tax incentives – manufacturing

	Tax incentives	Eligibility criteria
High-technology companies	• Pioneer status with income tax exemption of 100% of the statutory income for five years; or • ITA of 60% of the qualifying expenditure. The allowance can be utilized to offset against 100% of the statutory income.	• Proposed product/activity must be listed in the Promoted Products/Activities for High Technology Companies. • The percentage of local R&D expenditure to gross sales is at least 1% on an annual basis. • Scientific and technical staff having degrees or diplomas with a minimum five years' experience in related fields must comprise at least 15% of the company's total workforce. Value-added must be at least 40%.
Strategic projects	• Pioneer status with income tax exemption of 100% of the statutory income for 10 years; or • ITA of 100% of the qualifying expenditure. The allowance can be utilized to offset against 100% of the statutory income.	Products or activities of national importance. Generally involve heavy capital investment with long gestation periods, having high level of technology, generating extensive linkages, and having significant impact on the economy.
SMEs	A reduced company income tax of 20% on chargeable income of up to MYR 500,000.	Companies resident in Malaysia with a paid-up capital of ordinary shares of MYR 2.5 million or less, and such companies cannot be controlled by another company with a paid-up capital exceeding MYR 2.5 million.
Small-scale companies	• Pioneer status with income tax exemption of 100% of the statutory income for five years; or • ITA of 60% of the qualifying expenditure. The allowance can be utilized to offset against 100% of the statutory income.	Companies incorporated in Malaysia with shareholders' fund not exceeding MYR 2.5 million, and having 60%-100% Malaysian equity.
Specialized machinery and equipment	• Pioneer status with income tax exemption of 100% of the statutory income for 10 years; or • ITA of 100% of the qualifying expenditure. The allowance can be utilized to offset against 100% of the statutory income.	Value added must be at least 40%; and percentage of managerial, technical, and supervisory (MTS) staff (MTS Index) to total workforce must be at least 25%.
Automotive industry		
- Critical and high value-added parts and components and production	• Pioneer status with income tax exemption of 100% of the statutory income for 10 years; or • ITA of 100% of the qualifying expenditure for 5 years. The allowance can be utilized to offset against 100% of the statutory income.	Companies manufacturing transmission systems, brake systems, airbag systems, and steering systems.
- Hybrid and electric vehicles and related infrastructure	• 100% ITA or pioneer status for 10 years; • Customized training and R&D grants in addition to the existing grants; • 50% exemption on excise duty for locally assembled/manufactured vehicles or provision of grant under the Industrial Adjustment Fund; or • 100% pioneer status for 10 years or ITA of 100% for 5 years, for the manufacturing of selected critical components supporting hybrid and electric vehicles.	
Utilization of oil palm biomass	• Pioneer status with income tax exemption of 100% of the statutory income for 10 years; or • ITA of 100% of the qualifying expenditure. The allowance can be utilized to offset against 100% of the statutory income.	Value added must be at least 60%; MTS staff ratio must be at least 25%.

Source: MIDA; and WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

3.66. The Domestic Investment Strategic Fund (DISF) was set up in 2012 to encourage technology upgrading in industries, outsourcing by multinational corporations that are active in Malaysia, and Malaysian enterprises gaining international certification in strategic industries. The DISF is a grant that matches eligible expenditures by the enterprises themselves on a 50/50 basis. The grant is available to new enterprises, or existing enterprises (that undertake new investments), in which Malaysian ownership is no less than 60%.

3.67. The National Economic Recovery Plan (PENJANA) introduced a Smart Automation Grant initiative with an initial allocation of MYR 100 million to encourage SMEs and mid-tier companies in manufacturing and services sectors to automate and digitalize their operations and thus improve their competitiveness. The grant is an additional non-tax fiscal incentive in the form of funding to approved companies that corresponds to a 50/50 matching of eligible expenditures, capped at MYR 1 million per enterprise. The Automation Capital Allowance (Automation CA) for manufacturers was introduced in the 2015 budget. The Automation CA incentive is segregated into two industry categories, i.e. labour-intensive industries such as rubber, plastic, wood, furniture, and textiles (Category 1) and other industries (Category 2). The allowance amounts to 200% of approved expenditures incurred within five years of assessment (2015-20), limited to expenditures of MYR 4 million in Category 1 and MYR 2 million in Category 2. The 2020 Budget extended the incentive period until 2023 and expanded the scope to services to enable services providers to invest in automation equipment to achieve greater efficiency and productivity. Manufacturing businesses and selected agricultural projects that incur capital expenditures while modernizing, automating, expanding, or diversifying their current business may also qualify for the Reinvestment Allowance (RA). Companies must have been in business operations for at least 36 months to qualify for the RA incentive. RA is available for a period of 15 years, starting from when the capital expenditure was first incurred, and corresponds to 60% of the expenditures in qualifying projects.

3.68. In 2020, the Government continued the Industry 4WRD Readiness Assessment and Intervention Fund (IF) initiatives to support the manufacturing and manufacturing-related services companies in implementing changes that affect the deployment of labour, technology, or production processes. Support is initiated after the completion of a readiness assessment and amounts to a 70% reimbursement of incurred eligible expenditures up to a maximum grant of MYR 0.5 million. In addition to the Industry 4WRD Readiness Assessment and IF, budget was also allocated under the Eleventh Malaysia Plan, 2016-2020 (Eleventh Plan) to support (i) facilities upgrading at public higher learning institutions to become competence centres for the enabling technologies of Industry 4.0; (ii) train the trainers programme to improve skills in Industry 4.0 pedagogy; (iii) the Industry 4.0 National Duel Training System (SLDN); (iv) the Smart collaborative platform development programme to promote public-private partnership in facilitating Industry 4.0 adoption among SMEs; and (v) the provision of high-speed broadband services at strategic and high-impact industrial and training areas.

3.69. Following the Movement Control Order (MCO) of March 2020, the Government introduced several packages to mitigate the economic impact of lockdowns and restrictions in the fight against the COVID-19 pandemic.[85] Among the measures taken, Bank Negara Malaysia (BNM) is administering various financing facilities (credits and guarantees) to sustain business operations with emphasis on SMEs, including microenterprises. By end-December 2021, its Fund for SMEs had reached MYR 31.1 billion, which was being distributed through various schemes depending on the needs of the recipients (Table 3.11). Overall, funds available as at end-December 2021 amounted to MYR 10.3 billion. The BNM has also been assisting SMEs and microenterprises with rescheduling of loan repayments, and a dedicated Financial Management and Resilience Programme has been set up to assist vulnerable borrowers with cash flow difficulties.

[85] Businesses may search for support available at the state level at the official portal of the National Economic Recovery Plan. Viewed at: https://pelanpemulihannegara.gov.my/selangor/business-en.html.

Table 3.11 Bank Negara Malaysia Fund for SMEs, COVID-19 relief

Programme Scheme	Overall funding (MYR)	Financing terms
Targeted Relief and Recovery Facility	8 billion	Loan rate: Up to 3.5% p.a. (incl. guarantee fee) Size: Up to MYR 500,000 Duration: Up to seven years (incl. moratorium period) Moratorium: At least six months
High Tech and Green Facility – National Investment Aspirations	800 million	Loan rate: Up to 3.5% (excl. guarantee fee), up to 5% p.a. (incl. guarantee fee) Size: Up to MYR 10 million Duration: Up to 10 years
SME Automation and Digitisation Facility	1 billion	Loan rate: Up to 4% p.a. (incl. guarantee fee) Size: Up to MYR 3 million Duration: Up to 10 years
Agrofood Facility	2 billion	Lending rate: Up to 3.75% p.a. (incl. guarantee fund) Size: Up to MYR 5 million Duration: Up to eight years
Business Recapitalization Facility	1 billion	Lending rate: Up to 3.5% p.a. (excl. guarantee fee), up to 5% p.a. (incl. guarantee fee) Size: Up to MYR 5 million Duration: Up to 10 years
Low Carbon Transition Facility	1 billion	Loan rate: Up to 5% p.a. Size: Up to MYR 10 million Duration: Up to 10 years
Micro Enterprises Facility	500 million	Lending rate: as determined by the financial institution Size: Up to MYR 50,000 Duration: Up to five years
All Economic Sectors Facility	5.7 billion	Loan rate: Up to 7% p.a. (incl. guarantee fee) Size: Up to MYR 5 million Duration: Up to five years
PENJANA Tourism Financing	600 million	Loan rate: Up to 3.5% p.a. (incl. guarantee fee) Size: Up to MYR 500,000 Duration: Up to seven years (incl. moratorium period) Moratorium: At least six months

Source: MOF, *Touchpoints. Budget 2022 Measures*. Viewed at: https://www.mof.gov.my/portal/arkib/budget/2022/touchpoints-en.pdf; BNM, *Annual Report 2021*. Viewed at: https://www.bnm.gov.my/documents/20124/6458991/ar2021_en_book.pdf; and BNM, *BNM's Fund for SMEs*. Viewed at: https://www.bnm.gov.my/funds4sme.

3.70. During the review period, Malaysia submitted two notifications, in combination covering the period 1 January 2018 to 31 December 2021, to the WTO SCM Committee.[86] As in the past, and without prejudice to their legal status, effects, or nature under the GATT 1994 or the SCM Agreement, Malaysia notified two programmes (pioneer status and the investment tax allowance). Detailed information, including data on amounts of subsidy accorded under the two schemes, was not provided.

3.3.2 Standards and other technical requirements

3.71. The Department of Standards Malaysia (JSM) is Malaysia's national standardization and accreditation body, established under the Standards of Malaysia Act 1996 (Act 549) as amended. The Act also set up a Standards and Accreditation Council to advise the Senior Minister of International Trade and Industry on relevant matters. MSAC is guided by inputs from 26 National Standards Committees (NSCs) and the National Accreditation Committee. The NSCs are sectoral standards committees set up by JSM to carry out the technical work related to standardization in each specific industrial sector. JSM represents Malaysia in regional and international activities related to standardization and accreditation.

3.72. Malaysian standards (MS) are in principle voluntary unless they have been made mandatory by the relevant domestic regulators. Of the 4,804 MS developed across 25 sectors as of 1 June 2022, 2,032 of them (42.3%) were identical to international standards and a further 210 MS were modified versions of international standards.[87] Per December 2021, 496 MS had been made mandatory by the regulators, notably by the Energy Commission, the Construction Industry Development Board (CIDB), the National Water Services Commission, the Federal Agricultural Marketing Authority, and

[86] WTO documents G/SCM/N/343/MYS, 3 July 2020; and G/SCM/N/372/MYS, 30 June 2021.
[87] JSM, *MS Statistics*. Viewed at: https://www.jsm.gov.my/ms-status#.YtVpQLZByUl.

the Fire and Rescue Department of Malaysia.[88] The mandatory standards pertained to agriculture, chemicals, building and construction, petroleum and gas, medical devices and healthcare facilities, electrical and electronic equipment, food and food products, palm oil and related products, and quality and environmental management.

3.73. The national standards development strategy has evolved from a numbers-based to a needs-based model. Moreover, obsolete MS have been withdrawn, and priority is accorded to the development of indigenous standards while promoting direct use of international standards. These factors taken together have contributed to a downward trend in the overall number of MS.

3.74. The Fourth Schedule of the Customs (Prohibition of Imports) Order 2017 addresses the conformity of imports with MS or any other approved standard, as stipulated in the respective technical regulations of regulatory bodies. Part I covers cement, cement products, and plastic flushing cisterns equipped mechanisms. Imports require a certificate of approval (COA) or a letter of exemption, issued by or on behalf of the Chief Executive of the CIDB.[89] Two items were added to Part I in 2022, i.e. recovered paper and paper board, and waste and scrap of metal. Imports require a COA pursuant to the guidelines for importation and inspection of wastepaper and metal scrap.[90]

3.75. Part II of the Fourth Schedule lists products subject to TBT requirements (Table A3.5). Several amendments were issued during the review period, notably adding certain steel products (bars and rods), and motor vehicle accessories (child seats, rear view mirrors, and safety glass).[91] Moreover, imports of motor vehicles require a letter of approval issued by the Road Transport Department, and the vehicles must satisfy E-Mark and MS mark requirements.[92] Part II requirements do not apply to FCZs.

3.76. JSM is the sole accreditation body, offering accreditation schemes for (i) certification bodies; (ii) laboratories; (iii) inspection bodies; (iv) good laboratory practice compliance (based on OECD principles); (v) proficiency testing providers; (vi) primary healthcare laboratories; and (vii) validation and verification bodies. By August 2022, JSM had accredited 169 certification bodies under 17 different programmes, 824 active laboratories, and 23 Malaysian inspection bodies.[93]

3.77. JSM is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement (ILAC MRA) and the International Accreditation Forum Multilateral Recognition Arrangement (IAF MLA). It is also a full adherent to the OECD Mutual Acceptance Data in the Assessment of Chemicals. At the regional level, JSM is a signatory to the Asia Pacific Accreditation Cooperation Mutual Recognition Arrangement (APAC MRA). Following its successful APAC peer evaluation in 2020, JSM enlarged its MRA scopes to include proficiency testing providers and certification of persons in 2021. Malaysia is a signatory to five sectoral ASEAN MRAs, covering electrical and electronic equipment; GMP inspection of manufacturers for medicinal products; inspection and certification systems on food hygiene for prepared foodstuff products; a bio-equivalence study report on generic medicinal products; and type approval of automotive products. Malaysia has also entered into recognition agreements with the United States regarding the 2020 APEC-TEL MRA for Conformity Assessment of Telecommunications Equipment (EMC Testing) and the US-EPA Toxic Substances Control Act (TSCA) Title VI for Formaldehyde Testing.

3.78. Malaysia notifies proposed technical regulations to the WTO Committee on Technical Barriers to Trade (TBT Committee) on a regular basis. The 38 notifications submitted between March 2018 and January 2022 covered a wide range of products, including communications equipment,

[88] JSM, *Mandatory Standards*. Viewed at: https://www.jsm.gov.my/ms-implementation#.YtVsSrZByUk.
[89] Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, P.U.(A) 103, Fourth Schedule, Part I*, 31 March 2017.
[90] Federal Government Gazette, *Customs (Prohibition of Imports) (Amendment) (No. 2) Order, 2022 (P.U.(A) 8)*, 7 January 2022.
[91] Federal Government Gazette, *Customs (Prohibition of Imports) (Amendment) Order*, *2018 (P.U.(A) 223)*, 29 August 2018 and 2022 *(P.U.(A) 7)*, 7 January 2022.
[92] Federal Government Gazette, *Customs (Prohibition of Imports) (Amendment) Order*, *2022 (P.U.(A) 7)*, 7 January 2022.
[93] Status reports on the number of accredited conformity assessment bodies, laboratories, and inspection bodies may be accessed at: https://www.jsm.gov.my/statistics#.Yk5DvdNBxD8; https://www.jsm.gov.my/statistics2#.Yk5Di9NBxD9; and https://www.jsm.gov.my/statistics1#.Yk5D_NNBxD8.

electronic goods, food and beverages, pharmaceuticals, wastepaper and metal scrap products, wood, medical devices, motor vehicles, and pre-packaged products. One specific trade concern relating to measures maintained by Malaysia was raised in the TBT Committee in March 2022.[94]

3.3.3 Sanitary and phytosanitary requirements

3.79. The responsibility for enforcement of SPS-related legislation primarily rests with the Ministry of Agriculture and Food Industries (MAFI) through the Department of Fisheries (fish and fish products), the Department of Veterinary Services (animals and animal products), and the DOA (plants, plant products, and regulated articles) regarding various SPS issues. The Ministry of Health (MOH), through its Food Safety and Quality Division, is responsible for food safety matters. At the entry points, the MAQIS is a one-stop institution providing integrated services with respect to quarantine and certification of imports and exports, whether animals, carcasses, fish, agricultural produce, plants, soils, or microorganisms. MAQIS also inspects and enforces regulations that cover food and related matters.

3.80. Malaysia's legal framework for SPS issues remains the same as in recent Reviews and includes the Food Act 1983 and Food Regulations 1985; the Food Hygiene Regulations 2009; the Food Irradiation Regulations 2011; the Animal Act 1953 (Act 647); the Animals Ordinance, 1962 (Sabah No. 16 of 1962) for Sabah; the Veterinary Public Health Ordinance, 1999, Cap. 32 for Sarawak; the Fisheries Act 1985 and Fish Marketing Regulations 2010; the Biosafety Act 2007; the Plant Quarantine Act 1976 and Plant Quarantine Regulations 1981; and the Malaysian Quarantine and Inspection Services Act 2011. The main changes since 2018 concern amendments to the Food Regulations 1985. Effective 1 April 2021, Malaysia revised the importation requirements for certain cereals, grain products, and oil seeds for processing. Henceforth, an import permit from MAQIS as well as a phytosanitary certificate issued by the national plant protection organization in the exporting country is mandatory for consignments from all countries.

3.81. Requirements pertaining to halal products are specified under Section 29 of the Trade Description Act 2011 (Act 730), the Halal Food – Production, Preparation, Handling and Storage – General Guidelines (MS 1500:2009), and the Malaysian Protocol for the Halal Meat and Poultry Production.

3.82. The Under Secretary of the International Division of MAFI serves as Malaysia's enquiry point and notification authority under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. The 13 notifications provided to the WTO SPS Committee between February 2018 and August 2021 addressed the changes mentioned above and, except for grains, the MOH's Food Safety and Quality Division was identified as the responsible authority. One new specific trade concern was raised by the Russian Federation in the Committee (ID 491), and two previously raised issues resurfaced.[95]

3.83. Malaysia is a member of the key international standard setting bodies in the SPS area, i.e. the Codex Alimentarius Commission (since 1971), the World Organisation for Animal Health (WOAH), and the International Plant Protection Convention. According to the authorities, Malaysia takes into account guidelines issued by these institutions in the conduct of risk assessment. Regarding bovine spongiform encephalopathy (BSE), Malaysia's surveillance and monitoring systems are based on WOAH standards. Malaysia is a country without an official BSE risk status, and imports of beef are only allowed from countries of negligible risk or controlled risk. Should an outbreak of avian influenza be notified to WOAH, the Department of Veterinary Services will suspend imports from the affected countries and resume importation in accordance with Articles 10.4.3 and 10.4.19 of the WOAH Terrestrial Animal Health Code 2021.

[94] STC ID 729. The Republic of Korea raised a concern regarding Malaysia's Guideline for Approval of Electrical Equipment (Electricity Regulation 1994) Information Booklet 2018 Edition, notified in WTO document G/TBT/N/MYS/90, 11 June 2019.

[95] The STC raised by the Russian Federation is being discussed bilaterally according to the Malaysian authorities. The two older STCs pertain to import restrictions on pork and pork products (ID 323) and general import restrictions due to BSE (ID 193) maintained by Malaysia and a number of other countries. Bilateral consultations are ongoing.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.84. The Malaysia Competition Commission (MyCC), an agency under the Ministry of Domestic Trade and Consumer Affairs, is responsible for the implementation of Malaysia's competition legislation, i.e. the Competition Act 2010 (Act 712) and the Competition Commission Act 2010 (Act 713). The MyCC has issued implementation guidelines regarding market definition, anti-competitive agreements, abuse of dominant position, complaints procedures, financial penalties, and its leniency regime. Guidelines on intellectual property rights (IPRs) and competition law were published in April 2019.[96] MyCC activities include the provision of policy advice to ministries and government agencies as well as advocacy programmes for public and private sectors.

3.85. The Competition Act 2010 does not cover aviation, telecommunications, or energy as these sectors are regulated under other laws.[97] Moreover, it does not extend to acts involving the exercise of governmental authority, activities with purely social objectives carried out according to the "solidarity" principle, purchases of goods or services not for resale or resupply, services involving general economic interest (e.g. public utilities), collective bargaining, or agreements or conduct that comply with any law. A Special Committee on Competition, set up in 2012 and chaired by the MyCC, involves nine other sector regulators, including the Malaysian Communications and Multimedia Commission, the Energy Commission, the Malaysian Aviation Commission, and the Companies Commission of Malaysia.

3.86. Although the Act prohibits abuse of dominant position (defined as more than 60% market share) and anti-competitive agreements (e.g. price fixing, market sharing, or bid rigging), and in particular hard-core cartels, no provisions provide for *ex ante* scrutiny of mergers or acquisitions. According to the authorities, plans exist to revise the Competition Act to provide for merger and acquisition controls. The MyCC would also prepare guidelines for the new merger control framework, which would be expected to come into force one to two years after the revised Competition Act has been gazetted. The proposed amendment of the Competition Act 2010 includes the amendment of provisions relating to the investigation and enforcement powers and the introduction of a merger control regime that will provide the MyCC with the authority to review and investigate transactions that are likely to cause market concentration. The merger control regime is expected to come into force in 2023.

3.87. The MyCC participates actively in international fora dedicated to competition policy and competition law such as the International Competition Network, UNCTAD, and the OECD, and regionally in the ASEAN Experts Group on Competition, the East Asia Top Level Officials' Meeting on Competition Policy, and the APEC Competition Policy and Law Group. The MyCC has staff exchange programmes with other competition agencies.

3.88. Although the MyCC is empowered to initiate investigations *ex officio*, the great majority of the investigations are carried out on the basis of complaints.[98] Their number has been rising consistently, which is taken as evidence of increasing public awareness of competition issues and the existence of the MyCC (Table 3.12). In several instances, companies have recently been fined for price fixing or bid rigging. Enterprises found to be infringing the Competition Act risk financial penalties equivalent up to 10% of their worldwide turnover. In the course of determining the financial penalty, the MyCC considers several parameters such as the gravity of the infringement, its nature, its actual impact on the market, and the size of the relevant geographic market. It will be increased to take account of aggravating circumstances and reduced by extenuating circumstances. Other remedies may also be imposed. The final decisions of the MyCC may be brought before the Competition Appeal Tribunal.

---

[96] The guidelines may be accessed at: https://www.mycc.gov.my/sites/default/files/pdf/newsroom/WJW013224%20Teks%20%282%29.pdf.

[97] The activities concerned are regulated under the Communications and Multimedia Act 1988, the Energy Commission Act 2001, the Petroleum Development Act 1974, the Petroleum Regulations 1974, and the Malaysian Aviation Commission Act 2015.

[98] The Minister of Domestic Trade and Consumer Affairs may also direct the MyCC to conduct formal investigations of alleged infringements of Malaysia's competition legislation.

Table 3.12 Complaints, investigations, and findings, 2016-19

(Number)

	2016	2017	2018	2019
Complaints	51	64	138	163
Investigations	6	..	..	..
Infringements	2	..	..	..
Non-infringements	1	..	..	..

.. Not available.

Source: Information provided by the authorities.

3.89. Besides the activities described above, in 2019 the MyCC approved a block exemption for vessel-sharing agreements in the shipping industry following a nine-month in-depth evaluation. It also conducted a market review of five food sectors in 2019, wholesale and retail trade in selected consumer products in 2020, and logistics services and motor vehicle warranty restrictions in 2021. The MyCC is on the verge of reviewing the renewal application of the block exemption for vessel sharing agreements in respect of liner shipping services. The MyCC is working closely with the Government under the Pasukan Khas Jihad Tangani Inflasi in restoring effective competition in the medium to long term. This is essential to ensure that the economic recovery is rapid and consistent, ensuring vibrant economic activity.

3.3.4.2 Consumer protection and price controls

3.90. Wheat flour and cooking oil are subsidized and subject to ceiling prices set by the Government pursuant to the Control of Supplies Act 1961. In addition, all retailers in these goods (and sugar) must hold a licence issued by the Ministry of Domestic Trade and Consumer Affairs. In implementing the Price Control and Anti-Profiteering Act 2011, the Ministry of Domestic Trade and Consumer Affairs controls the prices of refined white sugar, liquid petroleum gas, petrol (RON95), diesel, face masks, and goods falling under the Festive Season Price Control Scheme.

3.91. The Price Control and Anti-Profiteering (Mechanism to Determine Unreasonably High Profit) Regulations were revised in 2018, extending its scope from food, beverages, and household goods to any goods or services sold or offered for sale. The Regulations provide a specific formula to determine unreasonably high margins. The obligation of retailers to display their sales prices appropriately were tightened through the Price Control and Anti-Profiteering (Price Marking for Goods and Charges for Services) Order 2020, which entered into force on 15 November 2020.

3.3.5 State trading, state-owned enterprises, and privatization

3.92. The Government embarked on a privatization programme in 1983, but later revised its approach in the direction of private finance initiatives. More than 800 projects have been implemented over the years to mobilize private capital for infrastructure development and investments in health, education, and security.

3.93. Malaysia has a large number of GLCs, i.e. enterprises with a primary commercial objective, that are owned through GLICs. The MOF defines seven entities as GLICs, namely the Minister of Finance (Incorporated), Khazanah Nasional Berhad (the Government's sovereign wealth fund), the Employees Provident Fund, Lembaga Tabung Haji, the Armed Forces Fund Board, the Retirement Fund (Incorporated), and Permodalan Nasional Berhad. Malaysian GLCs are present in utilities, banking and finance, and telecommunications. Partly state-owned GLCs are estimated to make up about 25% of the market capitalization of the Bursa Malaysia.

3.94. The Government launched a transformation programme in 2004-05 to make GLCs more resilient and competitive. The programme was completed in July 2015, and the Putrajaya Committee on GLC High Performance concluded that the GLCs had a good track record in financial performance, as nation builders, and in providing benefits to all stakeholders. Ten initiatives were launched under the GLC transformation programme, including enhancing the effectiveness of GLC boards, and improving the regulatory environment and procurement best practices. On 12 August 2021, the Government launched PERKUKUH (Perkukuh Pelaburan Rakyat) or the "Strengthening of the People's Investment Programme" consisting of 20 key initiatives. PERKUKUH is designed to transform GLICs strategically for enhanced resilience and socio-economic impact. All "Government

Interest Companies", including GLCs, have been required to establish Integrity and Governance Units since 2017.

3.95. Malaysia has notified to the Working Party on State Trading Enterprises (STEs) one entity that it considers may fall within the WTO definition of an STE: Padiberas Nasional Berhad (BERNAS). BERNAS is granted the right to import rice into Malaysia for a period of 10 years (from 2021 to 2031). This right is subject to compliance with Malaysia's obligations under WTO agreements or other international treaties and agreements entered into or to be entered into by Malaysia. The most recent notification provides data on BERNAS imports of rice until 2020 (inclusive).[99] BERNAS is not involved in exportation of rice from Malaysia.

3.3.6 Government procurement

3.96. Except for certain common user items, government procurement is decentralized in Malaysia. Hence, goods, services, and works are purchased by entities at federal, state, and local levels. At the federal level, financial authority is vested in the Minister of Finance and the Secretary-General of the MOF operates as instructed by the Minister. The Chief Ministers supervise procurement in their respective states, giving direction to their state financial officers. At the local level, financial authority lies with the chairpersons, councils, or boards of directors of the local authorities or statutory bodies. At the MOF, the Government Procurement Division concludes contracts for the central purchase of certain common goods and services (e.g. loose furniture, envelopes, and courier services) through open local or negotiated tenders, in which case federal and state ministries and departments requiring such items must purchase them from the centrally appointed suppliers (via direct purchase or open bidding). Users are informed of the effective central contracts through federal central contract circulars.

3.97. The Financial Procedure Act 1957 (as revised in 1972), which provides for the control and management of public finances, is the main legal instrument regulating government procurement. Other pieces of legislation, such as the Government Contract Act 1949 (as revised in 1973), the Ministerial Functions Act 1969, and the Delegation of Powers Act 1956, are also relevant, as they define the powers of ministers to enter into contracts on behalf of the Government or delegate their authority to government officers. Treasury instructions stipulate the specific financial and accounting procedures to be followed in the management of public funds, and treasury circular letters are issued on occasion to clarify or improve policies, rules, and procedures. In particular, the 1Treasury Circulars (1Pekeliling Perbendaharaan (1PP)) detail government procurement procedures and conditions.[100] The Government Green Procurement Guideline 3.0, published in October 2020, consists of 40 groups of selected green products and services.[101]

3.98. Although price considerations may be important in concluding a government contract, the "value for money" concept includes non-price factors as well as broader policy considerations such as the acceleration of economic growth through procurement, maximum use of local materials and resources, the promotion of local freight and insurance, transfer of technology, and incentives for indigenous entrepreneurs (Bumiputera). Bumiputera suppliers benefit from a preference margin of 2.5% to 10%, inversely proportional to value, for goods and services contracts valued at MYR 100,000 to MYR 15 million, while they receive no preferences for contracts above MYR 15 million. For goods made locally by Bumiputera manufacturers, the preference margin is 10% for contracts below MYR 10 million, up to 5% for contracts between MYR 10 million to MYR 100 million, and 3% above MYR 100 million. International tenders are only opened if the goods or services are not available in the local market.

3.99. All individuals and enterprises intending to do business with the Government must register with the relevant authorities, i.e. the MOF for goods and services and the CIDB for works, to obtain their Contractor Registration Certificate (PPK) and Government Procurement for Works Certificate (SPKK). In addition, enterprises may apply for Bumiputera status with the Works Contractors Services Centre (PKK), if necessary. Construction and electrical contractors are registered separately for works. Penalties for non-compliance or substandard performance include the suspension of registration for up to five years, thus effectively barring opportunities to compete for government contracts as long as the suspension lasts. Exemption from registration exists under certain

[99] WTO document G/STR/N/17/MYS, G/STR/N/18/MYS, 15 October 2021.
[100] The website https://ppp.treasury.gov.my/ provides information in Malay language.
[101] The guideline may be accessed at www.myhijau.my.

circumstances, subject to approval of MOF/CIDB, but the provision of tender deposits may not be waived for international bidders. While registered local suppliers and contractors are exempted from the tender deposit requirements, these range from MYR 60,000 to MYR 1 million for foreign bidders. In addition, successful bidders will need to provide performance bonds issued by financial institutions licensed to operate in Malaysia.

3.100. The procedures stipulate that direct purchase may be applied for procurement of supplies (goods) and services, as well as works, valued at less than MYR 20,000. The supplies and services may be purchased by Government Order from known suppliers, though no prior registration is required. For works, the contractors must be registered with the PKK or CIDB. For supplies, services and works above the threshold values for direct purchase up to MYR 500,000 a minimum of three/five quotations will be needed, and all potential suppliers or contractors must be registered. For requisition works (small works that do not involve the structure) valued from MYR 20,000 to MYR 50,000, the selection of contractor may be through voting or rotation. Procurement valued at MYR 500,000 or more is subject to tendering.

3.101. Tender specifications are worked out by technical committees and detailed in tender documents that may be purchased by prospective bidders. Invitations to tender may be found at the government website (http://www.malaysia.gov.my/), the e-procurement platform MyPROCUREMENT (http://myprocurement.treasury.gov.my), or at the websites of the procuring entities. Tender opening committees made up senior government officials open the bids and rank them according to the prices quoted. The bids are evaluated on financial and technical grounds by separate committees and forwarded to the agency procurement boards for decision. At the federal level, procurement boards that include a representative of the MOF may decide on procurements up to MYR 50 million (supplies and services) or MYR 100 million (works). The boards do not need to include an MOF representative if the tender is less than MYR 20 million. The procurement boards forward their recommendations for tenders above the MYR 50/100 million thresholds to the MOF for final decision. Board decisions that are not unanimous are also left for MOF decision.

3.102. Integrity Pacts, i.e. commitments between the procuring authorities and the bidders to respect the integrity of the procurement process, were introduced in 2010 to strengthen the procurement framework at federal and state levels. Integrity Pacts include sanctions for non-compliance, but there is no overall monitoring system. Various model Integrity Pacts exist, including for procurements of GLCs. Integrity Pacts are implemented to increase an agency's level of awareness about corruption among the parties involved in government procurement. For monitoring purposes, agencies are currently required to submit monthly reports to the MOF to be coordinated before submission to the National Governance, Integrity and Anti-Corruption Centre.

3.103. Tender decisions and information about the winning bidders are announced at the websites of the procuring agencies and at the MyPROCUREMENT portal. Moreover, the ePerolehan (eP) system, a web-based electronic government procurement system developed and operated by Commerce Dot Com Sdn Bhd (CDCSB) under the concession agreement "In relation to the supply of the NextGen Electronic Procurement Services (NextGen ePerolehan)", has been in operation since 1 January 2018 to enable the Government to procure supplies and services from suppliers registered with the MOF. Unsuccessful bidders may lodge complaints with the procuring agency or appeal to the Public Complaints Bureau, the Anti-Corruption Commission, or the MOF. A taskforce may be established to investigate complaints. Any party that receives a complaint may recommend appropriate action to the relevant ministry/department based on the results of the investigation carried out.

3.104. Measured in terms of contract value, most procurements take place at the federal level (Table 3.13). Procurement for federal government development expenditures rose more than 20% from 2020 to 2021.

Table 3.13 Government procurement value by public sector, 2019-21

(MYR million)

Types of procurement	2019	2020	2021[a]
Federal government			
a) goods and services expenditure	31,507	29,323	23,265[a]
b) development expenditure	54,173	51,360	62,000[a]
State government development expenditure	11,051	9,782	11,996[a]
Local government development expenditure	2,550	1,855	1,250[a]
Statutory bodies' development expenditure	2,472	1,891	2,666[a]
Total	101,753	94,211	101,177

a Estimate.

Source: The Malaysian authorities' estimates, based on the MOF, *Fiscal Outlook 2022*, Statistical Tables 1.1, 3.1, 6.2, 6.3, and 6.4, published on 29 October 2021. Viewed at: www.treasury.gov.my.

3.105. Malaysia implements its offset policy through the Industrial Collaboration Programme (ICP), which covers defence and non-defence procurements. The Technology Depository Agency (TDA) within the MOF oversees the ICP. Nearly 800 projects have been established to date in 14 sectors. These projects represent a procurement value of some MYR 107 billion since the programme's inception. For maintenance, repair, and overhaul contracts, a new Performance Based Contract (PBC) Policy came into effect on 1 July 2022. Although there is no direct relationship between the two programmes, the TDA plays an important role as it has been assigned to be the centre of reference for implementation of the PBC.

3.106. Malaysia signed the United Nations Convention Against Corruption in 2003. It adopted the APEC Non-Binding Principles on Government Procurement, endorsed by APEC leaders in 1999, and participates actively in the APEC Government Procurement Experts Group. Malaysia has been an observer to the WTO Committee on Government Procurement since 2012. However, no move to initiate negotiations to join the WTO GPA has been taken nor does one appear to be forthcoming. An assessment is to be carried out on the implementation of government procurement chapter obligations under other international agreements involving market access offers.

3.3.7 Intellectual property rights

3.107. Malaysia became a member of the World Intellectual Property Organization (WIPO) on 1 January 1989 and has joined a number of WIPO-administered treaties since then. Most recently, Malaysia has acceded to the Madrid Protocol, the Marrakesh VIP Treaty, and the Budapest Treaty (Table 3.14). Malaysia considers its accessions to the Patent Co-operation Treaty and the Madrid Protocol sufficient means to streamline patent and trademark application procedures, and therefore has no plans to join the Patent Law Treaty or the Singapore Treaty on the Law on Trademarks. Regarding membership in the International Union for the Protection of New Varieties of Plants (UPOV), Malaysia's Protection of New Plant Varieties Act 2004 (Act 634) is undergoing amendments to make it compatible with the 1991 Act of the UPOV Convention. Malaysia is planning to accede to the Locarno Agreement Establishing an International Classification for Industrial Designs. A cost-benefit analysis on accession to the Hague Agreement is also to be conducted.

Table 3.14 WIPO-administered treaties

WIPO-administered treaties	Date of entry into force for Malaysia
Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	30/06/2022
Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled	30/06/2022
Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks	27/12/2019
WIPO Copyright Treaty	27/12/2012
WIPO Performance and Phonograms Treaty	27/12/2012
Nice Agreement Concerning the Intellectual Classification of Goods and Services for the Purposes of the Registration of Marks	28/09/2007

WIPO-administered treaties	Date of entry into force for Malaysia
Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks	28/09/2007
Patent Co-operation Treaty	16/08/2006
Berne Convention for the Protection of Literary and Artistic Works	01/10/1990
Convention Establishing the World Intellectual Property Organization	01/01/1989
Paris Convention for the Protection of Industrial Property	01/01/1989

Source: WIPO, *WIPO-Administered Treaties*. Viewed at: https://wipolex.wipo.int/en/treaties/ShowResults?code=MY.

3.108. Intellectual property (IP) is among the subjects addressed in the RCEP, although the agreement recognizes the different national systems and levels of development and capacity. The IPR chapter of RCEP incorporates many concepts established in the WTO TRIPS Agreement and the CPTPP. The CPTPP chapter on IP is comprehensive and encompasses nearly all areas of rights and enforcement. However, certain provisions included in its forerunner (the TPP) have been suspended, particularly those concerning the protection of undisclosed data for pharmaceutical patents, copyright, protection of encrypted programme-carrying satellite and cable signals, and Internet service provider liability. As noted in the 2018 Secretariat report, some of Malaysia's ASEAN and bilateral agreements include IP-related provisions, i.e. those with Japan, India, Pakistan, Australia, New Zealand, Chile, and Türkiye.

3.109. Malaysia's legal framework for IP protection underwent a number of changes in the review period. Notably, a new Trade Mark Act and new trademark regulations were promulgated in 2019, a new Geographical Act and Geographical Indications Regulations in 2022, and amendments affecting patent and copyright legislation (Table 3.15).

Table 3.15 Overview of IPR protection provided by Malaysia's legislation, 2022

Subject/legislation	Coverage	Duration	Developments since 2017
Patents Patents Act 1983, as amended, and the Patent Regulations	Inventions susceptible of industrial application; utility innovations do not need to satisfy test of inventiveness	20 years from the application filing date; 10 years (renewable for 2 additional consecutive 5-year terms) from the date of filing for utility innovation	Amended in 2022 to (i) accede to the Budapest Treaty; (ii) adopt Article 31bis of the TRIPS Agreement; (iii) introduce third-party observation; (iv) allow recordation of IP transactions; (v) introduce IP Official Journal as medium of publication; and (vi) introduce post-grant opposition. The amendments entered into force on 18 March 2022 except for the provisions on the Budapest Treaty (30 June 2022) and post-grant opposition (not yet in force)
Plant varieties Protection of New Plant Varieties Act 2004 (Act 634) and the Protection of New Plant Varieties Regulations 2008	Plant varieties that are new, distinct, uniform, and stable	20 years from the filing date of the application, 25 years for trees and vines/perennial plants; 15 years from the date of application for a plant variety bred or discovered and developed by a local community or indigenous people	
Industrial Designs Industrial Designs Act 1996 (Act 552), as amended, and Industrial Designs Regulations 1999, as amended	Features of shape, configuration, pattern, or ornament applied to an article that appeals to the eye	Initial protection period of 5 years, extendable for a further 4 consecutive terms, with a maximum protection period of 25 years	No amendment since 2017

Subject/legislation	Coverage	Duration	Developments since 2017
Trademarks Trade Marks Act 2019 (Act 815) and the Trade Marks Regulations 2019	Signs that are capable of distinguishing the goods or services of the trademark holder from others. Registration available for ordinary trademarks, collective marks, and certification marks.	Protection for 10 years from the date of registration; renewable indefinitely for periods of 10 years	New Act and regulations promulgated in 2019 to (i) accede to the Madrid Protocol; (ii) extend the scope of protection to non-traditional marks (sound, smell, 3D, and motion); (iii) introduce stringent penalties for infringements; (iv) provide clearer ground for refusal; (v) allow electronic filings; (vi) introduce the IP Official Journal; (vii) allow recordation of IP transactions; and (viii) introduce collective mark and certification mark
Copyright Copyright Act 1987 (Act 332), as amended	Literary works, artistic works, musical works, film, sound recordings, broadcasts and derivative works	Life of the author plus 50 years for literary, musical and artistic works; 50 years from date of publication or fixation for film and sound recording; and 50 years from the date of first broadcast. Registration is not required for a copyright to be protected. Copyright owners may voluntarily notify and deposit a copy of the work eligible for copyright with MyIPO	Amended in 2022 to (i) accede to the Marrakesh Treaty; (ii) allow members of a collective management organization to refer disputes to the Copyright Tribunal; (iii) introduce provisions on collective management organization governance; (iv) introduce *ex officio* act to search and seize relating to importation of infringing goods; and (v) introduce offences relating to streaming technology
Geographical indications (GIs) Geographical Indications Act 2022 (Act 836) and the Geographical Indications Regulations 2022	GIs for agricultural products, industrial products, and handicrafts. Foreign GIs must be protected and in use in the country/territory of origin	10 years from the date of filing for registered geographical indications, renewable indefinitely for 10-year periods	New Act and regulations promulgated in 2022 to (i) provide higher standard of protection for registered GIs; (ii) introduce stringent penalties for infringement; (iii) provide clearer grounds for refusal; (iv) introduce electronic filing; (v) introduce the IP Official Journal; and (vi) introduce provisions on investigation and enforcement
Layout-designs of integrated circuits Layout-Designs of Integrated Circuits Act 2000 (Act 601)	Three-dimensional disposition of the elements of an integrated circuit and some or all of its interconnections	10 years from the date the layout-design is first commercially exploited anywhere in the world, 15 years after the date the layout-design is created, notwithstanding the commercial exploitation	No amendment since 2017
Undisclosed information Directive on Data Exclusivity	The Directive is to protect the undisclosed, unpublished, and non-public domain pharmaceutical test data	Undisclosed data for pharmaceuticals containing new chemical entities is protected for five years; second indications for three years for small molecules	Under the purview of the National Pharmaceutical Regulatory Agency, Ministry of Health. The Directive is available at: https://www.npra.gov.my/images/reg-info/DataEx/Directive_on_DE.pdf

Source: Compiled by WTO Secretariat, based on information provided by the authorities.

