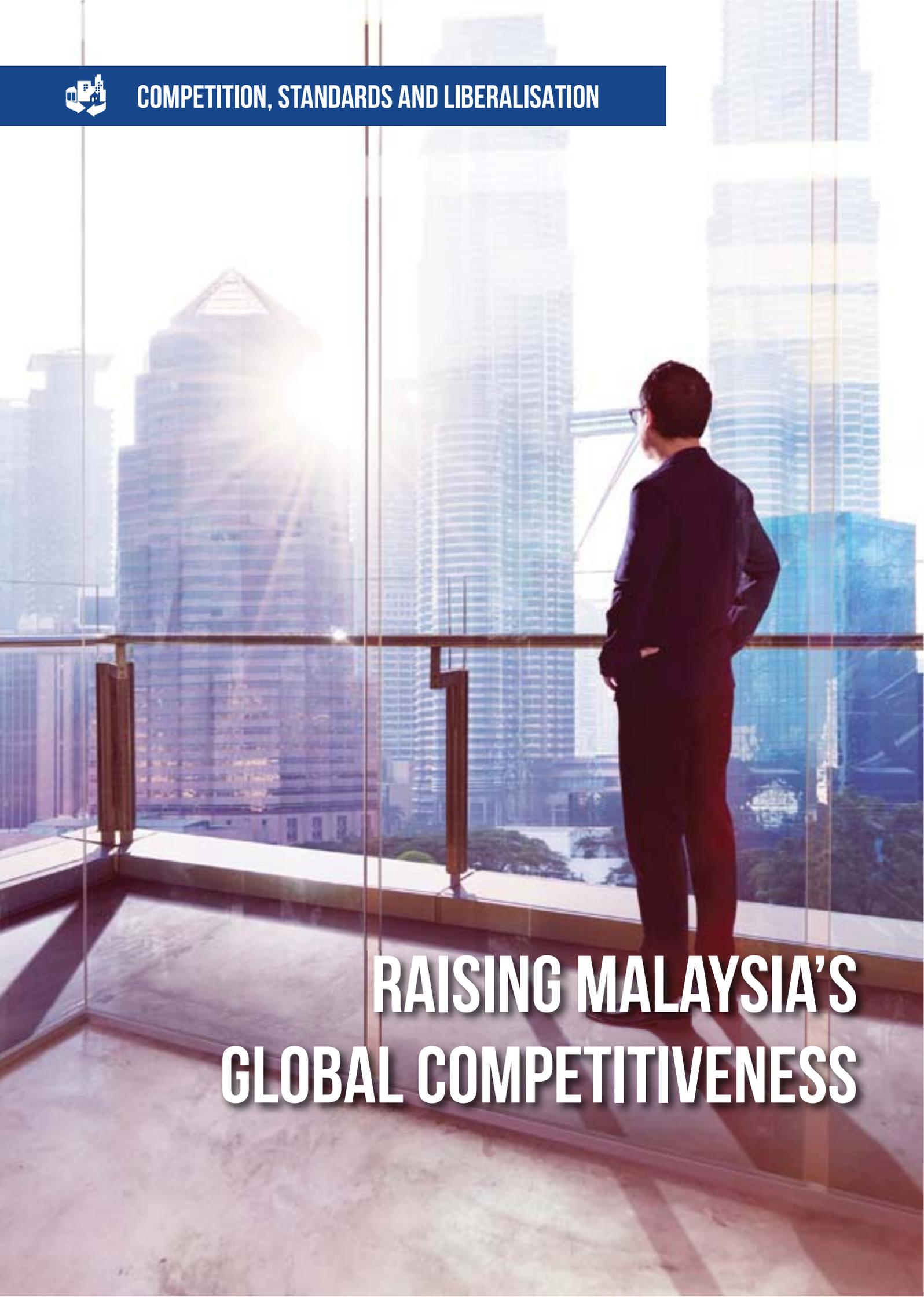




COMPETITION, STANDARDS AND LIBERALISATION



**RAISING MALAYSIA'S
GLOBAL COMPETITIVENESS**

**YB DATO' SERI HAMZAH ZAINUDIN**

Minister of Domestic Trade, Co-Operatives and Consumerism

It is the mission of the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) to accelerate main domestic sectors that are viable, competitive and sustainable thereby ensuring a developed domestic economy grounded by fair competition and innovation, thus developing a trade ecosystem based on ethics and protection of consumer interest.

The competition law and policy in this country plays a major role towards this end by ensuring a conducive and healthy competition environment in the country.

