



ASEAN-BAC
Malaysia

PATHWAY FOR MALAYSIA 2022 REPORT

INSIGHTS FROM
ASEAN-BAC MALAYSIA
VIRTUAL DIALOGUE
2022

The ASEAN Business Advisory Council (ASEAN-BAC) Malaysia Chapter is an integral participant in the regional ASEAN-BAC with regular participation at all Council Meetings and Consultations with the leaders. For the 18 years that the ASEAN-BAC Malaysia Chapter has been in operation, various recommendations, feedback and input have been provided during the consultation with the ASEAN Economic Ministers and ASEAN Heads of State at the regular ASEAN Consultation and Business Summits. At the same time, various studies on the national and regional economic climate have been conducted to substantiate the recommendations, some of which have already been incorporated into the guidelines of the overall ASEAN Economic Community Agenda.

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ABOUT ASEAN BUSINESS ADVISORY COUNCIL (ASEAN-BAC)



A S E A N - B A C

The ASEAN Business Advisory Council (ASEAN-BAC) was established by the ASEAN Heads of State and Government (HOSGs) at the 7th ASEAN Summit in November 2001 in Bandar Seri Begawan, Brunei Darussalam. Launched in April 2003, ASEAN-BAC was set up with the mandate to provide private sector feedback and guidance to boost ASEAN's efforts towards economic integration. Aside from providing private sector feedback on the implementation of ASEAN economic cooperation, the Council also identifies priority areas for consideration of the ASEAN Leaders. Accordingly, ASEAN-BAC's activities are primarily focused on reviewing and identifying issues to facilitate and promote economic cooperation and integration.

For further information on ASEAN BAC, please visit asean-bac.org.

ABOUT ASEAN BUSINESS ADVISORY COUNCIL (ASEAN-BAC) MALAYSIA



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

The initiatives are set in accordance with the guidelines and timeline of the implementation of the ASEAN Economic Community (AEC) formed in 2015 and during Malaysia's Chairmanship.

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

For further information on ASEAN BAC Malaysia, please visit aseanbac.com.my.

MESSAGE FROM THE COUNCIL MEMBERS



**Tan Sri Dato' Dr. Mohd Munir
Abdul Majid**
Chairman



Tan Sri Yong Poh Kon
Council Member



Raja Singham
Council Member

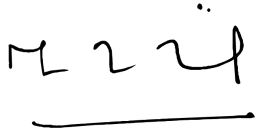
Hardly out of the frying pan, we are already into the fire. As the COVID-19 pandemic recedes, we are hit by the economic consequences of the Ukraine war.

Indeed when we had our virtual dialogue in March, Russian forces had already moved into Ukraine, and fears were expressed of its impact. Now the full consequences are being felt, with high prices and shortages of food, commodities and energy.

It is not an easy time for businesses. While the issues raised at the dialogue, now fully embedded with rising interest rates and the spectre of stagflation, are not easy to be resolved, greater consultation and discussion would help businesses not feel helpless.

ASEAN-BAC Malaysia has conducted numerous engagements and dialogue sessions over the last two years with local and foreign chambers, government agencies and professional bodies. These interactions have provided valuable feedback on the issues and problems faced by local and foreign businesses in Malaysia. ASEAN-BAC Malaysia has summarised these issues and recommendations in several reports so the government can address them to create a more conducive business environment and increase our competitiveness.

We hope MITI and the Government could engage more with the private sector and give hope by doing what is possible - like getting CPTPP ratified and coaching the MSMEs on how to take advantage of RCEP which has been ratified, thanks to MITI's strong commitment. ASEAN-BAC Malaysia stands ready to work together with MITI to facilitate solutions and give comfort in these challenging times.



**Tan Sri Dato' Dr. Mohd Munir
Abdul Majid**
Chairman



Tan Sri Yong Poh Kon
Council Member



Raja Singham
Council Member

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INTRODUCTION

In 2021, ASEAN BAC MY produced the *Pathway for Malaysia 2021 Report*, a compilation of issues businesses were facing during the COVID-19 pandemic, reflected as 137 recommendations to tackle the challenges before Malaysia entered the endemic phase. The report was presented to the Senior Minister of International Trade and Industry (MITI) Yang Berhormat Dato' Sri Azmin bin Ali on 4 March 2021 and following the submission of the report, one of the key interests of businesses - the Regional Comprehensive Economic Partnership (RCEP) for Malaysia entered into force on 18 March 2022. The business sector is also pleased to learn that the MITI completed the cost and benefit study for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and MITI aims to ratify the FTA in the third quarter of 2022.¹

This year, the Pathway for Malaysia 2022 Report, was produced by consolidating the input provided during the ASEAN-BAC Malaysia Virtual Dialogue on 30 March 2022. The dialogues were held with the three core groups of business organisations based in Malaysia, namely (i) trade associations and chambers, (ii) foreign trade associations, and (iii) professional bodies to gauge macro business sentiments in 2022. It is hoped that the Malaysian government review these insights and consider the proposed recommendations from the private sector.

The insights generated from the 3 sessions held have been further grouped according to the following categories:

- (i) Domestic issues in Malaysia
- (ii) ASEAN related issues for action by the Malaysian Government
- (iii) ASEAN related issues for action at the regional level

¹ TheEdgeMarket, [Malaysia aims to ratify CPTPP by third quarter of 2022, says Azmin Ali](#). 8 March 2022.

EXECUTIVE SUMMARY

The ASEAN-BAC Malaysia Virtual Dialogue on 30 March 2022 was attended by 55 trade associations and chambers, foreign trade associations, and professional bodies in Malaysia. Three sessions were held with stakeholders to discuss international and domestic issues and sentiments affecting trade and businesses in the ASEAN region.

145 issues and recommendations were raised and over 87% of the organisations that participated in the virtual dialogues were facing domestic issues. The following were concerns that were seen to have a profound impact on Malaysian businesses domestically and in the ASEAN market:

1. Regional Comprehensive Economic Partnership (RCEP)
2. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) ratification.
3. The Ukrainian war caused the risk of speculation and stagflation.
4. Increase in interest rates in Europe, US and UK which may attract financial resources away from developing countries.
5. Increase in energy prices.
6. Increase in commodity prices.
7. Labour supply issues
8. Funding, taxes and incentives

CHAPTER 1: ISSUES IMPACTING BUSINESSES IN MALAYSIA

1.1 OVERVIEW OF ECONOMIC TRENDS, TRADE AND FDI

RCEP: The Regional Comprehensive Economic Partnership (RCEP) agreement entered into force on 1 January 2022 for Australia, New Zealand, Brunei Darussalam, Cambodia, China, Japan, Laos, Singapore, Thailand and Vietnam. RCEP entered into force for the Republic of Korea on 1 February 2022 and for Malaysia on 18 March 2022.² The agreement is expected to further boost FDI and enhance economic integration. Taken together, RCEP member states constitute about 15% of global FDI stock and more than 33% of global FDI flows in 2020.³ While this creates opportunities for the region, there is also a need to realistically address the challenges posed by RCEP to ensure that ASEAN businesses are ready to remain competitive.

IPEF: On a more recent front, the Indo-Pacific Economic Framework for Prosperity (IPEF) was launched on 23 May 2022⁴ and identified ASEAN as a key ground of competition.⁵ Although not a free trade agreement, the IPEF framework enables countries to exchange and benefit from each other's economic, technological, and resource advantages.

CPTPP: While nine out of eleven^{6,7,8,9,10,11,12,13,14} of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) active signatories have ratified the agreement, businesses in Malaysia continue to call for the ratification of the CPTPP to enhance trade for Malaysian businesses and welcome MITI's ratification timeline in the third quarter for Malaysia.

² Department of Foreign Affairs and Trade Australia (DFAT), [Regional Comprehensive Economic Partnership | Australian Government Department of Foreign Affairs and Trade](#), 25 June 2022.

³ ASEAN, [ASEAN launches Investment Report 2020-2021: Investing in Industry 4.0](#), 8 September 2021.

⁴ The White House, [Fact Sheet: In Asia, President Biden and a Dozen Indo-Pacific Partners Launch the Indo-Pacific Economic Framework for Prosperity | The White House](#), 23 May 2022.

⁵ International Institute for Strategic Studies, [The political significance of the new Indo-Pacific Economic Framework for Prosperity](#), 31 May 2022.

⁶ The New Zealand Beehive, [CPTPP law in the House as Mexico first to ratify | Beehive.govt.nz](#), 28 June 2018.

⁷ Parliament of Australia, [Customs Amendment \(Comprehensive and Progressive Agreement for Trans-Pacific Partnership Implementation\) Bill 2018 – Parliament of Australia](#), 2018.

⁸ New Zealand Beehive, [New Zealand ratifies CPTPP during trade minister's trip to Ottawa and Washington | Beehive.govt.nz](#), 25 October 2018.

⁹ Singapore Ministry of Trade and Industry, [CPTPP](#), n.d.

¹⁰ Government of Canada, [Timeline of the CPTPP](#), 17 December 2018.

¹¹ New Zealand Beehive, [Viet Nam seventh nation to ratify CPTPP | Beehive.govt.nz](#), 18 November 2018.

¹² The New Zealand Beehive, [Japan, world's third largest economy, ratifies CPTPP | Beehive.govt.nz](#), 6 July 2018.

¹³ Peru Congressional News Centre, [Pleno aprueba Tratado Integral y Progresista de Asociación Transpacífico - Comunicaciones](#), 15 July 2021.

¹⁴ Government of Canada, [CPTPP partner: Peru](#), 7 March 2022.

Malaysia's announcement of its entering the endemic phase in April 2022 has also sparked confidence in a positive economic outlook. Bank Negara Malaysia forecasted the growth of Malaysia's Gross Domestic Product (GDP) to reach 6.3% in 2022 given the stronger-than-expected 5% growth recorded in Q1 2022.¹⁵ The growth is underpinned by strong domestic demand, continued expansion in external demand, and a further improvement in the labour market. Growth would also benefit from the easing of restrictions, reopening of international borders and implementation of investment projects.

The pandemic has caused significant disruption to the business and economic landscape that Malaysia and ASEAN will need to adapt to, particularly in the areas of technology and e-commerce. However, the economy is expected to remain on its recovery path in line with continued expansion in global growth and higher private sector spending.

Using countries classified as Emerging Market and Developing Economies (EMDE) by the International Monetary Fund as a benchmark, The Global Opportunity Index (GOI) 2022¹⁶ found the ASEAN region (excluding Singapore, Brunei and Myanmar) to be able to offer foreign investors a wide range of opportunities.

Malaysia and Thailand are the two strongest countries in the region, significantly outperforming the average EMDE score, thus ranking higher in comparison to the other 5 ASEAN countries reported (Figure 1). Thailand ranked the highest for business perception and economic fundamentals in the region, while Malaysia ranked highest for financial services, institutional framework and international standards.

¹⁵ Bank Negara Malaysia, [Economic and Financial Developments in Malaysia in the First Quarter of 2022](#), 13 May 2022.

¹⁶ Milken Institute. " [Global Opportunity Index 2022 Focus on Emerging Southeast](#). 2022.