3.110. Legislation on trade secrets is based on English law, and Malaysia has no formal registration process for confidential information or trade secrets. Breaches of confidence are generally actionable in courts provided (i) the information is confidential; (ii) the information is disclosed in circumstances that affect the confidentiality; and (iii) unauthorized use or further disclosure is taking place or may be anticipated.

3.111. The Minister of Domestic Trade and Consumer Affairs is the minister in charge of IP in Malaysia. The Intellectual Property Corporation of Malaysia (MyIPO), an agency under the Ministry, is responsible for the development and management of industrial property rights. It has given priority to the quality and efficiency of the search and examination process for the granting of patents, industrial designs, trademarks, and geographical indications. Malaysia encourages domestic companies to acquire industrial property rights. Tax deductions are accorded to companies (with minimum 70% domestic ownership) for costs in acquiring IP from foreign right holders. Under the IP Monetization Roadmap 2015-2020, focus has been on IP as assets with financial value and returns, building on the IPR Marketplace Portal launched in June 2014 to facilitate IP owners' ability to raise income by sale, licensing, merchandising, and/or franchising of their rights to prospective buyers. Malaysia introduced the Intellectual Property Filing Fund under the Eleventh Plan and the initiative continues for another five years under the Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan). The objective of this initiative is to assist entrepreneurs, youth, and students to protect their IP as well as to increase the number of local applications.

3.112. Copyright legislation also comes under the authority of the Minister of Domestic Trade and Consumer Affairs. The Copyright Act 1987 is under the purview of MyIPO and the Director General of MyIPO is the Controller of Copyright. However, investigation, seizure of infringing copies, prosecution, and other enforcement-related actions are under the Ministry's Enforcement Division based on the delegation of authority given by the Controller of Copyright. The Copyright Tribunal, an alternative forum for interested persons to apply for certain uses of copyrighted works or claiming relief, is administered by MyIPO. However, the Copyright Tribunal has not heard any cases thus far. IP cases are under the purview of the Judicial Body. Rights under the New Plant Varieties Act 2004 are administered by the MAFI.

3.113. Except for utility models, non-residents account for the majority of applications and registrations of industrial property (Table 3.16). The United States, China, and Japan are leading home countries of the entities filing for IP protection in Malaysia. Applications for protection of literary and artistic works dominate as they constitute more than 90% of the total number of filings. Transition to a new IT system in 2019 caused a decline in the number of patent registrations. As for copyright, nearly 40,000 applications for voluntary notification were recorded between 2012 and 2020. The rising trend in filings was broken in 2020 when MCOs required MyIPO's staff to work from home. MyIPO used this opportunity to set up a special taskforce to increase productivity in issuing patent grants.

Table 3.16 Intellectual property statistics, 2017-20

	Residents[a]	Non-residents[a]	Abroad[a]
Patent applications			
2017	1,166	5,906	982
2018	1,116	6,179	944
2019	1,071	6,480	1,070
2020	989	5,839	934
Patent grants			
2017	437	4,626	514
2018	449	3,818	516
2019	565	3,541	597
2020	1,147	7,059	570
Utility model applications			
2017	134	72	45
2018	132	66	36
2019	111	81	49
2020	121	66	58
Trademark applications			
2017	19,481	21,612	9,501
2018	19,863	23,793	11,070
2019	22,485	24,219	10,349
2020	18,414	26,872	11,275
Trademark registrations			
2017	12,977	20,248	7,641
2018	13,804	20,762	8,323
2019	7,795	11,705	9,457
2020	10,756	32,558	10,241
Industrial design applications			
2017	517	1,297	500
2018	528	1,317	445
2019	574	1,330	340
2020	575	1,126	649

	Residents[a]	Non-residents[a]	Abroad[a]
Industrial design registrations			
2017	499	880	308
2018	405	1,070	542
2019	337	901	278
2020	327	939	616
GI applications			
2017	2	1	..
2018	4	0	..
2019	4	5	..
2020	6	3	..
GI registrations			
2017	5	0	..
2018	5	0	..
2019	1	0	..
2020	10	3	..

.. Not available.

a A resident filing refers to an application filed in Malaysia by a Malaysian resident; a non-resident filing refers to an application filed by a foreign applicant; an abroad filing refers to an application filed by a Malaysian resident at a foreign office.

Source: WIPO, *Statistical Country Profiles: Malaysia*. Viewed at: https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=MY [Last updated 11/2021]; and MyIPO, *Statistical Booklet 2020* (for GIs). Viewed at: https://drive.google.com/file/d/1k7iWRJ9eXqZ_RNNV69Bf5ZTppdgbjuNs/view.

3.114. Music Rights Malaysia Berhad (MRM) was established in 2017 to serve as a centralized licensing body and collection society for royalties due to authors, producers of sound recordings, and performers in the music industry. However, it appears that MRM struggled to function properly, and it was therefore decided to dissolve MRM in July 2020. Henceforth, the administration of the licensing of music rights has reverted to the respective collective management organizations for music authors, public performers, and sound recorders.

3.115. The responsibility for IPR enforcement in Malaysia rests with the Ministry of Domestic Trade and Consumer Affairs. Although efforts to protect IP have been stepped up over the years, infringement of IPRs, particularly the counterfeiting of goods, is still not uncommon. Complaints may be addressed to the Ministry's Enforcement Division, whose officers have extensive powers to search for and seize infringing good and materials as well as arresting persons suspected of IPR violations. Investigations determine whether or not criminal proceedings may be initiated. A Special Taskforce Combating Counterfeit Goods brings together the various stakeholders, including trademark owners, to give direction to the enforcement activities. Twenty-eight agencies and industries representing trademark and copyright owners participated at the taskforce's annual meeting held in September 2022.

3.116. Initiatives taken by the Ministry to protect IPRs include (i) the establishment of a Cyber Copyright Enforcement platform (CYCore) to collaborate with local film copyright owners to combat digital piracy distribution via the Internet (since 2020, 219 links have been blocked under this programme in relation to 26 films); (ii) Landlord Liability, a preventive measure whereby warning notices are issued to landlords and building management to ensure that their premises are not used as sales and distribution centres for counterfeit and pirated goods (more than 400 notices were issued in 2022); and (iii) the Basket of Brands (BOB), a collaboration with registered trademark owners to expedite enforcement actions and assist in the completion of investigations. In all, 176 brands comprising 733 trademark details have been registered under BOB. In 2021, 295 cases were established as a result of raids by the Enforcement Division. The value of the seized counterfeit products was MYR 10.6 million.

3.117. At the border, the Ministry works with other enforcement agencies such as the Malaysian Armed Forces, Malaysian Maritime Enforcement Agency, Marine Police, and Malaysia Border Control Agency to combat smuggling and trade in counterfeit goods. The border agencies collaborate in training activities to identify counterfeit and pirated goods and the *modus operandi* of counterfeit activities. Customs officials may *ex officio* detain or suspend the release of goods deemed to be infringing IPRs. RMCD does not maintain data on seizures of counterfeit goods at the border. The Ministry has not received or taken cases involving counterfeit goods at the border in recent years. Online purchases became more popular during the COVID-19 pandemic, and the Ministry initiated 579 removals of content between 1 January and 31 August 2022.

3.118. In addition to criminal action, IP owners may resort to civil remedies to safeguard their rights under the Copyright Act 1987, the Trademarks Act 2019, the Trade Description Act 2011, and the Geographical Indications Act 2022. Six High Courts with civil and appellate jurisdictions were established in 2007. In addition, Malaysia has 15 Session Courts with criminal jurisdiction to uphold IPRs. Appeals may be brought before the Court of Appeals and, in limited instances, before the Federal Court. Statistics for IP cases may be obtained from the official portal of the Office of the Chief Registrar, Federal Court of Malaysia (https://www.kehakiman.gov.my/en/annual-report-judiciary).

4 TRADE POLICIES BY SECTOR

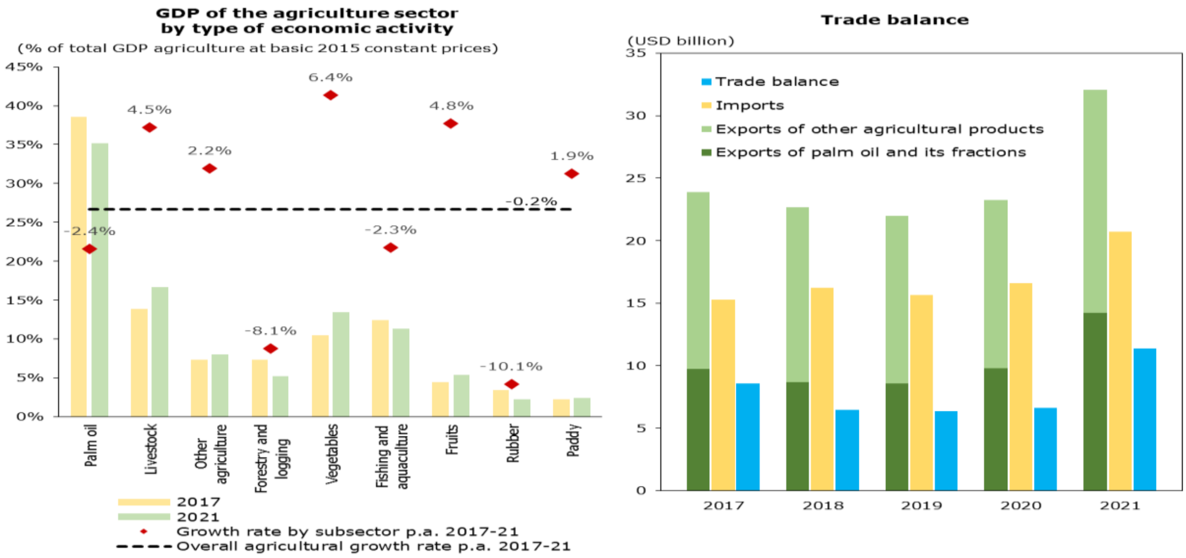
4.1 Agriculture, Forestry, and Fisheries

4.1.1 Agriculture

4.1.1.1 Overview

4.1. Agriculture, including forestry/logging and fishing, accounted for 7.1% of GDP (at constant 2015 prices) and 10.3% of total employment in 2021. Palm oil remains by far the leading subsector. In 2020, Malaysia was the world's 2nd-largest producer of palm oil, the 7th-largest of natural rubber and pepper, and the 10th-largest of coconuts.[1] Although the sector's growth performance was flat overall over the review period (2017-21), some smaller subsectors such as vegetables, fruits, and livestock grew at around 5% annually[2] (Chart 4.1).

Chart 4.1 Structure of the agriculture sector



Source: WTO Secretariat calculations, based on Department of Statistics Malaysia (2022), *Annual Gross Domestic Production*, 2015-21, May, and UN Comtrade database.

4.2. Agricultural output declined in 2020 and 2021 due to the COVID-19 pandemic. The Government's Movement Control Order (MCO), *inter alia*, involved the closure of Malaysia's borders and caused a shortage of foreign labourers on plantations, particularly in the oil palm subsector, which relies heavily on foreign workers (around 76% of the oil palm plantation workforce in 2017-20[3]). In addition, the MCO led to reduced demand for agricultural products from the hotel, tourism, and food industries.[4] Various measures were put in place to mitigate the negative impact.

4.3. Malaysia is a net exporter of agricultural products and the trade surplus is widening.[5] In 2021, the trade surplus amounted to USD 11.4 billion, with exports of USD 32.1 billion and imports of USD 20.7 billion (Chart 4.1 and Table A4.1). Trade in agricultural goods accounted for 10.7% of total merchandise exports and 8.7% of total imports in 2021. Malaysia's agricultural exports during the period 2017-21 were dominated by palm oil (41.2%), followed by industrial monocarboxylic fatty acids and palm fatty acids (9.3%), and vegetables fats and oils (7.3%). The principal agricultural

[1] FAO, *FAOStat*. Viewed at: https://www.fao.org/faostat/en/#home.
[2] Subsectors such as vegetables, fruits, and livestock grew at 9.6%, 7.9%, and 3.2%, respectively, at constant 2015 prices from 2020 to 2021.
[3] Information provided by the authorities.
[4] Department of Statistics Malaysia (2021), *Selected Agricultural Indicators 2021*, p. 19, November.
[5] For the purposes of this section of the report, agricultural products are based on the WTO Agreement on Agriculture; i.e. HS Chapters 01-24 less fish and fishery products (HS Chapters 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

imports were cocoa beans (5.3%), maize (5.1%), and sugar (4.7%). Major export markets are China, EU-27, and Singapore. For imports, the main sources are Indonesia, China, and Thailand.

4.1.1.2 Agricultural policies

4.4. A number of ministries and government agencies hold responsibilities for agricultural policy. The Ministry of Agriculture and Food Industries (MAFI) formulates and designs agricultural policies, strategies, and programmes including for the agrofood and agro-business sectors.[6] The Ministry of Plantation Industries and Commodities (MPIC) oversees the development of plantations and industries for palm oil, rubber, timber, cocoa, pepper, kenaf, and biofuel. Under the MPIC, several agencies are responsible for product-by-product implementation of policy and the provision of services, including the Malaysian Palm Oil Board (MPOB), the Malaysian Rubber Board (MRB), and the Malaysian Palm Oil Council (MPOC).[7]

4.5. Malaysia's agricultural policy is based on several documents, including the National Agrofood Policy 2021-2030 (NAP 2.0), the National Agricommodity Policy 2021-2030 (DAKN 2030), and the Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan). The NAP 2.0, which replaced the NAP (2011-2020), focuses on modern technology in the agrofood subsector to attain higher productivity and enhanced food security.[8] Policy objectives include (i) improving quality of life for food producers; (ii) increasing productivity; (iii) establishing high value-added activities; (iv) improving food safety; (v) embracing greater economic, social, and spatial inclusiveness; and (vi) encouraging sustainable consumption and production.[9] The NAP 2.0 contains five policies to enable these objectives: (i) encouraging modernization and smart agriculture; (ii) strengthening the domestic market and producing export-oriented goods; (iii) developing human capital; (iv) advancing towards food system sustainability; and (v) establishing business ecosystems and governance.[10] The NAP 2.0 contains specific strategies for paddy and rice, fruit and vegetables, livestock, and fisheries.

4.6. Under the responsibility of the MPIC, the DAKN 2030 outlines the direction for the development of Malaysia's agricommodity industry for eight major commodities and related products, i.e. oil palm, rubber, timber, cocoa, pepper, plant-based fibres (including kenaf), biomass (agricommodity biomass), and biofuel.[11] The DAKN contains five policies setting the direction for the sector and guiding the development of each commodity, with a focus on moving towards sustainable production and consumption, accelerating productivity through technology, intensifying production of higher value-added products, diversifying markets by leveraging the global supply chain, and ensuring the sharing of resources and wealth.[12]

4.7. In line with the NPA 2.0 and the DAKN, the Twelfth Plan aims at reinvigorating and supporting downstream agricultural activities. The authorities note that the Government makes its efforts to increase production of high value-added products by producing premium agricultural products and high-yielding crop varieties and breeds, as well as internationally accepted by-products for export-oriented products through technology adoption and market-driven R&D activities. The Twelfth Plan emphasizes the importance of modernization by encouraging farmers to adopt advanced technologies in farm practices, production, and marketing, with the aim of increasing efficiency in the operation and production process. Under the strategy of modernization in the sector, the Twelfth Plan states that a smart farming fund is to be established for small farmers and young agropreneurs to accelerate the adoption of modern technology in the sector. Moreover, the adoption of green and sustainable practices such as the Malaysian Agricultural Practices (myGAP) certification,

[6] WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and MPIC, *General Info*. Viewed at: https://www.mpic.gov.my/mpi/en/.

[7] Under the Ministry, six agencies lead the development of the commodity sector, including the MPOB, the MRB, the Malaysian Timber Industries Board, the Malaysia Cocoa Board (LKM), the Malaysia Pepper Board (MPB), and the National Kenaf and Tobacco Board (NKTB). Five councils, with a focus on promoting products locally and internationally, include the MPOC, the Malaysian Rubber Council (MRC), the Malaysian Palm Oil Certification Council (MPOCC), the Malaysian Timber Council (MTC), and the Malaysia Timber Certification Council (MTCC).

[8] For details of the NAP (2011-2020), see WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[9] MAFI, *Executive Summary, National Agrofood Policy 2021-2030 (NAP 2.0)*, 24 October 2021.

[10] MAFI, *Executive Summary, National Agrofood Policy 2021-2030 (NAP 2.0)*, 24 October 2021.

[11] MPIC, *National Agricommodity Policy 2021-2030 (DAKN 2030)*.

[12] MPIC, *National Agricommodity Policy 2021-2030 (DAKN 2030)*, pp. 42-44.

the Malaysian Sustainable Palm Oil (MSPO) certification, and the Malaysian Organic (myOrganic) certification are to be accelerated.[13]

4.1.1.3 Domestic support

4.8. Development programmes and incentives are provided for rice, oil palms, and rubber and various agricultural activities. Development of rural communities through commodity development programmes received the most support (MYR 2.50 billion), followed by rice production (MYR 1.53 billion) (Table 4.1).

Table 4.1 Budgeted expenditures on agricultural programmes, 2022

(MYR million)

Support programmes	Amount
Development of rural communities through commodity development programmes	2,500
FELDA settlers' rehabilitation and development package	1,300
Initiative for the benefit of FELCRA participants	495
Smallholder development for rubber industry under RISDA	699
Providing subsidies and incentives for the agriculture and fisheries industries	1,681
Rice price subsidy	570
Rice fertilizer subsidy	383
Rice seed subsidies	75
Bukit/Huma rice fertilizer subsidy	40
Rice production incentives	462
Fishers catch incentives	151
Agricultural financing programme by Agrobank and BNM	200
Monsoon season assistance for 320,000 smallholder farmers	190
Food supply security	40
Various food security projects	66
Food security strengthening programme	20
Ruminant feed incentive assistance programme	10
SME techno entrepreneur incentive programme	10
Smallholder farmers' oil palm replanting stimulus scheme	10
Addressing international anti-palm oil campaigns	20
Matching grant for the introduction and expansion of the usage of RRIM Hydrobest technology to B40 smallholder farmers	15
Farmers' Smart Card Takaful Protection Scheme for all Area Farmers Organization members	5
Rubber Transformation Programme	5
Rubber productivity enhancement programme	15

Note: BNM = Bank Negara Malaysia; FELCRA = Federal Land Consolidation and Rehabilitation Authority; FELDA = Federal Land Development Authority; RISDA = Rubber Industry Smallholders Development Authority.

Source: EY (2021), *Budget 2022 – Malaysia*, Vol. 9, Issue 5, 29 October; and Ministry of Finance, *Touchpoints: Budget 2022 Measures*. Viewed at: https://budget.mof.gov.my/pdf/2022/ucapan/touchpoints-en.pdf; and information provided by the authorities.

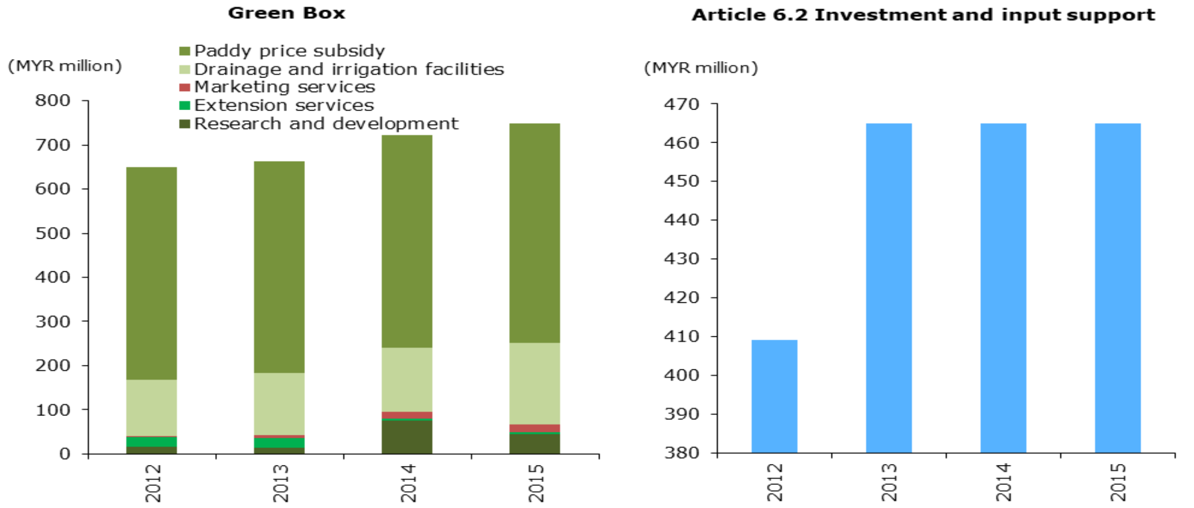
4.9. Malaysia notifies domestic support in accordance with the format and definitions provided by the WTO Agreement on Agriculture. According to the notifications made during the review period, covering the period 2012-15[14], all domestic support was notified either as having no or minimal distortive effect on trade (Green Box support) or expenditures on development programmes (Article 6.2 programmes), i.e. input subsidies to resource-poor farmers.[15] The reported Green Box support increased from MYR 649 million in 2012 to MYR 749 million in 2015 (Chart 4.2). About 70% of all notified Green Box support over the four-year period related to a price subsidy for paddy rice described as decoupled income support, and about 20% was outlays on drainage and irrigation facilities. A fertilizer subsidy for paddy farmers was reported as Article 6.2 support.

[13] Economic Planning Unit, *Twelfth Malaysia Plan, 2021-2025*, pp. 2-18–2-19.

[14] WTO documents G/AG/N/MYS/43, G/AG/N/MYS/44, G/AG/N/MYS/45, 21 December 2018; and G/AG/N/MYS/53, 8 August 2022.

[15] Malaysia does not have a monetary "Total AMS Commitment" in its Schedule XXXIX, which means that any notified Amber Box support would need to be *de minimis*.

Chart 4.2 Domestic support in Malaysia, 2012-15



Source: WTO documents G/AG/N/MYS/43, G/AG/N/MYS/44, G/AG/N/MYS/45, 21 December 2018; and G/AG/N/MYS/53, 8 August 2022.

4.10. The state-owned Agrobank provides financial services to Malaysia's agricultural sector.[16] Its operations cover farming as well as upstream and downstream activities such as processing, storage, marketing, and services.[17] The dependence on government funds to depositors' funds for supporting financing activities is at a ratio of 29:71 in 2022. Total outstanding financing balance for the whole bank stood at MYR 13,739 million in 2021 (Table 4.2). According to the authorities, the average profit rate charged for total financing is 5.17%.

4.11. Agrobank administered several government programmes providing finance to the agriculture sector during the review period. The funds under various schemes increased from MYR 1.7 billion in 2017 to MYR 3.2 billion in 2021 (Table 4.2). According to the authorities, the preferential profit rate charged under the government scheme is between 2% to 8%. More than 50% of the total funding was provided to the development of the food industry and agriculture-related activities (i.e. the agriculture entrepreneur financing) during the review period, except 2021. A special relief scheme for farmers severely affected by the COVID-19 pandemic accounted for approximately 13% and 10% of the financing in 2020 and 2021, respectively.

Table 4.2 Financing scheme operated by Agrobank, 2017-21

(MYR million)

	2017	2018	2019	2020	2021
Total financing excluding Effective Profit Rate (EPR) adjustment					
Total Agrobank financing	**9,609.9**	**10,765.3**	**11,833.9**	**13,215.3**	**13,738.8**
Oil palm	1,918.2	1,950.4	2,003.6	1,989.7	1,923.3
Rubber	282.1	311.6	332.8	360.8	375.7
Other crops	2,290.2	2,643.1	2,852.1	3,298.8	3,456.3
Fishery	423.8	435.0	582.2	662.0	672.0
Forestry	7.6	6.8	7.8	18.9	18.1
Livestock	857.1	861.7	916.3	1,019.5	1,005.0
Other agro-based processing	743.0	878.0	1,093.0	1,240.7	1,268.0
Support sector	3,087.9	3,678.7	4,046.1	4,624.9	5,020.4
Concessionary financing[a]					
Total	**793.2**	**771.9**	**781.2**	**1,141.8**	**1,498.5**
Oil palm	12.8	8.9	5.9	22.4	31.3
Rubber	2.7	2.2	1.5	5.6	8.5
Other crops	2.3	8.4	2.0	2.5	5.2
Fishery	289.8	292.3	310.2	375.0	389.2
Forestry	0.6	1.6	0.7	0.7	0.9
Livestock	316.7	267.1	248.1	305.7	310.0
Other agro-based processing	106.6	102.2	102.7	160.9	177.4
Support sector	61.7	89.2	110.1	269.0	576.0

[16] Agrobank was corporatized in 2008 in accordance with the Bank Pertanian Malaysia Berhad Act No. 158 of 2008. The agency has operated officially as a full-fledged Islamic banking institution since 1 July 2015.

[17] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

	2017	2018	2019	2020	2021
Financing scheme funds					
TOTAL	**1,689.8**	**1,825.3**	**1,973.3**	**2,441.9**	**3,167.2**
Fund for Food (3F)					
To enhance the food production industry and to reduce dependency on imports. Merged with DPUP 1 in May 2014.	174.8	192.4	282.5	445.1	539.0
Oil Palm Replanting Scheme					
To finance the replanting of oil palm plantations	9.0	8.0	7.0	6.0	5.0
Micro Enterprise Fund					
To increase access to micro financing for selected eligible micro entrepreneurs	38.7	42.5	45.8	58.2	85.5
Commercial Agriculture Fund					
To finance the commercial agro-based industry	186.5	195.2	204.3	213.8	223.7
Agriculture Entrepreneur Financing (DPUP)					
Fund 1-7 (DPUP 1-7)[b]	1,272.5	1,372.6	1,411.2	1,354.8	1,248.0
Special Relief Facility					
To minimize losses borne by farmers affected by flooding in December 2014, and to assist SMEs facing short-term cash flow problems due to the COVID-19 outbreak in 2020	8.1	5.1	2.8	334.8	303.1
Fund for Small and Medium Size Industries					
To increase access to micro financing for selected eligible small and medium agro-based entrepreneurs	0.2	4.8	16.1	25.6	34.7
Disaster Relief Facility					
To minimize losses borne by farmers affected by flooding in December 2017	n.a.	4.7	3.7	3.6	3.7
Skim Pembiayaan Mikro Penjana	n.a.	n.a.	n.a.	n.a.	317.5
Targeted Relief and Recovery Facility	n.a.	n.a.	n.a.	n.a.	363.8
Dana Pembiayaan AgroMakanan	n.a.	n.a.	n.a.	n.a.	43.2

n.a. Not applicable.

a Concessionary financing is the financing distributed using funding from the Government, which includes government grants and the government financing scheme fund. Preferential profit rates are between 2% to 8%.

b Comprising several funds to enhance food production industry and agriculture-related activities, as well as to stimulate growth of farming activities involving upstream and downstream activities.

Source: Agrobank, *Annual Report*, various editions 2018, 2019, and 2020. Viewed at: https://www.agrobank.com.my/home/corporate-info/annual-reports/; and information provided by the authorities; and information provided by the authorities.

4.1.1.4 Border measures

4.12. Malaysia applies several trade policy instruments at the border to agricultural products including import duties, tariff quotas, surcharges, import and export licensing requirements, and export taxes (Section 3.1). In 2022, the simple average applied MFN tariff rate on agricultural products (WTO definition) was 7.0% (including AVEs) (Section 3.1.3). About 80% of the agricultural tariff lines carried rates of 5% or less; about 66% of the agricultural tariff lines are duty-free. Most non-*ad valorem* duties are concentrated in the agricultural sector, mainly on fruit, beverages, and tobacco. In addition, Malaysia maintains tariff quotas to regulate market access, mainly for milk, poultry meat, and eggs (Section 3.1.3.3).

4.13. Malaysia has reserved the right to apply agricultural special safeguards (SSGs) on 48 tariff lines at the 10-digit level (4.2% of total agricultural lines).[18] SSG lines include meat (swine, poultry, and edible meat offal), live poultry, sugar, and milk and cream. According to the most recent notification, Malaysia did not invoke any SSGs in 2016.[19] To date, Malaysia has never invoked SSG.

4.1.1.5 Export measures

4.14. Malaysia notified the Committee on Agriculture that it had no export subsidy programmes subject to reduction commitments during calendar years 2017-19.[20] In line with its "significant exporter" status for vegetable oils, Malaysia also notified total exports of its main vegetable oils (crude palm oil (CPO), processed palm oil, crude palm kernel oil (CPKO), and processed palm kernel

[18] WTO document TN/AG/S/29/Rev.1, 11 January 2017; and Malaysia's latest certified schedule from WTO CTS database.
[19] WTO document G/AG/N/MYS/38, 4 July 2017.
[20] WTO documents G/AG/N/MYS/46, G/AG/N/MYS/47, and G/AG/N/MYS/48, 28 September 2021.

oil) in the same period.[21] Malaysia levies export taxes on, *inter alia*, palm oil, rubber planting materials, oil seeds, and live animals (Section 3.2.2).

4.1.1.6 Selected commodities

4.1.1.6.1 Palm oil

4.15. Palm oil remains the most important agricultural commodity, accounting for 66.1% of Malaysia's agricultural production value in 2020.[22] About 73.2% of the oil palm area was owned by plantation estates; these estates are vertically integrated enterprises with international operations.[23] The planted area increased steadily until 2019, when the trend reversed (Table 4.3). Palm oil is processed into a wide range of products including cooking oil and margarine, olein, stearin, refined bleached deodorized palm oil (RBDPO) used in cleaning products, and biofuels.[24] According to the authorities, palm oil-based biodiesel (biofuel) is manufactured in Malaysia using domestically sourced CPO and RBDPO.

4.16. CPO production declined by 5.4% during 2020-21 due to lower processed fresh fruit bunches (FFB) arising from lower FFB yield caused by the shortage of foreign labour in the oil palm plantations during the pandemic.[25] The pandemic also affected Malaysia's capacity to export palm oil and other related products. However, as the CPO price jumped more than 60% from 2020 to 2021, the exported value reached a record MYR 108.5 billion in 2021 (Table 4.3).

Table 4.3 Selected indicators for oil palm, 2016-21

	2016	2017	2018	2019	2020	2021
Value of harvested oil palm fruit (MYR million) (FAOStat)	51,277	61,655	46,060	41,806	54,400	..
Quantity produced ('000 tonnes FFB)	86,325	101,740	98,419	99,065	96,969	91,394
Planted area ('000 ha)[a]	5,738	5,811	5,849	5,900	5,865	5,738
of which:						
Estates ('000 ha)	4,804	4,831	4,869	4,914	4,909	4,874
Smallholdings ('000 ha)	934	980	980	986	956	864
CPO production ('000 tonnes)	17,319	19,919	19,516	19,858	19,141	18,116
Exports ('000 tonnes)	23,294	23,974	24,877	27,879	26,732	24,279
Exports (MYR million)	67,922	77,807	67,516	67,546	73,332	108,516
CPO price, MYR/tonne (local delivered)	2,653	2,783	2,233	2,079	2,686	4,407
Employment[b]	429,351	430,836	446,075	437,696	..	..

.. Not available.

a The oil palm planted area for smallholdings refers to the Federal Land Development Authority (FELDA), the Federal Land Consolidation and Rehabilitation Authority (FELCRA), and the Rubber Industry Smallholders Development Authority (RISDA). Meanwhile, the oil palm planted area for estates refers to private estates.

b Total number of paid employees during the last pay period.

Source: Department of Statistics Malaysia (2021), *Selected Agricultural Indicators 2021*, November. Viewed at: https://www.dosm.gov.my/; MPIC, *Data Statistic*. Viewed at: https://www.mpic.gov.my/mpi/en/statistic/stats-data-set; MIPC (2022), *Agricommodity Pocket Statistics January-December 2021*, and FAO, *FAOStat*. Viewed at: https://www.fao.org/faostat/en/#data.

4.17. Besides the MPIC, several public agencies support the subsector. These agencies include the MPOB, the MPOC, and the Malaysian Palm Oil Certification Council (MPOCC). The MPOB remains the principal agency responsible for promoting and developing national objectives and policies for the oil palm industry, and regulation of the sector. Its functions also include research and development,

[21] WTO documents G/AG/2/Add.1, 16 October 1995; and G/AG/N/MYS/49, G/AG/N/MYS/50, and G/AG/N/MYS/51, 28 September 2021.
[22] FAO, *FAOStat*. Viewed at: https://www.fao.org/faostat/en/#data.
[23] Information provided by the authorities.
[24] MPOC and MOCB (2020), *Fact Sheets: Malaysian Palm Oil*. Viewed at: http://mpoc.org.my/wp-content/uploads/2020/12/Malaysian-Palm-Oil-Fact-Sheets-2020.pdf.
[25] Information provided by the authorities.

training, and coordination and collaboration with national and international organizations.[26] The MPOC aims to, *inter alia*, promote palm oil and its products and develop trade opportunities.[27]

4.18. The MPOCC promotes sustainable and responsible management of Malaysia's palm oil products through its MSPO Certification Scheme. The MPOCC sets standards, develops certification schemes, and establishes sustainable production and processing of palm oil with a focus on environmental, social, and economic aspects.[28] Current MSPO standards provide oil palm management and supply chain certifications issued by accredited certification bodies that carry out third-party verification audits for domestic plantations, independent and organized smallholdings, and palm oil processing facilities. MSPO certification has been mandatory since 1 January 2020. As at 14 October 2022, about 97.3% of the total planted area of oil palm plantations were certified with the MSPO Certification Scheme (MS 2530: 2013). Meanwhile, 457 mills were certified to the MSPO General Principles for palm oil mills (MS 2530 Part 4) and 571 processing facilities were certified to MSPO Supply Chain Certification Standard.[29] The authorities note that the revised MSPO standards series (MS 2530:2022) will be effective on 1 January 2024; the revised MSPO standards will have stringent requirements to address environmental, social, and governance/economic components of sustainability, as well as provides traceability for the industry and its stakeholders.

4.19. The Royal Malaysian Customs Department (RMCD) collects a windfall profit levy when the average monthly CPO price exceeds a certain threshold. In December 2021, Malaysia issued an order setting the nationwide tax rate at 3% (up from 1.5% in Sabah and Sarawak) and raising the windfall profit levy threshold on palm oil for Peninsular Malaysia from MYR 2,500 to MYR 3,000 per tonne and for Sabah and Sarawak from MYR 3,000 to MYR 3,500 per tonne (effective from 1 January 2022).[30] The 3% tax is levied on the difference between the average monthly CPO price and the respective MYR 3,000/MYR 3,500 thresholds.[31] According to the authorities, the increments for these thresholds were due to the increase in the cost of agricultural inputs and labour costs, as well as to ensure that the oil palm industry remains competitive and to safeguard palm oil producers' income.

4.20. CPO is also subject to export duty fixed monthly based on its average market price. Taxes are imposed when export prices exceed MYR 2,250 per tonne and may range from 3.0% to 8.0% (Table 4.4). Higher market prices resulted in export duties on CPO increasing from 5.5% in September 2017 to 8.0% in November 2022 (Section 3.2.2).[32]

Table 4.4 Export duties for CPO

Domestic market price for CPO (FOB MYR per tonne)	Export duty (%)
Less than 2,250	0
2,250 – 2,400	3.0
2,401 – 2,550	4.5
2,551 – 2,700	5.0
2,701 – 2,850	5.5
2,851 – 3,000	6.0
3,001 – 3,150	6.5
3,151 – 3,300	7.0
3,301 – 3,450	7.5
Greater than 3,450	8.0

Note: CPO refers to HS 1511.10 0000. Effective from 1 January 2020.

Source: MPOB, *Statistics, Export Duties*. Viewed at: https://bepi.mpob.gov.my/index.php/en/.

[26] MPOB, *Corporate Info*. Viewed at: https://mpob.gov.my/.
[27] MPOC, *Corporate Profile*. Viewed at: https://mpoc.org.my/.
[28] MPOCC, *MSPO Certification Scheme*. Viewed at: https://www.mpocc.org.my/about-mspo.
[29] Starting from 1 January 2024, MSPO certification for mills and processing facilities will refer to MSPO Part 4-1: General Principles for Palm Oil Mill including Supply Chain Requirements and MSPO 4-2: General Principles for Palm Oil Processing Facilities including Supply Chain Requirements.
[30] Federal Government Gazette, *Windfall Profit Levy (Oil Palm Fruit) (Amendment) Order 2021 (P.U.(A) 457)*, 21 December 2021.
[31] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[32] WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and MPOB, *Statistics, Export Duties*. Viewed at: https://bepi.mpob.gov.my/index.php/en/.

4.21. Malaysia applies several incentive schemes to oil palm, notably: (i) the Palm Oil Smallholder Replanting Financing Scheme (TSPKS)[33]; (ii) the Palm Oil Smallholder Inputs Financing Scheme (IPPKS)[34]; (iii) the SME incentive scheme for the production of palm-based value-added food products; and (iv) incentives for MSPO certification of independent smallholders, organized small estates, and processing facilities.[35] The Government provides financial assistance for training, auditing, farmers' purchases of personal protective equipment, and chemical and fertilizer storage and signage.[36]

4.22. Malaysia promotes sustainable energy sources for reduced greenhouse gas emissions and fossil fuel dependency under its National Biofuel Policy 2006 and the Malaysian Biofuel Industry Act 2007. Biofuels, using CPO as feedstock, are used in domestic transport and industry, and for export. Malaysia mandates biodiesel use through regulations on land transport and industry. The B5 biodiesel programme (blends of 5% biodiesel with 95% petroleum diesel) was introduced for land transportation in 2011, and subsequently upgraded to B7 in 2014 and B10 in 2019.[37] Nationwide adoption of the B20 palm oil biofuel programme is foreseen by the end of 2022.[38] According to the authorities, there are no specific/direct incentives to consumers or industry under the programme.

