



MINISTRY OF INVESTMENT,
TRADE AND INDUSTRY

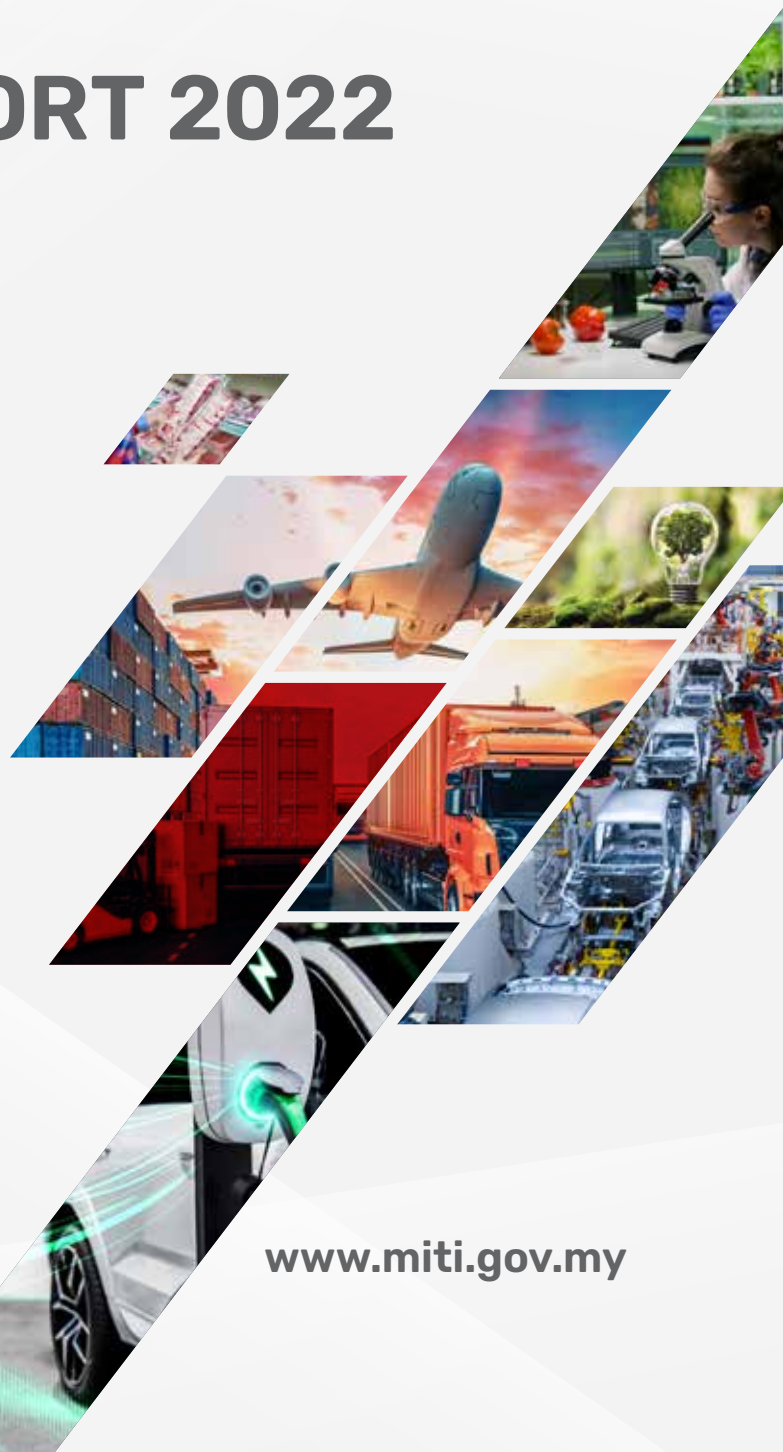


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2022**
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MINISTRY OF INVESTMENT,
TRADE AND INDUSTRY

MITI REPORT 2022



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YB MINISTER'S MESSAGE



The year 2022 proved to be another challenging year, with the creation of a new global economic mega-cycle – characterized by inflationary issues, value chain disruptions, labour scarcity, resource competition and climate change pressures. Some of these were caused by the Ukraine-Russia conflict, as well as prolonged US-China geopolitical tensions. In short, while the world was still recovering from the debilitating COVID-19 impact, governments, businesses and individuals were already facing a multitude of fresh longer-term risks – such as unsustainable levels of debt, a new era of low growth, low global investment, the growing pressure of climate change impacts – that continued to threaten and undermine decades of human progress and development.

In managing these risks to protect and secure Malaysia's economic growth, MITI and its agencies focused its key responsibilities of attracting the right investments, nurturing industry and promoting trade. As investments and trade are key components of economic growth, the strong GDP growth of 8.7 percent for 2022 was a reflection of the efforts of MITI and its agencies.

On **investments**, Malaysia approved RM264.6 billion of investments in 2022, comprising 4,454 projects expected to create 140,370 future job opportunities. We captured RM163.3 billion of Foreign Direct Investments (FDI), representing 61.7% of the total approved investments, and RM101.3 billion of Domestic Direct Investment (DDI). US-Sino geopolitical and trade tensions have seen a re-designing of global supply chains, which benefitted Malaysia's semiconductor industry, as the top manufacturing sub-sector garnering RM29.3 billion of approved investments in 2022. All these numbers aside, the harder work lies in realising those investments, and that will be our key focus in 2023.

MITI also launched the **New Investment Policy (NIP)**, outlining key imperatives to uplift Malaysia into a high-income, knowledge-driven economy. These are to increase economic complexity, create high-value job opportunities, extend domestic linkages, develop new and existing economic clusters, and improve inclusivity, with Environment, Social and Governance (ESG) as the overarching theme.

In terms of **industry**, we recognise that key challenges mentioned earlier will fundamentally change the supply-demand balance, effectively increasing risks to global value chain failures. Hence, the need for our NIP imperatives to guide all future MITI-driven policies, such as the **New Industrial Master Plan 2030 (NIMP2030)** and the **National ESG Framework for the Manufacturing Sector (i-ESG)**.

The NIMP2030 is set to transform and rewire the core of our manufacturing capabilities, and to systematically reform key enablers for a knowledge-based, digitally-driven, sustainable and inclusive economic growth. The i-ESG, on the other hand, will ensure that our manufacturing sector is able to balance the People-Planet-Profit priorities, so we can collectively move the needle on achieving Malaysia's net zero target by 2050. On this score, just transition and institutional support are key, especially for SMEs in our manufacturing sector, so they can continue to benefit from supply chains that serve ESG-sensitive markets. This whole-of-nation pursuit will include strategic incentives, regulatory upgrades and purpose-driven finance. The electric mobility sector under the National Automotive Policy is a case in point. MITI has been working with various key stakeholders – such as Energy Efficient Vehicles (EEV) and Electric Vehicles (EV) players, as well as Original Equipment Manufacturers (OEM) – to spur investment growth and development of the EV ecosystem, to also fulfil our net zero target.

On **trade**, the implementation of two mega Free Trade Agreements (FTAs) namely the **Regional Comprehensive Economic Partnership (RCEP)** and the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** reflects the country's commitment to facilitate local companies' expansion into international markets. These and earlier FTAs, as well as Malaysia's salubrious ties with key trading partners, contributed to the 26.4% year-on-year growth to RM1.916 trillion in 2022 total trade. Exports to FTA countries amounted to RM1.069 trillion, while imports totalled RM847.06 billion. This RM221.94-billion trade surplus is proof of the FTAs' effective market access facilitation to Malaysian exporters.

In terms of our **competitiveness**, Malaysia was ranked **Top Country in Emerging Southeast Asia** for Foreign Investment by Bloomberg's Global Opportunity Index 2022; and **3rd Most Innovative among 36 upper-middle-income group economies** in the 2022 Global Innovation Index (GII) Rankings Report issued by the World Intellectual Property Organisation (WIPO). Malaysia also **climbed five notches to 27th place in the world's most competitive economies**, according to the International Institute for Management Development (IMD) 2023 World Competitiveness Ranking. These achievements aside, MITI will continue to work with key stakeholders on improving relevant metrics for future rankings.

Moving forward, I strongly feel that MITI is currently in a good place to promote **Malaysia as pro-investment, pro-trade and pro-industry**. Further, while Malaysia may not have the sizable customer base for global companies, we do have the right enablers – such as the rule of law, strong policies, deep talent pool and sufficient natural resources – that make it conducive for investors to make Malaysia their gateway for the Southeast Asian and/or the Asian markets.

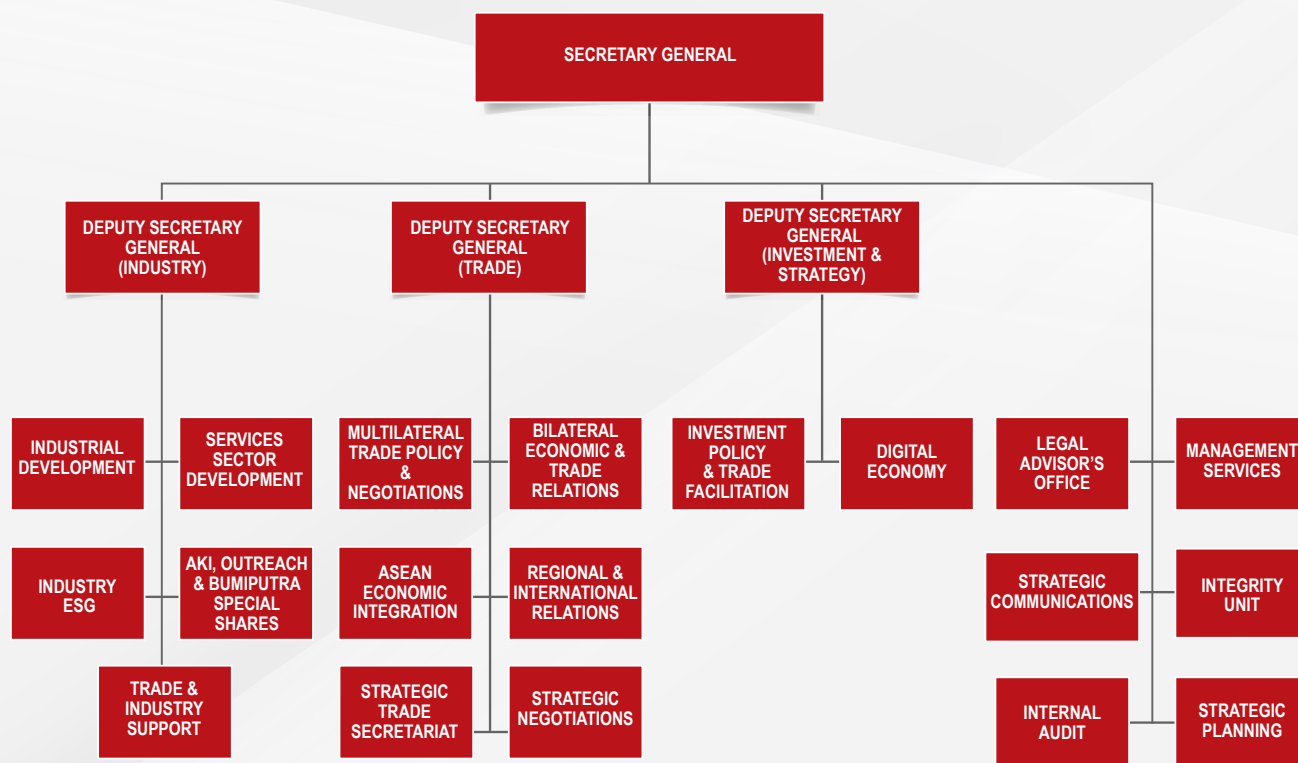
The world's global value chains are changing dramatically: companies are going from 'global' to 'globally connected multi-local value chain'; from "low cost at all costs" towards better secured resources; from economies of scale to economies of skills; and with an inclination towards reshoring, near-shoring or friend-shoring of production capacity and supply base. We must be agile to adapt to these changes quickly to maximise our true potential and attract more of the right investments, supported by strong policies, enhanced ease of doing business, and a conducive manufacturing ecosystem in Malaysia. **I must thank all MITIANS, as well as the agencies under MITI, for their hard work throughout 2022 and beyond.** For MITI, ultimately, it is all about **delivering sustainable and inclusive economic growth for our corporates, SMEs and the rakyat**, particularly as we strive towards achieving developed nation status for Malaysia.

**YB SENATOR TENGKU DATUK SERI UTAMA ZAFRUL
TENGKU ABDUL AZIZ
MINISTER OF INVESTMENT, TRADE & INDUSTRY**

TOP MANAGEMENT



ORGANISATIONAL CHART



AGENCIES UNDER THE PURVIEW OF MITI



MITI OVERSEAS OFFICES





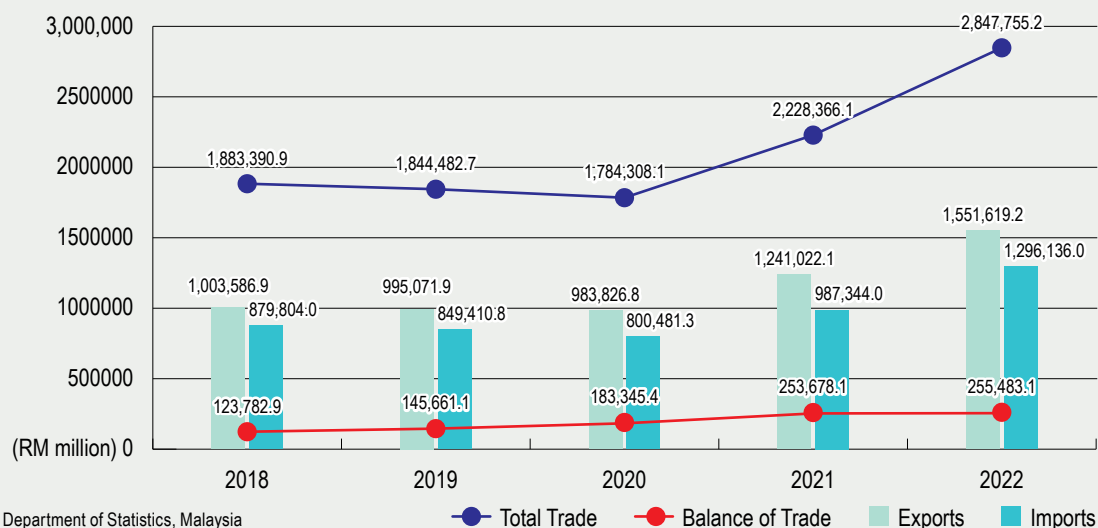
MITI STATE OFFICES



SUMMARY OF 2022 MAJOR ACHIEVEMENTS



Annual Trade, 2018-2022



Major Exports of Manufactured Goods to Top Five Destinations, 2021-2022 (RM million)

Electrical and Electronic Products



Singapore	115,258.1	(7.4%)
United States	95,996.5	(6.2%)
China	81,036.0	(5.2%)
Hong Kong SAR	78,925.2	(5.1%)
Taiwan	30,536.7	(2.0%)

Total: RM593,517.5 million (38.3%)

Petroleum Products



Singapore	37,875.9	(2.4%)
Indonesia	25,904.2	(1.7%)
Australia	15,920.9	(1.0%)
Bangladesh	12,619.1	(0.8%)
Viet Nam	6,221.0	(0.4%)

Total: RM163,005.1 million (10.5%)

Chemicals & Chemical Products



China	19,206.3	(1.2%)
Thailand	8,563.5	(0.6%)
Indonesia	7,712.0	(0.5%)
India	6,830.1	(0.4%)
Singapore	5,730.6	(0.4%)

Total: RM80,604.0 million (5.2%)

Manufactures of Metal



China	13,006.7	(0.8%)
Singapore	6,319.6	(0.4%)
Japan	4,501.7	(0.3%)
Turkiye	4,451.8	(0.3%)
United States	3,917.4	(0.3%)

Total: RM63,552.8 million (4.1%)

Machinery, Equipment & Parts



Singapore	16,290.9	(1.0%)
United States	7,428.3	(0.5%)
China	3,878.8	(0.2%)
Indonesia	3,741.9	(0.2%)
Thailand	2,756.9	(0.2%)

Total: RM60,420.2 million (3.9%)

Optical & Scientific Equipment



United States	11,183.4	(0.7%)
China	8,498.2	(0.5%)
Singapore	7,865.5	(0.5%)
Taiwan	3,861.7	(0.2%)
Germany	3,671.4	(0.2%)

Total: RM56,715.0 million (3.7%)

Palm Oil-Based Manufactured Products



China	6,585.2	(0.4%)
Netherlands	5,632.1	(0.4%)
India	2,579.8	(0.2%)
Japan	2,576.2	(0.2%)
United States	2,457.7	(0.2%)

Total: RM41,371.2 million (2.7%)

Iron & Steel Products



China	3,543.1	(0.2%)
Hong Kong SAR	3,236.9	(0.2%)
Singapore	3,103.0	(0.2%)
United States	2,975.3	(0.2%)
Korea	2,611.3	(0.2%)

Total: RM33,347.0 million (2.1%)

Rubber Products



United States	7,348.2	(0.5%)
China	4,570.8	(0.3%)
Japan	1,491.4	(0.1%)
Germany	1,467.0	(0.1%)
Brazil	928.9	(0.1%)

Total: RM28,790.7 million (1.9%)

Processed Food



Singapore	3,623.2	(0.2%)
China	3,562.5	(0.2%)
Indonesia	2,021.4	(0.1%)
Philippines	1,684.9	(0.1%)
Thailand	1,634.7	(0.1%)

Total: RM28,410.5 million (1.8%)

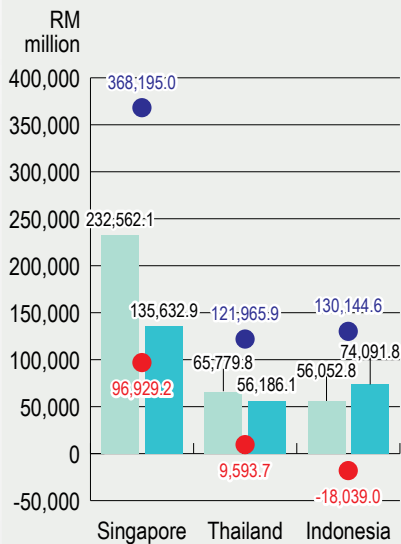
Source: Department of Statistics, Malaysia

Total Export
RM452,827.3
million

Total Import
RM319,002.3
million



Top Three Trade with the Association of Southeast Asian Nations (ASEAN), 2021-2022

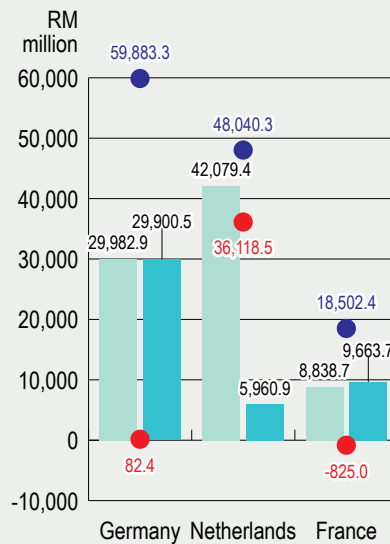


Total Export
RM126,309.7
million

Total Import
RM90,180.4
million



Top Three Trade Partners in the European Union (EU), 2021-2022

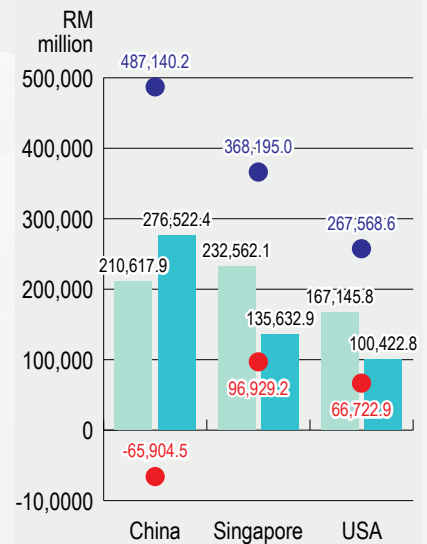


Total Export
RM1,205,421.8
million

Total Import
RM1,026,320.2
million



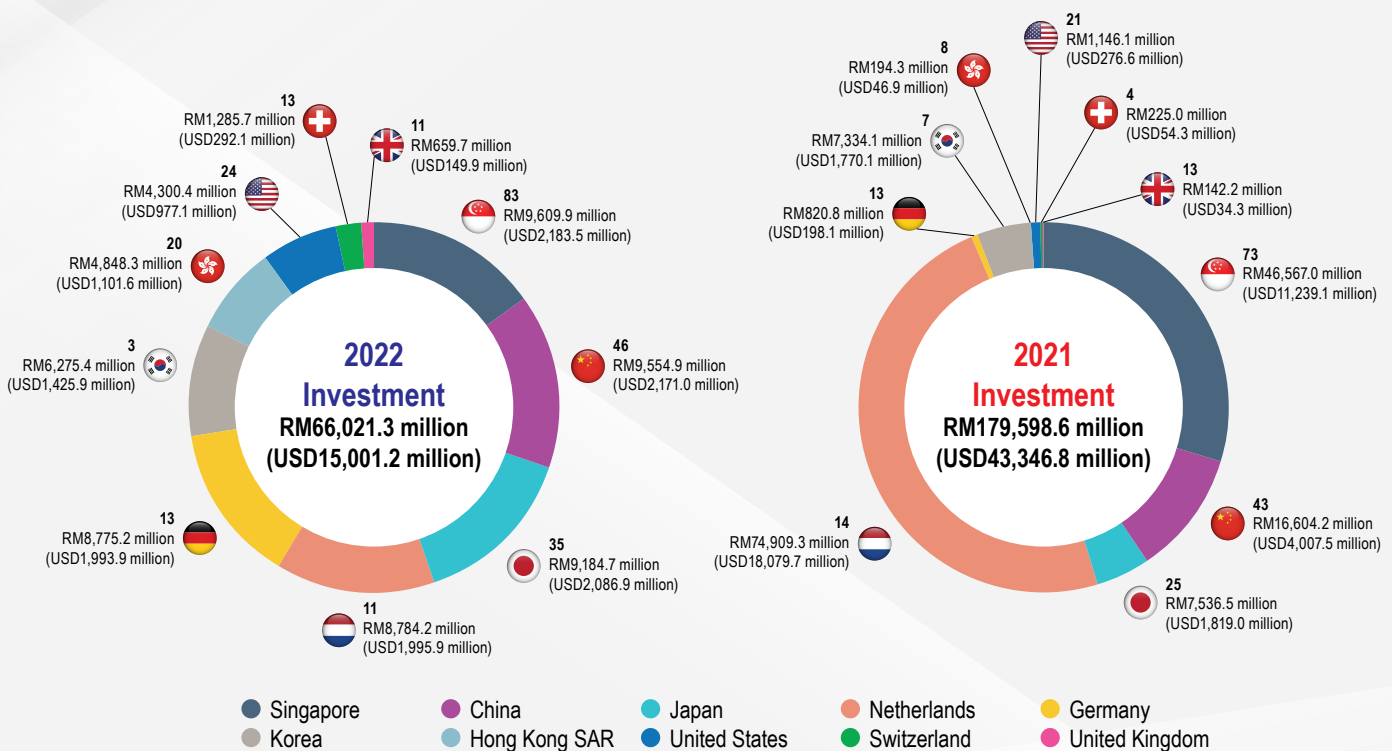
Top Three Trade Partners in the Asia-Pacific Economic Cooperation (APEC), 2021-2022



*Note: Top countries are sorted according to Total Trade value for 2022
Source: Department of Statistics, Malaysia

● Total Trade ● Balance of Trade ■ Exports ■ Imports

Manufacturing Projects Approved with Foreign Participation by Top Ten Countries, 2021-2022



*Note: Top countries are sorted according to Investment (RM million) value for 2022
Source: MIDA



Chapter

ECONOMIC PERFORMANCES AND OUTLOOK: MALAYSIA AND THE WORLD





Russia-Ukraine conflict

has undermined the hope and positive expectations of the world economy.

Commodity prices normalise but **geopolitical risks stay on**, which causes the regulatory authorities of each country to take precautionary measures

OVERVIEW

The world economy has continuously faced various challenges and tests, which has directly affected several aspects of the economy, all countries including Malaysia. The year 2022 witnessed many countries adopting dynamic approach in terms of reopening economic borders, which has greatly contributed to the positive development of economic regeneration. This is further supported by the People's Republic of China's move to open the country's borders earlier than expected. However, the Russia-Ukraine conflict has undermined the hope and positive expectations of the world economy. Commodity prices normalise but geopolitical risks stay on, which causes the regulatory authorities of each country to take precautionary measures to ensure that each country remains on the right track. The external front remains on a challenging path, particularly with the global economic slowdown fear, prolonged inflation bite, adverse effects from tightening of monetary policy in many countries, and geopolitical risks in Europe and Asia.

GLOBAL

International Monetary Fund (IMF) in its latest World Economic Outlook April 2023 publication projected the world economy to grow by +2.8% in 2023. Despite the market uncertainties and challenges, world economic growth is expected to stay on an expansionary path. Risks of a recession may recede, yet post-pandemic challenges will still weigh down on 2023 growth as compared to the previous years. In 2024, the world economy is expected to rebound steadily by +3% with growth to pick up in both advanced and developing economies.

Many countries adopted a contractionary monetary policy approach in 2022 to manage demand-pushed inflationary pressure. Core inflation soared and some countries hit new record highs. On top of that, the Ukraine-Russia conflict had contributed to the spike in world energy and commodities prices. This was exacerbated by the tight global supply chain caused by intermittent lockdowns in China last year. Hence, the inflation-driven tightening of monetary policy in many countries among others is seen as a major factor that may cause an economic recession in several major economies. However, the recession risks are tapering off given that job market condition remains resilient, inflationary pressure is cooling off and most importantly the reopening of China is providing a positive outlook to the world economy.

Emerging and developing economies to grow stronger in 2023 and 2024 (Exhibit 1.1). China is set to record higher economic growth of +5.2% in 2023 and +4.5% in the following year. India's Gross Domestic Product (GDP) growth is projected to remain above +5.5% while emerging and developing Europe is expected to be an upward trend from 2023 onwards with the assumptions waning effect from the Ukraine conflict and further normalisation in energy prices. Latin America and the Caribbean, and the Middle East and Central Asia are forecasted slower economic growth in 2023 before rebounding higher in 2024. High-base effects factor and normalisation of world commodity and energy prices are among the key drivers for both regions.

The reopening of China's economy is seen as a silver lining to the global economy for 2023 onwards. The World Bank foresees higher GDP growth for the China; +4.6% in 2024 and +4.4% in 2025. There is optimism that the recovery of China's economy will particularly inject higher demand into global trade activities, benefitting ASEAN economies including Malaysia. Key macro data are pointing toward improving trends thanks to the relaxation of its strict COVID-19 restrictive measures. With the economy fully reopened in January 2023, this will allow for the world's second-largest economy to rebound strongly in 2023.

Commodity prices to normalise but geopolitical risks stay on. Apart from economic reopening in many countries, the Ukraine-Russia war sparked a rally in world energy prices. Brent crude oil prices hovered above USD100 per barrel for six (6) months since February 2022. There were positive and negative implications from the high prices: beneficial for net energy exporters, but burdensome for net importers. Moving into 2023 and 2024, world commodity and energy prices are predicted to trend lower by -24.1% and -5.8% respectively. Better supply-side activities and expecting waning effects from the Ukraine conflict in Europe and Asia regions may dampen prices to lower levels. Nonetheless, the geopolitical risks remain on the radar which can push prices higher again.

The pace of monetary policy tightening globally will likely slow in 2023 as key macro indicators have shown reactions of moderating trends. Core inflation rates started to decline modestly, the jobless rate inches up marginally and retail spending grew at a gradual pace. The year 2022 saw a rapid rise in interest rates across many countries. By early 2023, interest rates in the United States of America (US), the eurozone and the United Kingdom (UK) have hit the highest levels since 2008. Reserve Bank of Australia (RBA) raised its cash rate to 3.10% in December 2022, the highest since 2012. Reserve Bank of India (RBI) increased its key repo rate to 6.25% by the end of 2022, the highest since March 2019. These elevated interest rate levels among others are a concern to the world economy because the higher borrowing costs would translate into slower spending and investment activities, especially in major economies due to more aggressive and large rate hikes. On the flip side, world demand may see a steady uptick as interest rates are likely to be cut gradually in 2024 to support economic growth, on the back of a lower inflation outlook.

EXHIBIT 1.1**WORLD REAL GROSS DOMESTIC PRODUCTS (GDP) GROWTH (%)**

	2021	2022	2023 ^f	2024 ^f
World Output	6.2	3.4	2.8	3.0
Advanced Economies	5.4	2.7	1.3	1.4
United States of America	5.9	2.1	1.6	1.1
Euro Area	5.3	3.5	0.8	1.4
Germany	2.6	1.8	(0.1)	1.1
France	6.8	2.6	0.7	1.3
Italy	6.7	3.7	0.7	0.8
Spain	5.5	5.5	1.5	2.0
Japan	2.1	1.1	1.3	1.0
United Kingdom	7.6	4.0	(0.3)	1.0
Canada	5.0	3.4	1.5	1.5
Other Advanced Economies	5.3	2.6	1.8	2.2
Emerging Market and Developing Economies	6.7	4.0	3.9	4.2
Emerging and Developing Asia	7.4	4.4	5.3	5.1
People's Republic of China	8.4	3.0	5.2	4.5
India	8.7	6.8	5.9	6.3
Emerging and Developing Europe	6.9	0.8	1.2	2.5
Russia	4.7	(2.1)	0.7	1.3
Latin America and the Caribbean	7.0	4.0	1.6	2.2
Brazil	5.0	2.9	0.9	1.5
Mexico	4.7	3.1	1.8	1.6
Middle East and Central Asia	4.5	5.3	2.9	3.5
Saudi Arabia	3.2	8.7	3.1	3.1
Sub-Saharan Africa	4.7	3.9	3.6	4.2
Nigeria	3.6	3.3	3.2	3.0
South Africa	4.9	2.0	0.1	1.8
World Growth Based on Market Exchange Rates	6.0	3.0	2.4	2.4
European Union	5.5	3.7	0.7	1.6
ASEAN-5	3.8	5.5	4.5	4.6
Middle East and North Africa	4.1	5.3	3.1	3.4
Emerging Market and Middle-Income Economies	7.0	3.9	3.9	4.0
Low-Income Developing Countries	4.1	5.0	4.7	5.4
World Trade Volume (Goods and Services)	10.4	5.1	2.4	3.5
Commodity Prices				
Oil	65.8	39.2	(24.1)	(5.8)
Nonfuel	26.4	7.4	(2.8)	(1.0)
World Consumer Prices	4.7	8.8	6.6	4.3
Advanced Economies	3.1	7.3	4.7	2.6
Emerging Market and Developing Economies	5.9	9.8	8.6	6.5

Source: International Monetary Fund (IMF) and Malaysian Industrial Development Finance Berhad (MIDFR)

The US to increase interest rates further and then pause in the second half of 2023. As inflation remained elevated, the US Federal Reserve (Fed) remains committed to pushing its policy rate to be more restrictive, the US Federal Reserve raised the Fed funds rate further towards 5.00%-5.25% in the first half of the year 2023. The Fed also indicated that the borrowing costs will be kept at high levels to ensure inflation is in check and trending downward. While easing inflation will boost confidence and support for smaller rate hikes, the challenge, however, from positive wage growth on the back of a tight job market will allow for more hikes to contain overall demand pressures. By end-2023, it is expected that the Federal Open Market Committee (FOMC) to pause its rate. The US economy is projected to experience below-trend growth, with GDP to expand at around +1% this year (2022: +2.1%). While Fed already cumulatively raised the fed funds rate by +500 basis points to 5.00%-5.25% the rise in consumer spending was the key reason for GDP growth in the first quarter of 2023 accelerating to annualised +1.6% quarter-over-quarter (qoq) (the forth quarter of 2022: +0.9% qoq), while companies reduced investment and reduced their inventories. Despite the strength in consumer spending on the back of tight labour market, it is forecasted that rising borrowing costs and tighter credit conditions will lead to slower consumer spending.

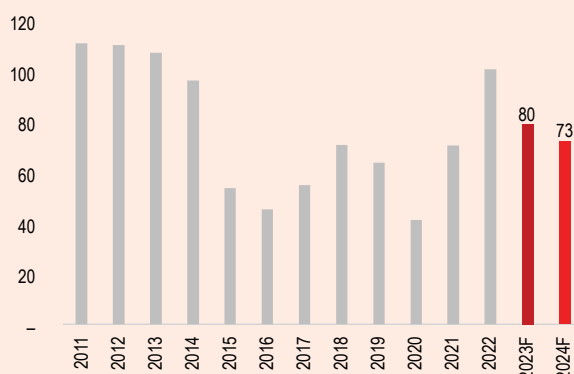
MALAYSIA

2023 and 2024 Outlook

Moving into externally challenging 2023. Considering the external headwinds and tightening monetary policy in many economies, Malaysia's GDP growth to moderate to range between 4.0%-4.5% in 2023. The softening growth is mainly due to a deceleration in external trade performances as global demand is anticipated to be slower than the previous year. The global economy is expected to slow down rather than face a recession in 2023. On the back of higher interest rates, pessimistic business sentiments (as reflected in S&P Global PMI surveys) and elevated inflationary pressure, domestic demand in the US and European Union (EU) will likely dampen in 2023. Consequently, Malaysia's real exports are projected to grow at +1.5% (2022: +14.5%), partially supported by improving services exports via recovering tourism activity. As China reopens sooner than predicted, it is expected that this will provide an extra boost to Malaysia's services exports as well as tourism activity. In addition, Malaysia's external trade is believed to continue benefiting from increased external demand for commodities especially palm oil, crude petroleum and liquefied natural gas (LNG) as the prices of crude palm oil (CPO) and Brent crude oil are projected to stay elevated at RM3,500 per tonne (Exhibit 1.3) and USD80 per barrel for 2023 (Exhibit 1.2). With demand expected to continue growing, agriculture and mining sectors will record an expansion rate of +0.8% and +2.6% respectively, while manufacturing output to grow modestly by +1.4% for 2023.

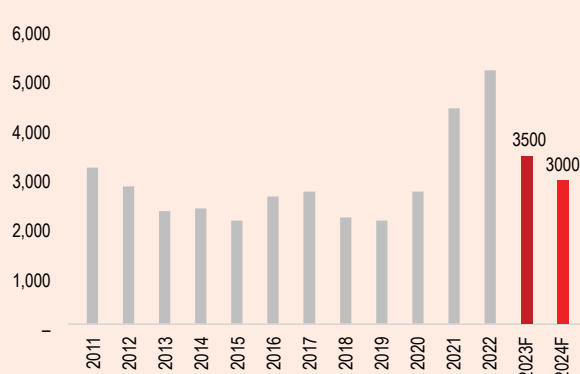


EXHIBIT 1.2
BRENT CRUDE OIL PRICES (USD PB)



Source: Bloomberg, MIDFR
Note: F – forecast date

EXHIBIT 1.3
CRUDE PALM OIL (CPO) PRICES (RM PER TONNE)



Source: Bloomberg, MIDFR
Note: F – forecast date

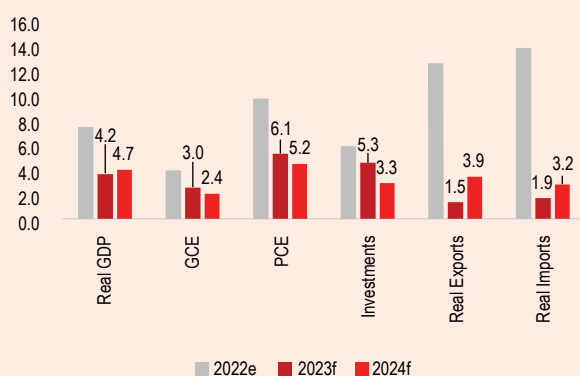
Upbeat domestic economic momentum

Domestic economy will be driven by continued upbeat consumer spending, further improvement in tourism-related activities and revival of infra projects. Food inflation as well as overall price growth is anticipated to trend lower in 2023 following moderation in global commodity prices and further easing in previously tight supply chain pressure. Headline consumer price index (CPI) inflation is expected to be lower at +3% (2022: +3.3%). On that note, consumer spending in Malaysia will continue to grow underpinned by improved inflation outlook and labour market condition, with the jobless rate to decline further to 3.5% in 2023, among others thanks to strong economic recovery in post-pandemic and return of non-citizen workers. In addition, the trajectory of Bank Negara Malaysia's (BNM) monetary policy will also remain supportive of domestic spending and investment activities. Services and construction sectors are predicted to grow by +5.8% and +6.5% for 2023 respectively.



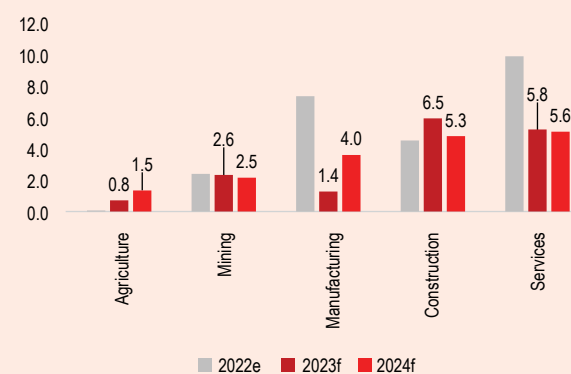
Looking at 2024, Malaysia's economy can be expected to expand stronger than the previous year. As guided by the global growth outlook, 2024 will see a steady pick-up amid lower monetary policy rates in many countries, lesser inflationary pressure and stronger demand particularly attributed to continued growth in China and other Asian countries. As a trading nation, Malaysia stands to gain from the external front and reap the benefits of being a member of both the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Global commodity prices are projected to stay at attractive levels in 2024. Domestic demand is anticipated to stay supportive of growth, especially with a lower jobless rate, stable inflationary pressure and supportive fiscal and monetary policies. For 2024, Malaysia's real GDP is forecasted to increase by +4.7% with private and government consumption growth rates are +5.2% and +2.4% respectively (Exhibit 1.4). Investments are projected to expand by +3.3%, while real exports and imports are to improve by +3.9% and +3.2% respectively. By sectors, commodity-based sectors namely agriculture and mining to record +1.5% and +2.5% accordingly in 2024 (Exhibit 1.5). In line with improving external trade, growth in the manufacturing sector to increase to +4.0%, while the construction sector to jump by +5.3% amid continued expansionary fiscal policy. Services sector which constitutes more than 50% of the economy to increase steadily by +5.6%.

EXHIBIT 1.4
GROSS DOMESTIC PRODUCT (GDP) BY
EXPENDITURE (YOY%)



Source: Macrobond, MIDFR

EXHIBIT 1.5
GROSS DOMESTIC PRODUCT (GDP) BY
SECTORS (YOY%)



Source: Macrobond, MIDFR

Global slowdown, elevated commodity prices and the People's Republic of China's reopening

The external front remains on a challenging path, particularly with the global economic slowdown fear, prolonged inflation bite, adverse effects from tightening of monetary policy in many countries, and geopolitical risks in Europe and Asia.

As inflation remains high, central banks in major economies continue to focus on raising interest rates as means to contain inflationary pressures. Moreover, the delayed effect from previous rate hikes also led to concerns over weaker growth prospects in the US, which could drag down global economic growth and international trade activities. Meanwhile, apart from the US-China geopolitical rift, possible re-escalation of trade and political instability could come from unforeseen deterioration in the Russia-Ukraine war and perhaps in the China-Taiwan bilateral relationship. On the bright side, the China's reopening provides optimism for global trade flows. Malaysia's export market can still hold among others underpinned by growing overseas sales of commodity-based products with commodity prices remaining elevated. As for

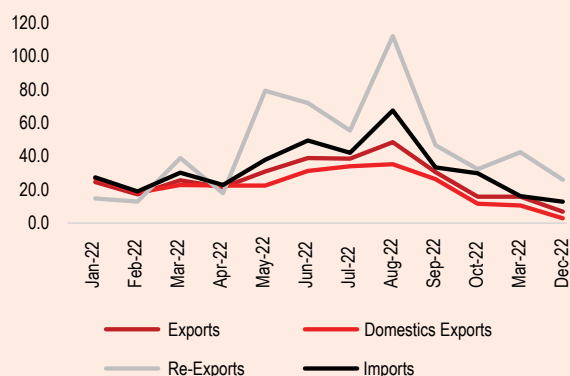
imports, strong domestic demand and improving local activities led to higher inbound shipments, averaging +31.3% year-over-year (yoy) for 2022 and are likely to continue growing relatively higher than exports as domestic demand is seen to stay sturdy.

Looking beyond 2023, positive prospects for Malaysia's external trade activities. Apart from elevated commodity prices and lower monetary rates, external trade activities of Malaysia are predicted to expand steadily amid new trade agreement impacts. In a post-pandemic era, Malaysia has ratified both RCEP and CPTPP in 2022. RCEP came into force on 18 March and CPTPP on 29 November. Including Malaysia, RCEP consists of 15 countries. Other countries are Brunei, Singapore, Viet Nam, Cambodia, Indonesia, Laos, Myanmar, the Philippines, Thailand, China, Korea, Australia, Japan and New Zealand. CPTPP is another free trade agreement (FTA) in which Malaysia participates, which includes other member countries namely Australia, Brunei Darussalam, Canada, Chile, Japan, Mexico, Peru, New Zealand, Singapore and Viet Nam. Based on the Ministry of Investment, Trade and Industry's (MITI) estimate, CPTPP would alleviate Malaysia's GDP by USD56.5 billion throughout 2021 to 2030. Having these two FTAs, Malaysian products can penetrate wider markets and enjoy cheaper imported goods. Henceforth, Malaysia's goods exports and import growth rates may accelerate to +5.7% and +3.9%, respectively, in 2024.



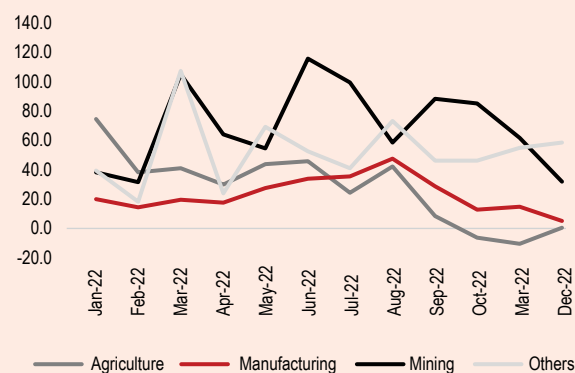
Malaysia's goods exports and import growth rates may accelerate to **+5.7%** and **+3.9%**, respectively, in 2024.

EXHIBIT 1.6
EXTERNAL TRADE PERFORMANCES



Source: Macrobond, MIDFR

EXHIBIT 1.7
EXPORTS BY SECTORS



Source: Macrobond, MIDFR

Industrial Production Index (IPI) to expand by +2.2% for 2023. Mining output is set to continue recovering albeit with elevated global energy prices. The completion of new pipeline projects in Sarawak and the resumption of Sabah's oilfield operation are seen to benefit and able to uplift mining output in 2023. Mining output is projected to improve further by 0.3% points to +2.5% in 2023. In line with the external slowdown, factory output growth is forecasted lower at +2.2%. Electricity output, which is closely associated with factory performance, to record a marginal gain of +1% for 2023. Overall IPI is predicted to expand by +2.2% in 2023 and +3.7% in 2024.

Manufacturing employment share at record low. Manufacturing employment contribution to total employment declined to 14.5% in 2022, the lowest ever recorded. Despite of booming external trade sector during the pandemic years, manufacturing employment rose slower than total employment growth, +3.2% vs. +3.5% in 2022 (2021: +1.1% vs. +1.7%). On a positive note, the average monthly wage level stays on an uptrend from RM2,765 in 2016 to RM3,420 in 2022. However, the wage growth remains tepid in post-pandemic at +2% per annum (Average 2016-2019: +6%). By sub-sectors, electrical and electronics (E&E)-related industries are still the main employment pool particularly Electronic Integrated Circuits, Electrical Resistor Component and Computers & Peripherals Equipment which accommodate 12.2% of the manufacturing job market in 2022. In terms of annual employment growth, there are ten (10) industries posted double-digit rates, among others by Pumps, Compressors, Taps & Fluid Powered Equipment (+18.2%), Printing Ink (+18.1%) and Dyeing, Bleaching, Printing & Finishing of Yarns (+17.4%). On the other hand, there are almost 30 industries recorded a contraction in employment growth last year. As for nominal wage growth, 29 industries posted a strong double-digit rate, partly thanks to the higher minimum wage of RM1,500 per month. The top three (3) industries were: (i) Liquefied Inorganic (+59.1%), (ii) Equipment for Measuring, Testing, Navigating & Control (+41.1%), and (iii) Optical Instruments, Photographic & Equipment (+35.8%). The economic recovery for the manufacturing sector would be quite uneven given that more than 40 industries registered negative wage growth in 2022.