Figure 1 Global Opportunity Index (GOI) 2022
Ranking: Emerging Southeast Asia¹⁷
 (Source: Milken Institute, 2022)

	Business Perception	Economic Fundamentals	Financial Services	Institutional Framework	International Standards & Policy	Total Index Ranking
Cambodia	113	62	90	99	81	95
Indonesia	53	36	78	54	69	57
Lao PDR	104	100	97	104	84	98
Malaysia	25	34	24	21	46	25
Philippines	82	77	95	95	67	83
Thailand	19	19	31	46	68	34
Vietnam	73	24	72	91	79	67
Color Key	<30	31-60	61-90	91-120	120+	

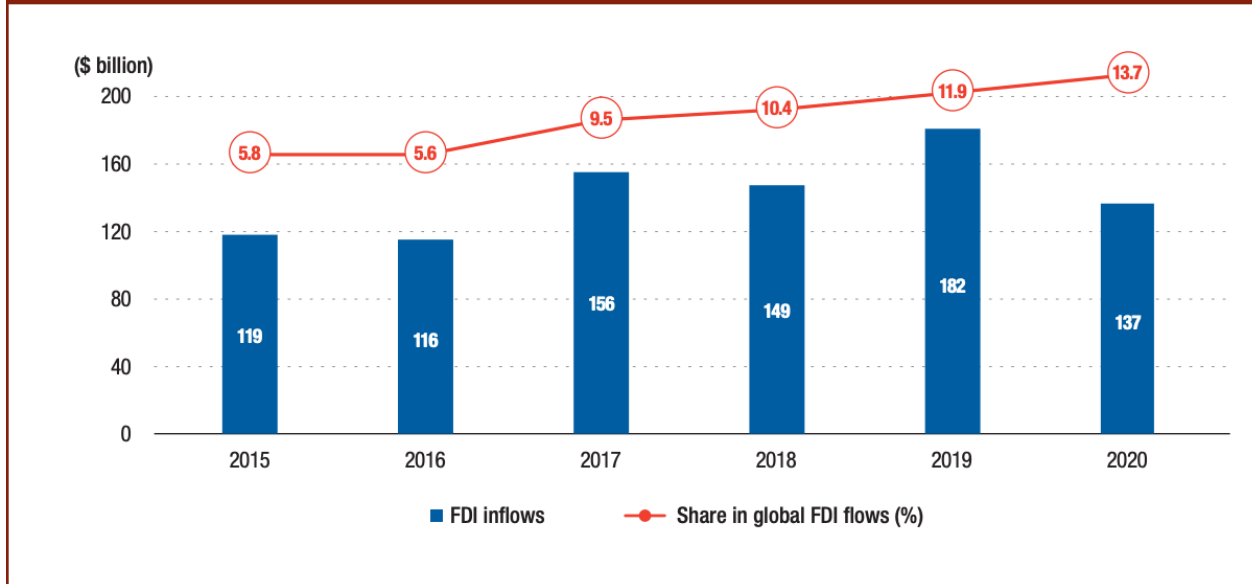
The ASEAN Investment Report 2020-2021¹⁸ found that foreign direct investment (FDI) inflows into ASEAN reached their highest level in 2019 at US\$182 billion, making ASEAN the largest recipient of FDI in the developing world. ASEAN still performed slightly better despite the COVID-19 pandemic as its share of global FDI rose from 11.9% in 2019 to 13.7% in 2020, although the FDI value had dropped to US\$137 billion in the same year (Figure 2). FDI in the digital economy and infrastructure-related industries helped to cushion the fall of FDI in other sectors in the wake of the pandemic.¹⁹

¹⁷ Milken Institute "[Global Opportunity Index 2022](#) -." [Global Opportunity Index 2022 Focus on Emerging Southeast](#) n.d. 2022.

¹⁸ ASEAN , [ASEAN Investment Report 2020–2021](#).8 September 2021.

¹⁹ ASEAN , [ASEAN Investment Report 2020–2021](#).8 September 2021.

Figure 2 FDI inflows to ASEAN and share of FDI received globally, 2015-2020 Global
 (Source: ASEAN Investment Report)²⁰

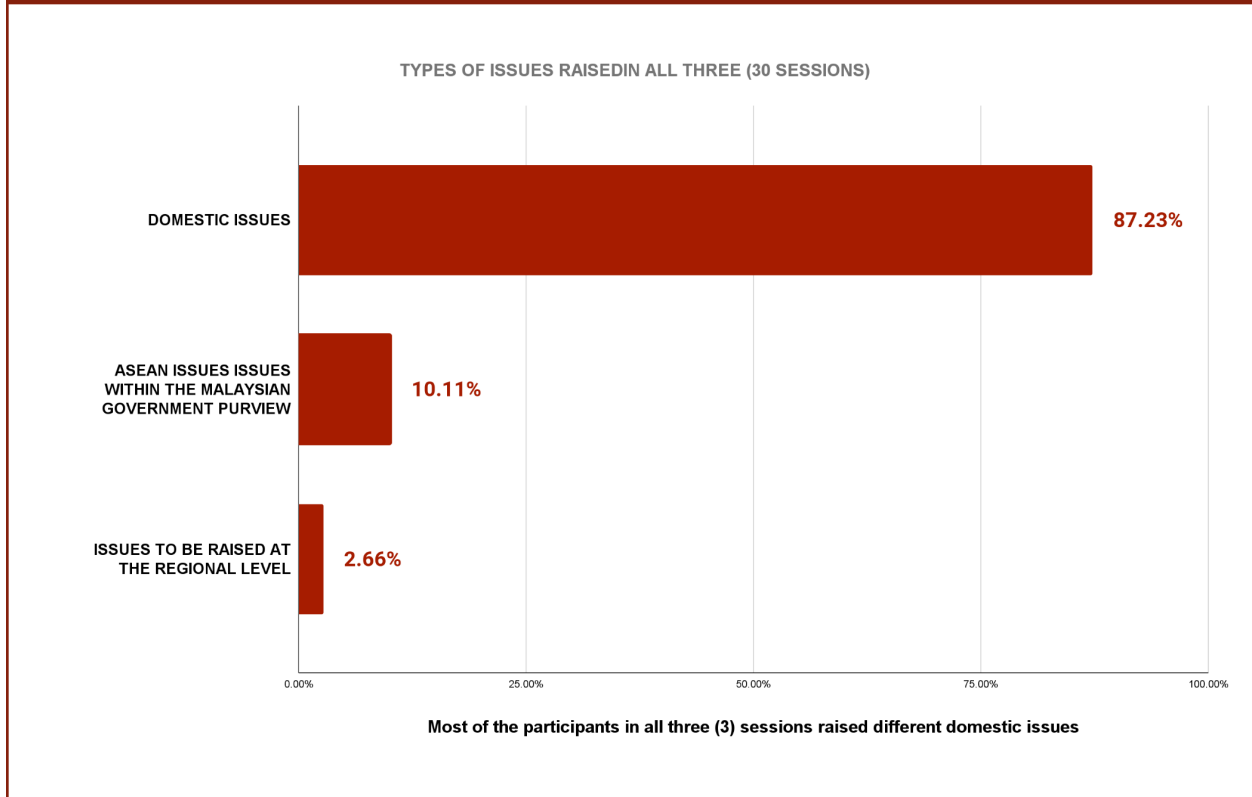


1.2 SUMMARY OF DIALOGUES

When all three sessions are combined, businesses were predominantly concerned with domestic issues, with it making up 87.2% of the 145 issues raised (Figure 3). ASEAN-related issues within the Malaysian government’s purview made up 10.1%, with issues to be raised at the regional level making up 2.7%. These domestic issues were mainly brought up by trade associations, chambers of commerce, and foreign associations. Professional bodies in attendance were generally more concerned regarding financial and human resource-related matters.

²⁰ ASEAN , [ASEAN Investment Report 2020–2021](#).8 September 2021.

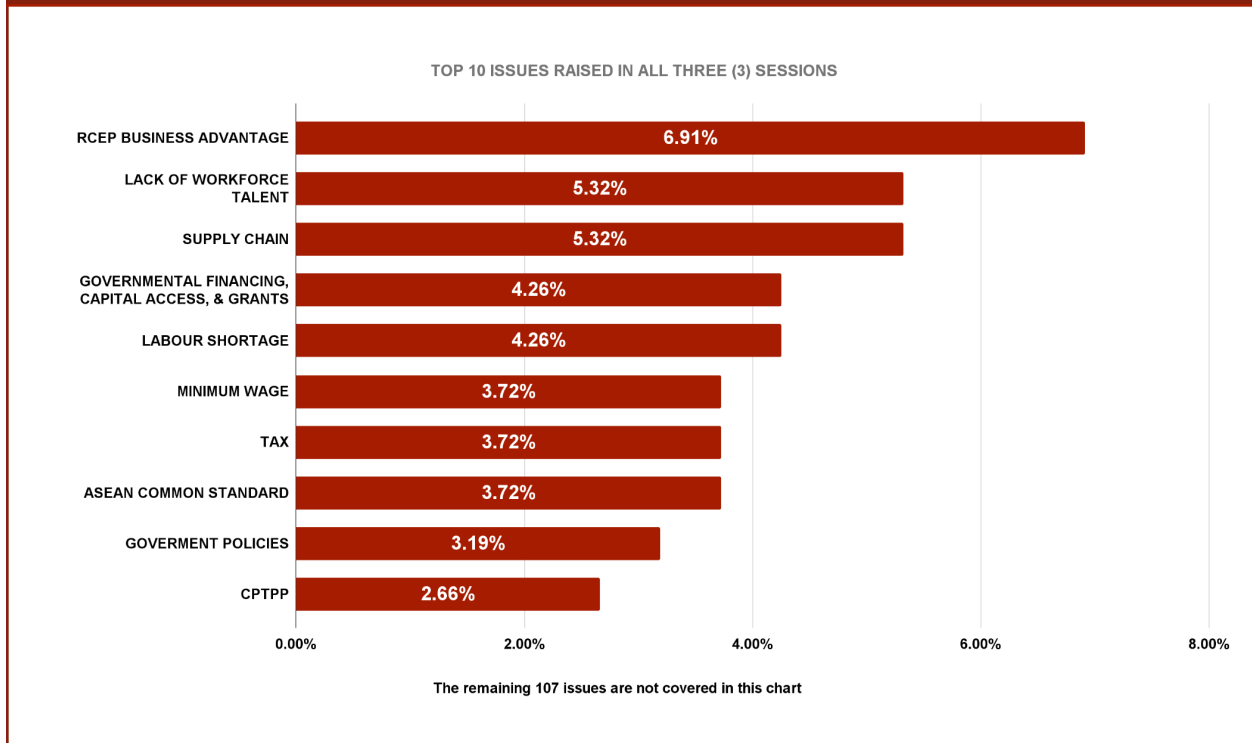
Figure 3 Types of issues raised by the participants in all three sessions
 (Source: ASEAN-BAC MY Virtual Dialogue 2022)



As seen in **Figure 4**, the top 3 concerns raised across the three sessions are awareness of RCEP business advantage (6.9%), lack of workforce talent (5.32%) and supply chain issues (5.32%). Malaysian businesses are not aware of how they can benefit from the RCEP as there is a lack of information and capacity building in this area. The lack of workforce talent was the second most raised issue but other human capital-related challenges such as labour shortages (4.26%) and minimum wage (3.72%) were the 4th and 6th key concerns. Thirdly, supply chain issues arising due to the availability and cost of raw materials, containers and hike in fees at ports are of great concern to businesses.

Figure 4 Top 10 issues raised by trade associations at the ASEAN-BAC Malaysia Virtual Dialogues 2022

(Source: ASEAN-BAC MY Virtual Dialogue 2022)



1.2.1 Session 1 Overview

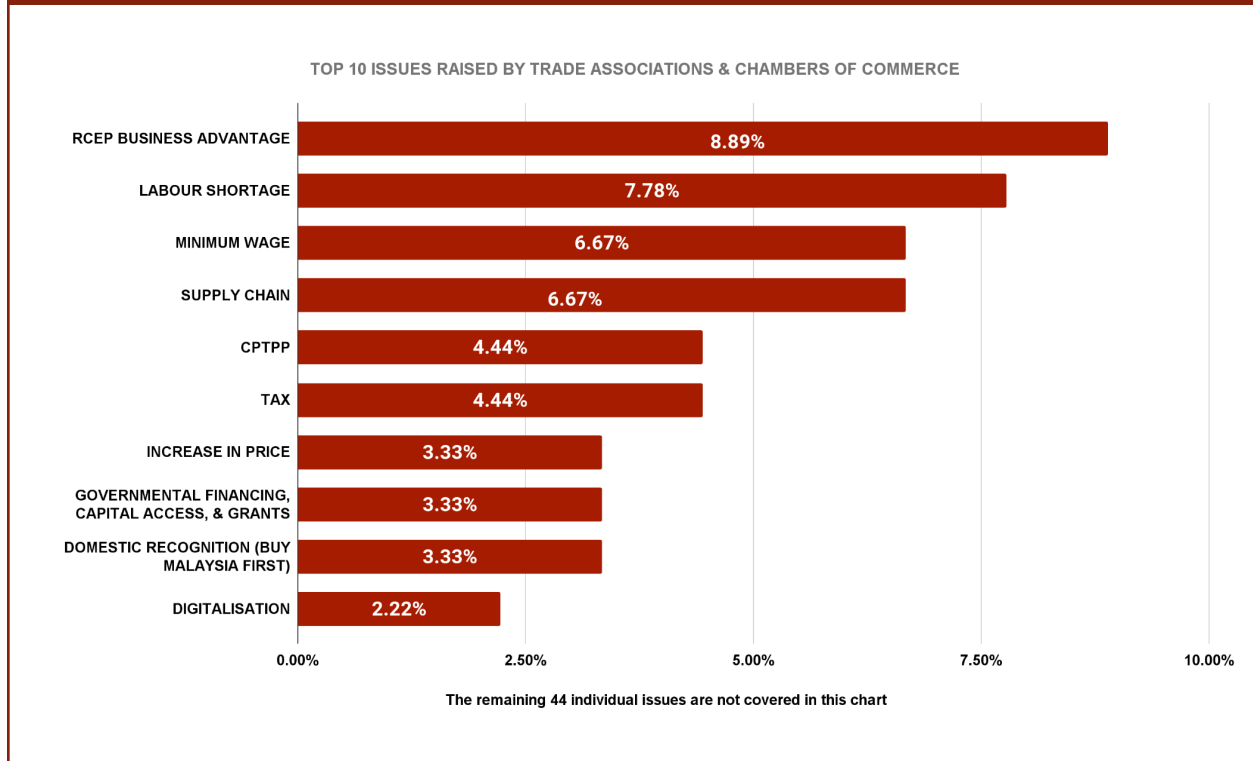
Session 1 of the dialogue was participated by 27 trade associations and chambers of commerce. This session had the most participants and as such contributed the most insights of the three sessions.