4.1.1.6.2 Rubber

4.23. The rubber subsector contributed no more than 2.3% of GDP in agriculture (at constant 2015 prices) in 2021. Nevertheless, it is an important source of employment and export revenue and supports downstream diversification in rubber products. Over 90% of the area planted with rubber trees are smallholdings.

4.24. Malaysia remains a net exporter of rubber and rubber products, mainly driven by manufactured rubber products. The main products are pneumatic tyres, inner tubes, and gloves. In 2020, strong exports of rubber products were led by rubber gloves, mainly driven by high global demand in the medical and health sectors (Table 4.5). Meanwhile, Malaysia has also increased its imports of natural rubber steadily to serve local downstream demand, as domestic rubber production has been declining. The decline reflects reduced planted area, as rubber plantations have been converted to residential purposes and to oil palm.[39] In addition, according to the authorities, the downward trend in natural rubber production was also due to unattractive rubber prices, unfavourable weather, labour shortages, and leaf fall disease. In value terms, Malaysia's imports of natural rubber mainly originated from Thailand (53.8%), Côte d'Ivoire (22.3%), and the Philippines (8.7%) in 2021.[40]

Table 4.5 Selected indicators for rubber, 2015-21

	2015	2016	2017	2018	2019	2020	2021
Natural rubber production ('000 tonnes)	722	674	740	603	640	515	470
Planted area ('000 ha)	1,074	1,078	1,082	1,085	1,101	1,098	1,096
of which:							
Estates ('000 ha)	77	77	75	73	83	83	83
Smallholdings ('000 ha)	998	1,001	1,007	1,012	1,018	1,016	1,014
Employment ('000 persons)							
Estates	11.6	10.3	10.3	11.5	11.1	9.7	8.0
Manufacturing	23	24	76	77	100	104	106
Trade balance in rubber and rubber products (MYR million)	**13,168**	**12,271**	**15,510**	**16,660**	**16,627**	**34,782**	**52,276**

[33] TSPKS is available to smallholders (less than 40.47 ha) undertaking replanting. The amount of this loan is MYR 10,000/ha (Peninsular) and MYR 14,000/ha (Sabah/Sarawak). Limited to 6.5 ha, smallholders with palm trees over 25 years of age may apply for loans with a preferential interest rate of 2%, a repayment moratorium of 48 months, no collateral, and no guarantor.

[34] The amount of loan under the IPPKS scheme is MYR 2,500/ha with a preferential interest rate of 2%, limited to 6.5 ha, and a repayment period of 24 months with no collateral and guarantor.

[35] MPIC, *Palm Oil Industry*. Viewed at: https://www.mpic.gov.my/mpi/en/palm-oil-industry.

[36] MPIC, *Palm Oil Industry*; and information provided by the authorities.

[37] MPIC, *Palm Oil Industry*.

[38] Reuters (2022), "Malaysia Aims to Fully Implement B20 Biodiesel Mandate by Year-End", 5 January. Viewed at: https://www.reuters.com/business/energy/malaysia-aims-fully-implement-b20-biodiesel-mandate-by-year-end-2022-01-05/.

[39] Department of Statistics Malaysia (2021), *Malaysia Trade Statistics Review, Volume I*, 2021.

[40] MPIC, *Data Statistic*. Viewed at: https://www.mpic.gov.my/mpi/en/statistic/stats-data-set.

	2015	2016	2017	2018	2019	2020	2021
Natural rubber's contribution to exports (MYR billion, unless otherwise specified)							
Trade balance (MYR million)	1,183	816	1,486	1,227	599	-11	-396
Exports							
Value (MYR million)	6,263	5,645	9,140	6,523	6,064	6,153	6,943
Volume ('000 tonnes)	1,113	1,018	1,194	1,109	1,034	1,072	1,024
Imports							
Value (MYR million)	5,080	4,829	7,654	5,296	5,465	6,164	7,339
Volume ('000 tonnes)	956	930	1,113	1,015	1,083	1,234	1,207
Rubber industry's contribution to exports (MYR billion, unless otherwise specified)							
Trade balance (MYR million)	11,985	11,455	14,024	15,433	16,028	34,793	52,672
Exports of rubber products	17,997	18,121	21,627	23,796	23,554	41,633	61,680
% of national exports	*2.3*	*2.3*	*2.3*	*2.4*	*2.4*	*4.2*	*5.0*
Tyres	1,118	1,090	1,315	1,322	1,443	1,337	1,745
Inner tubes	16	12	18	14	12	5	6
Footwear	377	446	429	419	518	480	573
Latex goods, of which:	14,646	14,651	17,449	19,349	19,142	37,641	56,651
Rubber gloves	13,097	13,281	15,856	17,741	17,563	35,258	54,813
Industrial rubber goods	729	743	1,111	1,372	1,110	934	1,308
General rubber goods	1,111	1,179	1,304	1,320	1,329	1,236	1,396
Imports of rubber products	6,012	6,666	7,602	8,363	7,526	6,839	9,008

Source: MRB, *Natural Rubber Statistics (January-June 2022)*. Viewed at: https://www.lgm.gov.my/webv2/pdfViewer/nrStatistic; MPIC, *Data Statistic*. Viewed at: https://www.mpic.gov.my/mpi/en/statistic/stats-data-set; and information provided by the authorities; and information provided by the authorities.

4.25. The MRB, established on 1 January 1998, is the custodian of the rubber industry in Malaysia. The primary objective of the MRB is to assist in the development and modernization of the Malaysian rubber industry in all aspects from cultivation of the rubber tree, the extraction and processing of its raw rubber, the manufacture of rubber products, and the marketing of rubber and rubber products.

4.26. Under the Rubber Production Incentive (IPG), whenever the average monthly price falls below a certain threshold, registered smallholders may claim compensation based on the difference between the average domestic farm-gate prices and the threshold, up to a maximum amount.[41] According to the authorities, the IPG will be activated if the average price of cuplump is below MYR 2.50/kg (50% dry rubber content). The IPG was last activated in Peninsular Malaysia in January 2021, while for Sarawak in September 2021 and for Sabah in August 2022.[42]

4.27. The Latex Production Incentive Programme (IPL), initiated by the MRB, aims at encouraging smallholders to move towards latex production. Incentives include one-time aid on inputs such as fertilizer and herbicide worth MYR 850 per hectare and a MYR 1/kg incentive for every kilogramme produced by smallholders (at 100% dry rubber content).[43] Eligible smallholders are those holding rubber transaction authority permits and owners of matured rubber plantations of less than 100 acres (40.47 ha) in West Malaysia.[44]

4.28. With respect to grants for the replanting scheme, the Rubber Industry Smallholders Development Authority (RISDA) is responsible for implementing the programme, replanting old rubber trees with rubber or other approved crops for smallholding sector. The programme aims to increase the productivity of smallholder sector. Through this programme, smallholders receive assistance in the form of cash, items such as seeds, fertilizer, and advice. The current replanting grants rate per hectare are MYR 13,710 for West Malaysia, MYR 14,955 for Sabah, and MYR 14,805 for Sarawak. The rubber new planting grant is not available for smallholders.

[41] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[42] All eligible smallholders will be paid automatically with the IPG based on the transaction records of RRIMniaga, which is a smartphone application developed by MRB to record rubber transactions by rubber dealers. Requirements for eligibility include (i) Malaysian rubber smallholders; (ii) holding Rubber Transaction Authority Permit (PAT-G); (iii) owing a plantation of less than 100 acres (40.46 ha); selling rubber – cuplump/latex/rubber sheet (USS); and (iv) selling only rubber to licensees who use RRIMniaga Apps to qualify for IPG claims.

[43] MOF, *Latex Production Incentive Programme (IPL)*. Viewed at: https://budget.mof.gov.my/manfaat/en/faq/ipl.html; and information provided by the authorities.

[44] MOF, *Latex Production Incentive Programme (IPL)*. Viewed at: https://budget.mof.gov.my/manfaat/en/faq/ipl.html; and information provided by the authorities.

4.29. The National Rubber Industry Transformation Program, initiated by the MPIC and conducted by the MRB in 2021, is to consolidate smallholders, rubber enterprises, and small cooperatives in larger consortia. The Program aims to increase rubber farm-gate price at the smallholder level by shortening the supply chain of raw rubber materials through crepe rubber processing technology and to create a systematic and effective rubber business model among rubber smallholders, cooperatives, and entrepreneurs. Incentives provided under this Program include the development of Crepe Rubber Processing Center along with the crepe processing machineries and tools, technical advisory services, and marketing and promotion of crepe rubber services. There are three categories of participant: (i) rubber cooperatives; (ii) rubber entrepreneurs; and (iii) entrepreneurs (non-rubber). Interested cooperatives and entrepreneurs would need to submit application form to the MRB and eligible applications would be presented to MPIC Evaluation Committee for approval.

4.30. An export tax (cess) of 0.2% of the export value is levied on manufacturers of rubber products (excluding rubber tyres, inner tubes, and footwear) in Peninsular Malaysia.[45] In addition, the RISDA issued an order to impose a cess of MYR 0.10 per kg on rubber exports from Peninsular Malaysia (effective from 1 October 2020).[46]

4.1.1.6.3 Rice

4.31. Rice production makes a small contribution towards GDP, but rice is a key staple food for the population. Except in 2017, rice production increased steadily between 2015 and 2019 (Table 4.6). More than 70% of the domestic paddy rice harvest originates in "granary areas"[47] dominated by smallholders.[48] Despite Malaysia's efforts to increase production, imports continued to increase from 2016 to 2021 and it remained a net importer (Table 4.6). Malaysia's main suppliers of rice are Viet Nam, Thailand, and India, collectively accounting for some 80% of the imports (average for 2015-21).

Table 4.6 Selected indicators for rice (paddy), 2015-21

	2015	2016	2017	2018	2019	2020	2021
Area harvested ('000 ha)	682	689	686	700	672	645	..
Average yield kg/ha	4,022	3,978	3,750	3,770	3,501	3,654	..
Paddy production ('000 tonnes)	2,741	2,740	2,571	2,640	2,353	2,356	..
Rice production ('000 tonnes)	1,767	1,766	1,656	1,700	1,516	1,624	..
Value of production (USD million)	842	793	717	785	82	663	..
Trade balance (USD million)	-503	-357	-345	-397	-442	-566	-536
Export	32	20	1	9	11	23	39
Import	535	377	346	406	453	589	576
Main origins[a]							
Viet Nam	154	91	140	106	201	248	133
Thailand	206	186	120	208	121	39	67
India	55	25	34	33	55	162	213

.. Not available.

a Simple average for 2015-21.

Source: Department of Statistics Malaysia (2021), *Selected Agricultural Indicators 2021*, November. Viewed at: https://www.dosm.gov.my/; FAO, *FAOStat*. Viewed at: https://www.fao.org/faostat/en/#home; and information provided by the authorities.

4.32. The development of the sector is supported by several agencies, including the Department of Agriculture, the Malaysian Agricultural Research and Development Institute (MARDI), and the Farmers Organization Authority. Rice is covered in the NAP 2.0, subsequent to the NAP (2011-2020). Under the NAP 2.0, strategies include (i) boosting productivity through better management of land and water use; (ii) developing local specialty rice varieties; (iii) restructuring existing financial

[45] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[46] Federal Government Gazette, *Rubber Industry Smallholders Development Authority (Cess) Order 2020 (P.U.(A) 232)*, 17 August 2020. The products refer to HS 4001, 4002, 4005, and 4006.

[47] Granary areas in Malaysia are paddy fields with large irrigation schemes (area over 4,000 ha) and recognized under the National Agricultural Policy as main areas for rice production. These areas are under the purview of Muda Agricultural Development Authority (MADA), Kemubu Agricultural Development Authority (KADA), and 10 Integrated Agriculture Development Areas throughout Malaysia. Most granary areas are in Kedah, Kelantan, Perak, Selangor, Pahang, Terengganu, Sabah, Sarawak, and Penang.

[48] Department of Statistics Malaysia (2021), *Selected Agricultural Indicators 2021*, November.

support to encourage the optimization of farming operations; (iv) increasing the participation of the private sector; and (v) promoting the future participation of younger farmers.[49]

4.33. Padiberas Nasional Berhad (BERNAS) is responsible for ensuring reliable supplies of rice on behalf of the Government. BERNAS is notified to the WTO as a state trading enterprise.[50] BERNAS is the sole company importing rice without restriction of origin. According to the authorities, the agreement between the Government and BERNAS, which was supposed to maintain until January 2021[51], has been extended for a period of 10 years from 2021 to 2031. The authorities also note that BERNAS is granted the right to import rice into Malaysia for the same period; this right is subject to compliance with Malaysia's obligations under the WTO agreements, other international treaties, and agreements entered into or to be entered into by Malaysia in the future.

4.34. BERNAS carries out various activities, including (i) provision of price support as it acts as the buyer of last resort for paddy farmers (the Guaranteed Minimum Price is set at MYR 1,200 per tonne); (ii) managing the National Rice Stockpile (under new concession agreement, BERNAS is required to raise the stockpile volume up to 290,000 tonnes by the end of 2023); (iii) managing the National Paddy Seed Stockpile (supply of seed by licensed producers is based on demand set by the government); (iv) managing the disbursement of subsidies to paddy farmers; (v) managing the Bumiputera rice millers scheme and Bumiputera wholesalers; (vi) managing the supply of farm machinery; developing and managing large-scale farming in paddy fields and local special rice varieties; (vii) contributing to the natural disaster fund; and (viii) supporting the paddy and rice industry development information system, and supporting the development of soil nutrients.

4.35. In addition to the Guaranteed Minimum Price, the Government provides several support measures for rice producers to ensure food security and to encourage farmers to increase yields. These measures include price subsidies, fertilizer subsidies, and paddy production incentives (Table 4.7). In 2020, the Government spent MYR 1.6 billion on rice subsidies and incentives, or about 50% of the budget allocation of the MAFI.

Table 4.7 Government expenditures on rice and paddy subsidies, 2017-20

(MYR million)

	2017	2018	2019	2020
Paddy price subsidy	517	641	627	620
Fertilizer subsidy	470	465	383	395
Paddy production incentive	424	563	414	460
Certified seed incentive	75	75	75	75
Hill rice fertilizer subsidy	70	64	..	..
Total	1,555	1,808	1,498	1,550
Total MAFI expenditures	3,744	3,657	3,370	3,102
Percentage spent on rice subsidies	41.5%	49.4%	44.4%	50.0%

.. Not available.

Note: No data available for 2021.

Source: Information provided by the authorities.

4.1.1.6.4 Livestock

4.36. Livestock is the second-largest agricultural subsector. Although the production volume remained relatively stable in recent years, the value of livestock production increased steadily, reaching MYR 22.3 billion in 2021 (Table 4.8). According to the authorities, the increase in value of production was mainly due to a slight increase in volume combined with rising prices of products; an increase in domestic animal products (poultry, beef, fresh milk); and an increase in the number of and volume of production of commercial farmers for poultry, beef, and fresh milk. While most cattle production is carried out by smallholders (sometimes mixed with rubber and palm planting), poultry and pig production is dominated by larger farms. Despite increasing exports, Malaysia remains a net importer of livestock and livestock products, notably of animal feeds (Table 4.8).

[49] Ministry of Agriculture and Food Industries (2021), *Executive Summary National Agrofood Policy 2021-2030 (NAP 2.0)*, 24 October.
[50] WTO document G/STR/N/17/MYS, G/STR/N/18/MYS, 15 October 2021.
[51] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

Table 4.8 Livestock indicators, 2015-21

	2015	2016	2017	2018	2019	2020	2021[a]
Value of production (MYR million)							
Total	18,466	20,091	21,415	22,841	22,261	22,856	22,978
Beef	1,412	1,487	1,529	1,596	1,584	1,489	1,471
Mutton	145	166	168	173	168	156	149
Pork	2,526	2,370	3,243	3,888	4,041	4,091	4,067
Poultry meat	9,534	10,776	10,884	11,694	11,685	11,842	11,614
Chicken/duck eggs	4,752	5,190	5,480	5,373	4,662	5,154	5,550
Fresh milk	80	85	92	96	101	104	109
Raw hides and skins	17	18	20	20	20	19	19
Production in volume ('000 tonnes, unless otherwise indicated)							
Total (excl. milk)	2,720	2,858	2,811	2,764	2,613	2,774	2,758
Beef	50	48	46	47	44	41	41
Mutton	4	5	4	4	4	4	4
Pork	223	195	218	224	223	221	219
Poultry meat	1,633	1,755	1,665	1,654	1,655	1,703	1,625
Chicken/duck eggs	796	843	865	824	677	796	860
Milk (million litres)	36	37	37	38	41	42	44
Raw hides and skins	13	13	12	11	10	9	9
Trade (MYR million) (excl. leather)							
Export	4,971	5,174	5,454	5,948	6,073	6,796	..
Import of which:	15,691	15,036	16,131	15,366	14,769	15,445	..
Animal feeds	8,347	8,123	7,782	7,309	6,692	6,757	..
Memo: Wholesale price (MYR/kg)							
Broilers (live)	5.5	5.8	5.9	5.9	5.7	5.7	..
Processed chicken	6.6	7.2	7.4	7.1	7.0	6.9	..
Local mutton	31.3	33.0	35.1	35.5	36.7	38.0	..
Local beef	24.6	26.3	28.7	31.4	30.7	31.8	..

.. Not available.

a Estimate.

Source: Compiled by the WTO Secretariat, based on data from Department of Veterinary Services. Viewed at: https://www.dvs.gov.my/index.php/pages/view/1876.

4.37. The MAFI administers livestock policy and legislation. Other government agencies such as the Department of Veterinary Services (DVS) are also responsible for implementing policy in specific areas and in animal health and production. The NAP 2.0 considers livestock a strategic sector. Policies are focused on increasing growth and sustainability in the poultry industry; easing market accessibility in the ruminant industry for new entrepreneurs; increasing ruminant livestock; mitigating and controlling losses of livestock due to diseases; and reducing dependency on imported feed.[52]

4.38. The DVS under the MAFI is the competent veterinary authority to provide support services in the animal industry for the ruminant sector. Livestock support covers the whole extension programme and disease control. In addition, the DVS also provides extension and advisory services such as herd health services, i.e. free vaccination programme for livestock, and conducts planned and scheduled visits involving veterinary technical aspects.

4.1.2 Fisheries

4.39. Fisheries accounted for less than 1% of GDP at constant prices in 2021. The number of fishers declined by nearly 20,000 from 2017 to 2020. Nearly 25% of the 119,826 fishers working on licensed fishing vessels in 2020 were non-Malaysians.[53] Overall, the number of registered vessels decreased from 52,648 in 2017 to 48,826 in 2020.[54] According to the authorities, the decrease in the number of registered vessels was mainly due to the regularization exercise by the Department of Fisheries Malaysia, which revoked licences of inactive vessels.

[52] MAFI (2021), *Executive Summary National Agrofood Policy 2021-2030 (NAP 2.0)*, 24 October.
[53] Department of Fisheries Malaysia, *Fisheries Statistics I*. Viewed at: https://www.dof.gov.my/en/resources/fisheries-statistics-i/.
[54] Department of Fisheries Malaysia, *Fisheries Statistics I*.

4.40. Marine capture fisheries dominate aquaculture; about 77% of the production came from marine capture during 2015-20. Fish landings declined from 1,490,000 tonnes in 2015 to 1,384,000 tonnes in 2020, particularly from 2019 to 2020 due to the COVID-19 pandemic (Table 4.9); reduced fishing activity resulting from restricted movement and economic activities caused disruption along the value chain including reduced workers on the fishing vessels and changes in demand especially in the food and beverage industry. The volume of aquaculture production also fell during the same period, although the value rose, particularly for green seaweed.

Table 4.9 Marine and inland capture fishing and aquaculture, 2015-20

	2015	2016	2017	2018	2019	2020
Inland capture ('000 tonnes)	**5.9**	**5.8**	**5.2**	**6.1**	**5.6**	**5.6**
Marine capture ('000 tonnes)	**1,490.1**	**1,578.5**	**1,469.2**	**1,456.9**	**1,459.5**	**1,387.4**
Miscellaneous pelagic fishes	448.9	468.1	347.5	373.2	354.2	352.6
Marine fishes not identified	296.6	321.2	320.9	311.1	318.3	310.6
Miscellaneous coastal fishes	282.7	310.1	309.2	290.3	280.8	253.6
Shrimps, prawns	114.9	110.9	114.6	115.5	106.5	106.6
Tunas, bonitos, billfishes	80.1	93.1	98.1	90.8	109.0	97.9
Herrings, sardines, anchovies	67.6	79.3	80.3	71.9	86.5	87.3
Aquaculture ('000 tonnes)	**507.0**	**407.9**	**427.5**	**392.0**	**412.3**	**400.0**
Red seaweeds	260.8	206.0	203.0	174.1	188.1	182.1
Shrimps, prawns	52.6	43.2	45.8	45.9	53.4	48.7
Tilapias and other cichlids	36.3	37.0	32.5	31.8	36.2	32.0
Clams, cockles, arkshells	16.9	9.6	12.5	16.9	13.8	18.7
Carps, barbels and other cyprinids	7.4	9.4	12.3	14.6	16.5	12.9
Aquaculture (USD million)[a]	**845.3**	**696.7**	**760.1**	**816.2**	**1,537.8**	**1,386.2**
Seaweeds	33.4	24.8	10.4	12.9	689.3	599.5
Shrimps, prawns	292.1	225.4	251.4	274.0	314.8	280.5
Tilapias and other cichlids	77.5	75.6	68.5	73.8	86.7	80.6
Carps, barbels and other cyprinids	14.2	23.4	22.4	38.7	33.1	38.0
Clams, cockles, arkshells	10.6	9.1	14.3	20.9	36.5	30.4

a The FAO database does not have data for the value of marine catch.

Source: FAO, *Fisheries and Aquaculture*. Viewed at: https://www.fao.org/fishery/statistics-query/en/home; and information provided by the authorities; and information provided by the authorities.

4.41. As for trade, Malaysia is a net importer of fish and fish products, and the trade deficit is widening (Table A4.2).[55] In 2021, the deficit amounted to USD 418.7 million, up from USD 265 million in 2017. Over the period 2017-21, exports as well as imports grew in value and volume terms, mainly due to high demand for fish and fish products.[56] Crustaceans (mostly frozen shrimp) were Malaysia's leading exports, followed by prepared/preserved fish, molluscs (mostly cuttlefish), and frozen fish, accounting for about 70% of total exports. The main imports were frozen fish, fresh or chilled fish, molluscs (mostly cuttlefish), crustaceans (mostly frozen shrimp), and fish fillets and other fish meat (Table A4.2). Malaysia's main export markets were China, Singapore, and Australia, while its main sources were China, Indonesia, and Viet Nam.

4.1.2.1 Policy

4.42. The Department of Fisheries Malaysia in the MAFI is responsible for the overall management of fisheries-related matters, including the implementation of rules and regulations, policies, and resource management. It also provides technical support to marine and freshwater fisheries and aquaculture. Several agencies provide specific services to fisheries and aquaculture, including the Fisheries Development Authority of Malaysia (LKIM), the Fisheries Research Institute of Malaysia, the Malaysia Maritime Enforcement Agency (MMEA), and the Department of Fisheries Sabah.[57]

[55] WTO definition of fish and fishery products: HS Chapters 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20, plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

[56] WTO Secretariat's calculations, based on UN Comtrade database. The upward trend was also observed in the volume terms (from 230,000 tonnes in 2017 to 340,000 tonnes in 2021 for exports and from 414,000 tonnes in 2017 to 566,000 tonnes in 2021 for imports).

[57] LKIM, *inter alia*, promotes and develops efficient and effective management of fisheries enterprises and fish marketing, facilitates economic and social developments of Fishermen's Associations, and supervises Fishermen's Associations (https://lkim.gov.my/en/vision-mission-objectives/). The Fisheries Research Institute of Malaysia provides scientific advice for the sustainable exploitation and management of fisheries resources, conserving aquatic resources, and enhancing fish production through the development of appropriate

4.43. The Fisheries Act 1985 (Act 317), the amendments to the Act, and accompanying regulations constitute the principal legal framework for fisheries.[58] In 2019, the amendment was adopted to increase the penalty for foreign fishing vessel and expansion to high seas. According to the authorities, the proposed amendments to the Act are currently before the Parliament. Under the Act, the Minister of the MAFI may put forward regulations relating to the management and development of fisheries resources, including licensing fishing vessels; prohibiting specific fishing methods, areas, and species; and determining closed seasons.[59] Inland fisheries (including inland aquaculture) fall under the State's jurisdiction in accordance with the Federal Constitution, considering that land matters are state matters. The State Government may appoint an inland fisheries officer to exercise the powers conferred under the state legislation. Marine fisheries and aquaculture (beyond 3 nm) fall under the jurisdiction of Federal Government. Fishing areas are partitioned in zones according to the distance to the shore with fishing in each zone restricted by size and type of vessel (Table 4.10). Most fishing activities were primarily confined to Zone A (about 84% of vessels and 60% of fishers) in 2020. All fishing activity, including foreign vessels and marine water-based aquaculture projects, requires a licence from the Department of Fisheries.[60]

Table 4.10 Fishing zones in Malaysia

	Zone A	Zone B	Zone C	Zone C2	Zone C3
Distance from shore: nautical miles	0-5	5-12	12-30	30 to EEZ	High seas
Vessel size: gross register tonnage (GRT)	Less than 40	Less than 40	40-70	70 plus	70 plus
Vessel type	Traditional gear	Trawlers/ purse seiner	Trawlers/ purse seiner	Trawlers/ purse seiner	Purse seiners/ tuna long line
Number of fishers and licensed fishing vessels by zone in 2020					
Fishers	70,697	18,656	19,280	10,982	213
Licensed fishing vessels	40,918	5,095	2,287	506	20

Note: In 2020, the total numbers of fishers and licensed fishing vessels were 119,828 and 48,826, respectively.

Source: Department of Fisheries Malaysia, *Annual Fisheries Statistics 2020, Volume I.* Viewed at: https://www.dof.gov.my/en/resources/fisheries-statistics-i/; and information provided by the authorities.

4.44. The policies and strategies for fisheries and aquaculture are set out in the Twelfth Plan, the NAP 2.0, and the Strategic Plan of the Department of Fisheries 2021-2030. The Twelfth Plan encourages the adoption of digital technologies with emphasis on sustainable development of capture fisheries, as well as advancing the value chain through modernized operational and production processes. The NAP 2.0 highlights some issues facing the sector, including the depletion of resources due to overfishing, increasing production costs, biosecurity and compliance issues on aquaculture farms, and lower income for fishers. Strategies to cope with these issues include maintaining self-sufficiency levels; enhancing monitoring, control, and surveillance efforts in marine areas; safe and sustainable fish sources along the value chain; and improving the livelihood and income levels of fishing communities.[61] The Strategic Plan of the Department of Fisheries 2021-2030 in line with the NAP 2.0 serves as a blueprint to boost the fisheries industry towards a higher contribution to the country's economy and, in parallel, ensure the sustainability of fisheries resources. The Plan has five main thrusts: modernizing and promote smart aquaculture; strengthening the domestic market and developing demand-driven and export-ready products; building capacity to meet demand of the industry; moving towards sustainable production and food system; and creating a conducive business ecosystem and strong institutional framework.

4.45. Other specific policies are outlined in the Tuna Industry Development Strategic Plan 2021-2030 and the National Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and

technologies (http://fri.dof.gov.my/fri.php/pages/view/2872). The MMEA protects the Malaysian Maritime Zone through air and coastal surveillance, management of maritime training institutions, and maritime search and rescue (https://www.mmea.gov.my/eng/index.php/en/aboutusen/functions), and the Department of Fisheries Sabah is responsible for the development and management of fisheries in Sabah (https://fishdept.sabah.gov.my/?q=en/content/policies-guidelines).

[58] Fisheries (Amendment) Act 2012; and Fisheries (Amendment) Act 2019.

[59] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[60] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[61] MAFI (2021), *Executive Summary National Agrofood Policy 2021-2030 (NAP 2.0)*, 24 October.

Unregulated Fishing (Malaysia's NPOA-IUU).[62] In line with the NAP 2.0, the Tuna Industry Development Strategic Plan 2021-2030 is a comprehensive national development and management initiative. In addition to tuna fishing, the plan is intended for developing other services such as ports, transportation, storage, and processing. The Tuna Strategic Plan 2021-2030 has outlined 6 pillars: (i) compliance to domestic and international instruments; (ii) vessel specification (modernization) and quota determination; (iii) technology improvement; (iv) development of management and control system; (v) regulation of tuna fisheries; and (vi) post-harvest. Malaysia is a member of Indian Ocean Tuna Commission (IOTC).[63]

4.46. Malaysia is committed to combating IUU fishing as set out in Malaysia's NPOA-IUU. As noted at the previous Review, Malaysia's NPOA-IUU outlines a number of action plans including monitoring, control, and surveillance (MCS); regular joint patrol operations with neighbouring countries; fishing vessel registration; and port state measures to control the entry of foreign-flagged vessels into Malaysia.[64] According to the authorities, Malaysia is still in the process of developing criteria for mechanism to monitor IUU vessels.

4.47. Supports to the fisheries sector include fuel subsides, living allowances, catch incentives, and loans to fishers. The Government spent MYR 2,633 million on fisheries subsidies over the review period, at least MYR 500 million per year, except for in 2020, mainly due to the impact from the COVID-19 pandemic (Table 4.11). Fuel subsidies accounted for more than 70% of the total (MYR 1,902 million), followed by living allowances (24%) designed as income support to fishers affected by adverse weather conditions.[65] Catch incentives vary by fishing zone. In all, MYS 84.5 million was given to fishers as catch incentives in the period 2017-21.

Table 4.11 Government spending on fisheries, 2017-21

(MYR million)

	2017	2018	2019	2020	2021	Total
Total	503.7	786.9	574.5	179.1	589.2	2,633.4
Fuel subsidy	314.1	600.5	468.2	65.0	460.1	1,907.9
No. of beneficiaries	55.1	54.7	53.0	52.1	47.3	262.2
Living allowances	166.1	162.5	87.3	100.7	116.8	633.4
Catch incentives	23.0	23.1	16.0	11.1	11.4	84.5
Loans to fishers	0.5	0.8	3.0	2.3	0.9	7.5

Source: Information provided by the authorities.

4.48. Regarding aquaculture, state authorities designate Aquaculture Industrial Zones (both on- and off-shore) for commercial-scale aquaculture projects, including seaweed.[66] The Federal Government focuses on planning and technical support. In 2021, there were 44 sites covering more than 18,873.3 ha.[67]

4.1.2.2 Border measures

4.49. Tariff protection is relatively low with an average applied MFN tariff of 0.6%. About 92% of the fishery tariff lines are duty-free, and import duties ranged from 5% to 20% in 2022. Most trading partners enjoy duty-free treatment under FTAs. No tariff quotas are applied to fish and fishery products. Fish and fish products are subject to import and export control procedures including SPS requirements (Section 3.3.3).[68] Fish inspection charges are imposed by MAQIS pursuant to Second Schedule of Malaysian Quarantine and Inspection Services (fees and charges)

[62] Malaysia's NPOA-IUU was developed in accordance with the International Plan of Action to Prevent, Deter, and Eliminate Illegal, Unreported and Unregulated Fishing (IPOA-IUU), adopted in 2001 by the FAO.
[63] IOTC, *Structure of the Commission*. Viewed at: https://www.iotc.org/about-iotc/structure-commission.
[64] For details of Malaysia's NOPA-IUU, see WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[65] W. Wen Chiat Lee and K.K. Viswanathan (2019), "Subsidies in the Fisheries Sector of Malaysia: Impact on Resource Sustainability", *Review of Politics and Public Policy in Emerging Economies*, Vol. 1, No. 2, December.
[66] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[67] Information provided by the authorities.
[68] Department of Fisheries Malaysia, *Import and Export Protocol*. Viewed at: https://www.dof.gov.my/en/services/import-export/import-and-export-protocol/.

Regulations 2013.[69] Tax exemptions may be granted to companies carrying out food production projects, including companies and associations dealing with fishery activities under the Income Tax Act 1967, provided the conditions prescribed in the Act are met.[70]

4.2 Mining and Energy

4.2.1 Mining and quarrying

4.50. Mining and quarrying, excluding petroleum and natural gas, accounts for approximately 0.6% of Malaysia's GDP (at constant 2015 prices). Growth has been sluggish in the sector since 2016. The decline in production was particularly pronounced in 2020 (almost 10%), followed by a very modest recovery (0.3%) in 2021 (Table 1.2). The principal minerals extracted are iron ore, gold, tin, bauxite, copper, and ilmenite, while quarrying output is dominated by sand and gravel, silica sand, and limestone (Table 4.12). Coal and clay are also extracted. Geological mapping indicates that Malaysia's mineral resources are considerable.

Table 4.12 Mining and quarrying production, 2017-21

		2017	2018	2019	2020	2021
Minerals						
Bauxite	'000 tonnes	189	590	900	595	48
	MYR million	21.96	66.16	104.47	70.83	5.71
Gold	kg	2,124	2,978	3,150	1,715	1,781
	MYR million	403.85	506.73	608.45	402.27	426.87
Tin	tonnes	3,894	3,868	3,611	2,963	2,988
	MYR million	233.92	313.74	288.99	193.78	360.54
Iron ore	'000 tonnes	3,920	3,354	4,160	5,371	4,874
	MYR million	767.22	503.04	556.05	709.22	594.23
Energy minerals						
Coal	'000 tonnes	2,988	2,653	3,459	2,978	3,111
	MYR million	405.37	371.39	484.28	327.61	342.17
Quarrying						
Aggregates	'000 tonnes	146,144	131,584	128,622	108,085	109,519
	MYR million	3,242.66	2,222.84	2,295.10	1,900.44	2,216.88
Limestone (for cement)	'000 tonnes	25,664	25,342	24,171	22,378	19,978
	MYR million	307.50	282.81	224.90	217.42	226.03
Sand & gravel	'000 tonnes	36,702	44,919	69,425	35,681	35,556
	MYR million	634.70	660.90	1,050.30	592.92	622.44
Silica sand	'000 tonnes	2,634	4,064	4,704	5,172	6,914
	MYR million	133.04	233.91	398.00	314.03	387.11

Source: Department of Minerals and Geoscience Malaysia.

4.51. A boom in the mining of bauxite – the largely unregulated production rose 100-fold between 2013 and 2015 – came to an end in January 2016 when a temporary ban on all bauxite mining was introduced due to serious environmental concerns. While the moratorium on mining continued to be extended, bauxite-related activities were permitted, e.g. transportation (to ports) and exports from stockpiles. The Government finalized the standard operating procedure for bauxite mining and export activities (in the state of Pahang) in September 2019.

4.52. Mining and quarrying are primarily regulated under the Mineral Development Act 1994 (Act 525), which lays out federal powers regarding mineral exploration, mining, and monitoring, and so-called Mineral Enactments adopted by the states in accordance with the first National Mineral Policy (1993) and the National Mineral Policy II (2009). The state Mineral Enactments cover the issuance of certificates, permits, and licences for prospecting and mining leases, as well as the payment of royalties and fees. The Geological Survey Act 1974, the National Land Code Act 1965 (Act 56), and the Environmental Quality Act 1974 are also relevant to the mining sector. Under the latter, environmental impact assessments were required when the surface of a mining lease exceeded 250 hectares. The Act was subsequently revised to make environmental impact

[69] Federal Government Gazette, *Malaysian Quarantine and Inspection Services (Fees and Charges) Regulations 2013 (P.U.(A) 115), 29 March 2013*. As stated in paragraphs 18-20 of the Second Schedule.

[70] Department of Fisheries Malaysia, *Tax Incentives*. Viewed at: https://www.dof.gov.my/en/services/tax-incentives/.

assessments necessary for all mining leases, regardless of size, under Schedule 2 of the Environmental Quality Act.

4.53. The Government launched the National Mineral Industry Transformation Plan 2021-2030 in April 2021. The transformation plan, to be implemented during the current Twelfth Plan and upcoming Thirteenth Malaysia Plan, seeks to raise the contribution of the sector to 1% of GDP by 2030, reduce trade imbalances, and develop the entire value chain of the domestic mineral industry. Sustainable operations are to be underpinned by the deployment of state-of-the-art technology and human capital development. Enhanced processing techniques for strategic minerals such as tin ore, silica sand, kaolin, bauxite, and non-radioactive rare earth elements should reduce the current dependence on imported mineral resources.

4.54. The transformation plan foresees the establishment of a Mineral Industry Development Board (LPMM). The LPMM will play a leading role in spurring the development and governance of the mineral industry in a sustainable and holistic manner, which will include strengthening the enforcement and supervision of mines, quarry and mineral processing activities, and research and development initiatives in mineral and mineral-based products for the global market, as well as the mapping, management, and monitoring of mineral resources. As for the National Mineral Council (MMN), disbanded in 2009, it has been revived to act as a consultation platform specific to the mineral sector between the federal and state governments. It coordinates and deals with various issues related to minerals between the federal and state governments in an integrated manner and works in tandem with the National Land Council (MTN), especially in the aspect of policies and legislation related to the mineral sector. At its inaugural meeting in February 2021, the new MMN considered several issues, including working papers related to the industry transformation, sustainable mining activities, standard operating procedures for mineral mining and export, and mineral area zoning. It also approved standard operating procedure frameworks for bauxite mining (and exports) and non-radioactive rare earth elements.

4.55. At the federal level, the Ministry of Energy and Natural Resources formulates general policies and legislation for the exploration and extraction of minerals. The Mineral Development Act is enforced by the Department of Minerals and Geoscience Malaysia (JMG).[71] Mineral rights are vested solely with the state authorities, and landowners do not have any automatic right to mineral resources on their land. State mineral resource committees review applications related to exploration and mining and forward their recommendations to the State Director of Land and Mines, who issues and administers licences for prospecting, exploration, and mining.[72]

4.56. The state Mineral Enactments stipulate that leases or licences may be granted to natural persons, companies, bodies expressly empowered to hold mining land according to Malaysia's legislation, and foreign companies authorized to hold mining land. Prospecting licences cover smaller areas (25-400 ha) compared to exploration licences (400-25,000 ha) and are of shorter duration. Mining leases distinguish between small-scale and large operations, and whether the mining target is hard rock or alluvial. Mining leases, which include rights of storage, transportation, processing and sale of extracted minerals, are granted accordingly by the state authority and may be renewed upon application. Prospecting and exploration licences are subject to an annual holding fee. Mining leases require the payment of annual rent, and royalties on the output. Royalties are determined by the state authorities and may vary according to the type, weight, and volume of the mineral extracted, but typically amount to around 5% to 10% of the estimated market value. The lessee is also required to accumulate funds for the rehabilitation of the mining lands, and large-scale mining operations require the submission of rehabilitation plans. On privately owned land, competitive bidding may be applied at the discretion of the owner. However, on state-owned land, the state government will give priority to issue the mining tenements to government-linked companies or to state agencies. The number of licences issued vary from one year to another (Table 4.13).

[71] The annual mineral reports need to be purchased from the JMG, e.g. by contacting helpdesk@jmg.gov.my.

[72] Ten of Malaysia's 13 states have promulgated and gazetted the model State Mineral Enactment. The legal frameworks and procedures are somewhat different in Sarawak and Sabah.

Table 4.13 Mineral licences issued, 2017-21

(Number)

	Exploration	Prospecting	Mining lease	Proprietary mining
2017	6	39	10	11
2018	5	42	35	39
2019	5	20	17	24
2020	1	48	16	26
2021	17	91	35	13

Source: Information provided by the authorities.

4.57. Reforms contemplated under the Mineral Industry Transformation Plan 2021-2030 include federal-state consultations to achieve uniformity in regulatory structure, royalty payments, and control of raw mineral exports. The federal legal framework is also to be reviewed to make it more robust.

