# Malaysia

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| **Malaysia’s Bogor Goals Progress Report (as at 3 September 2018)[[1]](#footnote-1)\*** | |
|  | **Highlights of Achievements and Areas for Improvement** |

* Tariff reduction policies continue. Tariffs on IT products are falling as part of the implementation of the WTO Information Technology Agreement 2.
* Tariff-rate quotas for a number of products remain.
* Many import and export licenses have been abolished. Nevertheless, licensing requirements are still applicable in certain cases.
* Introduced the National eCommerce Strategic Roadmap (NeSR) to boost the e-commerce sector, which is supported by the launch of the Digital Free Trade Zone (DFTZ).
* The Malaysian Sustainable Palm Oil Certification Scheme was introduced in 2016 and is to be implemented on a mandatory basis from December 2019.
* Many companies are obtaining Authorized Economic Operator (AEO) status.
* Market review studies on the pharmaceutical sector and building materials were released with recommendations to improve competition conditions in those markets.
* Regarding government procurement, the new advanced version of the ePerolehan system was launched in 2017, introducing features like full automation of the procurement process, and reinforcement of user authentication.
* The use of the new ePerolehan system by federal ministries and line agencies has been made mandatory.
* Introduced the Reducing Unnecessary Regulatory Burdens (RURB) and the Cutting Red Tape (CURE) programmes to remove unnecessary bureaucracy.
* The salary requirements for foreigners to obtain employment passes have been increased.

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|  | **Summary of Topics** |

Tariffs

Customs duties on 115 tariff lines have been reduced or eliminated since 2016. As part of its commitments regarding the WTO Information Technology Agreement 2, Malaysia reported abolishing tariffs on approximately 88 per cent of IT product tariff lines and aims to eliminate the rest by July 2023.

Tariff-rate quotas are in place for 27 tariff lines at the Harmonized System 10-digit level. Products such as live swine and poultry, poultry and pork meat, liquid milk and cream, and round cabbage are affected by this type of measure.

Non-Tariff Measures

Malaysia has abolished the import license requirements for motorhomes since September 2016 and 181 tariff lines of steel and iron products since August 2017. Export license requirements for 19 tariff lines were abolished in April 2017. The requirement of an electronic import license for nicotine and phosphorus was introduced in June 2016.

Export taxes on crude palm oil were reintroduced in 2016 and were suspended for a three months period (8 January to 7 April 2018). Malaysia imposed safeguards on some steel products in late 2016 for a period of 200 days.

As a member of the International Tripartite Rubber Council, Malaysia has agreed to collectively set an export quota of 350,000 tonnes on natural rubber for the first three months of 2018. Malaysia introduced a ban on rubber wood export in response to shortages affecting local furniture producers.

Services

Malaysia introduced the National eCommerce Strategic Roadmap (NeSR) to boost the e-commerce sector by realigning existing economic incentives, accelerating adoption of e-commerce among sellers, and promoting national brand to improve cross-border e-commerce among others. As a result, e-commerce’s share of total GDP increased from 5.9% to 6.1% between 2015 and 2016. The Digital Free Trade Zone (DFTZ), comprising of the eFulfilment Hub, Satellite Services Hub and an eServices Platform to capitalise on the growing internet economy and cross-border e-commerce transactions, was launched to support the NeSR. 2,651 SMEs have boarded the DFTZ Pilot Project since its launch in late 2017. Also, 14,000 SMEs have registered on the ‘Go eCommerce’ platform that provides online training to guide SMEs.

In the telecommunications sector, the general limitation of foreign equity participation is capped at 49% (exceptions apply for cases involving firms from FTA partners). The Minister, however, may decide to award above or below the said limitation. In air transport services, 100% foreign investment is permitted in aircraft maintenance and computer reservation system services, and up to 49% for ground handling services. With regard to maritime transport services, there are no foreign participation restrictions for some activities like rental of cargo vessels without crew for international shipping, maritime agency services and vessel salvage and refloating services.

**Investment**

Malaysia has liberalised its manufacturing sector, allowing foreign investors to hold 100% equity. The Eleventh Malaysia Plan (2016-2020) focuses on promoting niche and complex products in the manufacturing sector as well as megatrends to target products with technological advancement and new applications. Among the initiatives is to draft the National Framework on Industry 4.0 together with relevant agencies and outreach programmes to accelerate industrial growth through the adoption of smart technology and promote the exchange of technical know-how through industry collaboration. Furthermore, the government has announced incentives for the adoption of Industry 4.0 in manufacturing and related sectors in Budget 2018.

Malaysia has 68 international investment treaties in force as of March 2018. Some restrictions to foreign investment are still in place in strategic sectors.

Standards and Conformance

Malaysia has developed 5338 standards of which 61 per cent are aligned with international standards as of January 2018. A total of 794 conformity assessment bodies (688 active laboratories, 92 certification bodies, 13 inspection bodies and 1 proficiency testing providers) have been accredited by the end of 2017. The Malaysian Sustainable Palm Oil Certification Scheme was introduced in 2016 and is due to be implemented on a mandatory basis from December 2019.