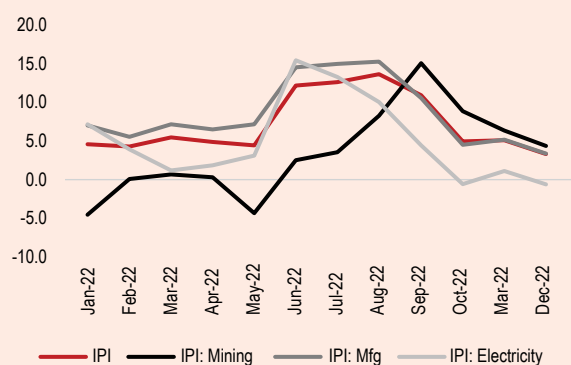


As for nominal wage growth, 29 industries

posted a strong double-digit rate, partly thanks to the higher minimum wage of RM1,500 per month

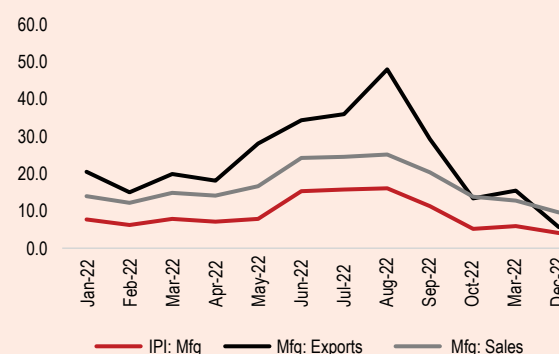
Moving into 2024, Malaysia's industrial production is expected to grow firmly by +3.7% with mining and manufacturing output to increase by +1.7% and +4.1%, respectively. Global demand to return stronger after 2023 especially driven by possible interest rate cuts in developed markets and steady expansion in China. Energy prices are expected to remain at attractive levels which will support the growth outlook for Malaysia's mining sector. In particular, trade-oriented sectors will benefit from RCEP and CPTPP and contribute towards higher growth in 2024 as Malaysia explores wider market access and new trade opportunities. On the domestic front, steady domestic demand and expansionary fiscal spending will generate bigger demand for consumer and construction goods.

EXHIBIT 1.8
INDUSTRIAL PRODUCTION INDEX (IPI)
PERFORMANCES



Source: Macrobond, MIDFR

EXHIBIT 1.9
MANUFACTURING PERFORMANCES



Source: Macrobond, MIDFR

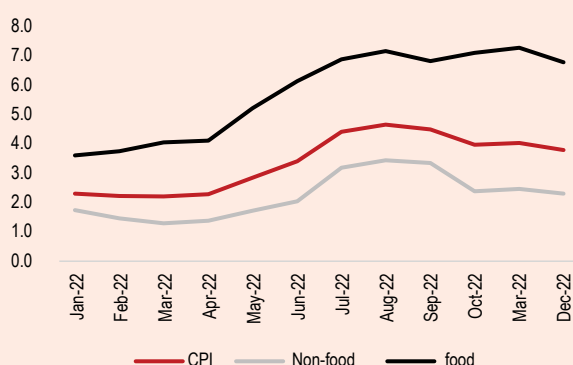
The labour market in Malaysia is expected to strengthen further in 2023 and 2024, backed by encouraging momentum in the domestic economy. Malaysia's average unemployment rate is expected to decline further to 3.5% in 2023 and return to pre-pandemic levels at 3.3% in 2024. The return of non-citizens workers is expected to boost overall employment and reduce the jobless rate. As of the first quarter of 2023, non-citizens' employment is almost -4.4% lower than pre-pandemic levels. As of fifth month fo 2023, employment grew by +2.7% yoy (2022: +3.5%) while unemployment reduced by -10.9%yoy (2022: -14.8%) and jobless rate averaged at 3.5%. Continued improvement in the labour market will support consumer spending as the wage recipients to employment ratio has reached a new peak at 64.5% in 2021, among others thanks to the minimum wage salary policy.



On the other hand, Malaysia's consumer spending expanded strongly as reflected in retail trade sales growth of +23.9% yoy in 2022. The pent-up demand shall continue into 2023, underpinned by an improving labour market, stable inflationary pressure and the domestic economy reopening. Even though Overnight Policy Rate (OPR) is on a normalisation trajectory, it would have minimal effect on domestic spending. Retail trade sales are expected to increase by +15.3% for 2023 and +7.9% in the year after. In addition, tourism-related activities to pick up stronger in 2023 onwards and China's reopening will add an extra booster. Pre-pandemic, 50.7% of Malaysia's airport passenger traffic was contributed by international travel, 25.0% by ASEAN and 25.7% by non-ASEAN destinations. As of May 2023, domestic destinations share rose to 56.3% (Average 2022: 71.7%) while international at 43.7% (2022: 28.1%) whereby 19.3% were non-ASEAN and 24.4% ASEAN.

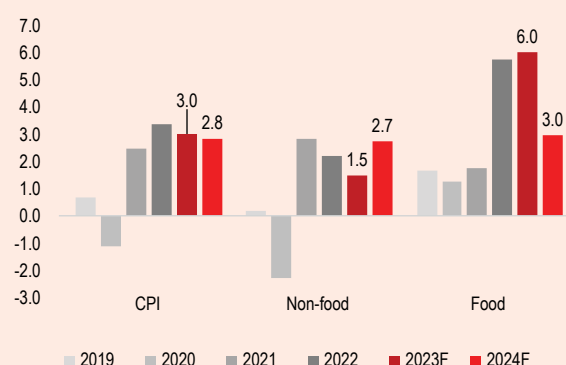
Moving into 2023, supply-push factors on inflation are expected to ease, which is attributable to among others normalization in global & domestic food prices and improvement in global and domestic supply chain flows. Malaysia's inflation outlook is much clearer for 2023 onwards. On top of that, the government may review monopoly practices in agri-food-related sectors with the idea to increase output supply and lower food prices. Henceforth, headline inflation is predicted to increase by +3.0% for 2023. Looking into 2024, overall price growth is expected to stay low at +2.8% as Ringgit would appreciate further and domestic food supply continues improving. Furthermore, a stable inflation outlook reflects further easing in commodity prices, albeit still elevated, and the continued policy support from government intervention via subsidy mechanisms and other assistance programs.

EXHIBIT 1.10
FOOD-LED INFLATIONARY PRESSURE



Source: Macrobond, MIDFR

EXHIBIT 1.11
INFLATION FORECAST (YOY%)



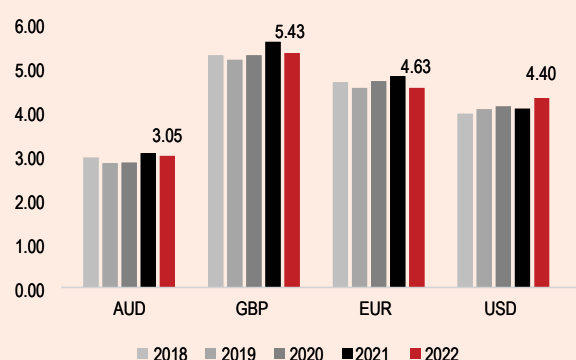
Source: Macrobond, MIDFR

Monetary policy remains supportive & accommodative

Considering upbeat macro performances, BNM is predicted to restore its monetary policy to normal levels, possibly reaching 3.25% in 2023 (Exhibit 1.14). With OPR returned to 3%, this will create more rooms for the central bank to consider possible monetary policy support in the event of a worse-than-expected global economic slowdown. However, the decision will be subjected to the stability of economic growth, the pace of price increases and a further improvement in macroeconomic conditions, particularly a continued recovery in the labour market and growing domestic demand. From a medium-term perspective, the policy rate normalisation is needed to avert risks that could destabilise the future economic outlook such as persistently high inflation and a further rise in household indebtedness. This will therefore ensure sustainable growth in the longer run.

EXHIBIT 1.12

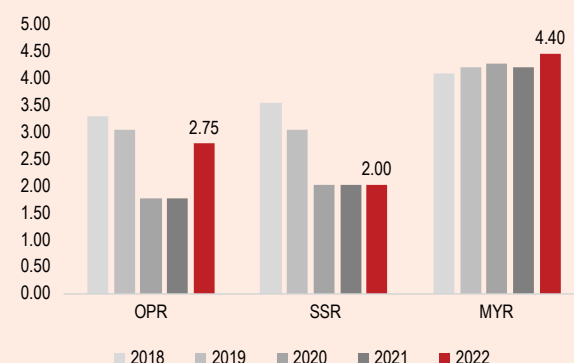
MALAYSIAN RINGGIT (MYR) AGAINST MAJOR CURRENCIES (YOY%)



Source: Macrobond, MIDFR

EXHIBIT 1.13

MONETARY POLICY (%) VS. MALAYSIAN RINGGIT (USD-MYR)



Source: Macrobond, MIDFR

Strong USD has been the main factor for the depreciation of most currencies in 2022, thanks to the faster-than-expected and aggressive interest rate hikes by the Fed. The American central bank continued with rate hikes in 1H23, hence delaying the appreciation of other currencies in 2023.

Due to the rate pause delay, Malaysian Ringgit (MYR) to average lower at RM4.43 and end the year 2023 at RM4.20 (Exhibit 1.14). As for 2024, Ringgit will appreciate better, and average stronger at RM4.25. Apart from the positive growth fundamentals, the strength of the Ringgit will be supported by reduced interest differentials as the US Fed is expected to aggressively cut its benchmark interest rates in 2024. MYR performed better than other major currencies in 2022. For instance, MYR gained +12.5% yoy against Japanese Yen, +5.9% yoy against Euro, +2% yoy against Australian Dollar and +5% against Great British Pound (GBP). Fundamentally, MYR is in a good position as the domestic economy stays on upbeat momentum and as a net exporter of crude petroleum, LNG and palm oil, Malaysia stands to benefit from the elevated global commodity prices.

EXHIBIT 1.14

MALAYSIA'S REAL GROSS DOMESTIC PRODUCT FORECAST FIGURES (%)

(YEAR-OVER-YEAR %) Unless Stated Otherwise	2020	2021	2022	2023^f	2024^f
Real Gross Domestic Product (GDP)	(5.5)	3.3	8.7	4.2	4.7
Govt. Consumption	4.1	6.4	4.5	3.0	2.4
Private Consumption	(3.9)	1.9	11.2	6.1	5.2
Gross Fixed Capital Formation	(14.4)	(0.8)	6.8	5.3	3.3
Government Investment	(21.2)	(11.1)	5.3	4.8	2.9
Private Investment	(11.9)	2.7	7.2	5.4	3.5
Exports of Goods and Services	(8.6)	18.5	14.5	1.5	3.9
Goods Exports	(0.7)	21.4	11.1	(2.8)	3.0
Services Exports	(47.8)	(8.2)	56.8	39.5	9.4
Imports of Goods and Services	(7.9)	21.2	15.9	1.9	3.2
Goods Imports	(3.6)	23.8	14.6	(0.6)	2.5
Services Imports	(25.3)	7.7	23.9	15.7	6.5
Net Exports	(13.7)	(4.0)	(1.0)	(3.6)	13.8
Agriculture etc	(2.4)	(0.1)	0.1	0.8	1.5
Mining & Quarrying	(9.7)	0.9	2.6	2.6	2.5
Manufacturing	(2.7)	9.5	8.1	1.4	4.0
Construction	(19.3)	(5.1)	5.0	6.5	5.3
Services	(5.2)	2.2	10.9	5.8	5.6
Exports of Goods (f.o.b)	(1.1)	26.1	25.0	(3.4)	5.7
Imports of Goods (c.i.f)	(5.8)	23.3	31.3	(1.2)	3.9
	2020	2021	2022	2023^f	2024^f
Unemployment Rate (%)	4.50	4.60	3.80	3.50	3.30
Headline CPI Inflation (%)	(1.1)	2.5	3.4	3.0	2.8
Non-Food Inflation (%)	(2.3)	2.8	2.2	1.5	2.7
Food Inflation (%)	1.3	1.8	5.7	6.0	3.0
Brent Crude Oil (Avg), USD per barrel	41.6	71.5	102.0	80.0	73.0
Crude Palm Oil (Avg), MYR per tonne	2,775	4,486	5,262	3,500	3,000
USD/MYR (Avg)	4.20	4.14	4.40	4.43	4.25
USD/MYR (End-period)	4.02	4.17	4.35	4.20	4.10
Overnight Policy Rate (%)	1.75	1.75	2.75	3.25	3.00

Source: Macrobond, Bloomberg, MIDFR



Chapter

INTERNATIONAL TRADE





Exports rose by 25% to **RM1.552 trillion**, exceeding the Twelfth Malaysia Plan (Twelfth Plan) projection for 2025, **three (3) years ahead of the target**.

OVERVIEW

In 2022, Malaysia's trade continued to demonstrate a remarkable performance and registered another record-breaking achievement with trade, exports, imports, and trade surplus soaring to a new high. This is a positive reflection that the nation's trade performance is on an upward trajectory, boosted by higher external demand and strong commodity prices.

TRADE PERFORMANCE

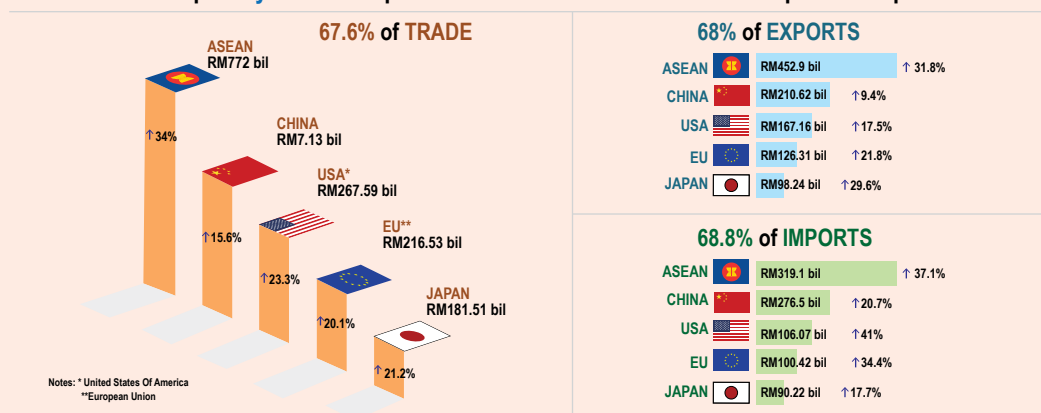
Malaysia's trade in year 2022 recorded a new milestone, surpassing RM2 trillion for the second consecutive year and registered the fastest growth since 1994. Trade grew with a double-digit expansion of 27.8% to RM2.848 trillion compared to 2021.

Exports rose by 25% to RM1.552 trillion, exceeding the Twelfth Malaysia Plan (Twelfth Plan) projection for 2025, three (3) years ahead of the target. Imports registered another milestone by surpassing RM1 trillion record for the first time, rising by 31.3% to RM1.297 trillion. Trade surplus increased by 0.6% to RM255.1 billion, representing the 25th consecutive year of trade surplus since 1998. Trade, exports, imports and trade surplus posted the largest value ever recorded.

The expansion in exports was driven by robust exports of electrical and electronic (E&E) products, petroleum products, liquefied natural gas (LNG), palm oil and palm oil-based agriculture products, crude petroleum as well as machinery, equipment, and parts, each posted more than RM10 billion increase with double-digit growth. All these products recorded the highest export value ever except for crude petroleum. Malaysia's top five (5) trading partners were the ASEAN, the People's Republic of China (PRC), the United States of America (US), the European Union (EU) and Japan, collectively accounting for 67.6% share of the total trade (Exhibit 2.1).

EXHIBIT 2.1 MALAYSIA'S KEY MARKETS

Top 5 key markets represented >60% share of total trade exports & imports

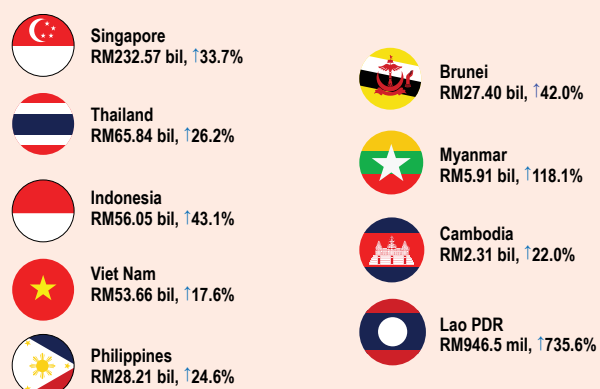


Source: Department of Statistics Malaysia (DOSM)

ASEAN remained an important and strategic trade partner for Malaysia, accounting for 27.1% of Malaysia's total trade in 2022. Trade with ASEAN amounted to RM772 billion, an increase of 34% compared to 2021. Exports to the region grew by 31.8% to RM452.9 billion following higher exports of E&E products, petroleum products as well as crude petroleum. Exports to all ASEAN markets recorded expansion (Exhibit 2.2).

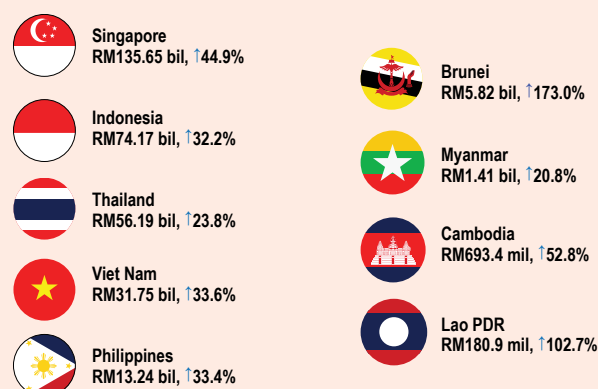
Imports from ASEAN grew by 37.1% to RM319.1 billion, with main imports comprising E&E products, petroleum products as well as chemicals and chemical products. Imports from ASEAN countries also registered significant growth (Exhibit 2.3).

EXHIBIT 2.2 EXPORTS TO ASEAN COUNTRIES



Source: DOSM

EXHIBIT 2.3 IMPORTS FROM ASEAN COUNTRIES



Source: DOSM

FREE TRADE AGREEMENTS

Free Trade Agreements (FTAs) signed by Malaysia are important to gain better market access for Malaysian products and services overseas. An FTA is an agreement between two or more countries where parties involved are given preferential access to partner country markets. Each FTA partner country will offer economic cooperation and facilitation for trade in goods and services as well as investment.

Malaysia has implemented 16 FTAs in which seven (7) are bilateral FTAs and nine (9) are regional FTAs. Seven (7) of them are bilateral agreements with Australia, Chile, India, Japan, New Zealand, Pakistan and Turkiye. Malaysia also signed seven (7) regional FTAs through ASEAN with Australia, China, the Hong Kong Special Administrative Region (SAR), Japan, India, New Zealand and Korea. In addition, Malaysia also signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). Both agreements entered into force in 2022.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP)

RCEP agreement has come into force for Malaysia on 18 March 2022, paving the way for the country to integrate into the world's largest FTA that involves 15 countries. Malaysia ratified CPTPP on 30 September 2022, becoming the ninth (9) out of eleven countries to ratify the agreement and entered into force on 29 November 2022.

In August 2022, Malaysia External Trade Development Corporation (MATRADE) organised a briefing on CPTPP and invited Senior Director Strategic Negotiations Division and CPTPP Chief Negotiator, Ministry of Investment Trade and Industry (MITI), Arividya Arimuthu to share her valuable insights. The objective of this briefing was to create awareness among MATRADE's officers and to improve their knowledge and skills in the subject to ensure all officers are ready and remain committed in providing support and assistance to the Malaysian exporting companies to access international export markets, which is in line with the National Trade Blueprint (NTBP) initiative on "Facilitating and Widening Market Access".



Senior Director Strategic Negotiations Division and CPTPP Chief Negotiator, Arividya Arimuthu is sharing her valuable insights and information on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) with the Malaysia External Trade Development Corporation (MATRADE) officers.

The month of September recorded the highest number of Certificate of Origin (CO) issued, totalling 153. In terms of exports under the RCEP scheme, the month of October recorded the biggest figure amounting to RM43.7 million (USD9.89 million). Though the RCEP implementation has been less than a year, the number of COs received are on a growing trend, reflecting the huge potential of RCEP across the region. This also demonstrates the ambition set under RCEP to streamline and harmonise the rules of origin that will further help facilitate the movement of goods as well as ensure constant and reliable regional supply chain to ensure seamless trade among RCEP Parties have shown positive results.

FTAs allow Malaysian exporters to gain special privileges and market access in participating countries. Exporters can leverage preferential tariffs and liberalisation in trade regulations and procedures. FTAs also provide privileges for market access to commercial and professional service providers and also facilitate entrepreneurs to invest in FTA partner countries. Realising the privilege that FTAs can offer, MATRADE works hand in hand with MITI to ensure Malaysian exporters are kept informed on the benefits of utilising FTAs.

Free Trade Agreement Markets – Exports Registered Highest Value

Trade with FTA partners in 2022 recorded a double-digit growth of 26.4% to RM1.916 trillion from a year ago, accounting for 67.3% of Malaysia's total trade. Exports to FTA partners recorded the highest value at RM1.069 trillion, increased by 25.7% and absorbed 68.9% of Malaysia's total exports.

Major export products were E&E products, petroleum products, chemicals and chemical products, LNG as well as palm oil and palm oil-based agriculture products which contributed 65.5% of Malaysia's total exports to FTA markets. Exports to all FTA partners recorded increases except Canada, Peru and Chile.

Export expansions were recorded to Hong Kong SAR by 24.6% to RM95.6 billion and Mexico (↑44% to RM16.7 billion), attributed to solid exports of E&E products. Exports to Turkiye rose by 22.9% to RM17.39 billion and Pakistan (↑0.3% to RM6.02 billion), boosted by strong exports of palm oil and palm oil-based agriculture products. Exports to Australia expanded by 41.5% to RM48.8 billion and New Zealand (↑57.6% to RM6.98 billion), led by robust exports of petroleum products. Meanwhile, exports to the ROK rose by 43.3% to RM54.78 billion, driven by higher exports of LNG and India (↑21% to RM54.69 billion, crude petroleum).

Imports from FTA partners increased by 27.3% to RM847.06 billion comprising mainly E&E products, petroleum products as well as chemicals and chemical products.

EXHIBIT 2.4 BILATERAL FREE TRADE AGREEMENTS WITH MALAYSIA

LIST OF BILATERAL FTA WITH MALAYSIA				
	COUNTRY		YEAR SIGNED	2022 MALAYSIA'S TOTAL TRADE (RM billion)
1.	Japan		2005	181.51
2.	Pakistan		2007	7.84
3.	New Zealand		2009	11.30
4.	Chile		2010	2.38
5.	India		2011	86.15
6.	Australia		2012	88.65
7.	Turkiye		2014	20.25

Substantial Conclusion of the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) Upgrade Negotiations

The substantial conclusion of the AANZFTA upgrade negotiations was announced by the Leaders from ASEAN, Australia, and New Zealand on 13 November 2022 at the sidelines of the 40th and 41st ASEAN Summits in Phnom Penh, Cambodia. The negotiations were launched in September 2020 and the first negotiating meeting took place in April 2021.

The AANZFTA is not only the first region to region FTA for both ASEAN and Closer Economic Relations-CER (Australia and New Zealand), but also remains as ASEAN's most ambitious single undertaking since it embarked on an outward looking economic regime aimed at integrating the AMS, individually and collectively, into the global economy. The upgraded AANZFTA is expected to open up new opportunities by remaining of high quality, responsive towards emerging challenges, espousing modern trade practices, and commercially meaningful to businesses in the region. The benefits of this approach include acceleration of supply chain integration, facilitation of the flow of essential goods during crises, deeper liberalisation of services and investment, and propelling digital transformation.

The Parties are actively working towards the signing of the Second Protocol to Amend the Agreement Establishing the AANZFTA in 2023.

**EXHIBIT 2.5
REGIONAL FREE TRADE AGREEMENTS****LIST OF REGIONAL FTA WITH MALAYSIA**

	COUNTRY	YEAR SIGNED
1.	China 	2004
2.	Korea 	2006
3.	Japan 	2008
4.	India 	2009
5.	Australia 	2009
6.	New Zealand 	2009
7.	Hong Kong SAR 	2019
8.	Regional Comprehensive Economic Partnership Agreement (RCEP)	2022
9.	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	2022

ASEAN Trade in Goods Agreement (ATIGA) Upgrade Negotiations

Since came into force in 2010, the ATIGA has served as an important legal framework for boosting trade, minimising trade barriers, deepening economic linkages, and facilitating businesses among AMS. AMS has collectively eliminated about 98.6% of its import tariffs under this agreement since its implementation. During the last one (1) decade, there have been several developments in the areas covered by the ATIGA, inter alia, the progress in ASEAN's economic integration agenda, the ever-improving ASEAN+1 FTAs, as well as ASEAN's expanding FTA networks with the signing of RCEP Agreement.

During the 28th AEM Retreat held on 16 March 2022, they launched the ATIGA Upgrade Negotiations, and is projected to be completed in two (2) years, with its conclusion targeted by the end of 2024. The first ATIGA Upgrade Negotiation – Trade Negotiating Committee (ATIGA TNC) Meeting took place in Thailand on 29-30 September 2022, while the second meeting was held in Indonesia on 8-10 December. The working groups also began meeting in the fourth quarter of 2022. MITI is spearheading Malaysia in this exercise through its representation in the ATIGA TNC Meeting and relevant WGs, with support from relevant Ministries and Agencies.

ASEAN-Canada Free Trade Agreement (ACaFTA) Negotiations

The ASEAN-Canada Free Trade Agreement (ACaFTA) negotiations have commenced since 30 August 2022. It is an important milestone towards a formal trade arrangement between ASEAN and Canada. Malaysia sees this as an opportunity to pursue and continue the expansion and diversification of intra-ASEAN trade via an enhanced ASEAN-Canada trade cooperation that will lead to regional economic integration as aspired under the ASEAN Economic Community Blueprint 2025.

ASEAN-China Free Trade Area (ACFTA) Upgrade Negotiations

During the 25th ASEAN-China Summit held on 11 November 2022 in Phnom Penh, Cambodia, the Leaders of ASEAN and China had agreed to launch the ACFTA Upgrade Negotiations, and is expected to be completed within two (2) years. The agreement is an important foundation in strengthening and improving economic relations and cooperation between ASEAN and China. Both ASEAN and China have identified four (4) additional sectors to be included in the ACFTA Upgrade Negotiations: (i) digital economy, (ii) trade and sustainable development, (iii) competition and consumer protection, and (iv) MSMEs.

Participation in Programmes Organised by International Organisations

The 35th Asian Trade Promotion Forum (ATPF) CEO Meeting

The 35th ATPF CEO Meeting was held physically from 19-20 October 2022. It was hosted by the Export Promotion Bureau of Bangladesh (EPB), with the theme “Challenges and Way Forward of the TPO’s In the New Trade Age”. A total of 26 representatives from 12 Asian Trade Promotion Forum (ATPF) members of trade promotion organisations (TPOs) attended to share their knowledge and experience during this forum.

Deputy CEO (Export Acceleration), Sharimahton Mat Saleh represented Chief Executive Officer (CEO) of MATRADE, shared his experiences in organising trade promotion programmes during this challenging time and digitalisation journey. The purpose of the ATPF CEO meeting was to enhance trade in the region through information exchange, sharing of inspiring ideas, good practices, implementation of cooperation projects and strengthening networks among ATPF members. As the COVID-19 pandemic has added challenges in trade and business environment, the 35th ATPF CEO Meeting highlighted on the importance of staying ahead on the digitalisation and technological innovation to remain relevant and explore new opportunity to reconsider the conventional efforts.



Photo session of the participants of the 35th ATPF CEO Meeting that was held physically from 19-20 October 2022. Malaysia was represented by Deputy Chief Executive Officer (Export Acceleration), MATRADE, Sharimahton Mat Saleh.

World Trade Promotion Organisations (WTPO) Awards 2022

MATRADE has won first place for World Trade Promotion Organisations (WTPO) Award under the “Best Use of Information Technology” category for its initiative in organising the virtual edition of the 17th Malaysia International Halal Showcase (MIHAS) in 2021. MATRADE was among the four (4) finalists nominated in this category together with TPOs from Austria, Canada, and the United Republic of Tanzania. The winner for above category and other two (2) categories – “Best Use of a Partnership” and “Best Initiative for Inclusive and Sustainable Trade” were announced at the 13th World Trade Promotion Organisations Conference and Awards held in Accra, Ghana on 17 May 2022. MATRADE CEO, Datuk Mohd Mustafa Abdul Aziz described the recognition as a resounding testament to MATRADE’s capabilities as a world-class national trade promotion agency, and was a realisation of MATRADE’s aspiration to showcase Malaysia and bring Malaysian exports to greater heights.



Photo session of the World Trade Promotion Organisations (WTPO) Award winners including Malaysia and the organisers of International Trade Centre (ITC) Geneva and Ghana Export Promotion Authority (GEPA).

According to the Geneva-based International Trade Centre (ITC), by digitising the Malaysia International Halal Showcase in 2021, small and medium-sized enterprises (SME) exports continued to grow in the halal industry despite COVID-19 disruptions. The virtual showcase opened new markets and made business connections more convenient and cost-effective.

Implemented Agreements

Malaysia has signed, as of December 2022, a total of 16 FTAs, of which seven (7) are bilateral pacts while the remaining nine (9) are multilateral. All seven (7) bilateral FTAs with Australia, Chile, India, Japan, New Zealand, Pakistan and Turkiye have entered into force. Through ASEAN, Malaysia is a signatory to regional FTAs with Australia and New Zealand, China, Japan, ROK, Hong Kong SAR and India. Within ASEAN, Malaysia is a signatory and party to RCEP Agreement, signed on 15 November 2020 and entered into force for Malaysia on 18 March 2022. The most recent gold standard FTA, CPTPP was signed on 8 March 2018 and successfully ratified on 29 November 2022.

Trade with FTA partners in 2022 stood at RM1.92 trillion and accounted for 67.28% of Malaysia’s total trade. Export to FTA partners was valued at RM1.07 trillion, an increase of 25.7% from previous year, i.e., 68.91% of Malaysia’s total exports. Major export products were E&E products, petroleum products as well as chemicals and chemical products which amounted to 54.7% of total exports to FTA markets. Imports from FTA partners increased by 27.3% to RM847.05 billion and were mainly contributed by E&E products, petroleum products as well as chemicals and chemical products.



The top five (5) products exported to FTA partners were E&E products (37.4%), petroleum products (10.8%), chemicals and chemical products (6.5%), LNG (6.2%) and lastly palm oil and palm oil-based agriculture products (4.6%). In terms of imports from FTA partners, the top five (5) products were E&E (28.5%), petroleum (13.4%), chemicals and chemical (8.8%), machinery, equipment and parts (7.5%) as well as manufactures of metal (5.6%).

Comprehensive and Progressive Agreement for Trans-Pacific Partnership

CPTPP is the world's largest regional FTA encompassing a total population of 507.8 million people in the Asia-Pacific region, which constituted about 15% of global trade. Malaysia remains committed in fully implementing the CPTPP as this FTA is seen as a gold standard and high-quality FTA due to its nature in providing greater access to the services sector, investment protection, opportunities in government procurement, facilitative framework for the digital economy and as well as intellectual property protection.

As at December 2022, the CPTPP has been ratified by nine (9) countries, namely Australia, Canada, Japan, Mexico, New Zealand, Singapore, Viet Nam, Peru and its newest member, Malaysia. Two (2) countries, Brunei Darussalam and Chile have yet to ratify the Agreement and efforts are ongoing with regards to fulfilling their domestic processes. In December 2021, the United Kingdom (UK) had expressed its interest to join the CPTPP resulting in many series of accession talks being held on this matter. Subsequently, China, Taiwan and Ecuador have also formally applied to join the CPTPP. This global positive progress clearly indicates that CPTPP is a highly valued FTA and has yielded many significant potentials in stimulating the Malaysian economy.

Among the key steps undertaken in strengthening MITI's stance towards the implementation of the CPTTP is the commissioning of a Cost-Benefit Analysis (CBA) conducted by PricewaterhouseCoopers (PwC). Its main concern was to identify issues of interest to Malaysia in order to ensure that the Government, businesses and households are ready to reap optimum benefits from the CPTPP. Additionally, the CBA had recommended appropriate solutions to address any costs that may arise because of Malaysia's ratification and implementation of the accord. In ensuring none of the stakeholders were left behind, various consultations and engagements had been conducted to facilitate all relevant parties to better understand Malaysia's rights and obligations under the CPTPP. These consultations have garnered very positive feedback, with strong calls for Malaysia to ratify the agreement.

Despite the uncertain trend in the global trade market, Malaysia is still committed to pursuing its economic growth by resuming FTA negotiations. Subsequently, a proactive exertion in pursuing high-quality FTAs helps to assist the nation to accelerate Malaysia's post-COVID-19 recovery. On that note, in 2022, negotiations were held as follows:

Accession Application by the United Kingdom to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

On 30 September 2022, Malaysia had submitted the instrument of ratification (IOR) to New Zealand as the CPTPP Depositary of which the agreement had come into force 60 days later, i.e. 29 November 2022. Malaysia is the 9th country to enforce this Agreement after Australia, Canada, Japan, Mexico, New Zealand, Peru, Singapore, and Viet Nam.

On 1 February 2021, the UK became the first non-founding country to formally apply for accession to the CPTPP Agreement. Pursuant to that, CPTPP Commission has agreed to UK's participation resulting in an Accession Working Group (AWG) being established to assess the requirements and obligations needed as a CPTPP member. By the end of 2022, four (4) AWG negotiations have been held and the UK is in the final stages of joining the CPTPP. The fourth meeting held in London from 5 to 9 December 2022 has concluded market access negotiations for three (3) Chapters, namely Government Procurement, State-Owned Enterprises as well as Financial Services. Meanwhile, UK's market access offer in Trade in Goods, Temporary Entry for Businessmen, Services, and Investment as well as Legal and Institutional Issues still require further discussion before negotiations can be concluded with them.

Malaysia-Turkiye Free Trade Agreement (MTFTA)

Malaysia and the Republic of Türkiye enjoy a healthy trade relationship, accelerated by the preferential market access under the Malaysia-Turkiye Free Trade Agreement (MTFTA) implemented since 2015. The gradual phasing-out of import duties under this Agreement, scheduled to complete on 1 January 2023, is expected to further facilitate the bilateral trade growth as most industrial products will be treated as duty-free. Enhancing the Agreement, both countries have completed the negotiation to expand the scope of MTFTA to include trade in services, investment and e-commerce. The legal instrument of the MTFTA expansion package, 'The First Protocol to Amend the FTA between the Government of Malaysia and the Government of the Republic of Türkiye' was signed on 29 September 2022 in Ankara. Through the expansion, it is aimed for businesses to enjoy a more predictable operating condition in the services sector, benefit from the fair and equitable investment framework and experience better facilitation related to online transactions. As of end 2022, both countries are still in the process of ratifying the Protocol.

Trade Preferential System among the Member States of the OIC

The Framework Agreement on Trade Preferential System among the Member States of the Organisation of the Islamic Cooperation (TPS-OIC) sets out the general principles for establishing a trade preferential system among the OIC countries. Among the main features of the Agreement are the Most Favoured Nation principle, equal treatment of member states and special treatment for least developed member states. The preferences include tariffs, para-tariffs, and non-tariff concessions.

For the TPS-OIC system to be operational, ten (10) Member States must fulfil two (2) conditions, namely the ratification of the three (3) TPS-OIC Agreements and the submission of the list of concessions to the Trade Negotiating Committee (TNC) Secretariat, both of which has been fulfilled by Malaysia. A TNC Meeting was held during the 38th Session of the COMCEC from 26-29 November 2022 to discuss the status of implementation of TPS-OIC among the Member States, as well as the possibility of expanding TPS-OIC to include other Chapters such as the Services and Investment Chapters. For Malaysia, efforts towards full implementation of TPS-OIC are on-going, with the Customs Duties Order for TPS-OIC expected to be gazetted in 2023.

Developing Eight Countries (D-8) Preferential Trade Agreement

The Group of Developing Eight (D-8) Preferential Trade Agreement (D-8 PTA), which comprises eight (8) Islamic countries, Bangladesh, Indonesia, Iran, Malaysia, Egypt, Nigeria, Pakistan and Türkiye, was designed to gradually reduce tariffs and other barriers to trade on specific goods to promote intra-trade among D-8 members. Between December 2021 and April 2022, seven (7) rounds of Expert Meetings on the Draft Dispute Settlement Mechanism (DSM) were held to discuss the Dispute Settlement Mechanism (DSM) document for the D-8 PTA. The final draft of the DSM would be presented at the 7th Supervisory Committee (SC) Meeting, followed by the adoption at the 3rd Trade Ministers Council (TMC).

On 5 December 2022, a Technical Meeting on the Implementation of the D-8 PTA was convened to stock-take on issues and review the status of Member States' preparation for full implementation of the D-8 PTA. Based on these meetings and other intersessional engagements in 2022, Malaysia is expected to operationalise the D-8 PTA in 2023.

Issuance of Preferential Certificates of Origin

The performance of an FTA can be measured via the issuance of a Preferential Certificate of Origin (PCO) by exporters. The main objective for applying for a particular PCO is for reduction in tariff for products offered under the various FTAs between Malaysia and partner countries, provided the rules of origin are fulfilled. Free on Board (FOB) denotes the costs associated with the transportation of goods to the port of shipment, loading the goods onto the shipping vessel, freight transport, insurance, unloading and transporting the goods from the arrival port to their destinations.

The issuance of PCOs has been on a steady rise from 2017 to 2019 whereas it had declined in 2020, 2021 and 2022, with 544,886 (FOB value RM249.14 billion), 522,036 (FOB value RM216.08 billion) and 517,655 (FOB RM253.02 billion) respectively (Exhibit 2.6 and Exhibit 2.7). The decrease was mainly due to the global economic slowdown during the COVID-19 outbreak as well as slower demand.

EXHIBIT 2.6
NUMBER OF PREFERENTIAL CERTIFICATES OF
ORIGIN (2017-2022)

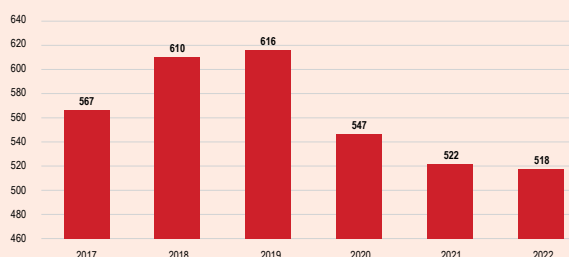
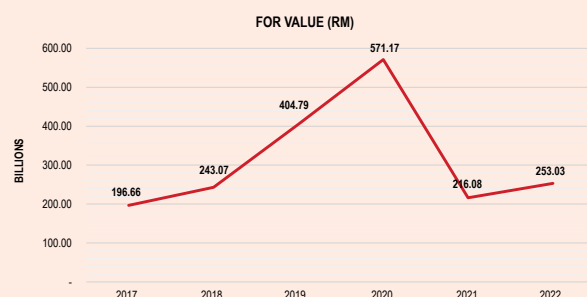


EXHIBIT 2.7
NUMBER OF TOTAL FREE-ON-BOARD VALUE
(2017-2022)



In 2022, the utilisation rate for PCOs under the ASEAN Trade in Goods Agreement (ATIGA) was the highest with 197,967 in 2022 as compared to 194,947 PCOs in 2021. The second highest number of PCOs issued was under the ASEAN-China FTA (ACFTA) with a total number of 111,777 followed by the ASEAN Australia-New Zealand FTA (AANZFTA), Malaysia-Japan Economic Partnership Agreement (MJEPA) and ASEAN Korea FTA (AKFTA) (Exhibit 2.8).

EXHIBIT 2.8
FREE TRADE AGREEMENTS WITH THE HIGHEST ISSUANCE OF PREFERENTIAL CERTIFICATES OF ORIGIN
IN 2022

Free Trade Agreements	No. of PCOs
ASEAN Trade in Goods Agreement (ATIGA)	197,967
ASEAN-China FTA (ACFTA)	111,777
ASEAN Australia-New Zealand FTA (AANZFTA)	42,754
ASEAN Korea FTA (AKFTA)	35,232
Malaysia-Japan Economic Partnership Agreement (MJEPA)	33,079

Third Country Training Programme (TCTP) 2022 Trade Promotion for African Countries

The Third Country Training Programme (TCTP) is a capacity building collaboration project between the Governments of Malaysia and Japan to share Malaysian and Japanese expertise and experiences in trade promotion strategies and programmes with selected African countries. This programme is a tripartite cooperation between The Malaysian Technical Cooperation Program (MTCP), Japan International Cooperation Agency (JICA) and MATRADE as the implementing agency or the Training Institution (TI). The first collaboration on TCTP was in 2013. TCTP was not implemented in 2014, 2020, and 2021 due to health concerns caused by the Ebola outbreak in Africa as well as COVID-19 pandemic.



The Third Country Training Programme (TCTP) 2022 Trade Promotion for African Countries held virtually on 26-30 September 2022.

For TCTP 2022, the programme continued virtually under the theme “Trade Promotion for African Countries” with a total of 12 participants from five (5) African nations – Cameroon, Ghana, Kenya, Mozambique, and Senegal. This programme consists of briefings and knowledge sharing sessions on MATRADE programmes and initiatives, briefings by Ministry and Agency related to trade, briefings on success stories by Malaysian Exporters and country presentation by participants during Webinar for Malaysian Exporters.

CURRENT TRADE PRACTICES

Global Scenario and World Trade Organisation’s (WTO) Trade Remedies

The global economy was projected to experience a positive recovery in 2022 after being severely impacted for the past two (2) years by the COVID-19 pandemic. Conversely, the resilience of the world economy was once again put to test by another disastrous event, the Russia-Ukraine war early in the year. The devastation created by this crisis had caused the global economy to continue declining through the disruptions in trade, food security as well as fuel prices and supplies of essential goods. Europe and Central Asia were the two (2) regions that have been significantly affected as the supply chains in these regions are heavily dependent on one another whilst the rest of the world, i.e. China and East Asia particularly, have marked their successful recovery path since the end of the first wave of the pandemic despite the global economic slowdown throughout the year.

The challenges posed by COVID-19 and the disruptions of trade linkages between Russia, Ukraine as well as other industrialised economies in the region has widely altered the structure of global trade. However, the impact of these global scenarios has not substantially distorted the existing trade remedies system under the World Trade Organisation (WTO). At the WTO, Ukraine conveyed that the war was affecting its ability to benefit from its rights and fulfil its obligations as a WTO Member particularly in terms of trade remedy obligations. From January to June 2022, there were 53 notifications submitted by WTO Members on anti-dumping measures, 12 on countervailing measures and three (3) on safeguard measures. Based on the notifications made by WTO Members, chemical products had the greatest number of anti-dumping initiations, followed by resin and plastic, rubber, iron and steel and prepared foodstuff. During the same period, it was also observed that the US and India were the two (2) WTO Members who have initiated large numbers of new anti-dumping cases compared to other countries, with 14 and eight (8) cases respectively.