With a healthy competition process, consumers will be able to enjoy more choices, competitive prices and better quality goods and services. The country's economy as a whole will benefit positively as a result of increased productivity and more efficient resource distribution. According to the World Economic

Forum's Global Competitiveness Report 2017-2018, Malaysia is ranked as the 23rd amongst 137 countries in terms of global competitiveness. The report also stated that Malaysia is the region's top emerging economy, ahead of China which is ranked 27th.

I am confident that the Malaysia Competition Commission (MyCC) will continue to strive to deliver an effective competition regime to support a business-friendly environment to increase Malaysia's competitiveness globally. MyCC had changed the business environment by changing the rules of the game for the better.



YB DATUK SERI PANGLIMA WILFRED MADIUS TANGAU
Minister of Science, Technology and Innovation

Standards play an important role in assisting businesses of all sizes and sectors to improve productivity, increase efficiency and access new markets. Many businesses question the need for compliance to standards and its associated costs. The perception by companies is that standards compliance is a cost rather than an investment, making it a low priority for companies. Companies should realise that by complying to standards, it builds customer confidence that their products are safe, reliable and of quality. It also helps to reduce cost of operation, increase yield and competitiveness.

Standards has been identified as an important enabler to ensure the competitiveness of Malaysian companies at the global stage. For instance, the number of certifications for Quality Management Systems (QMS) and Environmental Management Systems (EMS) are being used as indicators for the Global Innovation Index (GII). In the GII 2017 report, Malaysia is ranked 26th out of 127 countries for Quality Management Systems certification and at number 35 for Environmental Management Systems certification. Based on this year's achievement where the number of certification has increased by 19%, Malaysia's GII ranking is expected to further improve in 2018. This shows that more industries are adopting and incorporating standards into their core business practices.

Consumers too need to create an intense demand for quality products and services which meet standards in order to alter the attitude of producers towards standards compliance. Standards must

be seen as a tool to protect the safety and health of the rakyat and the environment. Now, more standards are being put in place across the spectrum of products from tyres to building design, tinted glass and playground equipment among others. High-impact standards such as the Design of Structures for Earthquake Resistance, Anti-Bribery Management Systems, good agricultural practice and specification for trigona honey, and DNA detection method for Halal certification have been developed in 2017. As of the end of 2017, 5,331 Malaysian Standards have been made available for businesses and consumers, and 510 of those standards are being made mandatory by regulators.

We experience unprecedented challenges, including rapid urbanisation, modernisation mandates, and economic austerity pressures thus it is the goal of this Strategic Reform Initiative (SRI) for standards to support the development of the country as outlined in the 11th Malaysia Plan. Standards will underlie the entire ecosystem, starting from production, development, utilisation, market access and even the removal of technical barriers to trade. We aim to brand Malaysian standards as a symbol of quality for Malaysian products and services.



YB DATO' SRI MUSTAPA MOHAMED
Minister of International Trade & Industry

Our mission to become a developed nation by the year 2020 is supported by several key measures outlined under this SRI. This SRI is part of the key policy measures recommended under the New Economic Model (NEM) for Malaysia Part 1: Strategic Policy Direction published by National Economic Advisory Council (NEAC). This policy measure stresses on the need to continue developing our services sector through greater involvement of foreign investment, which will spur the competitiveness of our domestic services sector. The excessive protection must be phased out gradually and sectoral liberalisation must be continued progressively.

The Services Sector Blueprint (SSB) was launched in 2015 meant to further support the domestic market and provide valuable policy direction for the development of Malaysia's services sector. The SSB was also designed to support and align with existing Government programmes, including the 11th Malaysia Plan. Henceforth, the services sector has continued to dominate and shall continue to serve as the biggest contributor to our national income until and beyond the year 2020.

Against the backdrop of rapidly evolving economic challenges, we must continue to formulate strategic moves and policy directions to harness the full potential of our diverse economy. Complications such as the shortage of skilled talent as well as regulatory constraints that still exist in our governance structure have to be tackled pragmatically and comprehensively, in line with the National Transformation Programme (NTP).

In our pursuit to become among the most competitive economies in the region, efforts must be strengthened to accelerate the growth of our export in goods and services sectors. Higher productivity and value-add for all targeted segments of our industry will also have to be intensified and continued actively. The services sector offers vast opportunities with huge growth potential in the years to come and our services industry players need to be able to capture these opportunities presented. The Government's commitment in facilitating and attracting more investments is unwavering – we will continue to provide conducive business climate in line with our vision of strengthening Malaysia's position as a premier investment destination.