4.2.2 Energy

4.2.2.1 General

4.58. The energy sector's legal framework comprises the Petroleum Development Act 1974, the Petroleum Mining Act 1966 (Act 95), the Electricity Supply Act 1990 (Act 447), the Electricity Supply (Amendment) Act 2015 (Act A1501), the Gas Supply Act 1993 (Act 501), the Gas Supply (Amendment) Act 2016 (Act A1515), the Energy Commission Act 2001, the Energy Commission (Amendment) Act 2010, the Renewable Energy Act 2011, and the Sustainable Energy Development Authority Act 2011. Regulations to enforce the basic laws include the Electricity Regulations 1994 as amended in 2013 and 2014; the Electricity Supply (Compounding of Offences) Regulations 2001, P.U.(A) 408; the Licensee Supply Regulations 1990; the Efficient Management of Electrical Energy Regulations 2008, (P.U.(A) 444); the Gas Supply Regulations 1997, P.U.(A) 287, with amendments of 2014 and 2017; the Gas Supply (Compoundable Offences) Order 2006; and the Gas Supply (Compounding of Offences) Regulations 2006. In addition, various guidelines, circulars, and standards (for electrical equipment and gas piping systems) are applicable to the energy sector.

4.59. The National Energy Policy 2022-2040 (DTN), launched on 19 September 2022, is the overarching national policy under the responsibility of the Economic Planning Unit (EPU) under the Prime Minister's Department. DTN charts the way forward and outlines key priorities for Malaysia's energy sector encompassing both power and non-power as well as all energy sources, including oil, natural gas, coal, hydroelectric energy, solar power, bioenergy, and other emerging energy sources. A National Energy Council is to be established, chaired by the Prime Minister with all ministries and agencies related to the energy sector as members, and EPU acting as the secretariat. DTN's progressive Low Carbon Nation 2040 Aspiration should ensure that the energy sector will take full advantage of opportunities arising from the energy transition, as well as ensure the sector to be future-proof and strategically positioned to meet subsequent challenges.

4.60. The Energy Commission (EC) functions as the regulator for the energy sector, specifically the supply of electricity and piped gas in Peninsular Malaysia and Sabah.[73] For Sarawak, the State Electrical Inspectorate regulates the electricity sector. The EC has control over certain aspects such as the promotion of economy in the generation, transmission, distribution, supply, and consumption of electricity and gas; competition and the scope for monopolistic behaviour; technical regulation to ensure reliability, security, quality, and efficiency; and safety regulation to protect industrial users, consumers, and the public at large. The EC regulates all electrical equipment. A certificate of approval is obligatory for the manufacture, importation, display, sale, or advertisement of these items. Equipment imported for exhibition purposes must be returned to the country of origin after the event and may not be sold to the public.

4.61. DTN sets targets to increase the percentage of industrial and commercial electricity savings from 1% in 2018 to 11%, and from 1% to 10% for residential energy efficiency savings, by 2040. Under the National Energy Efficiency Plan (NEEAP) 2016-2025, Malaysia aims to save 52,233 GWh

[73] Discussions are under way for handing over the regulatory powers to the Sabah State Government in due course.

(accumulated over the implementing period). Thus, at the 10th year, the expected annual electricity reduction should be 8% (12,391 GWh) compared with a business-as-usual scenario. Key initiatives involve energy-efficient building design, energy audit and management for buildings and large and medium-sized industrial enterprises, the promotion of co-generation in industries and commercial buildings, and the promotion of 5-star-rated electrical appliances and minimum energy performance standards (lighting and motors). The Sustainability Achieved Via Energy Efficiency (SAVE) 2.0 Programme, introduced in January 2021, provided domestic electricity consumers with MYR 200 vouchers that could be used, on a first-come, first-served basis, for the purchase of energy-efficient air conditioners and refrigerators, subsequently extended to other appliances such as washing machines and television sets.[74] The SAVE 3.0 programme doubled the voucher amount starting from January 2022.

4.62. Malaysia is a significant producer of oil and gas, and fossil fuels continue to dominate the domestic energy mix (Table 4.14). The industry is an important sector for Malaysia, contributing 20% to annual GDP. Natural gas resources are estimated to be about 100.7 trillion standard cubic feet (including deep-sea mining and Exclusive Economic Zones), resources that could last up to 40 years. These natural gas reserves place Malaysia among the top 15 countries worldwide and third in the Asia-Pacific region.

Table 4.14 Primary energy supply and consumption, 2015-19

(Kilotonne oil equivalent (ktoe))

	2015	2016	2017	2018	2019
Total primary supply					
Natural gas	41,853	41,257	41,201	40,939	41,461
Petroleum	29,165	31,327	29,379	29,429	32,813
Coal and coke	17,406	18,744	20,771	22,280	21,057
Biodiesel	389	389	379	436	648
Hydropower	1,346	1,723	2,287	2,265	2,251
Biomass	189	198	194	241	204
Biogas	18	21	41	147	118
Solar	75	90	93	172	128
Total	**90,441**	**93,747**	**93,344**	**95,908**	**98,681**
Final energy consumption by fuel type					
Natural gas	9,566	12,304	16,838	18,851	18,647
Petroleum products	28,699	30,348	30,862	30,409	31,835
Coal and coke	1,778	1,785	1,804	1,808	1,706
Biodiesel	389	389	379	436	648
Electricity	11,397	12,394	12,607	13,153	13,647
Total	**51,829**	**57,219**	**62,489**	**64,658**	**66,483**
Final energy consumption by sector					
Industrial	13,989	16,019	17,463	19,046	18,921
Transport	23,435	24,004	24,039	23,555	25,004
Residential and commercial	7,559	8,049	7,796	7,774	8,001
Non-energy use	5,928	8,729	12,517	13,262	13,631
Agriculture	895	415	674	1,021	927

Source: Energy Commission.

4.63. In 2018, Malaysia set a target for renewables to account for 20% of installed capacity by 2025. The initial target was revised, in 2020, to 31% by 2025 and 40% by 2035. The fulfilment of the targets relies to a large extent on private investment in solar power, thus maintaining incentives through the Green Technology Financing Scheme, the Green Investment Tax Allowance, and the Green Income Tax Exemption, as well as introducing other schemes. The Net Energy Metering programme, introduced in late 2018, allows private installations of solar panels to exchange excess energy generated with the grid.

4.2.2.2 Petroleum and natural gas

4.64. The Petroleum Development Act 1974 provides for exploration and exploitation of petroleum, whether onshore or offshore, to be granted to Petroliam Nasional Berhad (PETRONAS), in which the entire ownership is vested as well as the exclusive rights, powers, liberties, and privileges in respect of the said petroleum. PETRONAS controls the carrying-on of downstream activities and development relating to petroleum and its products. Malaysia's remaining commercial reserves are estimated at

[74] The original SAVE programme designed under the Economic Transformation Program in 2011 also offered cash rebates (MYR 45 million in total) for the purchase of certain energy-efficient appliances.

over 17 billion barrels of oil equivalent from more than 400 fields, with gas making up three quarters of the mix.[75] Malaysia's known reserves of crude oil and natural gas are replenished through new discoveries, and this has allowed production to remain relatively stable to fulfil its energy security objective as set forth by the National Energy Policy 2022-2040 (Table 4.15).

Table 4.15 Oil and gas production and use, 2014-20

	2014	2015	2016	2017	2018	2019	2020
Oil							
Contribution to GDP (MYR million)							
Crude and condensates	51,906	46,853	46,367	..	..	..	..
Refined petroleum products	38,156	34,151	32,288	..	..	..	..
Reserves (billion bbl)	5.792	5.907	5,030	4,727	4,553	..	..
Production (bbl per day)	610	662	667	660	653	604	541
Consumption (bbl per day)	802	751	838	801	801	841	728
Natural gas							
Contribution to GDP (MYR million)	51,102	49,561	50,248	..	..	..	..
Reserves (trillion scf)	100.7	100.4	87.8	82.9	79.5	..	..
Production (billion cubic m)	72.2	76.8	76.7	78.5	77.2	79.3	73.2
Consumption (billion cubic m)	44.7	46.8	45.0	45.0	44.7	44.7	38.2

.. Not available.

Note: bbl = barrel.
scf = standard cubic feet.

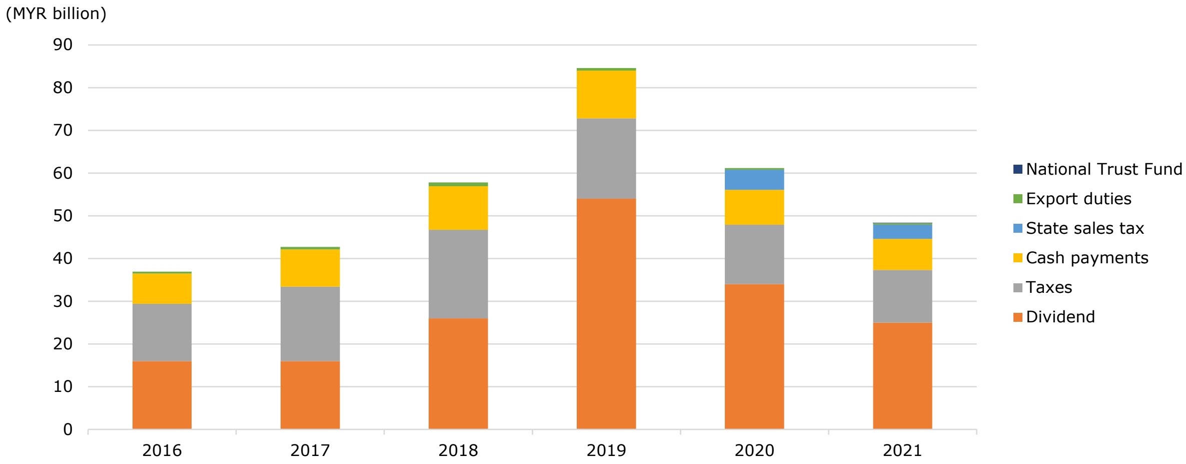
Source: WTO (2018); Energy Commission, *Malaysia Energy Statistics Handbook 2020*; and BP (2021), *BP Statistical Review of World Energy – July 2021*.

4.65. Since its establishment in 1974, PETRONAS has been recognized as one of the largest corporations in the world, included in the Fortune Global 500 ranking with a global reach spanning more than 100 countries. As the custodian of Malaysia's national oil and gas resources, PETRONAS explores, produces, and delivers energy, both hydrocarbon and renewables, to ensure the security of energy supply for Malaysia and around the globe. PETRONAS has five core businesses: upstream, downstream, gas, clean energy solutions, and project delivery and technology. Globally, PETRONAS' production averaged 2.275 million barrels of oil equivalent per day in 2021, 3% more than in 2020. Through its gas business, PETRONAS is a leading producer and supplier of natural gas, having supported the energy security of over 25 countries for the past 40 years. PETRONAS is also the largest producer of petrochemicals in Southeast Asia, with a production capacity of more than 12.8 million tonnes per year. Its outputs include olefins, polymers, fertilizers, methanol, and specialty chemicals. The company's refining capacity amounts to more than 700,000 barrels per day for making high-value products such as petrol, kerosene, jet fuel, gasoil, bitumen, fuel oil, and lubricant base oil.

4.66. Although PETRONAS recorded an operating loss in 2020, the rebound in energy prices helped profits bounce to MYR 48.6 billion in 2021 from group revenue of MYR 248 billion.[76] PETRONAS is a significant contributor to federal and state government revenue from its payments of income tax, state sales tax, export duty, and cash payments to the federal and state governments. However, the most important fiscal element is the payment of company dividend, and hence public revenues peaked in 2019 as PETRONAS responded to the Government's call for a special dividend to its budget (Chart 4.3). The extraordinary dividend amounted to MYR 30 billion.

[75] PETRONAS, *Overview of Production in Malaysia*. Viewed at: https://www.petronas.com/mpm/malaysia-e-p/production.
[76] PETRONAS, *Integrated Report 2021*. Viewed at: https://www.petronas.com/integrated-report-2021/.

Chart 4.3 PETRONAS' contribution to government and state revenues, 2016-21



Source: PETRONAS, *Integrated Report*, various editions, 2020 and 2021.

4.67. The Petroleum Income Tax Act 1967 subjects upstream oil and gas companies to a tax rate of 38% on their net income from operations in Malaysia. In addition, extracted oil is charged royalty (10%), and a 10% export duty is applied to shipments of crude oil from Malaysia. To encourage the development of marginal fields, the income tax rate is lower (25%), the export duty is waived, and accelerated capital allowances and other incentives are also available. Downstream business is taxed at the statutory rate of 24%.

4.68. PETRONAS has announced its ambition to achieve net zero carbon emissions by 2050. In the near term, the company aims at capping the greenhouse gas emissions from its operations in Malaysia at 49.5 million tonnes of carbon dioxide equivalent, and to increase its renewable energy capacity to 3,000 MW, by 2024.

4.69. Regarding biofuels, the blending of palm oil with petroleum diesel began with the B5 programme in 2011. The 5% blend-in level was increased to 7% in December 2014 and 10% effective February 2019.[77] Phased implementation of the B20 programme (i.e. a mixture of 20% palm biodiesel with 80% petroleum diesel) began under the National Biofuel Policy in 2020, with the nationwide roll-out dependent on infrastructure readiness. The B30 programme is envisaged to be implemented by 2030, or earlier, according to the availability of pertinent technical data.[78] In addition, renewable hydrocarbon fuel or palm-based hydrotreated vegetable oil may be introduced in the future.

4.2.2.3 Electricity

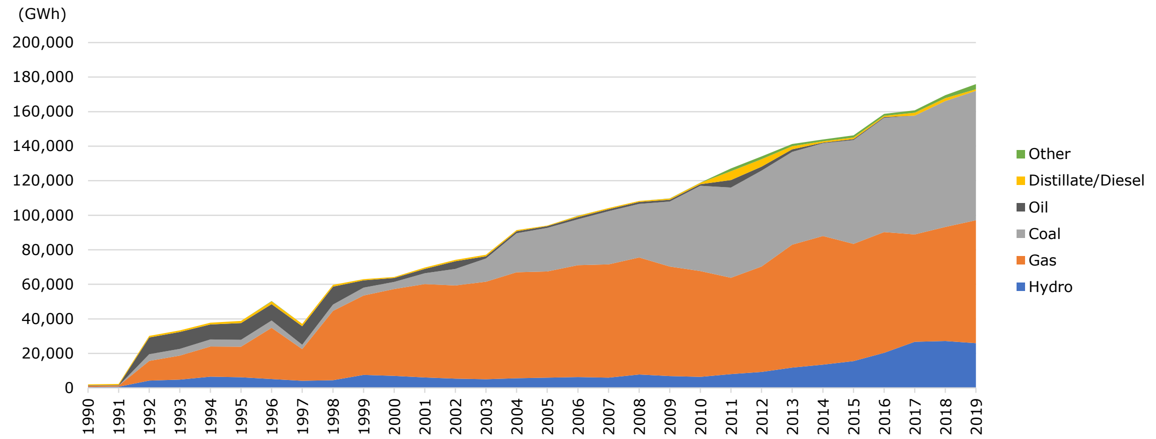
4.70. Malaysia has three geographically separated electricity networks, each with its own government-linked transmission company. TNB, which owns and controls the grid in Peninsular Malaysia, purchases some electricity from its subsidiary TNB Generation as well as from independent power producers (IPPs), though some of them are part-owned. TNB sells the electricity to licensed distributors or in some cases directly to large industrial users. Sarawak Electricity Berhad (SEB) is the sole generator, transmitter, and distributor of electricity in Sarawak, while Sabah Electricity Sendirian Berhad (SESB) operates much like TNB in Sabah. Total available generating capacity at the end of 2019 amounted to 32,019 MW, of which 65% was held by IPPs in Peninsular Malaysia. The total nationwide capacity of coal-fired generating plants (13,067 MW) was slightly higher than for those operated with natural gas (12,540 MW), but well ahead of hydropower (6,062 MW). The grid in Peninsular Malaysia is connected with Thailand and Singapore, which enhances the security and reliability of their electricity supply systems. In 2020, the national utilities of four countries (Lao People's Democratic Republic, Malaysia (i.e. TNB), Singapore, and Thailand) committed to

[77] Since July 2019, blend-in of 7% palm oil (B7) has been mandatory for all industrial users except in power generation and the maritime and bunkering sectors.
[78] Ministry of Plantation Industries and Commodities, *Biofuel Industry*. Viewed at: https://www.mpic.gov.my/mpi/en/biofuel-industry.

cross-border trade from Lao People's Democratic Republic to Singapore through the existing interconnection lines of up to 100 MW in 2022 and 2023.

4.71. Domestic demand for electricity rose almost three-fold from 2000 to 2019 (Chart 4.4). The expansion of the generating capacity to match the higher demand was met with coal as the primary source of additional energy. A massive increase in solar power capacity is expected in coming years. Although coal has been a major fuel for power generation due to its relatively cheaper pricing, the Government has decided to halt construction of new coal-fired power plants. From 2030, when current coal-fired plant concessions end, power generation is expected to be fuelled by gas and renewables.

Chart 4.4 Electricity generation mix, 1990-2019



Source: Energy Commission, *Malaysia Energy Statistics Handbook 2020*.

4.72. The COVID-19 pandemic reduced overall demand for electricity and affected the planning and implementation of new generation and transmission projects. However, while the MCOs and economic uncertainty reduced the demand from industries and commercial business, residential consumption rose with the mandatory requirement to stay at home. To alleviate consumers facing significantly higher utility bills, the Government introduced several rebate schemes (monthly discounts to selected sectors and the public). The Prihatin Rakyat Economic Stimulus package provided discounts ranging from 15% to 50% to residents in Peninsular Malaysia on electricity consumed between 1 April and 30 September 2020; the discounts (2% to 50%) were subsequently extended in stages to all domestic consumers in Peninsular Malaysia and Sabah and Sarawak (2%) until the end of 2021. In August 2022, the Government agreed to maintain the electricity tariff with a surcharge of 3.7 sen/kWh for non-domestic customers and a rebate of 2 sen/kWh for domestic customers.

4.73. The Peninsular Malaysia Generation Development Plan (2020-2039), approved by the Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) in October 2020, was subsequently accepted by the Government. The targeting of renewables to account for significantly higher shares of Malaysia's energy supply is largely to be met through major expansion of solar power. The initial 20% target (by 2025) was estimated to require investments amounting to MYR 33 billion, primarily to be funded through public-private partnerships and private financing. The Government thus launched the Malaysian Electricity to Attract Renewable Energy Investment (MEnTARI) programme. With the upward revision of the target, the Large Scale Solar by Malaysian Electricity Industry to Attract RE Investment (LSS@MEnTARI) was launched in 2020. Competitive bidding for large-scale solar photovoltaic (PV) plants was introduced in 2016. Tenders under the Second Large Scale Solar Bidding Cycle (LSS2) and Third Large Scale Solar Bidding Cycle (LSS3) were carried out in 2019. The total capacity of the 35 projects approved under LSS2 amounted to 522.44 MW, to which the 5 projects implemented under LSS3 added 490.88 MW of new capacity.[79]

4.74. The feed-in tariff incentive scheme (from 2011) was replaced by net metering in January 2016. At the outset, the excess power sold by solar PV owners into the grid was priced lower

[79] Energy Commission, *Annual Report 2020*, pp. 128-129.

than electricity consumed from the grid. The scheme was made more attractive in 2017, and the Net Energy Metering 2.0 programme (NEM 2.0) launched in 2019, which provided a one-to-one rate for electricity exchanges with the grid, saw its 500 MW quota fully subscribed by the time of its expiry (December 2020). The NEM 3.0 programme, introduced in 2020, allocates 500 MW of solar PV rooftop capacity through three sub-schemes: (i) 100 MW for residential systems under NEM Rakyat with a net metering tariff for 10 years; (ii) 100 MW for government ministries and public entities under NEM GoMEn with the same conditions as NEM Rakyat; and (iii) 300 MW under NEM Nova (net offset virtual aggregation) for commercial and industrial owners, whereby they will be able to sell excess power to the grid at market price or the system marginal price.[80] The NET 3.0 programme will be in force until the end of 2023.

4.75. According to the International Renewable Energy Agency (IRENA), solar power represented 17% of the net capacity change in Malaysia's electricity sector in 2021.[81] However, the renewable energy capacity continues to be dominated by hydro/marine power (70%), followed by solar (20%) and bioenergy (10%). Non-renewable sources accounted for 84% of the 175,995 GWh of electricity generated in Malaysia in 2020, and hydro and marine power (15%) represented nearly all the electricity generated from renewable sources.

4.76. The EC regulates the price of natural gas sold by PETRONAS to the power sector (Table 4.16). The Government decided in 2017 that the regulated price should be increased by MYR 1.50 per mmBtu every six months until the price reaches the market price derived from the LNG price reference index formula.[82] The first price increase was implemented in July 2017. The decision was applicable until 2020, with a price setting review to be conducted in 2021.[83]

Table 4.16 Regulated prices for natural gas in Malaysia, January 2014-December 2019

(Prices per mmBtu)

	Power sector	Gas Malaysia Bhd (GMB)	GMB customers	Other industrial customers
Regulated prices in MYR				
January-April 2014	15.2	14.05	16.07	18.35
May-October 2014	15.2	15.55	19.32	19.85
November 2014-June 2015	15.2	17.05	19.77	21.35
July-December 2015	16.7	18.55	21.8	22.85
January-June 2016	18.2	20.05	25.53	24.35
July-December 2016	19.7	21.55	27.05	25.85
January-June 2017	21.2	23.05	26.31	27.35
July-December 2017	22.7	24.55	26.46	28.85
January-June 2018	24.2	26.05	..	30.35
July-December 2018	25.7	27.55	..	31.85
January-June 2019	27.2	29.05	..	33.35
July-December 2019	28.7	30.55	..	34.85

.. Not available.

Source: Energy Commission, *Malaysia Energy Statistics Handbook 2020*.

4.77. The price of natural gas for the power and non-power sectors reached market parity in January 2020. As such, the EC has no longer published the gas price since then. In order to address concerns raised by industry regarding price volatility in the spot LNG market, the Government agreed to continue to regulate the price of natural gas to the non-power sector for two years (2020 and 2021). The price has been fully liberalized since 1 January 2022. As for the power sector, the Government continued to regulate the gas price to support the economic recovery in 2021. A two-tier pricing mechanism was introduced in 2022 to minimize the impact of rising gas prices on the electricity tariff.

[80] The system marginal price is defined as the most expensive marginal generator scheduled or dispatched to meet demand in a half-hour period.

[81] Non-renewable energy accounted for 81% of the net capacity change. IRENA, *Energy Profile – Malaysia*. Viewed at: https://www.irena.org/IRENADocuments/Statistical_Profiles/Asia/Malaysia_Asia_RE_SP.pdf.

[82] The reference market price should correspond to the wholesale market price in Peninsular Malaysia in the absence of competition.

[83] Energy Commission, *Annual Report 2020*.

4.3 Manufacturing

4.3.1 General

4.78. The manufacturing sector has been a key driver in Malaysia's development and economic transformation. Its share of GDP stood at 23.5% in 2021, a rise from 21.8% in 2017 (Table 1.2). About 17% of the workforce is employed in manufacturing, and its output spans the entire spectrum of food, beverages and tobacco, palm oil processing, rubber and plastics, petroleum products, chemicals, pharmaceuticals and medical technology, textiles, wood products, basic metal and metal products, motor vehicles, and electrical and electronic goods. The product categories machinery, electrical equipment, and precision equipment alone made up 47% of Malaysia's exports in 2021 (Chart 1.1). Nearly all companies (98%) in the sector are SMEs focused on the domestic market, but many of them are thought to have significant export potential.[84]

4.79. According to the EPU, the sector needs to strengthen its competitiveness, resilience, and capacity so as to position itself for global and regional opportunities and challenges in trade and investment. The focus will be to accelerate technology adaptation and enhanced incentives to encourage investments in high value-added industries.[85] In addition to the catalytic subsectors (electrical and electronics, machinery and equipment, and chemicals and chemical products), Malaysia sees aerospace and medical devices as high-growth subsectors to be explored.

4.80. The Twelfth Plan sets an annual average growth target of 5.7% for the manufacturing sector. For the electrical and electronics subsector, where the aim is that it should contribute MYR 120 billion to GDP by 2025, the growth target is even higher. The Twelfth Plan notes that Malaysian manufacturing's strong reliance on easy access to low- or semi-skilled foreign workers has been attractive for low-quality investments, implying a focus on back-end activities such as assembly, testing, and packaging.[86] Upgrading the skills of employees, inclusive involvement of SMEs, adaptation of new technologies, and significantly increased spending on research and development will therefore be required to drive the transformation towards high-end production in the years to come. Towards embracing the Fourth Industrial Revolution (4IR), the Malaysian Investment Development Authority (MIDA) offers facilitation to companies investing in 4IR-enabling technologies such as artificial intelligence, robotics, virtual reality, big data analytics, the Internet of Things, and software engineering.[87]

4.81. The Industry 4WRD: National Policy on Industry 4.0, presented by MITI in 2018, summarizes the 4IR as the application of advanced digitization, advanced manufacturing technologies, and efficient resource allocation to infuse higher value-added manufacturing processes. Focus sectors under Industry 4.0 include electrical and electronics, machinery and equipment, chemicals, medical devices, and aerospace. Incentives, notably tax incentives, are to be linked to specific outcomes. Launched in 2020, the Industry 4WRD Intervention Fund provides cost-shared assistance to SMEs and enterprises in manufacturing and related services (Section 3.3.1). Under the Eleventh and Twelfth Plans and the financial aid package PEMERKASA, a total of MYR 156 million has been allocated for the Industry 4WRD Intervention Fund programme. Funds will be provided on a matching basis (70:30) based on eligible expenditures up to a maximum grant of MYR 500,000. No more than 30% of the 70% matching amount may be provided upfront to the companies, subject to the approval of the Intervention Fund Approval Committee, whereby the balance of the remaining matching grant will be on a reimbursable basis which will be deliberated at MIDA. The Smart Automation Grant, designed to accelerate the adoption of automation, has a combined funding of MYR 200 million under the PENJANA and PEMERKASA stimulus packages as well as the 2022 Budget. The grant is offered to Malaysian SMEs and mid-tier companies in the manufacturing and services sectors on a matching basis (1:1) based on eligible expenditures up to a maximum grant of MYR 1 million per company.

4.82. The implementation of manufacturing projects in Malaysia requires a manufacturing licence as per the Industrial Coordination Act 1975. License applications are processed by MIDA, and 100% foreign equity investments are permitted. For importation (and exportation) of certain goods,

[84] SMEs accounted for 42.1% of manufacturing employment, according to the 2016 economic census.
[85] Economic Planning Unit, *Manufacturing*. Viewed at: https://www.epu.gov.my/en/economic-developments/development-policies/key-policies/manufacturing.
[86] Foreign labourers make up 26% of the manufacturing workforce.
[87] MIDA, *Manufacturing*. Viewed at: https://www.mida.gov.my/industries/manufacturing/.

including motor vehicles, heavy machinery, and various chemicals and iron and steel products, an approved permit (AP) system is administered by MITI.

4.3.2 Motor vehicles

4.83. Malaysia launched its first national car in 1983, and two domestic companies (first Proton Cars, and then Perodua from 1993) led the transition from assembly operations towards car manufacturing.[88] A competitive automotive sector, capable of exporting its output, was a primary motivation for the National Automotive Policy presented in 2006. The Policy was reviewed in 2009 to create a more conducive environment for investment, and the 2014 version of the Policy focused on developing Malaysia into a hub for energy-efficient vehicles by 2020 with parameters such as fuel efficiency, the use of light materials, telematics, tooling, and component design. A National Emission Test Centre was established to measure the exhaust emission from passenger and light-duty vehicles for the purposes of vehicle type approval, conformity of production, and research and development activities. The testing focuses not only on chassis dyno where all parameters are controlled, but the facility also includes testing for real driving emissions, where equipment is installed to collect and read the exhaust emission from the vehicle during real driving on the road. With both of these activities, all stakeholders including vehicle manufacturers and the Government may assess more accurately the gases emitted from motor vehicles. In the domestic market, the share of energy-efficient vehicles sold rose from 14% in 2014 to 82% in 2021. The manufacturing of vehicle parts and components is of equal importance to the success of the automotive industry. Malaysia's exports of parts and components amounted to MYR 11.3 billion in 2020 and MYR 13.1 billion in 2021.

4.84. The new National Automotive Policy 2020 aims to shift the automotive industry gearing towards digitalization by 2030. A number of technology development projects are being launched, and the new MARii Design Centre specifically addressed implementation of Industry 4.0 in design engineering, simulation, and prototyping. In addition to the digital transformation (Industry 4.0), the key focus in the 2020 Policy is the evolution of next generation vehicles (NxGV), where the target is for Malaysia to become a regional hub, and increasing domestic industry participation in the concept "mobility as a service" (MaaS), which spans not only technological advances but the transportation ecosystem as a whole. Improved fuel economy levels by 2025 should reduce carbon emissions from vehicles in Malaysia.[89]

4.85. Support for implementation of the National Automotive Policy 2020 may be provided from the High Impact Fund, the Domestic Investment Strategic Fund, the SMART Fund, the Enterprise InnoFund and International Collaboration Fund, the Technology Acquisition Fund, the Commercialisation of Research and Development Fund, and the Cradle Fund, as well as through an expansion of soft loans.[90] The Policy calls for the review of incentives to enhance the participation of local companies in value added activities in the supply chain. The Multi-Sourcing Parts scheme was abolished in 2021 to encourage local (or FTA partner) sourcing.

4.86. The AP system for importation of cars and motorcycles was modified in January 2019 with the introduction of the New Open AP Policy. The policy provides wider opportunities for Bumiputera entrepreneurs to be involved in the importation of second-hand passenger vehicles and motorcycles. Buyers must be provided minimum one-year warranty and maintenance (in collaboration with the original equipment manufacturer). The import fee amounts to MYR 10,000 per vehicle for the first 35,000 units imported by all Open AP holders per calendar year, and MYR 20,000 for each additional vehicle. A Franchise AP policy is continued for monitoring and data collection purposes. The current AP system effectively caps imports of motor vehicles at 10% of the domestic market. Moreover, the National Automotive Policy distinguishes between "national" and "non-national cars". The latter includes imports as well as vehicles assembled or manufactured in Malaysia by non-Malaysian automakers. Traffic restrictions and noise standards restrict the use of large motorcycles.

4.87. The Government supports the propagation of electric vehicles (EV) to reduce carbon emissions with tax incentives for vehicle owners as well as manufacturers. The EV incentive package covers (i) full exemption of import duty, excise duty, and sales tax on locally assembled or completely

[88] The Chinese Geely Auto Group acquired 49.9% of Proton Cars in 2017.
[89] Among the measures contemplated, new manufacturing licences for the production of non-energy-efficient vehicles are not to be issued.
[90] These funds are existing funds supporting industrial development and not limited to the automotive industry.

knocked-down EVs for a period of four years (until 2025); (ii) full exemption of import duty and excise duty on the importation of completely built-up EVs for a period of two years (until 2023); (iii) individual income tax relief up to MYR 2,500 for installation, rental, and purchase costs including equipment hire-purchase or EV charging facility subscription fees; and (iv) road tax exemption up to 100% for EVs for a period of four years (until 2025). Additional incentives cover (i) an income tax exemption for investors in manufacturing/assembly of vehicles and critical components, i.e. the "Pioneer Status" incentive of 70% or 100% for a period of 5 or 10 years or the "investment tax allowance" of 60% or 100% for a period of 5 or 10 years; (ii) an income tax exemption for green technology services of 70% for a period of three years for EV charging stations, EV infrastructure repairs, EV maintenance, and EV installation; and (iii) green technology tax incentives for the purchase and use of green technology, i.e. the Green Investment Tax Allowance for the purchase of green technology equipment and assets and the Green Income Tax Exemption for green technology service providers.

4.88. Volvo Car Malaysia has rolled out the first locally assembled EV, and other major manufacturers are presenting plans to set up assembly of EVs in Malaysia.

4.4 Services

4.4.1 General

4.89. Services, including governmental services, continued to grow and expand their share of GDP through 2019, when the overall share reached 57.6%. Wholesale and retail trade is the largest subsector, well ahead of government services (Table 4.17). Although the onset of the COVID-19 pandemic caused value added to fall in services overall in 2020, the corresponding share of services in GDP continued to rise, as the negative impact of the pandemic was stronger in other segments of the economy. In 2021, a firmer rebound elsewhere in the economy brought the services share down to 57% of GDP. The pandemic affected services unevenly, as transportation, in particular air transport, accommodation, food and beverage, administrative and support services, and real estate were hard hit. Other key sectors such as telecommunications, finance, and insurance continued to grow on a robust path.

Table 4.17 Services contribution to GDP, 2017-21

(MYR billion, %)

	MYR billion at constant 2015 prices					Percentage annual growth at constant 2015 prices				
	2017	2018	2019	2020[a]	2021[a]	2017	2018	2019	2020[a]	2021[a]
Services	723.4	773.0	820.6	776.4	791.1	6.3	6.9	6.2	-5.4	1.9
Utilities	34.4	36.1	38.3	37.9	38.8	2.9	5.0	6.1	-1.2	2.6
Electricity and gas	27.7	28.9	30.6	29.6	30.0	2.2	4.6	5.8	-3.4	1.6
Water, sewerage and waste management	6.7	7.2	7.7	8.3	8.8	6.1	6.7	7.7	7.3	6.1
Wholesale and retail trade	209.9	227.2	242.7	228.3	232.0	7.2	8.2	6.8	-6.0	1.6
Wholesale trade	94.9	101.9	107.7	101.7	104.9	6.6	7.4	5.7	-5.5	3.1
Retail trade	92.1	101.5	110.2	104.0	107.3	9.5	10.2	8.6	-5.7	3.2
Motor vehicles	23.0	23.8	24.8	22.6	19.8	1.3	3.8	4.2	-8.8	-12.6
Food & beverage and accommodation	41.7	45.5	49.8	36.5	32.5	7.5	9.0	9.5	-26.7	-11.0
Food and beverage	33.0	36.3	40.0	31.7	28.8	8.1	9.7	10.2	-20.8	-8.9
Accommodation	8.7	9.2	9.9	4.9	3.7	5.4	6.1	6.6	-50.7	-24.3
Transportation and storage	47.2	50.2	53.6	42.1	42.7	6.2	6.3	6.8	-21.4	1.3
Land transport	11.7	12.5	13.5	9.8	10.0	6.9	7.0	7.6	-27.0	1.9
Water transport	6.3	6.5	6.6	6.0	6.2	2.2	2.5	2.5	-9.4	3.1
Air transport	6.1	6.2	6.4	2.2	1.5	3.2	1.9	2.9	-65.5	-30.4
Port and airport operation	6.7	7.3	7.9	7.2	7.3	8.1	8.5	8.7	-10.0	2.3
Highway operation	7.1	7.7	8.4	7.2	7.0	7.9	8.0	8.5	-14.2	-2.2
Support activities for transportation	7.2	7.8	8.4	7.0	7.4	7.4	7.7	8.1	-17.3	5.9
Postal and courier	2.0	2.2	2.4	2.8	3.2	7.5	9.6	9.6	16.3	14.5
Information and communication	73.1	79.1	84.2	89.3	94.9	8.6	8.2	6.5	6.0	6.3
Publishing and broadcasting activities	7.4	7.8	8.1	7.1	7.1	7.3	5.6	3.9	-11.7	-1.1
Telecommunications	49.1	53.3	57.1	62.5	67.8	9.3	8.7	7.0	9.4	8.5

	MYR billion at constant 2015 prices					Percentage annual growth at constant 2015 prices				
	2017	**2018**	**2019**	**2020[a]**	**2021[a]**	**2017**	**2018**	**2019**	**2020[a]**	**2021[a]**
Computer and information service activities	16.7	18.0	19.1	19.6	20.0	7.2	7.8	5.8	3.2	2.1
Finance	64.0	66.5	69.4	71.0	77.5	5.1	3.9	4.4	2.3	9.2
Monetary intermediation	53.8	56.1	58.5	58.7	64.8	4.5	4.2	4.3	0.3	10.5
Other financial intermediation and activities auxiliary to finance	10.1	10.4	10.9	12.3	12.7	8.4	2.3	4.9	13.1	3.0
Insurance	20.6	22.6	24.0	25.1	28.2	3.6	9.9	6.0	4.8	12.3
Insurance and pension funding	19.9	22.0	23.4	24.6	27.6	3.7	10.2	6.3	5.2	12.5
Activities auxiliary to insurance	0.6	0.6	0.6	0.6	0.6	1.3	3.0	-3.5	-8.0	7.6
Real estate	19.4	20.4	21.4	17.5	15.2	5.3	5.1	5.2	-18.3	-13.1
Business services	39.7	43.3	47.3	40.9	36.8	8.7	9.1	9.1	-13.6	-10.1
Professional, scientific and technical	27.2	29.8	32.7	30.0	28.0	9.4	9.7	9.8	-8.2	-6.8
Administrative and support services	12.6	13.6	14.6	10.9	8.8	7.3	7.8	7.8	-25.8	-19.1
Owner occupied dwelling	28.8	30.1	31.5	32.4	32.9	4.7	4.6	4.6	2.9	1.4
Community, social and personal services	33.3	35.5	37.8	29.5	27.0	5.6	6.4	6.6	-21.8	-8.5
Private health services	9.0	9.5	10.1	9.4	10.2	5.8	6.0	5.9	-6.2	7.9
Private education services	10.5	11.2	11.8	11.0	10.5	6.5	6.2	5.8	-7.0	-4.4
Other private services	13.8	14.8	16.0	9.1	6.4	4.8	6.9	7.6	-42.6	-30.5
Government services	109.7	114.9	118.8	124.2	131.0	4.8	4.7	3.4	4.6	5.4
General public services	15.9	14.7	14.2	16.0	15.9	-5.0	-7.3	-3.3	12.4	-0.8
Defence	9.0	7.9	7.8	8.1	8.2	3.2	-12.4	-1.4	4.4	0.7
Public order and safety	10.3	10.4	9.7	10.2	10.7	4.0	1.0	-7.0	5.0	4.6
Economic affairs	9.4	14.4	16.1	16.9	16.7	8.0	53.9	11.8	5.1	-1.6
Environmental protection	0.4	0.3	0.3	0.4	0.4	7.8	-18.7	3.4	20.4	-8.3
Housing and community amenities	1.9	2.4	3.0	3.0	4.2	25.2	29.7	22.5	2.6	38.4
Health	15.8	16.6	17.7	19.6	21.4	8.0	4.8	6.5	11.1	9.0
Recreation, culture and religion	2.1	1.7	2.2	2.4	2.5	13.9	-17.1	28.2	9.6	2.6
Education	43.6	44.3	46.1	45.9	49.5	6.2	1.5	4.1	-0.6	7.9
Social protection	1.3	2.1	1.7	1.7	1.7	16.9	57.2	-18.4	-2.1	3.0
Non-profit institutions serving households	0.3	0.4	0.4	0.4	0.5	3.6	3.8	5.2	12.3	26.0
Domestic services of households	1.2	1.2	1.3	1.2	1.0	1.5	2.3	3.4	-8.6	-13.8

a Estimate.

Source: WTO Secretariat calculations, based on Department of Statistics Malaysia (2022), *Annual Gross Domestic Production, 2015-2021*; and information provided by the authorities.

4.90. Under the guidance of the Ministry of International Trade and Industry (MITI), the Malaysia Services Development Council serves as a platform to discuss cross-cutting policy issues. Regulatory and institutional barriers may be examined with the Malaysia Productivity Corporation and other stakeholders. MITI is in the midst of realigning its roles and functions under the New Industrial Master Plan (2021-2030) and the National Oversight Productivity Council.