Malaysia's Domestic Industry Perspective

The Malaysian domestic industry continues to pave the way toward recovery after being hit by the COVID-19. As an open economy anchored by the rules-based multilateral trading system under the WTO, Malaysian domestic industry persevered and thrived from the policies that foster trade and investment. The national economic recovery plan provided the domestic industry with opportunities and various support to rejuvenate their businesses. Nevertheless, the Malaysian domestic industry faced stiff challenges and competition arising from the global trade and economic slow-down. MITI continued to extend support to the domestic industries by conducting a series of consultations and outreach programmes to educate the domestic industries on measures that are available for defending our interest at the WTO through the trade remedy measures. Among the domestic industries that benefitted from these engagements are producers of solar panels, mineral products, textiles, furniture and timber, iron and steel, glass, building materials and chemical products. MITI also assisted the domestic industry by providing advisory services in defending their interest by participating and cooperating in the investigation initiated by foreign governments.

In 2022, the Government Malaysia initiated three (3) administrative reviews on anti-dumping duties imposed on iron and steel products, i.e. cold rolled coils (CRC) and galvalume. On the other hand, while noting that the number of trade remedies investigations against Malaysia initiated by foreign governments were on a downward trend in 2022, however trade remedies investigations initiated against Malaysia involving countervailing, safeguard and anti-circumvention measures imposed on various product of major interest of our domestic industries recorded an increase. MITI will continue to provide the necessary assistance to the domestic industry by facilitating and coordinating Malaysia's rebuttal and written submissions including attending public hearing relating to the investigations conducted by the foreign government in order to monitor the investigations.

Outreach on Trade Remedies with Stakeholders

Trade remedy is not a familiar topic to many, therefore, MITI has taken a proactive effort by conducting more engagements with stakeholders to create awareness among the domestic industries, business communities and government agencies on trade remedy measures under WTO.

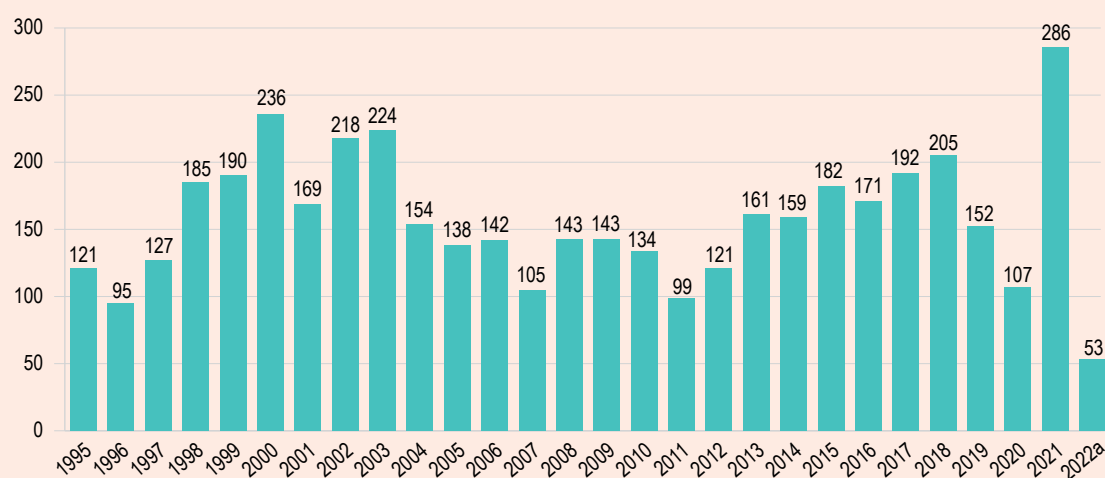
Apart from providing consultations, MITI organised and participated in numerous outreach programmes with the objective of creating awareness of WTO's trade remedy measures. MITI was invited to speak at the webinars organised by the Malaysian Timber Industry Board (MTIB) in June and November 2022. Additionally, MITI also conducted outreach sessions with port authorities/port operators in Selangor, Penang and Johor to share and exchange information on trade remedies and circumvention investigation undertaken by foreign governments in September 2022.

In addition, Malaysia also participated in the Seoul International Forum on Trade Remedies (SIFTR) organised by the Korea Trade Commission and Ministry of Trade, Industry and Energy of Korea in Seoul in October 2022. The SIFTR is an annual event that provides platform for trade remedy authorities and experts around the world to gain a better understanding of the current issues and contribute to the enhancement of the trade remedy system. At this Forum, Malaysia shared the challenges faced by the Investigating Authority due to the changing global trade environment, for example new business models such as integrated operations, new emerging market, increasing FTA which results in increasing trade flows, increasing trade remedy measures taken by certain countries which may seem like protectionism measures, among others.

Malaysia also highlighted that currently the government is undertaking the necessary adjustments to address these situations including reviewing the domestic Act and Regulations, reviewing the trade remedy chapters in FTAs as well as having more engagements with the domestic industry and government agencies to create awareness.

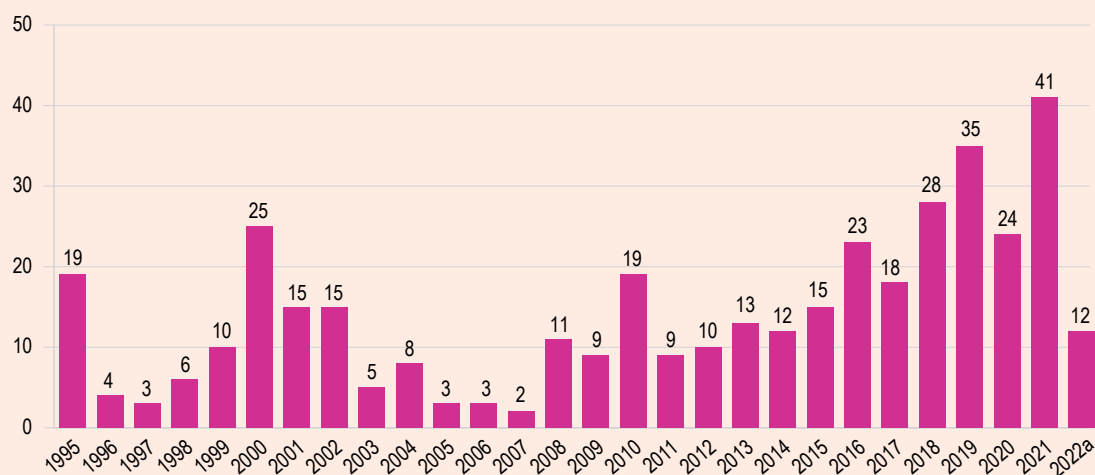
Trade Remedies Measures Undertaken by World Trade Organisation Members

The following graphs depict (Exhibit 2.9) the fluctuating trend of trade remedies measures undertaken by WTO Members. From 1995 to January-June 2022, the most affected sectors by trade remedy measures were metal products, followed by chemical products, plastic products, machinery and equipment, textiles and other products.

EXHIBIT 2.9**ANTI-DUMPING: NUMBER OF MEASURES BY WORLD TRADE ORGANISATION MEMBERS (1995-2022a)**

Source: World Trade Organisation (WTO) Statistics

Note: 2022a refers to the January - June period

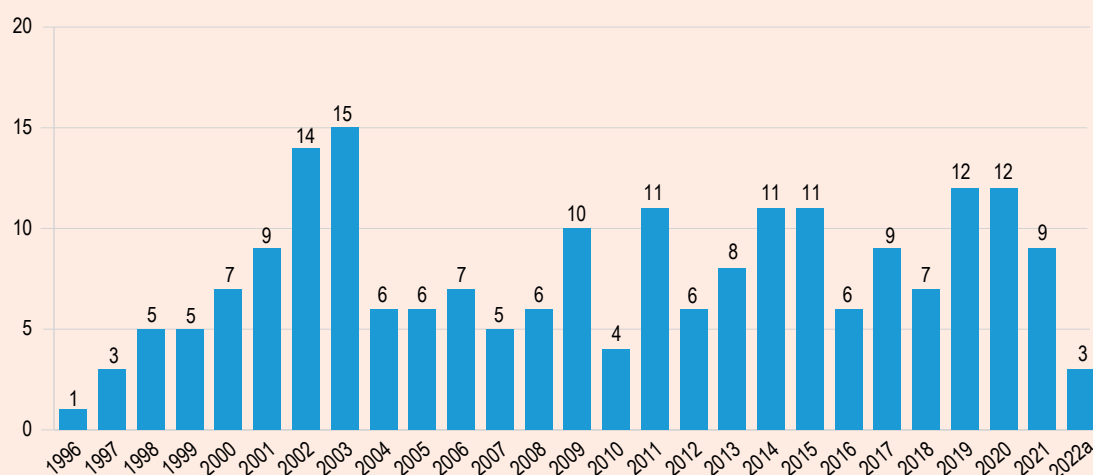
EXHIBIT 2.10**COUNTERVAILING: NUMBER OF MEASURES BY WORLD TRADE ORGANISATION MEMBERS (1995-2022a)**

Source: WTO Statistics

Note: 2022a refers to the January - June period

EXHIBIT 2.11

SAFEGUARD: NUMBER OF MEASURES BY WORLD TRADE ORGANISATION MEMBERS (1995-2022a)



Source: WTO Statistics

Note: 2022a refers to the January - June period

ADVANCING BILATERAL ENGAGEMENTS

Trade and Investment Mission

In 2022, most of the global economies gradually reopened its international borders.

MITI seized the opportunities by continuing to advance Malaysia's Trade and Investment Missions (TIM) to attract and deepen foreign investors' confidence in Malaysia as a preferred investment destination in the region and further strengthening the uptake of Malaysian products into the global value chain.

The TIM, led by MITI Minister and the Deputy Minister, demonstrated Malaysia's top priority in fortifying bilateral economic relations in the areas of trade and investment between Malaysia and its trading partners, which further strengthened the Government-to-Government (G2G), Government-to-Business (G2B) and Business-to-Business (B2B) ties. For the year 2022, MITI successfully conducted four (4) TIMs to five (5) countries beyond ASEAN region namely:

- i. Kingdom of Saudi Arabia (31 March-8 April 2022)
- ii. United States of America (9-18 May 2022)
- iii. Mexico and Peru (25 June-6 July 2022)
- iv. Japan (4-7 September 2022)

Amid the global market uncertainties, the TIM continued to secure impactful economic interest in Malaysia with a total prospective investment commitment of RM25.96 billion as well as RM1.89 billion export potential. The positive outcome of the TIM is a testament of global confidence in Malaysia.

Kingdom of Saudi Arabia (KSA)

The 2022 missions started with a team of trade and investment visited to the Kingdom of Saudi Arabia from 31 March to 8 April 2022 led by MITI Senior Minister. The TIM was a continued effort in strengthening bilateral cooperation particularly in the areas of trade and investment between Malaysia and the Kingdom of Saudi Arabia.

During the visit, MITI Senior Minister paid courtesy calls on his counterparts, which include, Minister of Investment of the Kingdom of Saudi Arabia, H.E. Eng. Khalid bin Abdulaziz Al-Falih; Minister of Commerce, H.E. Dr. Majid bin Abdullah AlKassabi and Minister of Finance, H.E. Mohammed bin Abdullah Al-Jadaan. Various topics of interest related to prospects in real estate development in of Mecca and Madinah as well as the need to nurture strategic collaboration in areas such as the Halal sector and Islamic Finance were deliberated.



Bilateral meeting between MITI Minister and Minister of Investment of the Kingdom of Saudi Arabia, H.E. Eng. Khalid bin Abdulaziz Al-Falih.

United States of America (USA)

The MITI Minister led the second TIM to the US from 9 to 18 May 2022. The TIM achieved its goals of strengthening bilateral trade and investment relations, particularly in enhancing cooperation on innovative and high value-added sectors such as the semiconductor industry, digital economy, and medical devices. This is in line with the National Investment Aspirations (NIA) which prioritizes high quality and high-tech investments resulting in the creation of high-value job opportunities in Malaysia. The TIM to US concluded with committed investments value of RM16.52 billion and RM1.44 billion of export value to be realised in the coming years. In conjunction with the TIM, the Memorandum of Cooperation (MoC) on Semiconductor Supply Chain Resilience was inked to signal enhanced collaboration between both Governments in ensuring semiconductor supply chain resiliency.



The bilateral meeting between the MITI Minister with Commerce Secretary of the United States of America, Her Excellency Gina Raimondo discussed a broad range of matters pertaining to enhancing Malaysia-US trade and investment relations.

Mexico and Peru

In preparation for Malaysia's imminent ratification of CPTPP, MITI Deputy Minister led the TIM to Mexico and Peru from 25 June to 5 July 2022. Both Mexico and Peru are also members of the CPTPP. Hence, the TIM was aimed at exploring potential opportunities for business synergies, leveraging on the countries' membership in CPTPP. The visit was also conducted as a continued effort to expand trade and investment opportunities in the Latin American market, focusing on promoting Malaysia's halal industry as well as establishing potential collaborations in various strategic sectors such as automotive, textiles, e-commerce, and construction. The TIM to Mexico and Peru concluded with committed investment worth of RM110.72 million and RM150.88 million of export value to be realised in the coming years.



Exchange of mementos between MITI Deputy Minister and his counterpart, H.E. Luz Maria de la Mora, the Undersecretary for Foreign Trade of Mexico.

Japan

In an ongoing effort to boost bilateral economic relations with Japan, a TIM was held from 4 to 7 September 2022. MITI Minister met his Japanese counterpart, Minister of Economy, Trade and Industry, H.E. Nishimura Yasutoshi, to deliberate matters of interest, including initiatives undertaken to enhance bilateral cooperation, the Look East Policy which celebrated its 40th Anniversary in 2022 and cooperation at the regional and multilateral levels. Another highlight was the one-to-one meetings between MITI Minister and the representatives of prominent Japanese companies in various priority sectors such as chemical and chemical specialty, data centre, petrochemical, electrical & electronics, food and biofuels, who expressed their confidence in continuing their investment interests and expanding their operation in Malaysia as their preferred investment destination. The TIM has successfully generated a cumulative investment commitment of RM9.33 billion and a cumulative export potential of RM300 million.



Meeting with a prominent Japanese company in Tokyo to discuss potential expansion of projects in Malaysia.

People's Republic of China

Malaysia and China celebrated the 48th anniversary of diplomatic relations in 2022. Both countries benefitted from strong foundation of the bilateral ties with stellar trade performance, forward looking economic framework and extensive people-to-people exchanges. In 2022, China remained as Malaysia's largest trading partner for 14 consecutive years with 17.1% share of Malaysia's total trade, expanding by 15.6% to RM487.13 billion compared to 2021. Exports surpassed RM200 billion mark for the first time, expanding by 9.4% to RM210.62 billion.

In exploring new opportunities to deepen trade and investment collaboration, Malaysia and China continued to work closely to progress discussion on cooperation programmes under the ambit of Belt and Road Initiative (BRI) and the Five-Year Programme for Economic and Trade Cooperation.

The year 2022 was also a significant year for the two (2) industrial parks, which were inaugurated under the "Two Countries, Twin Parks" concept. Under this initiative, Malaysia and China have established the China-Malaysia Qinzhou Industrial Park (CMQIP) in Guangxi in 2012 and a year later, commenced the development of Malaysia-China Kuantan Industrial Park (MCKIP) in Pahang. To commemorate the 10th Anniversary of CMQIP, Malaysia and China have jointly organised a series of programmes to promote both industrial parks.

Despite the border closure due to the pandemic, Malaysia has expanded its reach to deepen collaboration with various Provincial Governments in China by leveraging on digital technology. The programmes include:

- A virtual meeting between MITI Deputy Minister and Vice Chairman of Guangxi Zhuang Autonomous Region, Her Excellency Cai Lixin on 15 March 2022 to commemorate the 10th Anniversary of CMQIP.
- Virtual Malaysia-China (Guangxi) Investment Forum with the theme "Two Countries, Twin Parks: Sharing Opportunities of the RCEP Implementation, Forging Cross-Border Industrial Chains" on 26 April 2022.
- Virtual Malaysia-China (Gansu) Industrial, Investment Promotion and Economic, Trade Cooperation Conference on 8 July 2022.
- Virtual Malaysia-China (Chongqing) Investment Forum with the theme "Explore Regional RCEP Opportunities and Development in Strategic Sectors" on 12 August 2022.
- The 28th China Lanzhou Investment and Trade Fair 2022 held virtually on 7 July 2022.



Deputy Minister's first meeting with Her Excellency Cai Lixin,
Vice Chairman of Guangxi Zhuang Autonomous Region

Other Bilateral Meetings

The Second Malaysia-Australia Joint Trade Committee Senior Officials' Meeting

Malaysia hosted the Second Malaysia-Australia Joint Trade Committee Senior Officials' Meeting (JTC-SOM) on 9 August 2022. Senior Director for Bilateral Economic and Trade Relations, Nor Hasnah Badroddin co-chaired the meeting with the First Assistant Secretary and Chief Negotiator in the Department of Foreign Affairs and Trade, Australia, Elisabeth Bowes. Comprehensive areas of mutual interest on trade and investment were deliberated by both sides, notably the bilateral, regional and multilateral cooperation under FTAs, digital trade, supply chain resilience, and education. Both countries also emphasised policy priorities as well as commonalities to be identified in addressing impediments to market access and expansion of quality investment.



Group photo to commemorate the Second Malaysia-Australia Joint Trade Committee Senior Officials' Meeting, which was also attended by High Commissioner of Australia to Malaysia, H.E. Dr. Justin Lee.

The First Meeting of the Joint Trade Committee between Malaysia and the Federative Republic of Brazil

Malaysia hosted the inaugural Meeting of the JTC between Malaysia and the Federative Republic of Brazil on 8 September 2022. Deputy Secretary General (International Trade), Hairil Yahri Yaacob co-chaired the meeting virtually with Secretary for Asia, the Pacific and Russia, Ministry of Foreign Affairs of Brazil, His Excellency Ambassador Eduardo Saboia. Both parties discussed strategies to enhance cooperation to strengthen bilateral trade and investment ties between both countries.

The Meeting also agreed on five (5) areas of cooperation that will pave the way for greater interaction and collaboration between government authorities and the business communities of Malaysia and Brazil. This cooperation covers various sectors ranging from trade in halal goods and services, agriculture, aviation, mobility, automotive, as well as regulatory standards for rubber medical gloves.



The First Meeting of the Joint Trade Committee (JTC) between Malaysia and Brazil on 8 September 2022.

MITI Minister's Working Visit to the Republic of Turkiye in Conjunction with The First Malaysia-Turkiye Joint Economic and Trade Council (JETC) Meeting

MITI Minister led a working visit to the Republic of Turkiye from 28 September to 1 October 2022. The main highlights of the working visit were the convening of the inaugural Malaysia-Turkiye Joint Economic and Trade Council (JETC) Meeting, and the signing of the First Protocol to Amend the Malaysia-Turkiye Free Trade Agreement (MTFTA) on 29 September 2022 in Ankara. MITI Minister also took the opportunity to officiate the opening of Malaysian Investment Development Authority (MIDA) Istanbul office, which will serve to support the enhancements of bilateral trade and investment crossflows between Turkiye and Malaysia.



The Inaugural Meeting of the Malaysia-Turkiye Joint Economic and Trade Council (JETC), co-chaired by MITI Minister and his counterpart, Minister of Trade of the Republic of Turkiye, His Excellency Dr. Mehmet Muş on 29 September 2022 in Ankara.

The Second Meeting of the Joint Committee Between Malaysia and the United Kingdom

The Second Joint Committee Meeting on Trade and Investment Cooperation (MUKJC) was convened in London on 3 November 2022, co-chaired by Deputy Secretary General (International Trade), MITI, Hairil Yahri Yaacob and His Majesty's Trade Commissioner for Asia-Pacific, Natalie Black CBE. It comprised seven (7) working groups: education, standard and conformity assessment, micro, small to medium enterprises (MSMEs) development, halal industry, legal services, wine and spirits, and the newly established Trade and Investment Working Group, following the decision of the Second MUKJC Meeting in London. The working group co-leads reported on the progress of their bilateral cooperation in the mutually agreed upon priority areas. In addition, Malaysia and the UK shared information on specific topics of interest such as the Malaysian sustainable palm oil initiatives and the UK teachers' training.

In recognition of the importance of the bilateral economic and trade ties between the two (2) nations, the meeting formalised the intent to elevate the MUKJC to a Ministerial-led Joint Economic and Trade Committee (JETCO). The meeting also set a target for the formation of JETCO to be formalised in 2023 and the first meeting to be held in the fourth quarter of 2023. It is expected that JETCO would further promote and enhance trade, investment, economic cooperation linkages, and also to address trade barriers affecting the business communities of both countries.



Senior officials at the Second Joint Committee Meeting on Trade and Investment Cooperation between Malaysia and the United Kingdom (MUKJC) in London on 3 November 2022.

Other Prominent Economic Cooperation Programmes with Bilateral Partners & Stakeholders

Indo-Pacific Economic Framework (IPEF) Virtual Ministerial Meeting

MITI Minister represented Malaysia at the virtual launching of the Indo-Pacific Economic Framework for Prosperity (IPEF) held on 23 May 2022. The event was then followed by a Ministerial Meeting of IPEF partners led by the US Trade Representative, H.E. Ambassador Katherine Tai and the US Secretary of Commerce, H.E. Gina Raimondo. The IPEF Ministerial Meeting demonstrated the support of IPEF partners on the various initiatives under the Framework.



The launch of the Indo-Pacific Economic Framework for Prosperity (IPEF) on 23 May 2022.

Business Seminar in Conjunction with the 40th Anniversary of the Look East Policy (LEP)

MITI successfully organised a Business Seminar to commemorate the 40th Anniversary of the Look East Policy (LEP) in Kuala Lumpur on 11 August 2022. Themed “Progressing Beyond Four Decades of Partnership”, the seminar focused on sharing the strategies and policies adopted by Malaysia in promoting trade and investment to spur the post-pandemic economic recovery, efforts in enhancing the environment, social and governance (ESG) agenda in businesses as well as policy recommendation in response to geopolitical tensions. The event, which signified the strong support from Japan, was officiated by MITI Minister on behalf of the Prime Minister of Malaysia.



The Opening Ceremony of the Business Seminar, which was held in conjunction of the 40th Anniversary of the Look East Policy (LEP) in Kuala Lumpur on 11 August 2022.

Logo Launching Ceremony of the 40th Anniversary of the Look East Policy (LEP) with the Republic of Korea (ROK)

The year 2023 marks the 40th Anniversary of the LEP with the ROK. To commemorate this auspicious event, MITI and the Embassy of the ROK have unveiled the official logo of the 40th Anniversary of the LEP in Kuala Lumpur on 15 December 2022. The logo was launched by Deputy Secretary General (Industry), MITI, Dato' Sri Norazman Ayob, and Ambassador of the ROK to Malaysia, H.E. Yeo Seung-bae, representing the Governments of Malaysia and the ROK.



The official logo of the 40th Anniversary of the Look East Policy with the Republic of Korea.

MULTILATERAL TRADE NEGOTIATIONS

The Twelfth WTO Ministerial Conference

After a strong recovery of 9.7% in 2021, WTO economists predicted global merchandise trade volumes will grow by 3.5% in 2022. The slower growth caused by several related factors, including the war in Ukraine, high inflation, and lingering effects from the COVID-19 pandemic. Notwithstanding this, 2022 was an exceptional year for the multilateral trade negotiations as WTO successfully concluded the Twelfth WTO Ministerial Conference (MC12), which was originally scheduled in 2020 but had to be postponed because of the pandemic. It was held in Geneva from 12 to 17 June.

The conference was hailed as a great success for multilateralism in recent years, as the extended negotiations among delegations produced the “Geneva Package”, which contains a series of important decisions on fishery subsidies, WTO’s response to emergencies, including a waiver of certain requirements concerning compulsory licensing for COVID-19 vaccines, as well as food aid and agriculture. It was a historic achievement for the WTO since the adoption of the Trade Facilitation Agreement at the Ninth Ministerial Conference in Bali in 2013. The “Geneva Package” confirms that the multilateral trading system is still relevant and plays an important role in addressing the world’s most pressing issues, especially at a time when global solutions are critical.



Fisheries Subsidies Agreement

The Fisheries Subsidies Agreement (FSA) is a historical achievement adopted in MC12. It is the first WTO multilateral agreement with the inclusion of environmental sustainability at its core that seeks to prevent overfishing and overcapacity in the world’s oceans by prohibiting harmful subsidies and promoting sustainable fishing practices. The Agreement will prohibit subsidies for illegal, unreported and unregulated (IUU) fishing, bans subsidies for fishing in overfished stocks, as well as curbing subsidies for fishing on the unregulated high seas.

The FSA covers all types of subsidies provided by governments to their fishing industries, including financial contributions, tax and duty exemptions, and provision of goods and services. It also establishes special and differential treatment (S&DT) for developing and least-developed country members, recognising the importance of their fishing industries for food security and livelihoods. The Agreement will enter into force upon acceptance of its legal instrument by two-thirds of the membership. Malaysia has begun the domestic procedures for FSA ratification, particularly on the amendment to relevant domestic legislations and guidelines. The submission of Malaysia’s instrument of acceptance will be contingent upon the completion of the domestic procedures.

Dispute Settlement

As of 31 December 2022, a total of 615 disputes have been filed for arbitration by WTO Members, an indication that they believe in the effective enforcement of rules to uphold an equitable, secure and predictable multilateral trading system. Malaysia has registered interest as a third party in 25 dispute cases, which include issues related to measures concerning palm oil and oil palm crop-based biofuels, intellectual property rights, anti-dumping of fish fillets, safeguards on imports of crystalline silicon photovoltaic products and cases relating to steel and aluminium products. On Malaysia’s dispute case against the EU regarding the Renewable Energy Directive (RED) II, the Panel proceedings were concluded in May 2022 and to date, the Panel has yet to issue its Report on the outcomes of the proceedings.

Joint Statement Initiatives

In addition to the multilateral process, increased focus on plurilateral negotiations among WTO Members on specific sectors under the various Joint Statement Initiatives (JSI) format continued in 2022. Members worked to create new grounds on a variety of topics relating to electronic commerce, investment facilitation for development, domestic service regulation, MSMEs, and trade and environment.

With a focus on the various economic development levels and the perspectives of developing and least developed nations, including their level of aspiration and implementation issues, open and inclusive negotiations are still ongoing under these JSIs. Malaysia actively participates in three of the five (5) JSIs, namely, MSMEs, investment facilitation for development, and electronic commerce.

Joint Statement Initiatives on Electronic Commerce

On the basis of the 11th Ministerial Conference's (MC11) directive to develop the rules around trade and services under e-commerce, negotiations were formally initiated in January 2019 with the involvement of 76 Members, including Malaysia. Since then, the JSI membership has grown to 86 participants, representing all significant geographic regions and developmental stages and accounting for more than 90% of the world commerce. The JSI is led by Australia, Japan, and Singapore as the Co-Conveners.



The most recent revised consolidated negotiating text was made available by the Co-Conveners in December 2022, and textual discussions on the rules that govern e-commerce will continue in 2023. To date, the JSI has achieved six (6) clean articles: (i) Unsolicited Commercial Electronic Messages (SPAM), (ii) Electronic Signatures and Authentication; (iii) Electronic Contracts; (iv) Transparency; (v) Open Government Data; and (vi) Online Consumer Protection. The Co-conveners intend to advance to some of the most difficult elements, such as data flow, data localisation, and legal architecture during the ongoing negotiations in 2023.

Joint Statement Initiatives on Investment Facilitation for Development

The Joint Ministerial Statement on Investment Facilitation for Development, which was officiated at MC11 by 70 WTO Members including Malaysia, calls for organised discussions to create a multilateral framework for investment facilitation. More than 110 WTO Members are now taking part in the negotiations, with the aim for a definitive conclusion by MC13 in 2024.

Currently, the JSI negotiations are on-going based on the most recent negotiating text that was distributed on 16 December 2022. The draft text is a compilation of all the 'Easter Text' revisions that have been made since the initial draft was distributed to JSI members. The key goals of the discussions planned for the first half of 2023 include reviewing the negotiating text and clearing the remaining brackets, finalising self-assessment process for the obligations, and stepping up outreach efforts.

Joint Statement Initiatives on Services Domestic Regulation

To advance the domestic regulatory discussions in tandem with the work of the Working Party on Domestic Regulation mandated by the General Agreement on Trade in Services (GATS), 59 WTO Members signed a Joint Ministerial Statement on Services Domestic Regulation during MC11. The negotiations were concluded on 2 December 2021 with the finalisation of the Reference Paper on Services Domestic Regulation. It sets out new disciplines relating to domestic regulation for services that attempt to enhance business climate, reduce trade costs, and reduce red tape to allow global services trade flow smoothly. The JSI now has 67 members, including three (3) of the ASEAN Member States (AMS) – the Philippines, Thailand, and Singapore. Although Malaysia is not part of the JSI, it is currently undertaking domestic consultations with the relevant stakeholders to explore the prospect of getting Malaysia joining the JSI.

Asia-Pacific Economic Cooperation (APEC)

The Asia-Pacific Economic Cooperation (APEC) 2022, Thailand as the host, with the theme “Open.Connect.Balance.” – for the development of a sustainable future for all, focused on three (3) priority areas:

- i. **Open to All Opportunities** – facilitating trade and investment, including financial inclusion, greater ease of doing business and creating an enabling environment, as well as initiating a refreshed conversation on the realisation of the Free Trade Area of the Asia-Pacific (FTAAP) through the post COVID-19 lens to advance APEC regional economic integration that embraces new emerging trade issues such as e-commerce and digital economy, while enhancing capacity building for all economies;
- ii. **Connect in All Dimension** – promoting safe and seamless resumption of cross-border travel, reinvigorating tourism and the services sector, increasing investment in health security as well as facilitating greater business mobility, while utilising digital technology to accelerate connectivity within the region; and
- iii. **Balance in All Aspects** – promoting inclusive and sustainable growth by exploring economic models and practices which prioritise addressing climate change and the region’s other serious environmental challenges in tandem with robust and resilient economic growth, while ensuring a whole-of-society participation and delivering equitable benefit to all.



Committee on Trade and Investment

APEC’s support for the Multilateral Trading System (MTS) has been an important focus of the Committee on Trade and Investment (CTI) work, leading up to the WTO’s MC12. In general, the MC12 in June 2022 provided an important reference point for CTI as it was the first WTO Ministerial meeting held since 2017. The outcomes derived from discussions at the MC12 served as opportunities for CTI to sharpen its focus on how the forum and its sub-fora can support the MTS. Amongst the issues discussed during the year were:

- i. APEC’s role to support the implementation of MC12 outcomes including fisheries subsidies, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and WTO’s response to the pandemic including through trade facilitation of essential goods and services;

- ii. APEC's role as an incubator of ideas, particularly on trade and environment issues;
- iii. APEC's role to support ongoing discussions in the WTO, including agriculture, the JSIs including on e-commerce, Services Domestic Regulation, Investment Facilitation for Development, and MSMEs; the Moratorium on Customs Duties on Electronic Transmissions; the Joint Declaration on Trade and Women's Economic Empowerment; WTO reform; and
- iv. APEC's role to support the implementation of existing commitments, particularly the WTO Trade Facilitation Agreement (TFA); the Information Technology Agreement (ITA) and ITA Expansion.

In respect to fisheries subsidies, CTI welcomed the adoption of the WTO Agreement on Fisheries Subsidies during the MC12. In addition, CTI in 2022 has made good progress to advance APEC's work under the Putrajaya Vision 2040 (PV2040) and the Aotearoa Plan of Action (APA). These two (2) important documents have given the CTI a clear direction for its work over the next two (2) decades. Towards achieving these, advancing regional economic integration continues to be an important part of the CTI and CTI sub-fora Work Programme. In parallel, CTI also tasked the Market Access Group (MAG), one (1) of the CTI's sub-fora to undertake a follow-up on the 2021 AMM Statement related to Environmental Goods. A work plan was developed and endorsed by the MAG to provide a framework for APEC's expanding environmental goods agenda and to respond to the ministerial tasking.

In 2022, member economies continued to advance CTI's existing work relating to vaccine supply chains as well as addressing barriers to the flow of essential goods and services. Similarly, CTI's work on Trade Facilitation, Connectivity, Digitalisation, and Innovation were further enhanced. On Trade Facilitation, the Third Phase of the APEC Supply-Chain Connectivity Framework Action Plan (SCFAP III) 2022-2026 was endorsed with the overarching goal to support businesses in building secure, resilient, sustainable, and open supply chains that create predictable, competitive and digitally interconnected Asia-Pacific region.

From a capacity-building perspective, 33 projects were launched in 2022 across CTI and all its sub-fora as part of the forum's transparency and confidence-building initiatives in numerous areas including Circular Economy, Good Regulatory Practices, Digital Trade, Environmental Goods and Services, and Sustainable Cities and Communities.

Senior Officials' Meeting Steering Committee on Economic and Technical Cooperation

In facilitating the development and implementation of measures that promote trade, investment and sustainable growth, the Senior Officials' Meeting (SOM) Steering Committee on Economic and Technical Cooperation (SCE) provides engagement platforms for APEC member economies, bridging gaps in their level of development and available resources.

In 2022, the SCE and its sub-fora worked to support Thailand's priorities of "Open. Connect. Balance.", focusing on the third pillar of PV2040 in rebalancing the region's economy after the pandemic through inclusive and sustainable policies. The SCE supported the introduction of a post-pandemic growth strategy called the Bio-Circular-Green (BCG) Economy Model, which promotes the efficient use of resources to maintain and restore ecosystems and to reduce waste in a bid to build a system where economies and businesses can thrive.

The SCE continued its central role in the administration of SCE sub-fora, approving the annual work plans of all 14 SCE sub-fora as well as endorsing five (5) Strategic Plans for the following sub-fora: Agricultural Technical Cooperation Working Group (ATCWG), Experts Group on Illegal Logging and Associated Trade (EGILAT), Human Resources Development Working Group (HRDWG), Policy Partnership on Science, Technology and Innovation (PPSTI) and Transportation Working Group (TPTWG).

A review of the Economic and Technical (ECOTECH) Medium-Term Priorities was undertaken to first align and then integrate the existing ECOTECH Medium-Term Priorities with key areas of economic and technical cooperation outlined in the PV2040 and its implementation plan in the APA.

In addition to SCE's central role in the administration of SCE sub-fora, SCE also oversaw and coordinated the work of SCE's 14 sub-fora in focusing on interlocking the PV2040's goals into their outcomes. SCE and its sub-fora have contributed to the implementation of PV2040 by conducting a number of projects and initiatives and making provision for implementing the PV2040, through APA, in their terms of reference, work plans as well as strategic plans.

Economic Committee

The Economic Committee (EC) has led efforts to address structural and regulatory obstacles related to cross-border trade, investment, as well as behind-the-border barriers. In 2022, the EC made good progress in implementing the Enhanced APEC Agenda for Structural Reform (EAASR). The implementation has contributed to broader APEC objectives as set out in the PV2040 and collective actions under the APA. The EC also supported Thailand's APEC 2022 priorities and publishes an annual flagship APEC Economic Policy Report (AEPR). The current AEPR, Structural Reform and a Green Recovery from Economic Shocks, was published in November 2022.

Malaysia has been active in championing and promoting EC works in APEC. Since 2021, Malaysia has been a member of 2023 AEPR core team together with Thailand, the US, Australia, Canada, China, Indonesia, Mexico, New Zealand, Russia, and Taiwan. The core team played a key role in delivering 2022 AEPR on Structural Reform and a Green Recovery from Economic Shocks. In addition, Malaysia also undertook a leadership role in the EC by assuming the role as convener for Regulatory Reforms (RR) Friends of the Chair (FotC). As a convener for RR FotC, Malaysia successfully organised a policy dialogue titled "Agile Governance and Innovation" on the margin of the Second Economic Committee Meeting (EC2) held in Chiang Mai, Thailand in August 2022. The dialogue managed to gather inputs from APEC member economies on knowledge and practices related to adopting agile regulations in embracing innovation as well as ensuring better understanding of agile approaches to regulating innovation within member economies.

ASEAN ECONOMIC INTEGRATION

In the wake of the COVID-19 pandemic, reopening borders and accelerating regional economic recovery has become a top priority in the ASEAN region. With effective public health measures and firm efforts toward economic recovery, the ASEAN region has successfully overcome some of the pandemic's challenges. As a result, Cambodia, in its role as the ASEAN Chair for 2022, has been able to host the ASEAN Meetings in Siem Reap bringing together leaders to discuss important issues related to regional cooperation and development.

Cambodia has selected "ASEANA.C.T.: Addressing Challenges Together" as the theme, which underscores the significance of ASEAN's solidarity and cooperation in tackling mutual challenges and achieving collective objectives. The theme demonstrates Cambodia's commitment to establishing a unified, peaceful, stable, and prosperous ASEAN in response to the COVID-19 pandemic and the various geopolitical uncertainties.



At the 28th ASEAN Economic Ministers' (AEM) Retreat on 16 March 2022, the AEMs endorsed the ASEAN Priority Economic Deliverables (PEDs) for 2022, marking a positive start to ASEAN's work plan for the year.

Subsequently, the 54th AEM Meeting and Related Meetings that was held in Siem Reap on 13-15 September 2022, reaffirmed ASEAN's unwavering commitment to regional economic integration amidst continued pandemic-related challenges and rising geopolitical tensions. The Meeting noted the significant progress in keeping the markets open for trade and investment through the implementation of the ASEAN Comprehensive Recovery Framework (ACRF) and committed to jointly work towards a durable post-pandemic recovery through the five (5) ACRF broad strategies around health systems, human security, economic integration, inclusive digital transformation, and sustainability.

Following this, the ASEAN Leaders met physically on 9-13 November 2022 at the 40th and 41st ASEAN Summits and Related Summits, reiterated the importance of maintaining an ASEAN-centred regional architecture that is open, transparent, rules-based, and inclusive. The ASEAN Leaders reaffirmed the strong commitment to further strengthen collective efforts in enhancing ASEAN's resilience to navigate and effectively respond to emerging challenges and maintain the Southeast Asia as a region of peace, security and stability and further strengthening peace-oriented value. The ASEAN Leaders also met and shared views with the Leaders of ASEAN Dialogue Partners, namely Australia, China, Japan, ROK, the US, Canada and India.

ASEAN Priority Economic Deliverables 2022

Under Cambodia's ASEAN Chairmanship in 2022, 19 Priority Economic Deliverables (PEDs) were identified under four (4) strategic thrusts as follows:

Thrust 1: Enhancing Digital Connectivity, Science and Technology

- i. Feasibility Study on Technology Transfer Models for Projects Related to Sustainable Development Goals (SDGs);
- ii. ASEAN Framework for Promoting the Growth of Digital Start-up Ecosystems;

Thrust 2: Narrowing the Development Gap for ASEAN's Competitiveness

- iii. Work Programme to Support Implementation of the Framework for Circular Economy for the ASEAN Economic Community;
- iv. Follow-Up Monitor of the ASEAN Framework for Equitable Economic Development (AFEED);

Thrust 3: Promoting a more Integrated, Inclusive, Resilient and Competitive ASEAN

- v. Policy Toolkit for Strengthening Women's Entrepreneurship in National MSME Policies and Action Plan;
- vi. Launch Negotiations for an ASEAN Framework Agreement on Competition;
- vii. Provision of outcomes of the desktop research on the feasibility study for an ASEAN Patent System;
- viii. ASEAN E-Commerce Trustmark Framework;
- ix. Signing of the Protocol to Amend the ASEAN Agreement on the Movement of Natural Persons;
- x. Launching of the ASEAN Trade in Goods Agreement (ATIGA) Upgrade Negotiation;
- xi. Comprehensive Study on the Implementation of Mutual Recognition Arrangements for Tourism Professionals (MRA-TP): Enhanced Mechanism for Tourism Professionals;
- xii. Study to Develop the Framework on Sustainable Tourism Development in ASEAN in post-COVID-19 era;
- xiii. Adoption of Policy Recommendations to Enhance Container Circulation to Support Maritime Transportation of AMS;
- xiv. ASEAN Guidelines on Sustainable Agriculture;
- xv. Stocktaking on the Use of Agro-Chemicals in ASEAN;
- xvi. The Endorsement of ASEAN Sustainability-link Bond Standard for Inclusiveness, Sustainability and Connectivity of ASEAN;
- xvii. The Expansion of ACDD Exchange through ASEAN Single Window to Cover the Remaining AMS;

Thrust 4: Strengthening Global ASEAN for Growth and Development

xviii. AANZFTA Upgrade Negotiations; and

xix. Full Entry-Into-Force of the Regional Comprehensive Economic Partnership (RCEP) Agreement by all Parties.

By end of 2022, 14 PEDs have been fully completed while another five (5) PEDs will be carried over to 2023. The followings are among the PEDs under the purview of MITI which were fully and substantively completed in 2022:

i. Work Programme to Support Implementation of the Framework for Circular Economy for the ASEAN Economic Community (*Fully Completed*)

The Implementation Plan of the Framework for Circular Economy for the ASEAN Economic Community has been endorsed by Malaysia in December 2022. A separate Work Programme to Support the Implementation of the Framework (CEWP) was also developed to complement the Implementation Plan.

The CEWP was specifically developed to increase awareness and strengthen capacity of ASEAN and AMS on circular economy, to build a conducive ecosystem for the region's transition. The CEWP was designed to be rolled-out between 2023-2028 and complements the Implementation Plan in five (5) areas: (i) Training and Capacity Building; (ii) Education, Information and Awareness; (iii) Partnership and Collaborations; (iv) Sharing of Data and Best Practices; and (v) Regulatory and Institutional Framework.

ii. Launching of the ASEAN Trade in Goods Agreement (ATIGA) Upgrade Negotiations (*Fully Completed*)

The ASEAN Trade in Goods Agreement (ATIGA) Upgrade Negotiations was launched virtually by AEM in conjunction with the 28th AEM Retreat on 16 March 2022. The upgrade is done to ensure the ASEAN remains relevant, modern, forward-looking and more responsive to regional and global developments and able to contribute to increasing the efficient utilisation of ATIGA for businesses to benefit from regional integration.

iii. ASEAN-Australia-New Zealand Free Trade Area (AAZFTA) Upgrade Negotiation (*Substantively Completed*)

Leaders from ASEAN, Australia and New Zealand have announced the substantial conclusion of the negotiation to upgrade the AANZFTA on 13 November 2022 at the sidelines of the 40th and 41st ASEAN Summits in Phnom Penh, Cambodia. The negotiations were launched in 2021 despite the challenges brought by the COVID-19 pandemic, and it is expected to open new opportunities by remaining of high quality and responsive towards emerging challenges. On the other hand, there are two (2) PEDs under the purview of MITI that will be carried over to 2023:

iv. Signing of the Protocol to Amend the ASEAN Agreement on the Movement of Natural Persons (MNP)

The Protocol with the Schedule of Commitments (SOC) has been finalised and legally scrubbed, and is ready for signing by the AEM. The SOC is to be more compatible, comparable, and easier to understand to the general public, reflecting ASEAN's commitment to work towards elimination of restrictions in the temporary cross-border MNP involved in the provision of trade in goods, trade in services and investment.

For 2023, the AMS are to complete their domestic processes for the signing of the Protocol with the issuance of the Instrument of Full Powers. The Signing of the Protocol will be by ad-referendum.

v. Full Entry-Into-Force (EIF) of the Regional Comprehensive Partnership Agreement by All Parties

The RCEP Agreement came into force for Malaysia on 18 March 2022. By 2022, fourteen (14) of the Signatory Parties have ratified and deposited their Instrument of Ratification/Acceptance with the Depositary.

For 2023, the remaining Signatory State, which is the Philippines, was urged to intensify the efforts to complete their domestic process for the ratification of the RCEP Agreement. Ratification and Deposit of Instrument of Ratification (IOR)/Instrument of Acceptance or Approval (IOA) will be continually tracked via the ASEAN Economic Community (AEC) EIF Tracker.

ENGAGEMENT WITH EXTERNAL PARTNERS

(a) Engagement with Cambodia

On 23-24 February 2022, the Prime Minister, Dato' Sri Ismail Sabri Yaakob had an official visit to Cambodia, accompanied by MITI Minister and other delegations, as Cambodia has recently introduced a new law on investment with the help of a few countries including Malaysia. The new law focused on facilitating Foreign Direct Investment (FDI), especially in reducing red tape, which is an opportunity that Malaysian business could tap on.

During the visit, a breakfast meeting was held between the Malaysian Business Council of Cambodia along with five (5) Malaysian companies that have operational interest in Cambodia with MITI Minister. Apart from that, at the sidelines of the visit, the first physical bilateral meeting was held between MITI Minister and Cambodia's Minister of Trade.