FOSTERING A CULTURE OF COMPETITION

As an enforcement body, the MyCC is serious in nurturing a strong culture of competition in Malaysia. Throughout the year, MyCC has achieved various milestones through its enforcement, advocacy, market review, capacity-building and knowledge sharing in ensuring the development of Malaysia into a more globally competitive nation.

Actions taken by MyCC include a Proposed Decision against the General Insurance Association of Malaysia (PIAM) and its 22 members on 22 February 2017 for infringing Section 4(2)(a) of the Competition Act 2010 (CA 2010) through involvement in an anti-competitive agreement to fix trade discounts and labour hourly rate for PIAM Approved Repairers Scheme (“PARS”) workshops. MyCC proposed to impose various remedies including financial penalties against the 22 general insurers.

“MyCC continued to engage with both the public and private sectors to increase awareness of competition law in the country through advocacy activities and market surveys to identify breaches in competition law.”

On 27 February 2017, the Competition Appeal Tribunal (CAT) dismissed the appeal of Prompt Dynamics Sdn Bhd, which had infringed Section 4(2)(a) of the CA 2010 and was subsequently fined RM152,042 for engaging in price cartel activities. Aside from Prompt Dynamics Sdn Bhd, MyCC also investigated and penalised four other companies for price cartel activities. All five companies were fined a total of RM645,000.

Following MyCC’s Final Decision against My E.G. Services Berhad (MyEG) for infringement of Section 10 (2)(d)(iii) of the CA 2010 by abusing its dominant position, MyEG filed an appeal to the CAT on July 2016. On 28 December 2017, the tribunal

has dismissed the appeal of MyEG and My E.G. Commerce Sdn Bhd (MyEG Commerce) against the decision of MyCC with a penalty amounting to RM6,412,200.

MyCC has also extended the block exemption for liner shipping agreements in respect of Vessel Sharing Agreements (VSA) and Voluntary Discussion Agreements (VDA) commencing 7 July 2017 for a period of two years. The block exemption renewal application was submitted by the Malaysia Shipowners Association (MASA) and the Shipping Association of Malaysia (SAM) on 6 March 2017. Previously, MyCC had granted a three-year block exemption for liner shipping agreements, which expired on 6 July 2017.

In leading competition law in Malaysia, MyCC continues to spearhead the Special Committee on Competition which was formed in 2011, comprising several sector regulators to discuss mutual issues on competition laws and policy besides to ensure consistency in the application of the CA 2010 and other related laws. The Committee convened in July and December 2017 to discuss several issues cutting across various sectors. MyCC also continued to engage with both the public and private sectors to increase awareness on competition law in the country through advocacy activities and market surveys to identify breaches in competition law in certain industries. Since its establishment, MyCC has organised over 200 advocacy programmes for both the private and public sectors all over Malaysia.

In its efforts to raise awareness on competition amongst SMEs in Malaysia, MyCC has marked another notable development during the year with the launch of the e-Learning System on Competition Compliance Programme for SMEs in March 2017. An introductory course was designed to introduce CA 2010 to those owning and/or working in SMEs to help them comply with the requirements of the Act. The main objectives of the e-Learning System are to serve as a learning tool for SMEs and serve as a one-stop portal to access information on CA 2010, especially on competition compliance.

Following the success of the inaugural Moot Court Competition on Competition Law in 2016, MyCC organised the 2nd Moot Court Competition on Competition Law at the Ahmad Ibrahim Kulliyah of Laws (AIKOL), International Islamic University Malaysia (IIUM), Kuala Lumpur on 28 to 29 October



2nd Moot Court Competition on Competition Law 2017 held at Ahmad Ibrahim Kulliyah Of Laws (AIKOL), International Islamic University Malaysia (IIUM).

2017. The second event attracted seven teams from universities all over Malaysia, and was won by the team from the University of Malaya. This competition aims to promote CA 2010 among university students, in line with the aim of creating a pool of future competition experts in Malaysia.

The Commission also organised and hosted two international conferences, namely the Malaysia Competition Conference 2017 held on 6 to 7 March 2017, serving as a platform for deeper exposure on competition policies, and the 7th ASEAN Competition Conference on 8 to 9 March 2017, focusing on the development of competition policy and law in ASEAN countries over the past decade, the priorities of younger competition agencies in a competitive ASEAN, understanding the challenges faced from new technological developments, and how regional cooperation can be strengthened to promote a stronger and more competitive ASEAN.