4.91. Since 2012, when Malaysia liberalized an additional 18 services subsectors, there have been no new initiatives on a similar scale. Aside from its GATS commitments, Malaysia is part of several initiatives in the context of ASEAN, ASEAN FTAs, and other regional and bilateral agreements and arrangements to facilitate trade in services and market access for specific types of services providers (Section 2.3).

4.4.2 Financial services

4.4.2.1 General

4.92. The financial sector, which comprises conventional and Islamic banking and insurance, development financial institutions, investment banks, fund management, and financial intermediation, contributed about 7% to GDP in 2021 and employed around 2.5% of the overall workforce. As an indicator of financial openness, the central bank – Bank Negara Malaysia (BNM) – reported that the sum of external assets and liabilities amounted to the equivalent of 266% of GDP at the end of 2020.[91]

4.93. The BNM regulates and supervises financial institutions to ensure their safety and soundness. It also oversees the money and foreign exchange markets to maintain their integrity and orderly functioning, and payments systems to foster safe, efficient, and reliable instruments and transactions. The principal regulatory framework for banking, Islamic banking, insurance, and takaful comprises the Central Bank of Malaysia Act 2009, the Financial Services Act 2013 (FSA), the Islamic Financial Services Act 2013 (IFSA), and the Development Financial Institutions Act 2002 (Act 618). Although the basic legal framework was not amended during the review period, BNM periodically issues policy documents comprising standards, guidelines, and discussion papers that may have a bearing on the industry. In all, some 49 such documents of relevance to conventional and Islamic banking, and 43 documents for the insurance and takaful business, have been released since early 2018.[92] Supervision of money services businesses is based on the Money Services Business Act 2011. The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613) is applicable to all financial institutions as well as designated non-financial businesses and professions in line with the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation (FATF Recommendations). In addition, the Currency Act 2020, which entered into force on 1 October 2020, regulates the management and processing of currency activities. The Act provides BNM with sole authority to issue currency in Malaysia and establishes a registration system for currency processing businesses.

4.94. BNM regulates and supervises investment banks together with Securities Commission Malaysia. The Commission also oversees capital market intermediaries, including fund managers, broker-dealers, and the securities and derivatives markets. The Labuan Financial Services Authority supervises the offshore Labuan International Business and Financial Centre (LIBFC). Activities at the LIBFC are carried out exclusively in foreign currency and mostly with non-resident clients.[93]

4.95. The Twelfth Plan aims to sustain Malaysia's position as a leading international Islamic financial centre where measures will be undertaken to develop more innovative market-based mechanisms and products, leveraging Islamic fintech, to better serve the needs of a wider financial market and the economy. This shows that the sector plays a key role in the channelling of resources to productive activities that sustain growth. Launched on 24 January 2022, the Financial Sector Blueprint 2022-2026 follows five basic thrusts: (i) the funding of Malaysia's transformation to a high-income country; (ii) improved financial inclusion through instruments such as mobile banking, enhanced financial ethics, and resilience measures that strengthen the financial well-being of households and businesses; (iii) infrastructure and regulatory practices dedicated to better digital financial services while managing cybersecurity risks; (iv) climate risks to be integrated into BNM's supervisory and prudential regulatory roles and internal processes to facilitate orderly transition to a greener economy; and (v) Malaysia as an international gateway for Islamic finance, including through advancing value-based finance and mainstreaming social finance. As the digitalization of finance continues, focus areas may include digital currencies, assets, and banks; decentralized finance, and financial technology; and the diminishing role of physical cash. The Regulatory Sandbox created in 2016 is providing a conducive experimental environment for innovative fintech solutions and new business models. Finance for all, wider adoption of value-based intermediation, and steady progress in greening finance are among the desired outcomes to be achieved by 2026.

---

[91] BNM, *Annual Report 2020*, p. 14. Viewed at: https://www.bnm.gov.my/o/ar2020/index.html.

[92] BNM, *Banking & Islamic Banking*. Viewed at: https://www.bnm.gov.my/banking-islamic-banking; and *Insurance & Takaful*. Viewed at: https://www.bnm.gov.my/insurance-takaful.

[93] The annual market reports of the LIBFC provide information about ongoing activities. For 2021, viewed at: https://www.labuanibfc.com/clients/asset_52E835CC-1342-4701-B6FA-E2CD03AD74B4/contentms/img/publications/annual-reports/LIBFC-Market-Report-2021.pdf.

4.4.2.2 Banking

4.96. A licence granted by the Minister of Finance is needed to operate a bank in Malaysia. The licence application is reviewed by BNM, which forwards its recommendation to the Minister. Incorporation in Malaysia is required for all banks except international Islamic banks, which may opt for local incorporation or operation as a branch. Once incorporated in Malaysia, foreign-owned commercial banks may establish up to 8 physical branches and 10 microfinance branches. While foreign banks are required to observe a specified distance requirement (more than 1.5 km away from the nearest domestic banks/Development Finance Institutions (DFIs)) in establishing new branches, the authorities state that, in practice, foreign banks have been given flexibility to open branches in the vicinity of domestic banks. Foreign banks are also allowed to establish automated teller machines within their branch, with no limits on the number of machines.

4.97. The principal regulatory objective of the FSA and the IFSA (which also contains provisions relating to Shariah requirements) is to promote financial stability, and in doing so BNM should foster safe and sound financial institutions; the integrity and orderly functioning of the money and foreign exchange markets; safe, efficient, and reliable payment systems and payment instruments; fair, responsible, and professional business conduct; and aim at protecting rights and interests of consumers of financial services and products. BNM uses several criteria in the consideration of an application for a banking licence under the FSA and the IFSA, including whether the application is in the "best interest of Malaysia", notably (i) the effect of the investment on the level and nature of economic activity in Malaysia, including the effect on productivity, efficiency, and quality of financial services; (ii) the contribution towards enhancing international trade and investment linkages between Malaysia and other countries; (iii) the effect of the investment on the stability of the financial system, including on conduct and behaviours that could pose a risk to the financial system; or (iv) the degree and significance of participation of Malaysians in the financial sector.[94] The suitability of the bank's shareholders is assessed according to the same "best interest" criteria.[95] According to the Licensing Framework for Digital Banks, a policy document issued by BNM on 31 December 2020, the "best interest" criteria for digital banking business and digital Islamic banking business include a commitment to drive financial inclusion, particularly in underserved or hard-to-reach segments of the market. The shareholders of a proposed digital bank may need to provide an enforceable undertaking to incorporate such commitments effectively, and similar commitments may be incorporated in the licensing conditions of the licensed digital bank.[96] Successful applicants for the digital bank licences, which will undergo a period of operational readiness of 12 to 24 months, were announced on 29 April 2022.

4.98. Malaysia's DFIs are specialized financial institutions established by the Government to develop and promote key sectors considered of strategic importance to the overall socio-economic development objectives. Targeted sectors include agriculture, infrastructure, the maritime industry, export-oriented sectors, capital-intensive and high-technology industries, and SMEs. The Development Financial Institutions Act 2002 introduced a robust regulatory and supervisory framework to ensure that the DFIs are sound financially and operationally, and that they perform their mandates prudently, efficiently, and effectively. Selected DFIs (six) have been prescribed and placed under the regulatory purview of BNM through the 2002 Act. Phase 1 of the institutional reform of DFIs, involving the acquisition of Danajamin by Bank Pembangunan Malaysia Berhad, was completed in November 2021.

4.99. Perbadanan Insurans Deposit Malaysia (PIDM), established according to the Malaysia Deposit Insurance Corporation Act 2011, protects deposits held in bank accounts up to MYR 250,000 per client per bank in case of failure of a member of the PIDM. Protection for deposits is extended to individuals, joint owners, trustees, sole proprietorships, partnerships, professional practices, and companies. The limit applies separately to Islamic and conventional deposits. Membership in the PIDM is compulsory for all banks licensed under the FSA and IFSA, including subsidiaries of foreign banks incorporated and operating in Malaysia. Non-members include investment banks, overseas branches of member banks, DFIs and cooperative banks, and all non-bank financial intermediaries. The mechanism is funded by the premiums PIDM collects from member banks. The premiums are

[94] FSA, Schedule 5; and IFSA, Schedule 5.
[95] FSA, Schedule 6; and IFSA, Schedule 6.
[96] BNM, *Licensing Framework for Digital Banks*. Viewed at: https://www.bnm.gov.my/documents/20124/938039/20201231_Licensing%20Framework%20for%20Digital%20Banks.pdf.

differentiated according to each institution's risk profile thus awarding banks with the best risk profiles with lower premiums. At the end of 2021, the Conventional Deposit Insurance Fund held MYR 2,613.9 million, while MYR 619.9 million had been accumulated in the Islamic Deposit Insurance Fund.[97]

4.100. Malaysia's banks are well capitalized as their reported capital ratios exceed the statutory equity minimum (8%) by a wide margin (Table 4.18). These buffers were essential in ensuring financial stability and confidence as the MCOs to contain the spread of COVID-19 disrupted economic activity. Financial institutions stepped up their controls and governance processes to be able to identify and respond swiftly to operational disruptions from the MCOs. The banking sector implemented an automatic six-month moratorium on loan and financing repayments for SMEs and individual borrowers starting from 1 April 2020, to assist 8.3 million customers, including 250,000 SMEs. Banks also supported larger corporations with rescheduling and restructuring of their financial commitments. Subsequently, various other financing schemes introduced by the Government in the context of the economic stimulus packages (PRIHATIN, PENJANA, PERMAI, PEMERKASA, and PEMULIH) also assisted in sustaining the operations of small businesses and microenterprises.[98] Thus, while Malaysian banks did see a significant, but manageable, drop in their return on equity in 2020 as they were stepping up their loan loss provisions, the net impaired loans ratio did not deviate from past trends in 2020 and 2021, and banks' profitability improved in 2021 (Table 4.18).

Table 4.18 Financial sector indicators, 2016-21

	2016	2017	2018	2019	2020	2021 H1	2021 H2
	% (or otherwise stated)						
Banking system							
Total capital ratio[a]	17.0	17.8	18.1	18.6	18.9	18.6	19.2
Tier 1 capital ratio[a]	14.6	15.0	14.6	15.1	15.7	15.4	16.0
Common equity Tier 1 capital ratio[a]	13.6	14.0	13.9	14.6	15.2	14.9	15.5
Return on assets	1.3	1.5	1.4	1.4	1.0	1.1	1.1
Return on equity	12.5	13.1	12.7	12.2	8.4	9.7	9.5
Liquidity coverage ratio[b]	124.3	134.9	143.2	149.1	148.2	149.1	153.4
Net impaired loans ratio	1.2	1.1	0.9	0.9	1.0	1.0	1.1
Insurance and takaful sector							
Capital adequacy ratio	244.6	232.5	243.9	226.9	219.7	221.1	222.2
Life insurance and family takaful							
Excess income over outgo (MYR billion)[c]	11.8	12.3	13.9	17.5	11.5	1.1	3.2
New business premiums/contributions (MYR billion)	14.2	15.1	15.9	18.8	18.9	11.8	10.5
Capital adequacy ratio	245.5	227.7	234.8	206.2	203.5	207.9	212.0
General insurance and general takaful							
Underwriting profit (MYR billion)	1.8	1.3	1.5	1.1	1.7	1.3	0.7
Operating profit (MYR billion)	3.4	2.7	2.9	2.9	3.4	1.8	1.3
Gross direct premiums/contributions (MYR billion)	19.7	19.9	20.1	20.8	20.8	10.8	10.8
Claims ratio	56	59	58	59	55	52.7	56.5
Capital adequacy ratio	274.8	270.6	278.3	279.8	282.6	270.9	256.9

a Since January 2013 capital components are reported based on the Basel III Capital Adequacy Framework.
b The Basel III Liquidity Coverage Ratio Framework took effect on 1 June 2015 and superseded the guidelines on liquidity framework and Liquidity Framework-I issued on 1 July 1998.
c Excess income over outgo excludes investment-linked unit funds to reflect the core performance of insurance and takaful operators' (ITOs) profitability more accurately and may thus not be directly comparable to the data reported in previous publications.

Source: BNM.

[97] PIDM, *Annual Report 2021* online information. Viewed at: https://www.pidm.gov.my/pidm2022/media/downloads/2022/AR21/EN-INTERACTIVE-PDF-PIDM-AR2021.pdf.

[98] Launched in October 2021, a Financial Management and Resilience Programme (URUS) assists less well-off bank customers (the lower 50th percentile) individually in transiting from repayment assistance to more holistic financial and debt management support.

4.101. Assets held by Malaysian banks totalled just over MYR 3.1 trillion at the end of 2021. About MYR 2.3 trillion was held in deposit and investment accounts. The sector comprised 26 commercial banks, 16 full-fledged Islamic banks, and 12 conventional banks offering Islamic financial products through windows.[99] Conventional banking is still larger than Islamic finance, but Islamic banks have continued to expand faster than conventional banks with particularly high annual growth rates for deposits and investment accounts and loans/financing (Table 4.19). The capitalization of Islamic banks is much at the same level as that of conventional banks, while the return on assets tends to be a little lower even with a lower net impaired financing ratio on average. This may, in part, be explained by lower trading and fee income compared with conventional banks.

Table 4.19 Islamic banking system, 2018-21

	2018	2019	2020	2021
	MYR million (or otherwise stated)			
Total assets[a,b]	948,519	1,020,371	1,089,541	1,192,862
% of total assets of entire banking system[a,b]	32.2	33.5	34.2	35.5
Total financing[a,b]	701,014	753,610	817,403	886,607
% of total loans/financing of entire banking system[a,b]	37.7	39.2	41.0	42.5
Total deposits and investment accounts[a,c]	771,114	826,167	889,951	968,909
Total deposits	688,469	739,130	790,905	844,293
Total investment accounts	82,645	87,037	99,046	124,616
% of total deposits and investment accounts of entire banking system[a,c]	36.3	37.7	38.9	39.8
	%			
Total capital ratio[d]	18.5	18.5	18.6	18.9
Tier 1 capital ratio[d]	14.7	14.6	15.0	15.2
Common equity Tier 1 capital ratio[d]	14.1	14.1	14.5	14.7
Return on assets	1.1	1.2	0.7	1.1
Net impaired financing ratio	0.8	1.0	0.9	0.7

a Including DFIs under the Development Financial Institutions Act 2002.
b Beginning 1 July 2015, includes assets/financing funded by investment accounts that are recognized on and off-balance sheet.
c Beginning 1 July 2015, Islamic deposits and investment accounts are required to be designated separately. Investment account figures include those that are recognized on and off-balance sheet.
d Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework.

Source: BNM.

4.102. The FSA and the IFSA represent a coherent framework for financial sector regulation of conventional and Islamic banks. Both face similar regulations regarding risk management, corporate governance, prudential limits for related party transactions, liquidity management, and the classification and provisioning of non-performing loans and financial contracts. The main differences include the requirement on Islamic banks to comply with a Shariah Governance Framework and ensure that their business conduct is consistent with the Shariah Standards for the products they offer, e.g. no principal or profit guarantees on investment accounts. Hence, Islamic banks need to comply with a tailored capital adequacy framework that is in line with both the Basel Committee on Banking Supervision's principles and the Islamic Financial Services Board's standards. Whereas conventional banks are much restricted in their ownership of real estate, Islamic banks may, due to the nature of their business, be involved in investment or acquisition of property or land for development, onward sale, or lease. Box 4.1 presents an overview of the most common Islamic financial products and services.

Box 4.1 Islamic banking and finance

A financial system consistent with Shariah (Islamic Law) generally implies the prohibition of collection and payment of interest (riba), gambling (maysir), excessive uncertainty (gharar fahisy), and investment in businesses considered haram (forbidden), e.g. those involving alcohol and pork.

Islamic banking allows gains on capital, consistent with four basic principles:

- materiality: a financial transaction must be linked directly or indirectly to a real economic transaction ("material finality");

[99] BNM, *Monthly Highlights & Statistics in August 2022*. Viewed at: www.bnm.gov.my/-/monthly-highlights-statistics-in-august-2022.

- risk-sharing/risk bearing: the terms of financial transactions reflect a symmetrical risk/return distribution for each participant to the transaction;
- no exploitation of any party to the financial transaction; and
- no financing of haram activities.

Islamic financial instruments are structured using various Shariah contracts that specify the risks and responsibilities of contracting parties, which consist of fund providers and fund users. Islamic financial institutions that are licensed to offer Islamic financial products and services are required by laws and regulations to establish Shariah advisory committees/consultants to advise them and to ensure that their business affairs, operations, and activities comply with Shariah law and principles.

These are the principal Shariah-compliant financial instruments at present:

- **Tawarruq** is a financing agreement where the customer receives cash for his needs at the end of a series of sale transactions, which usually involve commodities (e.g. metals and palm oil, but not gold and silver). A tawarruq consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.
- **Murabaḥah** refers to the sale and purchase of goods (e.g. real estate, commodities, or a vehicle) where the acquisition cost and the mark-up are disclosed to the purchaser at the outset of the agreement.
- **Wakalah** is an agency contract where a party as principal authorizes another party as their agent (Wakil) to perform a particular task or carry out a business on their behalf with or without imposition of a fee.
- **Ijarah** refers to a lease contract that transfers the ownership of a usufruct of an asset to another person for a specified period in exchange for a specified consideration. In addition, Ijarah may refer to a contract of hiring of services of a person for a specified period in exchange for a specified consideration. For example, the bank makes available to the customer the use or service of assets/equipment such as plant, office automation, or motor vehicles for a specified period and rental.
- In **Musharakah** (joint venture), two or more parties contribute capital to a business and all parties will share the profit and bear the loss proportionally to their capital contribution. This is often used in investment projects, letters of credit, and purchase of real estate or property. For real estate or property, the bank assesses an imputed rent and will share it as agreed in advance. All providers of capital are entitled to participate in its management, but they are not necessarily required to do so. Profits are distributed among the partners in pre-agreed ratios, while losses are borne in strict proportion to the capital contributions of each partner. This concept is distinct from fixed-income investing (i.e. the issuance of loans). Often used in investment projects, some Islamic financial institutions may also use Musharakah contracts to finance the purchase of real estate and properties.
- **Qard** refers to a contract of lending money by a lender to a borrower where the latter is bound to repay an equivalent replacement amount to the lender. The inherent nature of a qard contract is the obligation of the borrower to repay the money borrowed in full.
- **Istisna** generally refers to a manufacturing contract between a seller and purchaser whereby the purchaser will make a series of progressive payments to the seller to facilitate manufacturing, processing, or construction. A seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined price. The unique value proposition of the Istisna contract is that it enables the purchaser to buy goods that are yet to be constructed (e.g. a building) and the purchase price paid progressively to the seller enables the construction company to pay for the raw materials to complete the construction of the building.
- In **Mudarabah** (profit sharing), it involves two parties, whereby one party to the contract provides 100% of the capital (rabb-ul-mal) and the other party as the entrepreneur/worker (mudarib) manages and mobilizes the capital to generate profit. Profits are shared according to a pre-agreed ratio. Should a loss occur, the first partner will lose their capital, and the other will lose the time and effort dedicated to the project.
- **Sukuk** (Islamic bonds). Unlike conventional bonds, the structure of sukuk removes interest-based elements by replacing them with an underlying Shariah contract that is asset-based using most typically ijarah, murabahah, or wakalah contracts.

4.103. The Shariah Advisory Council (SAC) of BNM was established in 1997 to be the highest Shariah authority for Islamic financial business (licensed under IFSA) in Malaysia. Each licensed Islamic financial institution is obliged to have an in-house Shariah advisory council, whose member appointments are subject to regulatory approval. The SAC ensures the ascertainment of Islamic law on financial matters, issues rulings for reference, and advises BNM on any Shariah issues relating to Islamic financial business, activities, or transactions.[100] It is an offence for an Islamic financial

[100] For example, in the context of the COVID-19 pandemic, the SAC issued a resolution to clarify and provide guidance on how to recognize profit, and a prohibition on the compounding of profits for facilities under repayment assistance to ensure consistency among Islamic banks.

institution to be involved in business that is not compliant with Shariah principles, and supervisory and enforcement actions may apply in case of breaches.

4.104. Malaysians are increasingly moving towards electronic payment transactions. In all, 7.2 billion e-payment transactions were effected in 2021, up from 5.5 billion in 2020, i.e. a rise from about 170 transactions per capita to 221 electronic transactions per capita. Consumers are also shifting to contactless and online payment methods, and the use of cheques is in decline.

4.105. As of 1 July 2021, BNM assumed operations of Malaysia's large value payment system – the Real-time Electronic Transfer of Funds and Securities System (RENTAS) – from its part-owned Payments Network Malaysia Sdn Bhd (PayNet). Internally, BNM has made adjustments to ensure that its operating responsibilities for RENTAS remain completely separated from its oversight functions as the regulator and supervisor of the entire payment services industry. The stated purpose of the transfer from PayNet was to strengthen the end-to-end risk management of RENTAS.[101] Key risk areas in the current environment include cyber resilience, consumer data protection, critical service provider functions, money laundering and terrorism financing, and payment fraud. Migration to the ISO 20022 standard (from ISO 15022) for RENTAS, which BNM is undertaking in collaboration with other financial institutions in Malaysia, is taking place in stages from June 2022 to June 2024. Adoption of the new standard is expected to enhance payment efficiency, strengthen risk management, and facilitate the offering of value-added services to customers. Qualified non-banks may be granted access to RENTAS.

4.4.2.3 Insurance and takaful

4.106. Like banks, insurance companies and takaful operators are governed by the FSA and the IFSA. Foreign insurance companies must be incorporated in Malaysia, and all business operations of local and foreign institutions require a licence issued by the Ministry of Finance upon recommendation from BNM. The issuance of licences to new insurance and takaful business is governed by the same prudential and "best interest of Malaysia" criteria as those applicable to banks. As required under the FSA and IFSA, all composite insurance companies and takaful operators had in 2018 completed the process of converting their composite licences into sperate/single licences. The conversion process, which began in 2013, aimed to strengthen the management of general and life/family insurance and takaful business. Takaful operators shall at all times ensure that their aims and operations, and business affairs and activities are in compliance with Shariah principles. Their Board of Directors must give priority to takaful participants should there be conflicts of interest between them and the shareholders.

4.107. Foreign professional reinsurers, international takaful operators, and retakaful operators may conduct business in Malaysia through a branch office. However, licensed general insurers and takaful operators should first seek reinsurance/retakaful from licensed insurers/reinsurers/takaful operators/retakaful operators, or insurers/reinsurers/takaful operators/retakaful operators based in the LBIFC, before obtaining foreign reinsurance/retakaful support. Furthermore, licensed general insurers are required to cede (reinsure) 2.5% for all classes of business (with no cession limits) and 15% for Auto Treaties and Auto Facultative (with 20% retrocession) to Malaysian Reinsurance Berhad.

4.108. Following implementation of the phased liberalization of motor and fire tariffs that commenced on 1 July 2016, BNM communicated the next phase of liberalization in June 2022. Greater pricing flexibilities for motor and fire products will be accorded to insurance and takaful operators (ITOs) that meet BNM's expectations and reforms to the motor claims ecosystem. The ongoing phased liberalization of motor and fire tariffs is expected to improve the ability of general ITOs to respond to changes in underlying risks while ensuring that adjustments will not be sharp and disorderly.

4.109. In 2020, the sector consisted of 14 life insurers, 22 general insurers, 7 professional reinsurers, 26 insurance brokers, 51 loss adjusters, and 37 financial advisers. There were

[101] BNM, *Annual Report 2021*, p. 59.

15 registered takaful operators.[102] The life insurance and family takaful penetration ratio was 41% in 2018.[103]

4.110. Taken together, Malaysian insurance companies and takaful operators held assets of around MYR 363 billion at the end of 2021. Like Islamic banks, takaful operators are growing at a faster rate than conventional insurers, although from a much smaller base than in the banking segment (Table 4.20). Life insurance and family takaful dominate relative to other types of insurance contracts. At the end of 2021, the average capital adequacy ratios for life insurance/general takaful (212%) and general insurance/general takaful businesses (256.9%) were well above the regulatory minimum of 130% (Table 4.18).

Table 4.20 Takaful sector, 2018-21

	2018	2019	2020	2021
	MYR million (or otherwise stated)			
Takaful fund assets	31,323.1	36,517.6	41,871.2	45,803.0
Family	27,594.8	32,283.8	37,025.5	40,258.9
General	3,728.3	4,233.9	4,845.7	5,544.1
% of insurance and takaful industry	10.5	11.2	11.9	12.6
Net contributions income	9,560.9	11,330.7	11,628.3	13,803.7
Family	7,315.4	8,607.0	8,864.0	10,869.4
General	2,245.5	2,723.7	2,764.3	2,934.2
% of insurance and takaful industry	16.6	18.3	18.4	20.6
Family takaful				
New business contributions	4,913.3	6,157.9	6,593.7	8,499.6
General takaful				
Gross direct contributions	1,789.0	3,308.5	3,458.3	3,828.1
Claims ratio (%)	55.9	58.1	55.7	51.3

Source: BNM.

4.111. The Takaful and Insurance Benefits Protection System (TIPS), effective since the end of 2010, protects owners of takaful certificates and insurance policies from the loss of eligible benefits in case of failure of an insurer member of PIDM, i.e. all takaful operators and insurance companies licensed under the IFSA and the FSA. Benefits are generally guaranteed to the maximum level of MYR 500,000, except for healthcare benefits, which are protected in full. The PIDM collects an annual levy for the TIPS from each member under the Differential Levy System Framework for insurers and the Differential Levy System for Takaful operators. At the end of 2021, MYR 1,357.4 million was held in the General Insurance Protection Fund, MYR 517.2 million in the Life Insurance Protection Fund, MYR 33.4 million in the General Takaful Protection Fund, and MYR 79.7 million in the Family Takaful Protection Fund.[104]

4.4.2.4 Securities

4.112. Malaysia's capital markets are governed by the Capital Markets and Services Act (CMSA) 2007, the Securities Commission Malaysia Act 1993, the Securities Industry (Central Depositories) Act 1991, and their amendments.[105] Securities Commission Malaysia is the regulator of the securities and derivatives markets, tasked under the CMSA to regulate all matters relating to capital markets. Other functions of the Commission include (i) advising the Minister of Finance on all aspects relating to capital markets; (ii) ensuring adequate protection of investors to maintain their confidence in the Malaysian capital markets; (iii) encouraging and promoting the development of the Malaysian capital markets; (iv) promoting and regulating corporate governance and approved accounting standards of listed corporations; (v) monitoring, mitigating, and managing systemic risks arising from the capital markets; and (vi) registering all auditors of public interest entities or schedule funds.

[102] BNM, *Monthly Highlights & Statistics in August 2022*. Viewed at: https://www.bnm.gov.my/-/monthly-highlights-statistics-in-august-2022, Tables 4.10 (insurance) and 4.11 (takaful).
[103] The ratio measures the percentage of Malaysians who own at least one (individual or group) life insurance policy or family takaful certificate.
[104] PIDM, *Annual Report 2021*. Viewed at: www.pidm.gov.my/pidm2022/media/downloads/2022/AR21/EN-INTERACTIVE-PDF-PIDM-AR2021.pdf.
[105] The CMSA repealed the Securities Industry Act 1983 and the Futures Industry Act 1993.

4.113. Securities Commission Malaysia is a member of the International Organization of Securities Commissions (IOSCO) with the aim of ensuring that international standards and best practices are implemented in Malaysia. The Commission is a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of information (Appendix A signatory), as well as a signatory to IOSCO's Multilateral Memorandum of Understanding for Supervisory Cooperation. As regulators, the Commission and the BNM complement the legislative framework with rules and guidelines, guidance notes and guiding principles, technical notes, practice notes, and circulars to ensure the effective functioning of Malaysia's capital markets.

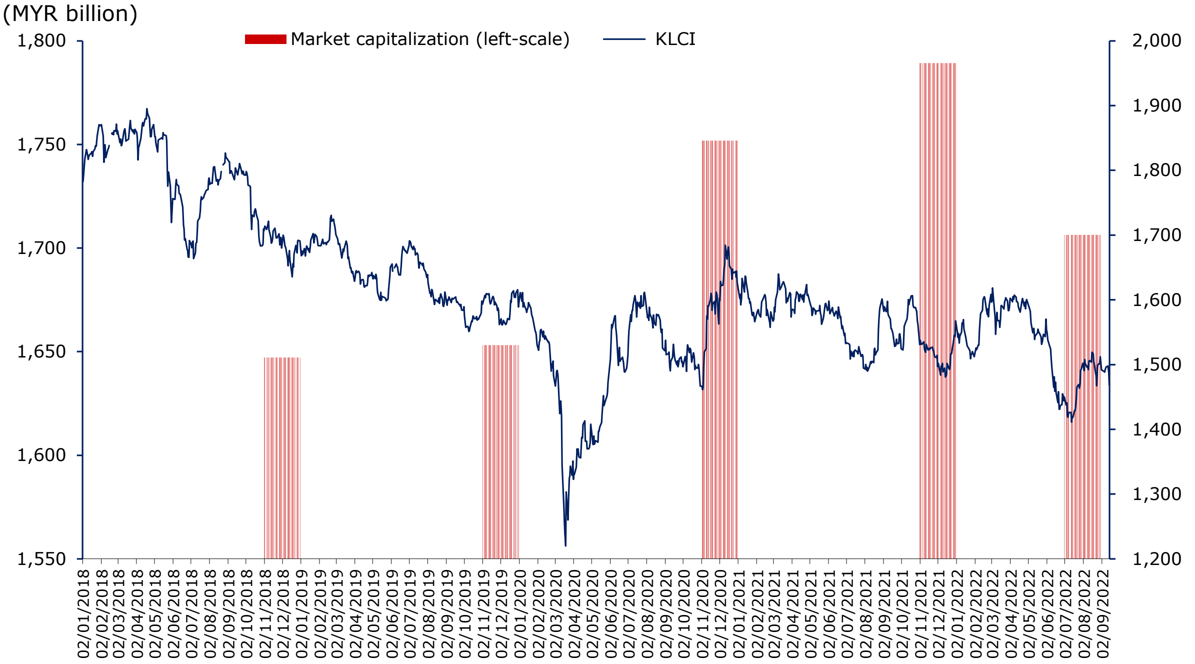
4.114. The CMSA introduced a single licensing regime for capital market intermediaries. This new licensing framework is premised on the concept of a single licence where a capital market intermediary will only need one licence to carry on any one or more regulated activity, i.e. securities dealing, dealing in derivatives, clearing of securities or derivatives, fund management, dealing in private retirement schemes, advising on corporate finance, investment advice, and financial planning. On behalf of Securities Commission Malaysia, the Audit Oversight Board is responsible for the registration, inspection, monitoring, and enforcement of auditing regulations and standards applicable to audit firms and individual auditors of public interest entities or schedule funds, as well as the recognition of the foreign auditors of financial statements of foreign corporations listed on the Bursa Malaysia.

4.115. Malaysia's Islamic capital market functions in parallel with the conventional capital market, complementing and deepening the scope of the Islamic banking system. A two-tier Shariah Governance Framework includes a national Shariah Advisory Council (established under the Securities Commission Malaysia Act 1993) empowered to ascertain the application of Shariah principles and issue Shariah rulings on Islamic capital market business and transactions. A dedicated Islamic Capital Market Development Business Group within Securities Commission Malaysia provides infrastructure support for the application of Shariah principles in the Islamic capital market. This ensures that the market is free from prohibited activities such as riba (usury), maisir (gambling), and gharar (ambiguity).

4.116. Malaysia has one of the most developed capital markets in the region, a market encompassing equities, debt instruments, and derivatives. Overall, the size of the market was approximately MYR 3.5 trillion at the end of September 2022, and the more than 900 companies listed on the Bursa Malaysia had a combined market capitalization of MYR 1.6 trillion. Among the 13 sectors for which indices are calculated, companies in the financial sector make up around 25% of the market value, followed by consumer products and services (16%), and industrial products and services (13%).[106] Like other equity markets around the world, the market capitalization of the 30 largest companies on the Bursa Malaysia, which is the basis for the Kuala Lumpur Composite Index (KLCI), fell sharply in March 2020 under the threat of COVID-19, but recovered fully during the following five months (Chart 4.5). However, the KLCI has yet to return to the levels of early 2018.

[106] Bursa Malaysia Sectorial Index Series, data as at 30 August 2022.

Chart 4.5 FTSE Bursa Malaysia market capitalization and KLCI, January 2018-September 2022



Note: Market capitalization data reflect the situation at 31 December, except 2022 data (August).

Source: Bursa Malaysia, Bursa *Malaysia's Key Indicators*; World Bank, *World Development Indicators*. Viewed at: https://databank.worldbank.org/source/world-development-indicators; and YahooFinance. Viewed at: https://finance.yahoo.com/.

4.117. Malaysia is one of the world's largest sukuk issuers. As a steady stream of new issues outstrip redemptions, the outstanding volume of bonds and sukuk is growing rapidly, surpassing MYR 1.8 trillion in June 2022. Corporate sukuk dominate relative to corporate bonds with an outstanding volume of MYR 640 billion (against MYR 141 billion for corporate bonds) at the end of July 2022.[107] A Sustainable and Responsible Investment Sukuk Framework was introduced in August 2014 (revised in November 2019) to facilitate financing of sustainable and responsible investment (SRI) projects. In June 2022, an SRI-linked sukuk framework was introduced to facilitate fundraising by companies in addressing sustainability concerns such as climate change or social agenda, with features that relate to the issuer's sustainability performance commitment.

4.118. Malaysia's well-developed fund management industry comprised 100 licensed companies, including 23 full-fledged Islamic fund managers and 31 managers that operate Islamic windows as at December 2020. Islamic assets under management were valued at MYR 216.8 billion. Fund management is a regulated activity as defined under CMSA 2007. Thus, any person carrying out fund management is required to be licensed and supervised under Securities Commission Malaysia's regulatory purview. Companies licensed for fund management are required to be incorporated in Malaysia as well as adhere to the Commission's licensing framework. There is no restriction for a licensed fund management company to be wholly owned by foreigners, or to offer its services to foreign-based clients (subject to relevant rules by other regulators such as BNM or the foreign client's jurisdiction).

4.119. Under the Twelfth Plan, the Government will continue to fulfil its commitments to reduce carbon emission intensity per GDP by up to 45% in 2030, in line with the aspiration to become a net zero carbon emission nation by 2050. To support this aspiration, the Ministry of Environment and Water will implement economic instruments and programmes that have the potential to attract low-carbon investment into Malaysia and increase the competitiveness of Malaysian products at the international level.

[107] Securities Commission Malaysia, *Bond & Sukuk Statistics*. Viewed at: https://www.sc.com.my/api/documentms/download.ashx?id=7f840f2c-df53-4f4d-9327-46a359b7e426.

4.4.3 Telecommunications

4.120. The telecommunications sector contributed about 5% to GDP at 2015 constant prices in 2021.[108] It employed approximately 35,600 persons in 2020.[109] The sector grew faster than services overall during the review period (8.4% versus 2.3% average annual growth rates).[110] On the trade side, Malaysia was a net importer of telecommunications services; in 2021, the trade deficit amounted to USD 624.4 million (Table 4.21). Imports and exports of telecommunications services have been growing more rapidly than services trade in general; the share of telecommunications exports rose from 1.5% in 2017 to 4.3% of total services trade in 2021, and from 2.6% in 2017 to 4.3% in 2021 for telecommunication services imports.

Table 4.21 Selected telecommunications indicators, 2017-21

	2017	2018	2019	2020	2021
Telecommunications services					
Trade deficit (USD million)	-528.5	-329.6	-437.2	-496.9	-624.4
Exports (% of service exports, BoP)	1.5	1.7	1.7	3.9	4.3
Imports (% of service imports, BoP)	2.6	2.3	2.6	4.0	4.3
Fixed telecoms revenue (USD million)	2,432.0	2,751.0	2,599.0	2,499.0	2,520.0
Mobile networks revenue (USD million)	5,071.7	5,372.8	5,125.3	4,832.9	..
Fixed telephone subscriptions ('000)	6,580.8	7,429.0	7,405.1	7,467.9	8,247.1
Per 100 people	20.6	22.9	22.6	22.5	24.6
Fixed broadband subscriptions ('000)	2,687.8	2,696.0	2,964.5	3,358.8	3,734.1
Per 100 people	8.4	8.3	9.0	10.1	11.1
Mobile cellular subscriptions ('000)	42,338.5	42,413.4	44,600.7	43,723.6	47,201.7
Per 100 people	132.4	130.9	136.0	131.7	140.6
Secure Internet servers ('000)	153.0	180.1	214.8	242.6	..
Per 1 million people	4,917.8	5,713.1	6,723.9	7,494.4	..
Percentage of the population covered by a mobile cellular network	95.8	94.8	96.7	96.7	98.5
Fibre-to-the-home/building Internet subscriptions (',000)	1,429.0	1,736.0	2,039.4	2,507.6	..
Internet users (%)	80.1	81.2	84.2	89.6	96.8

.. Not available.

Source: ITU, World Telecommunication/ICT Indicators Database 2022; EIU (2022), *Industry Report Telecommunications Malaysia, 1st Quarter*; World Bank, *World Development Indicators*. Viewed at: https://databank.worldbank.org/source/world-development-indicators; and WTO, WTO Stats. Viewed at: https://stats.wto.org/.

4.121. Malaysia has a mature telecommunications sector, with a high penetration rate for mobile phones, and more than 95% 4G coverage in the first quarter of 2022. The number of subscribers to fixed line, fixed broadband, and mobile cellular services continues to grow (Table 4.21). For instance, Malaysia's mobile cellular penetration rate was 140.6 per 100 people in 2021 up from 132.4 per 100 people in 2017. In addition, the number of Internet subscriptions using fibre to the premises (home/building) reached 2.5 million in 2020, up from 1.4 million in 2017. Furthermore, a trend towards secure Internet servers and Internet users was also observed (Table 4.21). The overall upward trend is likely attributable to improved connectivity through several infrastructure projects implemented by the Government in line with Malaysia's national development plans (see below).

4.122. Telekom Malaysia (a publicly listed company) remains the major provider of fixed-line and broadband services with a market share around 95%. TIME dotCom Bhd (a publicly listed company) provides wholesale bandwidth and operates the Cross Peninsular Cable System. In the mobile market, there are four main operators: Celcom, Digi, Maxis, and U Mobile. As at 30 September 2022, Digi was 49% owned by Telenor Asia Pte Ltd.[111] The merger application for Celcom and Digi was submitted to the Malaysian Communications and Multimedia Commission (MCMC) in July 2021. MCMC provided a notice of no objection on the merger on 28 June 2022, subject to the undertaking

[108] Department of Statistics Malaysia (2022), *Annual Gross Domestic Production, 2015-2021*, May.
[109] The figure refers to full-time equivalent telecommunication employees, based on ITU, Telecommunication/ICT Indicators Database 2021.
[110] Calculations based on GDP at constant 2015 prices from the Department of Statistics Malaysia.
[111] Information provided by the authorities.

provided by Celcom and Digi.[112] The authorities note that once the merger is concluded, it is anticipated that Celcom and Digi will have significant market share in the mobile market.

4.123. The main legislation governing the sector remains the Communications and Multimedia Act (CMA) No. 588 of 1998 and the Malaysian Communications and Multimedia Commission Act (MCMCA) No. 589 of 1998. Since the last Review, there have been no changes to the legislation. According to the authorities, the CMA 1998 and the MCMCA 1998 are currently under review; the proposed amendments in general are intended to strengthen the function, power, and governance of the Commission, in tandem with the evolution and growth of the communications and multimedia industry. The Ministry of Communications and Multimedia Malaysia (MCMM) is responsible for developing policies for the sector. The sector is regulated by the MCMC whose responsibilities include, *inter alia*, advising the Minister on all matters related to telecommunication activities, implementing/enforcing the regulations related to telecommunications, and making recommendations on granting and cancellation of licences.[113] The MCMM is the regulator for postal and courier services under the Postal Services Act No. 741 of 2012 and digital signatures under the Digital Signature Act No. 562 of 1997.