(b) Engagement with Viet Nam

MITI Minister had a working visit to Viet Nam from 19-20 March 2022 in conjunction with the Prime Minister's official visit to the country from 20-22 March 2022. During the visit, MITI Minister held discussions with his counterpart, Minister of Industry and Trade, H.E. Nguyen Hong Dien to discuss potential collaborations in various sectors such as automotive and electric vehicle (EV), digital economy, halal industry as well as activities to celebrate the 50th anniversary of the diplomatic relations between both countries. Both sides also agreed to resume the JTC to intensify the trade and economic cooperation between the two countries.

In addition, MITI Minister had the opportunity to visit Gamuda Land Viet Nam Project Site and FPT Software Office as well as meeting with the Captains of Industry and Malaysian Companies in Viet Nam.

(c) Engagement with Singapore

MITI Minister and Minister for Trade and Industry of Singapore, H.E. Gan Kim Yong met in Singapore on 22 August 2022 to discuss the progress of the two (2) Frameworks of Cooperation (FoC) in the Digital Economy and the Green Economy, which both Ministers previously agreed to explore during H.E. Gan's official visit to Malaysia on 30 June 2022. During the meeting, both Ministers announced that Malaysia and Singapore have substantively concluded the negotiation of the FoCs and to work towards its signing at an appropriate platform.

Once signed, the FoCs will serve as the foundation for future bilateral digital initiatives in these two (2) domains. Besides updating the status of the FoCs, MITI Minister also expressed hope that Malaysia and Singapore could support each other's economic growth by complementing each other's strengths and weaknesses.

(d) The 10th ASEAN-European Union (ASEAN-EU) Business Summit

The EU hosted the 45th ASEAN-EU Commemorative Summit in Brussel, Belgium on 14 December 2022 to commemorate the 45th Anniversary of the EU-ASEAN Dialogue Relations. In conjunction with that, the EU-ASEAN Business Council (EUABC) organised the 10th ASEAN-EU Business Summit on 13 December 2022 under the theme "Deepening ASEAN-

EU Trade: Sustainable Development for All". The Summit provided an excellent platform for leaders, prominent business people, and government officials from both ASEAN and the EU to exchange and share views to further reinforce the existing strong trade and investment relationship between ASEAN and the EU. MITI Deputy Minister participated in the C-Suite Luncheon together with Foreign Minister, Senator Dato' Seri Diraja Dr Zambry Abd Kadir, who headed Malaysia's delegation to attend the 45th ASEAN-EU Commemorative Summit on behalf of the Prime Minister.

MITI Deputy Minister also took part in the Fireside Chat session with Executive Vice President and Trade Commissioner of the EU, H.E. Valdis Dombrovskis, and shared views and thoughts on strengthening the trade and investment relationship between the EU and ASEAN. He further stated that both regions should engage more closely in several high value-added areas for the mutual benefit of both ASEAN and the EU.

(e) Global Affairs Canada's Expert Deployment Mechanism for Trade and Development

Global Affairs Canada provides capacity building activity for ASEAN through the Expert Deployment Mechanism for Trade and Development (EDM). Malaysia has taken up the role as Country Lead and had worked closely with Global Affairs Canada to deliver four (4) areas under the EDM, particularly on digital economy, trade analysis management and methods, trade in services, and MSMEs.

EDM provides confidence building to ASEAN especially on areas above that are new to some AMS. The various workshops under the four (4) areas offered by Canada are very important to equip officials that are responsible for those areas. Capacity building remains essential as well as a catalyst for ASEAN, considering that ASEAN have always pursued various endeavours based on a building block approach, especially where the areas are either new or challenging to ASEAN.

Ongoing Works

ASEAN Coordinating Committee on Services

In 2022, Malaysia remains the ASEAN Chair for the Coordinating Committee on Services (CCS) and successfully managed to lead the conclusion of the exercise to update the Schedule of Commitments (SoC) for all AMS under the ASEAN Agreement on the Movement of Natural Persons (ASEAN MNP Agreement). Additionally, the Protocol to Amend the ASEAN MNP Agreement was also concluded and is pending signature by all AEM.

The updated SoC under the ASEAN MNP Agreement is now in a common 2-column format for all AMS, which aims to be more compatible, comparable, and easier to understand to the general public. This reflects ASEAN's commitment to work towards elimination of restrictions in the temporary cross-border movement of natural persons involved in the provision of trade in goods, trade in services and investment.

Secure Trading Environment

Industry Outreach

MITI continues to support businesses to trade in a safe trading environment through the effective implementation of Strategic Trade Act 2010 (Act 708). Moving into the 12th year of implementation, the Strategic Trade Secretariat (STS) shifted its focus to building and strengthening regulatory compliance by conducting targeted awareness and outreach programmes to various industry sectors and government agencies.

In 2022, 216 participants attended the virtual Client's Day sessions conducted bi-monthly while 326 participants from 166 companies attended the training on e-permit applications conducted across four (4) series. On 18-19 October 2022, MITI successfully conducted Act 708 Training for Logistics Service Providers (LSP) and Forwarding Agents (FA) that handle the strategic item on behalf of their consignor. The targeted training aims to enable participants to be familiarised with the requirement and licensing process. As part of the international trade ecosystem, intermediaries companies play an important role in ensuring the movement of strategic goods are shipped securely while hedging the exporter from any possible proliferation risks before the cargo leaves Malaysia's ports.

Strategic Trade (Compounding of Offences) Regulations 2022

The Strategic Trade (Compounding of Offences) Regulations 2022 came into force on 1 June 2022. The regulation aims to bolster enforcement powers while reducing the burden of punishment for first-time offenders. It allows settlement of an offence by monetary payment, in lieu of prosecution, serving as a deterrent resulting in an increase in compliance. In order to have better understanding about the Regulations, particularly on the enforcement, MITI had conducted Town Hall sessions in Kuala Lumpur, George Town, Johor Bahru, Kuching and Kota Kinabalu. More than 450 participants from government agencies, industry players, chambers of commerce, and trade associations benefitted from the sessions.



The Strategic Trade Secretariat had organised five (5) Town Hall sessions on the implementation of Strategic Trade (Compounding of Offences) Regulations 2022 including in George Town, Penang on 18 May 2022.

Internal Compliance Programme Enhancement Programme

Multinational corporations and intermediaries companies were seen to be more receptive to embracing the compliance cultures with a total of 74 companies accorded Internal Compliance Programme (ICP) status through the ICP enhancement exercise that was completed in 2022.¹ The roles and responsibilities are shared with companies manifesting a high level of compliance, implementing adequate controls, and institutionalising a robust strategic trade management system and in return, the ICP company will have access to export facilitation.² Companies putting in place strategic trade controls have a competitive advantage, anchoring onto the nation's already impressive portfolio as an attractive investment destination.

¹ The Internal Compliance Programme (ICP) is a set of procedures undertaken by companies on a voluntary basis to ensure compliance to strategic trade control. It provides an assurance and greater confidence to authorities and trading partners that the ICP companies are doing their due diligence to ensure the peaceful use of their products or technology.

² Spring 2016, KAREEM, MOHAMED SHAHABAR ABDUL, Volume 2, Issue 2 Strategic Trade Review "Implementation and Enforcement of Strategic Trade Controls in Malaysia" page 104

Bilateral Meetings

A team from Strategic Trade Secretariat (STS), headed by Ellyza Mastura Ahmad Hanipiah, represented MITI at the Singapore Export Control Summit 2022 (SECS) which gathers industry and government officials from ASEAN countries implementing Strategic Trade Management (STM). It is a yearly platform where the latest regulatory updates on strategic goods control implementation and various issues related to export control were discussed. It aims to enhance industry compliance and serves as a platform for both industry and authority to keep abreast of new developments, and international best practices toward the non-proliferation of weapons of mass destruction (WMDs) across the region and globally, by raising common awareness of the importance of security export control through established and enhanced export control systems.

During the SECS, MITI engaged in bilateral discussions with counterparts from the Ministry of Economic and Trade Japan; Strategic Trade Management Office (STMO), Department of Trade and Industry, the Philippines; the Australian Department of Defense; Singapore Customs; and the US Department of State and US Department of Energy. The bilateral meetings with respective countries yield strategic partnerships on information exchange, sharing best practices, and future collaboration on matters regarding strategic trade management.



The representatives from Australia, Malaysia, Singapore, the United States of America and the Philippines that attended the Export Control Summit 2022 (SECS) held in Singapore on 12-16 September 2022.

Strategic Trade Goods Export Performance

As part of Malaysia's commitment under the United Nations Security Council Resolutions (UNSCR) 1540, the establishment of the Strategic Trade Act 2010 aims to provide for control over the export, transshipment, transit, and brokering of strategic items, including arms and related material, and other activities that will or may facilitate the design, development, and production of WMDs and their delivery systems.

Being an established hub of transit and transshipment, Malaysia is recognised as one of the leaders in managing strategic goods in the Southeast Asia (SEA) region. In 2022, the export of strategic goods contributes 1.82% of Malaysia's total export of RM1.55 trillion. Overall, the export of strategic goods recorded an increase of RM8,720 million compared to 2021. In terms of value, the amount recorded in 2022 presented a significant increase of 44.7%, from RM19,513 billion in 2021 to RM28,234 billion, driven by the high volume of exports for telecommunication and information security products, electronics, and military items (Exhibit 2.12)

EXHIBIT 2.12 MALAYSIA'S STRATEGIC TRADE EXPORT (2021-2022)

Year	2021	2022
Strategic Trade Export Value (RM billion)	19,513.26	28,234.14

Source: MITI

The US, Singapore and China were the top three (3) destinations for exports of strategic goods in 2022 with a total contribution of 0.69% to Malaysia's total exports (Exhibit 2.13). The export of strategic goods to the US increased significantly by 14.73% with a total value of RM4.58 billion in 2022, accounting for 0.3% of Malaysia's total trade mainly for exports in the E&E sector (e.g. integrated circuits, printed circuit board assembly, and UXG agile signal generator). Similar exportation of electronics products was recorded to Singapore and China by Malaysian exporters, indicating a robust policy for the semiconductor industry put in place by the government.

EXHIBIT 2.13 MALAYSIA'S STRATEGIC TRADE EXPORT (2021-2022)

Strategic Trade Export Countries/Year	2021	2022
	Value (RM Billion)	
United States	3.99	4.58
Singapore	3.19	3.78
China	3.08	2.37

Source: MITI

The total approved ePermit Strategic Trade Act (ePermit STA) continued to be at the declining trend by 3.71% in 2022 as compared to 2021, corresponding to the global economic outlook scenarios and Malaysia's economy was on a recovery phase (Exhibit 2.14). In 2022, the US remained the top end-user country destination at 1,937 (2021: 3,014), followed by China at 1,249 (2021: 1,225) and Japan at 899 (2021: 511).

EXHIBIT 2.14 NUMBER OF PERMITS APPROVED (UNIT) (2017-2022)

Year	2017	2018	2019	2020	2021	2022
No. of Permit Issued	2,899	2,852	3,096	3,459	3,101	2,976

Source: Dagang NeXchange Berhad (DNeX)

EXHIBIT 2.15 APPROVED ePERMITS STRATEGIC TRADE ACT BY CATEGORY

Category Approved/Year	2021	2022
	Category Approved/Year	
Category 5 Telecommunication and Information Security	5,172	7,377
Category 3 Electronics	2,583	6,483
Military Item	839	761

Source: DNeX

Looking ahead, rapid advances in technologies encompassing artificial intelligence, robotics, the internet of things, nanotechnology, biotechnology, and quantum technology have inevitably raised complex issues, particularly the best approach to regulate trade in emerging technology to ensure that these technologies do not threaten national and global security. The application of a robust strategic trade management system serves as a critical tool to prevent the proliferation of weapons of mass destruction. With the advancement of the global economy, the responsibility of each country increases to establish and implement stringent and effective export control. More SEA countries will embark on strategic trade management journey in the coming years meeting international obligations for the maintenance of peace and security.

The government has undertaken the necessary steps to enhance strategic trade policies from time to time, including engaging as many stakeholders as possible to raise awareness of the proliferation threats occurring at the technology development stage. Industries are encouraged to provide support and work together with the authorities to conduct due diligence prior to making any business transaction.

Establishing a strong public and private partnership is necessary to promote economic growth, economic security, and economic competitiveness. Implementing internal controls to comply with Act 708 remains to be the best practice for the industry to deal with all risks relating to export control, consequently conducting business in a safe and secure trading environment. Government resources are allocated for the monitoring and tracking of illicit or suspicious transactions, resulting to an increase in investors' confidence operating in a safe and secure trading environment. Such a shift will propel wider collaboration between government and industry sectors in the global supply chain.

Malaysia maintains a strong partnership with the United States and the EU partner to partner (EU P2P) on Export Control of Dual-Use Goods and the Government of Japan, receiving various forms of support, assistance, and cooperation designed to suit the needs related to export control licensing, enforcement and technical reach back for the effective implementation of Act 708.

FUTURE OUTLOOK

As stated earlier, in 2022, Malaysia's trade continued to demonstrate a remarkable performance and registered another record-breaking achievement with trade, exports, imports and trade surplus soaring to a new high. The government, particularly MITI expects that achievements at the international level, especially international trade will continue to show a positive and constructive trend. In addition, MITI is confident that the positive achievements that have been recorded throughout the year 2022, will continue following the various effective, systematic, and comprehensive approaches that have been prepared. Various FTAs, regional and other regions, including with individual countries, will be strengthened, and strengthened by bilateral and multilateral discussions and consultations. MITI is also confident that solid cooperation among agencies in the Ministry and other ministries will be improved in the mission of improving performance in international trade.







Chapter

INVESTMENT PERFORMANCE





The Malaysian Investment Development Authority (MIDA) projected a total of **140,370 potential employment** in year 2022 through 4,454 approved projects

OVERVIEW

Malaysia remained resilient and attracted RM264.6 billion of approved investments in the manufacturing, services and primary sectors in 2022. Although the total value was a decrease of 14.5% compared to 2021, it was the second highest year of approved investment recorded after 2021 (RM309.4 billion). Of the total investment in 2022, a larger share of 61.7% was from the foreign direct investments (FDI), contributing RM163.3 billion and domestic direct investments (DDI) amounting RM101.3 billion, making up 38.3%. DDI recorded an upward trend of 0.5% in 2022 compared to the previous year. Malaysian Investment Development Authority (MIDA) projected a total of 140,370 potential employment in year 2022 through 4,454 approved projects, an increase of 33.7% compared to 2021.

The manufacturing sector was expected to create new employment opportunities of 76,093, followed by the services sector of 63,464, and the primary sector of 813. The services sector recorded a growth of 112.1%, followed by the primary and manufacturing sectors at 54% and 2% respectively (Exhibit 3.1).

In 2022, significant FDI was from the notable foreign sources, including the People's Republic of China (PRC) (RM55.4 billion), the United States of America (US) (RM29.2 billion), the Netherlands (RM20.4 billion), Singapore (RM13.5 billion) and Japan (RM11.4 billion). Both FDI and DDI projects were primarily approved in five (5) states. Johore recorded (RM70.6 billion), Selangor (RM60.1 billion), Sarawak (RM28.2 billion), Kuala Lumpur Federal Territory (RM25 billion) and Penang (RM16.3 billion), contributing to 75.7% (RM200.2 billion) of the total approved investments.

EXHIBIT 3.1

APPROVED PRIVATE INVESTMENTS IN VARIOUS ECONOMIC SECTORS, 2021-2022

Sector	2022					2021				
	Number	Employment	Domestic Investment* (RM million)	Foreign Investment* (RM million)	Total Investment* (RM million)	Number	Employment	Domestic Investment* (RM million)	Foreign Investment* (RM million)	Total Investment* (RM million)
Primary	72	813	13,948.1	12,437.1	26,385.1	59	528	13,252.9	4,075.4	17,328.3
Manufacturing	801	76,093	18,252.8	66,021.3	84,274.1	702	74,575	15,489.3	179,598.6	195,087.9
Services	3,581	63,464	69,089.0	84,877.0	153,966.0	3,807	29,919	72,074.7	24,909.5	96,984.3
Total	4,454	140,370	101,289.9	163,335.4	264,625.3	4,568	105,022	100,817.0	208,583.5	309,400.4

Note*: Due to rounding, figures presented may not add up precisely to the totals provided
Source: MIDA

APPROVED INVESTMENTS: MANUFACTURING SECTOR

The manufacturing sector recorded approved investments of RM84.3 billion in 2022, a decrease of 56.8% compared to RM195.1 billion in the previous year (Exhibit 3.2). The decline in approved investments for the manufacturing sector was due to a variety of factors, including global challenges and economic slowdown. However, one significant contributing factor is ongoing conflict between Russia and Ukraine, which has further exacerbated existing supply chain disruptions. The conflict has also led to additional challenges such as energy crises and material shortages, further worsening the issue. FDI was a major contributor with investments worth of RM66 billion (78.3%) compared to DDI (21.7%), towards approval in the manufacturing sector. Meanwhile, DDI recorded an investment of RM18.3 billion, an increase of 17.8% compared to 2021. Investments for major sectors such as electrical & electronics (E&E), machinery and equipment, transport equipment, chemicals and chemical products and petroleum products (including petrochemicals) contributed RM59.1 billion, more than 70% of the total investments approved in the manufacturing sector (Exhibit 3.3).



FDI was a major contributor with investments worth of RM66 billion (78.3%) compared to DDI (21.7%) towards approval in the manufacturing sector

EXHIBIT 3.2

APPROVED PROJECTS IN THE MANUFACTURING SECTOR, 2021-2022

Sector	Number		Potential Employment		Domestic Investment* (RM million)		Foreign Investment* (RM million)		Total Investment* (RM million)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Manufacturing	801	702	76,093	74,575	18,252.8	15,489.3	66,021.3	179,598.6	84,274.1	195,087.9

Note*: Due to rounding, figures presented may not add up precisely to the totals provided
Source: MIDA

EXHIBIT 3.3**PROJECTS APPROVED IN THE MANUFACTURING SECTOR BY INDUSTRIES, 2021-2022**

Summary	Number		Potential Employment		Domestic Investment* (RM million)		Foreign Investment* (RM million)		Total Investment* (RM million)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Manufacturing Sector										
Electrical & Electronics	106	94	27,072	28,362	1,398.6	1,711.2	27,853.1	146,265.8	29,251.7	147,977.0
Machinery & Equipment	72	48	4,854	2,501	3,075.9	576.9	5,274.3	1,090.6	8,350.2	1,667.6
Transport Equipment	49	44	3,815	2,318	1,446.5	992.1	6,602.7	1,191.2	8,049.1	2,183.3
Chemicals & Chemical Products	71	89	2,860	3,048	1,627.4	2,276.5	5,724.9	3,483.4	7,352.3	5,759.9
Petroleum Products (Inc. Petrochemicals)	9	5	805	147	351.3	186.3	5,577.6	38.8	5,928.9	225.1
Non-Metallic Mineral Products	29	17	3,201	782	490.9	311.3	5,331.9	111.6	5,822.8	422.9
Scientific & Measuring Equipment	25	13	3,389	807	182.8	85.7	4,561.8	2,031.1	4,744.6	2,116.8
Rubber Products	22	40	7,592	12,229	3,183.6	4,865.8	418.3	891.1	3,601.9	5,756.9
Food Manufacturing	93	77	5,344	5,354	2,068.4	1,574.3	1,454.1	3,814.7	3,522.5	5,389.0
Basic Metal Products	31	22	2,894	9,283	1,083.8	264.7	900.3	19,173.3	1,984.1	19,438.0
Fabricated Metal Products	79	90	3,899	3,392	889.1	1,176.9	765.6	544.7	1,654.7	1,721.6
Plastic Products	82	45	3,788	2,006	806.9	488.6	615.1	288.5	1,422.0	777.1
Paper, Printing & Publishing	42	34	2,400	1,413	486.6	392.8	605.9	156.6	1,092.5	549.4
Textiles & Textile Product	19	15	1,274	304	524.7	54.7	72.3	241.0	596.9	295.7
Furniture & Fixtures	34	30	1,484	1,033	327.0	203.4	174.7	41.2	501.7	244.6
Wood & Wood Products	22	20	791	950	155.5	180.4	74.3	178.2	229.8	358.5
Beverages & Tobacco	8	6	431	38	112.0	28.6	0.9	0.1	112.9	28.7
Miscellaneous	7	12	184	533	38.1	87.3	13.6	56.8	51.6	144.1
Leather & Leather Products	1	1	16	75	3.8	31.8	0.0	0.0	3.8	31.8
Sub-total	801	702	76,093	74,575	18,252.8	15,489.3	66,021.3	179,598.6	84,274.1	195,087.9

Note*: Due to rounding, figures presented may not add up precisely to the totals provided
Source: MIDA

APPROVED INVESTMENTS: IMMEDIATE MAJOR SOURCE COUNTRY AND STATES OF MANUFACTURING PROJECTS

The foreign immediate source came from Singapore (RM9.6 billion), China (RM9.6 billion), Japan (RM9.2 billion), the Netherlands (RM8.8 billion) and Germany (RM8.8 billion). In terms of ultimate investing countries, the top five (5) countries were the US (RM17.7 billion), China (RM12 billion), Japan (RM10.7 billion), Austria (RM8.4 billion) and Korea (RM6.3 billion) (Exhibit 3.4).

In terms of investment approvals in the manufacturing sector, the top five (5) states with the highest investments received were Johore (RM14.6 billion), followed by Penang (RM13.7 billion), Selangor (RM12.2 billion), Kedah (RM12 billion) and Sabah (RM8.4 billion) (Exhibit 3.5). These five (5) states contributed 72.2% of the total investments approved in 2022. Other states that have also contributed to the overall investment value, include Negeri Sembilan (RM7.1 billion), Malacca (RM7.1 billion), Perak (RM3.9 billion), Pahang (RM2.5 billion), Sarawak (RM1.3 billion), Kelantan (RM992.5 million) and Terengganu (RM310 million). Additionally, Kuala Lumpur and Labuan collectively raked in investments worth RM142.7 million.



EXHIBIT 3.4

MANUFACTURING PROJECTS APPROVED FOR MAIN INVESTOR-COUNTRIES, 2021-2022

Countries	2022			2021		
	No. of Projects	Employment	Foreign* Investment (RM million)	No. of Projects	Employment	Foreign* Investment (RM million)
Singapore	83	9,849	9,609.95	73	10,903	46,566.96
China	46	6,193	9,554.94	43	13,898	16,604.24
Japan	35	4,659	9,184.65	25	3,318	7,536.51
The Netherlands	11	3,458	8,784.22	14	4,092	74,909.35
Germany	13	2,156	8,775.19	13	554	820.78
Korea	3	1,344	6,275.43	7	1,210	7,334.06
Hong Kong SAR	20	7,959	4,848.31	8	774	194.30
USA	24	10,844	4,300.37	21	1,690	1,146.06
Switzerland	13	735	1,285.68	4	146	225.00
United Kingdom	11	1,021	659.71	13	1,297	142.16
Ireland	1	650	650.00	1	54	6.44
Taiwan	20	2,201	572.33	15	1,571	648.55
Belgium	2	239	330.63	-	-	-
Sweden	1	109	163.01	-	-	-

Note*: Due to rounding, the figures presented may not add up precisely to the totals provided
Source: MIDA

EXHIBIT 3.5
MANUFACTURING PROJECTS APPROVED BY STATES, 2021-2022

States	2022					2021				
	No. of Projects	Employment	Domestic Investment *(RM million)	Foreign Investment *(RM million)	Total Investment *(RM million)	No. of Projects	Employment	Domestic Investment *(RM million)	Foreign Investment *(RM million)	Total Investment *(RM million)
Johor	166	14,739	1,992.61	12,589.93	14,582.55	134	10,288	3,105.52	3,847.72	6,953.24
Penang	135	15,752	3,951.89	9,759.06	13,710.94	111	12,024	1,784.57	74,439.12	76,223.68
Selangor	265	15,665	4,642.01	7,565.74	12,207.75	247	14,393	6,052.77	1,458.27	7,511.04
Kedah	42	5,730	871.06	11,112.11	11,983.18	48	12,733	385.89	65,833.42	66,219.31
Sabah	23	3,307	794.00	7,587.16	8,381.15	14	1,391	481.95	4,379.47	4,861.42
Negeri Sembilan	33	3,115	599.39	6,532.59	7,131.98	30	3,366	527.79	2,373.37	2,901.16
Malacca	33	4,013	578.37	6,514.13	7,092.51	18	2,994	367.44	3,554.59	3,922.04
Perak	53	7,043	1,730.72	2,185.18	3,915.90	43	6,038	1,996.51	4,084.78	6,081.29
Pahang	13	4,291	2,512.72	24.61	2,537.33	14	4,409	239.67	10,250.68	10,490.35
Sarawak	8	1,160	103.74	1,181.94	1,285.67	6	2,235	49.89	5,618.04	5,667.93
Kelantan	7	684	79.20	913.28	992.48	3	118	90.75	0.00	90.75
Terengganu	11	282	292.16	17.79	309.95	12	3,701	84.01	3,747.42	3,831.43
W.P. Kuala Lumpur	11	306	103.24	36.19	139.43	17	756	274.06	4.30	278.36
W.P. Labuan	1	6	1.67	1.60	3.27	4	83	36.20	7.40	43.60
Perlis	-	-	-	-	-	1	46	12.28	0.00	12.28
Manufacturing Total	801	76,093	18,252.78	66,021.31	84,274.09	702	74,575	15,489.30	179,598.59	195,087.90

Note*: Due to rounding, the figures presented may not add up precisely to the totals provided
Source: MIDA

Implementation of Approved Manufacturing Projects

A total of 383 projects were approved and implemented with realised investments totalling RM35.3 billion

As of the end of 2022, 3,063 projects or 71.9% of 4,261 projects approved in 2018-2022, were implemented (Exhibit 3.6). A total of 2,731 projects were in production sectors, while 332 projects were undergoing machinery installation/factory construction. MIDA's Project Acceleration and Coordination Unit (PACU) offers comprehensive support to approve manufacturing and selected service projects, streamlining the entire process from approval to implementation. In 2022, 383 projects were approved and implemented with realised investments totalling RM35.3 billion, accounting for approximately 41.9% of all approved investments in the manufacturing sector.



EXHIBIT 3.6

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS BY STATE, 2018-2022

State	2018-2022				
	Number of Projects	Total Employment	Domestic Investment (RM million)	Foreign Investment (RM million)	Total Capital Investment (RM million)
Penang	489	55,497	10,235.47	104,980.77	115,216.25
Kedah	212	29,743	3,859.59	80,406.96	84,266.55
Johor	585	41,709	15,098.79	36,098.39	51,197.18
Selangor	1,027	64,540	21,660.13	27,733.67	49,393.81
Sarawak	56	11,558	7,765.35	24,572.85	32,338.20
Sabah	56	4,598	12,659.19	6,883.19	19,542.38
Perak	198	18,841	8,914.29	5,313.57	14,227.86
Malacca	128	7,461	4,117.11	8,609.47	12,726.57
Negeri Sembilan	143	9,361	5,702.59	5,549.08	11,251.67
Pahang	60	5,531	1,510.25	8,136.45	9,646.70
Terengganu	39	6,607	1,129.79	7,946.92	9,076.70
W.P. - Kuala Lumpur	45	2,438	590.74	1,084.54	1,675.27
Kelantan	16	1,031	150.61	930.50	1,081.11
Perlis	5	203	578.02	0.00	578.02
W.P. - Labuan	4	153	141.27	7.40	148.67
Grand Total	3,063	259,271	94,113.17	318,253.77	412,366.94

Note*: Due to rounding, the figures presented may not add up precisely to the totals provided
Source: MIDA

APPROVED INVESTMENTS: SERVICES SECTOR

Approved investments in the services sector recorded a rise of 58.8% totalling RM154 billion in 2022 as compared to RM97 billion in the previous year. However, the number of projects in the sector dropped by 5.9% in 2022 with 3,581 projects compared to 3,807 in 2021 (Exhibit 3.7). It is projected that a total of 63,464 jobs will be created in 2022 compared to 29,919 jobs in 2021, an increase of 112.1%. The top five (5) sub-sectors include information and communications (RM84.7 billion), real estate (RM28.8 billion), financial services (RM11.2 billion), utilities (RM10.8 billion) and distributive trade (RM6.2 billion). Seven (7) sub-sectors recorded higher growth in 2022 namely information and communications at 667.4%, health services (188.6%), other services (82.7%), distributive trade (73.2%), education services (50.6%), utilities (12.1%) and real estate (0.3%).



During the onset of the COVID-19 pandemic, global business operations were heavily disrupted, and firms have been actively using technology to mitigate this impact. Therefore, greater emphasis has been placed on embracing the digital economy to reduce future risks. In line with this, there have been an increased investments approved in the information and communications sub-sectors in 2022, especially with the rise in demand for the establishment of data centres and cloud computing services.

EXHIBIT 3.7 PRIVATE INVESTMENTS IN THE SERVICES SECTOR, 2021-2022

Summary	Number		Potential Employment		Domestic Investment* (RM million)		Foreign Investment* (RM million)		Total Investment* (RM million)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Services Sector										
Global Establishments	102	102	1,223	3,838	901.4	1,080.0	1,069.8	18,578.5	1,971.3	19,658.5
Support Services	788	954	4,875	3,555	3,743.7	5,207.6	446.5	756.5	4,190.2	5,964.1
Transport Services	29	25	321	189	1,042.3	1,595.3	0.0	0.0	1,042.3	1,595.3
Real Estate	754	1,044	NA	NA	28,888.3	28,811.7	0.0	0.0	28,888.3	28,811.7
Utilities	20	27	NA	NA	10,776.2	9,611.5	0.0	0.0	10,776.2	9,611.5
Information and Communications	330	450	13,712	2,026	12,559.6	9,274.2	72,147.4	1,763.4	84,707.0	11,037.6
Distributive Trade	1,242	908	35,948	14,392	852.7	762.7	5,379.7	2,836.2	6,232.4	3,598.9
Hotel and Tourism	16	29	1,917	2,949	1,632.3	3,230.1	433.8	219.1	2,066.1	3,449.2
Financial Services	49	53	124	969	5,798.3	11,346.0	5,397.8	683.7	11,196.1	12,029.7
Health Services	6	5	4,098	869	2,137.7	669.9	1.3	71.1	2,138.9	741.0
Education Services	236	202	1,246	934	617.3	410.5	0.7	0.0	618.0	410.5
Other Services	9	8	0	198	139.3	75.2	0.0	1.0	139.3	76.2
Sub-total	3,581	3,807	63,464	29,919	69,089.0	72,074.7	84,877.0	24,909.5	153,966.0	96,984.3

Note*: Due to rounding, the figures presented may not add up precisely to the totals provided
Source: MIDA

APPROVED INVESTMENTS: PRIMARY SECTOR

The primary sector witnessed an increase in approved investment for year 2022 with a growth of 52% at RM26.3 billion compared to RM17.3 billion in 2021. The higher investment was contributed by all sub-sectors, namely mining sub-sector at 91% (RM24 billion), plantation and commodities sub-sectors with 8.3% (RM2.2 billion) and agriculture sub-sector at 0.7% (RM154 million). There was a 54% increase in the number of employment recorded in the primary sector, with 813 jobs created via projects approved in 2022 compared to 528 previously (Exhibit 3.8).



EXHIBIT 3.8

APPROVED PRIVATE INVESTMENTS IN THE PRIMARY SECTOR, 2021-2022

Summary	Number		Potential Employment		Domestic Investment* (RM million)		Foreign Investment* (RM million)		Total Investment* (RM million)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Primary Sector										
Agriculture	10	6	279	103	140.7	20.4	13.7	0.1	154.4	20.5
Mining	26	19	153	37	11,573.2	13,021.0	12,419.3	4,075.3	23,992.5	17,096.3
Plantation and Commodities	36	34	381	388	2,234.2	211.4	4.0	0.0	2,238.2	211.4
Sub-total	72	59	813	528	13,948.1	13,252.9	12,437.1	4,075.4	26,385.1	17,328.3

Note*: Due to rounding, the figures presented may not add up precisely to the totals provided
Source: MIDA

GLOBAL FOREIGN DIRECT INVESTMENT AND MALAYSIA'S FOREIGN DIRECT INVESTMENT AND DIRECT INVESTMENT ABROAD

Malaysia: Foreign Direct Investment Inflows

FDI recorded a higher net inflow of RM19.3 billion in fourth quarter of 2022 as compared to RM12.3 billion in the preceding quarter. Manufacturing remained the largest sector of FDI (RM13 billion), followed by information and communications (RM2.6 billion) and financial and insurance/takaful activities (RM1.8 billion). The main FDI sources were from the US (RM5.1 billion), Switzerland (RM4.7 billion) and Singapore (RM3.9 billion). FDI surged to a net inflow of RM73.3 billion in 2022 compared to RM48.1 billion in 2021.



Malaysia: Direct Investment Abroad (DIA) Flows

Direct Investment Abroad (DIA) logged a higher net outflow of RM28.7 billion in fourth quarter in 2022 as compared to RM10.3 billion in the previous quarter. The major contributors to the outflows were services particularly in wholesale and retail trade activities (RM11.8 billion), followed by mining & quarrying (RM5.2 billion) and manufacturing sectors (RM4.4 billion). The top three (3) DIA destinations were the Netherlands (RM13.6 billion), the United Kingdom (RM4.3 billion) and Indonesia (RM3.7 billion). For the year 2022, DIA recorded a higher net outflow of RM57.3 billion as compared to RM19.7 billion in the preceding year.



The top three (3) DIA destinations were the **Netherlands (RM13.6 billion)**, the **United Kingdom (RM4.3 billion)** and **Indonesia (RM3.7 billion)**

Employment Creation

A total of 4,454 projects that were approved in the various economic sectors have the potential of creating 140,370 jobs in 2022 (Exhibit 3.9), a growth of 33.7% as compared to the previous year. All three (3) sectors namely services, primary and manufacturing recorded a growth of 112%, 54% and 2% respectively with manufacturing sector contributed the highest share (76,093, 54.2%), services (63,464, 45.2%) and primary sectors (813, 0.6%). In the services sector, the sub-sectors which employ a high number of workers were distributive trade (35,948, 56.7%), followed by information & communications (13,712, 21.6%) and support services (4,875, 7.7%).



The manufacturing sector recorded

76,093
employments
via 801 projects approved

The manufacturing sector recorded 76,093 employments (Exhibit 3.9) via 801 projects approved. The industries which contribute a high number of job opportunities were E&E (27,072), rubber products (7,592), and food manufacturing (5,344). A total of 63,942 or 84% of workers in the manufacturing sector were Malaysians and the remaining were foreigners. Employment in the managerial, technical, professional and skilled workers categories comprised of 36.7% of the total employment. The primary sector registered 813 employments where 381 employments were from plantation and commodity, 279 from agriculture and the remaining 153 from mining activity.

EXHIBIT 3.9

OVERVIEW OF EMPLOYMENT CREATION IN 2022 AND 2021 BY SECTORS

Sectors	Employment creation in 2022	Employment creation in 2021	% change
Manufacturing	76,093	74,575	2%
Services	63,464	29,919	112.1%
Primary	813	528	54%
Total	140,370	105,022	33.7%

Source: MIDA

INVESTMENT ENGAGEMENTS, COOPERATION AND AGREEMENTS AT INTERNATIONAL FORA

ASEAN Investment Facilitation Framework (AIFF)

In accordance with the ASEAN Comprehensive Recovery Framework (ACRF) and to spur post-COVID recovery, the ASEAN Investment Facilitation Framework (AIFF) was adopted on 1 November 2021 to further advance investment facilitation in the region. In 2022, ASEAN Member States (AMS) sought to find ways to operationalise the AIFF which is a non-legally binding set of principles and actions for AMS with the intent to:

- Improve accessibility and transparency of investment rules, regulations, and procedures conducive to increased investment;
- Streamline and expedite administrative procedures and requirements for the entry, retention and expansion of investment; and
- Create favourable conditions for investment and doing business.

Furthermore, the Coordinating Committee on Investment (CCI), consisting of focal points from AMS including Malaysia, continued deliberating elements in the Fifth Protocol to amend the ACIA, including the Principles and Modality for the Transition of the ACIA Reservation List to a Two-Annex Negative List. In principle, this will result in a greater alignment with international scheduling norms and increased clarity for investors on the nature and extent of non-conforming measures reserved by AMS.

Asia-Pacific Economic Cooperation's Investment Experts Group

In 2020, the Asia-Pacific Economic Cooperation (APEC)'s Investment Experts' Group (IEG) adopted the Malaysian-led initiative of Inclusive and Responsible Business and Investment (IRBI) as part of the standing agenda. This agenda supports the enactment of the APEC Putrajaya Vision 2040, by supporting and realising part of Pillar 1: Seamless connectivity, resilient supply chains and responsible business conduct. IRBI is aligned with the Aotearoa Plan of Action, which was adopted during New Zealand's chairmanship in 2021, and the sustainability agenda under the Bangkok Goals in 2022.

MITI is cognisant that while IRBI may be a new notion to APEC collectively, it is not a new investment discipline. The wide-ranging framework of IRBI may be leveraged to develop the existing APEC economies and private sector's initiatives on environmental, social, and governance (ESG). Prominently, IRBI may become the key player in enabling APEC economies and the private sector to continuously progress towards achieving the communal vision of the 17 Sustainable Development Goals (SDGs).



For 2022, the IEG continued to deliberate the key areas and principles under the Investment Facilitation Action Plan, as well as remain actively informed on updates and state-of-play on investment-related developments in the international fora. Among others, this includes outcomes relating to World Trade Organisation's (WTO) 12th Ministerial Conference (MC12), the WTO Investment Facilitation negotiations, OECD's responsible business conduct and FDI Qualities Policy Toolkit, WEF's Sustainable Investment pilot, and investor-state dispute settlement reform discussions.

Investment Guarantee Agreements (IGA)

Malaysia currently has 61 Investment Guarantee Agreements (IGA) in force, with the last IGA signed in 2012. Since then, Malaysia has undertaken an extensive review process to consider international best practices, aligned with UNCTAD's Investment Policy Framework for Sustainable Development, to comprehensively update and modernise Malaysia's treaty practice. In 2022, Malaysia has successfully conducted IGA upgrade negotiations with Switzerland, new negotiations with Qatar, and further explored discussions with several other interested countries.

In addition, consistent with the Malaysia-Turkiye Free Trade Agreement (FTA) expansion negotiation, both parties agreed to terminate the existing IGA. Nonetheless, it was also agreed that the benefits accorded under the IGA should continue to be received for a period of five (5) years. Similarly, in view of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)'s ratification for Chile, the Government of Chile has conveyed its intention to terminate the Malaysia-Chile IGA; to be effective on 21 February 2023. Nonetheless, the benefits of the IGA will continue to be received by both parties for a period of 10 years.

Additionally, most of these agreements contain Investor-State Dispute Settlement (ISDS) provisions, whereby MITI together with the Attorney General's Chambers have been taking part in negotiations and discussions in both the United Nations Commission on International Trade Law (UNCITRAL) and the International Centre for Settlement of Investment Disputes (ICSID) to ensure that Malaysia is kept up-to-date with the latest advances on ISDS reform and involved in the policy-making process for any forthcoming ISDS regime in the intercontinental fora.

Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA)

Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) was established in 1994. Presently, the BIMP-EAGA Vision 2025 (BEV 2025) serves to ensure that member countries are attuned to regional and global development trends, opportunities and challenges that would influence the future economic cooperation as well as in creating a resilient, inclusive, sustainable, and economically competitive BIMP-EAGA (R.I.S.E. BIMP-EAGA) to narrow the development gap. The BEV 2025 framework prioritises delivering the competitiveness and sustainability of green manufacturing, climate-resilient agro-industry and fisheries, as well as tourism destinations.

During the BIMP-EAGA Senior Official Meeting/Ministerial Meeting (SOM/MM) in Pontianak, Indonesia in November 2022, Trade and Investment Facilitation Cluster's Working Group of CIQSWG was endorsed as a full-fledged cluster. Pursuant to this endorsement, the Trade and Investment Facilitation Cluster has been renamed as Trade and Investment Facilitation and Promotion Cluster (TIFPC), while the scope of the then Small Medium Enterprise Working Group (SMEDWG) has been expanded to include micro enterprises. Hence, the SMEDWG has also been renamed to Micro Small Medium Enterprise Working Group (MSMEWG). MITI, nonetheless, is retained to be the lead for the TIFPC.

Indonesia-Malaysia-Thailand Growth Triangle Working Group of Trade and Investment (IMT-GT)

The Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) provides for a regional framework for accelerating economic cooperation and integration of the member states and provinces in the three (3) countries. On 10 November 2022, the IMT-GT adopted the Implementation Blueprint (IB) 2022 - 2026: Ensuring Continuity and Consistency, in which the blueprint focuses on eight (8) strategic pillars or focus areas in accordance with the IMT-GT Vision 2036 document. These strategic pillars or focus areas are earmarked to produce the most significant economic and social impact on the sub-region during 2022-2026. From the existing seven (7) pillars, the new Blueprint expands the key focus areas to include eight (8) pillars: (i) Agriculture and Agro-based Industry, (ii) Tourism, (iii) Halal Products and Services, (iv) Transport Connectivity, (v) Trade and Investment Facilitation, (vi) Environment, (vii) Human Resource Development and (viii) Digital Transformation.

The IB 2022-2026 adopts three (3) mutually reinforcing strategies to achieve and on moving towards the IMT-GT Vision 2036:

- i. Project-centric approach toward greater regional integration;
- ii. Project-specific and location-specific regulatory reforms; and
- iii. Spatial approach to regional development.

Thus, the Working Group of Trade and Investment (WGTI) aims to make IMT-GT a trade and investment-friendly subregion. In this regard, three (3) priority objectives have been identified: (i) Minimise disruption to cross-border trade, (ii) Increase trade and investment, and (iii) Improve networks of interconnected, competitive special economic zones.

As Malaysia's lead to coordinate domestic progress under the WGTI, MITI is responsible for ensuring that the projects under WGTI's Sub-Working Groups make notable progress and subsequently successfully delivered. These projects involve the Customs, Immigration and Quarantine Sub-Working Group, and the IMT-GT Trade, Investment and Tourism Database Sub-Working Group.

INITIATIVES UNDERTAKEN TO DRIVE DOMESTIC INVESTMENT

Being the Government's principal investment development and promotion agency, MIDA continues to identify potential companies as Malaysian conglomerates, encouraging multinational corporations (MNCs) operating in Malaysia to harness outsourcing opportunities for Malaysian companies, intensifying technology acquisition support for Malaysian-owned companies to achieve international standards/certifications compliance through its wide range of local and global networks. As an effort to encourage domestic investment, MIDA continues to undertake the following strategies:



- i. Assisting domestic companies to use and adopt new technologies in their production processes. Various incentives and assistance are provided by the government through MIDA to assist domestic companies to embrace and adopt Industry 4.0;
- ii. Encouraging domestic companies to use digitisation in the production process and market the company's products online, especially those involving the domestic market in order to reduce logistics costs and dependency on labour;
- iii. Growing domestic linkages by using domestic inputs and expanding the domestic supply chain;
- iv. Increasing economic complexity through the development of sophisticated products and services; through triple helix collaboration between the government, industries and the universities or technical institutions in ensuring Malaysia's economy is built on skills-based industries; and
- v. Informing the business community on the importance of adopting ESG and sustainability programmes which presently has reached a tipping point for industrial organisations. Industries must embrace more environmentally and ethically sound approaches if they were to remain competitive in today's global market.

Therefore, the following programmes have been designed to drive the strategies that have been planned:

i. Triple Helix Collaboration Programme

A platform for technologists, scientists and researchers from universities to promote their inventions, innovations and research outputs to potential investors and industry players. Industry players can explore numerous potential research outputs and innovations that may impact and revolutionise their industries. As for the researchers, they will gain the ability to do research or inventions that will meet the needs of the industries and societies.

In 2022, two (2) series of Start-up Pitching Session programmes were organised by MIDA in Kuala Lumpur and Kota Kinabalu. In Kuala Lumpur, the programme was organised in collaboration with the Cyberview Sdn. Bhd. and the Malaysian Technology Development Corporation (MTDC), and in Kota Kinabalu, the programme was collaborated with Universiti Putra Malaysia (UPM), Universiti Malaysia Sabah (UMS), MTDC and Sabah Creative Economy and Innovation Centre (SCENIC). Both series were held on 26 July 2022 and 1 December 2022 respectively and have successfully received a total of 130 Express of Interest (EOI) from the industry players and eight (8) local start-ups for innovation collaboration.