MyCC has completed two market reviews on the pharmaceutical sector and building materials in the

Malaysian construction industry under the CA 2010. The review is done to understand the construction industry market and identify any anti-competitive conduct in the production of selected key building materials, as well as assess the prevailing industry practices and regulations that restrict competition and cause unnecessary regulatory burden. The Commission is also in the process of finalising new guidelines for the use of intellectual property rights under the CA 2010.

Malaysia continues to face a long road ahead in competition-related legislations. Enforcement of competition law remains a complicated issue even in the most well-established jurisdictions, due to the complex and technical nature of the subject. Detecting and investigating cases require considerable economic and legal expertise and these are areas that MyCC will need to invest in. Despite facing multiple challenges, MyCC remains determined in executing its mandate efficiently and effectively.

ENSURING WORLD-CLASS STANDARDS OF MALAYSIAN GOODS AND SERVICES

Producing more quality products

The Standards initiative under this SRI has contributed to greater cognizance among businesses on certification requirements for their products. This is as certification has become a pre-requisite for export which facilitates the trade of Malaysian products and allows local players to enjoy better market access. Heightened recognition and implementation of standards has catalysed efficiency in production, especially in the electrical and electronics (E&E), food and beverages (F&B), and agriculture sectors, while significantly increasing GDP contribution from those sectors (E&E – 0.02%, F&B – 0.26% and agriculture – 0.06%).

“Heightened recognition and implementation of standards has catalysed efficiency in production.”

The launch of a new certification programme, the Malaysian Sustainable Palm Oil (MSPO) (compliance to MS2530:2013), has also contributed significantly to the production of more quality products. To date, 210 oil palm plantations have been awarded the MSPO certification. The Government, through the Ministry of Plantation Industries and Commodities (MPIC) and the Malaysian Palm Oil Board (MPOB), will make the MSPO certification mandatory for all oil palm plantations by the end of 2019 in the effort towards branding local palm oil as sustainably produced and safe. In order to uphold the credibility of the MSPO certification, the Malaysian Palm Oil Certification Council (MPOCC) in collaboration with Standards Malaysia has developed an accreditation programme which emphasises on three pillars of sustainability: economic viability, social acceptability and environmental soundness.

Expansion of standards in the services sectors

Standards Malaysia has worked closely with the services industry to promote the implementation of standards in various service sub-sectors. For instance, it has collaborated with the Malaysia Association of Cleaning Contractors to promote the cleaning services standard MS ISO 2550:2014 – Cleaning Performance for Commercial & Public Buildings for adoption by the cleaning services industry. This new standard incorporates best practices in management as well as hygiene and cleanliness. Cleaning contractors under the Association such as Industrial & Commercial Cleaning Sdn Bhd, Q-Services Sdn Bhd and Juwara Trading & Resources Sdn Bhd have volunteered to pilot projects using this standard with Universiti Teknologi MARA Raub and Universiti Teknologi MARA Shah Alam, Boustead Curve Sdn Bhd and Express Rail Link (ERL) Sdn Bhd agreeing to allow their facilities to be used in this pilot.

Meanwhile, the National Recreational Scuba Diving Council under the Ministry of Tourism and Culture (MOTAC) has invited Standards Malaysia to provide professional advice from a conformance perspective to increase awareness among diving operators and other scuba diving-related businesses on the importance of adhering to standards. Among the standards set for the diving industry include the MS ISO 11121:2011 – Recreational Diving Service which specifies the minimum requirements for organisations that offer introductory scuba experience training programmes to non-divers in an open-water environment.

Standards Malaysia has also initiated a programme with MOTAC to uplift the service levels of adventure tourism operators in the Pahang National Park. To this end, Standards Malaysia has signed a MoU with the Malaysian Tropical Environment Adventure & Fellowship Society (MyLEAF) to accelerate the development of a certification scheme for adventure tourism, ensuring that a minimum quality standard is observed by the operators. Beyond the safety aspect, this includes the preservation, conservation and sustainability of natural habitats.



Ensuring quality and security of food

The Ministry of Health (MOH) has undertaken the Makanan Selamat Tanggungjawab Industri (MeSTI), or the “Food Safety is the Responsibility of the Industry” certification with the objective to put in place a system for the maintenance of food hygiene and process control which includes food safety assurance and food traceability. It is targeted for at least 50%, or 3,874, of the 7,749 food manufacturing premises to be registered with MOH, and be MeSTI-certified, including MeSTI renewals. Since its introduction in 2012, 3,895 premises have been certified and by 2021, all food manufacturing premises shall be required to be certified according to MOH’s requirements.