Session 1 participants said that Malaysian businesses' awareness of and the ability to leverage the RCEP (8.89%) and CPTPP (4.44%) is the top issue that should be addressed by the government since these agreements can provide businesses in Malaysia with access to new and more lucrative markets internationally (Figure 5). Furthermore, local small and medium enterprises (SMEs) must be prepared to compete with larger and more well-resourced companies in other RCEP markets such as China. Labour shortage (7.78%) makes up the second area of concern for trade associations and chambers of commerce. This included matters relating to labour and skill shortages, minimum wage, inflation, employment and advancement opportunities for women, education, as well as cross-border professional development and accreditation. Sessions 1 participants, however, have considered the increase of minimum wage (6.67%) as the third most important issue, as this has led to a sudden increase in costs for businesses. According to the Ministry of International Trade and Industry (MITI), the country is expected to be the largest beneficiary of the RCEP in terms of gains in

exports, with a projected US\$200 million (RM 837.2 million) increase.²¹ The government has also said that it aims to ratify the CPTPP by Q3 2022.²²

Figure 5 Top 10 issues raised in session 1: Trade Associations and Chambers of Commerce

(Source: ASEAN-BAC MY Virtual Dialogue 2022)



1.2.2 Session 2 Overview

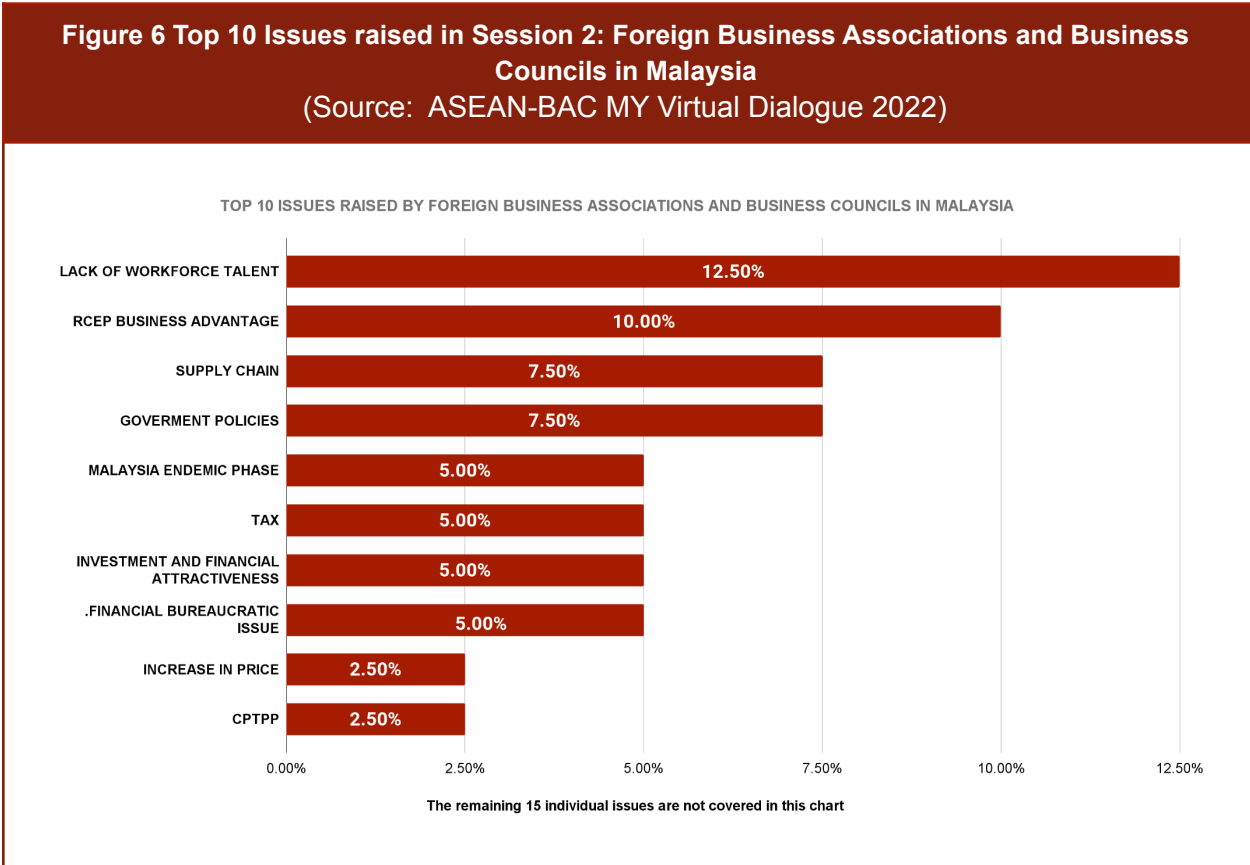
Session 2 was attended by representatives from 11 foreign associations and chambers. Discussions during the session revolved around the financial aspects of businesses such as taxes, investment and financial attractiveness, and financial bureaucratic issues, as well as human capital-related concerns. Despite the Malaysian government's efforts to develop and produce key talented human capital within the private sector, Malaysia still suffers from brain drain.²³

²¹ "MITI: [RCEP a key enabler to revitalise Malaysia business activities.](#)". 21 January 2022.

²² The Edge Markets, "[Malaysia aims to ratify CPTPP by third quarter of 2022, says Azmin Ali.](#)". 8 March 2022.

²³ Business Perspectives, "[The development of talent management in Malaysian public sector: a comprehensive review.](#)". 23 May 2019.

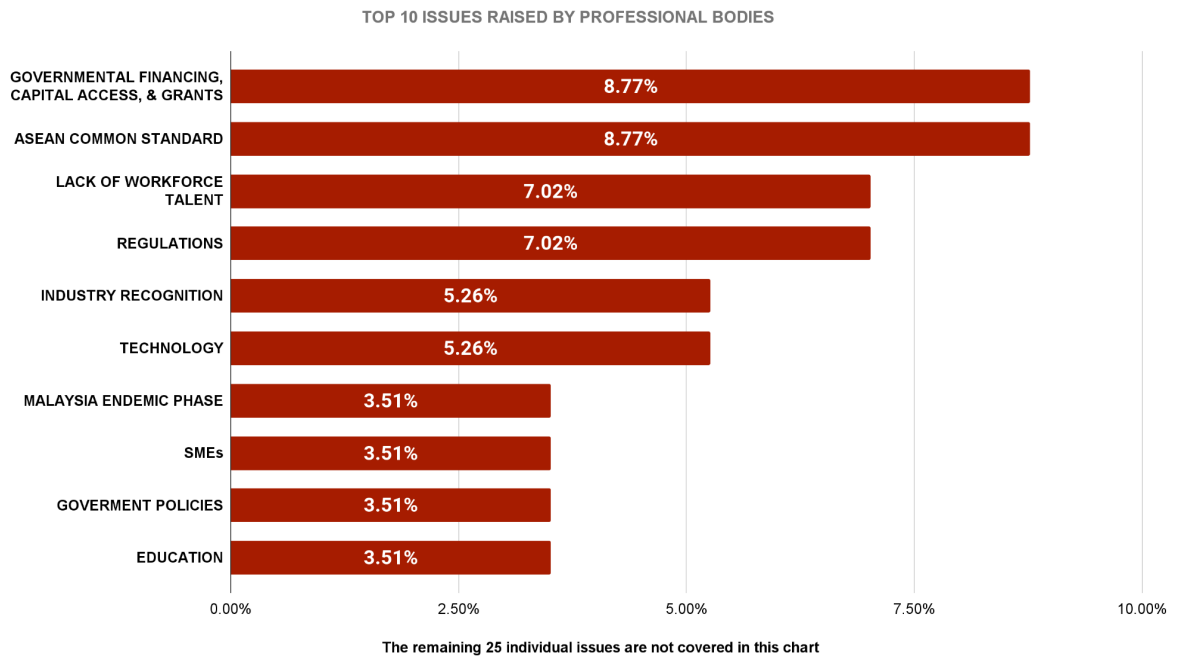
Foreign associations and industries were concerned with the domestic issues experienced by foreign companies based in Malaysia. Workforce issue is again one of the top three main topics of discussion as per session 1 (Figure 6). However, foreign associations and industries are now concerned with the lack of workforce talent (12.5%) in the country, followed by awareness of the advantages of RCEP (10%). Supply chain issues (7.5%) and Malaysian government policies (7.5%) were both the third most discussed issues.



1.2.3 Session 3 Overview

Access to government funds, capital and grants were the main issues for the 14 professional bodies represented in Session 3, with 8.77% of participants voicing concern in this area (Figure 7). Equally important is the ASEAN Common Standard (8.77%), where professional bodies felt there was a need to harmonise policies and regulations relating to professional standards and recognition at both ASEAN and country levels. At 3rd and the 4th place at 7.02% are access to talent and workforce and the strict regulations and government policies in relation to professional bodies (7.02%). Professional bodies further seek governmental and industry recognition (5.26%) and government support and funding to assist them in the adoption of technology (5.26%) to become more competitive in light of IR4.0.

Figure 7 Top 10 Issues raised in Session 3: Professional Bodies in Malaysia
(Source: ASEAN-BAC MY Virtual Dialogue 2022)



CHAPTER 2 RECOMMENDATIONS

2.1 DOMESTIC ISSUES IN MALAYSIA

Approximately 87.23% of the organisations that participated in the virtual dialogues were facing domestic issues.

2.1.1 Regional Comprehensive Economic Partnership (RCEP)

The RCEP that entered into force in Malaysia on 18 March 2022 was meant to establish a modern, comprehensive, high-quality and mutually beneficial economic partnership that facilitates the expansion of regional trade and investment and contribute to global economic and development.²⁴ The trade liberalisation is expected to result in the removal of non-trade-barriers (NTBs), increase trade facilitation, removal of barriers to service sectors and potentially lead to enhancement of the business environment through regulations and intellectual property protection, government procurement and e-commerce. RCEP also enhances the cognition of the role of SMEs in contributing to economic growth, employment and innovation.

Issues related to the RCEP was the top issue raised during the dialogue. The key issues observed were:

1. Increase awareness of RCEP among business communities in Malaysia

Most businesses in Malaysia—especially SMEs—are not aware of the RCEP or how they can benefit from it. This could impact their businesses down the road when there is increased competition from other ASEAN countries with the opening of markets.²⁵ According to one foreign business association, studies were conducted to survey the public's level of awareness and perception of RCEP in Malaysia. The result showed that a significant number of businesses were unaware of the RCEP and unsure of how they could move forward.

RCEP promotions were minimal and/or vague, which contributes to the lack of awareness among the private sector in Malaysia. Participants say that promotional materials should include the current trends and statistics on the benefits of RCEP for countries that have implemented it, how the provisions in the agreement can be applied by Malaysian SMEs, as well as ways to enter the ASEAN market. Such information would be crucial for SMEs to leverage the RCEP to promote their business to other member states.

²⁴ MITI, [RCEP](#). n.d.

²⁵ The Star, [Insight - Ride the RCEP train or be left behind. SMEs told | The Star. 14 March 2022.](#) n.d.

The target audience could also be extended to students, MSMEs, industries in Malaysia, foreign associations, and other business communities. Aggressive social media and email campaigns can be implemented to target these groups to educate them on the RCEP. Ensure education is key to preparedness for RCEP.

2. Increase SME transformation efforts, including providing grants and incentives.

This is needed to support SMEs capability building in market development, e-Commerce, automation, market development, technology and regulation to remain competitive and to expand their reach abroad in light of RCEP. The government must continue to encourage the business transformation by providing tax incentives, ensuring manpower, skill development and most importantly, technical support to SMEs.