Start-up Pitching Session programmes were held on 26 July 2022 and 1 December 2022 respectively and have successfully received a total of **130 Express of Interest (EOI)** from the industry players and eight (8) local start-ups for innovation collaboration

ii. Small Medium Enterprises (SMEs) Investment Desk

The programme aims to provide an advisory service on Government facilities in a One Stop Centre to small medium enterprises (SMEs). Through this initiative, local companies, especially SMEs, will have the opportunity to seek guidance and advice on investment initiatives and facilities provided by the Government. This will further facilitate the company's investment proposals and form a sustainable business partnership between the Government and the private sector. MIDA State offices have organised 44 programmes such as mini seminars, and roundtable meetings with SMEs virtually involving 970 participants from 569 SME companies. The programme has managed to create awareness and assist the SMEs to obtain the Manufacturing License and in generating better production productivity in the manufacturing and services activities through the use of assistance such as grants for technology adoption, tax incentives and tax exemption for the importation of raw materials, machinery and equipment.



MIDA State offices
have organised

44 programmes

such as mini seminars, and
roundtable meetings with
SMEs virtually involving

970 participants
from **569 SME**
companies

iii. Engagement with Associations and Chambers of Commerce

In 2022, MIDA has organised nine (9) briefing, networking and Hi Tea sessions with various entities: ASEAN Chamber of Commerce, Malaysia Digital Chamber of Commerce (MDCC), Malaysian Indian Muslim Chamber of Commerce and Industry (MIMCOIN), International Entrepreneurs Chamber Malaysia (IECM); Council Members of Federation of Malaysian Business Association (FMBA); Asia-Pacific Entrepreneur Associate Chamber of Commerce (APEACC), Members of Federation of Malaysian Business Association (FMBA), National Chamber of Commerce and Industry of Malaysia (NCCIM) and FMM Southern Region. A total of 600 participants were attended the sessions.

This initiative provides a platform for MIDA to update local companies and SMEs on MIDA's roles and investment facilitation services, and to address issues related to the industry as well as providing opportunity for the representatives of trade associations/chambers of commerce to channel their suggestions and feedback to the Government on ways to further improve the Government delivery system.

iv. Domestic Investment Seminar

Domestic Investment Seminar is part of MIDA's continuous effort to update the industry players on the latest policies and facilitation services available. The seminar provides an opportunity for the business community to network with the Government agencies and to discuss potential business collaboration. In the year 2022, MIDA has organised two (2) Domestic Investment Seminars programme, in Kuala Lumpur and Kota Kinabalu on 26 July 2022 and 1 December 2022 respectively with a total of 800 participants.

v. Invest Series Programme

Invest Series Programme has been organised to help all states to achieve their full development potential by highlighting each state and region's unique comparative and competitive advantages. It is also aiming to provide the business community with information on the facilities offered by the Government as well as initiatives to build and sustain the competitive edge of domestic companies, besides keeping abreast with the latest industry and investment announcements. In 2022, MIDA has organised two (2) Invest Series Programmes, showcasing the state of Terengganu and Kedah.

vi. Supply Chain Coordination Programme

For the past three (3) years, MIDA has introduced the Supply Chain Coordination Programme, which emphasis in finding effective ways to increase supply chain performance and visibility. Activities conducted includes Local Sourcing, Vendor Facilitation Programme (VFP) and Supply Chain Conference. In the current year, MIDA has successfully organised series of engagement and events, among others:

- ▶ Vendor Facilitation Programme (VFP). MIDA has completed the MIDA-PERODUA Digital Transformation Ecosystem (DTE) 1.0 and launched the MIDA-PERODUA Digital Transformation Ecosystem (DTE) 2.0 to further assist PERODUA as the anchor company, to spur domestic automotive industry. The objectives of this programme, among others, include to upgrade PERODUA's vendors to the next level by using latest technologies and machineries available in the market and to digitalise their manufacturing processes by adopting the Industry 4.0. The success of the programme has helped MIDA to develop a strategy plan to continue enabling the development and expansion of multinational corporations (MNCs) and local large corporations (LLCs) in Malaysia.
- ▶ Via Supply Chain Conference and local sourcing, MIDA has effectively worked with a total of 30 MNCs/LLCs in strengthening Malaysia's supply chain coordination, which involved 150 potential local companies.

MIDA fosters engagements between domestic enterprises and global corporations, financial institutions, and technology suppliers to equip local supply chains with technical skills. This effort has enabled many MNCs/LLCs engaged in the supply chain programme during the current year to boost their local sourcing operations and generate additional opportunities for domestic businesses to step up in industry ecosystems. Furthermore, MIDA is collaborating closely with targeted MNCs/LLCs to assist their current or potential local vendors in upskilling or upgrading their manufacturing plant with automation, adoption of Industry 4.0, investing in new technology, engaging in R&D and design & development, and strengthening the technical team to meet the scalable demand by the MNCs/LLCs. The Supply Chain Programme will continue to assist both MNCs/LLCs and local companies by conducting working visits to selected MNCs/LLCs in various states, organising supply conferences, and a vendor facilitation programme with selected anchor companies to help local companies expand their investment and businesses.

vii. Engaging Local Large Companies

The Twelfth Plan comprises nine (9) focus areas including boosting economic growth, strengthening growth catalyst and improving development in less developed states in accelerating green growth. It sets the strategic direction of the nation on reviving the economy and a fairer distribution of prosperity whilst ensuring environmental sustainability.

The impact of the COVID-19 pandemic has provided the nation the opportunity to undertake bold reforms to sustain future growth and to ensure that the proceeds of the growth would benefit all segments of population. In supporting the national agenda, MIDA continues to engage and connect with LLCs to explore new industries, collaborate more with the private sector and expansion on their core activities in catalysing private investment, turning challenges into apparent solutions.

In 2022, MIDA has engaged with the Malaysian Resources Corporation Berhad (MRCB), Sime Darby Berhad, MMC Corporation Berhad and its subsidiaries, and working together in high valued added, high technology and innovative based activities to boost private domestic investments.

viii. Domestic Investment Coordination Platform

Domestic Investment Coordination Platform (DICP) is an avenue created by MIDA to assist and facilitate local companies, especially SMEs, in bridging financial and technology gaps as well as gaining market access through strategic collaborations or joint ventures with potential partners. Among the scope of coverage under DICP are:

- ▶ Business Matching
- ▶ Project Financing
- ▶ Capital Raising (Debt & Equity)
- ▶ M&A, Divestments & Takeover
- ▶ Initial Public Offerings (IPOs)

Currently, the DICP unit in MIDA's Domestic Investment division is focusing on establishing greater connections with the existing banking sector. In this aspect, MIDA has signed MoUs with United Oversea Bank (UOB), Bank Islam, Standard Chartered, HSBC and Citibank to facilitate funding requirements of companies.

INITIATIVES UNDERTAKEN TO DRIVE FOREIGN INVESTMENT

As the principal driver of the Malaysia's investment agenda, MIDA has adopted an ecosystem approach whereby concerted efforts have been put in place to promote the entire value chain of industry clusters. Furthermore, Malaysia is positioning itself as a new alternative base in Asia and ensuring the resilience of companies' supply chains. Foreign companies are encouraged to relocate or expand in Malaysia, with added support by local companies as reliable suppliers as they are well integrated into the global MNCs' supply chain networks.

Hence, driven by the National Investment Aspirations (NIA), MIDA, will intensify its focus towards capturing investments in high technology, innovation and research-driven industries that will complement and further strengthen the Malaysian industrial ecosystem in sectors with significant economic potential and sustainable long-term growth such as the digital economy, E&E, pharmaceutical, chemical and aerospace.

The country is on the right trajectory to secure more high-quality, high-impact, and capital-intensive projects. For the year 2023, MIDA will continue undertaking investment promotion programmes, including Trade Investment Missions (TIM), strike force or working visits, flagship programmes, as well as regular engagements with investors locally and abroad.

MIDA has developed the online submission and processing platform (InvestMalaysia portal) and this will also act as a single processing window for all the approvals for manufacturing licences, incentives and exemption of customs duties to facilitate and expedite the implementation of projects. The system is constantly being updated and enhanced to meet the dynamism of investors' needs. Hand-in-hand with the PACU@MIDA or the Project Acceleration and Coordination Unit, an end-to-end facilitation for all projects approved, MIDA will be at the forefront to consistently enable the timely implementation of investments in the country.



BOX ARTICLE 3.1

NEW INVESTMENT AGENDA BASED ON NATIONAL INVESTMENT ASPIRATIONS (NIA)

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

Underlying the significance of revitalising the investment regime to remain as a competitive nation of strategic and high-value investments in the region, Malaysia's new investment policy is premised on the following five (5) pillars of the NIA that will boost the country's competitiveness as a regional investment hub:

- i. Increase economic complexity through the development of sophisticated products and services; with high local R&D and innovation intensity;
- ii. Create high-value jobs with high skills and incomes;
- iii. Extend domestic linkages by using domestic inputs and expand domestic supply chain;
- iv. Develop new and existing economic clusters through the development of high productivity sectors, and development of local products and services; and
- v. Improve inclusivity across areas and communities.

Pivotal to this NIA is six (6) strategic thrusts to address headlong economic and investment challenges of a dynamic and fast changing world. They are:

- i. Unified investment strategy to drive laser-focused delivery on NIA and ESG;
- ii. Agile and forward-looking incentive packages that meet the needs of investors;
- iii. Investment promotion agencies (IPA) landscape with clear roles and responsibilities to simplify the investor journey;
- iv. Accelerated innovation ecosystem to nurture high-quality investments;
- v. Vibrant talent pool that meets the needs of the labour market; and
- vi. Streamlined business environment for improved ease of doing business.

NIA looks to address the challenges faced both at an overall national level as well as at the sectoral level – towards reinvigorating Malaysia's investment landscape. The NIA recommends 22 national-level initiatives and at the sector-level, MITI's stakeholders have identified the specific investment opportunities to go after to best deliver NIA. Among others:

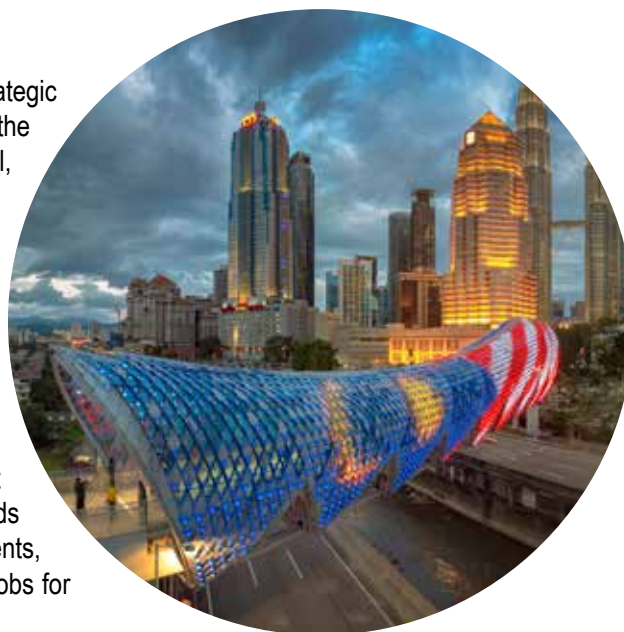
- i. E&E sector: IOT sensors and components, modernise Outsourced Semiconductor Assembly and Test (OSAT), solar;
- ii. Digital sector: Global services, development hub for Internet of things, and artificial intelligence, and data centre and cloud;
- iii. Pharmaceutical sector: generics hub, clinical research hub, contract manufacturing of biologics, manufacturing of high-demand niche botanicals;
- iv. Aerospace sector: Original Equipment Manufacturer (OEM) partnerships, unmanned aerial vehicle (UAV) ecosystem (agriculture, logistics, surveillance) and astronautics;
- v. Chemical sector: Specialty chemicals priority sectors have been identified in driving high-quality and sustainable investments which include digital economy, E&E, pharmaceutical, chemical and aerospace.

MITI will be focusing on the implementation of the NIA by deliberating the initiatives proposed at national and sector levels with lead Ministries/Agencies.

InvestKL

Greater Kuala Lumpur (Greater KL) has emerged as a strategic business hub for leading global companies looking to tap into the growth and resilience of Asia-Pacific. The dynamic talent pool, robust digital infrastructure as well as opportunities to foster collaborations enhances the ease of doing business and promotes Greater KL as an ideal and welcoming ground for digital, innovation-led and sustainable activities.

Guided by the Twelfth Plan and NIA framework, InvestKL is focused to attract and facilitate the establishment of global services hubs by the world's leading companies. As a partner in early project implementation to post-investment services, InvestKL aims to complement Malaysia's plans towards a technology-driven green nation through quality investments, transfer of knowledge, and creation of high-skilled executive jobs for Malaysians.



InvestKL has attracted 13 leading global companies with committed investments of **RM2.79 billion** (13% increase y-o-y) and created over **2,800 executive jobs**

In 2022, InvestKL has attracted 13 leading global companies with committed investments of RM2.79 billion (13% increase y-o-y) and created over 2,800 executive jobs. These investments originate from countries across Americas, Europe, Asia and Oceania regions in varied sectors covering financial services, technology, engineering, automotive, data and software solutions.

Since its inception, InvestKL has secured a total of RM21.52 billion in committed investments and created over 19,000 executive jobs for Malaysians. RM16.68 billion or 78% of the investments have been realised while 94% of executive jobs are realised on payroll with an average salary of RM13,000.

Greater Kuala Lumpur Live Lab (GKL Live Lab) was designed as a city concept to utilise Greater KL as a testbed for foreign companies to conduct knowledge-intensive and innovation activities while collaborating with small medium enterprises (SMEs) and academia. It aims to create high-value and future-ready jobs and deepen the local ecosystem with more sophisticated and complex activities. Since its launch in April 2021, GKL Live Lab has secured eight (8) projects ranging from EduTech, Healthtech, Data Solutions, and Artificial Intelligence.

Another notable initiative was Fit4Work, a talent upskilling programme. In line with the Graduate Employability Blueprint developed by the Ministry of Higher Education (MOHE), Fit4Work amplify the Government's continued efforts to ensure that young Malaysian graduates are well-equipped to meet the needs of today's industry. By working closely with industry players and leading public and private institutions of higher learning, the programme has successfully placed 72% of the trainees with large international and local companies.

Companies in Greater KL are set to leverage the country's resilience to intensify their operations in the region. As a leading investment promotion agency for Greater Kuala Lumpur, InvestKL will continue to lead the efforts to ensure that the city remains the investment destination for companies seeking to expand their foothold in Asia while ensuring existing established companies keep growing and expanding regionally through its supportive, personalised handholding and facilitation services. This supports the Government's Malaysia MADANI framework, in achieving sustainability and shared prosperity as we are making the shift towards sustainable investment and inclusive growth.

EXIM BANK

Role of EXIM Bank

EXIM Bank Malaysia (MEXIM) is the only Development Financial Institution (DFI) in Malaysia dedicated to promoting the development of cross-border ventures through the provision of financing and insurance/takaful facilities to Malaysian entities conducting their business overseas. The bank is wholly-owned by the Ministry of Finance (Incorporated), prescribed under Bank Negara Malaysia's DFI Act 2002 and under the purview of MITI.

In the year 2022, MEXIM has exposure in financing and insurance/takaful in 58 countries. Among MEXIM clientele are locally incorporated corporations and SMEs, as well as foreign companies and selected foreign governments. MEXIM mandated role is to provide credit facilities to finance and support export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing by facilitating the entry of Malaysian companies into new markets abroad with an emphasis on non-traditional markets, where there is limited participation from commercial banks. The Bank also provides export credit takaful services, overseas investments and guarantee facilities.

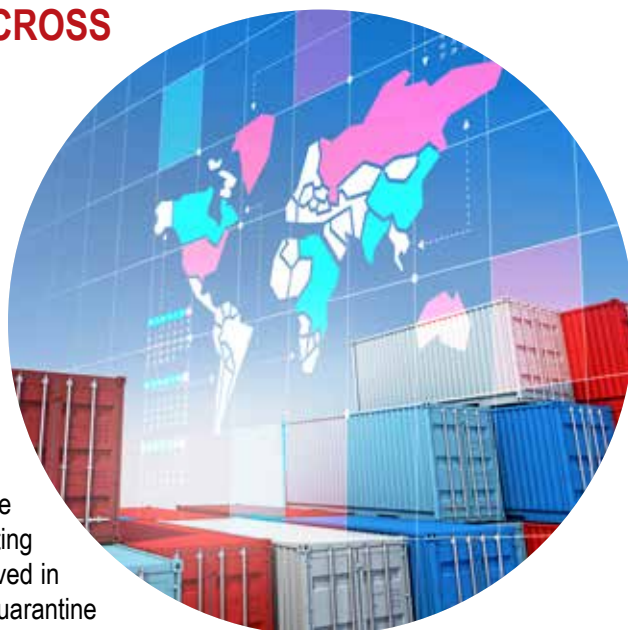
In 2022, MEXIM Corporate Plan lays down the strategies to accelerate business stabilisation with the unchanged focus to deliver value to the Bank's respective stakeholders and shareholders and continue to discharge its mandate to deliver and support cross-border businesses while remaining vigilant of fluctuations in the economic landscape. Through the Corporate Plan, MEXIM has developed a few key strategic initiatives to ensure it can continue to support cross-border financing. Among the key initiatives to support the market is to focus on top export sub-sectors in the manufacturing sector, promoting products for Trade Finance, Project Financing, Contract Financing; and utilise BNM funds for SME financing.

One of the Bank's moving forward plans is to embark on financing the country's export ecosystem and inward investment. The facilities will provide benefit to the overall value chain and will result in future economic benefits such as creation of employment opportunities, transfer of technological know-how, efficient utilisation of domestic resources and capital inflow.

TRADE FACILITATION AND TRADING ACROSS BORDERS

Trading Across Borders

On the national front, MITI continues to facilitate the business community in the area of trade facilitation through its well-established platforms namely the Trade Facilitation Cluster Working Group (TFCWG) and Technical Working Group on Trading Across Borders (TWGTAB). When it comes to regional affairs of Trade Facilitation, MITI is the focal point for the ASEAN Trade Facilitation Joint Consultative Committee (ATFJCC). All these consultative mechanisms actively involve the private sector as MITI values the contribution of the private sector in the process improvement initiatives towards facilitating trade. Among the issues that have been highlighted and resolved in 2022 under these platforms include the removal of Malaysian Quarantine and Inspection Services (MAQIS) permits for the export of processed food products and the implementation of the terms of the exemption for license, permit or import license on 54 items in 2017 for transshipment activities through Full Container Load (FCL) in Free Trade Zone (FTZ) ports.



These issues have been discussed at length in several TWGTAB Meetings co-chaired by MITI and the Federation of Manufacturers Malaysia (FMM). On the issue of permit issuance for the export of processed food products which is not required under the Customs Prohibition Order (CPO) 2017, MAQIS has provided good cooperation in the TWGTAB platform to address and resolve the issues raised by the business community.

Another success story arising from the TWGTAB platform in 2022 was the endorsement of Standard Operating Procedure (SOP) on container detention, inspection, seizure and release by enforcement agencies/other government agencies (OGA)/Port Authorities in Federal Ports by Port Klang Authority (PKA). During the COVID-19 pandemic, there was an acute shortage of containers to be used by manufacturers to export their products to overseas markets. Many containers that were detained by authorities were lying idle and could not be released to the owners due to, among others, the absence of a proper release mechanism. PKA worked closely with the Royal Malaysian Customs Department (RMCD) and other OGAs towards finalising the SOP with inputs from the private sector in the TWGTAB platform. The SOP was subsequently approved by the Ministry of Transport (MoT) as the custodian Ministry for federal ports matters.

TFCWG monitors implementation of the National Trade Blueprint (NTBp) in which MITI leads the working group on Trade Facilitation encompassing six (6) initiatives as follows:

- i. Expediting the implementation of a single digital trade system;
- ii. Setting up a virtual one-stop centre (OSC) to cater to activities such as permit application, container detention, and appointment for inspections in Port Klang;
- iii. Exploring the feasibility of a single land checkpoint to save time and cost for exporters from Malaysia, Thailand and Singapore;
- iv. Strengthening the joint coordination between customs, permit issuing agencies and relevant stakeholder actors;
- v. Introducing feedback mechanism to address relevant bottlenecks and expedite the issues; and
- vi. Building and integrating a regulatory requirement database of importing countries.

In the ATF-JCC platform, Malaysia plays an active role by participating in many of its projects which include:

- i. The Expansion of the List of Essential Goods in the Memorandum of Understanding (MoU) of the Implementation of the Non-Tariff Measures on Essential Goods under the Hanoi Plan of Action;
- ii. Resolution of cases under Matrix of Actual Cases (MAC);
- iii. The Non-Tariff Measures (NTM) Cost-Effectiveness Toolkit (NTM Toolkit);
- iv. ASEAN Seamless Trade Facilitation Indicators (ASTFI), Trade Transaction Costs (TTC); and
- v. Trade-related regulatory transparency under ASEAN Trade Repository (ATR).

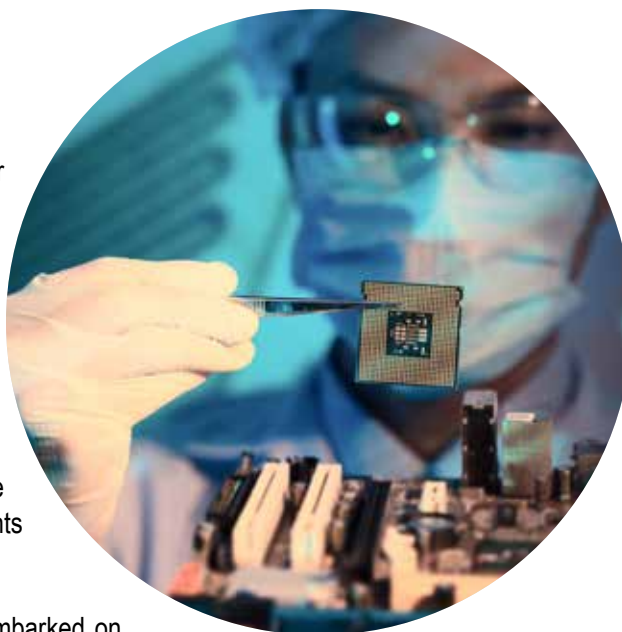
The ASEAN Economic Ministers (AEM) decided to adopt the ASEAN Seamless Trade Facilitation Indicators (ASTFI), which were designed to measure and monitor the extent to which trade facilitation measures are implemented in the region through various ASEAN agreements, such as the ATIGA, the ASEAN Framework Agreement on Facilitation of Goods in Transit (AFAFGIT) and the various sectoral work plans relevant to trade facilitation. To support the AEM decision, Economic Research Institute for ASEAN and East Asia (ERIA) was commissioned to develop the methodology and conduct the baseline survey of ASEAN Seamless Trade Facilitation Indicators. Malaysia has cooperated and provided the necessary feedback for the first and second ASTFI and TTC studies.

On trade-related regulatory transparency matters, Malaysia worked closely with EU-ARISE Plus to identify, classify and package NTMs via three (3) technical workshops held in January, August and December 2022 respectively. Relevant ministries and agencies were invited and actively participated in these workshops before uploading of the NTMs into the ATR. MITI has also organised a session between EU-ARISE Plus and the private sector community representing the TWGTAB in July for a better understanding of The ASEAN Solutions for Investments, Services and Trade (ASSIST).

ELECTRONIC TRADE FACILITATION

ASEAN Single Window

In 2003, the Government of Malaysia together with the other nine (9) AMS pledged their commitments to streamlining, modernising, and automating the submission of trade-related documents at the domestic and regional front as an effort to encourage the growth of intra-ASEAN trade and to speed up regional integration towards the AEC. In this regard, at the national level, Malaysia has established a National Single Window (NSW) system, the country's primary electronic platform that connects and integrates digital islands among ministries and agencies in facilitating a paperless trade environment, allowing standardised information and documents to meet all import and export regulatory requirements.



While at the regional level, Malaysia and other AMS have embarked on a collaboration in a regional trade facilitation initiative named ASEAN Single Window (ASW) with the main purpose to achieve an all-inclusive trade facilitation initiative across ASEAN. In realising the ASW, AMS has cooperated closely to enable exchanging of harmonised and standardised trade-related documents in an environment where AMS' respective NSWs are interconnected and interoperable to enable trade-related documents to be exchanged electronically.

In line with this aspiration, to accelerate digitalisation of the intra-ASEAN trade process which could help expedite the seamless and faster movement of goods across borders, AMS has endeavoured to utilise the ASW in the issuance and acceptance of ASEAN Trade in Goods Agreements (ATIGA) electronic Certificate of Origin (e-Form D).

In 2022, Malaysia has vouched for the full issuance of ATIGA e-Form D in the ASEAN's sectoral body to ensure every trader in the region, especially Malaysian traders are able to enjoy seamless transaction, information transparency and accuracy and an enhanced business service level. On the Government side, fraud through paper Form D forging can be eliminated, intensifying trust between traders and government authorities. Malaysia has also proactively actuated AMS to adopt the full issuance of e-Form D through zealous support on the sunset clause for the paper-based Form D and will work towards ensuring AMS to fully issue and receive e-Form D by 31 December 2023.

The ASW is a progressive regional trade facilitation platform that has significantly lessened trade paper works, promoted trade transparency as well as reduced costs associated with cross-border trade. In cognizance of ASW functions, several Dialogue Partners namely the US, China, Korea, and Japan have respectively expressed their interest to exchange trade documents with AMS through the platform. Realising the potential benefits which could be reaped through trade documents exchange with Dialogue Partners, Malaysia and other AMS are at the initial stage of engaging the interested parties to identify mechanisms and requirements that need to be in place in order to materialise the exchange. In 2023, Malaysia and other AMS will initiate the works on establishing a legal framework which would be the guiding material to enable the exchange of e-documents with Dialogue Partners.

INVESTMENT AND TRADE FACILITATION ECOSYSTEM

An Effort to the Development of a National Quality Policy

Malaysia's quality infrastructure components consist mainly of standardisation and accreditation (represented mainly by the Department of Standards Malaysia), metrology (represented primarily by the National Metrology Institute of Malaysia), and conformity assessment (represented by numerous public and private bodies such as Department of Chemistry and SIRIM QAS Sdn. Bhd.). In today's increasingly globalised and technologically advanced world, standards play a multifaceted role. Standard is essential for facilitating international trade and promoting economic efficiency and innovation. Hence, MITI continues to facilitate the business community in this area, mainly in standards and technical regulations. This is to prevent the inconsistent use of standards and technical regulations, which have the potential to become unnecessary Technical Barriers to Trade and impede the trade of goods and services between Malaysia and its trading partners. In year 2022, MITI (through the Department of Standards Malaysia) in collaboration with the International Trade Centre (ITC) had conducted a comprehensive analysis of Malaysia's National Quality Infrastructure (NQI) to support the development of a National Quality Policy (NQP) for Malaysia. The NQP to be completed by 2024.



OUTLOOK FOR 2023

As an engine of economic growth, investment contributes to a virtuous cycle of job creation, workforce productivity, and improving competitiveness which subsequently addressed the Government's focus – to tackle the rakyat's cost of living crisis. In ensuring Malaysia remains a competitive destination for high-value investments which can deliver sustainable and holistic economic growth, MITI will be focusing on the implementation of the New Investment Policy based on NIA, which was launched on 6 October 2022. The New Investment Policy has defined the top-line targets to be achieved by 2027. They are to sustain economic growth (4.5-5.5% gross domestic product growth per annum), sustain national wealth growth (5.5-6.5% GNI per capita growth per annum) and re-invigorate investment ecosystem (4-5% private sector gross fixed capital formation per annum). These top-line targets have been streamlined across the various blueprints such as the New Industrial Master Plan (NIMP) and the Twelfth Plan.



Malaysia successfully attracted a total of **RM264.6 billion** approved investments in the manufacturing, services and primary sectors, involving **4,454 projects**

Malaysia remains a competitive nation in attracting strategic and high-value investments in key economic areas in primary, manufacturing and services sectors. Investors have placed high confidence in Malaysia in setting up their operations, as well as expanding their existing investments in Malaysia and making Malaysia as their regional hub in ASEAN. In 2022, Malaysia successfully attracted a total of RM264.6 billion approved investments in the manufacturing, services and primary sectors, involving 4,454 projects, which demonstrated Malaysia's resilience in attracting high-quality, technology and innovative investments in the region.

In recent years, many approaches were adopted in transforming Malaysia's investment ecosystem in reforming Malaysia's key investment legislations including the Promotion of Investments Act 1986 and the Income Tax Act 1967. Since the global minimum tax will undeniably have an impact on the review of the tax incentive framework, the Malaysian Government is currently undertaking the review in a holistic manner to ensure our tax incentives remain competitive in attracting both foreign and domestic investments whilst supporting the current business landscape.

MITI is also reviewing the Industrial Co-Ordination Act 1975, to further reduce bureaucratic procedures for Manufacturing License (ML) application process, as well as to enhance clarity of the procedures and scope of the ML to remain relevant. Malaysia continues to further liberalise and expand its market access in the world. Malaysia's bold approach in participating actively in various regional and international fora in the ASEAN, Asia-Pacific Economic Cooperation (APEC) and WTO, as well as mega Free Trade Agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will help catapult Malaysia into a competitive nation by the year 2030, as aspired in the Twelfth Plan. In addition, Malaysia continuously plans various trade and investment missions to strategic economies which could contribute to boosting investors' confidence toward Malaysia as their key investment destination in the region.

While the benefits of investments are clear, the global investment ecosystem continues to be dynamic. Malaysia will continue to intensify efforts to recover and emerge stronger from the ongoing crisis and ensure the delivery of world-class investment promotion and facilitation are not being compromised.





Chapter

INDUSTRIAL AND SERVICES SECTOR





Gross Domestic Product (GDP) growth rate:

first quarter - 5%

second quarter - 8.9%

third quarter - 14.2%

fourth quarter - 7%

Annual Growth Rate - 8.7%

OVERVIEW

After weathering a pandemic-induced economic shock since 2020, the Malaysian economy regained its momentum at the end of 2021 and continued with a strong growth throughout 2022. The first quarter of 2022 resulted in a Gross Domestic Product (GDP) growth rate of 5% year-on-year, which was considerably higher compared to the 3.9% achieved in the fourth quarter of 2021. The growth rate improved to 8.9% in the second quarter and proceeded to achieve its best performance in the third quarter at 14.2%, outpacing many of its Southeast Asian peers. In the fourth quarter, Malaysia's GDP grew by 7%, thus concluding the annual growth rate at 8.7%.

The rapid economic rebound was boosted by two (2) factors: (i) resumption of domestic demand, albeit at a slow pace across all economic sectors, namely the services, manufacturing, agriculture, mining and construction sectors, and (ii) strong export as a result of the reopening of the economy beginning 1 April 2022, as the country moved into the endemic phase of COVID-19. The most significant recovery indicator was evident in private consumption, which rose by 15% year-on-year by the third quarter of 2022. Resilient demand for electrical and electronics (E&E), continued expansion in the primary and consumer clusters, and recovery in tourism activities contributed further to the rebound of Malaysia's economy. The labour market also marked signs of improvement as the year progressed, with steady increase in the area of employment and wages. Inflation was largely contained resulting from government subsidies and price control measures. In 2022, Malaysia recorded RM875.1 billion in foreign direct investments (FDI), while direct investment abroad (DIA) was recorded at RM602.1 billion.

OVERALL PERFORMANCE OF THE MANUFACTURING SECTOR

In 2022, total sales value in the manufacturing sector reached RM1.8 trillion, an increase of 15.8% from the previous year. Three (3) subsectors recorded double-digit percentage sales growth in December 2022, namely related to transport equipment and other manufacturers at 10.9%, petroleum, chemical, rubber and plastics (10.3%), and food, beverages, and tobacco (10.3%).

The number of employees and salaries in Q4 of 2022 also improved by 3.4% and 5% respectively. In the manufacturing subsectors, the E&E, food, beverages and tobacco, and transport equipment and other manufacturers recorded the highest employment rate at 5.2%, 4.9% and 3.5% respectively. This translated to a total of 2.34 million employees engaged in the manufacturing sector which was an increase by 3.4% from the 2.26 million employees registered in 2021. In line with the increase in employment, salaries and wages paid in the manufacturing sector also grew by 5.4% or RM8.56 billion.



The total sales value in the manufacturing sector reached **RM1.8 trillion**, an increase of 15.8% from the previous year

Challenges

Despite clear signs that the economy is recovering from the debilitating effects of the pandemic, Malaysian manufacturing and services sectors continue to face several operational challenges, in particular labour shortage. The Russia-Ukraine conflict further impeded Malaysia's recovery by disrupting the supply chain in most sectors. The disruption has not only grounded many economic activities, but also caused price hikes across-the-board and scarcity of crucial raw materials and commodities such as iron ore, oil & gas derivatives, fertilisers, grains and other foods. Volatility in the global oil prices affected transport costs and also led to higher cost and scarcity of household goods such as vegetables, chicken and eggs, as well as intermediate products used in the construction and manufacturing industries.



Concerted effort by all stakeholders is also needed to tackle the impact of climate change and move towards achieving the target to be a net-zero emission economy by 2050. In line with the global recognition and emphasis on green growth, the Malaysian Government has committed to drive sustainability and inclusivity as outlined in the 12th Malaysia Plan. In support of the macro policy direction, MITI has embarked on an initiative to develop a comprehensive Circular Economy (CE) Policy Framework particularly for the manufacturing sector. The policy framework is aimed at supporting Malaysia's net zero ambitions and contributing towards achieving national sustainability agenda by reducing natural/virgin resource sourcing and post-production waste.

MITI is also working on developing a policy framework for Carbon Capture and Storage (CCS) in Malaysia, which includes the overall industry readiness and the ability to offer CCS as a solution for greener industry domestically and in the Asia Pacific region. Additionally, we are also developing the low-carbon electrical mobility ecosystem under the Low-Carbon Mobility Development Plan 2021-2030. To support the industry's transition and investment in these low-carbon activities, the Government has announced various tax incentives under Budget 2023. These include full import duty and sales tax exemption on equipment used for CCS technology until December 2027, and extension of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) by another two years to 31 December 2025, to encourage businesses to use ESG-related technologies and embark on green projects.

AEROSPACE

The Malaysian Aerospace Industry Blueprint 2030 (MAIB 2030) has targeted for Malaysia to become the leading aerospace economy in Southeast Asia and to position itself as an integral part of the global market by 2030. To provide a strong institutional support for the growth of the aerospace industry in achieving these aspirations, in October 2022, the Government has established the industry-backed National Aerospace Industry Corporation Malaysia (NAICO Malaysia), as an agency under the Ministry of Investment Trade and Industry (MITI).

A total of RM600 million has been allocated under the Twelfth Plan to transform the industry to be more competitive while accelerating the recovery of the local supply chain, post-COVID-19. These initiatives include developing a sustainable ecosystem, clustering and zoning of aerospace activities, establishing an aerospace digital system, and venturing into sustainable aviation energy. Special attention is also given to further develop the technical and skilled workforce who are ready for digital transformation and Industry 4.0 technology adoption.

In 2022, Malaysia recorded a total trade of RM24.04 billion in the aerospace industry with exports increased by 9.1% to RM6.3 billion, as compared to RM5.79 billion in 2021. Meanwhile, imports increased by a staggering 120.2% to RM17.72 billion as compared to RM8.05 billion in the previous year.



RM600 million

has been allocated under the **Twelfth Plan** to **transform the industry to be more competitive** while accelerating the recovery of the local supply chain



Two (2) projects worth RM146.75 million were approved in the aerospace sector in 2022, that generated 42 new jobs. These projects involved the aerospace manufacturing and maintenance, repair, and operations (MRO) sectors in supplying and servicing Tier 1 and Tier 2 companies.

Throughout 2022, new work packages worth RM2 billion were awarded to the local aerospace industry players, of which RM600 million were for MRO expansion projects. The industry secured higher revenues worth RM15.3 billion with the support of more than 27,500 high-skilled workers, that will maintain the industry to be on track towards achieving the 2030 targets.

Amongst the significant projects approved, was an expansion project by UMW Aerospace Sdn. Bhd. to produce new parts for aero engine fan cases. This capital-intensive project utilises a state-of-the-art chemical milling process that stands to position UMW Aerospace Sdn. Bhd. as the first company in the region with such capabilities.

AUTOMOTIVE

The year 2022 had been a good year for the automotive industry. Whilst recovering from the impact of the pandemic, disruption in component supplies particularly semiconductor chips and labour-related challenges, the total industry volume (TIV) for 2022 hit a new record in the history of the local automotive industry with an all-time high sales figure.

In 2022 a total of 720,658 units of passenger and commercial vehicles were sold as compared to 508,883 units in 2021, resulting in an increase of 41.6%. Based on the sales record, Energy Efficient Vehicles (EEV) penetration reached 92.7%. Total production reached 702,275 units, reflecting 97.4% of all passenger and commercial vehicles sold in Malaysia. For motorcycles, 680,749 units were sold in 2022 as compared to 497,262 units in 2021, an increase of 36.9%. The improvement in motor vehicle sales performance was due to the increasing demands as companies began to invest in anticipation of an economic rebound in the post-pandemic period, which was further boosted by the sales tax exemption scheme offered by the Government till June 2022.



Vehicle exports amounted to RM2.82 billion, while vehicle imports were worth RM12.9 billion in 2022. The export performance of automotive parts and components reached RM14.3 billion in 2022, and on the other hand, exports of re-manufactured spare parts reached RM1.1 billion. The automotive industry received RM7.5 billion in investments involving 42 projects, of which RM6.5 billion were for EV-related manufacturing activities.

Progress of EV Adoption

For 2022, the focus of the automotive sector is on developing the EV ecosystem. The National EV Task Force (NEVTF) led by MITI is responsible for evaluating current policies, monitoring the implementation of programmes and initiatives, and formulating new policies and initiatives related to the development of the electric vehicle (EV) industry in the country.

In 2022, several policy decisions and initiatives were introduced and implemented. These include:

- i. Introduction of a tax incentive package as announced in Budget 2022 and 2023;
- ii. Proposal to use EVs including hybrids as department vehicles and official vehicles (under deliberation by the Ministry of Finance);
- iii. Enhancement of the Import License (AP) guidelines by increasing the maximum number of EV vehicles that can be imported as Completely Built Up (CBU) for the purpose of pre-assembly, market research and mobility service providers;
- iv. Development of a strategic framework for the planning and monitoring of EV charging infrastructure network in Malaysia; and
- v. Enhancement and streamlining of the current procedure for EV charging system installation approval (Electric Vehicle Charging System – EVCS) in reducing the processing time.

The impact of these initiatives is evident in the significant increase in demand for EVs. The total demand for EVs (fully electric battery vehicle category) reached more than 3,400 units in 2022 compared to 300 units on average in the previous years. Efforts to attract investors to install charging infrastructure are also bearing fruit as the number of charging stations has increased at a rate of 69% in 2022 compared to 2021. This translates to 900 charging stations that have been installed at this point to meet the target of 10,000 units nationwide by the year 2025 as outlined in the Low Carbon Mobility Blueprint (LCMB).



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CHEMICALS AND PETROCHEMICALS

Petroleum products, chemicals, rubber and plastic remain as part of Malaysia's most valuable and strategic industries, contributing 6.8% to GDP in 2022 and employing 415,266 workers, or 2.6% of the 15.9 million Malaysian workforce.

Petroleum and chemical products were Malaysia's second and third highest exports in 2022, contributing 10.5% and 5.2% respectively of the nation's total exports. The export of chemicals and chemical products increased by 14.1% from RM70.7 billion in 2021, to RM80.6 billion in 2022. Export of petroleum products increased by 69.4% to RM163 billion, while export of plastic products increased by 8.1% to RM17.3 billion. The same upward trend was observed in the import data, where chemical products increased by 19.6% (RM115.5 billion), petroleum products by 66.1% (RM148.7 billion), and plastic products by 15.5% (RM15.6 billion).



The industry was among the major contributors to Malaysia's total approved foreign investments in 2022, attracting RM12.3 billion in value. The total approved foreign investment for petroleum products, including petrochemicals, increased significantly from RM38.8 million in 2021 to RM5.6 billion in 2022. Similarly, total approved foreign investment for the chemicals and chemical products industry had also increased from RM3.4 billion in 2021 to RM5.7 billion in 2022. In terms of total approved domestic investment, the chemicals and chemical products industry recorded the highest domestic investment value amounting to RM1.6 billion, followed by petroleum products and the petrochemical industry, which recorded RM351 million in domestic investment.

The sector also plays a vital role in the supply of raw materials for the manufacturing of finished goods such as electrical and electronics, plastic products, building materials and pharmaceuticals, as well as other economic sectors such as agriculture and construction.

Chemical Industry Roadmap 2030

MITI, in collaboration with Malaysian Investment Development Authority (MIDA), PETRONAS and industry stakeholders developed the first dedicated Chemical Industry Roadmap 2030 (CIR2030) in 2022, aimed to increase the contribution of the manufacturing sector to the Malaysian economy and to serve as a guiding roadmap for the industry.

CIR2030 outlines the aspiration to increase the chemical industry's value-add, enhance industry integration, and improve global competitiveness and sustainability in production. It sets out the vision for the chemical industry as a continued engine of growth for the Malaysian economy over the next decade and outlines the goals and socio-economic benefits it aims to deliver for the *rakyat*.

The CIR is positioned to propel the chemical industry in increasing its contribution to the Malaysian economy, driving growth in key economic indicators such as GDP, investments (FDI and Domestic direct investment (DDI)) and employment, as well as in strengthening its commitment towards sustainability. It is founded on the underlying principle of sustainability, technology and innovation, and integrating with downstream industries as its key success drivers.

To achieve these aspirations, 21 strategies were identified across 11 chemical sub-segments, namely base chemicals and intermediates, plastics and polymers, and specialty chemicals. With the implementation of the CIR, the industry is expected to increase Gross Value Add (GVA) of the industry to the overall economy from 3.4% to more than 4.5% by 2030, which would increase approximately RM40 billion in additional value.

ELECTRICAL AND ELECTRONICS

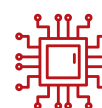
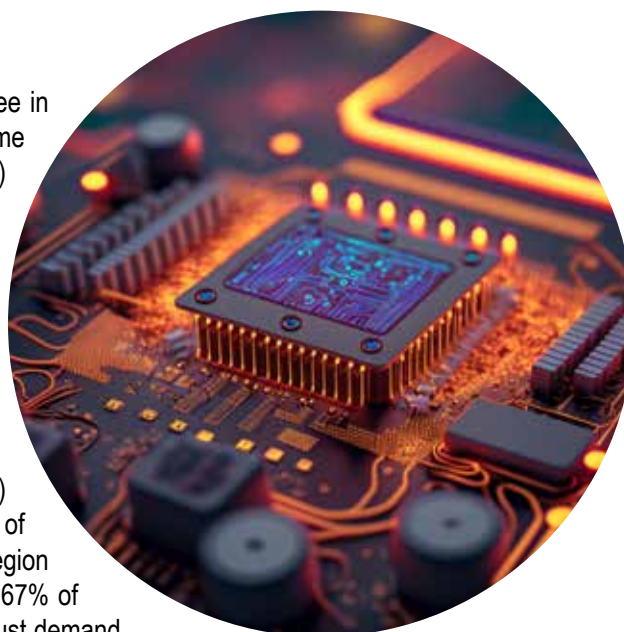
In 2022, the Malaysian E&E industry reached its golden jubilee in its industrialisation journey. The E&E industry has since become one (1) of the pillars of Malaysia's economy for nearly five (5) decades, putting Malaysia as a major global manufacturing hub. Despite challenging years caused by the COVID-19 pandemic, the E&E industry continued to retain its top position as the main contributor to Malaysia's manufacturing exports.

In 2022, E&E products held the biggest share of Malaysia's total exports at 45.4%, recording an expansion of 30.2% from RM455.95 billion to RM593.49 billion. The top five (5) export markets for E&E were Singapore, the United States of America (US), China, the Hong Kong Special Administration Region (SAR) and Taiwan. These markets collectively accounted for 67% of Malaysia's total E&E exports. The increase was driven by robust demand for semiconductors due to remote working and learning trend as well as business digitalisation.