The Smart Partnership Programme that saw MOH collaborating with Universiti Putra Malaysia (UPM) to provide internship students with training on MeSTI modules has been expanded to include 127 students from Universiti Kuala Lumpur Malaysian Institute of Chemical & Bioengineering Technology (UniKL MICET) in Malacca, and 94 students from Politeknik Sultan Haji Ahmad Shah (POLISAS) in Pahang. Lecturers from UPM, UniKL and POLISAS have also received training in relation to the MeSTI certification.

Under the Beyond the Sustainable Supplier Development Programme (SSDP), MOH has collaborated with five major hypermarkets in Malaysia to improve food safety along the supply chain. Additionally, MOH has partnered with Tesco to make it mandatory for Tesco’s fresh produce suppliers to be MeSTI-certified, and this will be

expanded to other Tesco product suppliers. MOH has also worked with the Malaysian Islamic Development Department (Jabatan Kemajuan Islam Malaysia – JAKIM) to make food safety assurance programmes such as the MeSTI certification mandatory for corporate applicants of the halal certification.

The MeSTI certification will be expanded to include other hypermarkets and supermarkets such as AEON, Mydin, Giant and 99 Speedmart. MOH is also currently collaborating with food manufacturers such as durian processors, birds’ nest packers, honey producers and others to expand and instil the benefits of MeSTI certification.

In order to promote MeSTI and create public awareness about the certification, many large-scale promotional activities and campaigns were carried out throughout the year through social media as well as electronic and print media, besides several other local engagement platforms.

Meanwhile, the Malaysian version of the Good Agricultural Practice standard, myGAP, has shown a CAGR of 37% of certification for fruit and vegetable farms and 130% for aquaculture farms and 14% for the number of livestock farms/premises since its inception in 2011. The cumulative number of farms certified with myGAP increase by 451% from 1,378 farms in 2011 to 6,226 farms in 2017. This can be attributed to increased awareness, market access and funding incentives for farmers to upgrade their facilities and fulfil the requirement of the myGAP certification.



MesTI certified food manufacturing premise belonging to Serantau Desa Industries, Kuala Lumpur.

However, demand for certified produce remains low in the domestic market, requiring collaboration with supermarkets and grocers to demand certified produce, besides increased enforcement from implementing agencies, as well as more understanding among consumers on the need for certification.

Currently, the myGAP certification is voluntary, with the auditing and certification of farms left to the discretion of farmers. Fruit and vegetable farms that are certified by the Department of Agriculture (DOA) comprise small farms which account for only 2%, or 22,877 hectares, of the total farm land in Malaysia. Hence, there continues to be a need for larger farms to apply for the myGAP certification.

To further enhance the standards of agricultural produce, MOA has also allocated funds to assist farmers in upgrading their storage, sewage, collection and other facilities. In addition to funding, the Departments of Agriculture, Fisheries and Veterinary Services support MOA's efforts through engagement programmes, including capacity-building programmes towards myGAP compliance.

The myGAP certification has started to be recognised by neighbouring countries and has been set as a pre-requirement for the export of fruits and vegetables to Indonesia and Brunei Darussalam. Indonesia started implementing this requirement in February 2016 while Brunei started in 2017. Full implementation of this requirement will be rolled out in Brunei starting January 2018.

MOA views increasing the domestic demand for myGAP as an important component in encouraging farmers to obtain certification. Currently, there is no price differentiation for myGAP-certified and non-certified products. Thus, educating the domestic market to seek certified products where it touches quality, safety and sustainability will become a high priority, as well as create another layer of product offerings. Similar to MOH in its efforts to promote the MeSTI certification, MOA will also be collaborating with supermarkets, speciality stores and supermarkets to create a demand for certified produce.

“The myGAP certification has started to be recognised by neighbouring countries and has been set as a pre-requirement for the export of fruits and vegetables to Indonesia and Brunei Darussalam.”

Improving environmental standards

The MyHIJAU Programme is an initiative under the Ministry of Energy, Green Technology and Water (KeTTHA) which aims to boost the capacity and capabilities of the industry in the production of more green products and services that are competitive locally and globally, and at the same time encourage the consumption of goods and services that fulfil



myGAP certified farm belonging to Ngee Teck Huat Farming Sdn Bhd in Johor.



environmental standards. The MyHIJAU Programme includes the MyHIJAU Mark and MyHIJAU Directory initiatives, both of which aim to coordinate and monitor all existing green labelling activities, as well as enhance promotional and information gathering activities related to green labelling which is currently done by multiple agencies. This coordination serves to provide clarity and avoid confusion to arise from the multitude of uncertified 'green' labels. As of December 2017, 2,319 new local products have been certified under MyHIJAU, including air conditioners, televisions, refrigerators and consumer products such as biodegradable detergents.