3. Provide clear provisions for intellectual property (IP) protection.

There is still uncertainty around the RCEP's intellectual property (IP) provisions. RCEP countries are a major source of IP. Two-thirds of the three million patent applications came from ASEAN countries. ASEAN being the major originator of IP, it is crucial to have effective regional cooperation and shared levels of protection and enforcement between RCEP countries.²⁶ IP includes copyrights and related rights, patents, trademarks, and trade and confidential information. IP laws are generally sufficient to meet updated RCEP standards. IP laws available in Malaysia are the Patents Act (1983), Industrial Design Act (1996), Trade Marks Act (2019), and Copyright Act (1987).

4. Establish a ground-level task force to drive RCEP implementation.

5. Guide and advise businesses on how to take advantage of the RCEP. Provide information and guidance on the specifics of the FTA and help businesses take advantage of it such as by establishing a business matching programme, monthly events on the RCEP, and public-private engagements.

6. Equip local SMEs to face fierce competition from China. RCEP was often labelled inaccurately as "China-led" but it is actually a triumph of ASEAN's middle-power diplomacy.²⁷ China is a country with a great deal of financial resources and it could be a tough competitor for other RCEP countries. Although Malaysia has had a great relationship with China, there remain concerns about the government's initiatives to prepare local SMEs to face incoming challenges as well as explore the opportunities offered by RCEP.

²⁶ Ministry of Trade and Industry Singapore, [Understanding the RCEP Intellectual Property Chapter](#). n.d.

²⁷ The Brookings Institution, ["RCEP: A new trade agreement that will shape global economics and politics"](#). 16 November 2020,

2.1.2 Human Capital

Despite the pandemic that has hit in 2020, Malaysia's unemployment rate has been decreasing from 4.8% in 2020 to 4.3% in 2021, and the number of unemployed persons fell by 8.7% to 694,000 in 2021 from 760,700 in 2020²⁸ – an all-time low for Malaysia since the pandemic hit. The trend continued to decline to 4.2% in January 2022 and 4.1% in February 2022²⁹ as demand for labour surged with the momentum of the economy reopening and businesses return to longer operational hours and full employment capacity. The removal of the interstate travel ban coupled with the permission to organise social and recreational events also simulated the domestic tourism activity and further led to the recovery of demand for labour in these areas.³⁰This was echoed by participants in all three sessions of the dialogue.

(a) Talent and Labour Shortage

Local manufacturers are operating under capacity even as they increase wages to attract local workers. Even with an attractive salary, manufacturers still fail to fill up these vacancies. This results in difficulties for the manufacturers and businesses as they struggle to fulfil orders due to the shortage of workers.³¹

7. Increase transparency and efficiency of visa processing for foreign labour.

The government needs to expedite, efficiency, transparency and approval of the end-to-end recruitment process, to reduce the cost of engaging foreign labour. The foreign worker procurement process is time-consuming and complicated. While the procurement process in theory will create a supply-and-demand situation with a market-based and multi-tier system, there are still concerns about the transparency and implementation process.

The visa application process for immigrants is slow and tedious. This cross-border emigration correlates with talent mobilisation, and foreigners are finding it hard to be granted permission to be employed in Malaysia. This also limits the number of outside talents with specific skill sets that can be imported to Malaysia. The procurement framework should be refined and simplified.

²⁸The Edge Market, [Malaysia's jobless rate in 4Q21 fell to lowest since Covid-19....](#) 18 February. 2022.

²⁹ Department of Statistics of Malaysia, [Principal Statistics of Labour Force, Malaysia, Fourth Quarter \(Q4\) 2021](#), 8 February 2022.

³⁰ The Edge Market, [Malaysia's jobless rate in 4Q21 fell to lowest since Covid-19, says DOSM | The Edge Markets](#), 18 February 2022.

³¹The Edge Market, [Manufacturing sector's views and recommendations on minimum](#). 20 September. 2010.

8. **Place management of labour visas under a single ministry**

Businesses currently need to engage with multiple government agencies/ departments under various ministries for processing and approvals of labour visas. The business sector suggests putting labour visa processing under a single ministry to increase coherency and efficiency in the approval process.

9. **Route business-related visas, including the hiring of expatriate personnel directly to the Malaysian Investment Development Authority (MIDA) One Stop Centre.** This could solve the lengthy delays in providing applications for business travellers and senior executives to further enhance the ease of doing business in Malaysia.

10. **Reintroduce Smart Automation Grants (SAG)** to encourage companies to increase efficiency while minimising reliance on labour. There has been a good track record of increased efficiency from previous recipients of the grant, and this has helped companies stay in business and increase productivity during the labour shortage.

Participants suggested that the government add RM1 billion to the matching grant so that more companies can qualify for this grant. Matching grants should also be increased from RM 1 million to RM 2 million per company.

11. **Consider long-term solutions to reduce the country's dependency on foreign labour.** Youth are not attracted to work in certain sectors, such as sectors that involve dirty, dangerous and difficult (3D) occupations. The manufacturing sector is highly affected by this challenge as they are unable to access these talents. However, there have been no studies done to resolve this issue.

12. **Encourage post-graduates and young talents to join the manufacturing sector by providing government incentives.** This would require the ministry to collaborate with industries to ensure the feasibility of such incentives. The government should incentivise Malaysians and attract more youths and local labour to work in 3D industries. This could involve providing higher wages, insurance, and work-life balance incentives.

13. **Allow working opportunities for foreign students who are holding student visas.** Currently, student visa holders are restricted from working in Malaysia and this limits the talent pool available for industries. However, a recent change in policy has loosened these restrictions and foreign students are now allowed to work part-time for a maximum of 20 hours per week during semester breaks or holidays of more than seven days at restaurants, petrol kiosks, mini markets and hotels as long as their student passes remain valid.³² The business sector would like to suggest expansion for allowance to work during the study semesters under their student visa, and subsequent to graduation from higher education institutions.

³² Education Malaysia, [FAQ | Education Malaysia Global Services](#). n.d.

14. **Increase the supply of local talent pool within the digital economy and areas relating to the fourth industrial revolution (4IR).** This includes procuring more foreign talents with the skills and expertise that Malaysia is lacking. While entering into 4IR, new technologies, digitisation, automation and other 4IR trends result in constantly changing demand for specific skill sets, particularly in the fields of digital technologies. In the digital economy and the fourth industrial revolution (4IR), new skill sets are required. This includes technical, soft, and entrepreneurial skills. The challenge arises when talent that possesses these skill sets finds better opportunities with better pay outside of Malaysia as this further limits the available talent pool in the country.
15. **Invest in programmes to stem and reduce brain drain, especially in critical areas.** There is a lack of talent for specific industries like engineering in the domestic market. While Malaysia does have employable talents, brain drain still occurs because opportunities outside the country are more attractive. This forces the industries to procure foreign talent to close the domestic talent gap.

Programmes to stem and reduce brain drain should also take into account the net exporting of accountancy services, the retainment of local talents, and efforts to attract foreign talents. This should include an emphasis on key sectors and industries of growth which would create opportunities for talented individuals so they would choose to stay in the country.
16. Leverage existing local engineering and technological talents, which will then accelerate the integration of industry into ASEAN's intra-regional supply chain.

(b) Malaysia 2022 Minimum Wage Act

The Malaysian government announced the increase of the minimum wage by 25% effective 1 May 2022, from RM 1,200 to RM 1,500. This steep increase creates constraints on business budgets as it affects business expenditures significantly. The private sectors argued that this could dampen economic recovery as they have yet to fully recover from the pandemic and are not ready to absorb the additional costs.³³ This implementation was also seen as inoperable, especially without a distinct framework from the government on the increment.

The lack of engagement between the private sector and the government on the recently improved minimum wage has led to the sudden increase in the minimum wage and affected the private sector's annual budget. This has also affected the trust between the private and public sectors. The business sector would like to propose the following recommendations for consideration.

³³ "ASEAN Briefing, [Malaysia Increases Minimum Wage from May 1, 2022: What are the Implications for Businesses?](#). 27 April 2022.

17. **Ensure early and public consultation is conducted** to understand the business impact and facilitate implementation of the minimum wage.
18. **Consider not reviewing or implementing any upward revision of the minimum wage until 2024, and implement a gradual increase of the minimum wage.** Any increases in wages should be staggered rather than increased in one go to RM1,500 (25% increase). A gradual increase in minimum wage will provide time and enable businesses to adjust in a sustainable manner. The business sector suggests a staggered and gradual increase of wages starting from RM1,300.

(c) Education

The implementation of Malaysia's educational blueprint is not reaching the level that young talents need to be competitive in the job market. Educational institutions do not produce young adults who are as knowledgeable as those in developed nations.

19. **Encourage women to study in sectors such as engineering and electrical production to ease supply shortage and increase the supply of talents in this area.** Getting women in sectors such as engineering and electrical production is currently difficult. The execution of the education blueprint needs to be supervised to ensure that its objectives in meeting market demand is met.
20. **Overhaul the education system at the Ministry level to create a future-ready workforce.** One of Malaysia's biggest challenges is still the available pool of knowledge workers caused by brain drain and the country's education system. With the rapid progress in artificial intelligence and machine learning, routine jobs will eventually disappear.
21. **Work with professional service agencies to apply a flexible approach to recognise professional qualifications** and reduce barriers to professional service trading.
22. **Ensure educators are able to teach higher-order thinking skills to improve the talent pool in this country.** Higher education institutions especially need to ensure that they increase capability in teaching along with research.
23. **Increase upskilling programmes to build a digital workforce.** This will support the quest to automate and address manpower needs for Industry 4.0.
24. **Allocated a larger budget for public universities to carry out the recommendations set out in the report** to ensure that the academicians are well supported and enable them to attend upskilling programmes in view of the rapid change of technology. Quality academicians are needed to support the accounting profession as they would help produce relevant and competitive accounting graduates. In addition, a higher allowance

could be provided for accounting academics who are full members of recognised professional accountancy bodies.

25. **Allocate funding to finance a special task force (comprising relevant stakeholders) to be set up** to carry out the recommendations set out in this report.
26. **Encourage companies to have apprenticeship programmes** to train raw talent into experienced ones. An example of an apprenticeship program that should be revitalised again is the Malaysian Airlines engineering apprenticeship program.

(d) Employability

27. **Create mobility arrangements in the ASEAN region to allow critical talents the ability to move and work regionally.** Engineers are experiencing barriers and mobility issues to work regionally. The business sector suggests a platform for talents to move around ASEAN is needed.
28. **Provide updates on the ASEAN Qualifications Reference Framework (AQRF).** Little is heard about the ASEAN Qualifications Reference Framework (AQRF) since the establishment of the AQRF Committee in 2017. This framework is important to enable comparisons of education qualifications and support the recognition of qualifications across participating AMS.

(e) Regulations

29. **Create a standard of practice for actuarial scientists.** ASEAN does not have a standard practice/examination for actuarial scientists, hindering talent mobility in the region.
30. Harmonise and simplify country-level regulation within the legal sector. Whilst the importance of regulations for professional firms cannot be undermined, it should not hinder firms from their fundamental duty of providing legal services. There is overregulation of the legal industry, which hinders the practice of law. Overregulation is a concern that arises from the overlap of different laws, which creates confusion and makes it more challenging to work around. Apart from the regulations imposed by the Malaysian Bar, State Bar and the Legal Profession Act 1976, law firms are also regulated by the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), Personal Data Protection Act 2010 (PDPA) and various other regulations concerning anti-bribery and competition law.

(f) Professional Recognition

31. **Increase the recognition and prestige of the banking profession.** Banking is not perceived to be as prestigious as other professions in Malaysia. This perception should be changed as the recognition of bankers will contribute immensely to the nation's financial stability and financial system by raising professional standards.

2.1.3 Supply Chain

The pandemic caused a major supply chain disruption globally. The movement restrictions since the pandemic hit in 2020 resulted in the trimming down of factory operations to curb the disease in their respective countries.³⁴ In a domestic context, manufacturers were also facing difficulty in supply chain disruptions from local suppliers.^{35,36} For example, the supplier's business was not deemed critical to operating during the pandemic, or the company closed down due to the disease.

Sea freight rates have risen by up to 800% in 2022 with reduced capacity in some routes – a 100% increase from October 2021.³⁷ This has meant lower revenues along with reduced capacity on shipping lines and other issues such as container shortages. Certain manufacturing companies are sourcing their products from other countries such as Turkey. Despite the higher cost of production in Turkey, the freight charges from Turkey to the US East Coast is lower as compared to freight charges from Port Klang to the same, which offsets the extra production cost.