The industry has also successfully attracted large number of foreign investments, and in the process, created enormous number of jobs for Malaysians. In 2022, the sector received 106 approved investments valued at RM29.3 billion, of which RM27.9 billion was from foreign investments and the remaining RM1.4 billion was from domestic investments. These investments were intended to generate approximately 27,000 new jobs, including skilled positions such as engineers and technicians. Apart from creating employment opportunities, these investments fostered collaboration with local universities and higher education institutions in conducting research and development activities, as well as enrolling students through internship programmes. The growth of labour productivity in terms of value added per employment for E&E sub-sector in 2022 was 9.1%.

Malaysia plays an important part in the global electronics supply chain, with export of semiconductors such as semiconductor devices and electronic integrated circuits making up 65% of Malaysia's total E&E exports.

The government also provided special incentives such as Pioneer Status for design and development (D&D) activities to encourage the development of semiconductor ecosystems in areas of integrated circuit (IC) design, IC packaging design, embedded system design, and also test and engineering design services for E&E clusters. Several talent development programmes under MITI and agencies such as reskilling and upskilling training programmes under Industry4WRD, Academy in Industry (Aii) and, Train and Place Programme, were also introduced to address the shortage of skilled talents in the E&E industry.

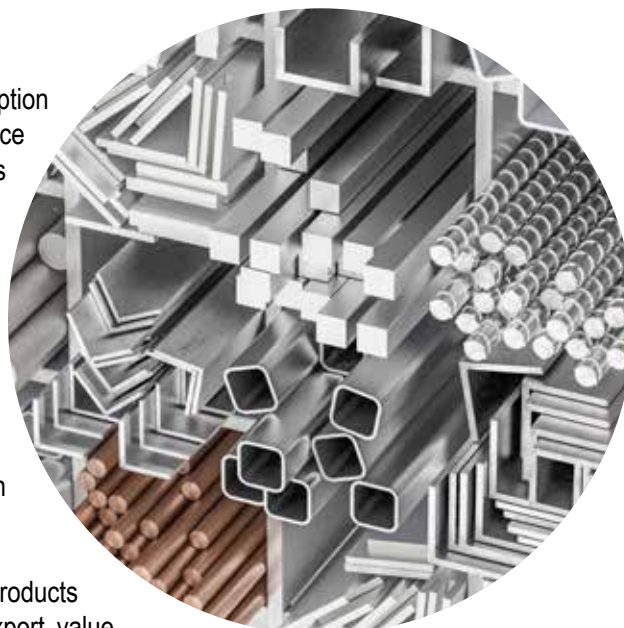


The E&E industry received **106 approved investments** valued at **RM29.3 billion**, of which **RM27.9 billion** was from foreign investments and the remaining **RM1.4 billion** was from domestic investments

The Government of Malaysia and the US Department of Commerce signed a Memorandum of Cooperation (MoC) on Semiconductor Supply Chain Resilience during the Trade and Investment Mission in the US led by MITI Minister on 10 May 2022. The MoC aims to create resilient, secure and sustainable semiconductor supply chains for both Malaysia and the US. This may include better collaboration and information-sharing platforms towards greater transparency and intervention accessibility in times of shortages or disruptions of the semiconductor supply chain.

IRON AND STEEL

The volatile global economic condition, supply chain disruption and geopolitical shifts have somewhat affected the performance of Malaysia's domestic steel industry. In 2022, steel prices increased in the first half of 2022, but went on a downward trend from August onwards. Steel bars traded at an average of RM2,650 per metric tonne (MT) in January, peaked at RM3,250 per MT in April before declining to RM2,497 per MT in December 2022. The industry continues to experience low capacity utilisation levels at below 63% across all steel product segment. However, due to the recovery of the construction sector, total Malaysian crude steel production increased by 6.1% to 7.0 million MT in 2022, from 6.6 million MT in 2021.



A total of 110 projects related to the **manufacturing** of basic metal and fabricated metal products were approved in 2022, **generating RM3.7 billion** in approved investments

In 2022, iron and steel products ranked eighth in terms of export value, representing a 3% share of the total export value of manufactured products. Malaysia exported RM33.4 billion worth of iron and steel products, particularly steel bars and steel wire rod, with an increase of 13.6% from RM29.4 billion in 2021. However, imports fell slightly, from RM33.5 billion in 2021 to RM33.4 billion.

A total of 110 projects related to the manufacturing of basic metal and fabricated metal products were approved in 2022, generating RM3.7 billion in approved investments. On the other hand, RM2 billion of investments stemmed from domestic sources, reflecting a shift from investments in 2021 that was dominated by foreign sources. The various approved projects were expected to create a total of 2,894 employment opportunities.

Policy Update

Important policy developments were undertaken in 2022 for the iron and steel sector. The Guidelines for the Importation and Inspection of Metal Scraps was fully implemented beginning 10 January 2022. Under this guideline, imports of metal scraps will be subjected to the inspection and issuance of a Certificate of Approval (COA) by SIRIM in order to ensure that raw materials are of high purity and free from hazardous and scheduled waste. A total of 5,794 COAs were issued for metal scrap importation in 2022.

The Foresight Study of the Iron and Steel Industry, which commenced in the third quarter of 2021, was completed in June 2022. The study is aimed at establishing potential development of the local iron and steel industry up to 2030, encompassing talent development, technological advancement and market diversification. The study proposed seven (7) strategies and 17 recommended measures to improve the competitiveness, self-sufficiency, robustness and sustainability of the iron and steel industry, strengthen its ecosystem to promote investment and growth, and advance capacities and talent capabilities.

Insights from this study will be part of the reference for the government in undertaking the necessary policy revisions in 2023 toward ensuring a more sustainable iron and steel industry over the next ten years.

Human Resource Development

To reduce dependency on expatriates and foreign workers in the iron and steel sector, the Malaysia Steel Institute (MSI), an agency under MITI has been implementing two (2) training programmes under the Twelfth Plan to produce more local skilled workers that was needed in the iron and steel sector. The two (2) training programmes were as follows:



i. Extensive Training

Extensive Training programme focuses on training new local workers in the iron and steel sector that comprised a 15-day intensive classroom training, coupled with one (1) to three (3) months of on-job-training (OJT) to train new local workers.

ii. Upskilling in Specific Technical Knowledge Training

This programme provides specific skill set to the existing workers in the sector by including practical demonstrations during the 10-day training period. Throughout 2022, MSI trained a total of 417 new and existing workers in the iron and steel sector under two (2) training programmes. MSI also completed the PENJANA Reskilling and Upskilling Programme by June 2022, aimed at enhancing the employability of unemployed workers and new graduates. Under this programme, 124 personnel were trained, and received job offers by 13 steel companies.

MACHINERY AND EQUIPMENT

The M&E industry represent one of the most innovative sectors in the economy that incorporates all significant technologies of the future, including electronics, robotics, materials and software integration.

In 2022, a total of 72 M&E projects, with an investment value of RM8.4 billion were approved. Most of the approved investments were from FDI amounting to RM5.3 billion while local investments registered a value of RM3.1 billion and were expected to create 4,854 jobs.

In terms of trade, M&E is one of the largest contributors to the country's export. It is the 5th largest sector in terms of export, representing 4.6% of the total export value. Exports of M&E products recorded double-digit increase of 21.1% for the year 2022, with an export value of RM60.5 billion, as compared to RM50 billion in 2021. The significant increase in M&E exports was supported by the demand for high-value products such as specialised machinery for particular industries and parts, which showed an increase of 39.2% in 2022 as compared to the previous year. The main export markets for M&E products were Singapore, the US, China, Indonesia and Thailand.

The M&E industry is being supported to go into greater specialisation, invest in new technologies and develop new talent skills among the current workforce. The Machinery and Equipment Productivity Nexus (MEPN) 2019-2022 has undertaken 13 projects to empower the workforce, increase productivity through knowledge sharing of industry and technology experts as well as enhance the development of the M&E ecosystem. All projects under the MEPN implementation plan progressed as planned to ensure continued progress of the M&E industry.

PROCESSED FOOD AND AGRO-BASED PRODUCTS

The food manufacturing industry in Malaysia plays a significant role in the economy, serving not only as a source of employment but also as a market outlet and added value for primary agricultural products. Despite being a large food industry, a significant proportion of the raw material inputs are imported, making the industry susceptible to external shocks.

The supply chain disruption since the COVID-19 pandemic followed by the Russia and Ukraine war, shifted the focus of many countries, including Malaysia, to be self-sufficient in critical sectors, including food.

Notwithstanding the disruptions in the supply chain, the industry remained relatively resilient, contributing up to RM27.14 billion or 1.8% of GDP in 2022. The food processing trade grew by 16.1% to RM57.42 billion in 2022, from RM49.46 billion in 2021. The highest number of exports in 2022 for processed food were: (i) edible products and preparations at RM9.82 billion, (ii) cocoa & cocoa preparations at RM6.66 billion and (iii) prepared cereals and flour preparations at RM4.52 billion. The imports of processed food in 2022 were mainly contributed by edible products and preparations at RM8.86 billion, followed by dairy products at RM6.26 billion. In 2022, investments worth RM3.5 billion for 93 projects were approved. Of the total investments, RM1.4 billion was foreign direct investment, while RM2.1 billion came from domestic investment.

Moving forward to address food security issues, the government is focusing on initiatives outlined under the National Food Security Policy Action Plan 2021-2025 and National Agro-Food Policy 2021-2030 (DAN 2.0). MITI will continue to support the development of a robust food ecosystem, utilising the 'farm to fork' approach to become more self-sufficient, with the aim to reduce dependence on imports and ensure continuous supply of raw material resources for processing activities within the food supply ecosystem.



The food processing trade grew by 16.1% to **RM57.42 billion** in 2022, from RM49.46 billion in 2021

MINERALS



The non-metallic mineral industry in Malaysia is a mature industry covering products such as glass, cement and concrete, ceramic and clay-based products. This industry recorded an investment value of RM5.8 billion in 2022 under 29 approved projects of which RM5.3 billion (92%) were from foreign investments while the remaining RM0.5 billion (8%) were from domestic sources. As a result of these investments, a total of 3,201 jobs were created. In 2022, the trade of non-metallic mineral products increased significantly, with an 8.7% increase in imports (from RM7.4 billion in 2021 to RM8 billion in 2022) and 12.9% increase in exports (RM10.57 billion in 2021 to RM11.94 billion in 2022).

In line with the development of high-tech industries globally, the need and demand for Rare Earth Elements (REEs) increased, particularly in downstream products which have a high market value particularly for the electronics, transport, energy, and defence sectors, while rare earth products are highly in demand to produce permanent magnet, electric motor, catalyst and EV battery. Malaysia is the eighth largest importer of permanent magnet in 2019 with an export value of USD127 million. The Malaysian automotive companies have also committed to achieve the national target of making electrified vehicles, including hybrid, to account for 15% of the total industry volume by 2030, indicating the increasing demand for rare earths for EV batteries.

In order to realise the economic value of domestic REEs to the national economy, the Government is currently developing a Business Model Proposal from 'Mines-to-Magnets' Vertical Integration as a guide for government agencies and industry players to achieve a more holistic action-oriented plan. This would replace the currently fragmented REE ecosystem into an integrated NR-REE Business Value Chain consisting of smart partnerships between foreign and local players aimed towards technology and knowledge transfer along the value chain with the latest and environmentally friendly technology.



Malaysia is the
8th largest importer
of permanent magnet
in 2019 with an export
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USD127 million

PHARMACEUTICAL

The Government recognised the pharmaceutical industry's great potential post pandemic COVID-19 and continues to encourage investments involving cutting-edge innovations and technologies to spur the domestic pharmaceutical ecosystem towards producing high-value-added products.

The COVID-19 pandemic has also prompted Malaysia to develop its own COVID-19 vaccine. To support the initiative, the Ministry of Science, Technology and Innovation (MOSTI) developed the National Vaccine Development Roadmap (NVDR) and established the Malaysian Genome and Vaccine Institute to turn Malaysia into a hub for vaccine production and boost confidence in vaccine use.

The NVDR is also designed to include the development of vaccines for other diseases such as tuberculosis, cholera, pneumococcal, pentavalent vaccine, meningitis, hand, foot, and mouth disease (HFMD), human papillomavirus (HPV) and tropical diseases that are among the community in Malaysia.

In 2022, Malaysia's trade in pharmaceutical products was valued at RM13.32 billion, a decrease of 8.5% compared to RM14.56 billion in 2021. Exports grew by 14.3% to RM2.76 billion (2021: RM2.42 billion) and imports decreased by 13% to RM10.56 billion (2021: RM12.14 billion). Foreign investments dominated the pharmaceutical sector in 2022 where RM0.18 billion were approved involving five (5) new project while another RM0.09 billion were from domestic investments.

MITI, together with the Ministry of Health is also improving the country's supply of Active Pharmaceutical Ingredients (APIs) to ensure a more sustainable supply chain sourcing as well as to strengthen end-to-end presence in the domestic and global value chain. MITI has also identified pharmaceutical as one of the five key sectors under the National Investment Aspirations (NIA) to attract more foreign and domestic investments to invest either in research and development or manufacturing facilities using new technologies, in line with the environmental, social and governance or ESG principles.



MEDICAL DEVICES

During the Movement Control Order (MCO) period, the medical device sector, particularly the production of medical gloves and catheters have played a prominent role in supporting Malaysia's economy during the COVID-19 pandemic. Malaysia supplies 60% of the global market for medical gloves and 80% of the global demands for catheters. Currently, more than 90% of Malaysian medical devices are exported abroad.

In 2022, Malaysia's trade in medical devices was valued at RM31.25 billion. Exports declined by 42.7% to RM23.68 billion, compared to RM41.36 billion in 2021. On the other hand, imports rose by 14.3% to reach RM7.57 billion compared to RM6.62 billion in 2021.



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In terms of investment, 39 projects were approved in the medical devices sector. Total investment worth RM8.2 billion was recorded, of which RM3.2 billion (39%) came from domestic investment and RM5 billion (61 %) from foreign direct investment. These projects are expected to generate 10,452 new jobs.

The Government provided incentives to promote further investment and developments for the industry to grow such as the Matching Grant for Aerospace & Medical Devices under the Strategic Program to Empower the People and the Economy (PEMERKASA). The grant aims to encourage Malaysian companies to diversify and create innovative products to increase their competitiveness. Approvals has been granted to 11 local medical device companies where the projects must be within the framework of the priority areas and to be completed by 31 March 2023.



TEXTILE, APPAREL AND FOOTWEAR

The textile and apparel industry reside within an ever-growing market, with key competitors being China, European Union, the US and India. Today, Malaysia is home to many major companies who serve as key global supply chain providers for textile and garment manufacturing for international brands.

Malaysia's textile, apparel, and footwear trade were valued at RM18.2 billion in 2022, a 6.7% increase in total trade from the value of RM17.0 billion in 2021. Exports expanded 5.3% to RM10.1 billion (2021: RM9.6 billion) while imports also registered a growth of 8.6% to RM8.0 billion (2021: RM7.3 billion). In terms of investment, 18 projects in the textiles, apparel and footwear industries were approved in 2022, with a total investment of RM0.55 billion, creating 1,273 new job opportunities. Domestic direct investments accounted for 91% of total investments in 2022, or RM0.5 billion while foreign direct investment accounted for 9% of total investment, or RM0.05 billion. Due to intensified global competition, the Government is pushing the textile industry to move up the value chain by diversifying into the production of higher value-added textiles, implementing automated and computerised manufacturing processes, seeking business collaboration with foreign companies to acquire new technologies and developing new processes and applications to enhance productivity and efficiency.

SHIPBUILDING AND REPAIR

Shipbuilding and Ship Repair (SBSR) is a sub-sector of the larger marine transport industry. SBSR covers activities related to shipbuilding, production of vessels and marine equipment as well as services such as designing, repairing, maintaining, conversion and upgrading of vessels and marine equipment. Malaysia has approximately 99 shipyards that focused primarily on developing small to medium sized vessels.

EXHIBIT 4.1

TRADE AND INVESTMENT PERFORMANCE OF SHIPBUILDING AND SHIP REPAIR INDUSTRY 2021-2022

Year	Export	Import	Investment
2021	RM0.72 billion	RM0.76 billion	RM65.8 million
2022	RM0.71 billion	RM0.46 billion	RM363 million

Source: Malaysia External Trade Development Corporation (MATRADE) and MIDA

In 2022, Malaysia's export of ships, boats and floating structures decreased slightly by 1.2% from RM0.72 billion in 2021 to RM0.71 billion (Exhibit 4.1). Major exported products were tugs and pusher craft, yachts and other vessels, dredgers, floating docks, and submersible drill platform. Most of these products were exported to Indonesia, the US, United Arab Emirates (UAE), Australia and Singapore.

Meanwhile, Malaysia's import of ships, boats and floating structures recorded a decrease of 39.6% to RM0.46 billion compared to RM0.76 billion in 2021. Major imported products were light vessels such as dredgers, floating docks and submersible drill platforms, yachts and other vessels for pleasure/sports and floating structures, such as rafts/tanks/cofferdams/landing stage. Main import sources were China, Canada, Mexico, Singapore and Thailand.

In 2022, five (5) projects were approved in the SBSR industry, with total investments amounting to RM363 million from four (4) new projects and an expansion/diversification project. All of the approved projects were Malaysian-owned.

Moving forward, the SBSR industry needs to take the opportunity from import tax incentives under Bona Fide Status which have been extended until 31 December 2027 to boost the development and growth of the SBSR industry to be more competitive and resilient not only in the domestic market but also at the international level.



Five (5) projects were approved in the **SBSR industry**, with total investments amounting to **RM363 million**

RAIL

Rail is recognised as one of the important modes of land transport due to its salient advantages such as long-distance capability coupled with large cargo capacity. Additionally, it is one of the safest forms of transportation, and operates out of congestion. MITI's focus for rail-related activities is on the manufacturing of locomotives and parts.

In 2022, Malaysia's exports of railway parts and components were largely contributed by cargo containers, parts of railway/tramway locomotives/rolling stock, signalling devices, and railway maintenance service vehicles, valued at RM597.1 million. The main export markets for these products were Taiwan, China, Thailand, the US, and Indonesia.

Rail imports decreased to RM549 million in 2022 (2021: RM586.9 million). Main imports include self-propelled railcars, locomotive and rolling stock parts, signalling devices and locomotive tenders. These were mostly sourced from China, Canada, the US, Germany and France. From 2015 until 2022, five (5) projects were approved with investment worth RM256.7 million.



INDUSTRY4WRD

The implementation of Industry4WRD continued to be intensified under the Twelfth Plan in capitalising the benefits of disruptive technologies to modernise and digitalise operations and processes in the manufacturing and its related services sector. This was expected to propel the industry towards higher productivity and accelerate the recovery from the COVID-19 pandemic. RM45 million was approved in the year 2022 to support the implementation of various initiatives under the Industry4WRD policy. The funding had been rolled out for Industry 4.0 technology adoption and human capital development to build a strong and sustainable eco-system for driving Industry 4.0 in Malaysia.

Initiative Related to Incentives

The Industry4WRD Readiness Assessment (RA), a flagship programme under the policy continued to be enhanced in facilitating more firms, especially the SMEs in adopting Industry 4.0 related technologies for productivity improvement. In 2022, 392 applications were received with 268 SMEs being selected for the Government-funded RA.

The Industry4WRD Intervention Fund (IF)

The Industry4WRD Intervention Fund (IF) is a financial support facility for SMEs in the manufacturing and manufacturing related services sectors that adopted Industry 4.0 technologies or processes. It is available to all companies that underwent the Industry4WRD RA programme funded by the Government on a matching basis (70:30) based on eligible expenditures, up to a maximum grant of RM500,000. In 2022, companies approved under the Industry4WRD IF, located at the Less Developed States (LDS) as defined under the Twelfth Plan such as Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak, were eligible for 40% upfront payment of the 70% matching grant to kick start their Industry 4.0 intervention project. Since its inception, a total of 484 applications were received and 281 companies were approved grant amounting to RM101.4 million.

SUPPLY CHAIN AND BUSINESS CONTINUITY

Market conditions and primarily inflation, geopolitical and trade risks, along with changing global health situations, have elicited many immediate and at times ad-hoc preventive actions on health and safety measures apart from trade restrictions. These approaches were adopted in many countries including Malaysia until early 2022.

The preventive approaches resulted in various supply chain disruptions that transformed both the global and domestic economy and society.

Cognisant of the need to strike a balance between life and livelihood, MITI is committed to ensure that the manufacturing and manufacturing-related services sectors along with the supply chain remained resilient and robust towards achieving business continuity.

Measures Undertaken to Facilitate the Industry

i. Vaccinated Travel Lane-Land (VTL-Land)

Vaccinated Travel Lane-Land (VTL-Land) between Malaysia and Singapore was launched on 29 November 2021 to facilitate quarantine-free and seamless cross-border movement by integrating health protocol, security, and immigration clearance. The purpose was to provide opportunities for both countries to re-open the land border in a gradual, safe, systematic, and sustainable manner to pave the way for enhanced bilateral trade and investment including other economic and social activities. Between 29 November 2021 and 31 March 2022, a total of 1,571,353 passengers travelling between Malaysia and Singapore benefitted from the VTL-Land initiative. On 1 April 2022, Malaysia reopened its international borders upon entering its endemic phase.



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ii. Supply Chain Mapping

The supply chain mapping for the manufacturing sector and manufacturing-related services are being developed to help facilitate the adoption of disruptive technologies to anticipate potential disruptive events across the supply chain.

A series of engagements with industries were conducted throughout 2022 to identify and examine critical supply chains, including the risks and ways to address disruptions as well as to develop strategies for promoting a resilient supply chain based on lessons learned during MCO. The Supply Chain Mapping will be focused on six (6) industries: pharmaceutical, medical devices, E&E, food and beverages (F&B), personal protective equipment (PPE) and automotive.

iii. Safe@Work

Launched in April 2021, Safe@Work is a comprehensive public health protocol, implemented voluntarily by the manufacturing and manufacturing-related services sectors to hold employers accountable for providing safe accommodation for employees in compliance with the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446).



In promoting Good Manufacturing Practices (GMP) during a pandemic, tax deduction of up to RM50,000 were offered (ending on 31 December 2022) by the Government on rental expenses incurred by employers for its employee's accommodation premises and facilities incurred in 2021 and 2022. As of 31 December 2022, a total of 5,663 applications were received for the Safe@Work initiative.

iv. Bilateral and Multilateral Cooperation, Collaboration and Partnership

Under MITI's commitment and effort to build a resilient supply chain and strengthen the ecosystem of the manufacturing sector, Malaysia participated in several bilateral and multilateral efforts to ensure the supply chain remains robust and resilient against future disruptions. Malaysia was among partner countries in the Indo-Pacific Economic Framework for Prosperity (IPEF) where supply chain featured as one of the pillars of cooperation.

HALAL INDUSTRY

Malaysia Halal Industry Performance 2022

Halal Malaysia exports performance continued its growth performance in 2022 at RM59.46 billion, an increase of RM23.16 billion or 63.8% from 2021. This growth, despite the challenges in overall global economy is further evidence of the importance of the halal industry on Malaysia's economy.

In terms of sectoral contribution, Halal Food & Beverages continues to be the main contributor to Malaysian halal economy with RM27.84 billion in total value or 46.8% of Halal Exports. It increased 57.8% from 2021. The second largest contributor is Halal Ingredients, increased 73.1% from 2021 to RM23.35 billion or 39.3% of Halal Exports while Cosmetics & Personal Care remains at third spot at RM3.49 billion, an increase of 43.5% compared to the previous year.



The Palm Oil Derivatives increased 63.6% from 2021 to RM2.79 billion or 4.7% of Halal Exports. Industrial Chemical increased 69.7% from 2021 to RM1.27 billion and Pharmaceutical recorded the highest growth with 156.7% increase from 2021. This category contributed RM0.72 billion or 1.2% of Halal Exports.

Based on HDC's proprietary data sources and analysis for 2022, China is the biggest imported of Malaysia's Halal Exports with RM7.11 billion or 12.0% of Halal Exports. This export increased 54.9% from 2021. With a total export value of with RM6.24 billion or 10.5% of Halal Exports, Singapore becomes the second top halal exporter. This export increased 69.9% from the previous year. Japan remains as the third biggest importer of Malaysia's Halal products with RM3.65 billion or 6.1% of Halal Exports, an increase of 78.2% from 2021. United States of America came fourth as Halal Malaysia's importer with RM3.42 billion or 5.8% of Halal Exports. This export increased 89.6% from 2021 and was the highest export growth among top five export destinations. Indonesia was the fifth top destination for Malaysia's Halal Exports with RM3.06 billion or 5.1% of Halal Exports. This export increased 72.5% from 2021.

In term of investment, Malaysia recorded an increase of RM112 million (or 0.68%) in realized direct investment into Malaysian halal parks in 2022, signaling that the local halal industry is still growing, despite the many ongoing challenges.

HDC continues to work to increase foreign direct investment (FDI) and domestic direct investment (DDI) into the Malaysian Halal parks while facilitating the induction of industry players. Moving forward, HDC has set ambitious targets to attract and integrate at least 50,000 SMEs into the Malaysian Halal industry.

To date, Malaysian halal parks have attracted a cumulative total of RM16.5 billion in investments since 2010. Of this, RM9.7 billion (or 59%) is FDI while RM6.8 billion (or 41%) is DDI. A total of 320 companies are currently in operation throughout the 14 HALMAS halal parks across Malaysia, with 46 companies (or 14%) being multinational corporations (MNCs), while 274 companies (or 86%) are locally-owned corporations.

In terms of human capital, since 2011, HDC has trained more than 60,000 personnel in management training programmes with 4977 trained in 2022 more than double from the previous year, despite the obvious challenges.



Halal Malaysia Outlook and the Halal Industry Master Plan 2030

In 2022 State of the Global Islamic Economy Report: Unlocking Opportunity, Malaysia remains top of the ranking for the 9th consecutive year. To accelerate the development of the halal industry and maintain this track record, the Government has agreed to develop the Halal Industry Master Plan 2030 (HIMP 2030), as the second phase of the national recovery and economic development agenda focusing on production, trade and innovation of halal products and services. The master plan envisioned Malaysia to be the leading nation in the global halal industry by 2030 with a 10.8% or RM231 billion contribution towards the national GDP. Halal Development Corporation (HDC) continued to strengthen Malaysia's position in the region by participating in various initiatives such as the ASEAN Working Group for Halal Food, Indonesia-Malaysia-Thailand Growth Triangle, Malaysia-Saudi Arabia Halal Cooperation and the ASEAN-Russia Halal Cooperation.



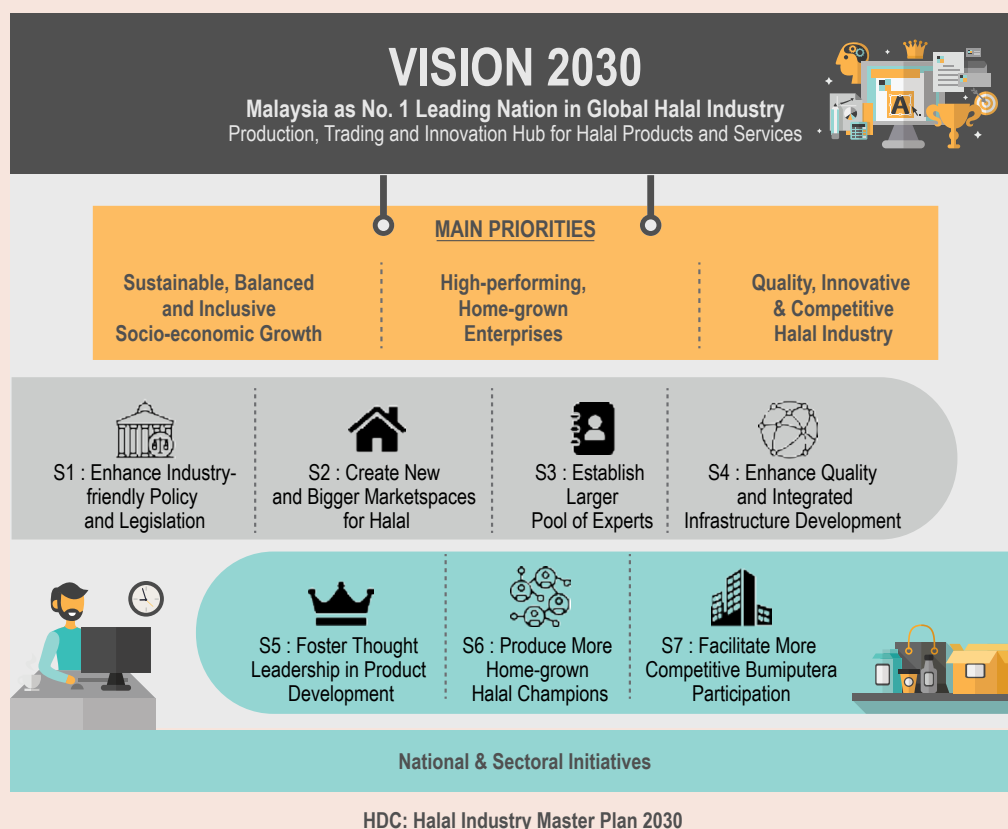
The master plan envisioned **Malaysia to be the leading nation in the global halal industry by 2030** with a **10.8% or RM231 billion** contribution towards the national GDP

Emerging Growth Areas: Future Trends for Halal Industry

Under the HIMP 2030, three (3) core and three (3) emerging sectors were identified as key priorities to drive the industry's growth:

- ▶ Core Sectors – (i) Food & Beverages, (ii) Pharmaceuticals and (iii) Cosmetics & Personal Care
- ▶ Emerging Sectors – (i) Medical Devices, (ii) Medical Tourism and (iii) Modest Fashion

HDC has further identified 11 halal promoted sectors (a combination of core and emerging sectors) as potential Halal industry growth drivers in Malaysia within the Halal ecosystem. The target was to emphasise on producing higher value-added products and services riding on innovation to increase visibility, variety and acceptability at the international platform.

EXHIBIT 4.2**HALAL INDUSTRY MASTER PLAN 2030****Halal Cosmetics and Personal Care, and Pharmaceuticals**

Halal cosmetics have seen a substantial growth, but the market segment is still considered small. Companies will need to continue their innovative efforts to develop new ingredients that comply with Halal standards. The Halal cosmetics and personal care market projected a growth to a value of USD177 billion by 2030 or 64.57% of the total Halal market. In Malaysia, Halal cosmetics contributed 20% of the local cosmetics market, and is estimated to grow substantially.

On the other hand, the Halal pharmaceutical sector encompasses a wide range of areas for R&D, and many innovations were existent to enable the production of vaccines, medicines and medical equipment's, in compliance with Halal principles. Malaysia pioneered leading edge achievements through product development of Halal vaccines as well as Halal certification standards, in the international pharmaceutical industry. Notable examples include the following:

- ▶ Nano-based drug delivery system, Nano encapsulation, Natural product derived supplement and therapeutics (using permissible, Syariah-compliant elements);
- ▶ Nanotechnology chips implantation in the body for clean arteries and to fight against cancer cells; and
- ▶ Nano tubes for synthetic neurons and neural implants.

BOX ARTICLE 4.1

GLOBAL THOUGHT LEADERSHIP: THE WORLD HALAL BUSINESS CONFERENCE CIRCUIT 2022

The annually held World Halal Business Conference (WHBC) is highly regarded by the global Halal fraternity as the exclusive platform for pioneering Halal thought leadership and knowledge on Halal economy. In its 14th edition and running, WHBC Circuit Melbourne Australia 2022 was held on 1-2 September 2022 at Pullman Albert Park, Melbourne, Australia. This was the first time the WHBC was organised outside Malaysia. WHBC Circuit Melbourne Australia 2022 was hosted by the Ministry of Investment Trade and Industry (MITI) and supported by the Australian Trade and Investment Commission (AUSTRADE) and State Government of Victoria with the theme “Halal Opportunities in a Borderless World”. Australia was selected as first hosting country for WHBC Circuit 2022 due to its reputable Halal industry standards supported by its influential and dynamic Muslim communities.

One of the notable outcomes of the conference was the commitment by Halal International Selangor (HIS), the State of Selangor’s agency to set up a strategic collaboration with the State of Victoria Government, towards creating investment opportunities in Selangor Halal Economic Zone, valued at RM10 billion. Another collaboration is between HDC and Malacca Industrial Skills Development and Entrepreneurship Center (MISDEC) in promoting halal talents where 200 graduates from MISDEC were chosen under its Halal Apprentice Program (HAP), to have job placement at Islamic Coordinating Council of Victoria (ICCV) and its clients. During the conference week, HDC had also trained 211 participants from the Melbourne halal industry businesses which elevated and strengthened Malaysia’s leadership in Halal standards protocol.

Halal Talent Development

In 2022, more than 9,000 participants attended HDC’s training programmes both locally and internationally, in areas namely Halal Industry Fundamentals, Best Halal Practices in Food Industry, Halal Internal Auditing and Halal Assurance System.

As the Industry Lead Body (ILB) for Halal appointed by the Department of Skills Development, Ministry of Human Resources, HDC developed nine (9) technical documents in accordance with the National Occupational Skill Standards with more than 995 personnel certified with the *Sijil Kemahiran Malaysia* (SKM).

Developing the Domestic Small and Media Enterprises

The Halal Home Grown Champion Programme, a capacity-building initiative introduced by HDC, aimed to facilitate the development of Malaysian companies especially SMEs, to develop into global players in the halal industry. It envisaged targeted companies to grow from small enterprises equipped with capabilities to comply with halal requirements in the halal incubation stage, and subsequently transform into an international exporter upon completion of the programme. In the year 2022, more than 754 companies benefited from this initiative, namely Pre-Certification, market access and capacity building programs.

Revolutionising the Halal Industry

Over the next 10 years, technology is deemed to play a key role in the development and growth of businesses operating within the Malaysia Halal market. HDC assisted in the adoption of digital developments such as Industry 4.0 to benefit the Halal sector.

The Halal Integrated Platform (HIP) by HDC, was developed as a one-stop digital portal connecting industry players/entrepreneurs with governments, service providers, businesses, and consumers within the Global Halal Ecosystem. It facilitates, coordinates and expands members' (Halal Micro, Small and Medium Enterprises (MSME)) market reach, providing businesses with a channel to local and global markets while contributing to Malaysia's export of Halal products and services. The HIP also provided industrial intelligence through collaborative sharing of knowledge, expertise, data and tools while connecting entrepreneurs and SME businesses with Halal business experts through the Halal network and ecosystem. As of 2022, almost 8,000 registered agencies, companies and individuals benefited from the services.

INDUSTRY ENVIRONMENTAL, SOCIAL AND GOVERNANCE

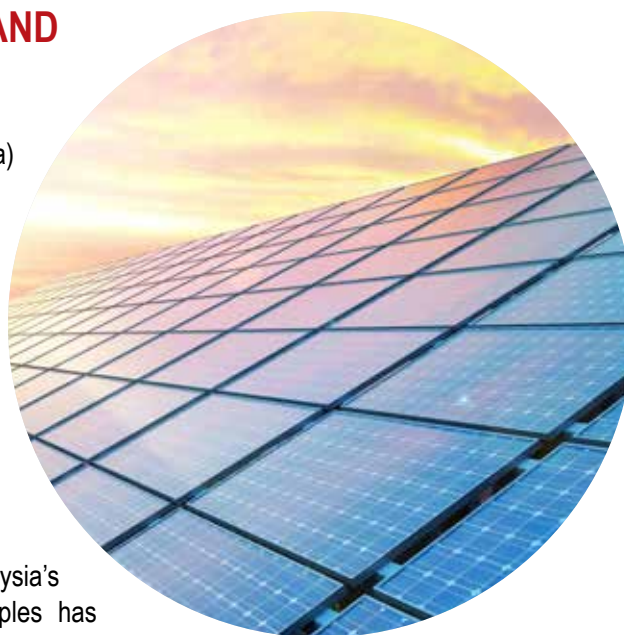
The 2030 Agenda for Sustainable Development (2030 Agenda) provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. In line with the 2030 Agenda, Malaysia in its Twelfth Plan, outlined Advancing Sustainability as one of the three (3) themes towards maintaining Malaysia's commitment towards international goals, ensure sustained economic growth while protecting the environment. In line with global commitment, Malaysia aims to reduce greenhouse gas (GHG) emissions intensity by 45% to GDP by 2030 and to achieve net zero GHG emission by 2050.

The introduction of trade and investment policies by Malaysia's trading partners emphasising compliance with ESG principles has necessitated by the government to take proactive policy measures to equip businesses to meet these requirements. In this regard, MITI has outlined the National Investment Aspiration (NIA) as a key guiding principle for the New Investment Policy (NIP), which focuses on strengthening Malaysia's foundations in adopting internationally recognised ESG standards. Apart from expanding market and financing opportunities, the ESG requirements will strengthen the economic incentives for companies to use resources more efficiently or to switch to more sustainable alternatives.

Pursuant to this, MITI has embarked on formulating the National ESG Framework for the manufacturing sector as a measure to assist Malaysian companies to comply with the ESG principles. The main objective of the framework is to build and strengthen a system to encourage and enhance ESG practices in the manufacturing sector. The expected outcome of the framework is for companies, including Micro, Small and Medium Enterprises (MSMEs) in the manufacturing sector, to comply with internationally recognised sustainability reporting standards, to undertake estimation of annual GHG emissions reduction in the manufacturing sector to achieve net-zero GHG emissions by 2050, and to put in place enablers to support companies in their transition towards ESG journey.

SERVICES SECTOR OUTLOOK

Malaysia is committed to undertaking the necessary reforms to advance economic competitiveness in respond to global megatrends, which according to the United Nations Economist Network, are climate change, urbanisation, technological innovation, inequalities and demographic developments. Malaysia also aspires to achieve carbon net-zero greenhouse gas (GHG) emissions by 2050, in line with the Twelfth Plan and the Sustainable Development Goals (SDG) commitments.



Towards this end, Malaysia has been engaging numerous stakeholders to continue to develop the services sector in line with the Twelfth Plan and SDG commitments, other national key enabling policies, as well as areas which cut across sectors namely Environmental, Social, and Governance (ESG) and technology.

FUTURE GROWTH AREAS

Global Services

Global Services (GS) are the services activities which drive the Global Value Chain (GVC). Under the Twelfth Plan, GS comprises three main components, namely Principal Hub, Global Trading Centre and Global Business Services. GS has been identified as one of the priority areas under the Twelfth Malaysia Plan, considering the significant contribution and investment from the GS to the Malaysian economy, including both fiscal (incentive based) and non-fiscal facilitation (ease of doing business, business facilitation, as well as the contribution by numerous R&D centres and Centres of Excellence). These collectively will assist Malaysia to achieve the investment target set for the services sector.

To realise the investment target, good collaboration among the Investment Promotion Agencies (IPAs) such as Malaysian Investment Development Authority (MIDA), Malaysia Digital Economy Corporation (MDEC), InvestKL, and the State Investment Promotion Agencies (IPAs) is paramount.

Professional Services

Professional services are specialised technical and knowledge-based advisory services provided to businesses, including design, research, promotion, legal, and accounting. These services are highly traded internationally and employ a large percentage of skilled workers. With the digital era, there has been a significant transformation in professional services, with increased investment in technologies, such as artificial intelligence and machine learning to improve service efficiency and quality. Businesses are also focusing on attracting diverse and skilled talent with digital skills and delivering personalised client experiences. The future of professional services lies in digital transformation, innovation and collaboration to drive growth and deliver value to clients in the digital economy.



Policy on Manufacturing-Related Services

Manufacturing Related Services (MRS) provide essential support to manufacturers, who have been progressively relying on external services to remain competitive and successful. Taking this into consideration, MITI plans to formulate policy on MRS, including the identification of components of MRS in Malaysia and chart the way forward for this sector, to stay ahead of the curve. A comprehensive approach to develop policy on MRS is necessary, encompassing a range of factors, including the trends, demand, cost, quality and the availability of the services, as well as the overall impact on the broader perspective, be it at the local and regional levels.

Advanced Technology and Eco-friendly Transportation Services Sector



The future of transportation services is incredibly exciting with a range of advancements in technology enabling faster and more efficient travel. As transportation services evolve, the people will become more connected and our physical movement from place to place will become more seamless. The global impact of climate change is also having an effect on the transportation industry. As the demand for greener and more sustainable transport services rises, businesses are encouraged to shift away from traditional energy sources and develop more eco-friendly alternatives. Electric and hybrid cars, as well as public transportation services, such as trains, buses and subways, are becoming increasingly common. The future of transportation services is full of potential for eco-friendly travel.

Tourism Sector

Technology is a significant element that could elevate tourists experience in this digital era. Apart from streamlining the tourism-related operations, such as mobile apps for booking and online check-in, it could also be utilised to enhance tourists' experience and personalisation, for example, through virtual reality tours, real time weather information and chatbots for customer service. As personalisation is becoming increasingly important, operators should focus on tailoring their offerings to meet the specific needs and preferences of individual customers. In this aspect, MITI will continue to play its role in facilitating the industry through the issuance of Approve Permit (AP) for eligible imports of high-quality tourists transport for registered travel agents. It would contribute towards raising the bar in tourist-related services and boost Malaysia's tourism industry.

Healthcare Tourism

Malaysia's healthcare system has positioned itself to be globally recognised for providing excellent healthcare through a strong and reliable network of hospitals, clinics and nursing homes; competitive medical fees; and modern medical facilities. Various efforts are undertaken cohesively by numerous government agencies to make Malaysia as an ideal destination for health tourists as it is rapidly becoming one of the nation's major sources of revenue.



Towards Digitalising the Healthcare Sector

Going forward, the healthcare sector is expected to continue to evolve and expand its use of technology. With the application of technology, Artificial Intelligence and machine learning are becoming more widely adopted, healthcare providers will become more efficient and effective in providing treatment and services. The health services can be exported through "medical tourism".

Private Education

Recognising the significance of education services to the growth of a nation and in line with Malaysia's aspiration to become a regional education hub of excellence, the Malaysia Education Blueprint (2015-2025) was launched. Strategies from the Malaysia Education Blueprint aim to place Malaysian universities in the Global Top 100 by 2025, as well as to increase its number of international students to 250,000 by 2025. Private education will continue to play an important role in developing future generation and drives towards the market growth and effective education policies.

BOX ARTICLE 4.2

The Development of Nusantara, the New Capital City of the Republic of Indonesia - Opportunities for Malaysian Businesses

As the closest neighbour in the region, Indonesia's invitation for Malaysia to participate in Nusantara development would strengthen the existing bilateral relations. It also paves the way for Malaysian business to explore various trade and services export opportunities to Indonesia. During the early stage, Malaysian architect firm was among the top three architect firms shortlisted, from almost 300 entries, to develop Nusantara masterplan. At this moment, Malaysian private sector shows keen interest in renewable energy, construction, healthcare, eco-tourism, smart and next-gen mobility, supply of materials and property development in Nusantara.

Services Trade Restrictive Index (STRI)

Malaysia has always been progressive in improving its services sector through regulatory environment reform. In 2022, the Organisation for Economic Co-operation and Development (OECD)'s Services Trade Restrictiveness Index (STRI) listed Malaysia as having the least restrictive accounting and auditing services compared to other sample countries. Through the STRI, governments and policy makers can observe any potential changes in the landscape of their market that could ultimately benefit the country's economic performance.

PERFORMANCE OF THE SERVICES SECTOR

As Malaysia entered into the transitions to endemic phase in April 2022 and the reopening of the economic sectors, the sentiment on the economic growth recovery has been optimistic. The services sector continues to support Malaysia's economic growth in 2022 accounting for 58.2% or RM877.4 billion contribution to the GDP, an increase in value terms compared to the previous year (2021: RM791.1 billion). The slowdown in services exports following weaker global demand was cushioned by higher tourism activity, among others.

In 2022, Malaysia recorded a total of RM153.97 billion worth of approved investments in the services sector. A total of 3,581 projects offering 63,464 job opportunities were approved. This is a positive investment growth of 58.8% compared with 2021.