4.124. National development plans, such as the Shared Prosperity Vision 2030 (SPV 2030), the Malaysia Digital Economy Blueprint and the Twelfth Plan outline developmental agenda towards a digitally driven and high-income country by becoming a regional leader in digital economy by 2030.[114] In addition, the Twelfth Plan highlights four strategies directed at the advancing digital economy: (i) providing an enabling environment with a focus on digital governance, trade through e-commerce, wealth distribution, and cybersecurity; (ii) strengthening the provision of digital infrastructure and services; (iii) developing future-ready digital talent and enhancing digital skills through education and training programmes; and (iv) positioning Malaysia as the ASEAN Digital Centre by facilitating strategic and quality investment and digitalizing micro, small, and medium-sized enterprises (MSMEs) to broaden market access.[115]

4.125. The Universal Service Provision (USP) is a fundamental policy principle under the CMA 1998 and the Communications and Multimedia (Universal Service Provision) Regulations 2002. Its objective is to provide collective and individual access to basic telephony and Internet access in underserved areas or for underserved groups within the community. The USP programme provides several infrastructure projects (e.g. expansion of mobile and fixed broadband coverage, the fibre optic network, and the submarine cable system) funded by the USP fund. Under Regulation 27 of the Communications and Multimedia (Universal Service Provision) Regulations 2002[116], all licensees except for Content Applications Service Provider (CASP) licence holders, with total net revenue for the previous calendar year derived from the designated services that meet the minimum revenue threshold of MYR 2 million, shall contribute 6% of its weighted net revenue annually to the USP fund.

4.126. In August 2020 the Government launched the Jalinan Digital Negara (JENDELA), funded by the USP fund[117], in line with the Twelfth Plan. The estimated cost for the JENDELA phase 1 is MYR 28 billion.[118] The JENDELA is a five-year digital infrastructure plan (2021-25) to strengthen the level of connectivity, quality of communication services, and coverage, especially in rural and underserved areas. The plan aims at 100% 4G coverage, increased mobile broadband speed from 25 Mbps to 100 Mbps, and gigabit speed access to fixed broadband for nine million premises by the end of 2025.[119] As per the 3G sunset (gradual retirement), 99.3% of the 3G carriers were shut down

[112] Diji (2022), "Celcom-Digi Merger Receives MCMC Clearance", 22 June. Viewed at: https://corporate.digi.com.my/media/celcom-digi-merger-receives-mcmc-clearance.
[113] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.
[114] Ministry of Economic Affairs (2019), *Shared Prosperity Vision 2030 Restructuring the Priorities of Malaysia's Development*, 5 October.
[115] Economic Planning Unit, *Twelfth Malaysia Plan, 2021-2025*, pp. 11-13–11-19.
[116] Communications and Multimedia (Universal Service Provision) Regulations 2002 (P.U.(A) 419/2002). Viewed at: https://www.mcmc.gov.my/en/legal/acts/communications-and-multimedia-act-1998-reprint-200/communications-and-multimedia-universal-service-p.
[117] MCMC (2021), *Universal Service Provision Annual Report 2020*, 30 July. Viewed at: https://www.mcmc.gov.my/skmmgovmy/media/General/pdf/MCMC-USP-AR2020_Eng.pdf.
[118] Information provided by the authorities.
[119] JENDELA, *1st Quarterly Report of JENDELA 2022*. Viewed at: https://myjendela.my/en-GB/.

as of the end of June 2022 and the remaining 3G carriers are scheduled to shut down in December 2022.[120]

4.127. The Government introduced the Malaysia Digital Economy Blueprint initiative in February 2021 to support national development plans such as the SPV 2030 and the Twelfth Plan and streamline key policies to facilitate the development of the digital economy in Malaysia. The EPU provides leadership and policy direction. Malaysia Digital Economy Blueprint sets out the consolidated initiatives and targeted outcomes related to the rakyat, business, and the Government through the Malaysia Digital Economy Blueprint[121] and the National 4IR Policy (N4IRP)[122] (Table 4.22). The JENDELA initiative, as noted earlier, is adopted in the Malaysia Digital Economy Blueprint.[123]

Table 4.22 Goals of the Malaysia Digital Economy Blueprint

Rakyat (people)	Business (private sector)	Government (public sector)
• Creation of 500,000 new jobs • 100% of households to have Internet access • All students to have access to online learning	• 30% uplift productivity across all sectors by 2030 • 22.6% share of digital economy to GDP • 875,000 MSMEs adopt e-commerce • Attract 2 unicorns[a] (home-grown or foreign) • MYR 70 billion investment in digitalization • Increase the number of start-ups to 5,000	• 100% of civil servants to possess digital literacy • 80% end-to-end online government services • All ministries and agencies to provide cashless payment option in 2022 • 80% usage of cloud storage across the Government in 2022

a A unicorn is a start-up company with a value of over USD 1 billion.

Source: Economic Planning Unit, *Malaysia Digital Economy Blueprint*, p. 11. Viewed at: https://www.epu.gov.my/sites/default/files/2021-02/malaysia-digital-economy-blueprint.pdf.

4.128. In line with the goals of Malaysia Digital Economy Blueprint, the Government established the Digital Nasional Berhad (DNB) in June 2021. The DNB is responsible for the development of 5G infrastructure nationwide and the management of Malaysia's 5G spectrum.[124] According to the authorities, as at September 2022, the DNB integrated 2,428 5G sites in several states, namely W.P. Putrajaya, W.P. Kuala Lumpur, Selangor, Perak, Penang, Malacca, Negeri Sembilan, Johor, Sabah, and Sarawak, which cover 33.2% of the populated areas. The DNB aims to achieve 36% coverage in populated areas by the end of 2022 and 80% coverage in populated areas by the end of 2024.

4.129. Telecommunications companies must obtain a licence to provide telecommunications services in Malaysia. The CMA 1998 sets out four types of licences: (i) Network Facility Provider (NFP); (ii) Network Service Provider (NSP); (iii) Applications Service Provider (ASP); and (iv) CASP. In addition, two types of licences, except for ASPs, are granted within each licensable activity, namely "individual licences" for certain activities where there is a need for regulatory control, and "class licences" with a lighter degree of regulation (Table 4.23). Overall, there was no significant change in the number of licences issued during the review period (Table 4.24). Under the category of "class licences", there had been a steady increase in the number of ASP licences; this led to an upward trend in the number of Internet users. There is now a new category of service, namely cloud services, which is an activity licensed under the ASP category of licences with effect from 1 April 2022 (Table 4.23).

[120] JENDELA, *1st Quarterly Report of JENDELA 2022*.

[121] Economic Planning Unit, *Malaysia Digital Economy Blueprint*. Viewed at: https://www.epu.gov.my/sites/default/files/2021-02/Malaysia-digital-economy-blueprint.pdf. In order to achieve the goals, 6 strategic thrusts, 22 strategies, 48 national initiatives, and 28 sectoral initiatives are identified in the Malaysia Digital Economy Blueprint.

[122] Economic Planning Unit, *National Fourth Industrial Revolution (4IR) Policy*. Viewed at: https://www.epu.gov.my/sites/default/files/2021-07/National-4IR-Policy.pdf.

[123] JENDELA, *1st Quarterly Report of JENDELA 2022*.

[124] DNB, *5G for All: Accelerating a Digital Future for Malaysia*. Viewed at: https://www.digital-nasional.com.my/about-us.

Table 4.23 Telecommunications licensing regimes, 2022

Licensing category	Individual licence	Class licence
Network Facility Provider: for owners/providers of network facilities infrastructure such as cables, towers, and satellite	Earth stations; fixed links and cables; radio communications transmitters and links; satellite hubs; satellite control stations; space stations; submarine cable landing centres; and towers, poles, ducts, and pits used in conjunction with other network facilities; or such other network facilities which are not exempt under the CMA or not subject to a class licence under Part IV of the Licensing Regulations 2000	Niche or limited purpose network facilities
Network Service Provider: providers of the basic connectivity and bandwidth, enabling connectivity between different networks	Bandwidth services; broadcasting distribution services; cellular mobile services; access applications services; space services; switching services; and gateway services; or such other network services which are not exempt under the CMA or not subject to a class licence under Part IV of the Licensing Regulations 2000	Niche customer access; or niche connection services
Application Service Provider: provision of services to end users, such as voice services, data services, and Internet access	n.a.	PSTN telephony; public cellular services; IP telephony; public payphone services; public switched data services; audiotext hosting services provided on an opt-in basis; directory services; Internet access services; messaging services; or cloud service
Content Applications Service Provider: subset of ASP such as television and radio broadcast services, and services such as the provisioning of information services	Satellite broadcasting; subscription broadcasting; terrestrial free to air TV; terrestrial radio broadcasting; or such other content applications services which are not exempt under the CMA or not subject to a class licence under Part IV of the Licensing Regulations 2000.	Content applications service limited in its availability to vehicles, vessels, railway or aircraft used for hire or reward or for any other valuable consideration; a single commercial or residential building; or a restricted geographical area Content applications service of limited appeal or which is targeted to a special interest group and available through subscription by persons using equipment specifically designed for receiving the said service; content applications service where the content is remotely generated and distributed through a network service and displayed on a screen; content applications service for distance learning purpose; or content applications service linked or associated specifically to a sporting, cultural or other one-off event

n.a. Not applicable.

a Communications and Multimedia (Licensing) Regulations 2000 (P.U.(A) 129/2000).

Source: MCMC (2022), *Licensing Guidebook*, 1 June. Viewed at: https://www.mcmc.gov.my/skmmgovmy/media/General/pdf2/Suruhanjaya-Komunikasi-dan-Multimedia-Malaysia_Licensing-Guidelines_Jun2022.pdf.

Table 4.24 Telecommunications licences issued, 2017-21

(Number)

	2017	2018	2019	2020	2021
Individual licences	**437**	**459**	**441**	**438**	**454**
NFP	209	220	213	220	239
NSP	176	183	176	170	173
CASP	52	56	52	48	42
Class licences	**463**	**444**	**452**	**499**	**497**
NFP	9	10	11	17	11
NSP	11	10	11	17	11
CASP	10	11	10	15	9
ASP	433	413	420	450	466

Source: Information provided by the authorities.

4.130. Foreign individuals and companies may not apply for individual or class licences under the current licensing regime.[125] They must be locally incorporated in Malaysia. There are no foreign equity restrictions on class licences, whereas applications for individual licences are assessed on a case-by-case basis. The Minister may decide to grant a licence based on the MCMC's recommendations under the CMA.[126] According to the authorities, assessing an application for non-foreign equity restriction for a network facility or network service provider licence, the MCMC would take into account factors, *inter alia*: investments made in Malaysia by the applicant and their economic impact; employment of Malaysians (number employed and key positions held) and job opportunities; transfer of technology and skills; the unique or exclusive nature of the business; and contributions to the socio-economic development of Malaysia. The authorities underline that these factors are not exhaustive, and applications received will be evaluated on a case-by-case basis.

4.131. A limit of 70% foreign equity participation is permitted in network facility and network service provider licences.[127] However, according to the authorities, in general, individual licences issued under the CMA 1998 contain special licence condition on the shareholding requirement where there is a requirement of a minimum 30% Bumiputera shareholding by a licensee that it must comply with and foreign shareholding is capped at 49% for a network facility or network service provider licensee. Equity restrictions do not apply if the licence holder is a publicly listed company, but they do apply when the licensee is a private limited company (Sendrian Berhad) held by a public limited company (Berhad).[128] Also, the authorities note that operators with Malaysia Digital Status may request for 100% foreign equity when applying for Network Facility Provider Individual (NFP(I)) License and Network Service Provider Individual (NSP(I)) License.[129]

4.132. As noted in the last Review, under the CMA, all network service and facilities service providers have access to the facilities and services on reasonable terms and conditions and on an equitable and non-discriminatory basis.[130] Service providers seeking access are required to make a written request to the access provider. According to the authorities, MCMC is currently carrying out a public inquiry on the review of the Mandatory Standard on Access; thus the Variation to the Commission Determination on the Mandatory Standard on Access Pricing (Determination No. 1 of 2017), Determination No. 1 of 2020 is still applicable.

4.133. MCMC does not regulate retail rates with respect to retail prices for fixed line services, mobile phones, and fixed broadband. It depends on market forces. However, service providers are required to adhere to the principles on rate setting under Section 199 of the CMA.[131]

4.4.4 Transport

4.4.4.1 Air transport

4.134. Malaysia's aviation polices are planned and evaluated by the Ministry of Transport, which also represents Malaysia in international organizations and negotiations to expand the international air services network. The Ministry also plans and monitors the development of airports according to the standards set by the Civil Aviation Authority Malaysia and the International Civil Aviation Organization (ICAO). Malaysia has been a member of ICAO since 1958 and is party to its conventions.

4.135. The basic legal framework has not undergone major changes in recent years and comprises the Civil Aviation Act 1969 (Act 3), the Carriage by Air Act 1974 (Act 148), the Aviation Offences Act 1984 (Act 307), the Airport and Aviation Services (Operating Company) Act 1991 (Act 467), and the International Interest in Mobile Equipment (Aircraft) Act 2006 (Act 659). Further to the Malaysian Aviation Commission Act 2015 (Act 771) and the Civil Aviation Regulations 2016, the

[125] MCMC (2022), *Licensing Guidebook*, 1 June. Viewed at: https://www.mcmc.gov.my/skmmgovmy/media/General/pdf2/Suruhanjaya-Komunikasi-dan-Multimedia-Malaysia_Licensing-Guidelines_Jun2022.pdf.

[126] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[127] MITI, *Autonomous Liberalisation*. Viewed at: https://www.miti.gov.my/index.php/pages/view/4236.

[128] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[129] Malaysia Digital Economy Corporation (MDEC), *Malaysia Digital Status*. Viewed at: https://mdec.my/malaysiadigital/apply/.

[130] WTO document WT/TPR/S/366/Rev.1, 25 May 2018.

[131] Communications and Multimedia Act 1998 (Act 588). Viewed at: https://www.mcmc.gov.my/en/legal/acts/communications-and-multimedia-act-1998-reprint-200.

Malaysian Civil Aviation Commission (MAVCOM) was established as an independent entity on 1 March 2016 to regulate economic and commercial matters related to civil aviation, including the protection of consumers, settlement of disputes between aviation industry players, and the administration and management of air traffic rights and routes under public service obligations. MAVCOM also advises the Government on aviation matters. The Department of Civil Aviation within the Ministry of Transport continues to regulate issues pertaining to safety, maintenance, and security.

4.136. MAVCOM issues air service licences and permits, which are required for the carriage of passengers, mail, and cargo by air for hire and reward.[132] MAVCOM also issues licences for aerodrome operators and ground handling services. Among the criteria MAVCOM applies in assessing applications for air service licences and air service permits are whether the company is incorporated in Malaysia, whether it is directly under the control of a Malaysian company or person(s), and the ownership structure of the applicant. More than 50% Malaysian ownership is required by a non-publicly listed company to hold an Air Services Licence, Air Services Permit, Aerodrome Operator Licence, or Ground Handling Licence, whereas publicly listed companies require 33% Malaysian ownership.

4.137. Malaysia has 6 international airports, 19 domestic airports, and 17 short take-off and landing airports. These are all state-owned, and nearly all of them are managed by the government-linked company Malaysia Airports Holdings Berhad (MAHB). The Senai International Airport (in Johor Bahru) is managed by Senai Airports Terminal Services Sdn Bhd under a 50-year concession agreement that commenced in 2003.

4.138. As at 1 October 2022, Malaysia had 11 airlines holding air services licences: Malaysia Airlines Berhad with its sister companies MA Swings Sdn Bhd and FireFly Sdn Bhd; the low-cost airline AirAsia Berhad and its long-haul carrier AirAsiaX Berhad; Batik Air (a hybrid full-service carrier); and SKS Airways, a regional airline that commenced operations in early 2022; and cargo operators such as Raya Airways Sdn Bhd, MyJet Express Sdn Bhd, and M Jets International Sdn Bhd, as well as World Cargo Airline Sdn Bhd. In addition, air services permits are held by 15 charter companies. Domestic passenger routes are only served by Malaysian carriers.

4.139. At September 2022, Malaysia was party to 106 bilateral air service agreements. Among these, 21 were open skies agreements.

4.140. Until the onslaught of the COVID-19 pandemic, Malaysia's airline industry was growing steadily. The number of airline passengers, excluding transit passengers, surpassed 100 million for the first time in 2018, and continued to increase in 2019 (Table 4.25). Nearly 60% of the passenger traffic involved the busiest airport by far –Kuala Lumpur International Airport (KLIA). The decline in traffic due to international travel restrictions therefore hit KLIA particularly hard, but the MCOs also caused a considerable drop in domestic air travel. As these MCOs persisted into 2021, passenger volumes were even more depressed in 2021 until the final measures were lifted on 11 October. Malaysia's borders were reopened on 1 April 2022, and international arrival is facilitated by dedicated "vaccinated travel" lanes.

Table 4.25 Air transport, selected indicators, 2017-21

	2017	2018	2019	2020	2021
Total passengers (excluding transit) (million)	**99.5**	**102.4**	**109.4**	**26.8**	**11.0**
KLIA	58.5	59.9	62.3	13.1	3.9
Kota Kinabalu	8.0	8.6	9.4	2.3	1.1
Pulau Pinang	7.2	7.8	8.3	1.8	0.5
Kuching	5.1	5.6	6.0	1.8	0.8
Johor Bahru	3.1	3.5	4.3	1.1	0.4
Langkawi	2.8	2.7	2.9	1.0	0.8
Subang	2.9	2.0	2.3	0.9	0.6
Miri	2.2	2.3	2.4	0.9	0.5

[132] Air service permits only cover unscheduled flights. The operation of scheduled flights requires an air services licence.

	2017	2018	2019	2020	2021
Total cargo (excluding transit) ('000 tonnes)	**948.2**	**965.8**	**942.6**	**789.1**	**1,008.1**
KLIA	710.2	714.7	687.2	505.2	636.0
Kota Kinabalu	27.4	28.0	28.7	41.4	60.7
Pulau Pinang	119.3	130.1	124.4	123.3	140.7
Kuching	24.1	26.6	24.7	30.3	54.0
Johor Bahru	7.6	9.7	14.7	10.1	3.3
Langkawi	0.8	0.8	0.9	0.5	0.2
Subang	36.6	32.3	34.6	58.3	83.4
Miri	4.9	5.1	5.3	5.3	7.6
Aircraft movements ('000)	**894.6**	**916.0**	**951.8**	**370.3**	**244.2**
KLIA	386.1	398.8	407.3	124.5	73.7
Kota Kinabalu	71.9	77.5	82.1	29.2	21.1
Pulau Pinang	69.2	73.5	78.4	28.5	16.0
Kuching	48.0	54.2	53.6	25.1	18.3
Johor Bahru	46.5	52.0	58.3	21.5	9.0
Langkawi	24.8	23.7	25.7	10.4	7.5
Subang	67.4	50.1	52.1	29.1	22.3
Miri	38.4	42.5	42.1	24.9	20.3

Source: Ministry of Transport, *Transport Statistics Malaysia 2021*.

4.141. The transportation of cargo was much less affected by the pandemic than was passenger transport. Volumes actually expanded at some airports, particularly Subang, Kuching, and Pulau Pinang, and although volumes fell by 36% at KLIA in 2020, the subsequent rebound in 2021 was significant. The unevenness in performance between airports may be explained by the differences in the available capacity of air cargo, the air cargo rates on a particular route, and the type of commodity of air cargo. In 2021, overall cargo movements for MAHB airports recorded more than 1,000 metric tonnes, an increase of 31.9%. There was an increase in cargo flights, including charters as airlines began to operate more cargo flights to Australia; India; Indonesia; Japan; Hong Kong, China; Chinese Taipei; and the Republic of Korea, and in the conversion of passenger aircraft to carry cargo in the fuselage. Domestic cargo movements for 2021 registered a growth of 46.9% over 2020. The gain in the cargo sector in 2021 may be attributed to an increase in demand related to e-commerce by consumers, shipment of perishable goods, and pharmaceutical products.

4.142. The recovery in air transport has continued in 2022. Air passenger traffic totalled 16.3 million in the first five months, and international passenger traffic reached 1 million in May, the first monthly seven-digit figure since March 2020.[133] Cargo volume was up 6% in the first quarter of 2022 relative to the same quarter in 2021. Increased transportation of goods is supported by the return of belly cargo capacity as international flights have gradually resumed, as well as the continuing expansion of e-commerce and a healthy Malaysian electrical and electronics sector.

4.143. MAVCOM has, in accordance with its Long-term Recommendations for the Civil Aviation Industry in Malaysia 2021-2030, adopted a soft-touch regulatory approach to preserve a competitive domestic market for scheduled air services. Domestic airfares are monitored continuously during peak seasons, and airlines are required to file their fares for selected routes. MAVCOM is also encouraging more airlines to serve monopoly routes, routes with high demand, and routes with no alternative modes of transport.

4.4.4.2 Maritime transport

4.4.4.2.1 General

4.144. The Ministry of Transport is the principal agency involved in the regulation of the maritime sector and related issues. Its tasks include the setting of policies and planning regarding maritime safety (passengers, crew, and ships) and environmental measures; strengthening international cooperation through maritime transport agreements, memoranda of understanding, and human capital development programmes; endorsing and implementing international conventions and amending domestic regulations as appropriate; processing and issuance of domestic shipping

[133] MAVCOM (2022), *Malaysian Aviation Industry Outlook: Key Highlights*. Viewed at: https://www.mavcom.my/wp-content/uploads/2022/07/20220615-MAVCOM-ECONOMICS-WAYPOINT-JULY-2022-FINAL.pdf.

licences; and formulating, implementing, and monitoring policies regarding federal port activities, including privatization.

4.145. The legal framework comprises the Carriage of Goods by Sea Act 1950 (Act 527), the Federal Light Dues Act 1953 (Act 250), the Penang Port Commission Act 1955 (Act 140), the Port Authorities Act 1963 (Act 488), the Bintulu Port Authority Act 1981 (Act 243), the Ports (Privatisation) Act 1990 (Act 422), the International Yacht Registration Act Langkawi 2003 (Act 630), and the Merchant Shipping Ordinance 1952. The Ordinance was amended in 2017 to update the ship registration and licensing framework. The Ministry has also issued a standard operating procedure for the detention, inspection, and release of containers.

4.146. Malaysia has been a member of the International Maritime Organization (IMO) since 1971 and has ratified 26 of its conventions, protocols, and agreements, notably the Convention on the International Maritime Organization, the Convention for the Safety of Life at Sea, the Convention for the Prevention of Pollution of Ships, and the Convention on Standards of Training, Certification and Watchkeeping for Seafarers.[134] The Maritime Training Institute offers training programmes to increase the competency of Malaysian seafarers, including an Integrated Technical Cooperation Programme for human capital development organized jointly with the IMO since 2013.

4.147. The Maritime Institute of Malaysia (MIMA) was established in 1993 as a policy research institute and to serve as the national focal point for research in the maritime sector. MIMA's role is advisory and consultative. MIMA also complements the efforts of government agencies involved in the sector by mobilizing expertise and to assist and support them in policy planning and implementation. MIMA's research centres focus on ecologically sustainable development of marine resources and the conservation and protection of the marine environment, maritime security and diplomacy, maritime economic activities and industries, ocean law and related issues, and the management of the Straits of Malacca.

4.4.4.2.2 Shipping

4.148. Vessel registration in Malaysia is administered by the Marine Department of Malaysia, a department under the Ministry of Transport. Traditional registration is assigned to four ports (Port Kelang, Pulau Pinang, Kota Kinabalu, and Kuching) while the Malaysian International Ship Registry (MISR) is located in Labuan.

4.149. The Merchant Shipping Ordinance (Part II B, Subsection 65KA(1)), as amended with effect from 1 January 1980, reserves domestic shipping for Malaysian-flagged vessels holding a domestic shipping licence.[135] To obtain such a licence, the vessel must be owned by a Malaysian citizen or an enterprise with minimum 51% Malaysian ownership. The Domestic Shipping Licensing Board regulates and controls the licensing of ships engaged in shipping between ports in Malaysia. A foreign registered vessel may be granted a temporary domestic shipping licence if it is demonstrated that no Malaysian registered vessel is available for a particular shipment or industry. As noted in previous Secretariat reports, foreign vessels are permitted to transport cargo or undertake transhipment of containers on selected domestic routes. There has been no enlargement of this permitted route network since 2018. For international maritime transport, traders are free to choose between domestic and internationally registered vessels.

4.150. At the end of 2021, 5,674 ships with a total gross register tonnage (GRT) of 11.5 million were registered in Malaysia (Table 4.26). Whereas the number of vessels has tended to increase over the last 10 years, the total GRT has been fairly stable. MISC Berhad, a government-linked company owned 62.67% by PETRONAS, is a major provider of energy-related maritime solutions and services. MISC owns and operates a modern and diversified fleet of petroleum and petroleum product tankers, LNG vessels, and offshore floating facilities, as well as two LNG floating storage units.

[134] IMO, *Status of Conventions*. Viewed at: https://www.imo.org/en/About/Conventions/Pages/StatusOfConventions.aspx.

[135] Domestic shipping is defined as services, other than fishing, in the exclusive economic zone, or transportation of goods and/or passengers from one place to another within the exclusive economic zone.

Table 4.26 Total vessels registered in Malaysia by type and weight, 2017-21

	2017		2018		2019		2020		2021	
	No.	'000 GRT	No.	'000 GRT	No.	'000 GRT	No.	'000 GRT	No.	'000 GRT
Total	5,482	11,984	5,558	11,978	5,626	11,967	5,728	11,836	5,674	11,534
Oil tanker	260	1,987	261	1,827	280	1,799	287	1,477	283	1,257
LNG, LPG carrier	41	2,728	39	2,762	39	2,762	39	2,762	38	2,676
Chemical, petroleum tanker	42	358	41	357	39	195	39	195	31	141
Bulk, grain, ore, log carrier	17	469	18	517	23	481	28	487	29	491
General cargo, semi container	478	533	472	519	468	519	476	517	470	500
Passenger, general, passenger ship	352	77	357	79	362	76	367	126	370	134
Roll -on - roll off	10	165	10	162	10	162	11	162	13	254
Full container	25	220	25	234	33	328	36	351	40	420
Offshore support vessel	299	356	309	380	325	415	331	424	319	403
Barge	1,493	1,580	1,518	1,619	1,550	1,648	1,572	1,687	1,559	1,659
Other	2,465	3,511	2,508	3,522	2,497	3,582	2,542	3,647	2,522	3,600

Source: Ministry of Transport, *Transport Statistics Malaysia 2021*.

4.151. The MISR seeks to attract foreign companies and individuals to register ships at the Labuan Port with no need to comply with any Malaysian majority shareholding requirement. However, the vessel owning company must be incorporated in Malaysia, and the ship manager must be a Malaysian citizen or corporation. The authorities do not wish the MISR to be perceived as a flag of convenience registry. Ships registered in the MISR fly the Malaysian flag and are considered Malaysian carriers (Table 4.27).

Table 4.27 Total vessels registered in the Malaysian International Ship Registry by type, 2015-21

		2015	2016	2017	2018	2019	2020	2021
Anchor handling, standby, supply	Number	10	7	39	40	32	23	17
	GT	26,480	19,182	118,559	129,756	111,449	88,204	74,993
Barge	Number	2	0	2	2	1	1	0
	GT	37,221	0	40,568	40,568	8,508	8.508	0
Other	Number	3	5	1	2	3	4	7
	GT	10,084	14,187	59,295	70,976	133,126	140,943	261,585
Total	**Number**	**15**	**12**	**42**	**44**	**36**	**28**	**24**
	GT	**73,785**	**33,369**	**218,422**	**241,300**	**253,083**	**237,655**	**336,578**

Source: Marine Department of Malaysia.

4.152. The authorities provide tax incentives and financing to foster growth in the maritime sector. Vessels registered in the Traditional Ship Registry are exempt from taxation for income earned on the transportation of passengers and cargo, and the crew is exempt from personal income tax. The Malaysia Development Bank (BPMB) manages the Maritime Development Fund, which provides conventional and Islamic financing for the acquisition of new and recently built second-hand vessels by Malaysian-owned (51% or more) enterprises. The maximum amount of financing is MYR 500 million per single client. The BPMB also administers the Maritime and Logistics Scheme, a MYR 1.5 billion facility for existing and new companies dealing with, or involved in, maritime-related activities and services, aerospace, and logistics. Supported activities include the acquisition of new or second-hand vessels (or aircraft), machinery, and equipment, as well as land, and the construction of shipyards, warehouses, and port facilities. Funds are being made available from 1 January 2021 until 2023.

4.4.4.2.3 Ports

4.153. Seven major federal ports, which are owned and regulated by the Ministry of Transport, are administered by their respective port authorities, i.e. the Penang Port Commission, the Port Klang Authority, the Kemanam Port Authority, the Johor Port Authority (the Johor and Tanjung Pelepas Ports), the Kuantan Port Authority, and the Bintulu Port Authority.[136] State ports such as the Sabah Port Authority, the Rajang Port Authority, the Miri Port Authority, and Lumut Port are administered by state governments.[137] All ports in Sabah and Sarawak (excluding the Bintulu and Labuan Ports) are under the purview of the state governments.

4.154. Port operations have largely been privatized under long-term concession agreements. For example, Malaysia's busiest port (Klang) is operated by Northport (Malaysia) Sdn Bhd and Westports Malaysia Sdn Bhd, and Tanjung Pelepas, which is an important transit port, by Pelabuhan Tanjung Pelepas Sdn Bhd. Most port concessions are of 30 years' duration, although the duration takes into account the time needed for the development of the port and for the port operators to recoup their investment. The maximum foreign ownership in port operations is 40%.

4.155. The pandemic had some negative effect on freight volumes in 2020 and 2021, both on incoming and outbound shipments (Table 4.28). On the other hand, the volume of transhipments increased by 6% from 2019 to 2020, and a further 20% from 2020 to 2021. The increase in total transhipment was mainly due to the global market rebound and spin-off impact post 2020 COVID-19, and shipping contingency plan for recovery on cargo overflow due to congestion issues.

Table 4.28 Main ports and activities, 2017-21

	2017	2018	2019	2020	2021
Cargo ('000 freight weight tonnes)					
Total	**544,711**	**570,701**	**595,478**	**564,329**	**591,489**
Export	228,459	222,937	241,792	222,703	218,419
Import	191,810	214,285	223,453	203,503	207,882
Transhipment	124,441	133,479	130,233	138,123	165,188
Main ports					
Klang	**212,308**	**220,700**	**243,108**	**221,421**	**235,539**
Export	104,202	104,418	116,805	105,428	112,552
Import	108,106	116,282	126,303	115,993	122,987
Transhipment	0	0	0	0	0
Tanjung Pelepas	**130,522**	**139,807**	**137,203**	**144,625**	**168,059**
Export	5,813	6,231	6,272	6,251	4,939
Import	2,203	2,342	2,500	2,446	3,141
Transhipment	122,506	131,234	128,432	135,928	159,979
Bintulu	**47,645**	**44,054**	**45,196**	**42,896**	**41,837**
Export	40,433	36,994	39,577	37,254	32,989
Import	5,919	5,485	4,370	4,245	4,083
Transhipment	1,293	1,575	1,249	1,397	4,765
Container ('000 TEU)					
Total	**23,784**	**24,941**	**26,420**	**26,678**	**28,419**
Export	4,145	4,437	4,605	4,595	4,631
Import	4,070	4,347	4,584	4,473	4,523
Transhipment	15,569	16,157	17,231	17,610	19,266
Main ports					
Klang	**11,978**	**12,316**	**13,581**	**13,244**	**13,724**
Export	2,161	2,354	2,486	2,565	2,684
Import	2,175	2,395	2,549	2,556	2,649
Transhipment	7,642	7,567	8,546	8,123	8,391
Tanjung Pelepas	**8,261**	**8,961**	**9,077**	**9,846**	**11,200**
Export	336	368	364	362	325
Import	179	190	203	208	209
Transhipment	7,746	8,402	8,510	9,276	10,667
Pulau Pinang	**1,524**	**1,510**	**1,491**	**1,388**	**1,278**
Export	724	716	706	648	606
Import	706	706	701	631	608
Transhipment	94	89	84	110	64

Source: Ministry of Transport, *Transport Statistics Malaysia 2021*.

---

[136] In addition, Teluk Ewa Port is administered by the Penang Port Commission (Teluk Ewa), and the Labuan port by the Labuan Port Authority.

[137] Lumut Port is a privately owned port.

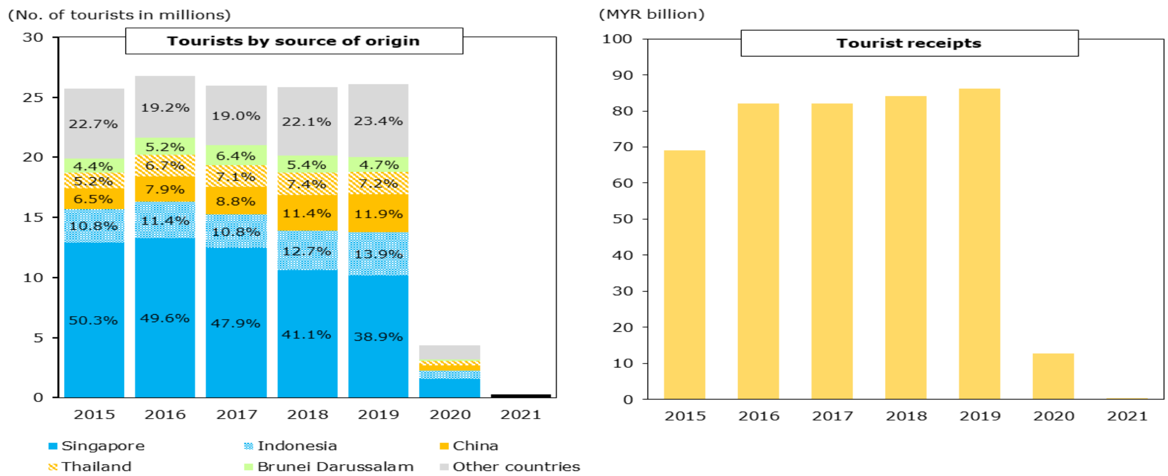
4.156. Several Malaysian ports are specialized in their operations. The Port of Tanjung Pelepas, primarily dedicated to transhipment of containers, processed 55% of the containers in transit through Malaysia (representing nearly 97% of the transhipment volume by weight) in 2021. Other ports, such as Bintulu, specialize in the export of LNG, petroleum, and palm oil; Port Dickson is an important oil terminal operated by Shell and Esso; and the Teluk Ewa Jetty is used for exporting cement and transporting raw materials and spare parts to the local cement plant.

4.4.5 Tourism

4.157. Before the outbreak of COVID-19, the tourism sector accounted about 6.8% of total gross value added in 2019.[138] Malaysia remained a net exporter of travel services; in 2019, travel services generated MYR 82.1 billion, equivalent to 48.3% of total services exports (Table 1.4). Malaysia ranked 29th of 140 countries in the World Economic Forum's (WEF) Travel & Tourism Competitiveness Report 2019, the second-best performer in ASEAN after Singapore.[139]

4.158. Malaysia received 26.1 million international tourists in 2019, mainly from Singapore, Indonesia, China, and Thailand, which accounted for 73% of all international tourist arrivals (Chart 4.6). The number of tourist arrivals was practically stagnant during the period 2015-19, registering an annual growth rate of 0.4%. This may be partly due to the lack of product development, poor maintenance of tourist attractions, and effective marketing activities; congestion and poor facilities at the entry points from neighbouring countries; and weak governance.[140] For instance, although Singapore remained the major source of visitors, its share declined from 50.3% in 2015 to 38.9% in 2019.

Chart 4.6 Tourism sector's performance, 2015-21



Source: Department of Statistics Malaysia (2020), *Tourism Satellite Account*; and Tourism Malaysia, *Tourist Receipts*. Viewed at: http://mytourismdata.tourism.gov.my/.

4.159. Total inbound expenditure on tourism and related activities increased by 5.7% per year from MYR 69.1 billion in 2015 to MYR 86.1 billion in 2019 (Chart 4.6). In addition, the healthcare travel segment continued to expand, recording a revenue increase of 86.0% from 2015 to 2019.[141] Foreign patients primarily come for general health screening, cardiology, IVF, and oncology. The healthcare visitors are primarily from Indonesia, China, India, and Japan.

[138] Department of Statistics Malaysia (2021), *Tourism Satellite Account 2020*, September. The figure (6.8% of total GVA) refers to the direct tourism sector, which is the part of gross value added generated by the tourism industry and other industries of the economy that directly serve visitors in Malaysia. Counting all establishments in the industry, regardless of whether all outputs are provided to visitors and tourism-related activities, the tourism industry accounted for 16.1% of total GVA in 2019.

[139] WEF (2019), *The Travel & Tourism Competitiveness Report 2019*.

[140] Economic Planning Unit, *Twelfth Malaysia Plan, 2021-2025*, pp. 3-8.

[141] The 1,220,000 foreign patients generated revenue of MYR 1.7 billion in 2019, up from MYR 914 million (859,000 foreign patients) in 2015. Malaysia Healthcare Travel Council, *Healthcare Traveller Statistics*. Viewed at: https://www.mhtc.org.my/statistics/.

4.160. The MCOs provoked by the outbreak of COVID-19 led to a sharp drop in international visitors, declining from 26.1 million arrivals in 2019 to 4.3 million in 2020 and a mere 134,000 in 2021. Similarly, tourism receipts fell from MYR 86.1 billion in 2019 to MYR 12.7 billion in 2020 and MYR 0.2 billion in 2021.[142] The Visit Malaysia 2020 campaign, which was to promote Malaysia as an attractive tourist destination, was cancelled.[143] Instead, the Government introduced various measures to assist the tourism sector (see below).

4.161. In the main, Malaysia's tourism industry is managed by two government bodies, namely the Ministry of Tourism, Arts and Culture (MOTAC) and the Malaysia Tourism Promotion Board (MTPB). The MOTAC is responsible for policy development and sector regulation. The MTPB, an agency under the MOTAC and commonly known as Tourism Malaysia, promotes Malaysia as a tourism destination, along with the Islamic Tourism Centre and MyCEB (Malaysia Convention and Exhibition Bureau), assists tourism service providers, and develops and promotes investment opportunities. Other government agencies are also engaged in specific segment developments including the Ministry of Agriculture and Food Industries for agrotourism, and the Medical Healthcare Travel Council (MHTC) under the Ministry of Health for medical tourism.

4.162. Under the Tourism Industry Act 1992, tourism service providers are required to register and/or obtain a licence before operating a tourism-related business. The Act stipulates the licensing requirements for tour operating business and travel agencies, tourist guides, tourism training institutes, and tourism vehicle business for excursion bus licences or hire-and-drive cars (applicable only for applicants in Sabah, Sarawak, and Labuan).[144]

4.163. Government policy for the tourism sector is covered in several documents, including the Twelfth Plan, the Malaysian Plans, and the National Tourism Policy (NTP) 2020-2030, and the Tourism Recovery Plan 2022. The tourism sector is a focus area of the Twelfth Plan. Several strategies are outlined in the Twelfth Plan, including restoring tourist confidence in travel in the aftermath of the COVID-19 pandemic; improving the quality of products and services such as ecotourism, cultural immersion activities, and better working environment and training for staff; enhancing sustainability of tourism products through better service and visibility; and improved marketing strategies.