The spike in prices of commodities such as cement and coal has affected many industries. The price hike is mainly due to logistical issues, Indonesia's export ban, as well as the Russia-Ukraine war. Coal comprises up to 30-40% of the cost of cement production, which leaves the manufacturing companies no option but to increase prices.³⁸ The business sector seeks assistance from the government to ensure supply chain resiliency.

An unpredictable regulatory environment and outdated supply chain methods practised in Malaysia are affecting productivity and revenues. There are also concerns about the implementation of environmental, social and governance (ESG) standards in the private sector and how it might affect foreign perception of Malaysian industry. The cumulative effects of lockdowns, border closings, restrictions on movement, remote work requirements and increased

³⁴ The Star, [Prolonged supply chain woes | The Star](#). 8 January 2022.

³⁵ United Nations Industrial Development Organisation, [impact assessment of Covid-19 on malaysia's manufacturing firms](#), June 2020.

³⁶ EY, [Post-COVID-19 supply chain agility and resilience | EY Malaysia](#), 28 October 2021.

³⁷ The Malaysian Reserve, [Sea freight rates rise 800% on reduced capacity - The Malaysian Reserve](#). 17 February 2022.

³⁸ Haraka Daily, [Cement price hike due to raw material price increases](#). 22 March 2022.

risk have changed the region's procurement market significantly since early 2020.³⁹⁴⁰⁴¹

32. Invest or encourage investment in supply chain technologies in the government and private sector. An outdated supply chain method practised in Malaysia is affecting productivity and revenues. Invest in technology and increase efficiency in the end-to-end logistics process (eg. customs clearances and documentation).

The Malaysian supply chain must be modernised and developed to cater to globalisation. MITI must educate businesses on ways to ensure that supply chains are more efficient and provide a predictable regulatory environment and modern infrastructure to help propel Malaysian businesses toward the global market.

33. Facilitate and ensure logistics-related charges remain reasonable. Depot gate charges, handling charges, haulage charges and freight charges have gone up tremendously. This has significantly increased the financial burden on businesses.

34. Build supply of government container fleets to mitigate the rising price of shipping. Private companies have their own container fleets but that is at a much smaller scale when compared to the purchasing power of a country. The government container fleet can be rented out to private organisations and mitigate container supply issues. Once the business sector is able to ease the movement of exports, this will get more foreign investors to Malaysia.

35. Explore the feasibility of a single land checkpoint. The high sea freight rates and container shortage have forced shippers to seek alternative modes of exports via land mode to move containers to neighbouring ASEAN countries i.e. Singapore, Thailand and Myanmar and via air freight for urgent shipments. To assist exporters during this critical period, the government should explore the feasibility of a single land checkpoint, including the seamless movement of Malaysian and Thai trucks across borders without the requirement for transloading to save time and cost for exporters from Malaysia to export by road to other ASEAN countries north of Peninsular Malaysia and similarly for Thai exporters to cross the border to utilise Penang Port for export.

36. Revive the uCustoms project which aims to provide an integrated, end-to-end single window for all import and export customs clearance. It has already achieved 95% completion after seven years of effort. Alternatively, a new digital customs system should be introduced to replace uCustoms to cover all customs processes and integrate with other government agencies to facilitate trade.

³⁹ Business Today, [Enterprises Transforming Long Overdue Procurement Operations | BusinessToday](#). 6 April 2022.

⁴⁰ UM ePrints, [IS THERE A NEED FOR REFORM? A LOOK AT THE OBJECTIVES OF PUBLIC PROCUREMENT PRINCIPLES WITH PART](#). n.d.

⁴¹ Nasdaq, [Procurement Poised for New Era in Singapore, Malaysia | Nasdaq](#). 5 April 2022.

37. **Use analytics to understand and predict customer and supplier** behaviour and optimise inventory, production, and procurement; and add automation to revamp or introduce processes.

2.1.4 Financial Factors

The COVID-19 pandemic has left a devastating impact on the country's economy and its private sector. This damage can be attributed to two sources: (i) external factors arising from COVID-19's global impact and (ii) domestic factors resulting from movement restrictions.⁴²

The private sector is recovering as the pandemic recedes and borders reopen. However, the recovery process is still in its early stages and the impact of the pandemic remains.

(a) Government Financing, Capital Access And Grants

38. **Improve digital capabilities of professional firms. Provide funds to professional firms for the adoption of new technologies.** There is a lack of government investment in expertise, hardware, software, and customised data analytical tools to encourage technology adoption. A number of professions are finding it hard to adopt new technologies in their operations due to financial constraints. The government has not provided sufficient capital access for professional firms to adopt these technologies and these technologies are not affordable for SMEs.

The Malaysian Government has not leveraged technologies for professional bodies such as engineering, law, accounting, medical and logistics. Most professional firms are still using manual documentation, which could result in logistical, security and privacy issues. As technology rapidly evolves globally, Malaysia is slower to adopt these technological measures. This could be due to the lack of grants available for professional services firms.

Advancement in technology has changed the way law firms work globally. For example, due to the supportive government policies and investment in Singapore, there has been an accelerated increase in the adoption of technological tools in the practice of lawyers and legal technology innovation.

39. **Increase budget and simplify the approval process for grants.** Lack of access to government grants and a complicated approval process led to businesses struggling when applying for government grants, which are already scarce due to the high number of applicants. The complexity of the paperwork involved to apply for financial assistance also creates inefficiencies in the application and approval process.

⁴² IDE-JETRO Japan, [The impact of the COVID-19 pandemic on the Malaysian economy](#). n.d.

40. **Increase infrastructure support for the growth of SMEs.** SMEs lack the infrastructure needed to grow. The current support provided under SMECorp and SMEBank is limited and needs to be expanded. With the advent of RCEP and market externalities, SME market readiness is becoming more important. The business sector call for increased funding to support SMEs growth and capacity development in ESG and RCEP-related areas to name a few. There is also a need for inclusive and high-quality support for SMEs in areas relating to traditional capacity-building areas relating to the deployment and operation of business activities, to maintain business sustainability.
41. **Increase funding for Malaysia's healthcare system.** The budget allocation for this sector is below the budget recommended by the World Health Organisation (WHO).
42. **Provide government financing and credit facilitation for the legal industry.** The legal industry is largely excluded from government financing and credit facilitation. Professional services firms were not spared by the pandemic, yet they do not qualify for government assistance.

The business sector would like to request government facilitation to ensure banks and financial institutions offer credit facility products to professionals. For example, some banks currently exclude the legal profession from access to credit facilities. Such an exclusion does not appear to be justified. It is hoped that banks can consider providing customised credit facilities for law firms because lawyers should be permitted to benefit from these schemes just as any other profession.

43. **Recognise law firms as SMEs to qualify law firms for grants and subsidies under the applicable economic stimulus packages for SMEs,** as announced from time to time by the government. Law firms are professional service providers registered with the Bar Council, as provided under the Legal Profession Act (LPA) 1976 and are not required to be registered with the Companies Commission of Malaysia (SSM). However, this requirement should not prevent law firms from applying for government economic stimulus relief. Thus, the legal practice sector seeks recognition of law firms as SMEs for the purposes of grants and subsidies eligibility, despite not being registered with the SSM.
44. **Facilitate and provide adequate financial assistance to SMEs for upskilling.** Higher skilled competencies will allow them to better embrace the Malaysian Private Entities Reporting Standards (MPERS) requirements, be aware of regulatory changes affecting their businesses, increase their productivity, and elevate their service quality.
45. **Increase and guarantee the Syarikat Jaminan Pembiayaan Perniagaan (SJPP)** loans for Mid Tier Consortiums (MTC) from RM 20 million to RM 30 million for companies to purchase the latest technology to increase productivity yield and quality. This will encourage more companies to invest in the latest technology for their businesses.

46. **Increase the Reinvestment Allowance (RA)** from 60% to 80% and extend it from 2024 to 2026 to encourage more companies to upgrade and invest in the latest technology for their businesses.
47. **Ensure the continuance of the Domestic Investment Strategic Fund (DISF) and the Industry4WRD Programme.** Participants have been informed that these two funds had run out of money and have been stopped. As the adoption of industry 4.0 is one of the key areas the government has been pushing businesses toward, the business sector seeks the continuance and increase in budget for these 2 grants/programmes to help Malaysian businesses stay competitive which will increase output and efficiency and upskill and reskill the workforce for higher-value jobs.
48. **Provide grants, subsidies and incentives to encourage the adoption or upgrading of telecommunications and information and communications technology (ICT) equipment/facilities,** such as by providing a special allowance for the procurement of such ICT equipment and relevant resources.
49. **Provide support to manufacturers to strengthen primary, secondary & tertiary suppliers via the Industrial Linkage Programme (ILP).** This could include
- **Specific allocations given to MIDA** to implement the ILP aggressively;
 - **Tax incentives such as lower corporate taxes or possibly,** assurance of market access through government and GLC/MNC procurement to encourage large companies to participate;
 - **Funds and assistance to help SMEs build and upgrade their capacity** and capabilities to meet large companies' requirements, to expand export activities and integrate with the local and global supply chain.
50. **Facilitate the growth of the accounting industry through financial support.**
- a. **Provide tax incentives or grants for technology adoption among small accounting firms** e.g. double tax deduction of expenditures (expertise, hardware, software, customised data analytical tools and training) incurred by accounting firms.
 - b. **Enhance existing grants** offered or the introduction of new grants with the following features:
 - Provide grant amounts according to different business sizes, for example, small grants, medium, and big grants of different amounts to cater for various business sizes and needs.
 - Simpler processes for smaller grant amounts
 - Linking the grant to other relevant initiatives e.g. MDEC's 100 Go Digital Programme
 - Tax incentives for mergers and acquisitions (M&A). M&A among

accounting firms would enhance competitiveness and encourage diversification in the services offered, leading to the creation of more globally resilient account firms that can offer their services across borders. The pandemic is expected to increase M&A activities among accounting firms.

- A flat tax rate of 20% on all taxable income for five years effective from the date of the M&A.
- Exemption of stamp duty on all M&A documents;
- Double deduction of the expenditure incurred by firms pre and post the M&A exercise, whereby it may include the due diligence exercise cost, legal cost, infrastructure building, system integration and training.

(b) Taxation

51. **Lower corporate tax burden for Malaysian businesses.** There is a lack of corporate tax exemption and incentives. This lack of tax incentives has a particularly significant impact on new businesses as they might need to factor the taxes into their revenue. Malaysia's tax incentives are not as competitive as its ASEAN neighbours.
52. **Ensure businesses comply with the Sales and Service Tax (SST).** This could result in negative repercussions on government revenue and subsequently the development of the country in the longer term. It was hypothesised in a study that the variables that affect SME compliance with the SST include tax complexity, tax fairness, peer influence, tax law enforcement, tax knowledge, service quality, and compliance cost.⁴³
53. **Limit prosperity tax to companies that made a windfall during the pandemic.** The private sector is still struggling and recovering from revenue losses incurred during the pandemic and is wary of further difficulties that they would face with the imposition of the Prosperity Tax. Prosperity taxes should be targeted and limited to companies who made windfalls during the pandemic, as opposed to companies who were making an effort for survival through cutting costs, restructuring and lay-offs.
54. **Extend the Pioneer Status (PR) and Investment Tax Allowance (ITA).** The PR and ITA currently are applicable to existing one to three-star hotels only, with a maximum of three applications. New hotels are not eligible to apply effective 2021. Furthermore, companies with a 20% stake in a joint venture are considered the same entity as the joint venture for the purposes of PS/ITA applications and as such are not eligible to apply for a separate set of the same PS/ITA incentives.

⁴³ Researchgate.net, [Sales Tax Compliance And Its Determinants In Malaysia](#). 1 December 2020.

55. **Increase the Industrial Building Allowance (IBA) rate to 5%.** The current rate for the annual industrial building allowance (IBA) is only 3% of the qualifying building expenditure.
56. Re-introduction of the GST, albeit at a lower 3% rate, would not be felt greatly by consumers but would improve government revenues and provide a more comprehensive tax base. It will also enable Malaysia to have a competitive personal and corporate tax environment.