Domestic investments contributed 44.9% (RM69.1 billion), while foreign investments contributed 55.1% (RM84.9 billion) to the total investments in the services sector in 2022.

The top five (5) areas of investments in the services sector comprised information and communications (RM84.7billion), real estate (RM28.9 billion), financial services (RM11.2 billion), utilities (RM10.8 billion), and distributive trade (RM6.2 billion). Collectively, investments into these five (5) services sub-sectors accounted for 92.1% of total approved investments in the services sector. Domestic investments were concentrated in real estate, information and communications, utilities and financial services.



Domestic investments contributed **44.9% (RM69.1 billion)**, while foreign investments contributed **55.1% (RM84.9 billion)** to the total investments in the services sector



Foreign investments in the services sector have registered a strong rebound of RM84.9 billion compared with the previous year. This positive development marked a growing interest and confidence of foreign investors in making Malaysia their strategic investment destination for high quality and high value services. In 2022, Malaysia's services trade grew 38% year-on-year to RM323.3 billion. Exports of services totalled RM138.9 billion; while imports reached RM184.4 billion, with an increase of 25% over the same period last year.

The rebound in services exports with a year-on-year increase of 60.2% was attributed to travel services, manufacturing services, and construction services. On the other hand, the growth in services imports in 2022 was mainly contributed by the increase in imports of all services components, in which the transport segment recorded the highest import at RM59.5 billion.



The total revenue of the services sector in 2022 stood at **RM2 trillion**, an increase of 20.3%

The services trade deficit narrowed in 2022 at RM45.4 billion, up 25.2% year-on-year, and mainly due to a larger surplus in other business services, travel and transport services. Malaysia recorded a significant increase of nearly 3-fold in the travel segment totaling RM57.5 billion in 2022.

The total revenue of the services sector in 2022 stood at RM2 trillion, an increase of 20.3% compared to RM1.7 trillion in the year before. The wholesale and retail trade, food and beverages and accommodation segment were the highest contributor generating RM1.6 trillion in 2022, an increase of 20.4% compared with the previous year. The services sector employed 3.8 million workers in 2022, an increase of 3% compared to 3.7 million workers in 2021.

Revenue in the wholesale and retail trade, food and beverages and accommodation segment in 2022 recorded an increase of 20.4% to RM1.6 trillion compared to RM1.4 trillion in 2021. The number of people employed in this segment increased 2.7% to 2.9 million persons, while the payment of salaries and wages increased 7.3% to RM63.8 billion.

Revenue in the information and communications technology (ICT) and transportation and storage segment in 2022 experienced an increment of 18.4% to RM0.3 trillion compared to RM0.25 trillion in 2021. The number of people employed in this segment increased to nearly half a million workers, while the payment of salaries and wages increased 10.1% to RM19.7 billion.

For 2022, revenue in the health, education and arts, entertainment and recreation segment grew 23.8% year-on-year to RM62.3 billion. The number of persons engaged in the segment increased marginally by 1% to 279,598 workers, while the amount in salaries and wages paid increased 3.9% to RM10 billion. Revenue in the professional services and real estate agents segment registered an upward trend with a year-on-year growth of 22.3% to RM40.8 billion. The number of people employed increased 3.4% year-on-year to 180,204 workers, while salaries and wages paid declined 4.9% to RM10.3 billion.

JOINT COMMITTEE MEETING ON INDUSTRY COORDINATION (JBI) WITH THE PAHANG STATE GOVERNMENT

The Joint Committee Meeting on Industry Coordination (JBI) meeting between MITI and the state government is a platform to discuss and establish policies on investment, international trade, and industrial development. The meeting aimed to coordinate policies and initiatives in an integrated manner and in alignment with the federal government, to attract foreign and local investment into the states. Pahang was the first state to host the JBI meeting since Malaysia entered the endemic phase.

The JBI meeting, held in August 2022, was jointly chaired by MITI Minister and Menteri Besar of Pahang. Eight (8) Discussion Papers were presented and discussed during the meeting, covering the areas of infrastructure development in Gebeng, economic and industrial development in Pahang Barat, and support in the EV ecosystem, halal industry development and export facilitation and promotion in the State.



There are many areas of cooperation that can be developed between MITI and the Pahang State Government.



A group photo with senior officials who participated in the JBI meeting held in Kuantan, Pahang.

MITI DIALOGUE

MITI organised the annual MITI dialogue to deliberate on issues, challenges and other matters related to industries and businesses in enhancing support in government-industry collaboration. The initiative served as a centralised platform for industries and businesses to present their ideas on policies and services related to the government for future improvement. The 2022 MITI Dialogue was participated by 12 ministries and 151 business associations and chambers where a total of 96 memorandum in 24 categories consisting of 316 concerns were raised and discussed.



MITI Dialogue is an avenue where industries and businesses could exchange views and address their issues directly to MITI Minister.



MITI Minister is chatting with the attendees of MITI Dialogue.

MITI DAY 2022

MITI organised the annual 2022 MITI Day at Taman Melawati, Selangor on 16 October 2022 with the objective to increase public awareness on MITI's roles and functions, including its agencies. A total of 8,410 members of the public took part in the event that features job fairs organised by MIDA, auto shows by the Malaysia Automotive Robotics and IoT Institute (MARii), pocket talks and industry showcase by SMEs and mid-tier companies.



MITI Minister with senior officers from MITI and its agencies during the launch of MITI Day 2022.



The public took part in the Fun Run held in conjunction with MITI Day 2022.

BUMIPUTERA SPECIAL SHARES MITI

Bumiputera Special Shares (SKB) MITI is one of the Government's programmes to boost Bumiputera equity holdings in line with the New Economic Policy (NEP). In 2022, a total of 3.19 billion units of shares from 31 companies were made available to 23,966 MITI Bumiputera investors compared to 611.7 million unit of shares from 15 companies that were offered to 17,018 Bumiputera investors including Initial Public Offerings (IPO) and Special Issues shares in 2021. Companies from a wide range of industries, including technology, consumer goods, construction services and real estate, participated in the Bumiputera Special Shares in 2022.

BOX ARTICLE 4.3

IMPLEMENTATION OF ELECTRONICALLY AFFIXED SIGNATURE AND OFFICIAL SEAL THROUGH THE E-PREFERENTIAL CERTIFICATE OF ORIGIN (ePCO) SYSTEM TO FACILITATE TRADE

The Ministry of Investment Trade and Industry (MITI) has implemented electronic endorsement of the Preferential Certificate of Origin (PCO) since April 2020 by using electronically-affixed signature and official seal through the ePCO system for the following Free Trade Agreement (FTA) schemes:

- i. Malaysia-Japan Economic Partnership Agreement (Form MJEPA)
- ii. ASEAN-Australia-New Zealand Free Trade Area (Form AANZ)
- iii. ASEAN-Hong Kong, China Free Trade Agreement (Form AHK)
- iv. ASEAN-Korea Free Trade Area (Form AK)
- v. ASEAN Trade in Goods Agreement (Form D)
- vi. Malaysia-New Zealand Free Trade Agreement (Form MNZ)
- vii. Regional Comprehensive Economic Partnership Agreement (Form RCEP)

In line with the commitment towards greater trade facilitation, MITI has expanded this implementation to five (5) other Free Trade Agreement (FTA) schemes in 2022, namely:

No.	FTA Scheme	Effective Date	Remarks
i.	Comprehensive and Progressive Agreement for Trans-Pacific Partnership (Form CPTPP)	29 November 2022	Exporter shall keep a record for a period of no less than five (5) years.
ii.	ASEAN-China Free Trade Area (Form E)	1 December 2022	Exporter is to submit a duplicate copy of the PCO to the MITI Service Counter, Level 2 at MITI Tower or the respective MITI Regional Offices on a monthly basis.
iii.	ASEAN-India Free Trade Area (Form AI)		
iv.	Malaysia-India Comprehensive Economic Cooperation Agreement (Form MICECA)		
v.	Malaysia-Turkiye Free Trade Agreement (Form MTFTA)		Exporter to ensure the duplicate copy is endorsed (exporter's declaration section) before submission.

The approved PCO for the abovementioned FTAs will be electronically endorsed and the exporter is no longer required to do a manual endorsement at MITI Service Counter.

MALAYSIA RE-ELECTED TO LEAD THE PRESIDENCY AND SECRETARIAT OF THE ASIA PACIFIC LEGAL METROLOGY FORUM (APLMF) FOR 2023 - 2024

The Asia-Pacific Legal Metrology Forum (APLMF), established in November 1994, promotes networking and interaction among the legal metrology organisations and for free and open trade in the region through the harmonisation and removal of technical or administrative barriers to trade in the field of legal metrology. In 2021, Malaysia became the first ASEAN country to be appointed as the President and Secretariat of APLMF, taking over from New Zealand who presided from 2015 to 2020. The appointment was based on members' votes and the good track record as in active participation in the international networking in legal metrology activities. In November 2022, Malaysia was re-elected as the Presidency and Secretariat for another term, from 2023-2024, giving Malaysia a strategic advantage in leading activities involving legal metrology to increase trade, especially in strategic sectors that have the potential to contribute to the country's economic growth.

DESIGN INDUSTRY

The design industry in Malaysia is a diverse and growing sector that encompasses a wide range of disciplines, including product design, packaging, graphic design, architecture, interior design, craft and fashion design. The industry has grown significantly in recent years, with Government recognising its potential as a key driver of economic growth and development. Malaysia Design Council (MRM) serves as an advisory body dedicated to promote industrial innovation, public awareness on the importance of design in everyday life and effective design management.



Malaysia Good Design Award (MGDA)

One of MRM's notable initiatives is the Malaysia Good Design Award (MGDA), a recognition program that acknowledges exceptional design quality in products, services, and systems. The annual event promotes the use of good designs in all sectors of the economy and to encourage innovation and creativity among Malaysian designers. In 2020 and 2021, a total of 252 products by 123 companies under 11 categories, were received for evaluation of which a total of 26 products from 20 companies ranging across eight (8) categories, satisfied the specifications and were eligible to receive the MGDA 2021.

Certified Industrial Designer (CIDE)

For the very first time in the history of the design industry in Malaysia, MRM launched the Certified Industrial Designer (CIDE) Certification Program, on 6 August 2020.

The standard was developed by the Project Committee on Industrial Designer to establish a comprehensive guidance for those involved in designing, educating and training of industrial designers and to set a framework for assessing the competency and commitment of professional industrial designers.



Sixteen (16) participants received the Certified Industrial Designer (CiDe) Certification Program award as a recognition given to their talent.

ESG Future in Design

The design industry is increasingly recognising the importance of ESG factors in companies' operations and decision-making. As an agency responsible for promoting the design industry, the MRM encourages design firms to make a concerted effort to reduce their environmental impact through the implementation of sustainable business practises.

In 2022, MRM organised the programme Empowering Local Industry through the implementation of Circular Design Concept towards sustainable solid waste management and to improve productivity, involving six (6) local companies from three (3) different industries. Circular design is becoming increasingly important as the world is facing various challenges such as resource depletion, climate change, and waste management. By designing products and systems that are regenerative and waste-free, it can reduce the environmental impact and create a more sustainable future.

COMPETITIVENESS AND STANDARDS COMPLIANCE

SIRIM, as a premier industrial research and technology organisation in Malaysia, with over 40 years of experience and expertise, always plays a major role in the development of the country's industry by developing new technologies and advancements in the manufacturing, technology, and services sectors. SIRIM also supports the growth of SMEs by providing solutions for technology penetration and upgrading.

In 2022, SIRIM launched three (3) research and development products:

- i. Bioaccumulation in the fish test – Aqueous Anaerobic Biodegradation according to ASTM D5511
- ii. Biodegradable Polymer/Materials Characterisation (contact angle, UV degradation)
- iii. Shear Test Water Vapour Transmission Rate (WVTR)

On 28 October 2022, SIRIM Industrial Research hosted its inaugural virtual Industrial Research Advisory Council (IRAC), attended by representatives from Europe, Asia-Pacific and the Middle East to discuss how advanced technology and digitalisation can boost productivity and efficiency in addressing global issues such as climate change, renewable energy, medical and healthcare, food security, productivity, logistics and transportation.

BOX ARTICLE 4.4**MAKING INROADS INTO CHINA MARKET**

Driven by its 10-year Strategic Plan, SIRIM is making progress towards Phase 3 (2023-2027), which will accelerate its growth and market presence, with a solid platform for new ventures.

SIRIM is establishing its foothold on the global market with its first Hunan-based company, Hunan SIRIM Huasheng Certification and Inspection Co. Ltd., which was successfully registered in Changsha, Hunan Province, and received its business licence on 5 September 2022. The joint-venture company between SIRIM QAS International and China's Hunan Huasheng International Trade Consultancy is to facilitate international trade for importers and exporters.

SIRIM Huasheng will offer certification services, particularly to IATF 16949 standard, inspection, and training activities. This venture is a subsequent initiative after the collaboration with the Institute of Global Certification Co., Ltd. (IGC) on 9 August 2022, to offer IATF 16949 certification in Korea.

The IATF 16949 standard is an international standard for automotive quality management systems developed by the International Automotive Task Force (IATF), and SIRIM QAS International is the only certification body in Southeast Asia recognised by the IATF. The market expansions would allow SIRIM to not only leverage its strength in Asia and expand its services to other regional countries but also to support Malaysian exporters and importers in entering the China market.

**Enhancing ESG Compliance for Industry Through Certification**

SIRIM QAS International is also the first certification body in Southeast Asia to offer IQNet SR10 certification. On 13 December 2022, SIRIM IQNet SR10 was launched to provide independent assurance that an organisation's social responsibility management system has been effectively implemented and to demonstrate compliance with pressing issues involving ESG principles.

The scheme is also integrated with the same model used in other management systems such as ISO 9001, ISO 14001, and ISO 50001. IQNet partners' worldwide certification activities include over 360,000 valid management system certificates issued globally.



SIRIM IQNet SR10 evaluated nine (9) areas including Child Labour, Forced or Compulsory Labour, Health and Safety, Discrimination, Working Hours and Remuneration.

SIRIM 50: A Social Accountability Scheme to assist companies in Malaysia in managing their business impact on society and communities with regards to manpower, worker rights and welfare, as well as work environment safety.

To further assist organisations and encourage the adoption of ESG, Social Accountability Scheme – SIRIM 50 was introduced. The standard serves to advance the sustainability efforts of Malaysian companies in line with the Sustainable Development Goals 2030, namely Goal 8: Decent work and economic growth. The standard was developed together with SIRIM STS Sdn. Bhd. and the requirements outlined in SIRIM 50 are consistent with international social standards such as SA8000 and ISO 26000.

SIRIM offers seven (7) types of Product Certification Schemes, and 43 types of Management System Certification Schemes. A total of 6,399 organisations were certified under SIRIM QAS International's Management System Certification Schemes, while more than 951 products were certified under its various Product Certification Schemes. Below are the top five (5) certifications issued under both schemes (Exhibit 4.3).



A total of **6,399**
organisations
were **certified under**
SIRIM QAS International's
Management System
Certification Schemes

EXHIBIT 4.3 TOP FIVE (5) PRODUCT CERTIFICATION SCHEMES

No	Certification	No. of Certification Issued
1	Product Certification Scheme	807
2	Fire Listing Scheme	19
3	Ecolabelling Scheme	31
4	IBS-IMPACT Certification	37
5	RMC Certification	51

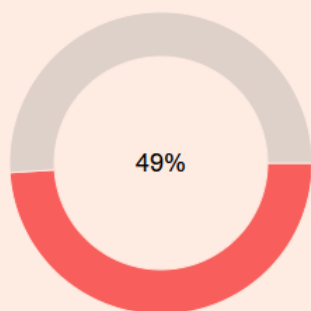
EXHIBIT 4.4 TOP FIVE (5) MANAGEMENT SYSTEM CERTIFICATION SCHEMES

No	Certification	No. of Certification Issued
1	QMS (ISO 9001)	2,558
2	EMS (ISO 14001)	620
3	GDPMD	235
4	Product Verification	801
5	OHSMS (ISO 45001)	456

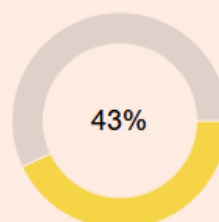
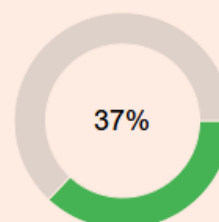
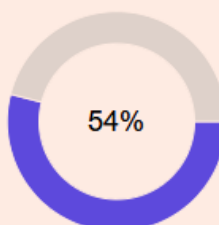
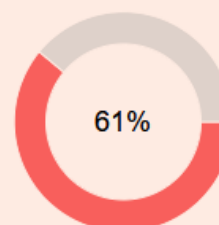
Benchmarking Industrial Parks Performance Against Newly Developed Eco Industrial Park Industrial Standard Document

SIRIM successfully conducted a preliminary benchmarking for selected industrial parks based on the newly developed SIRIM 54 (2022): Eco-Industrial Park-Classification Standard document which is part of activities of the development project; Technology-enabled Support for The Development of Eco Industrial Parks – Intervention & Digitalisation (MY-EIP) 2020-2023. The objectives of these benchmarking exercises were to test the newly developed EIP standard on its practicality and relevancy in assessing the performance of industrial parks, and to identify and prioritise initiatives to strengthen their performance.

The overall performance achieved for Industrial Parks (IPs) in Malaysia based on the representative industrial park assessed through this project was 49% as illustrated in Exhibit 4.5. The assessment conducted was based on four (4) categories of requirements, namely park management, environment, social and economic. However, this exercise was based on the voluntary declaration by each of the participating tenant companies and the respective park management. SIRIM engaged third-party organisations to confirm and verify the declaration made by companies as the next step in enhancing the programme.

EXHIBIT 4.5
OVERALL PERFORMANCE OF ASSESSED
INDUSTRIAL PARKS (IPs) IN MALAYSIA**Average Performance**

It was observed that most of the tenant companies scored higher in complying with the Economy criteria, indicating that employment and staff training, local business linkages with SMEs promotion activities and economic value creation were well established and practiced by the tenant companies within the IPs.

EXHIBIT 4.6
OVERALL PERFORMANCE OF INDUSTRIAL
PARKS (IPs) IN MALAYSIA BASED ON
CATEGORIES**Park Management****Environment****Social****Economy**

The low compliance for the overall environment performance of the IPs in Malaysia suggested that for high technical, assistance is needed to boost the performance of each IPs towards compliance of EIP framework. The intended high environment performance of the IPs especially in terms of environmental protection, climate change mitigation and resource use efficiency, would further benefit the park management and tenant companies of the EIP in the long run.

Making Inroads into the EV Market

SIRIM has the capability to offer technical expertise, consultancy, development of industry standards, certification and talent development in support of the Government's initiatives to enter EV markets. SIRIM has also ventured into a collaboration with Apollo EV Malaysia Sdn. Bhd., whereby SIRIM will assist Apollo EV Malaysia Sdn. Bhd. in pattern approval and testing for EV parts and components, system integrity and verification check, product traceability, blockchain implementation, calibration and measurement services, development of industry standards, conformity assessment, research and development, testing and certification. Another collaboration is with SIRIM-Mobility Work Group to develop infrastructure and industrial-grade EV charging that meets industrial standards and legal requirements.

SIRIM has also ventured into Strategic Collaboration with industry players via 57 Memorandum of Agreement and 24 Memorandum of Understanding (MoU). Notable agreements include the following:

- i. **SIRIM-PETRONAS** – Developing research programmes and certification technology and standards in biodegradables based on petroleum, plastic and packaging, focusing on renewable energy such as solar, wind, energy storage, nanomaterials and coral;

- ii. **SIRIM-Malaysia Digital Economy Corporation (MDEC)** – Digital transformation programmes in industry standards and training;
- iii. **SIRIM-National Association of Women Entrepreneurs of Malaysia (NAWEM)** – Entrepreneur training, commercial development, printing and packaging to attract more women entrepreneurs to build higher-quality business and increase productivity;
- iv. **SIRIM-Sarawak Economic Development Corporation (SEDC)** – Develop entrepreneurs under the auspices of SEDC in training and consultation, certification for products and services and human resource development;
- v. **SIRIM-Ni Hsin EV Tech Sdn Bhd (NHEVT)** – To set up a Lithium-Ion Recycling Plant in Malaysia;
- vi. **SIRIM-Ion Ventures Energy Transition Sdn. Bhd.** – Development of sustainable energy infrastructure, particularly Solar PV and Battery Energy Storage System (BESS);
- vii. **SIRIM-Public Gold Mint Sdn. Bhd.** – Precious metal authenticity testing and SIRIM Gold Hallmarking Certification Scheme; and
- viii. **bringing SIRIM Closer to the Community and Industry.**

In 2022, SIRIM, through its Packaging and Security Design Centre (PSDC), produced 138 million pieces of security labels as a significant step to fight against product counterfeiting and imitation. These labels served as visual indicators of product authenticity and were applicable to a wide range of products, ranging from consumer goods to industrial equipment.

Additionally, 623 entrepreneurs received assistance from SIRIM PSDC as part of its SIRIM Entrepreneur Development Programme. The programme commenced in 2021 and will be completed in 2023. SIRIM also provided packaging design assistance to Ministry of Domestic Trade and Consumer Affairs, South Kelantan Development Authority, Tekun Nasional and Malaysia Co-operative Societies Commission of Malaysia (SKM).

EXHIBIT 4.7

ENTREPRENEUR DEVELOPMENT PROGRAMME UNDER SIRIM

ENTREPRENEUR DEVELOPMENT PROGRAMME

ECER - SIRIM

- ▶ Batch 7A (2021- 2022): 103 entrepreneurs
- ▶ Batch 7B (2021-2023): 300 entrepreneurs
- ▶ Batch 8 (2022-2023): 180 entrepreneurs

NCER – SIRIM

- ▶ Batch 1 (2021-2023) 40% Completion: 40 Entrepreneurs

Contribution to Producing High-Skilled Workers

Complementing the development of SMEs, the SIRIM Training (STS) aims to upgrade the technological skills and capabilities of local industries through training. A total of 11,595 industry personnel were trained in 731 training sessions and 71 companies received consultation in 2022. The top five (5) trainings conducted were:

- i. Standards-based Management Systems (e.g. ISO 9001, ISO 14001, ISO 45001, ISO 37001)
- ii. Quality Tools, Techniques and Best Practices (e.g. Green 5S, Lean Management, Six Sigma)
- iii. Welding and Non-Destructive Testing (NDT)
- iv. Management and Soft Skills Training
- v. Standards Implementation Training

SIRIM will continue to expand its international market especially in Indonesia, Brunei and the Middle East for fire testing, certification services, lab testing services, packaging and entrepreneur development, and calibration and verification services. While expanding into the international market, SIRIM also plans to establish a SIRIM Academy as a one-stop centre for all industrial trainings and to establish a new office in Bintulu, Sarawak, to provide calibration and measurement services.



OUTLOOK

Despite clear signs of the economic recovery from the debilitating effects of the pandemic, the Malaysian manufacturing and services sectors continue to face several operational challenges, and in particular, labour shortage. The Russia-Ukraine conflict further impeded Malaysia's recovery by disrupting the supply chain in most of the sectors. The disruption not only grounded many economic activities, but also caused price hikes across-the-board and scarcity of crucial raw materials and commodities such as iron ore, oil & gas derivatives, fertilisers, grains and other foods. Volatility in the global oil price also affected the cost of transportation that caused higher costs and scarcity of household goods such as vegetables, chicken and eggs, as well as intermediate products used in the construction and manufacturing industry.

The government formed a dedicated team to focus on mitigating inflation and continued to offer subsidies to cushion the impact of price increases. However, there were increasing calls for more targeted subsidies as a fair and more sustainable approach.

There were several socioeconomic issues that required to be resolved by the government in the near term, particularly in relation to the high cost of living coupled with high household debt, Malaysia's fiscal status and subsidy policy, and the sliding value of the Ringgit Malaysia against the US dollar. The government also needed to consider a more robust insurance and finance schemes in order to reform Malaysia's healthcare and social protection systems.

Concerted efforts by all stakeholders was also needed to tackle the impact of climate change and move towards achieving the net-zero emission economy target by 2050. In line with the global recognition and emphasis on green growth, the Malaysian Government was committed to drive sustainability and inclusivity as per the Twelfth Plan. In support of the macro policy direction, MITI embarked on initiatives to develop a comprehensive Circular Economy (CE) Policy Framework particularly for the manufacturing sector. The policy framework was based on three principles, namely to eliminate waste

and pollution, circulate products and materials (at their highest value), and regenerate nature. It was aimed at supporting Malaysia's net zero ambitions and contribute towards achieving national sustainability agenda via reducing natural/virgin resource sourcing and post-production waste. The CE Policy Framework for the manufacturing sector was outlined to equip industry players to be more competitive in the global value chain, in line with the Sustainable Development Goals (SDG) as well as the ESG principles.

MITI resorted in developing a policy framework for Carbon Capture and Storage (CCS) in Malaysia, that included the overall industry readiness and the ability to offer CCS as a solution for a greener industry, in both domestic and in the Asia-Pacific region. Additionally, the low-carbon electrical mobility eco-system was being initiated under the Low-Carbon Mobility Development Plan 2021-2030. To support the industry's transition and investment in these low-carbon activities, the Government has announced various tax incentives under Budget 2023. Among them were, full import duty and sales tax exemption on equipment used for CCS technology until December 2027, and the extension of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) for two (2) years up to 31 December 2025, to encourage businesses to utilise ESG-related technologies and embark on green projects.

Whilst Malaysia's economy appeared to be recovering strongly from the pandemic-induced slump, the country is expected to face a challenging external economic environment in 2023 due to the ongoing geopolitical conflicts suppressing growth as well as other factors such as stringent monetary policies, elevated inflation, and slower trade. According to Bank Negara Malaysia (BNM), headline inflation is expected to peak at 4.5% in the third quarter of 2023 and at a moderate rate thereafter, but will remain elevated. Moving forward, amidst the challenging global environment, domestic demand will remain as the key driver for growth. Domestic growth is projected to gradually improve based on continued recovery in the labour market, implementation of new and existing investment projects and higher tourism activities.

The continuation of new and existing investments, including the realisation of various multi-year infrastructure projects such as the East Coast Rail Link (ECRL), the LRT Shah Alam Line or LRT3, MyDIGITAL 5G and Pan Borneo Highway (Sabah) is needed to support the nation's economic growth in 2023 and beyond. Consequently, the slowdown in export growth following weaker global demand, is expected to be partially cushioned by improvements in travel receipts.





Chapter

DIGITAL ECONOMY,
PRODUCTIVITY AND
COMPETITIVENESS

5



DIGITAL ECONOMY



digital economy
recorded a value of
RM359.3 billion

in 2021, a rise of 12.1%
from that of 2020. It
contributed 23.2% to the
Gross Domestic Product
(GDP)

OVERVIEW

Digital aspects continued to rapidly become the fundamental form of the Malaysian economy. According to the latest available Report of Information and Communication Technology Satellite Account (ICTSA) 2021¹, the information and communication technology (ICT) sector or the digital economy recorded a value of RM359.3 billion in 2021, a rise of 12.1% from that of 2020. It contributed 23.2% to the Gross Domestic Product (GDP) of Malaysia. A total of 14% of gross value added was the ICT industry, and the remaining 9.2% was attributed to e-commerce in other industries. The steady growth of the digital economy puts Malaysia on track to realise the 25.5% contribution to the GDP target by 2025, as envisioned by the government. In 2021, the e-commerce contribution to GDP was at 13% or RM201.1 billion, a steady increase from 11.6% or RM163.8 billion in 2020.

According to the Department of Statistics Malaysia (DOSM), the e-commerce income in the fourth quarter of the year recorded RM302.3 billion rose 4.1% as compared to the fourth quarter of 2021. In terms of quarterly performance, the income of e-commerce increased by 4.5% as compared to the third quarter of 2022 with the income recorded at RM289.2 billion. In line with the growth, the overall e-commerce income performance in 2022 recorded RM1.16 trillion, an increase of around 6% as compared to 2021.

¹ Published by the Department of Statistics Malaysia (DOSM) on 14 October 2022

DEVELOPMENT OF THE POLICY DIRECTION ON DIGITAL ECONOMY

MyDIGITAL Agenda – Malaysia Digital Economy Blueprint

Under the Twelfth Malaysia Plan (Twelfth Plan), Malaysia is primed to make a technological leap towards becoming a regional leader in the digital economy and achieve inclusive, responsible and sustainable socioeconomic development. Hence, the Malaysian Digital Economy Blueprint (MDEB) has formulated strategies for industry players in Malaysia to become creators of innovative business models, harnessing human capital to thrive and nurture an integrated ecosystem that allows society to embrace the digital economy.

Under the Second Strategic Thrust of MDEB, the Ministry of Investment, Trade and Industry (MITI) is spearheading the joint efforts of the public and private sectors to implement 13 initiatives towards enhancing the country's economic competitiveness through digitalisation. In 2022, efforts were continuously intensified in digital transformation in three (3) economic elements of investment, entrepreneurship and international trade.

In terms of investment, the Digital Investment Office (DIO) is a strategic partnership between the Malaysian Investment Development Authority (MIDA) and the Malaysian Digital Economy Corporation (MDEC). Formed in April 2021, DIO is a crucial structure to realise the National Investment Aspirations (NIA), positioning Malaysia as the "Digital Heart of ASEAN". In this vein, the investment promotion and facilitation efforts by DIO have been instrumental in leading to the approval of RM69.87 billion in investments in digitalisation until September 2022, on track towards achieving the 2025 target of RM70 billion.

Another flagship is the Second National e-Commerce Strategic Roadmap 2021-2025 (NeSR 2.0). Endorsed by the National Council of Digital Economy and the Fourth Industrial Revolution on 22 April 2021, NeSR 2.0 is an action plan to strengthen the development of the e-commerce ecosystem, with a primary focus towards ensuring its adoption by 875,000 Micro, Small and Medium Enterprises (MSMEs) by 2025. Compared to the target that has been set, NeSR 2.0 has successfully recorded more than 890,000 businesses adopting e-commerce in 2022, generating a revenue of around RM1.16 trillion.



NeSR 2.0 has successfully recorded more than **890,000 businesses** adopting e-commerce in 2022, generating a **revenue of around RM1.16 trillion**.

Being led by MDEC and MITI, the NeSR 2.0 is being implemented by 15 Ministries and agencies, in close collaboration with the private sector. Out of the 17 strategic programmes, MITI agencies, namely the Malaysia External Trade Development Corporation (MATRADE), MIDA, Standards Malaysia and SIRIM Berhad are leading five (5) main initiatives in export potentials, e-commerce fulfilment capabilities, standardisation of data exchange in delivery of goods, as well as sellers' competitiveness and consumer trust.

One of the notable NeSR 2.0 programmes initiated in 2022 was on the development of the Malaysian Standard (MS) on Logistics Dataset for e-Commerce Transaction and Last Mile Delivery. The MS serves as guidelines on logistic datasets used in e-commerce transactions. The MS is applicable to online merchants, e-marketplaces and logistic providers who administer their internal dataset and processes in Business-to-Consumer and Consumer-to-Consumer e-commerce transactions.

Being coordinated by the Department of Standards Malaysia (DSM), MS is targeted to be published by year 2024. In essence, the MS will bring about the benefits of:

- ▶ Serving as a guidance for Merchants or MSMEs in minimising technical and integration issues in fulfilling online orders;
- ▶ Improving accuracy and exchange of data transfer, and minimising delivery errors;
- ▶ Reducing integration costs incurred by Merchants/SMEs in linking to e-marketplaces, and the costs borne by logistics players for fulfilment of e-commerce orders; and
- ▶ Enhancing logistics efficiency, hence, improving online shopping experience by the buyer.

In September 2022, the National Council of Digital Economy and the Fourth Industrial Revolution endorsed the establishment of Sharing Economy Committee (SEC), as part of the flagships to enhance the gig economy competitiveness.

Led by the Ministry of Communications and Digital and MDEC, the SEC will oversee, coordinate and streamline the sharing economy initiatives amongst various Ministries and agencies, focusing on four (4) pillars, namely on policy and regulation; confidence in the platforms; incentives and standards, data and metrics. DSM is assuming the pivotal role of developing standards and certification programme for platforms, while the Malaysia Productivity Corporation (MPC) facilitates in developing agile regulatory approach and technology sandboxing.

Among the 2025 targets of the SEC include:

- i. Training and verifying 250,000 gig workers in main sectors such as services, logistics and retail – apart from developing 100,000 independent digital workers to grab high-value gig jobs;
- ii. Expanding local platforms to 206 (from only five (5) in 2015);
- iii. Accrediting 50 domestic platforms based on international standards; and
- iv. Creating a cumulative sharing economy income of RM2.7 billion.

BOX ARTICLE 5.1

DIGITAL INVESTMENT OFFICE: ATTRACTING AND FACILITATING DIGITAL INVESTMENT

The Digital Investment Office (DIO) was established on 22 April 2021, entrusted to charge towards attracting and facilitating digital investments in Malaysia, in line with the goals of MyDIGITAL and the National Investment Aspirations.

The setting up of the DIO is timely and in line with the evolution of the global investment landscape towards digitalisation and Industry 4.0, creating unique and interesting value propositions for digital projects.

DIO provides end-to-end facilitation to investors covering pre and post project implementation. This includes providing information on the opportunities of digital investments, until the implementation of the project. DIO will also assist to identify the relevant stakeholders to assist in facilitating the project by leveraging on the existing resources, committee or task force.

With the utmost commitment to welcoming quality digital investment projects, the DIO has facilitated a fair share of multinational corporations (MNCs), emerging homegrown technology companies and global technology investors who are vying to expand their footprint in Malaysia. The investment promotion is based on the ecosystem approach that is targeting investors to complete the gaps in the value chain of each industry. In addition, focus will be on leveraging on the mega trends development to target products and services embedded with emerging technology.

Under the auspicious of the DIO, the Government has introduced the Digital Ecosystem Acceleration (DESAC) scheme under Budget 2022 to strengthen the whole digital ecosystem of Malaysia. Through DESAC, Malaysia aims at attracting quality digital infrastructure projects into the country which is the foundation of digitalisation that accelerate the development of the digital economy value chain. Among the digital infrastructure projects under the DESAC scheme approved by the National Committee on Investment include in the data centre and data hosting projects.

BOX ARTICLE 5.2

NESR 2.0: ENHANCING SELLER COMPETITIVENESS AND IMPROVING CONSUMER TRUST THROUGH THE SIRIM TRUSTED MARK SCHEME

SIRIM Trusted Mark Scheme (STMS) was launched on 25 November 2021, as a voluntary certification scheme awarded to Trusted Online Sellers/Trusted Companies on e-Commerce platforms for communication, electrical, and hybrid products. It is part of the NESR 2.0 programmes in improving consumer and seller protection.

SIRIM QAS International has established four (4) main criteria for participating e-stores to fulfil before applying to be certified under this scheme.



By fulfilling these criteria and requirements, the company is deemed to portray trustworthiness, and hence is recognised and granted the usage of the designated SIRIM Trusted Mark.

As of 2022 there were thirteen (13) online stores certified to STMS from several online marketplaces. On top of that, to facilitate the consumer in making the right purchasing decision, SIRIM QAS International has also established an STMS Flagship Store in LazMall Lazada, whereby this platform is utilised to display the Trusted Online Sellers on Lazada that are certified to STMS.



SIRIM QAS International had successfully organised an STMS Clinic on 1 November 2022 to promote STMS among Compliance Approval Certificate Holders who have online stores. Among the activities carried out were information sharing and one-on-one sessions with participants, and they were also offered 20% discounts on the total STMS fees upon registration.

Other Key Initiatives of MITI in Digitalisation

MITI is indeed one of the key Ministries that have significant initiatives towards supporting the digital transformation of Malaysia. Besides steering the whole-of-nation approach in enhancing economic competitiveness via the MDEB, MITI and its agencies are instrumental in immersing digitalisation in industrial development, investment and international trade.

Echoing the MyDIGITAL agenda, the Twelfth Plan maintains the imperative for MSMEs to adopt digital technologies in production, processes and business services, mainly in the back end of business operations. Towards this end, the Malaysian Industrial Development Finance Berhad is administering the Soft Financing Scheme for Digital and Technology (SFDT), a financial assistance scheme to help MSMEs in digital transformation and technological adaptation. The SFDT scheme is to assist MSMEs to thrive in a more open market environment, by making a digital transformation and adapting digital technology. Soft loans ranging from RM30,000 up to RM1 million were offered to eligible companies. As at 31 December 2022, a total of 23 financings had been approved with a value of RM8.81 million.

MITI recognises that technology will remain as the key enabler to drive development and growth of businesses operating within the Malaysia Halal market. Towards this end, the Halal Development Corporation Berhad (HDC) is assisting in the adoption of digitalisation technologies to benefit the Halal sector.

Halal Integrated Platform (HIP) that is developed by HDC is a one-stop digital portal, connecting industry players and entrepreneurs with the Government, service providers, businesses and consumers within the global Halal Ecosystem. It facilitates, coordinates and expands the market reach of Halal MSMEs, providing businesses with a channel to local and global markets, while contributing to Malaysia's export of Halal products and services. The HIP also provides industrial intelligence through the collaborative sharing of knowledge, expertise, data and tools while connecting entrepreneurs and SME businesses with Halal business experts through the Halal network and ecosystem. As of end of 2022, the HIP had registered almost 8,000 agencies, companies and individuals to benefit its services.

BOX ARTICLE 5.3

DIGITALISATION TO EMPOWER CROSS BORDER TRADE ACTIVITIES

MITI is confident that digitalisation can bring about benefits to exports of the industries. Therefore, various digital services that have been introduced for the benefit of the businesses, especially for MSMEs. Among others is the MyExport digital platform, an online service that allows Malaysia exporters registered with MATRADE to access to information related to trade in digital platform that can be retrieved in a timely manner.

Through MyExport, market intelligence is compiled from 46 MATRADE overseas offices, namely in the form of trade leads (business opportunities), market alerts, product and market research, and International Tender Notices. In 2022, a total of 1,997 trade leads, 504 market alerts and 107 product market studies were shared with 7,098 subscribers. MyExport can be accessed at myexport.matrade.gov.my.

MATRADE also introduced an initiative to position Malaysia as a competitive trading nation on the international stage via the online business-matching programme known as eBizMatch. eBizMatch which was launched in 2020 aims to sustain export growth by connecting Malaysian companies with the foreign buyers around the globe despite the challenging situations of COVID-19 pandemic, which limits mobility and physical interaction and meetings.

Under eBizMatch programme, cutting-edge digital platforms like Zoom, Microsoft Team, and Google Meet were used to conduct virtual business meetings between foreign buyers and Malaysian suppliers that ordinarily take place physically. The online business matching sessions were organised in cooperation with MATRADE 46 overseas trade offices and five (5) state branches in Malaysia.

In total, 778 business meetings were held in 2022 through the eBizMatch programme. Successful connections between 613 foreign buyers and 672 Malaysian exporters resulted in export sales worth RM3.25 billion.

The most requested products by foreign buyers were food and beverages, electrical and electronic (E&E) products, as well as machinery and equipment. In the services sector, the majority of foreign buyers were interested in those related to information and communications technology, healthcare, and education. The eBizMatch sessions were held in the People's Republic of China (PRC) (73 business meetings), the United States of America (US) (47 business meetings), and Hong Kong SAR (45 business meetings).

The year 2022 also showed a success of another MATRADE export programme called Electronic Business Linkage Programme (eBizLink). The eBizLink is a high impact initiative introduced by the Malaysian Government under the People and Economic Empowerment Strategic Program (PEMERKASA) through MATRADE focusing on digital marketing to intensify the promotion of Malaysia's export. eBizLink was implemented through strategic collaboration with local and international stakeholders, including the relevant governmental agencies, businesses, e-marketplace providers and industry players supported by MATRADE 46 overseas offices worldwide. The programme was allocated with RM5 million budget for a period of 19 months from July 2021 until December 2022.

This programme provided cost-effective and sustainable solutions for MSMEs and Mid-Tier Companies (MTCs) to seize new business opportunities in the global marketplace and make a successful transition to the digital economy. The program focuses on an Online-to-Offline approach, with an emphasis on digital marketing, including the use of Key Opinion Leaders (KOLs) on both B2B and B2C online platforms, as well as in-store promotions that are integrated with social media channels. Through eBizLink, the government aims to provide MSMEs and MTCs with the tools and resources they need to grow and succeed in the digital economy leveraging international and regional online sales campaigns to promote Malaysian products and brands globally.

From 2021 to 2022, the eBizLink programme had successfully generated RM275.66 million export sales (459.43% of the targeted key performance indicator (KPI)) benefitting more than 995 Malaysian exporters (165.83% of the targeted KPI) through 46 eBusiness Global campaigns. In overall, there were 11 campaigns featuring 47 KOLs in China (three (3) campaigns), Kazakhstan, Myanmar, the Netherlands, Singapore, Thailand, the United Kingdom and Uzbekistan. Food and beverages sector contributed RM160.52 million or 58.23% from the total sales, followed by personal care products RM36.73 million (13.33%), healthcare RM29.77 million (10.8%), automotive manufacturing RM21.89 million (7.94%) and education services RM7.73 million (2.81%). Other products and services sourced from Malaysia under eBizLink programmes were fast-moving consumer goods (FMCG), E&E, healthcare tourism and internet of things services.

BOX ARTICLE 5.4 DIGITAL TECHNOLOGY FOR PRODUCTIVITY

Digitalisation is essential for productivity. It automates processes, improves communication and collaboration, facilitates data analytics, and drive innovation. By embracing digitalisation, businesses can operate more efficiently, reduce costs, and stay competitive in the fast-paced digital environment.

The Digital Productivity Nexus (DPN) is commissioned under the Malaysia Productivity Blueprint since 2017, as a one-stop centre that caters to industry players especially from ICT industry to boost productivity while increasing innovation and capturing growth opportunities. The Nexus' initiatives emphasise the development of a holistic ecosystem to increase technology adoption and further strengthen key industry enablers.

Initiatives to Encourage Adoption of Digital Technology

Nudging CEO



- ▶ Go BIG with Digital Webinar Series
- ▶ Digital Technology for Productivity

Assessment



- ▶ Productivity1010
- ▶ Industry4WRD Readiness Assessment

Advisory Programme



- ▶ Virtual Advisory Clinics
- ▶ Digital Solution Directory
- ▶ Digital Roadmap

Experiential Learning



- ▶ MyReskill IoT
- ▶ Artificial Intelligence for SMEs (AI4S)
- ▶ Artificial Intelligence for University (AI4U)

Four (4) strategies that the Malaysia Productivity Corporation MPC has adopted in order to encourage digital technology adoption which are Nudging CEO, Assessment, Advisory and Experiential Learning.

Through Nudging the CEO, MPC has leveraged the Go BIG with Digital campaign to encourage leaders to drive digital transformation within their companies and organisations. MPC organised a series of programmes namely Digital Technology for Productivity in collaboration with FMM and weekly Go BIG with Digital Webinar series to nudge businesses to go digital to lead them to a big leap in productivity.

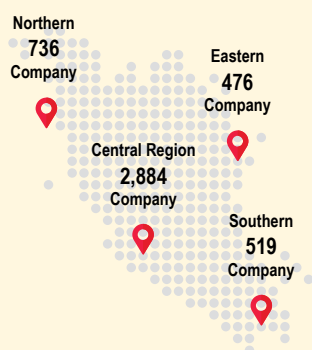
Under the Assessment strategy, MPC utilises two flagship assessment tools namely Productivity1010 and Industry4WRD Readiness Assessment which measure business readiness to embark on digitalisation. Based on the assessment, the business will go through the advisory program on digitalisation.

Under the Advisory strategy, MPC through a programme called Business Virtual Advisory Service will leverage on several guidance such as Digital Transformation Guide, Digital Solution Directory and Digital Roadmap to identify the solutions and to be matched with the businesses.

Under the Experiential Learning, a number of programmes were established under MPC portfolio such as Plugfest and MyReskill IoT. This programme is organised virtually and MPC emphasised the hands-on element where the participants will learn IoT and AI and they are required to develop Proof of Concepts.