4.164. Moreover, under the Malaysian Plans and the NTP 2020-2030, the Government aims to boost the country's tourism revenue by attracting more high-yield tourists, with a focus on sustainability, competitiveness, and inclusiveness. MOTAC aims to position Malaysia one of the world's ecotourism destinations and elevate the country's status into a top tourism destination worldwide. Key strategies in achieving this target include (i) strengthened governance capacity; (ii) the creation of special tourism investment zones; (iii) embrace of smart tourism; (iv) customized travel to enrich tourists' experience and satisfaction; (v) reinforcing commitment to strengthen sustainable and responsible tourism; and (vi) enhanced human capital development. The policy stresses the adoption and application of digital technology for sustainable and inclusive development of the tourism industry. In addition, MOTAC launched a Tourism Recovery Plan 2022 with various incentives (e.g. discounts, vouchers, and rebates) for consumers regardless of origin/nationality, with the aim of reviving domestic tourism industry (see below).

4.165. Foreign equity participation is restricted in certain tourism activities. In tour operators and travel agencies, equity is capped according to the country of origin of the foreign shareholder, for instance, 30% for non-ASEAN investors (Table 4.29). Autonomous liberalization of the tourism sector includes theme parks; convention and exhibition centres; travel agencies and tour operators'

---

[142] Tourism Malaysia, *Tourist Receipts*. Viewed at: http://mytourismdata.tourism.gov.my/.

[143] Malaysia Tourism Promotion Board (2020), "Cancellation of Visit Malaysia 2020 (VM2020) Campaign and Guest Stay at Tourist Accommodation Premises Throughout the Movement Control Order (MCO)", 19 March. Viewed at: https://www.tourism.gov.my/media/view/cancellation-of-visit-malaysia-2020-vm2020-campaign-and-guest-stay-at-tourist-accommodation-premises-throughout-the-movement-control-order-mco.

[144] Tourism Industry Act 1992; and Malaysian Investment Development Authority (MIDA), *Tourism and Travel Related Services*. Viewed at: https://mida.gov.my/wp-content/uploads/2020/07/20200131123840_BOOKLET-9-TOURISM-AND-TRAVEL-RELATED-SERVICES.pdf.

services (inbound travel only); hotel and restaurant services for 4- and 5-star hotels only; and food and beverage serving services for consumption on the premises for 4- and 5-star hotels only.[145]

Table 4.29 Foreign equity limits in tourism sector

Investment	Foreign equity limits
Hotels	
1- and 2-star	0
3-star	70%
4- and 5-star	100%
Projects	
Theme parks	100%
Recreational parks/other tourism projects	51%
Convention centres	100%
Healthcare	100%
Tour operator/travel agencies	
Inbound and ticketing	Singapore and Cambodia: 70% Other ASEAN: 51% Non-ASEAN: 30%
Inbound	100%
Outbound	0

Source: MIDA, *Hospitality (Hotels & Tourism)*. Viewed at: https://www.mida.gov.my/industries/services/hospitality-hotels-and-tourism/; WTO document WT/TPR/S/366/Rev.1, 25 May 2018; and information provided by the authorities.

4.166. A tourism tax, at the rate of MYR 10 per room per night, is levied on tourists staying at any premises registered under the Tourism Tax Act 2017.[146] Malaysian citizens and permanent residents of Malaysia, certain operators under the Homestay Malaysia Programme, educational institutes, religious or welfare bodies operating accommodation premises, and accommodations with less than four rooms are exempted from the tourism tax.[147] The scope of the tourism tax has been broadened to premises reserved via digital platforms regardless of whether the booking sites are located in or outside Malaysia.[148] This rule has been enforced since 1 July 2021. The registration of digital platform service providers who provide services related to online booking of accommodation premises to tourists began on 1 October 2022, with tourism tax collection beginning on 1 January 2023.

4.167. The Government introduced various measures to alleviate the adverse impact of the COVID-19 pandemic on the tourism sector. The 2022 budget allocated MYR 2.6 billion to support the sector, including MYR 2.0 billion for the Hiring Incentives that provide incentives worth 20%-30% of salary for hiring of unemployed jobseekers and also MYR 600 million for the Wage Subsidy Programme that provided MYR 600 per employee to all eligible employers.[149] Other relief measures include exemption from the tourism tax, income tax relief of MYR 1,000 for domestic tourism expenses, and assistance to arts, culture, entertainment, events, and exhibitions.[150] Under the PENJANA, since 1 July 2020, foreign tourists staying in registered premises have been exempted from the tourism tax, an exemption extended until 31 December 2022.[151]

4.168. The Government has implemented the following financial assistance schemes for the sector:

---

[145] MIDA, *General Policies, Facilities and Guidelines*. Viewed at: https://www.mida.gov.my/wp-content/uploads/2021/04/BOOKLET-1-GENERAL-POLICIES-FACILITIES-AND-GUIDELINES-Chapter1-Getting-Started-Services.pdf; and information provided by the authorities.

[146] Federal Government Gazette, *Tourism Tax (Rate of Tax) Order 2017, P.U.(A) 241*, 22 August 2017.

[147] Federal Government Gazette, *Tourism Tax (Exemption) Order 2017, P.U.(A) 240*, 22 August 2017.

[148] Federal Government Gazette, *Tourism Tax (Rate of Digital Platform Service Provider Tax) Order 2021, P.U.(A) 113*, 16 March 2021; and *Tourism Tax (Digital Platform Service Provider) Regulations 2021, P.U.(A) 153*, 31 March 2021.

[149] Information provided by the authorities.

[150] WTO, *COVID-19 and Trade – Malaysia*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/covid_details_by_country_e.htm?country=MYS.

[151] RMCD, Tourism Tax (TTx) Policy No. 1/2021, TTx Exemption, 18 March 2021; and Tourism Tax (TTx) Policy No. 2/2021, Extension of TTx Exemption, 27 December 2021.

4.169. The PENJANA Tourism Financing (PTF) facility through the BNM[152]: Malaysian SMEs and micro enterprises in core tourism and tourism-related sectors may apply for financial support up to MYR 75,000 and MYR 500,000, respectively, at a financing rate of up to 3.5% per annum over a maximum of seven years including a repayment moratorium of six months. Eligible sectors include tourism accommodation premises; travel agencies and tour operators; transportation of tourists; medical tourism; meetings, incentives, conferences, and exhibitions; money services businesses; capacity-building institutions; and tourism-related retail recreation and wellness.

4.170. The Tourism Infrastructure Scheme (TIS) is a soft loan that finances the acquisition of land, construction of buildings, machinery, and refurbishment/upgrades of existing buildings and facilities in the tourism industry.[153] Eligibility criteria include Malaysian ownership (minimum 51% owned by Malaysians); a minimum paid-up capital of MYR 5 million or minimum 20% of the total financing, whichever is higher; and based on Malaysia Development Bank (BPMB)'s evaluation and credit policy on the financed amount with endorsement from MOTAC. The scheme is effective from 1 January 2021 until 31 December 2023. The Government will be subsidizing the financing rate up to 1.5%. TIS was introduced by the Government for tourism industry operators before the COVID-19 pandemic.

4.171. A wide range of general fiscal incentives are available for investments in the tourism industry, as well as in support of tourism-related activities (Table 4.30).

Table 4.30 Fiscal incentives for tourism projects, 2022

Scheme	Eligibility	Incentive offered
Special relief for individual income tax on domestic tourism expenses under the Strategic Programme to Empower the People and the Economy (PEMERKASA)	Malaysians	The domestic travel income tax relief allowed individuals to claim up to MYR 1,000 in tax relief for travel expenses (effective until 31 December 2022). Eligible expenses include hotel accommodation (only those registered with MOTAC), as well as entrance fees to tourist attractions.
Tourism tax exemption	Malaysian tourists, permanent residents of Malaysia	Exemption from tourist tax at a flat rate of MYR 10/room/night in accordance with Tourism Tax (Exemption) Order 2017.
	Foreign tourists	Exemption from tourism tax at a flat rate of MYR 10/room/night until 31 December 2022 under PENJANA.
Pioneer Status (PS)	Companies undertaking new investments in 1- to 3-star hotels and/or tourism projects	Five-year partial exemption from income tax payments. Requirement to pay tax on only 30% of statutory income, commencing from day of production. Carry-forward of unabsorbed capital allowances and accumulated losses up to 7 consecutive years.
Investment Tax Allowance (ITA)	Companies undertaking new investments in 1- to 3-star and/or tourism projects	Alternative to Pioneer Status. Allowance of 60% on the qualifying capital expenditure incurred within 5 years from date of expenditure. Companies may offset this allowance against 70% of statutory income in the first year of assessment. Carry-forward of unutilized allowances.

[152] BNM, *PENJANA Tourism Financing: FAQ*. Viewed at: https://www.bnm.gov.my/documents/20124/2294076/PTF_FAQ_en.pdf; and Small Medium Enterprise Development Bank Malaysia, *Penjana Tourism Financing (PTF)*. Viewed at: https://www.smebank.com.my/en/financing/programmes/penjana-tourism-financing-ptf.

[153] BPMB, *Tourism Infrastructure Scheme*. Viewed at: https://www.bpmb.com.my/tourism-infrastructure-scheme.

Scheme	Eligibility	Incentive offered
Tax incentives for tourism projects	Expanded to include integrated tourism and sports tourism projects, new investment for international theme park	Integrated tourism and sports tourism projects: Pioneer Status with tax exemption of 70% of statutory income for five years; or ITA of 60% on the qualifying capital expenditure incurred within 5 years. This allowance can be offset against up to 70% of statutory income, effective from 1 January 2020. International Theme Park: Pioneer Status with tax exemption of 100% of statutory income for the five years; or ITA of 100% on the qualifying capital expenditure incurred within 5 years. This allowance can be offset against up to 70% of statutory income, effective from 1 January 2020.
Incentives for reinvestments in hotels and tourism projects	Companies that reinvest in expanding/modernizing 1- to 5-star hotels and/or tourism projects as follows: - Hotel project: 3 rounds - Tourism project: 1 round	Pioneer Status with income tax exemption of 70% for five years. Possibility to carry forward unabsorbed capital allowances and accumulated losses; or ITA of 60% on qualifying capital expenditure within 5 years. The allowance can be offset against 70% of statutory income in each year of assessment. Unutilized allowances can be carried forward up to 7 consecutive years until fully absorbed.
Incentive for healthcare travel	Investment in construction of new private hospitals or expansion renovation of existing ones. Hospitals must be Ministry of Health (MOH)-licensed and MHTC-registered. This incentive is applicable for applications received by MIDA not later than 31 December 2022	ITA of 100% on qualifying capital expenditure within 5 years. The allowance can be offset against 100% of statutory income in each year of assessment. Unutilized allowances can be carried forward until fully absorbed.
Healthcare travel: double deduction for accreditation expenses	Private hospitals incurring expenses in obtaining domestic/international accreditation	Double deduction on expenses incurred in obtaining domestic or internationally recognized accreditation. MOF approves the accreditation body that is recognized by agencies such as SIRIM Berhad, MOH.
Incentives for the luxury yacht industry	Companies constructing luxury yachts; and companies carrying out repair and maintenance services for luxury yachts	Pioneer Status with income tax exemption of 70% for 5 years. Carry-forward of unabsorbed capital allowances and accumulated losses up to 7 years from Year Assessment 2019 onwards; or ITA of 60% on qualifying capital expenditure for 5 years. The allowance can be offset against 70% of statutory income in each year of assessment. Application should be submitted to MIDA. Application received by MIDA from 1 January 2021 until 31 December 2022 is eligible to be considered for this incentive.
Double deduction on overseas promotion and trade fairs	Hotels and tour operators	Double deduction on qualifying expenditure incurred for various promotional activities overseas and for participation in approved international trade fairs in and outside of Malaysia. Claims should be submitted to the Inland Revenue Board (IRB).

Scheme	Eligibility	Incentive offered
Tax exemption for tour operators	Tour operators licensed by MOTAC	Tour operators who bring in at least 750 foreign tourists in groups in a year are exempt from income tax related to the income derived from operating such tours. Under PEMERKASA package, tour operators organizing domestic tour packages involving the participation of least 200 local tourists per year; and inbound tourists for tourism packages to Malaysia are exempt from income tax related to the income derived from operating such tours. Claims should be submitted to the IRB.
Tax exemption for organizing/promoting international conferences and trade exhibitions	Companies promoting/ organizing international conferences in Malaysia	Tax exemption on income earned from bringing at least 500 foreign participants into the country (applies to local companies promoting conferences only). Tax exemption for income earned from organizing approved international trade exhibitions, whereby the organizers bring in at least 500 foreign visitors per year (applies to both local and foreign companies), effective until 2025. Claims should be submitted to the IRB.
Deduction on cultural performances	Companies promoting and managing musical/cultural groups and sponsoring approved cultural performances	Single deduction for expenditure. Ceiling for deductions for local performances is MYR 500,000 per year. Ceiling for deductions for foreign performances is MYR 200,000 per year. Claims should be submitted to the IRB.
Incentive for car rental operators	Car rental operators and tour operators	Car rental operators may receive a full excise duty exemption on purchase of national cars. Tour operators are eligible for a 50% excise duty exemption on locally assembled four-wheel-drive vehicles. Tour operators are eligible for Accelerated Capital Allowance on expenses incurred on the purchase of locally assembled excursion buses with an initial allowance of 20% and an annual allowance of 40%, effective until 2024. Claims should be submitted to the MOF.
Tax exemptions on the value of increased healthcare services exports	Healthcare services offered to foreign clients[a]	Tax exemption of 100% on the value of increased exports subject to 70% of the income for each year of assessment.

a Foreign clients are defined as a company, a partnership, an organization, or a cooperative society that is incorporated or registered outside Malaysia or a non-Malaysian citizen individual or a non-resident Malaysian citizens living abroad and their dependents.

Source: MIDA, *Tourism and Travel Related Services*. Viewed at: https://www.mida.gov.my/wp-content/uploads/2020/07/20200131123840_BOOKLET-9-TOURISM-AND-TRAVEL-RELATED-SERVICES.pdf; and information provided by the authorities.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by HS section and major HS chapter/subheading, 2017-21

HS Section/chapters/subheadings	2017	2018	2019	2020	2021
Total exports (USD billion)	217.7	248.7	240.2	234.1	299.2
	(% of total exports)				
01 Live animals and products	0.6	0.5	0.6	0.6	0.6
02 Vegetable products	0.4	0.4	0.4	0.4	0.4
03 Fats and oils	6.2	4.9	4.9	5.8	6.6
1511 Palm oil and its fractions, not chemically modified	4.5	3.5	3.6	4.2	4.7
04 Prepared food, beverages and tobacco	2.8	2.6	2.7	2.6	2.3
05 Mineral products	16.2	16.4	15.3	12.1	13.2
27 Mineral fuels and oils	15.4	15.7	14.4	11.4	12.5
2710 Petroleum oils (..), other than crude	6.1	6.5	6.2	5.5	6.9
2711 Petroleum gases and other gaseous hydrocarbons	4.7	4.6	4.5	3.3	3.3
06 Chemicals and products thereof	5.6	5.5	5.5	5.0	6.0
29 Organic chemicals	1.7	2.0	1.8	1.5	2.0
38 Miscellaneous chemical products	2.0	1.8	1.8	1.7	2.0
07 Plastics and rubber	6.8	6.8	7.0	8.3	9.0
39 Plastics and articles thereof	3.4	3.8	4.0	3.5	3.4
40 Rubber and articles thereof	3.3	3.0	3.0	4.8	5.6
4015 Articles of apparel and clothing accessories of vulcanised rubber other than hard rubber	1.7	1.8	1.8	3.7	4.4
08 Raw hides and skins; leather, furskins and articles thereof	0.1	0.1	0.1	0.0	0.1
09 Wood, cork, straw	1.6	1.4	1.3	1.0	0.9
10 Pulp of wood; paper and paperboard	0.6	0.6	0.7	0.7	0.7
11 Textiles and textile articles	1.4	1.3	1.4	1.2	1.1
12 Footwear, headgear, etc.	0.1	0.1	0.1	0.1	0.1
13 Articles of stone, plaster, cement	0.8	0.8	0.9	0.9	0.9
14 Precious stones and metals	1.4	1.3	1.1	0.7	0.8
15 Base metals and articles thereof	5.6	6.1	6.4	6.2	7.3
72 Iron and steel	1.1	1.3	2.0	2.2	2.2
74 Copper and articles thereof	1.0	1.2	1.2	0.9	1.1
76 Aluminium and articles thereof	1.5	1.6	1.6	1.6	2.4
16 Machinery, electrical equipment	42.6	43.7	43.2	45.5	42.8
84 Machinery and mechanical appliances, parts thereof	11.0	10.2	9.1	8.6	8.4
8471 Automatic data processing machines and units thereof (..)	3.9	3.8	2.8	2.1	2.1
85 Electrical and electronic equipment	31.6	33.5	34.2	36.9	34.4
8517 Telephone sets, including telephones for cellular networks (..)	1.8	1.5	1.7	2.3	2.1
8523 Discs, tapes, solid-state non-volatile storage devices, other media for the recording of sound (..)	1.8	1.8	1.8	2.5	2.2
8541 Diodes, transistors, similar semiconductor devices (..)	3.9	3.5	3.6	3.3	2.8
8542 Electronic integrated circuits	15.1	18.4	18.6	21.0	19.9
17 Transport equipment	1.7	1.8	1.9	1.9	1.3
18 Precision equipment	3.8	4.0	4.5	4.9	4.4
90 Optical, photo, technical, medical, etc apparatus	3.6	3.8	4.3	4.7	4.2
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.5	1.4	1.6	1.9	1.5
94 Furniture, lighting, signs, prefabricated buildings	1.2	1.1	1.3	1.5	1.2
21 Works of art, etc.	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.4	0.3	0.2	0.2

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.2 Merchandise imports by HS section and major HS chapter/subheading, 2017-21

HS Section/chapters/subheadings	2017	2018	2019	2020	2021
Total imports (USD billion)	194.7	218.0	205.0	190.4	238.2
	(% of total imports)				
01 Live animals and products	1.4	1.3	1.4	1.5	1.4
02 Vegetable products	2.4	2.3	2.4	2.8	2.5
10 Cereals	0.7	0.8	0.8	0.9	0.9
03 Fats and oils	0.8	0.8	0.8	1.1	1.5
04 Prepared food, beverages and tobacco	3.2	3.0	3.1	3.4	3.2
05 Mineral products	14.0	15.7	16.0	13.3	14.1
26 Ores, slag and ash	1.0	1.1	1.2	1.2	1.4
27 Mineral fuels and oils	12.8	14.4	14.6	11.9	12.5
2701 Coal; briquettes, ovoids and similar solid fuels manufactured from coal	1.3	1.5	1.4	1.2	1.7
2710 Petroleum oils and oils from bituminous minerals, not crude	2.0	2.6	3.2	2.4	1.5
2711 Petroleum gases and other gaseous hydrocarbons	8.6	9.3	8.5	7.0	8.4
06 Chemicals and products thereof	7.3	7.6	7.5	7.4	8.2
28 Inorganic chemicals	1.2	1.2	1.1	1.2	1.3
29 Organic chemicals	1.9	2.0	1.9	1.6	1.9
30 Pharmaceutical products	0.7	0.7	0.8	0.9	1.1
38 Miscellaneous chemical products	1.5	1.7	1.8	1.8	2.0
07 Plastics and rubber	6.0	5.7	6.1	6.2	6.5
39 Plastics and articles thereof	4.0	4.0	4.4	4.2	4.0
40 Rubber and articles thereof	2.0	1.7	1.8	2.0	2.4
08 Raw hides and skins; leather, furskins and articles thereof	0.3	0.3	0.3	0.3	0.2
09 Wood, cork, straw	0.4	0.4	0.4	0.4	0.5
10 Pulp of wood; paper and paperboard	1.2	1.2	1.3	1.2	1.2
11 Textiles and textile articles	1.9	1.9	1.8	1.7	1.4
12 Footwear, headgear, etc.	0.4	0.3	0.3	0.3	0.2
13 Articles of stone, plaster, cement	0.8	0.8	0.8	0.8	0.7
14 Precious stones and metals	2.3	2.2	1.9	2.0	2.7
7108 Gold unwrought, semi-manufactured forms, or in powder form	1.6	1.4	1.2	1.2	1.8
15 Base metals and articles thereof	8.4	8.6	9.0	8.8	8.6
72 Iron and steel	2.7	3.0	3.2	2.7	3.1
73 Articles of iron and steel	1.5	1.4	1.3	1.3	1.3
74 Copper and articles thereof	1.8	1.8	1.7	1.3	1.8
76 Aluminium and articles thereof	1.3	1.6	1.8	2.6	1.7
16 Machinery, electrical equipment	39.8	38.6	37.4	39.5	39.1
84 Machinery and mechanical appliances, parts thereof	11.7	10.6	10.1	9.4	9.1
8471 Automatic data processing machines and units thereof (..)	1.5	1.5	1.3	1.3	1.5
85 Electrical machineries and parts thereof	28.1	28.0	27.2	30.1	30.0
8517 Telephone sets, including telephones for cellular networks (..)	2.1	2.1	2.0	2.1	1.8
8534 Printed circuits	1.0	1.0	1.1	1.3	1.3
8541 Diodes, transistors, similar semiconductor devices	1.9	1.7	1.5	1.7	1.8
8542 Electronic integrated circuits	15.9	16.0	15.6	17.5	18.0
17 Transport equipment	5.0	5.2	4.8	4.6	3.4
87 Vehicles other than railway, tramway	2.8	2.9	3.2	2.4	2.5
8708 Parts and accessories of motor vehicles	1.2	1.2	1.3	1.1	1.1
18 Precision equipment	3.2	2.8	3.1	3.1	2.9
90 Optical, photo, technical, medical, (..) apparatus	2.9	2.5	2.8	2.8	2.7
19 Arms and ammunition	0.01	0.01	0.01	0.0	0.0
20 Miscellaneous manufactured articles	1.0	0.9	1.0	1.1	1.0
21 Works of art, etc.	0.01	0.01	0.02	0.04	0.016
Other	0.38	0.40	0.50	0.58	0.56

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.3 Merchandise exports by destination, 2017-21

	2017	2018	2019	2020	2021
Total exports (USD billion)	217.7	248.7	240.2	234.1	299.2
	(% of total exports)				
Americas	11.8	11.1	11.8	13.2	14.0
United States	9.5	9.1	9.7	11.1	11.5
Other America	2.3	2.0	2.0	2.1	2.5
Mexico	1.0	0.8	0.9	0.9	0.9
Canada	0.4	0.4	0.4	0.4	0.5
Brazil	0.4	0.4	0.4	0.3	0.3
Costa Rica	0.0	0.0	0.0	0.1	0.3
Europe	12.0	11.1	10.8	10.8	10.6
EU-27	9.2	9.0	8.8	8.6	8.4
Netherlands	2.9	2.6	2.6	2.4	2.5
Germany	2.9	2.8	2.6	2.5	2.3
Italy	0.5	0.6	0.5	0.6	0.6
Belgium	0.5	0.5	0.5	0.5	0.5
France	0.6	0.6	0.6	0.5	0.5
Spain	0.3	0.4	0.5	0.4	0.4
EFTA	0.6	0.3	0.3	0.3	0.2
Other Europe	2.2	1.7	1.7	1.9	2.0
Türkiye	1.1	0.8	0.7	0.8	1.1
United Kingdom	1.0	0.9	0.9	1.0	0.8
CIS[a]	0.4	0.4	0.5	0.4	0.4
Russian Federation	0.3	0.3	0.4	0.3	0.3
Africa	2.2	1.9	1.9	2.0	2.4
Kenya	0.1	0.1	0.2	0.2	0.4
Middle East	2.7	2.3	2.2	1.9	2.1
United Arab Emirates	1.3	1.1	1.1	0.9	0.9
Saudi Arabia, Kingdom of	0.5	0.4	0.4	0.4	0.4
Asia	70.9	73.2	72.9	71.7	70.5
China	13.5	13.9	14.2	16.2	15.5
Japan	8.1	7.0	6.6	6.4	6.1
Other Asia	49.3	52.3	52.1	49.2	48.9
Singapore	14.3	14.0	13.8	14.4	14.0
Hong Kong, China	5.1	7.5	6.7	6.9	6.2
Thailand	5.4	5.7	5.7	4.6	4.2
Viet Nam	3.0	3.4	3.6	3.1	3.7
India	3.7	3.6	3.9	3.1	3.6
Chinese Taipei	2.6	3.3	3.7	3.4	3.3
Indonesia	3.6	3.2	3.1	3.0	3.2
Korea, Republic of	3.1	3.4	3.4	3.5	3.0
Australia	3.5	3.3	2.9	2.5	2.8
Philippines	1.8	1.7	1.9	1.8	1.8
Bangladesh	0.7	0.9	1.0	0.5	0.8
Pakistan	0.5	0.5	0.5	0.5	0.5
Brunei Darussalam	0.2	0.2	0.2	0.3	0.5
New Zealand	0.5	0.5	0.5	0.4	0.4
Other	0.01	0.01	0.01	0.01	0.01
Memorandum:					
EU-28	10.2	9.8	9.7	9.6	9.2
ASEAN	28.9	28.6	28.8	27.7	27.7

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.4 Merchandise imports by origin, 2017-21

	2017	2018	2019	2020	2021
Total imports (USD billion)	194.7	218.0	205.0	190.4	238.2
	(% of total imports)				
Americas	10.5	9.8	10.7	11.6	10.4
United States	7.8	7.4	8.1	8.7	7.6
Other America	2.7	2.4	2.6	2.9	2.8
Brazil	1.1	0.9	0.9	1.1	1.2
Argentina	0.6	0.5	0.5	0.6	0.7
Canada	0.4	0.4	0.4	0.4	0.4
Mexico	0.2	0.2	0.2	0.2	0.2
Europe	11.5	11.2	10.5	9.5	9.7
EU-27	8.8	8.8	8.4	7.4	7.8
Germany	3.1	3.0	3.2	2.9	2.6
Ireland	0.4	0.5	0.5	0.3	1.3
Italy	0.9	0.8	0.8	0.8	0.8
France	1.5	1.9	1.3	0.8	0.7
Netherlands	0.9	0.8	0.7	0.5	0.5
Belgium	0.3	0.3	0.4	0.4	0.4
Austria	0.3	0.3	0.3	0.2	0.3
EFTA	1.7	1.3	0.9	0.9	0.9
Switzerland	1.4	1.2	0.8	0.8	0.8
Other Europe	1.1	1.1	1.2	1.2	1.1
United Kingdom	0.8	0.8	0.9	0.8	0.7
Türkiye	0.2	0.2	0.2	0.3	0.3
CIS[a]	0.5	0.6	0.6	0.5	0.5
Russian Federation	0.4	0.5	0.5	0.4	0.5
Africa	1.4	1.4	1.6	1.5	1.6
Côte d'Ivoire	0.3	0.2	0.3	0.4	0.4
Middle East	3.8	4.6	4.9	4.7	3.4
Saudi Arabia, Kingdom of	1.3	2.0	2.2	2.0	1.3
United Arab Emirates	1.6	1.3	1.8	1.5	1.2
Oman	0.2	0.3	0.2	0.3	0.3
Asia	72.2	72.3	71.7	72.2	74.3
China	19.7	19.9	20.7	21.5	23.2
Japan	7.6	7.3	7.5	7.7	7.5
Other Asia	45.0	45.1	43.5	43.0	43.6
Singapore	11.1	11.7	10.5	9.2	9.5
Chinese Taipei	6.5	7.2	6.7	7.3	7.6
Indonesia	4.5	4.6	4.6	4.6	5.7
Korea, Republic of	4.7	4.5	4.6	5.8	5.1
Thailand	5.8	5.5	5.2	4.3	4.6
India	3.2	3.0	2.9	3.1	2.5
Viet Nam	2.7	2.2	2.3	2.3	2.4
Australia	2.4	2.5	2.7	2.5	2.3
Hong Kong, China	1.7	1.7	1.7	1.8	1.8
Philippines	1.1	1.0	1.1	1.1	1.0
New Zealand	0.4	0.4	0.4	0.4	0.3
Other	0.1	0.1	0.04	0.1	0.02
Memorandum:					
EU-28	9.6	9.6	9.3	8.2	8.5
ASEAN	25.7	25.6	24.2	21.9	23.6

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A2.1 WTO notifications, 27 November 2017 to 31 August 2022

Agreement	Requirement/content	Periodicity	WTO document and date (latest document if recurrent)
Agreement on Agriculture			
Articles 10 and 18.2	Tables ES:1 and ES:2 – Export subsidies	Annual	G/AG/N/MYS/52, 27/06/2022 and Add.1, 21/07/2022 G/AG/N/MYS/49, 50, and 51, 28/09/2021 G/AG/N/MYS/46, 47, and 48, 28/09/2021 G/AG/N/MYS/41, 17/01/2018 G/AG/N/MYS/40, 16/01/2018
Article 18.2	Tables DS:1 and DS:2 – Domestic support	Annual	G/AG/N/MYS/53, 08/08/2022 G/AG/N/MYS/43, 44, and 45, 21/12/2018
Article 18.2	Table MA:2 – imports under tariff quotas	Annual	G/AG/N/MYS/42, 17/01/2018
Enabling clause – integration			
Enabling clause	Transparency mechanism for Regional Trade Agreements, paragraph 14 – Protocol amending the Framework Agreement on Comprehensive Economic Co-operation and certain Agreements thereunder between ASEAN and China	*Ad hoc*	WT/COMTD/N/20/Add.2 S/C/N/463/Add.1, 09/02/2022
Enabling clause	Regional Trade Agreement: ASEAN and Korea, Rep. of; re-circulation of documentation		WT/COMTD/RTA13/N/1, 14/01/2020
Enabling clause	ASEAN Trade in Goods Agreement (ATIGA)	*Ad hoc*	WT/COMTD/RTA21/N/1 and Add.1, 20/09/2021
GATS			
Article V:7(a)	Regional trade agreements	*Ad hoc*	S/C/N/1043, 11/02/2021 S/C/N/920, 20/12/2018
Agreement on Implementation of Article VI of the GATT 1994 (Anti-dumping)			
Article 16.4	Semi-annual reports of anti-dumping actions (taken within the preceding six months)	Semi-annual	G/ADP/N/370/MYS, 26/08/2022 G/ADP/N/364/MYS, 25/02/2022 G/ADP/N/357/MYS, 07/10/2021 G/ADP/N/350/MYS, 06/04/2021 and Corr.1, 06/10/2021 G/ADP/N/342/MYS, 28/09/2020 G/ADP/N/335/MYS, 27/03/2020 G/ADP/N/328/MYS, 21/10/2019 G/ADP/N/322/MYS, 04/02/2019 G/ADP/N/314/MYS, 16/10/2018 G/ADP/N/308/MYS, 26/03/2018
Article 16.5	Competent authority		G/ADP/N/14/Add.55, 20/10/2021
Agreement Implementation of Article XXIV:7(a) of the GATT 1994 (Free trade areas)			
Article XXIV of the GATT 1994 (goods)	ASEAN Trade in Goods Agreement (ATIGA)	*Ad hoc*	WT/REG457/N/1 and Add.1, 21/09/2021
Article XXIV of the GATT 1994 (goods)	Free trade agreement between ASEAN and Hong Kong, China (AHKFTA)	*Ad hoc*	WT/REG448/N/1, 11/02/2021
Article XXIV of the GATT 1994 (goods)	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	*Ad hoc*	WT/REG395/N/1, 20/12/2018
Agreement on Rules of Origin			
Paragraph 4 of Annex II	Preferential rules of origin under the ATIGA	*Ad hoc*	G/RO/N/229, 16/11/2021
Paragraph 4 of Annex II	Preferential rules of origin under the FTA between ASEAN and Hong Kong, China (AHKFTA)	*Ad hoc*	G/RO/N/221, 29/04/2021
Paragraph 4 of Annex II	Preferential rules of origin under Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	*Ad hoc*	G/RO/N/183, 15/04/2019
Understanding on the Interpretation of Article XVII of the GATT 1994 (State trading)			
Article XVII:4(a)	State trading activities	Annual	G/STR/N/17/MYS – G/STR/N/18/MYS, 15/10/2021

Agreement	Requirement/content	Periodicity	WTO document and date (latest document if recurrent)
Agreement on Import Licensing Procedures			
Article 7.3	Replies to questionnaire on import licensing procedures	Annual	G/LIC/N/3/MYS/15, 28/01/2021 G/LIC/N/3/MYS/14, 08/04/2020 and Corr.1, 24/04/2020 G/LIC/N/3/MYS/13, 19/03/2018
Decision on Notification Procedures for Quantitative Restrictions			
G/L/59/Rev.1	Notification of QRs	Biannual	G/MA/QR/N/MYS/1, 06/10/2020 and Add.1, 23/09/2021
Agreement on Safeguards			
Article 12.1(a) Decision of the Committee on Safeguards	Initiation of investigations Termination	*Ad hoc* *Ad hoc*	G/SG/N/6/MYS/6, 23/09/2020 G/SG/N/9/MYS/3, 15/01/2021
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7, Annex B	Laws, regulations and emergency measures	*Ad hoc*	G/SPS/N/MYS/50, 51, 52, and 53, 11/08/2021 G/SPS/N/MYS/49, 22/03/2021 G/SPS/N/MYS/48, 25/01/2021 G/SPS/N/MYS/47, 04/09/2020 G/SPS/N/MYS/44, 45, and 46, 31/03/2020 G/SPS/N/MYS/43, 17/12/2018 G/SPS/N/MYS/42, 19/07/2018 G/SPS/N/MYS/41, 01/02/2018
Agreement on Subsidies and Countervailing Measures			
Article 25.1 and Article XVI:1 of the GATT 1994	Subsidies	Full notification every three years; annual updating	G/SCM/N/372/MYS, 30/06/2021 G/SCM/N/343/MYS, 03/07/2020
Article 25.11	Countervailing duty actions	Semi-annual	G/SCM/N/371/Add.1, 15/04/2021 G/SCM/N/363/Add.1, 14/10/2020 G/SCM/N/356/Add.1, 04/05/2020 G/SCM/N/349/Add.1, 15/11/2019 G/SCM/N/342/Add.1, 24/04/2019 G/SCM/N/334/Add.1, 19/10/2018 G/SCM/N/328/Add.1, 20/04/2018
Article 25.12	Competent authority	*Ad hoc*	G/SCM/N/18/Add.55, 20/10/2021
Agreement on Technical Barriers to Trade			
Article 2.10	Notification of technical regulations	*Ad hoc*	G/TBT/N/MYS/93, 02/07/2019 G/TBT/N/MYS/92, 02/07/2019
Article 2.9	Technical regulations	*Ad hoc*	[28] notifications (series G/TBT/N/MYS/ or see https://eping.wto.org/)
Articles 2.9 and 5.6	Technical regulations and conformity assessment procedures	*Ad hoc*	G/TBT/N/MYS/107, 110, 111, 112, and 113, 06/01/2022 G/TBT/N/MYS/102 and 103, 15/06/2020
Article 5.6	Conformity assessment procedures	*Ad hoc*	G/TBT/N/MYS/90, 11/06/2019
Agreement on Implementation of Article VII of the GATT 1994 (Customs valuation)			
Decisions of the Customs Valuation Committee	Valuation of carrier media bearing software Treatment of interest charges	*Ad hoc*	G/VAL/N/3/MYS/2, 18/01/2018 G/VAL/N/3/MYS/1, 18/01/2018
Agreement on Trade Facilitation			
Articles 1.4, 10.4.3, 10.6.2, and 12.2.2	Transparency obligations	*Ad hoc*	G/TFA/N/MYS/2, 14/10/2020
Articles 7.8, 11.9, and 16	Notification of category commitments	*Ad hoc*	G/TFA/N/MYS/1/Add.2, 09/08/2021 G/TFA/N/MYS/1/Add.1, 03/07/2019 G/TFA/N/MYS/1, 27/11/2017

Source: WTO Secretariat.

Table A3.1 Malaysia's MFN tariff summary, 2022

	Number of lines[a]	Range (%)	Average (%)	CV[b]	Duty free (%)
Total	**11,435 (27)**	**0-452.8**	**7.6**	**1.8**	**57.4**
HS 01-24	1,826 (27)	0-452.8	5.5	4.0	72.7
HS 25-97	9,609	0-60	7.9	1.4	54.5
By WTO category					
WTO agricultural products	1,441 (27)	0-452.8	7.0	3.6	66.6
Animals and products thereof	161	0-50	3.8	2.8	85.7
Dairy products	47	0-50	3.6	3.4	85.1
Fruit, vegetables, and plants	374	0-110.8	3.9	3.1	75.7
Coffee and tea	48	0-15	5.0	1.1	47.9
Cereals and preparations	205	0-50	8.1	1.6	55.6
Oils seeds, fats, oil and their products	237	0-20	2.5	1.3	56.1
Sugars and confectionery	33	0-15	2.9	2.0	78.8
Beverages, spirits and tobacco	135 (27)	0-452.8	44.9	1.6	12.6
Cotton	5	0	0.0	0.0	100.0
Other agricultural products, n.e.s.	196	0-25	0.7	4.7	92.3
WTO non-agricultural products	9,994	0-60	7.6	1.4	56.1
Fish and fishery products	467	0-20	0.6	3.7	92.1
Minerals and metals	1,600	0-60	9.0	1.2	39.2
Chemicals and photographic supplies	1,624	0-50	4.0	2.0	75.9
Wood, pulp, paper and furniture	615	0-35	9.5	1.1	46.3
Textiles	864	0-30	9.2	0.8	33.2
Clothing	352	0-20	0.1	11.9	99.1
Leather, rubber, footwear and travel goods	339	0-40	11.6	1.2	46.0
Non-electric machinery	1,336	0-35	4.9	1.9	67.4
Electric machinery	790	0-30	4.9	1.7	67.6
Transport equipment	1,174	0-50	19.0	0.7	21.3
Non-agricultural products, n.e.s.	788	0-50	5.8	1.7	65.1
Petroleum	45	0-5	0.3	3.7	93.3
By ISIC Rev.2 sector					
ISIC 1 – Agriculture, hunting and fishing	717	0-452.8	4.3	5.1	83.7
ISIC 2 – Mining	121	0-30	1.0	3.8	89.3
ISIC 3 – Manufacturing	10,596 (27)	0-321.8	7.9	1.6	55.3
Manufacturing excluding food processing	9,407	0-60	8.1	1.4	53.7
ISIC 4 – Electrical energy	1	0	0.0	0.0	100.0
By stage of processing					
First stage of processing	1,179	0-452.8	3.5	5.1	85.8
Semi-processed products	3,017	0-50	6.3	1.3	55.2
Fully processed products	7,239 (27)	0-321.8	8.7	1.6	53.7
By HS section					
01 Live animals and products	624	0-50	2.1	4.2	90.7
02 Vegetable products	513	0-110.8	3.8	3.1	79.3
03 Fats and oils	187	0-20	3.0	1.1	48.7
04 Prepared food, beverages and tobacco	502 (27)	0-452.8	13.0	3.0	52.6
05 Mineral products	219	0-50	1.5	3.7	88.1
06 Chemicals and products thereof	1,353	0-50	2.0	3.2	86.9
07 Plastics, rubber, and articles thereof	600	0-40	13.7	0.8	27.5
08 Raw hides and skins, leather, and its products	92	0-10	0.3	5.4	96.7
09 Wood and articles of wood	267	0-35	9.7	1.1	49.1
10 Pulp of wood, paper and paperboard	310	0-25	11.1	0.8	33.2
11 Textiles and textile articles	1,180	0-30	6.2	1.2	53.7
12 Footwear, headgear, etc.	92	0-30	5.1	1.7	68.5
13 Articles of stone, plaster, cement	266	0-60	17.6	0.8	25.6
14 Precious stones and metals, pearls	80	0-10	0.7	3.2	90.0
15 Base metals and articles thereof	1,073	0-30	9.1	0.9	29.1
16 Machinery, electrical equipment, etc.	2,212	0-35	4.7	1.9	69.3
17 Transport equipment	1,188	0-50	18.9	0.7	21.7
18 Precision equipment	313	0-35	0.4	7.2	96.8
19 Arms and ammunition	32	0-30	14.4	0.9	15.6
20 Miscellaneous manufactured articles	313	0-50	10.8	1.1	37.7
21 Works of art, etc.	19	0-5	1.1	1.9	78.9

a Number in brackets refers to tariff lines with a specific rate that have been excluded from the calculations due to missing AVEs.
b Coefficient of variation.