(c) Regulatory Costs

57. **Allow access to banking facilities to foreign investors.** Foreign investors face difficulties in creating bank accounts and obtaining permits. The issue has been raised multiple times, particularly by foreign companies, but no solution has been offered by the Malaysian government.
58. **Lower the cost of annual hotel licence and permit application/ renewal.** The cost of the annual hotel licence/permit is substantial. Despite the pandemic and unstable revenues over the past two years, there are no exemptions from the government to offset this substantial cost, and the hotel industry is concerned that this issue will continue until 2023.
59. **Accelerate the approvals of import licences.** The slow approval process of import licences deters positive engagement between foreign importers with the domestic market.

2.1.5 Government Policies

Malaysia's political instability has led to inconsistencies in government policy. In the last two years, Malaysia has experienced continued political turmoil since early 2020 with several rounds of cabinet reshuffles up until August 2021. The unpredictability and impermanence that comes with the constant changes in government leave pessimistic views globally and scepticism over the government's ability to enact long-term policies.

60. **Ensure implementation and changes to public policies are staggered.** Changes in public policies are too drastic which has a severe impact on underfunded organisations or industries that are already overburdened. The business sector suggests advance planning and clear communication of public policy changes to ensure public-private coherence and avoid negatively impacting the market and businesses.

61. **Consulting the public sector in public policies.** Changes to government policies that are done without the consultation of stakeholders affect the quality, credibility and legitimacy of the policy and create challenges when it comes to implementation. Such unilateral changes affect not only local businesses but also businesses looking to do business in the country. The Malaysian government's policy-making process is seen by foreign investors as frantic and reactive.
62. **The government to ensure holistic impact analysis is done before the implementation of policies.** The sudden implementation of the RM1,500 minimum wage⁴⁴ could result in inflation, especially in the rise in prices of basic commodities. Businesses say that the increase benefits foreign workers more than local workers and this will lead to the outflow of the Malaysian Ringgit to other countries which will have an impact on the economy. Meanwhile, Malaysian citizens will have to face increased prices when purchasing their daily necessities.
63. **Ensure consistency in policies relating to the circular economy.** Malaysia is expected to see a significant increase in clinical waste due to the pandemic and the government has set up an initiative on waste management regulation.⁴⁵ However, the focus has not been consistent. A drastic change in this policy would be detrimental to the private sector since the policy includes clauses on extended producer responsibility.
64. **Ensure clear and transparent communication in policies.** Businesses need clear instructions in enforcing economic recovery. (for example in relation to the use of MySejahtera to be well displayed in airports and checkpoints). The lack of communication clarity, transparency and consistency from the government leads to confusion and business risks.
65. **Avoid policies limiting imports, stifling competition, and protecting unsustainable local industries.** Such policies almost always result in inefficient practices, limit innovation and slow productivity improvements. This increases costs to the consumer and will damage the environment in the long run. COVID-19 has highlighted that Malaysia cannot use government revenue on such inefficient measures.

2.1.6 Comprehensive And Progressive Agreement For Trans-Pacific Partnership (CPTPP)

MITI has said that it aims to ratify the CPTPP by Q3 2022. The need to ratify the CPTPP was also a key issue raised during last year's ASEAN-BAC Malaysia Virtual Dialogue last year as noted in the Pathway for Malaysia 2021 Report presented to the Senior Minister of MITI.

⁴⁴ The Star, [New RM1,500 minimum wage gazetted | The Star](#). 28 April 2022.

⁴⁵ Netherlands Enterprise Agency, [Circular economy opportunities in Malaysia](#). 1 March 2022.

66. **Provide constant updates on the CPTPP.** The government has not actively updated the status of ratifying CPTPP. The private sector is concerned that this will cause Malaysia to miss early advantages and potential revenue that could be generated through access to new markets through the CPTPP. (Note: the government has announced that it aims to ratify CPTPP in the third quarter of 2022).

2.1.7 Digitalisation

Malaysian businesses have been under-performing when it comes to the adoption of 4IR technologies compared to other ASEAN countries. Around 77% of Malaysian SMEs remain at the basic digitalisation stage.⁴⁶

Malaysian businesses have not fully leveraged digitalisation despite its growing benefits and importance in the current economy. Approximately 55% of Malaysian organisations surveyed do not have an integrated enterprise-wide digital transformation strategy and many SMEs are still ill-equipped to transition towards digitalisation.⁴⁷

67. **Lack of promotion to SMEs and business communities to transition to digitalisation.** The area of digitalisation in Malaysia is still new but the possibilities are endless. Many ASEAN countries have already implemented digitalisation within their business community but Malaysia is falling behind. As consumers adapt to digitalisation, the Malaysian government has yet to aggressively promote and showcase the benefits of the digital economy, especially in rural areas.

68. **Develop a 4IR blueprint for the service and accounting industry.** This blueprint can incorporate the Malaysian Institute of Accountants (MIA) Digital Technology Blueprint which has served as a roadmap for the accountancy profession.

2.1.8 Public-Private Collaboration

69. **Encourage greater public-private cooperation to boost Malaysian businesses and the country's economy.** Industries that require a higher level of such collaborations are medical devices, digital enterprises, and education, especially in the post-pandemic environment. Public-private cooperation could push these industries towards digitalisation and new global markets.

⁴⁶ SME Corporation Malaysia, [Challenges in digital adoption](#). 20 October 2021.

⁴⁷ Business Today, [Most Malaysian Companies Lack Digital Transformation Strategy](#). 18 September 2019.

The medical device, legal and financial sectors also called for more frequent engagement and recognition from MITI to further develop and expand their fields of business domestically.

70. **Ensure the fruition of the Kuala Lumpur-Singapore High-Speed Rail (HSR) project.** The government has yet to address its benefits and accelerate the process that could develop a closer relationship between Malaysia and Singapore.
71. **Study and address the impact of Nusantara.** Malaysia has not developed any plans to take advantage of Indonesia's moving of its new capital city Nusantara to East Kalimantan, even though having the capital city so near our border may boost trade and business.
72. **Fully utilise Malaysia-India bilateral relations.** This has not been fully utilised for the benefit of both countries, especially in areas such as the service sector.⁴⁸
73. **Collaborate to get local small and medium-sized accounting firms ready for internationalisation.** It is requested for the government to create a network of 30 small and medium firms ready to capitalise on overseas growth opportunities. The accounting representative then works with the relevant government agencies to identify schemes and incentives to help these 30 firms expand to overseas markets by organising networking trips/business missions and assisting in promoting these professional firms overseas.

2.1.9 Public Sector Calls For Early And Proper Consultation

The dialogue participants reinforce the need for early and proper consultations between the public-private sector.

74. **Consistent practice of the embedded National Policy on Good Regulatory Practice (NPGRP) and Civil Service Code for good regulatory practice.** The government needs to consistently practise the embedded Civil Service Code for good regulatory practice, where the first draft of consultation is published for feedback, then republished a second round before policies are created. Unfortunately, this is not widely practised.

The government needs early and proper consultation with all stakeholders to truly understand the impact of its decisions on businesses. Changes which are implemented overnight require a lot of behind-the-scenes changes to systems and operations. There needs to be proper consultation, enough time for implementation, and minimising flip flops or U-turns in decisions.

⁴⁸ India Brand Equity Foundation (IBEF), [Services sector in India: Overview, market size, growth](#). n.d

75. **Increase women's participation in consultation and decision-making.** The gender equality policies in Malaysia need to be improved and initiatives should be taken to increase women's participation during consultations and in decision-making.
76. **Ensure objectivity in decision-making impacting businesses.** Participants experience growing conservatism in decision-making at government levels. Personal beliefs should be kept separate from decision-making impacting businesses.
77. **Take a holistic consultative approach to include all relevant stakeholders in the consultative process.** For example, the gig economy stakeholders are crying out for more consultation with all relevant stakeholders. The gig economy extends beyond hailing services which have not been included in gig economy-related consultations. Thus a more holistic consultative approach is needed to include other stakeholders.

2.1.10 Gig Economy Stakeholders And Other Industry Recognition

The gig economy has been growing rapidly, especially during the early stages of the pandemic when more than 100,000 people lost their jobs.⁴⁹ More than 30% of the labour force in Malaysia or five million people are working in the gig economy.⁵⁰ This includes e-hailing businesses, as well as freelancers in various sectors.

78. **Extend support and provide recognition for the gig economy.** This can be done by extending financial support, providing attractive incentives, and developing upskilling programmes.
79. **Provide formal recognition of gig economy workers in the domestic labour market.** No formal recognition of gig economy workers in the domestic labour market. With the growing number of gig economy workers, the government has yet to formally recognise this group of workers under Malaysian Labour law, which exposes them to exploitation and inadequate protection.⁵¹
80. **Provide legitimacy to trade/ professional associations to represent stakeholders.** Many local trade and professional associations have not obtained recognition from the government or granted legitimacy to represent their stakeholders from important sectors that drive the Malaysian economy, such as legal, bankers and secretaries.

⁴⁹ The Star, "[Nearly 100,000 Malaysians have lost jobs since start of MCO, says.](#)" 9 December 2020.

⁵⁰ Government of New South Wales. "[Gig economy stakeholder reference group - SIRA - NSW](#)". n.d

⁵¹ Research for Social Advancement (REFSA), "[Time to formalise gig economy workers to avoid labour exploitation.](#)" 19 November 2021.

81. **Prioritise domestic and local suppliers in government purchasing.** The lack of domestic purchasing recognition by the Malaysian government affects the trust between the private sector and the government as they tend to procure and acquire foreign services instead. This also leaves a tremendous impact on the country's overall revenue.

The business sector seeks the government's assistance in promoting Made-in-Malaysia goods especially when it comes to government procurement and local development projects to help local industries and in helping them build their production capacity. Expedite the enforcement of the singular GP legislation to house all GP-related laws and policies relating to goods, works and services to ensure that the regulations are enforced effectively. In addition, the government could consider more tax incentives such as tax rebates and double tax deductions to encourage companies to continue to buy Made-in-Malaysia goods.

2.1.11 Losses Of Government Revenue

Malaysia is reportedly losing RM 5 billion in taxes annually⁵² due to the sales of contraband. This has an adverse effect on our economy, especially on the flow of Ringgit Malaysia domestically and internationally. The sluggishness of dealing with this issue may become a thorn in our side if it is not dealt with swiftly and legally.

The business sector sees contraband sales moving to the online marketplace and the emergence of syndicated crime in relation to this. A new improved strategy is needed to deal with this. The current strategy, while making inroads, is not sufficient to deal with this escalating problem. If the public-private sector does not move quickly enough to address this problem, then it may grow beyond control.

82. **Work with the private sector to urgently address contrabands.** There is a need for urgent policy and policing measures needed to counteract contrabands. An active cooperative effort between manufacturers/ brand owners and the government is urgently needed to address this issue.
83. **Ensure stricter enforcement of the law in hand, policy revision to suit current needs, and best practices in management and ethical conduct** on the government side are required to mitigate contraband issues, as this will slowly hurt the Malaysian economy.

⁵² Oxford Economics, [Asia Illicit Tobacco Indicator 2016: Malaysia](#), 2017.

2.1.12 Mutual Recognition Agreement (MRA)

84. **Create and implement common standards for product testing.** There are no common standards for Product Testing. Restrictions are still in place when it comes to product testing since Malaysia and other ASEAN countries do not have common standards and procedures.

2.1.13 Certificate Of Origin (COO)

85. **Allow foreign raw materials to be used for Malaysian-made products.** The COO requirements stipulate that a significant percentage of a product's raw materials need to be from Malaysia to be certified as a Malaysian-made product. The downside to this is that Malaysian producers would then need to source local materials and not materials from cheaper sources such as China, which in turn leads to higher production costs and narrower margins. Manufacturing sectors request that requirements for local content incorporated in domestic products be reduced from 25% to 20%.

2.1.14 Health Sector

Malaysia is among the top 15 nations globally to have been able to ensure that most of its population has received at least two doses of COVID-19 vaccines. Malaysia is also considered a highly attractive investment destination within Southeast Asia for life sciences and healthcare (LSH) as growth in this sector has been coming in at 11% per year.⁵³

86. **Increase investment to grow the medical sector's R&D capabilities.** This could further enhance the industry's domestic and global market capacity.

87. **Ensure public access to controlled medicine is not restricted by bureaucracy.** The medical sector stated that certain over-the-counter medicines that promote self-treatment are still not easily accessible. For example, pharmacies do not carry over-the-counter nicotine medication. The business sector suggests minimising bureaucracy in accessing controlled medication in the country.

88. **Liberalise access to self-care medicine.** An example would be the accessibility and promotion of over-the-counter nicotine medicine in first-world countries, which can be emulated in Malaysia.

⁵³ Ministry of Foreign Affairs of Netherlands, [Opportunities in the Life Science and Healthcare Industry \(Malaysia\)](#). February 2022.