MyReskill IoT

More than 5,000 companies have participated in MyReskill IoT supported by Technology Centre throughout the country



Sarawak Region
307
Company

Sabah Region
282
Company

INTERNATIONAL ENGAGEMENT

Malaysia continued with her active participation in the ASEAN Coordinating Committee in e-Commerce and Digital Economy (ACCED). Formerly known as the ASEAN Coordinating Committee in Electronic Commerce, in 2022, the ACCED was entrusted as the main coordinator of the regional digitalisation programmes outlined in the Bandar Seri Begawan Roadmap (BSBR). The ACCED is tasked to provide BSBR reports to the ASEAN Senior Economic Official Meeting in August 2022, and the ASEAN Economic Ministers' Meeting in September 2022, accordingly.

The BSBR, which was endorsed in 2021, reaffirms ASEAN's collective commitment to develop an enabling environment for a robust ASEAN digital economy and ensure the region emerges stronger from the pandemic. One of the key deliverables for the BSBR is the commitment of member states to commence negotiations for the ASEAN Digital Economy Framework Agreement (DEFA) by 2025. In 2022, ASEAN has taken steps to prepare a comprehensive study of ASEAN preparations in DEFA. The study will be completed in 2023. Another milestone under the ACCED is the report on first-year implementation of the ASEAN e-Commerce Agreement Workplan and the leaders' endorsement to review the ASEAN Digital Integration Framework Action Plan.

Following the success of the ASEAN Online Sale Day (AOSD) in 2020 and 2021, the ACCED continued the implementation of its flagship initiative – AOSD 2022. It is conventionally held from 8 to 10 August to commemorate the ASEAN Day. With the participation from 25 local e-commerce platforms, Malaysian businesses recorded Gross Merchandise Value of RM46 million with export value recorded at RM12.3 million. The event attracted participation from 2,344 SMEs and promoted 2,764 brands. The Malaysian campaign was led by MITI and co-organised by MDEC and MATRADE.

Through Malaysia's involvement in the digital economy development discussion through Asia-Pacific Economic Cooperation (APEC), MITI actively participated in the APEC meetings, hosted by Thailand in 2022. In 2022, APEC Leaders pledged to deepen cooperation to bridge digital divides between and within economies, including facilitating access to digital infrastructure and supporting the development of digital skills and digital literacy. Malaysia, as one of the 21 APEC economies, has pledged to continue to cooperate in facilitating the flow of data, and strengthening business and consumer trust in digital transactions.

APEC Leaders have agreed to accelerate the implementation of the APEC Internet and Digital Economy Roadmap (AIDER) to harness new and emerging technologies and the full potential of our society as well as create an enabling, inclusive, open, fair and non-discriminatory digital ecosystem for businesses and consumers.

The AIDER, endorsed in 2017, is a prime initiative of the APEC Digital Economy Steering Group (DESG). The monumental effort by the DESG was continued in 2022 to oversee the implementation of AIDER, alongside the APEC Putrajaya Vision 2040 and also Aotearoa Plan of Action (APA) 2021, on the areas of digital economy in the region.

MITI also oversaw Malaysia's participation in the APEC DESG Data Privacy Sub-group, in which Malaysia stated its official intent to commit to the APEC Cross Border Privacy Rules during the APEC Senior Officials Meeting (SOM3) in August 2022. Malaysia's said intervention was well received by other economies, as it is in line with the 2022 APEC Leaders' Statement calling for APEC economies to deepen cooperation on facilitating the flow of data and strengthening business and consumer trust in digital transactions.

ASEAN Coordinating Committee on Electronic Commerce (ACCEC)

The ASEAN Online Sale Day (AOSD) which is one of the flagship initiatives under the ASEAN Coordinating Committee on Electronic Commerce (ACCEC) aims to celebrate ASEAN Day and showcase regional e-commerce market potential. Through the AOSD, ASEAN Member States (AMS) collectively conducted an online shopping event through a dedicated portal in which each Member States featured their participating businesses in a 'country pavilion' to consumers across ASEAN Member States and beyond.



Malaysian businesses recorded **Gross Merchandise Value of RM46 million** with export value recorded at **RM12.3 million**



During AOSD 2022, MATRADE coordinated Malaysia's participation for AOSD 2022 in collaboration with MDEC with the support of MITI and KKD. AOSD 2022 is a zero-cost programme which targeted ASEAN consumers (B2C) and run on 8-10 August 2022. AOSD 2022 focused on branding and promotional campaigns within ASEAN via e-commerce platforms. The three (3) days campaign was participated by 2,764 brands and generated sales amounted to RM46.0 million with Gross Merchandise Volume (GMV) worth of RM12.3 million GMV on cross-border sales (Exhibit 5.1). The top five (5) performing sectors were food & beverage (F&B), fashion & apparel, household, electrical & electronic (E&E), personal care and lifestyle meanwhile top cross-border markets are Singapore, Brunei, Indonesia and Thailand.

EXHIBIT 5.1**OUTCOME OF ASEAN ONLINE SALE DAY (AOSD) 2022 (B2C)**

No	Particular	Value
1	Gross Merchandise Volume (GMV) – Domestic & Export	RM46 million
2	Gross Merchandise Volume (GMV) – Domestic	RM33.7 million
3	Gross Merchandise Volume (GMV) – Export	RM12.3 million
4	No. of SMEs participated	2,344
5	No. of brands participated	2,764
6	Discount range	5%-50%
7	Average growth of pageview	15%
8	Top five (5) performing Product Sector (by sales value)	i. F&B ii. Fashion & Apparel iii. Household electrical & electronic iv. Personal Care v. Lifestyle products
9	Top cross border markets	i. Singapore ii. Brunei iii. Indonesia iv. Thailand

*Note: outcome recorded from survey done with participating partners

Malaysia-Taiwan Economic Cooperation Committee (MTECC)

Under the Malaysia-Taiwan Economic Cooperation Committee (MTECC), MATRADE together with MDEC and Taiwan Commerce Development Research Institute (CDRI) organised the Malaysian Select sales campaign to help SMEs sell and promote their homegrown brands and products in Malaysia and Taiwan. The one-month campaign (from 1 to 31 November 2022) was managed by EasyStore with targeted products including auto parts, baby and kids, fashion, F&B and health & beauty.

A total of 283 Malaysian merchants were recruited for the campaign which recorded 9,497 visitors with more than 300 thousands awareness (outreach) from digital marketing activities. The campaign generated RM1,373,176.41 in GMV.

Electronic Business Linkage Programme (eBizLink)

Electronic Business Linkage Programme (eBizLink) is a new high impact initiative introduced by the Malaysian Government under the People and Economic Empowerment Strategic Program (PEMERKASA) through MATRADE, aims to intensify the promotion of Malaysia's export leveraging on digital and hybrid platforms focusing on digital marketing. eBizLink initiative is supported by MATRADE's 46 overseas offices worldwide through strategic collaboration with local and international stakeholders, including relevant governmental agencies, businesses, and industry players. A budget of RM6 million was approved by PEMERKASA for MATRADE to implement eBizLink programmes beginning July 2021 until December 2022 with KPI to achieve export sales of RM60 million and 600 companies assisted.

The programme aims to provide cost-effective and sustainable solutions for MSMEs and Mid-Tier Companies (MTCs) to seize new business opportunities in the global marketplace due to the challenges and prolonged uncertainties bought by the COVID-19. eBizLink focused on Online to Offline (O2O) with emphasis on digital marketing including Key Opinion Leaders (KOLs). Marketing focusing on B2B and B2C online platforms and in-store promotion integrated with social media channels to leverage international or regional online sale campaigns to promote Malaysian products and brands globally.

eTRADE 2.0

MATRADE began implementing eTRADE Programme 2.0, an enhancement and continuation of the eTRADE Programme under the Twelfth Plan, starting in March 2021. The objectives of the programme are to continue assisting Malaysian MSMEs to enlist their products on cross-border e-commerce platforms for exports as well as to enhance the presence and visibility of Malaysian MSMEs via activities that can help to sustain their online businesses, including digital marketing, e-commerce trainings, and online export promotions, with the view of increasing their exposure and realising export opportunities. These established platforms will assist Malaysian MSMEs who wish to kickstart their export business to the global market.

Under eTRADE Programme 2.0, there are two (2) financial schemes for Malaysian MSMEs to enjoy, namely the Onboarding Scheme and the Digital Marketing & Training (DMT) Scheme. Through the Onboarding Scheme, MSMEs can enjoy up to RM5,000 to cover part of the onboarding cost of joining cross-border e-commerce platforms. Through the Digital Marketing & Training (DMT) Scheme, MSMEs are able to utilise up to RM20,000 to undertake digital marketing activities and training programmes for the purpose of export.

From January to December 2022, a total of 40 awareness and outreach activities were conducted, mostly collaboration programmes through webinars with e-commerce platforms such as Alibaba.com, Amazon.com, eBay, PanPages Trinity42 and many more, which consisted of briefing sessions and face-to-face trade consultation at the MATRADE information counter. A total of 3,050 participants joined these programmes.

eTRADE 2.0 Activities



No of Activities
(Outreach and
awareness programmes)

40

Briefing
Session/
Webinar

3,050
participants



MATRADE's New Member Orientation Session, 1 Dec 2022



Seminar: Post Pandemic Export Opportunities for Malaysia Businesses, 30 Nov 2022



Digital Export Entrepreneur Development Workshop, 21 Dec 2022

Coming soon...

Outreach programmes and engagement with



A total of 585 MSMEs were assisted under eTRADE programme 2.0 consisting of 438 MSMEs for Onboarding Scheme and 147 MSMEs for Digital Marketing & Training (DMT) Scheme.

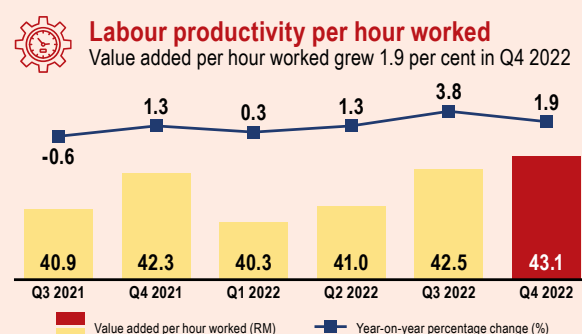
Among the major export markets were China, Hong Kong SAR, the United States of America (US), Saudi Arabia, the United Arab Emirates (UAE), Australia, South Africa and ASEAN countries. The main sectors of MSMEs assisted under eTRADE Programme 2.0 were Prepared Food, Beverages, Pharmaceuticals, Toiletries and Cosmetics, Household Products and Agriculture Products.

MATRADE welcomes Malaysian MSMEs to make full use of the export facilitations available on cross-border e-commerce platforms under the eTrade 2.0 programme. MITI is looking forward to enhance collaboration with associations and chambers in organising seminars, webinars, trade talks as well as trade consultation sessions. It is time to tap the international market through digital platforms.

MALAYSIA'S PRODUCTIVITY REMAINS STRONG

The world has changed eminently during and post-COVID-19 which challenged many assumptions about the way we work and learn. Malaysia is positive to achieve 3.6% increase in productivity as projected. The Ministry of Finance reported strong GDP growth of 8.7% for 2022, exceeding the estimate of 6.5-7% made in October 2022, which shows the recovery of consumer, business, and investor confidence in the national economy. In the fourth quarter of the year 2022, DOSM shows that Malaysia's labour productivity as measured by value added per hour worked improved 1.9% with a value of RM43.1 per hour (ST3 2022: RM42.5; ST4 2021: RM42.3) (Exhibit 5.2).

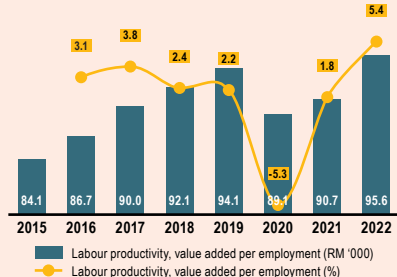
EXHIBIT 5.2
LABOUR PRODUCTIVITY PER HOUR
(2021 AND 2022)



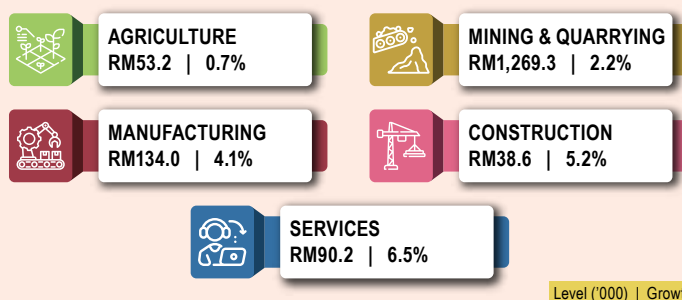
Source: Labour Market Review, Fourth Quarter 2022, Department of Statistics Malaysia (DOSM)

EXHIBIT 5.3
LABOUR PRODUCTIVITY, VALUE ADDED PER EMPLOYMENT

Labour productivity per employment for 2022 increased 5.4% to record value added per employment of RM95,628



Source: Annual Labour Productivity 2022, DOSM



Level ('000) | Growth

Overall, in 2022, labour productivity measured as value added per employment rose 5.4% to record value a level of RM95,628 per person as compared to 2021 (1.8%, RM90,697 per person). As for productivity by sector, the service sector recorded the highest productivity at 6.5% followed by the construction sector (5.2%), manufacturing (4.1%), mining & quarrying (2.2%) and agriculture (0.7%) (Exhibit 5.3).

EXHIBIT 5.4 PRODUCTIVITY GROWTH FOR NINE (9) MAIN SUB-SECTORS

Level (RM) (%)	92,639 -1.4	311,382 2.0	98,383 4.7	216,480 9.1	47,423 12.9	64,413 144.2	384,845 1.2	82,211 11.6	67,971 5.8
									
	Agro-food	Chemical and Chemical Products	Machinery and Equipment	Electrical and Electronics	Retail and Food & Beverages	Tourism	Information, Communication, & Technology	Professional Services	Private Healthcare
Level (RM) (%)	47.0 -1.4	136.1 2.2	42.4 4.6	96.6 13.0	22.0 16.8	31.1 147.1	169.8 3.6	38.3 16.2	31.0 6.8
									

Notes:

- 1)  Labour productivity per employment  Labour productivity per hour worked
- 2) % refers to the annual percentage change from the same quarter of the previous year

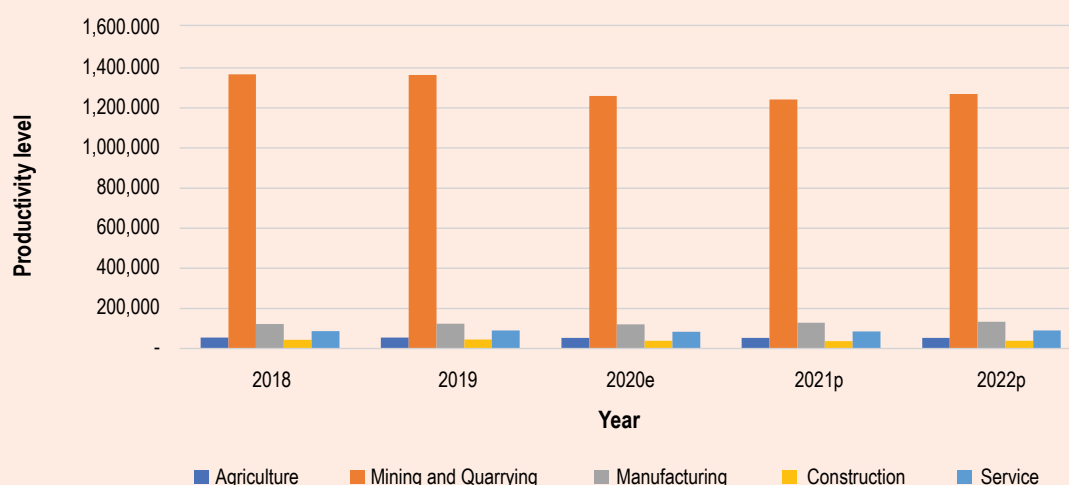
Source: Labour Productivity, Fourth Quarter 2022, DOSM

Productivity growth for three (3) out of nine (9) main sub-sectors recorded double-digits and above, namely the tourism (144.2%), retail and food & beverages (12.9%) and professional services (11.6%) (Exhibit 5.4). While single-digit productivity growth was recorded by E&E (9.1%), private healthcare (5.8%), machinery and equipment (4.7%), information, communication & technology (1.2%), chemicals and chemical products (2.0%), and agro-food (-1.4%).

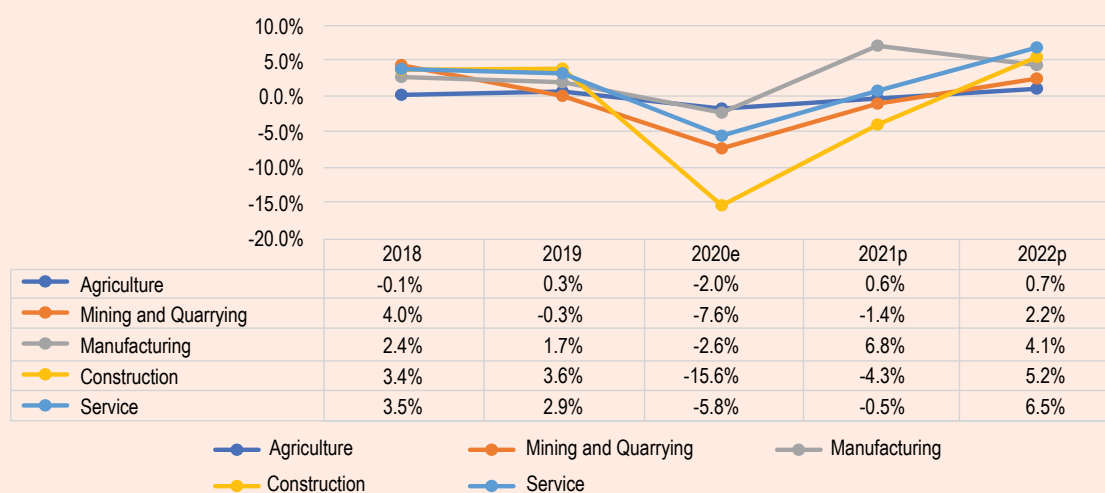
Labour productivity by sector shows that all sectors saw an increase and recovery in 2022 (Exhibit 5.5). The highest productivity growth is driven by the service sector followed by the construction, manufacturing, mining and quarrying and agriculture sectors. The highest productivity growth was driven by the service sector which was 6.5% followed by the construction sector (5.2%), manufacturing (4.1%), mining and quarrying (2.2%) and agriculture (0.7%). All increases have contributed to the growth for 2022 of 8.7% (Exhibit 5.6).

MPC is committed to boosting Malaysia's productivity and has taken initiatives based on four key productivity drivers: talent, technology, business environment, and productivity mindset. Productivity programmes are implemented at the sectoral and enterprise levels through 11 Productivity Nexus, including two (2) new Nexus established under the Twelfth Plan. In addition, productive process improvement affects growth at the enterprise level.

From a policy point of view, the growth of productivity is more important rather than its actual level. High productivity growth indicates the ability of a country to improve the efficiency of its production processes and thus increase wages and incomes over time, whereas a high level of productivity may simply indicate an abundant resource environment. At the same time, realising high rates of productivity growth over a long period is often difficult because it requires continuous improvements in the efficient use of production factors. Productivity growth is already the key driver of growth for many advanced countries but is also expected to become the main driver of economic growth in ASEAN countries over the coming decades.

EXHIBIT 5.5**LABOUR PRODUCTIVITY OF THE MAIN ECONOMIC SECTORS (2018-2022)**

Source: Department of Statistics Malaysia (DOSM)
Note: e – Estimated data; p – Prior data

EXHIBIT 5.6**LABOUR PRODUCTIVITY GROWTH OF THE MAIN ECONOMIC SECTORS (2018-2022)**

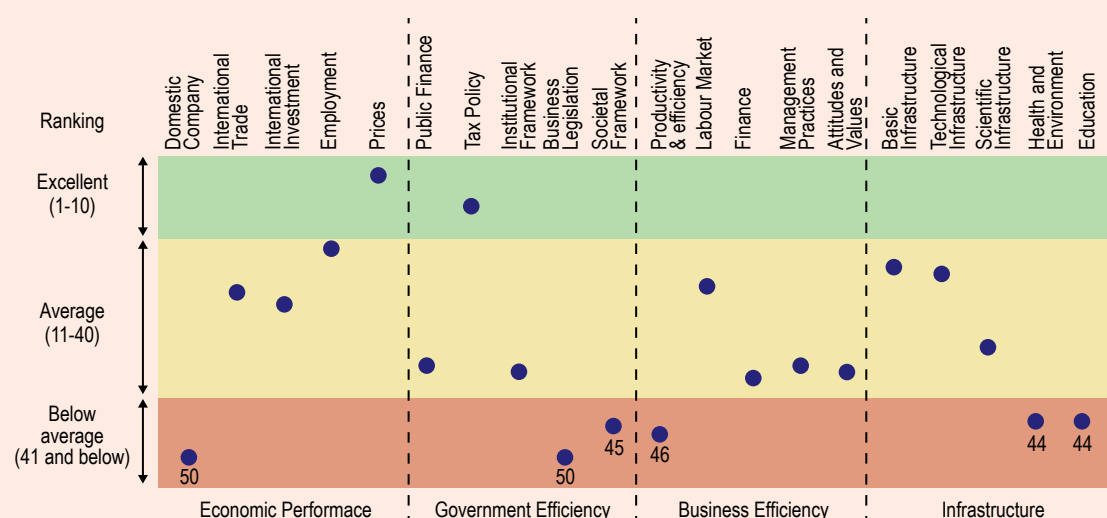
Source: DOSM
Note: e – Estimated data; p – Prior data

REFORMS NEEDED TO IMPROVE COMPETITIVENESS PERFORMANCE

The 2022 IMD Report highlighted four (4) factors that impacted Malaysia's competitiveness. The government efficiency factor experienced a decline, falling from 30th to 38th position, primarily due to low score in the business legislation subfactor. Similarly, the business efficiency category dropped from 24th to 38th position, as a consequence of low scores in the productivity and efficiency subfactor. The infrastructure factor also fell from 32nd to 37th position, mainly due to issues related to the health and environment, and education subfactors.

Despite these declines, Malaysia demonstrated a strong performance in the economic performance category, improving from the 15th to the 12th position. This suggests that the country's economic recovery is heading in the right direction, and it is on a positive growth trajectory (Exhibit 5.7). In summary, the report highlights the need for Malaysia to address the challenges impacting its competitiveness and leverage its strengths to drive sustained economic growth and development.

EXHIBIT 5.7 MALAYSIA'S COMPETITIVENESS PERFORMANCE



Source: IMD World Competitiveness Yearbook 2022

On 6 July 2022, MPC hosted an engagement session with IMD, represented by Director of the World Competitiveness Centre, Professor Arturo Bris in an effort to obtain suggestions for enhancing Malaysia's global competitiveness. IMD observed, as a result of the discussion, that the global competitiveness of most nations have been slower to recover from the COVID-19 pandemic compared to the US and European nations. Before deciding to reopen the economy on 1 April 2022, Malaysia exercised caution, considering the need to strike a balance between protecting lives and ensuring the survival of the population. The IMD also believes that the decline in Malaysia's competitiveness is attributable to a number of external factors, with the country's competitive position expected to improve in tandem with a full economic recovery in the coming year.

According to the MPC's study, Malaysia's competitive position has declined in WCY 2022 as a result of how the domestic business community perceives three factors: Government Efficiency, Business Efficiency, and Infrastructure. This qualitative information is derived from responses to a survey conducted between February and April 2022 regarding the perceptions of top-level management in the private sector.

As an immediate measure to improve Malaysia's competitive performance in 2023 and beyond, the MPC is conducting an in-depth analysis session on factors contributing to the decline in position, as well as engagement sessions with stakeholders and target groups whose performance is related to Malaysia's competitive performance.



In addition, in accordance with the integrated commitment to developing a business-friendly ecosystem for long-term economic sustainability, including attracting high-quality investments, boosting trade, and national productivity growth, MITI is taking the following five (5) measures:

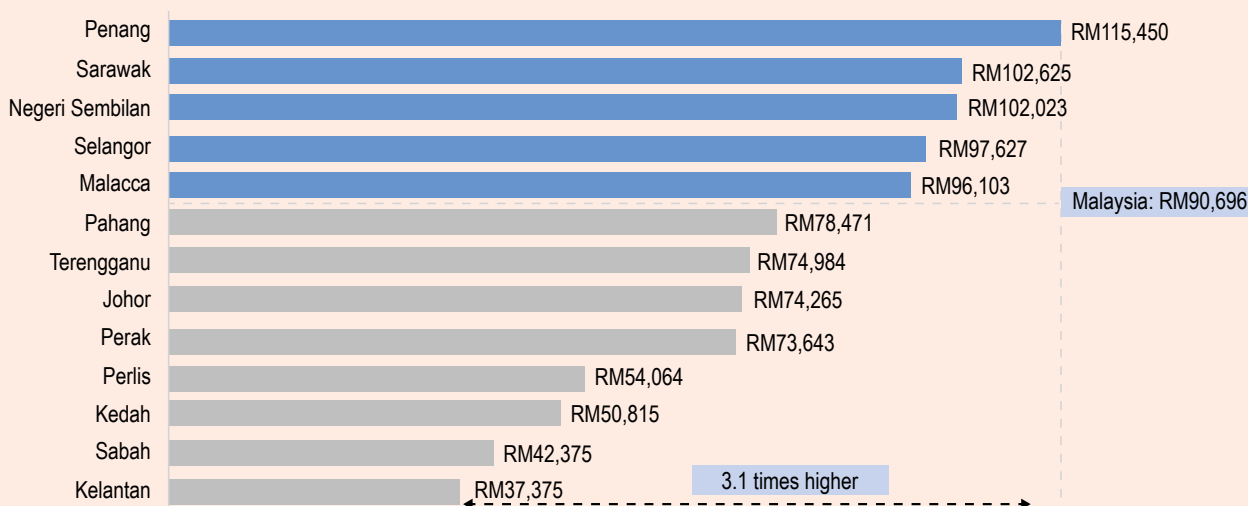
- Strengthening the whole-of-nation approach based on collaboration between the public and private sectors in identifying and enhancing key competitiveness indicators;
- Promoting the adoption of digital technologies in business and society by enhancing the provision of a comprehensive digital technology infrastructure through the implementation of the MyDIGITAL framework;
- Improving the business environment by enhancing transparent and inclusive business regulations necessitates a government-wide strategy and is supported by evidence. The review of enterprise regulations should be periodic and structured to ensure that they are of high quality, pertinent, adaptable, and responsive to current needs and circumstances;
- Strengthening talent development via the Academy in Industry (Aii) programme, an innovative triple helix collaboration designed to engage local talent; and
- Easing the burden of improper business regulation in doing business in Malaysia through the Special Task Force to Facilitate Business (PEMUDAH), as a public-private cooperation platform, to ensure the efficacy of efforts to improve the country's performance and competitive position.

STATE PRODUCTIVITY PERFORMANCE

One of the initiatives that is being carried out to achieve the target of 3.6% productivity growth is through the state level productivity improvement program. Therefore, MPC has collaborated with the State Secretary's Office (SUK), particularly the State Economic Planning Unit, to implement the State Level Productivity Performance Report development initiative to evaluate the state's economic development and planning strategy and analyse the state's productivity performance as well as issues and challenges.

In 2022, the six (6) states that have produced state productivity reports were Negeri Sembilan, Malacca, Perak, Pahang, Sabah and Sarawak. State of Kedah, Perlis, Penang, Johor, Kelantan and Terengganu had come with such a report in the previous year. There is an obvious productivity gap between states. Penang is the most productive state which recorded RM115,450 or three (3) times higher than Kelantan. Only five (5) states identified above national productivity level (Exhibit 5.8).

EXHIBIT 5.8
STATES PRODUCTIVITY PERFORMANCE



Source: DOSM and MPC

EASE OF DOING BUSINESS INITIATIVES

MPC is the secretariat to PEMUDAH to facilitate business and expand the regulatory reform initiatives to the micro level through the MyMudah Programme. It identifies indicators of competitiveness that need to be improved and engages with policymakers to analyse, make recommendations, conduct regulatory experimentation, and proliferate the improvement through the MyMudah Programme.

Furthermore, also has addressed labour shortage issue in Malaysia and came up with the establishment of the Working Group on Human Capital that was parked under PEMUDAH and focussing on four (4) sectors such as manufacturing, construction, agriculture and aerospace. PEMUDAH will play its role to overcome the venture capital shortage issue while identifying potential companies to produce and commercialize technology and innovation products.

At the same time, MPC has taken necessary steps to address the declining competitiveness performance and continue intensive engagement with various government agencies as well as the private sector to improve performance, identify the characteristics of good practices of high-performing countries in competitiveness and evaluate the identified options that can have a positive impact on the country's competitiveness. The initiatives are focusing on ensuring a conducive business environment, strengthen talent development and higher technological adoption.

The Economic Action Council (EAC) approved the implementation of the Malaysia Mudah Programme or MyMudah on 20 July 2020 to aid businesses in avoiding being burdened by improper regulations and reducing the cost of complying with business regulations. Through the MyMudah Program, new employment opportunities and economic expansion can be fostered.

Based on the success of the MyMudah Programme, the EAC, through a meeting on 24 November 2021, has agreed that MyMudah Unit be established in all Ministries and Agencies of the federal government, state government, local authorities, and business associations to accelerate efforts to improve business engagement via a regulatory experimentation approach. MyMudah's mission is to carry out a planned regulatory review to facilitate business, thereby increasing the country's productivity and competitiveness. Prior to submitting and implementing the proposed solutions, the MyMudah Unit will evaluate the raised issues and challenges. Periodically, PEMUDAH and the EAC are informed of the status of issue resolution.

Regulatory experimentation has been carried out to make better regulations before it is applied to the whole country. The goal is to reduce compliance costs by 25% each year by accelerating solutions to companies' regulatory problems. This is to ensure that Malaysian regulations are of the highest quality, comprehensive, flexible, and responsive, and can enhance the country's productivity and competitiveness.

In 2022, nearly 600 regulatory issues have been received by MyMudah. About 51% of the issues were solved in 60 days and the rest belongs to the complex category that needs to be resolved through integrated cooperation between agencies and government as well as regulatory testing implementation. These issues can be resolved quickly through the commitment from MyMudah units. Standardisation and monitoring of the issues were carried out via MyMudah portal (<https://mymudah.gov.my>) by MyMudah units.

The achievements of the MyMudah Programmes in 2022 can be outlined as follows:

- i. Facilitating movement of goods and expediting Licensed Manufacturing Warehouse (LWM) customs GPB AM approval from an average three (3) days to one (1) minute and clearance of goods using a risk-based approach and digitisation leads to compliance cost savings of RM139 million per year. The Regulatory Experimentation (RE) has completed the testing with selected LWM companies in Penang. The expansion of the RE to 2,200 LMW status companies is expected to be completed in 2023.

- ii. Improve drone flight monitoring. Regulatory testing is being carried out to reduce the approval process for drone handling permits from 21 days to instant approval. Through this project, by 2023, it was estimated that 1,000 drones will be operated daily for the purpose of mapping, maintenance, and agriculture, with a potential profit to the nation of RM180 million per year.
- iii. Closed chicken farming programme with the utilisation of digital technology is being tested with the involvement of the state government, local authority unit and industry players in Manjung. Manjung was selected because it has great food industry ecosystem (farm to plate). Through this initiative, the number of technical agencies can be reduced from 19 to three (3) agencies and compliance cost saving potential for about RM10 million per year. In 2022, four (4) existing farms have been chosen to carry out the pilot testing.
- iv. The success of Express 10-month (E10 - is the fast-track process in dealing with construction permits introduced by Kulim Municipal Council) has been expanded to other local authorities. Kulai Municipal Council has introduced the Kulai Fast Lane (KFL) using concepts such as E10. KFL enables an investor to begin operation (operating licenses are issued after 24 hours of the Certificate of Completion and Compliance (CCC) is issued).

BOX ARTICLE 5.5 KULAI FAST LANE

Kulai Fast Lane (KFL) is an express approval process to obtain a construction permit at Kulai Municipal Council (MPKu). This initiative is a fast and agile development process that starts from before the plan approval until the building is completed on site and the permission to operate in a short time through a combination of processes at the plan approval stage, Certificate Completion and Compliance (CCC) and operating license. KFL is a collaboration between MPKu with major developers, investors, payment service providers and government departments. For starters, the KFL initiative will use the Sedenak Tech Park Malaysia and Senai Airport City projects as experiments. To attract high-quality investments, trade and the country's productivity growth, the MPC together with the Johor State Government committed to facilitating business and promoting pro-business policies in Johor.

This initiative will address the issue of delay in starting high-impact factory operations from development approval application to obtaining operating permits. In addition to improving the economy and productivity of the state of Johor, this investor-friendly initiative can also strengthen the conducive business environment and increase new job opportunities in the state.

The advantages of KFL are: application of three (3) simultaneous plan approvals (Planning Permission, Building Plan and Engineering Plan); preliminary site entry permission for site clearing works; permission for the entry of large machines before the building is completed; and the operating license is granted within 24 hours after the CCC is issued among the reasons investors are interested in investing in Kulai. To date, 16 development applications have been submitted through the KFL and one (1) project has been fully completed together with the CCC, creating 5,000 jobs with an estimated investment of RM17.1 billion.

KFL was approved as a pilot project during the Johor State Planning Committee (MJPNJ) Meeting. The NRD meeting has decided that the implementation of KFL by MPKu be extended to all Johor Local Authorities (PBT) which will be known as Johor Fast Lane.

The implementation of KFL improvements in Kulai and all PBT in Johor through Johor Fast Lane, is expected to contribute to the average annual productivity growth of the State of Johor by 3% until 2025.

Source: Malaysia Productivity Corporation (MPC)

Behavioural Insights (BI)

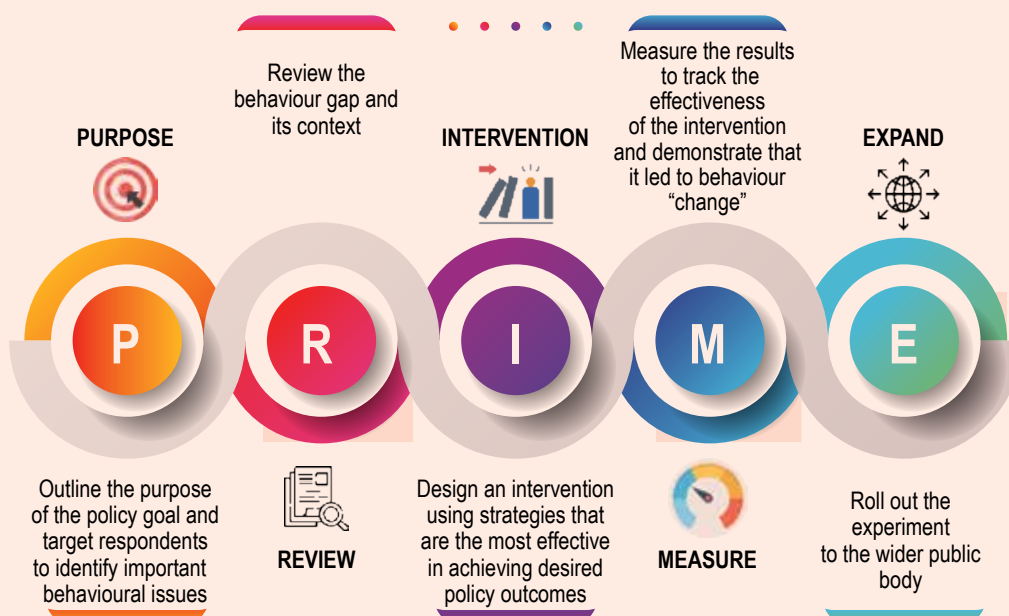
Initiatives to apply Behavioural Insights (BI) approach are also in place and timely to boost the public compliance with COVID-19 standard operating procedures which will decrease the enforcement cost by 25%. Moving forward, MPC has designed a five (5) years roadmap of BI in public policy, and it is one (1) of the agendas in the Twelfth Plan. By the end of 2022, MPC has developed guidelines and basic training modules to lay the foundation of BI in the civil service. The establishment of BI units in public service offices will have an impact on policy development and implementation.

Another example on the MPC initiative on BI is that MPC has hosted the National Conference on Behavioural Insights 2021 and 2022. The theme for the National Conference on Behavioural Insights 2021 was “Spearheading Efficient Public Policy Delivery”. Meanwhile, the theme for 2022 conference was “Mainstreaming Behavioural Insights for Better Policy”.

MPC also has developed and introduced two (2) documents namely National Behavioural Insights Guideline for Ministries, Agencies and State Local Authorities and PRIME Framework: Applying Behavioural Insights for Better Public Policy to be followed by regulators (Exhibit 5.9).

EXHIBIT 5.9

PRIME FRAMEWORK APPLYING BEHAVIOURAL INSIGHTS FOR BETTER PUBLIC POLICY DEVELOPED BY THE MALAYSIA PRODUCTIVITY CORPORATION



Source: MPC

The guidelines establish the PRIME framework to equip policymakers with simple processes, design strategies and methods for implementing BI. PRIME consists of the following:

- Purpose:** Outline the purpose of the policy goal and target respondents to identify important behavioural issues.
- Review:** Review the behaviour gap and its context.
- Intervention:** Design an intervention using the most effective strategies to achieve desired policy outcomes.
- Measure:** Measure the results to track the effectiveness of the intervention and demonstrate that it led to behaviour change.
- Expand:** Roll out the experiment to the wider public body.

BETTER SKILLS CREATE WELL-PAID JOB

Academy in Industry (Ail)

A nation's prosperity depends on its robust productivity growth, and both external and internal factors play a role in driving business productivity. Government regulations and policies, as well as employee skills, level of technology use, and good management practices, are all critical factors that can impact productivity growth.

Ail, programme introduced by the MPC, aims to promote talent from industry to industry, and it can help address the country's labour shortage while improving the performance and academic success of the workforce. With Malaysia currently ranking 59th in the mean years of schooling indicator, the Ail program could be a step towards better educational outcomes in the future. In addition to Ail, the Replacement of Foreign Worker (RFW) programme is another initiative aimed at addressing the labour shortage in Malaysia.

The MPC is currently working with relevant authorities, business associations and industry players to strengthen Ail which is expected to address the mismatch of specific skills and the inadequacy of compensation and wage schemes. The programme will offer 300,000 job placement by training young people across Malaysia in high-impact productivity sectors.

MPC with the consent of the relevant stakeholders agreed to provide opportunities for those who have basic skills such as writing, reading and arithmetics to be upskilled and pursue their higher education through Ail initiative.

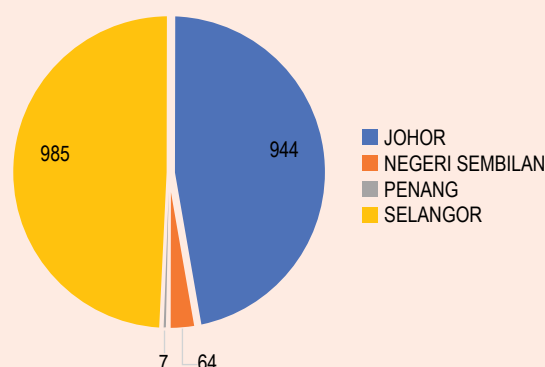
Participation is open to all Malaysian aged 18 to 40 categorise as school leavers, TVET and universities graduates, return-to-work labor force and untapped workers. This initiative is also open to vulnerable and indigenous youths. MPC has a strong collaboration with Department of Skills Development (JPK) on the National Dual Training System (SLDN), Recognition for Prior Achievement (PPT) and Microcredential accreditation for Ail talents.

Replacement of Foreign Worker (RFW) Programme

From 2018 to 2020, about 1.4 to 2 million foreign workers were registered in Malaysia. The COVID-19 pandemic and Control Movement Order (MCO) have had a negative impact on the company's operations, particularly the service and manufacturing sectors. Most businesses must cease operations and let go of their foreign employees. As the government opened the economy, the Ministry of Finance (MoF) introduced the Economic Recovery Plan (PENJANA) Programme to address labour shortages in manufacturing sectors. MPC has implemented the RFW programme to give young local talent the opportunity to work in the manufacturing and manufacturing-related services sectors.

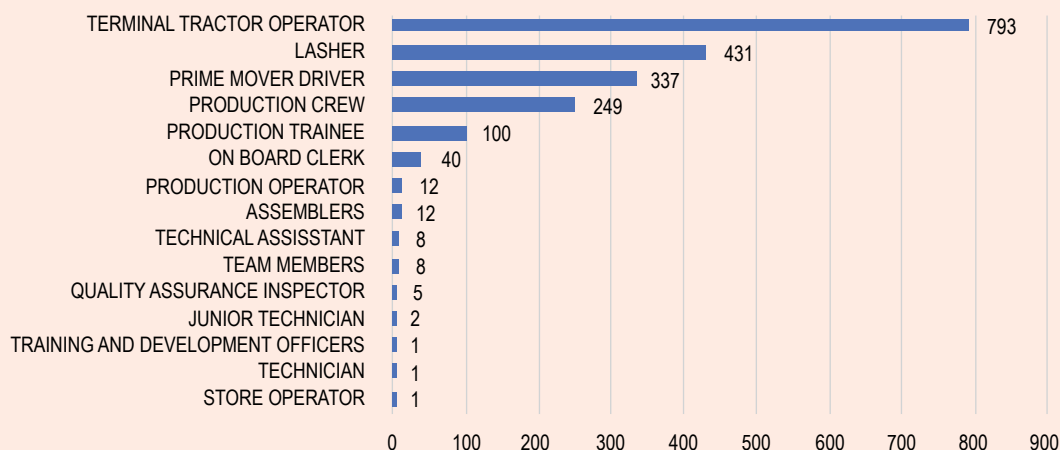
The RFW programme was held from August until December 2022 with the expectation to reduce the dependency of companies on foreign workers and ensure stable companies operations. MPC has collaborated with the National Organisation of Skilled Workers (PKPB). In 2022, the RFW programme has achieved the target where 2,000 job seekers have been hired with a salary range between RM1,500 and RM2,000 (Exhibit 5.10)

EXHIBIT 5.10
PLACEMENTS BY STATE FOR REPLACEMENT
OF FOREIGN WORKER (RFW) PROGRAMME
CANDIDATES IN 2022



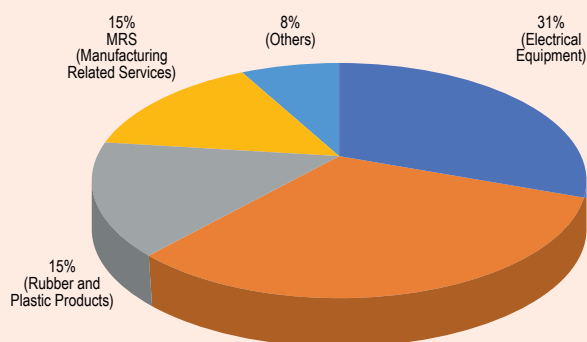
Source: MPC

EXHIBIT 5.11
NUMBER OF JOB PLACEMENTS IN THE REPLACEMENT OF FOREIGN WORKER (RFW) PROGRAMME IN 2022
– BY POSITIONS



Source: MPC

EXHIBIT 5.12
PERCENTAGE OF CANDIDATES ACCEPTED IN THE REPLACEMENT OF FOREIGN WORKERS (RFW) BY MANUFACTURING SUB-SECTORS IN 2022



Source: MPC

DIGITAL ECONOMY OUTLOOK

Looking at the progress achieved in recent years, MITI is optimistic that the digital economy will continue to grow steadily owing to the vigorous and comprehensive efforts being undertaken to confront the challenges of the aftermath of COVID-19. These efforts will undoubtedly be multiplied in 2023 and the years to come. The business community is becoming more sensitised and conscientious on the benefits that digitalisation could offer in enhancing their operation, entrepreneurship and trade competitiveness. Hence, it is contributing towards better productivity at both firm and macro levels.

MITI through responsible agencies such as MPC will provide the necessary support to achieve the targets and objectives set by the Government. The digital economy will be a major contributor to the efforts in strengthening the country's economy as a whole. For example, as an immediate measure to improve Malaysia's competitive performance in 2023 and beyond, the MPC is conducting an in-depth analysis session on factors contributing to the decline in position, as well as engagement sessions with stakeholders and target groups whose performance is related to Malaysia's competitive performance.



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