Note: Calculations exclude in-quota rates, but include AVEs, as available, for non-*ad valorem* rates. If not available, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3.2 Excise duties

Tariff code	Description	Excise duty rate
2009	**Fruit or nut juices and vegetable juices**	
2009110000; 2009120000; 2009190000; 2009210000; 2009290000; 2009310000; 2009390000; 2009410000; 2009490000; 2009500000; 2009610000; 2009690000; 2009710000; 2009790000; 2009811000; 2009819000; 2009891000; 2009892000; 2009893000; 2009894000; 2009899100; 2009899900; 2009901000; 2009909100; 2009909900	- - Grapefruit juice; pomelo juice - - Juice of any other single citrus fruit - - Pineapple juice - - Tomato juice - - Grape juice (including grape must) - - Apple juice - - Juice of any other single fruit, nut or vegetable	MYR 0.40 per litre
2202	**Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit, nut or vegetable juices of heading 20.09**	
2202102000; 2202103000; 2202109000	- Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	MYR 0.40 per litre
2202910000	- - Non-alcoholic beer	MYR 0.40 per litre
2202991000	- - Flavoured UHT milk based drinks	MYR 0.40 per litre
2202992000	- - Soya milk drinks	MYR 0.40 per litre
2202993000	- - Coconut water based drinks	MYR 0.40 per litre
2202994000	- - Coffee based drinks or coffee flavoured drinks	MYR 0.40 per litre
2202995000	- - Other non-aerated beverages ready for immediate consumption without dilution	MYR 0.40 per litre
2202999000	- - Other	MYR 0.40 per litre
2203	**Beer made from malt**	
2203001100; 2203001900; 2203009100; 2203009900	- Stout and porter - Other, including ale	MYR 175.00[a]
2204	**Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09**	
2204100000	- Sparkling wine	MYR 450.00[a]
2204211100; 2204211300; 2204211400; 2204212100; 2204212200; 2204221100; 2204221200; 2204221300; 2204222200; 2204291100; 2204291200; 2204292100; 2204292200;	- Other wine; grape must with fermentation prevented or arrested by the addition of alcohol	MYR 150.00[a]
2204301000; 2204302000;	- Other grape must	
2205	**Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances**	
2205101000; 2205102000; 2205901000; 2205902000	- - In containers holding 2l or less - - Other	MYR 150.00[a]
2206	**Other fermented beverages**	
2206001000	- Cider and perry	MYR 60.00[a]
2206002000	- Saké	MYR 60.00[a]
2206003100; 2206003900	- Coconut palm toddy	MYR 40.00[a]
2206004100; 2206004900	- Shandy	MYR 60.00[a]
2206005000	- Mead	MYR 40.00[a]
2206006000	- Wines obtained by the fermentation of vegetables juices or of fruit juices, other than juice of fresh grapes	MYR 60.00[a]
2206009100	- - Other rice wine (including medicated rice wine)	MYR 60.00[a]
2206009900	- - Other	MYR 40.00[a]
2207	**Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength**	
2207100000	- Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher	MYR 22.50[a] and 15%
2207201100; 2207201900; 2207209000	- Ethyl alcohol and other spirits, denatured, of any strength	MYR 1.10 and 15%
2208	**Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages**	
	- Spirits obtained by distilling grape wine or grape marc:	
2208205000	- - Brandy	MYR 150.00[a]
2208209000	- - Other	MYR 150.00[a]
2208301000; 2208309000	- - Whiskies	MYR 150.00[a]
2208400000	- Rum and other spirits obtained by distilling fermented sugarcane products	MYR 150.00[a]
2208500000	- Gin and Geneva	MYR 150.00[a]
2208600000	- Vodka	MYR 150.00[a]
2208701000; 2208709000	- Liqueurs and cordials	MYR 60.00[a]
2208901000	- - Medicated samsu of an alcoholic strength by volume not exceeding 40% vol.	MYR 60.00[a]

Tariff code	Description	Excise duty rate
2208902000	- - Medicated samsu of an alcoholic strength by volume exceeding 40% vol.	MYR 60.00[a]
2208903000	- - Other samsu of an alcoholic strength by volume not exceeding 40% vol.	MYR 60.00[a]
2208904000	- - Other samsu of an alcoholic strength by volume exceeding 40% vol.	MYR 60.00[a]
2208905000	- - Arrack or pineapple spirit of an alcoholic strength by volume not exceeding 40% vol.	MYR 60.00[a]
2208906000	- - Arrack or pineapple spirit of an alcoholic strength by volume exceeding 40% vol.	MYR 60.00[a]
2208907000	- - Bitters and similar beverages of an alcoholic strength not exceeding 57% vol.	MYR 40.00[a]
2208908000	- - Bitters and similar beverages of an alcoholic strength exceeding 57% vol.	MYR 40.00[a]
2208909100	- - Other: Of an alcoholic strength by volume not exceeding 1.14% vol.	MYR 60.00[a]
2208909900	- - Other: other	MYR 60.00[a]
2402	**Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes**	
2402100000	- Cigars, cheroots and cigarillos, containing tobacco	MYR 400.00
	- Cigarettes containing tobacco	
2402201000	- - Beedies	MYR 7.50 and 5%
2402202000	- - Clove cigarettes	MYR 0.40 per stk
2402209000	- - Other	MYR 0.40 per stk
2402901000	- - Cigars, cheroots and cigarillos of tobacco substitutes	MYR 400.00
2402902000	- - Cigarettes of tobacco substitutes	MYR 0.40 per stk
2403	**Other manufactured tobacco and manufactured tobacco substitutes; "homogenized" or "reconstituted" tobacco; tobacco extracts and essences**	
	- Smoking tobacco, whether or not containing tobacco substitutes in any proportion:	
	- - Water pipe tobacco specified in Subheading Note 1 to this Chapter:	
2403111000	- - - Packed for retail sale	MYR 27.00 and 5%
2403119000	- - - Other	MYR 15.00 and 5%
	- - Other:	
	- - - Packed for retail sale:	
2403191100	- - - - Ang Hoon	MYR 27.00 and 5%
2403191900	- - - - Other	MYR 27.00 and 5%
2403192000	- - - Other manufactured tobacco for the manufacture of cigarettes	MYR 15.00 and 5%
	- - - Other	
2403199100	- - - - Ang Hoon	MYR 15.00 and 5%
2403199900	- - - - Other	MYR 15.00 and 5%
240391	- - Homogenized or "reconstituted" tobacco:	
2403911000	- - - Packed for retail sale	MYR 27.00 and 5%
240399	- - Other:	
2403994000	- - Snuff, whether or not dry	MYR 27.00 and 5%
2404	**Products containing tobacco, reconstituted tobacco, nicotine, or tobacco or nicotine substitutes, intended for inhalation without combustion; other nicotine containing products intended for the intake of nicotine into the human body**	
	- Products intended for inhalation without combustion:	
2404110000	- - Containing tobacco or reconstituted tobacco	MYR 778.00 per kg of tobacco content
3824	**Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included**	
3824999910	- - - - Preparation of a kind used for smoking through electronic cigarette and electric vaporizing device, in form of liquid or gel	MYR 0.40 per litre

Tariff code	Description	Excise duty rate
8543	**Electrical machines and apparatus, having individual functions, not specified or included elsewhere in this Chapter**	
8543400000	- Electronic cigarettes and similar personal electric vaporizing devices	10%
8703 (various – 241 tariff lines)	**Motor cars and other motor vehicles principally designed for the transport of persons, including station wagons and racing cars**	
By type of engine:		
	Of a cylinder capacity: - not exceeding 1,000cc - exceeding 1,000cc but not exceeding 1,500cc - not exceeding 1,000cc - exceeding 1,000cc but not exceeding 1,500cc	60%
	Of a cylinder capacity: - exceeding 1,500cc but not exceeding 1,800cc - not exceeding 1,000cc - exceeding 1,000cc - exceeding 1,000cc but not exceeding 1,500cc	65%
	Of a cylinder capacity: - exceeding 1,000cc but not exceeding 1,500cc - exceeding 1,500cc but not exceeding 1,800cc - exceeding 1,800cc but not exceeding 2,000cc - not exceeding 1,000cc	75%
	Of a cylinder capacity exceeding 1,800cc but not exceeding 2,000cc	80%
	Of a cylinder capacity: - exceeding 1,500cc but not exceeding 2,500cc - exceeding 1,500cc but not exceeding 3,000cc - exceeding 1,800cc but not exceeding 2,500cc - exceeding 1,800cc but not exceeding 3,000cc - exceeding 2,000cc - exceeding 2,000cc but not exceeding 2,500cc	90%
	Of a cylinder capacity: - exceeding 2,500cc - exceeding 3,000cc - exceeding 2,500cc but not exceeding 3,000cc	105%
8703809200; 8703809400; 8703809500; 8703809700; 8703809800; 8703809900	- - - Other vehicles, with only electric motor for propulsion	10%
8703909200	- - - All-Terrain Vehicles (ATV)	65%
8703909400	- - - Hearses	65%
8703909500	- - - Prison vans	65%
8703909700	- - - Sedan	60%
8703909800	- - - Other motor cars (including station wagons and sports cars, but not including vans)	60%
8703909900	- - - Other	65%
8711	**Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars**	
871110	- Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars	
8711109200	- - - Mopeds or motorized bicycles	20%
8711109400	- - - Powered kick scooters; pocket motorcycles	20%
8711109500	- - - Other motorcycles and motor scooters	20%
8711109900	- - - Other	20%
871120	- With internal combustion piston engine of a cylinder capacity exceeding 50cc but not exceeding 250cc:	
8711209200	- - - Mopeds or motorized bicycles	20%
8711209300	- - - Pocket motorcycles	20%
	- - - Other motorcycles (with or without side-cars), including motor scooters:	
8711209400	- - - - Of a cylinder capacity exceeding 150cc but not exceeding 200cc	30%
8711209500	- - - - Of a cylinder capacity exceeding 200cc but not exceeding 250cc	30%
8711209600	- - - - Other	20%
8711209900	- - - - Other	20%
871130	- With internal combustion piston engine of a cylinder capacity exceeding 250cc but not exceeding 500cc	
8711209900	- - Other	30%
871140	- With internal combustion piston engine of a cylinder capacity exceeding 500cc but not exceeding 800cc:	
8711409000	- - Other	30%

Tariff code	Description	Excise duty rate
871150	- With internal combustion piston engine of a cylinder capacity exceeding 800cc:	
8711509000	- - Other	30%
871160	-With electric motor for propulsion:	
8711609200	- - - Kick scooters; self-balancing cycle; pocket motorcycles	10%
8711609300	- - - Other motorcycles	10%
8711609400	- - - Bicycles, with an auxiliary electric motor not exceeding 250 W and with the maximum speed not exceeding 25 km/h	10%
8711609500	- - - Other bicycles	10%
8711609900	- - - Other	30%
8711909000	- - - Other	30%
9504	**Video game consoles and machines, table or parlour games, including pintables, billiards, special tables for casino games and automatic bowling equipment, amusement machines operated by coins, banknotes, bank cards, tokens or by any other means of payment**	
9504400000	- Playing cards	10%
	- - Gambling equipment and paraphernalia:	
9504903400	- - - Mahjong tiles, of wood or of paper or of plastics	10%
9504903500	- - - Other Mahjong tiles	5%
9614	**Smoking pipes (including pipe bowls) and cigar or cigarette holders, and parts thereof**	
9614009010	- - Smoking pipes (including pipe bowls)	10%

a Unit: per 100% vol. per litre.

Source: Federal Government Gazette, *Excise Duties Order 2022, P.U.(A) 163*, 23 May 2022.

Table A3.3 Import prohibitions and licensing (Second Schedule)

Item no.	Description of goods	Ministry/department/statutory body issuing licence
Part I Goods which are prohibited to be imported into Malaysia except under an import licence		
1	(1) Acetyl bromide (2) Acetyl chloride	MOH
2	(1) Logs; wood in the rough, whether or not stripped of its bark or merely roughed down, wood roughly squared or half – squared but not further manufactured; and baulks; (2) Poles and piles, of Bakau (Rhizophora spp.); (3) Plywood, veneered panels and similar laminated wood; (4) Sawn Timber; (5) Particleboard/Chipboard; (6) Fibreboard.	For importation into Peninsular Malaysia and Labuan: Malaysian Timber Industry Board and Department of Agriculture Forestry Department of Sabah For importation into Sabah and Sarawak: Department of Agriculture of Sabah and Sarawak Timber Industry Development Corporation (STIDC)
3	Motor vehicles for the transport of: (1) 10 or more persons, including the driver; (2) less than 10 persons (excluding go-karts, ambulances, golf cars and golf buggies, all-terrain vehicles (ATV) and motorhomes); and (3) goods.	MITI
4	(1) Nicotine and its salt; (2) Essential oils containing nicotine; (3) Preparations containing nicotine, in the form of tablets and chewing gum intended to assist smokers to stop smoking; (4) Preparations containing nicotine, in the form of patches (transdermal systems) intended to assist smokers to stop smoking; (5) Mixture and preparation whether or not containing tobacco extract or essence, nicotine, aromatic oil, flavouring etc. of a kind use for vaporizer smoking; (6) Phosphorus; (7) Hypophosphoric acid (diphosphoric IV acid ($H_4P_2O_6$)); (8) Hypophosphorous acid.	MOH
5	(1) Rice (including glutinous rice); (2) Rice flour (including glutinous rice flour), rice bran, cereal groat, meal and pellets of rice, rice vermicelli (beehon), transparent vermicelli (suun), noodles and uncooked rice commercially packed in sachet or pouch known as ketupat.	Director General of the Control of Paddy and Rice (except transparent vermicelli (suun))
6	Arsenic trichloride.	MOH
7	Bars and rods, hot-rolled, in irregularly wound coils, of other alloys steels.	MITI
8	Caffeine and its salts.	MOH
9	Chemicals/substances covered under the 1988 United Nations Convention Against Illicit Traffic In Narcotic Drugs and Psychotropic Substances.	MOH
10	Medicine making machine.	MOH
11	Mercury (Hg) and mercury compounds covered under Minamata Convention on Mercury.	MOH
12	Used rice machinery for milling, grading, sorting, cleaning and parts thereof.	Director General of the Control of Paddy and Rice
13	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane (excluding palfinger fully hydraulic compac, hydraulic loading cranes, gantry cranes and crawler cranes).	MITI
14	Waste, parings and scrap of plastics.	Department of National Solid Waste Management
15	Preparation of kind used in animal feeding containing polymyxin including polymyxin B and polymyxin E (colistin). Organic compounds of polymyxin including polymyxin B and polymyxin E (colistin). Medicaments containing polymyxin B and polymyxin E (colistin).	MOH
Part II Conditional prohibition except under import licence and does not apply to specified free zones		
1	All goods from Israel.	MITI
2	Sugar (including cane and beet sugar, chemically pure sucrose, fructose and glucose).	Ministry of Domestic Trade and Consumer Affairs
3	(1) Radar apparatus, radio navigational aid apparatus, including other parts and accessories; and (2) Parabolic antenna including other parts and accessories.	SIRIM Berhad

Item no.	Description of goods	Ministry/department/statutory body issuing licence
4	Chassis fitted with engines, for the motor vehicles of heading 87.02, 87.03, 87.04 or 87.05.	MITI
5	Chassis, not fitted with engines, for the motor vehicles of heading 87.02, 87.03, 87.04 or 87.05.	MITI
6	Bodies (including cabs) for the motor vehicles falling within headings 87.02, 87.03, 87.04 or 87.05.	MITI
7	Motorcycles, auto-cycles (including mopeds), electric powered motorcycles, motorized bicycles and cycles fitted with an auxiliary motor (excluding side-cars).	MITI
8	Road tractors for semi-trailers (including prime movers), completely built-up, old.	MITI
9	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example breakdown lorries, crane lorries, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units) excluding fire fighting vehicles.	MITI
10[b]	(1) Used brakes and servo-brakes including used brake pad, and brake lining, for motor vehicles of headings 87.01, 87.02, 87.03, 87.04, 87.05, 87.09 and 87.11; (2) All kinds of reusable batteries (accumulators) for motor vehicles of headings 87.01, 87.02, 87.03, 87.04, 87.05, 87.09 and 87.11.	MITI
11	Unmanufactured tobacco; tobacco refuse.	National Kenaf, Tobacco Board and Department of Agriculture (Peninsular Malaysia, Labuan, Sabah & Sarawak)
12	1, 1, 1,- Trichloroethane (methyl chloroform).	MITI
13	Optical disc mastering and replicating machines and parts thereof.	Ministry of Domestic Trade and Consumer Affairs
14[b]	Toxic chemicals and their precursors covered under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction 1993 (CWC).	MITI
15	Substances structurally derived from Phenethylamine and their salts.	MOH
16	Hydrochlorofluorocarbons gas (HCFCs) covered under Montreal Protocol, Annex C – Group 1.	DOE
17	Flat-rolled products of other alloy steel, of a width of 600 mm or more.	MITI
18	Substances covered under Montreal Protocol.	DOE
19	Hydrochlorofluorocarbons gas (HCFCs) covered under Montreal Protocol.	DOE
20	Containing perfluorocarbons (PFCs) or hydrofluorocarbons (HFCs) but not containing chlorofluorocarbons (CFCs) or hydrochlorofluorocarbons (HCFCs).	DOE
Part III Conditional prohibition except under import licence and shall not apply to Labuan, Langkawi, Tioman, Pangkor and specified free zones[c]		
1	(1) Bars and rods, hot-rolled, in wound coil, of stainless or heat resisting steel, circular cross-section; (2) Bars and rods, hot-rolled, in straight length of stainless or heat resisting steel, circular cross-section.	MITI
2	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated.	MITI
3	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold rolled (cold-reduced), not clad, plated or coated.	MITI
4	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm not clad, plated or coated.	MITI
5	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated.	MITI
6	Flat-rolled products of iron or non-alloy steel, of a width less than 600 mm clad, plated or coated.	MITI
7[b]	Kain sarong batik (by traditional batik process).	MITI
8	Other tubes and pipes hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel.	MITI

Item no.	Description of goods	Ministry/department/statutory body issuing licence
9	Semi-finished products of iron and steel, including slab, bloom and billets.	MITI
10	Stranded wire, cables, cordage, ropes, plaited bands and the like, of aluminium wire (excluding insulated electric wires and cables): (1) of steel reinforced aluminium; and (2) of aluminium alloys or not alloyed.	MITI

a Excluding Indonesia, absolutely prohibited (First Schedule).
b Items are subject to quantitative restriction (WTO document G/MA/QR/N/MYR/1, 6 October 2020).
c Import licence requirements for 181 tariff lines of iron and steel products were terminated effective from 1 August 2017 (WTO document G/LIC/N/2/MYS/8, 18 August 2017).

Note: MITI: Ministry of International Trade and Industry; MOH: Pharmaceutical Services Division, Ministry of Health; and DOE: Department of Environment.

Source: Compiled by WTO Secretariat, based on Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017 (P.U.(A) 103)*, 31 March 2017, and various *Amendment Orders 2018 (P.U.(A) 57), 2019 (P.U.(A) 228), 2019 (P.U.(A) 358), 2020 (P.U.(A) 70),* and *2020 (P.U.(A) 231)*, 23 February 2018, 26 August 2019, 23 December 2019, 26 February 2020, and 17 August 2020, respectively.

Table A3.4 Export licensing

Description of goods	Ministry/department/statutory body issuing licence
All goods to Israel	Ministry of International Trade and Industry
Unrooted cuttings, budwood, budded stumps, seedlings and seeds, of rubber, for sowing or planting	Ministry of Plantation Industries and Commodities
Oil palm living tissues/fruits/seeds or nuts/pollens	Ministry of Plantation Industries and Commodities
Oils and fats of palm oil	Malaysian Palm Oil Board
Pineapple slips	Malaysian Pineapple Industries Board
Pineapple, fresh, chilled and preserved by freezing	Malaysian Pineapple Industries Board
Bamboo, rattans, wood, logs, charcoal, timber, etc.	Malaysian Timber Industry Board and corresponding agencies in Sabah and Sarawak
Minerals, ores, coal, lignite, peat, coke, rare-earth metal, scandium, yttrium, cerium compounds and other compounds of rare-earth metals, of yttrium or of scandium or of mixtures of these metals, etc.	Ministry of Energy and Natural Resources
All kinds of natural sands	Ministry of Energy and Natural Resources
Slag and hardhead of tin	Ministry of Energy and Natural Resources
Military clothing, headgear, footwear, and other textile articles	Ministry of Defence Ministry of International Trade and Industry
Sugar	Ministry of Domestic Trade and Consumer Affairs
Cement clinker	Ministry of Domestic Trade and Consumer Affairs
Portland cement	Ministry of Domestic Trade and Consumer Affairs
Waste and scrap	Ministry of International Trade and Industry
Recovered (waste and scrap) paper or paperboard	Ministry of International Trade and Industry
Toxic chemicals and their precursors covered under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction 1993 (CWC)	Ministry of International Trade and Industry
Acetyl bromide	Pharmaceutical Services Division, Ministry of Health
Acetyl chloride	Pharmaceutical Services Division, Ministry of Health
Chemicals/substances covered under the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances	Pharmaceutical Services Division, Ministry of Health
Hydrochlorofluorocarbons (HCFCs) covered under the Montreal Protocol, Annex C – Group 1	Department of Environment
Mercury (Hg) and mercury compounds covered under the Minamata Convention on Mercury	Pharmaceutical Services Division, Ministry of Health
Hydrofluorocarbons gas (HFCs) covered under Montreal Protocol	Department of Environment
Containing perfluorocarbons (PFCs) or hydrofluorocarbons gas (HFCs) but not containing chlorofluorocarbons (CFCs) or hydrochlorofluorocarbons (HCFCs)	Department of Environment

Source: WTO Secretariat, based on WTO document WT/TPR/S/366/Rev.1, 25 May 2018; Federal Government Gazette, *Customs (Prohibition of Exports) Order 2017, (P.U.(A) 102)*, 31 March 2017, and various *Amendment Orders 2020 (P.U.(A) 71)* and *2021 (P.U.(A) 130)*, 26 February 2020 and 24 March 2021, respectively.

Table A3.5 Imports subject to TBT requirements

Item No.	Description of goods	Import requirement
Part I	**Conditional prohibition except conforming to Malaysian authorities or other standards approved by the authorities and in the manner provided for:**	
1	Cement (portland cement, aluminous cement, other hydraulic cement)	The importation accompanied by a certificate of approval (COA) or a letter of exemption issued by or on behalf of the Chief Executive of the Construction Industry Development Board (CIDB).
2	Ceramic products	The importation accompanied by a COA or a letter of exemption issued by or on behalf of the Chief Executive of the CIDB.
3	Plastic flushing cisterns equipped with mechanism (close couple, medium level, high level or concealed)	The importation accompanied by a COA or a letter of exemption issued by or on behalf of the Chief Executive of the CIDB.
4	Recovered (waste and scrap) paper and paper board[a]	The importation accompanied by a COA by or on behalf of SIRIM Berhad as defined under the Guidelines for importation and inspection of waste paper.
5	Waste and scrap of metal[a]	Importation accompanied by a COA by or on behalf of SIRIM Berhad as defined under the Guidelines for importation and inspection of metal scrap.
Part II	**Conditional prohibition except conforming to Malaysian authorities or other standards approved by the authorities and in the manner provided for, and does not apply the free commercial zones:**	
1	Iron and steel products	The importation accompanied by a COA or a letter of exemption issued by the CIDB for the construction sector or SIRIM Berhad for non-construction sector.
2	Aluminium products	The importation accompanied by a COA or a letter of exemption issued by the CIDB for the construction sector or SIRIM Berhad for non-construction sector.
3	Electrical apparatus or accessories	Suruhanjaya Tenaga, or the equivalent counterpart in the case of certain states (Sarawak), certifying that the specified domestic electrical apparatus conforms to the Malaysian or IEC standards, or British standards, or any other.
4	Safety seatbelts	Comply to the standard under the Motor Vehicles (Safety Seatbelts) Rules 1978; and the importation accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; or - MS mark and certificate issued by standards organization or certificate body which is recognized/approved by the Department of Standard Malaysia; and - A letter of approval issued by the Road Transport Department.
5	New pneumatic tyres and new retreaded pneumatic tyres, of rubber	Comply to the standards as prescribed under the Motor Vehicles (Construction and Use) Rules 1959; imports must be accompanied by: - E-mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; or - DOT mark and certificate issued by the US National Highway Traffic Safety Administration; or - MS mark and certificate issued by standards organization or certificate body which is recognized/approved by the Department of Standard Malaysia[b]; and - A letter of approval issued by the Road Transport Department.[b]
6	Toys, games and children's bicycles	Importation must be accompanied by: - certificate of conformance (COC) issued under the Consumer Protection Act 1999; - notification form or a letter of clarification.
7	Apparatus or equipment to be attached to or connected to a public communications network or system	A COA issued by SIRIM QAS International Sdn. Bhd. Import must be certified to the Malaysian standards, or international standards, or technical codes, or technical declarations, subject to the Communications and Multimedia Act 1998.
8	Radio communications apparatus or equipment in the frequency band up to 420 THz	A COA issued by SIRIM QAS International Sdn. Bhd. Import must be certified to the Malaysian standards, or international standards, or technical codes, or technical declarations, subject to the Communications and Multimedia Act 1998.
9	Flowers, vegetables, coconuts, fruits, coffee, spices, groundnuts, sugarcane	A COC of agricultural produce, issued by MAQIS, and inspection and approval by MAQIS (SPS measures).
10	Construction products	A COA or a letter of exemption by the Chief Executive Officer of the CIDB
11	Non-rechargeable primary cells and primary batteries	A COC, a notification form, or a letter of clarification, issued by the Controller of Consumer Affairs, under the Consumer Protection Act 1999.

Item No.	Description of goods	Import requirement
12	Apparatus or equipment which are integrated with a communications module for connecting to a public communications network or for radio communications utilizing the frequency band up to 420 THz	A COA issued by SIRIM QAS International Sdn. Bhd. Import must be certified to the Malaysian standards, or international standards, or technical codes, or technical declarations, subject to the Communications and Multimedia Act 1998.
13	Liquid-filled type electric heating bag, cushion, pillow, pouch or pad filled with liquid, using 3-pin inlet alternating current (AC) or AC and direct current (AC/DC)	A COA issued by the Suruhanjaya Tenaga or the equivalent counterpart in Sarawak, certifying that the product conforms to the Malaysian standard, or IEC standard, MS IEC 60335-1.
14	Motorcyclists' safety helmets (except as worn by motorcyclists or motorcycle pillion riders)	Comply to standard as prescribed under the Motor Vehicles (Construction and Use) Rules 1959, governed by the Road Transport Department, and the importation is accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; or - MS mark and certificate issued by standards organization or certificate body which is recognized/approved by the Department of Standard Malaysia[b]; and - A letter of approval issued by the Road Transport Department.[b]
15	Some wheat flour (other than those mentioned in Item 21)	A letter of consent, by the Ministry of Domestic Trade and Consumer Affairs
16	Gas discharge headlamp including gas discharge bulb for the use of all types of motor vehicle	Comply to the standards under the Motor Vehicles (Construction and Use) Rules 1959; and the importation is accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; and - A letter of approval issued by the Road Transport Department.[b]
17	New brake lining or brake pad	Comply to the standards under the Motor Vehicles (Construction and Use) Rules 1959, and the importation is accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; or - MS mark and certificate issued by standards organization or certificate body which is recognized/approved by the Department of Standard Malaysia[b]; and - A letter approval issued by the Road Transport Department.[b]
18	Vehicle alarm system and immobilizer for motor vehicle	Comply to the standards under the Motor Vehicles (Construction and Use) Rules 1959, and the importation is accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; or - MS mark and certificate issued by standards organization or certificate body which is recognized/approved by the Department of Standard Malaysia[b]; and - A letter of approval issued by the Road Transport Department.[b]
19	New seat for motor vehicles principally designed for the transport of persons including taxi and bus	Comply to the standards under the Motor Vehicles (Construction and Use) Rules 1959 governed by the Road Transport Department, and the importation is accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; and - A letter of approval issued by the Road Transport Department.[b]
20	Speed limitation device for motor vehicles	Comply to the standards under the Motor Vehicles (Construction and Use) Rules 1959, and the importation is accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; and - A letter of approval issued by the Road Transport Department.[b]
21	Wheat flour for human consumption	COA issued by SIRIM QAS International Sdn. Bhd.
22[a]	Bars and rods, hot-rolled in irregularly wound coils of other alloy steel	Importation accompanied by a COA or a letter of exemption issued by or on behalf of the Chief Executive of SIRIM Berhad.
23[a]	Deformed round bar in various forms	Importation accompanied by a COA or a letter of exemption issued by or on behalf of the CIDB.

Item No.	Description of goods	Import requirement
24[a]	Child seat for motor vehicles	Comply to the standard under the Motor Vehicle (Safety Seat-belts) (Amendment) Rules 2019; and the importation accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; and - A letter of approval issued by the Road Transport Department.
25[a]	Rear view mirrors for motor vehicles and headlamp for motor vehicles	Comply to the standard under the Motor Vehicle (Construction and Use) Rules 1959; and the importation accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; and - A letter of approval issued by the Road Transport Department.
26[a]	Safety glass for motor vehicles	Comply to the standard under the Motor Vehicle (Construction and Use) Rules 1959; and the importation accompanied by: - E-Mark and certificate issued by the World Forum for Harmonization of Vehicles Regulation; or - MS marking and certificate issued by standards organization or certification body which is recognized/approved by the Department of Standard Malaysia; and - A letter of approval issued by the Road Transport Department.

a New items through the amendments.
b Modifications and new requirements through the amendments.

Source: Compiled by WTO Secretariat, based on WTO document WT/TPR/S/366/Rev.1, 25 May 2018; Federal Government Gazette, *Customs (Prohibition of Imports) Order 2017, (P.U.(A) 103)*, 31 March 2017, and various *Amendment Orders 2018 (P.U.(A) 223), 2022 (P.U.(A) 7),* and *2022 (P.U.(A) 8)*, 29 August 2018, 7 January 2022, and 7 January 2022, respectively.

Table A4.1 Malaysia's major traded agricultural products, 2017-21[a]

(USD million, %)

HS code	Product description	2017	2018	2019	2020	2021	Average value 2017-21	% of total agri-cultural trade 2017-21	Major partners (% of total agricultural trade)
Total agricultural exports		**3,872.1**	**22,648.8**	**21,998.8**	**23,221.7**	**32,079.1**	**24,764.1**	**100.0**	**China (11.3%); EU-27 (10.2%); Singapore (10.1%)**
% of total exports		*11.0%*	*9.1%*	*9.2%*	*9.9%*	*10.7%*	*10.0%*		
1511	Palm oil and its fractions	9,718.5	8,676.1	8,596.6	9,775.3	14,209.3	10,195.2	41.2	India (19.5%); EU-27 (10.9%); China (8.7%)
3823	Industrial monocarboxylic fatty acids; acid oils from refining	2,385.8	2,208.1	1,880.6	1,816.3	3,220.8	2,302.3	9.3	EU-27 (24.1%); China (14.9%); Singapore (9.7%)
1516	Animal or vegetable fats and oils and their fractions	1,928.0	1,656.2	1,497.7	1,639.7	2,265.1	1,797.4	7.3	China (28.1%); EU-27 (10.7%); Türkiye (7.7%)
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof	1,039.7	817.9	638.8	913.2	1,411.4	964.2	3.9	EU-27 (31.7%); China (17.8%); United States (8.4%)
2106	Food preparations not elsewhere specified or included	622.6	650.7	680.8	683.4	818.9	691.3	2.8	Singapore (11.6%); Indonesia (11%); China (7.9%)
1905	Bread, pastry, cakes, biscuits and other bakers' wares	660.7	738.2	698.0	532.9	738.6	673.7	2.7	Singapore (16.7%); China (9.1%); Thailand (9%)
1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract	570.6	562.5	615.9	573.8	610.5	586.6	2.4	Philippines (13.8%); Indonesia (7.3%); Brunei Darussalam (6.7%)
1804	Cocoa butter, fat and oil	379.1	390.7	613.3	598.9	604.8	517.3	2.1	USA (22.7%); Japan (16.1%); EU-27 (15.5%)
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations	501.2	543.8	522.9	480.0	517.9	513.1	2.1	Thailand (12.9%); China (12.8%); Singapore (9.1%)
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils	410.5	375.9	413.3	380.7	546.4	425.4	1.7	China (8%); Australia (7.9%); Thailand (6.6%)
Total agricultural imports		**15,280.6**	**16,208.0**	**15,624.1**	**16,589.4**	**20,712.6**	**16,882.9**	**100.0**	**Indonesia (15.4%); China (9.7%); Thailand (7.6%)**
% of total imports		*7.8%*	*7.4%*	*7.6%*	*8.7%*	*8.7%*	*8.1%*		
1801	Cocoa beans, whole or broken, raw or roasted	698.7	788.4	826.7	972.6	1,209.4	899.2	5.3	Côte d'Ivoire (33.4%); Ghana (18.7%); Ecuador (10.2%)
1005	Maize (corn)	741.9	823.4	786.8	791.0	1,124.4	853.5	5.1	Argentina (64.3%); Brazil (30.4%); United States (2.2%)
1701	Cane or beet sugar and chemically pure sucrose, in solid form	923.7	736.6	629.8	763.0	933.6	797.4	4.7	Brazil (60.1%); Thailand (15.9%); South Africa (9.8%)
2106	Food preparations not elsewhere specified or included	624.7	688.6	712.8	776.1	1,069.2	774.3	4.6	Singapore (28.3%); United States (19.5%); EU-27 (12.7%)
1511	Palm oil and its fractions	403.5	456.8	549.2	657.7	1,148.7	643.2	3.8	Indonesia (90.1%); Papua New Guinea (4.6%); Cambodia (1.5%)
3823	Industrial monocarboxylic fatty acids; acid oils from refining	624.8	680.0	459.4	503.7	924.9	638.6	3.8	Indonesia (87.7%); China (2.7%); EU-27 (1.8%)

HS code	Product description	2017	2018	2019	2020	2021	Average value 2017-21	% of total agri-cultural trade 2017-21	Major partners (% of total agricultural trade)
2304	Oil-cake and other solid residues resulting from the extraction of soyabean oil	610.1	590.3	521.9	519.9	629.2	574.3	3.4	Argentina (96.4%); United States (2.1%); India (0.6%)
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof	535.2	490.0	343.2	453.7	775.6	519.5	3.1	Indonesia (54.6%); Thailand (22.8%); Philippines (12.7%)
0402	Milk and cream	458.4	466.0	507.7	517.0	568.0	503.4	3.0	New Zealand (52.9%); EU-27 (21.7%); United States (15.5%)
0202	Meat of bovine animals, frozen	503.7	498.1	445.8	489.9	525.7	492.6	2.9	India (79.3%); Australia (11.2%); Brazil (4.3%)
1006	Rice	345.8	405.7	452.6	589.1	575.5	473.7	2.8	Viet Nam (34.9%); Thailand (23.4%); India (21%)

a Major products (top 3) are ranked according to averaged values 2017-21.

Note: WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapters 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20), plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A4.2 Malaysia's major traded fish and fish products, 2017-21[a]

(USD million, %)

HS code	Product description	2017	2018	2019	2020	2021	Average value 2017-21	% of total fish and fishery trade 2017-21	Major partners (% of total fish and fishery products exports or imports)
Total exports of fish and fish products		**705.6**	**765.7**	**897.3**	**861.3**	**911.0**	**828.2**	**100.0**	**China (23.2%); Singapore (17.3%); Australia (7.2%)**
% of total exports		*0.3%*	*0.3%*	*0.4%*	*0.4%*	*0.3%*	*0.3%*		
0306	Crustaceans	221.3	261.5	316.7	249.3	304.3	270.6	32.7	China (26.1%); Singapore (18.1%); Rep. of Korea (13.8%)
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	119.9	125.3	143.5	143.0	156.8	137.7	16.6	Singapore (27.3%); Australia (15%); EU-27 (8.3%)
0307	Molluscs	88.2	70.4	90.3	92.2	109.2	90.0	10.9	China (38.2%); Viet Nam (13.7%); Rep. of Korea (9.4%)
0303	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	68.8	67.8	70.6	117.8	108.0	86.6	10.5	China (39.5%); Thailand (15.4%); Viet Nam (14.4%)
2301	Flours, meals and pellets, of fish or of crustaceans, molluscs, unfit for human consumption; greaves	35.3	52.2	52.2	56.1	27.2	44.6	5.4	China (34.5%); Viet Nam (31.4%); Japan (15.2%)
0304	Fish fillets and other fish meat, fresh, chilled or frozen	33.5	37.6	46.6	47.7	43.7	41.9	5.1	Japan (21.8%); Saudi Arabia (19.9%); Singapore (14.4%)
1605	Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	45.9	40.8	45.2	30.8	38.3	40.2	4.9	Australia (32.2%); Singapore (21.6%); United Kingdom (15.6%)
Total imports of fish and fish products		**970.6**	**1,046.8**	**1,137.6**	**1,137.9**	**1,329.6**	**1,124.5**	**100.0**	**China (23.0%); Indonesia (15.4%); Viet Nam (12.0%);**
% of total imports		*0.5%*	*0.5%*	*0.6%*	*0.6%*	*0.6%*	*0.5%*		
0303	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	242.7	245.4	249.9	245.4	284.2	253.5	22.5	China (26.1%); Viet Nam (12.3%); Japan (7.3%)
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04	138.0	173.4	183.1	165.7	183.6	168.8	15.0	Indonesia (52.5%); Thailand (26%); Norway (17.1%)
0307	Molluscs	125.7	126.1	140.6	145.0	201.6	147.8	13.1	China (40.6%); India (11.9%); Viet Nam (7.9%)
0306	Crustaceans	121.5	140.1	153.9	142.6	163.6	144.4	12.8	China (17.2%); Indonesia (14.8%); Thailand (9.8%)
0304	Fish fillets and other fish meat, fresh, chilled or frozen	109.5	127.2	147.7	139.5	173.6	139.5	12.4	Viet Nam (34.2%); China (18.9%); Indonesia (16.3%)

HS code	Product description	2017	2018	2019	2020	2021	Average value 2017-21	% of total fish and fishery trade 2017-21	Major partners (% of total fish and fishery products exports or imports)
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	76.1	70.0	83.9	122.9	113.9	93.4	8.3	China (52.6%); Thailand (26.7%); Indonesia (4.5%)
0305	Fish, dried, salted or in brine; smoked fish flours, meals and pellets of fish, fit for human consumption	40.7	49.8	37.6	36.0	55.0	43.8	3.9	Thailand (34.9%); Viet Nam (33.4%); Myanmar (16.4%)

a Major products are ranked according to averaged values 2017-21.

Note: WTO definition of fish and fishery products: HS Chapter 03, 0508, 0511.91, 1504.10, 1504.20, 1603-1605, and 2301.20, plus some selected products (HS 2905.43-2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, and 5301-5302).

Source: WTO Secretariat calculations, based on UN Comtrade database.