2.1.15 Tourism Sector

Pandemic restrictions to curb COVID-19 have pushed the Malaysian tourism sector to its limits. Malaysia received a total of 4.46 million tourists in 2020 and 2021, an 82.91% decrease from 2019 which saw 26.1 million tourists.⁵⁴ Tourism receipts recorded a drop of 71.2% in 2020 from RM182.1 billion in 2019.⁵⁵

89. **Invest in the promotion of Malaysia's tourism sector.** The Malaysian tourism sector lacks promotion compared to its neighbouring countries. The tourism sector is dissatisfied with the government's lack of aggressiveness when it comes to promoting Malaysian tourism globally. As a result, the recovery process of this sector has also been prolonged, and a number of hotels and travel industries have folded.
90. **Provide moratorium on bank payments or taxes, rebates or exemptions for hotel businesses, and exempt assessment and rent until the end of 2023.** Give a 50% rebate for 2022 and 2023 for affected and a moratorium or tax exemption until the end of 2023 for hotels.
91. **Consider a 100% exemption on capital expenditure/refurbishments** and exemption for hotel advertising and participation in booking platforms and website solutions.
92. **To include four and five-star hotels and new hotel developments in the incentives** to promote higher-end and luxury hotels operating in the country to attract high-spending tourists and high-end market segments.
93. **Extend the maximum three times qualification** to enable hotels to upkeep and make improvements as they have not been in operation for a long time during the lockdowns.
94. **Consider joint ventures as a single new entity** and not subject to the incentive eligibility of a company in a joint venture which already received the incentive in the past.
95. **Review and abolish the high basic monthly water charge for all hotels as the economy recovers**, as well as review or abolish the high basic monthly water charge based on annual value. Give 50% rebate to 2021 and 2022 bill payments.
96. **Facilitate discussions with Indah Water Konsortium (IWK) to assist businesses to manage costs.** The IWK charges continue to rise even when hotels were not occupied during the pandemic. IWK's monthly charges that are calculated based on a property's annual value is excessive and not logical since it is not related to the value of IWK's services. This is on top of the monthly charge based on water consumption.

⁵⁴ Malaysia Tourism Promotion Board (MTPB). [Malaysia Tourism Statistics in Brief](#). n.d. 2022.

⁵⁵ News Straits Times, [Tourism receipts dropped 71.2pc to RM 52.4 billion last year](#). 23 September 2021.

2.1.16 Malaysia's Innovation And Technological Advancement

97. **Implement a targeted incentive policy for greater investment in R&D with the need for protection in patents**, as the current policy has a negative impact on the economy.
98. **Push for Malaysia-ASEAN collaboration in space technology and transportation.** This could be a starting point for innovation through regional collaboration. SpaceTech has received increasing private sector interest and the rapid development of space exploration technologies attracts countless investors around the world.⁵⁶
99. **Include innovations of medicine in the Ministry of Health's (MoH) blue book⁵⁷ as a requirement of public hospitals.** These innovations will lead to a reduction of medical errors, increase efficiency in public healthcare, ensure that medical interventions are delivered to those in need and lower health care costs for all.⁵⁸ The government can remove barriers to innovations in public hospitals and health care through the suggested policy improvement, providing funding and bringing together public-private sector partners.

2.1.17 Malaysia's Development

100. **Align capacity for the steel industry with Malaysia's own development goals.** Malaysia's high-capacity steel industry does not align with Malaysia's own development goals. Southeast Asia has seen a surge in imports of Chinese steel since 2016 and this has affected Malaysian steel makers as they struggle to compete with these cheap imports.
101. **Recognise the importance and embed English in the business environment to minimise language barriers and facilitate international trade.** The English language is not embedded at the national and regional business levels. Some countries within Southeast Asia are proud of their national language. However, this could create a potential language barrier and misunderstanding between two different countries in the absence of a commonly used language of communication.

English is not embedded further at a national and regional level. English language education is important at a global level as it is the language of business and trade. The business sector suggests retaining English as the language of modern advancement and trade and promoting Bahasa Malaysia as the culture and legacy of Southeast Asia.

⁵⁶ News Straits Times, [TECH: Can Malaysia make an impact in the space tech industry?](#), 23 Jan. 2022.

⁵⁷ The Ministry of Health Medicines Formulary (MOHMF) or Formulari Ubat Kementerian Kesihatan Malaysia (FUKKM) serves as a reference for medicines used in the Ministry of Health (MOH) facilities, it is also known as the "blue book"

⁵⁸ Harvard Business Review, [Why Innovation in Health Care Is So Hard](#), May 2006.

2.1.18 Halal Hub

Malaysia has been a leading global halal hub since 1974, with an annual report value of RM35.4 billion. This contributes approximately 5.1% of the total exports for Malaysia in 2021.⁵⁹ For Malaysia to remain in its position as the global halal hub, the government plays an important role in driving and overseeing its ecosystem.⁶⁰

102. **Match Malaysia's agriculture capabilities with Malaysia's standing as a global Halal hub.** The capabilities of Malaysia's agricultural industry need to match Malaysia's standing as a global halal hub if the country wishes to realise its halal export potential.

2.1.19 Food Security

The Global Food Insecurity Index (GFSI) ranked Malaysia 39th out of 113 countries in 2021. The ranking measures food affordability, availability, quality and safety.⁶¹ Malaysia's food policy has been inadequate and unstable, and the effects could be detrimental to low-income groups, while the middle class suffers from the increased cost of living⁶².

103. **Ensure food security for Malaysians.** The Malaysian government must distinguish between food security and self-sufficiency. Self-sufficiency does not equal food security. This issue goes back to the reliance on food and agricultural imports from foreign nations as Malaysia itself imports 60% of its food needs.⁶³
104. **Develop sophisticated supply chains, modern transport infrastructure, and a transparent and predictable regulatory environment for food security.** Domestic production contributes to food availability when supplies are good, but does not guarantee its accessibility to affordable and nutritious food or safeguards against poor seasons and periods of low harvests. The Malaysian Government can look at funding support to help improve food security by boosting productivity, reducing costs of imports and improving access to food irrespective of where it is produced.
105. **Provide funding support to improve food security** by boosting productivity, reducing costs of imports and improving access to food.

⁵⁹ Islamic Tourism Centre (ITC), [Malaysia – The world's leading Halal hub - Islamic Tourism Centre](#), n.d.

⁶⁰ Halal Development Corporation Malaysia, [Malaysia's evolving halal industry offers possible](#). 26 November 2020.

⁶¹ New Straits Times, [Food security a matter of national security - New Straits Times](#). 1 April 2022.

⁶² The Sun Daily, [Food security and unsustainable agriculture in Malaysia](#). 7 April 2022.

⁶³ The Star, [High prices, goods shortages trigger public fears](#). 28 February 2022.

2.1.20 Environment, Social & Governance (ESG)

ESG has been one of the key resolutions for industries. The pandemic has accelerated the transition to inclusive capitalism that views sustainable and inclusive capitalism as vital to the society, environment and economy.⁶⁴⁶⁵ Inclusive Capitalism is fundamentally about **creating long-term value that benefits all stakeholders**; businesses, investors, employees, customers, governments, communities, members of society, and the planet.⁶⁶ However, it is still a relatively new concept in Southeast Asia, including Malaysia.

Moving ahead, ESG is going to be a crucial factor for international companies in Europe and the US in dealing with Malaysian companies. Sustainability and the triple bottom line of people, planet, and profit will grow in importance in the business environment.

106. **Create solid ESG regulations and frameworks to facilitate easy compliance with international requirements.** There is no solid framework or legislation on ESG compliance. Foreign investors are increasingly looking to collaborate and form partnerships with companies that are ESG compliant. However, the Malaysian government has not been aggressively promoting this framework to local companies which could result in fewer opportunities for foreign investment.
107. **Drive the ESG agenda across the private and public sectors and plan proactive measures** such as developing ESG reports to improve communications and manage the foreign perception of doing business in Malaysia. The recent labour issues (including the recent change to Malaysia's status in the US Government's Trafficking in Persons Report) and ESG standards can affect Malaysia's image as an investment destination.
108. **Increase women's workplace rights and provide a safe working environment for women.** Women's workplace rights are still underdeveloped as compared to other countries. This includes topics such as unequal treatment, sexual harassment, equality in wages, and female empowerment. We recommend increasing policy and regulation to protect women's rights in the workplace, extending support and advocating for women's rights in the workplace.

⁶⁴ Harvard Law School Forum on Corporate Governance, [Building on Common Ground to Advance Sustainable Capitalism](#). 19 August 2021.

⁶⁵ Harvard Business School, [Capitalism Is More at Risk Than Ever - HBS Working Knowledge](#). 30 June 2020.

⁶⁶ Council for Inclusive Capitalism, [What is Inclusive Capitalism?](#).

109. **Allow the private sector sufficient time to respond, plan and be ready for net carbon neutrality and provide necessary support and assistance to assist the private sector in transitioning into being carbon neutral.** Certain industries were shocked by the Malaysian government's sudden announcement that it is aiming for net carbon neutrality by 2050. Despite Malaysia's movement toward a green economy, the private sector, especially the manufacturing, steel and iron industries, are experiencing difficulty adapting their business nature to the green initiatives due to the government's sudden announcement.

2.2 ASEAN RELATED ISSUES FOR ACTION BY THE MALAYSIAN GOVERNMENT

Approximately 10.11% of participants are concerned with ASEAN matters which could be addressed by the Malaysian government. The pandemic has advanced collaboration between ASEAN countries and strengthening this relationship could be the key to Malaysia's development.

2.2.1 Impact Of Geopolitical Conflict

Various geopolitical conflicts potentially affect businesses in Malaysia. More recently, the Russia-Ukraine war has dampened the current recovery process that Malaysia is undergoing, especially in this critical period of transitioning to the endemic phase as initiated by the government.

The price hike for basic (energy and food) and necessary commodities⁶⁷ is possibly due to the supply chain disruptions. Analysts had cautioned ASEAN on the spillover effects of this protracted conflict that hurts not only the European Union (EU) but also the rest of the world, hitting everything from trade to tourism.⁶⁸

110. **Malaysia should remain neutral when it comes to market volatility post-COVID-19 and geopolitical conflicts** to minimise the impact on businesses.

2.2.2 Collaboration Within The ASEAN Economic Community (AEC)

The AEC has been an integral part of ensuring ASEAN's end goal of economic integration.

⁶⁷ ISEAS, [Russia's Invasion of Ukraine: Southeast Asian Responses](#). 9 March 2022.

⁶⁸ Nikkei Asia, [ASEAN faces 'collateral damage' from Ukraine war's Europe impact](#). 27 March 2022.

111. **AEC has yet to achieve its full regional collaborative potential.** This collaboration is crucial to the country's potential development, but the Malaysian government has not been active in initiating cooperation within the AEC.
112. **ASEAN and the domestic government provide a simple but effective platform to register intellectual property (IP) to make it easily accessible.**

2.2.3 Take Advantage Of FTAs

113. **Ratify and implement CPTPP by the end of 2022.** Avoid delays in the ratification of CPTPP by the third quarter of 2022 as planned to achieve trade expansion for the Malaysian business community. This ratification is important, especially in this time of need to stabilise manufacturing activities and rebuild supply chain connectivity. It provides a common standard of goods and services to ease bureaucracy and business. The CPTPP is expected to open up access to Canada, Mexico and Peru. The 3 markets collectively represent a population of 200 million people.
114. **Utilise the general outtake of service procurement to be used as a tool for new investment in Malaysia and internationally.** A coherent and structured system must be in place before this can be implemented.
115. **Provide international market access for local businesses.** This enables local SMEs to enter the ASEAN market and encourage growth in revenue, customers, and competitiveness, as well as improve risk management, cost-saving and access to technologies.
116. **Increase engagements with EU nations** to promote greater integration, develop an advanced trade agreement with the western hemisphere, conclude negotiations on the Malaysia-European Free Trade Area Partnership (MEEPA), and resume negotiations on the Malaysia-EU FTA (MEUFTA) to ensure Malaysia remains competitive globally.
117. **Explore non-traditional markets** including the Middle East, Eastern Europe and Africa through Preferential Trade Agreements (PTA) to provide greater market access for Malaysian products.
118. **Encourage the development of higher-value industries and invest in agro-based and food technologies.** Malaysia can no longer compete in cheap and labour-intensive industries.
119. **Leverage RCEP and the Belt Road Initiative (BRI) to tailor their promotion approaches to each member country.** Since Malaysia has one of the strongest Halal certifications in the region, it can provide access to big markets for other regions and help facilitate FDI inflows. With Malaysia's multilingual and multicultural characteristics,

as well as its technical know-how and manufacturing expertise, Malaysia can be the conduit to non-RCEP countries.