Another branch under the MyHIJAU Programme is the MyHIJAU SME & Entrepreneur Development Programme, which aims to promote and increase awareness of the MyHIJAU certification and provide consultation to local entrepreneurs to encourage them to move towards obtaining the certification. As of December 2017, 423 companies have participated in this entrepreneur development programme.

In 2017, the implementation of the Government Green Procurement (GGP) initiative has expanded to all 25 Ministries and Government agencies. Under the 11th Malaysia Plan development budget for the period of 2016-2017, RM4.88 million was allocated for the implementation of green technology development and green procurement programmes. This programme involves capacity building among procurement officers to enhance their capabilities to implement the GGP, besides providing consultation for SMEs to encourage them to adapt green technology and practices in their operations. This programme promotes and facilitates the registration of the MyHIJAU Mark for businesses producing green products and services.

To date, the GGP implementation has seen the selection of 20 product groups as preferred green products with GGP compliance serving as an evaluation criteria in the Star Rating mechanism introduced by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) to evaluate and rate the performance of public-sector agencies. GGP guidelines involving those 20 product groups have been developed based on MOF's procurement procedures and relevant national standards and eco-labels. In 2016, the GGP value by the 12 selected ministries was RM130 million.

Work in improving environmental standards in Malaysia has to take into consideration several issues and challenges. Eco-friendly products and goods are more expensive, as there is a high initial cost in manufacturing such green products. As a result, supplier readiness remains a concern, as does the wide availability of existing non-green/traditional products and services as alternatives to their green counterparts. There is also ignorance with regards to the existence of green products and services, which is one of the factors why the market for such goods is less driven by local demand.

To overcome these hindrances, the Government needs to set up a strategy to overcome those challenges. First is to create awareness that the green agenda is an investment, besides providing incentives and assistance to the industry to encourage them to adopt green standards and technologies. The strategy should also include enhancing the existing green standards, labelling and certification system. At the same time, the Government needs to focus on compliance of procurement regulations in the public and private sectors.

“As of December 2017, 2,319 new local products have been certified under MyHIJAU, including air conditioners, televisions, refrigerators and consumer products such as biodegradable detergents.”

The rolling out of the Green Income Tax Allowance (GITA) and Green Income Tax Exemption (GITE) should continue to encourage greater demand for green products. KeTTHA will be involved in continual engagement with various identified agencies that provide Environmental Certification Schemes under the MyHIJAU Programme. Moreover, under the 'Green SME' initiative, environmental compliance and criteria will be incorporated in all SME development programmes organised by Ministries and Government agencies. Additionally, steering the SMEs' plans of action towards eco-friendly approaches will be done by the respective Ministries and agencies to reduce greenhouse gas emissions contributed by the manufacturing and services sectors.

LIBERALISATION AND REFORMS SPUR INVESTMENTS

Since 2009, Malaysia has undertaken a policy of progressive liberalisation and business reforms of its services sector to attract greater foreign investment and improve the competitiveness of the country. The Government has also undertaken sectoral governance reforms which improve the business climate. The exercises in liberalisation and reform continued into the implementation of the NTP.

In March 2015, the Government launched the Services Sector Blueprint (SSB) to further boost investment and activity in the services sector. The blueprint focuses on priority sectors, the Construction Industry Transformation Plan (CITP) and the Logistics and Trade Facilitation Master Plan, paving the way for a change in the composition of the services sector to enhance and leverage on linkages between sectors as well as to improve competitiveness and generate high-income jobs.

“Incentives such as the Services Export Fund, Large Corporation-SME Partnership Programme and GoEx were introduced to facilitate export growth.”

SSB also focuses on three strategic shifts which include focusing on knowledge-intensive services, implementing an integrated sectoral governance reform and stepping up internationalisation efforts of local service providers. The blueprint has identified challenges facing this sector and proposed four policy levers namely internationalisation strategy, investment incentives, human capital development and sectoral governance reform to be implemented.

Strategies and action plans have been formulated for local companies to increase their export and expand their presence into the international market. A number of incentives were introduced to support and facilitate the development of export such as the Services Export Fund, Large

Corporation-SME Partnership Programme, Mid-Tier Companies Development Programme and GoEx. These programmes are designed to address specific needs of export-ready services firms not only through funding opportunities but other support measures such as consultation, market research and export promotion. Programmes such as the Large Corp-SME Partnership Programme also encourage partnerships between large corporations and SMEs to venture into projects abroad.