The latest specific trade concern raised against Malaysia at the WTO SPS Committee without a reported solution was raised in 2015 regarding delays in approving poultry export plants located overseas and the lack of definition of applicable international sanitary certification. At the WTO TBT Committee, the latest specific trade concern was raised in 2012, involving protocols for halal meat and poultry production.

Customs Procedures

65 companies have been granted Authorized Economic Operator (AEO) status and 487 companies have been recognized as certified exporters under the self-certification scheme by December 2017. Malaysia successfully implemented the electronic preferential certificate of origin for the ASEAN Trade in Goods Agreement through the ASEAN Single Window platform in early 2018.

Intellectual Property Rights

Malaysia started a pilot Patent Prosecution Highway programme with the Japan Patent Office in 2014 and with the European Patent Office in 2017 to accelerate the patent application process.

In cooperation with the World Intellectual Property Organization (WIPO), the Malaysian Intellectual Property Corporation plans to implement an IP Enabling Environment Programme to build capacity for a more conducive environment for the creation of intellectual property. In addition, an integrated IP management system for patents and trademarks is currently being developed.

Competition Policy

The Malaysia Competition Commission (MyCC) has recently published two market review studies: on the pharmaceutical sector and on building materials in the construction industry, providing policy recommendations on how to improve competition conditions in those markets. The MyCC is currently developing Guidelines on Intellectual Property Rights and Competition Law.

In terms of investigations and enforcement, 321 complaints were resolved, 41 self-initiated assessments were completed and 10 ministerial directions on suspected competition law infringement were investigated by the Commission between 2012 and 2017.

Government Procurement

The new advanced version of the ePerolehan system was launched in 2017, introducing features like full automation of the procurement process, and reinforcement of user authentication among others. The use of the ePerolehan system is mandatory for the federal ministries and line agencies. Additionally, Green Government Procurement (GGP) was made mandatory at the federal level in 2017 to spur demand and supply for green industries. All line agencies are required to include green criteria in the specifications for selected items in procurement.

Malaysia still uses preferences in government procurement processes to benefit locally owned businesses. Generally, international tenders are invited only when local providers of goods and services are not available.

Deregulation/Regulatory Reform

The Malaysian government has been introducing various online portals and applications to make processes like getting electricity, paying taxes and making land title searches easier. In addition to the Reducing Unnecessary Regulatory Burdens (RURB) programme, the government initiated the Cutting Red Tape (CURE) programme in two states and is aiming to remove unnecessary bureaucracy.

The ‘Handbook on Risk based Analysis on Enforcement and Inspection’ was published in 2017 to assist regulators in developing a coherent framework for the application of risk management in regulatory inspection and enforcement.

Mobility of Business People

Malaysia is currently developing an Advance Passenger Screening System (APSS) to improve security and facilitate clearance at the airports. The BorderPass service to expedite airport clearance for intra-ASEAN travel has been approved for implementation by the Economic Council in 2018.

In 2017, the employment passes for expatriates were reclassified to indicate a higher minimum salary as one of the requirements to obtain those passes.

Transparency

The National Policy on the Development and Implementation of Regulations aimed at modernizing the regulatory regime will now also include states and local governments. The development of a unified public consultation portal is underway is expected to be completed by 2018.

RTA/FTAs

Malaysia has reported 13 RTA/FTAs in force[[2]](#footnote-2) and expects the ASEAN-Hong Kong, China Free Trade Agreement and ASEAN-Hong Kong, China Investment Agreement to enter into force in 2019. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed in March 2018. Malaysia is currently participating in four other RTA\FTA negotiations.

1. \* This brief report was prepared with information from Malaysia’s submission of 2018 APEC Individual Action Plan (IAP) template; UNCTAD Investment Policy Hub; the 2017 WTO Trade Policy Review– Reports by Malaysia and by the Secretariat; Royal Malaysian Customs Department; Ministry of International Trade and Industry; Malaysian Palm Oil Board; Construction Industry Development Board; Attorney-General’s Chambers; Ministry of Health; Ministry of Plantation Industries and Commodities; Malaysia External Trade Development Corporation; Malaysia Petroleum Resources Corporation; Malaysian Investment Development Authority; Intellectual Property Corporation of Malaysia; Forest Research Institute of Malaysia; Department of Standards Malaysia; Malaysia Competition Commission; Ministry of Finance; Social Security Organisation; Malaysia Productivity Corporation; Immigration Department of Malaysia; Ministry of Home Affairs; and Enforcement Agency Integrity Commission websites. [↑](#footnote-ref-1)
2. Malaysia’s RTA/FTAs in force are the following ones: ASEAN (1992); ASEAN-China (2005); Malaysia-Japan (2006); ASEAN-Korea (2007); Malaysia-Pakistan (2008); ASEAN-Japan (2008); ASEAN-Australia-New Zealand (2010); ASEAN-India (2010); Malaysia-New Zealand (2010); Malaysia-Chile (2012); Malaysia-India (2011); Malaysia-Australia (2013); and Malaysia-Turkey (2015). [↑](#footnote-ref-2)