120. **Review existing bilateral agreements and foreign policies**, such as the Look East Policy, to determine how the framework can be beneficial to the country, as well as revise areas to accommodate the RCEP's recent entry into force.
121. **Review the Digital Economy Partnership Agreement (DEPA) between Singapore, Chile and New Zealand** to understand how such an agreement can be materialised between countries and how it could benefit Malaysia's digital development.

2.2.4 Making Malaysia an Attractive FDI Destination Within ASEAN

122. **Including medical device manufacturing as one of the National Investment Aspiration (NIA) areas for growth.** Thirty global medical device manufacturers are in Malaysia.⁶⁹ This makes Malaysia one of the biggest hubs for medical device manufacturing in ASEAN. In 2021, the sector made RM7.7 billion of approved investments in the country.⁷⁰ It has also been recognised as one of the growth sectors in the 12th Malaysian Plan. The business sector seeks for the contribution and potential of this sector in ASEAN to be recognised by the NIA.
123. **Re-strategizing approach to attract domestic and international investors for medical device manufacturing.** The existing medical devices manufacturing incentive is not adequate to attract both international and domestic investors.
124. **Remove or relax ownership restrictions and streamline processes for obtaining approval to operate.** To encourage investment and innovation in the finance and investment sector, Hong Kong would be one of the destinations that could provide opportunities to Kuala Lumpur for the emergence of a new financial centre.
125. **Address the lack of suitable longer-term visa options for investors in the start-up phase of their businesses.** Until a business is fully established, investors rely on 90-day visit passes. The government should also ensure quick and consistent processing of all business visa applications and renewals.
126. **Complete the establishment of the Digital Free Trade Zone (DFTZ) to be an e-commerce logistics hub in the region.**

⁶⁹ MITI, [MEDICAL DEVICES INDUSTRY • In Malaysia, the medical devices industry spans a wide range of industries from rubber and latex](#). n.d.

⁷⁰ MIDA, [Insulet Corporation Selects Malaysia As One Of Its Manufacturing Sites For The Production Of The Omnipod Insulin Management System](#), 2 June 2022.

127. **Study and set up a new and more insightful relationship with India in the field of the service economy, leveraging on the humongous service sector that India has to offer, as it may give insight and expertise to further develop Malaysia.**
128. **Create a firm sustainability policy framework so the industry can plan future investments accordingly.** This includes having a coherent and solid carbon neutrality framework that specifies the technicalities of what the industry should do.
129. **Explore and drive for sustainability pilot projects, which could see the collaboration between the public and private sectors.**
130. **Focus on attracting investment that is aligned to Malaysia's own development goals and fully utilising the local steel production capacity.**
131. **The Kuala Lumpur - Singapore High-Speed Rail (HSR) should be developed to facilitate Malaysian exports.** This will ease the movement of commodities, which is a good avenue to improve trade and collaboration.
132. **Take advantage of the local workforce and promote the economy as being one of the most viable for investment from foreign sources.** The tax incentives that Malaysia offers foreign investors are not as competitive as those offered by other ASEAN economies such as Vietnam. Even with the country being the top foreign investment destination, there are areas that the country can take advantage of and develop continuously over time, including industrial products and services, technology, transport and logistics, as well as financial services.
133. **MITI to play a bigger role in facilitating trade in Malaysia towards harmonisation of business interests to match ASEAN,** allowing local farmers easy access to the domestic and regional markets, risk assessment on agricultural practices, and compliance of non-tariff barriers.
134. **Establish Malaysia as a centre for assembled electric vehicles (EV) in ASEAN,** with Thailand supporting vendors supplying the required parts and Indonesia manufacturing the needed batteries for the EV. Together, these countries can export ASEAN-made EVs to other parts of the world.

2.3 ASEAN RELATED ISSUES FOR ACTION AT THE REGIONAL LEVEL

The remaining 2.66% of the total issues raised are regional issues that can be addressed at the ASEAN level. These matters could potentially develop further collaborations for not only Malaysia but ASEAN as well.

2.3.1 ASEAN Common Standard

135. **Participate and ensure there are ASEAN common standards for trade and manufacturing.** There is currently no common trade agreement understanding at the regional level which could further disrupt integration enhancement and collaboration. The development of an ASEAN common standard, especially in trading and manufacturing, could ease the decision-making process across ASEAN.

136. **Harmonise ASEAN policies and standards to ease and facilitate professional mobility** to increase ASEAN's FDI attractiveness.

ASEAN should unilaterally decide on the common standard of professional mobilisation, through a new and revitalised comprehensive framework policy to be implemented in each member state.

137. **ASEAN to widen the access to work/immigration permits without compromising the quality of qualified accountants and other professionals.** The region should aim to be an accounting education and training hub by attracting foreign talents, which would require the immigration process in Malaysia to be error-free.

138. **Provide an ASEAN common standards for professionals.** ASEAN does not have a standard practice/examination for actuarial scientists. This could hinder the talent movement within ASEAN.

139. **Ensure true harmonisation of medical devices regulations in the region through national regulations and the ASEAN Medical Device Directive (AMDD).**⁷¹ As of 2021, Singapore, Malaysia, and Indonesia have ratified and fully complied with the AMDD, but other AMS are at various levels of implementation. This will facilitate the registration of medical devices in member states and fast-track the recognition of medical device registration through **harmonised medical device regulations**, common technical documents and the progress made in implementation.⁷² Other ASEAN member states that have not ratified and fully complied with the AMDD should be encouraged to do so.

140. **AQRF should be revived to encourage ASEAN member states to submit their respective National Quality Framework (NQF)** through the AQRF Committee. This will enable AQRF to play its role to facilitate the seamless movement of skilled labour within ASEAN towards a highly integrated and cohesive economy, and human capacity development respectively.

⁷¹ US International Trade Administration, [Thailand Medical Device](#). 29 September 2021.

⁷² ASEAN, [Improving ASEAN Healthcare Through Medical Device Regulation Harmonisation](#), 2 May 2013.

141. **Promote shared understanding among the ASEAN Member States (AMS) on sustainability, this could be through special task force meetings between relevant governmental stakeholders.** Each ASEAN country has taken their initiative and there is no common standard within ASEAN. **This goes against the EU Due Diligence Act⁷³** as well which could disrupt the region's ability to attract funding and investment from the EU. (Note: ASEAN has released the ASEAN Taxonomy for Sustainable Finance Version 1 in 2021 to serve as a common building block and enables an orderly transition and foster sustainable finance adoption by AMS.⁷⁴)
142. **ASEAN to review and update its Mutual Recognition Arrangements (MRAs) to facilitate the movement of professionals and skilled workers** based on the needs of the public and private sectors. The current ASEAN MRAs available are
1. [ASEAN Mutual Recognition Arrangements on Engineering Services \(2005\)](#)
 2. [ASEAN Mutual Recognition Arrangement on Nursing Services \(2006\)](#)
 3. [ASEAN Mutual Recognition Arrangement on Architectural Services \(2007\)](#)
 4. [ASEAN Framework Arrangement on Mutual Recognition of Surveying Qualifications \(2007\)](#)
 5. [ASEAN Mutual Recognition Arrangement on Dental Practitioners \(2009\)](#)
 6. [ASEAN Mutual Recognition Arrangement on Medical Practitioners \(2009\)](#)
 7. [ASEAN Mutual Recognition Arrangement on Tourism Professionals \(2012\)](#)
 8. [ASEAN Mutual Recognition Arrangement Framework on Accountancy Services \(Signed 2014\)](#)

2.3.2 Other ASEAN Recommendations

143. **Enable easy access to ASEAN technical research facilities (related to electrical and electronic engineering) in Malaysia.** The research facilities are not easily accessible to the local private sector. Such access would help Malaysian businesses to provide more efficient services and access better international commercialisation opportunities.
144. **ASEAN to form a strong regional alliance for the safety and security of the ASEAN Member States.**
145. **ASEAN countries should develop a new satellite to be shared among its members.** It will create an additional layer of a faster and more efficient network to meet and address the high demand for efficient communication networks in this region.

⁷³ Quentic GmbH, EU Due Diligence Act: Changes at the European level | Quentic. 25 February 2022.

⁷⁴ ASEAN Taxonomy Board (ATB), ASEAN Taxonomy for Sustainable Finance. 2021.

CONCLUSION

The private sector's recommendations during this dialogue has shown that businesses are still recovering from the devastating impact of the COVID-19 pandemic. The government plays an important role in assisting the private sectors to adapt to the endemic phase, new economic trends, business norms, and 4IR.

There are many areas that the government should address, and it is critical that ministries within the government collaborate and have effective communication systems in place to overcome these issues and consider private sector recommendations. New and globalised issues will emerge and require careful and considerate planning within the ministries. The relations between the Malaysian government and ASEAN as a whole will also have significant benefits for the country and could assist SMEs in expanding their business internationally.

Public-private partnerships have never been more important since the pandemic, and engagements between the private and public sectors are crucial for the betterment of the country.

APPENDIX A: LIST OF ORGANISATIONS

SESSION 1: TRADE ASSOCIATIONS AND CHAMBERS OF COMMERCE

1. Federation of Malaysian Manufacturers(FMM)
2. Malaysian Consortium of Mid-Tier Companies (MCMTC)
3. Association of Malaysian Medical Industries (AMMI)
4. Electrical & Electronics Association of Malaysia (TEEAM)
5. Malaysian Retail Chain Association (MRCA)
6. Pharmaceutical Association of Malaysia (PhAMA)
7. Malaysian Rubber Products Manufacturers Association (MRPMA)
8. Malaysian Association of Hotel Owners (MAHO)
9. Malaysian CropLife & Public Health Association (MCPA)
10. Association of the Computer and Multimedia Industry, Malaysia (PIKOM)
11. Angkatan Koperasi Kebangsaan Malaysia Berhad (ANGKASA)
12. SME International Trade Association of Malaysia (SMiTA Malaysia)
13. Malaysian Iron & Steel Industry Federation (MISIF)
14. Malaysian Wood Industries Association
15. Malaysian Association of Private Colleges and Universities
16. ASEAN Academy of Engineering & Technology (AAET)
17. Malaysian Footwear Manufacturers Association
18. Federation of Malaysian Foundry & Engineering Industries Associations (FOMFEIA)
19. Branding Association of Malaysia
20. Malaysian Organisation of Pharmaceutical Industries (MOPI)
21. Financial Planning Association of Malaysia (FPAM)
22. Malaysian Furniture Council (MFC)
23. The Cement & Concrete Association of Malaysia (C&CA)
24. Real Estate and Housing Developers' Association Malaysia (REHDA)
25. SME Association of Malaysia
26. Persatuan Pengimpot Dan Peniaga Kenderaan Melayu Malaysia (PEKEMA)
27. The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)
28. Malaysian International Chamber of Commerce & Industry (MICCI)
29. Malaysia Business Chamber Vietnam
30. Malaysia China Chamber of Commerce (MCCC)

SESSION 2: FOREIGN BUSINESS ASSOCIATIONS & BUSINESS COUNCILS IN MALAYSIA

1. Malaysia Australia Business Council (MABC)
2. Arab Malaysian Chamber of Commerce
3. Malaysia Japan Economic Association (MAJECA)
4. Malaysian Singapore Business Council (MSBC)

5. EUROCHAM Malaysia
6. BeLuxCham Malaysia
7. Malaysian Dutch Business Council
8. Malaysian Spanish Chamber of Commerce & Industry (MSCCI)
9. Malaysian Swedish Business Association (MASBA)
10. American Malaysian Chamber of Commerce (AMCHAM)
11. Malaysia India Business Council (MIBC)

SESSION 3: PROFESSIONAL BODIES

1. Malaysian Employers Federation (MEF)
2. Women's Institute of Management (WIM)
3. Institution of Engineers Malaysia (IEM)
4. Malaysian Bar Council
5. Sabah Law Society
6. The Advocates Association of Sarawak
7. Malaysian Medical Device Association (MMDA)
8. Malaysian Institute of Architects
9. Malaysian Institute of Accountants (MIA)
10. Actuarial Society of Malaysia
11. Asian Institute of Chartered Bankers (AICB)
12. Malaysian Association of Company Secretaries (MACS)
13. Chartered Secretaries Malaysia (MAICSA)
14. Malaysian Medical Association (MMA)



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