The effectiveness of investment incentives can be further improved with central coordination and management of the various incentive schemes, a focus on quality, transparency and more robust evaluation of current and future incentive schemes. Investing in talent is also essential in ensuring the success of the services sector.

Other than the three strategic shifts, SSB recommended the establishment of the Incentive Coordination and Collaboration Office (ICCO), which was set up in MIDA on 15 April 2015. ICCO identifies the gaps and the enhancement opportunities across all schemes offered and ensures that underserved segments are included. MIDA administers all incentives under the Promotion of Investment Act, 1986 (PIA) and selected incentives under the Income Tax Act, 1967. In alignment with MIDA Act 1965, the organisation is also mandated to be the centre for collection, reference and dissemination of information relating to investments across all sectors of the economy.

ICCO fundamentally serves three main groups of stakeholders which are the foreign and local companies who are interested to establish and currently operating their businesses in Malaysia, agencies that manage incentives such as MOSTI, MIDF, MDEC and MATRADE, as well as incentive monitoring authorities such as MOF and EPU.

For the first phase of ICCO's implementation, MIDA has developed an interactive web portal which currently stores information on 120 incentives by 31 Federal Ministries and agencies. For the second phase, ICCO will collaborate with the relevant Ministries and agencies to compile a database of companies granted incentives under a centralised approval database management system to improve the central coordination and management of incentive provision.



Climbing up the ranks of Doing Business

The success of these efforts can be measured by Malaysia's 24th ranking on the World Bank's Doing Business 2018 report, putting the country fifth in Asia after Singapore, Republic of Korea, Hong Kong SAR and Taiwan. Among the highlights of positive reforms include the areas of getting credit, cross-border trade and protection of minority interests. The country is also ranked 8th in the world in terms of getting electricity due to the shorter number of days needed to connect to the grid (31 days versus 78 days across OECD high-income economies), the reliability of supply, transparency of tariffs and the affordable cost of connection.

“Malaysia is ranked 24th in the World Bank's Doing Business 2018 report.”

Furthermore, in the past 15 years, Malaysia has implemented 23 governance reforms aimed at improving business regulations. According to the World Bank, this is much higher than the per country average of 15 reforms in the East Asia and Pacific region. Notably, the country was ranked 11th in the 'dealing with construction permits' indicator, with the average time to obtain a construction permit in Malaysia amounting to 78 days against the global average of 158 days.

The report additionally highlighted the Government's establishment of a one-stop service centre as well as streamlining of the registration process through the introduction of e-lodgment to ease new business registrations. This has helped to halve the time needed to register a new business from 37 days 15 years ago to 18 days now, while the cost has been reduced from 33% of income per capita to 5% today.

The Doing Business 2018 report also suggested areas of improvement, including carrying out governance reforms in a more streamlined and regular manner across all Ministries and agencies. Despite completing six regulatory reform exercises in the Starting a Business area in the last 15 years, further improvements are suggested in the interest

of enhancing the benefits and effectiveness of the regulatory reforms to the business community.

Reducing unnecessary regulatory burdens

Efforts to ensure conducive environment for business are also undertaken by the Malaysia Productivity Corporation (MPC), which has undertaken a series of specific regulatory reviews and developed the National Policy on the Development and Implementation of Regulations (NPDIR) to establish good practices for the reform processes. Implementation of the NPDIR includes undertaking in-depth public consultations and regulatory impact assessments to ensure that the new regulatory changes are sound and effective to the public and the relevant industries in Malaysia.

Following this, among regulations which have been eased include landing permits for chartered flights. Prior to the exercise, on average it took seven days for cargo flights and 14 days for passenger flights to obtain landing permits against the best practice, of around two to three days. This exercise has shortened the issuance of Landing Permits of Charter Flights to three days for cargo and passenger flights and reduced 70% of documents for applications for Domestic Airlines and 30% for Foreign Airlines. This improvement will bring tremendous impact in terms of stimulating trade, facilitating business efficiency and spurring economic growth. It has also contributed to the larger objective of transforming Malaysia into the preferred logistics gateway to Asia.

Although governance and regulatory reform exercises are carried out consistently, a number of improvements are required to support the objective of further improving the ease of doing business in Malaysia. These include the need to enhance knowledge on Good Regulatory Practices (GRP) among Government agencies to strengthen the public consultation mechanism and governance to ensure that stakeholders are not adversely affected when the Government introduces and amends policies or regulations. Ministries and agencies are encouraged to undertake the Regulatory Impact Analysis (RIA) in order to manage intended and unintended consequences that may arise from regulatory review processes.

Strengthening Malaysia's Brand by Raising the Bar

Building up trust in Malaysia's products and services is pivotal to the nation gaining competitiveness. Therefore, Malaysian products and services need to meet high standards, and be seen to be meeting high standards.

Standards Malaysia, a Government department in charge of creating standards for the country's products and services, is one of the key drivers of the CSL SRI. This SRI aims to develop an efficient and competitive business environment and culture via the enhancement and adoption of standards and best practices.

Datuk Fadilah Baharin, Director General of Standards Malaysia states that upholding Malaysian products and services to the highest standards is one of the keys to transforming the nation into a high-income economy. "Standards are important as they open doors, help speed market growth and increase domestic and international trust in Malaysian products and services."

Standards Malaysia has developed over 6,000 standards across 25 sectors, and among those is the Halal certification which is awarded and enforced by Jabatan Kemajuan Islam Malaysia (JAKIM). Through aiding various Government ministries to enforce certification programmes to help companies and businesses improve quality and gain market trust; higher levels of trust, higher sales and better quality for customers are achievable by Malaysian companies.

For example, following the adoption of MS 1784 Good Agriculture Practice Crop Commodities (MyGAP) in 2004, Terengganu based company, GM Peladang Sdn Bhd which grows melons and tomatoes experienced a rise in profit from RM3,870 in 2005 to RM124,567. The rise was attributed to

the fact that the MyGAP certification allows GM Peladang's products to more easily gain acceptance and entry into hypermarkets, farmer's markets and hotel kitchens.

The adoption of Standards Malaysia's standards aided a Kuala Lumpur-based digital security firm, Securemetric Technology Sdn Bhd, double its export revenues to RM4.95 million in 2014 as compared to RM2.4 million in 2010. Securemetric adopted two standards: ISO 15408 - Common Criteria Evaluation Assurance and ISO 9001 - Quality Management Systems. ISO 15408, which also helped Securemetric obtain new deals in the government and private sector that it had previously been unable to secure.

The department is also focused on increasing awareness of the importance of standards to the future generation. To this end, Standards Malaysia is working with universities to incorporate standards education into their syllabi. It also works with the Ministry of Education to disseminate knowledge about standards to primary and secondary school students. This is done via games and competitions such as The National Standards Olympiad; where students must demonstrate creativity, problem-solving skills and cooperation through team-based competitive standardisation activities such as developing prototypes.

Winners of The National Standards Olympiad go on to represent the country at the International Standards Olympiad. Two Malaysian schools, Sekolah Menengah Kebangsaan Taman Mutiara Rini 2, Johor and Sekolah Menengah Kebangsaan Rantau Petronas, Terengganu won silver and bronze medals respectively in the global games held in Yongin, Korea in 2017.

Standards Malaysia is now working on introducing a national quality mark to help enhance Malaysia's brand globally. "With this national quality mark, Malaysia will fly high," said Fadilah. "There will be higher trust in Malaysia's products and our products will become the preferred brand around the globe."



Datuk Fadilah Baharin,
Director General of
Standards Malaysia.



MOVING FORWARD ▶▶

The Competitions, Standards and Liberalisation SRI has brought many advancements to the nation in the past seven years including increased awareness of competition law, heightened standards of local products and services, and the progressive transition of the services sector to become more knowledge-intensive and innovation led.

To deliver effective competition regime in Malaysia, MyCC will continue its role to implement and enforce the CA 2010 to ensure a conducive competition culture to make markets work well for consumers, businesses and the Malaysian economy. MyCC will remain focused on elevating awareness as well as educating stakeholders and the public on the importance of complying with competition laws. Besides that, MyCC will continuously build and disseminate expertise in competition law through networking efforts.

Meanwhile, the focus of standards has always been to encourage business entities to obtain certification to improve their competitiveness, particularly those who wish to penetrate the export market. However, the drive to obtain certification is still dependent on export market requirements while certified products do not command a price advantage over non-certified products or produce. Consequently, local businesses would not see the value of obtaining certification. Moving forward, the Government needs to step up its efforts to increase the demand of certified products among domestic consumers and enhance the country's standards to meet international benchmarks.

In liberalisation of the services sector, the Ministry of International Trade and Industry (MITI) will coordinate and oversee implementation of the SSB which outlines 29 action plans that transcends across four main policies: internationalisation of services firms; effective management of investment incentives; enhancing human capital development; and enhancing sectoral governance integration. In addition, there should be continuous efforts by MPC to evaluate the Business Environment Framework, especially in Reducing Unnecessary Regulatory Burdens for the sectors such as the ICT sector, logistics and Distributive Trade to raise Malaysia's ease of doing business.
