

Chapter 5

Non-Tariff Measures in Malaysia

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CHAPTER 5

NON-TARIFF MEASURES IN MALAYSIA

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1. Introduction

This report presents the findings of the project that compiled the 2018 database for non-tariff measures (NTMs) (updated from 2016) for Malaysia. Section 1 describes Malaysia's trade structure in terms of exports and imports and the extent of protectionism in the form of tariffs. It also details the sources of data for constructing the NTM database. Section 2 describes the types of NTMs by chapter and sub-chapter. Section 3 presents some basic indicators of NTMs: the frequency index, coverage ratio, and prevalence score. Section 4 presents conclusions.

1.1 Description of Trade Structure

1.1.1 Exports

Malaysia's exports consist mainly of manufactured goods. In 2016, approximately 42.8% of exports were electronics, followed by machinery and minerals (Figure 5.1a). Within electronics, integrated circuits (Figure 5.1b) commanded the largest export share (24%), whilst computers were the largest component of machinery, and petroleum was the largest component of minerals. Palm oil was an important contributor to export earnings.

Table 5.1 compares the top-five exports in 2016 and 2017 at the harmonised system (HS) 6-digit level. In 2016, of the total export value of US\$189.4 billion, 8.6% was contributed by the HS 854231 category. Petrol products (HS 271019 and HS 271111) came in as the second and third most-exported goods, jointly contributing to 8.6% of total exports. The export structure remained the same in 2017.

Table 5.1: Leading Exports, Malaysia, 2016 and 2017 (US\$ billion)

Rank	HS 6	2016	Export	Share (%)
	Total	All Products	189.4	100.0
1	854231	Electronic integrated circuits; processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	16.2	8.6
2	271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c., containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	8.5	4.5
3	271111	Petroleum gases and other gaseous hydrocarbons; liquefied natural gas	7.7	4.1
4	151190	Vegetable oils; palm oil and its fractions, other than crude, whether or not refined, but not chemically modified	6.7	3.6
5	854239	Electronic integrated circuits; n.e.c. in heading no. 8542	6.4	3.4
Rank	HS 6	2017	Export	Share (%)
	Total	All Products	216.4	100.0
1	854231	Electronic integrated circuits; processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	18.6	8.6
2	271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c., containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	9.5	4.4
3	271111	Petroleum gases and other gaseous hydrocarbons; liquefied natural gas	9.4	4.3
4	151190	Vegetable oils; palm oil and its fractions, other than crude, whether or not refined, but not chemically modified	7.8	3.6
5	854239	Electronic integrated circuits; n.e.c. in heading no. 8542	7.7	3.6

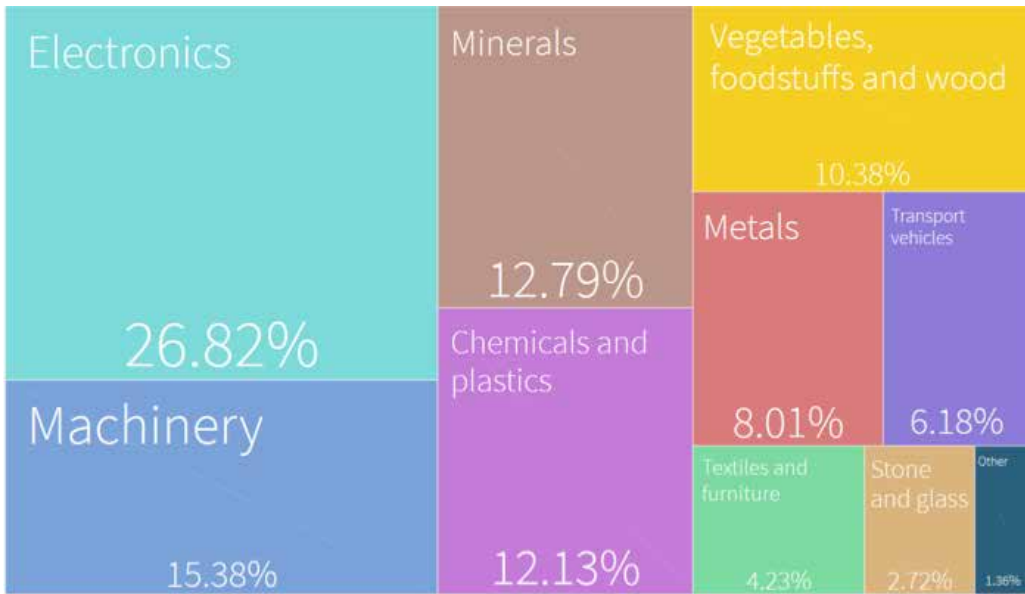
n.e.c. = not elsewhere classified.

Source: Calculated from UN (2019).

1.1.2 Imports

In 2016, Malaysia mainly imported electronics (26.8%), followed by machinery (15.4%), minerals (12.8%), and chemicals and plastics (12.1%) (Figure 5.2a). Imports were less concentrated than exports. However, electronics dominated exports and imports as Malaysia is largely engaged in the trade of parts and components. Electronic integrated circuits contributed over 13.7% of total imports in 2016 (Figure 5.2b). Unlike electronics, the import composition of machinery was more diversified as imports were not dominated by any single category. The largest imported product within machinery was computers, contributing only 1.6% to that category. Conversely, imports of minerals were concentrated in petroleum. The top two leading imports in 2016 and 2017 at the HS 6-digit level were electronics and petroleum (Table 5.2).

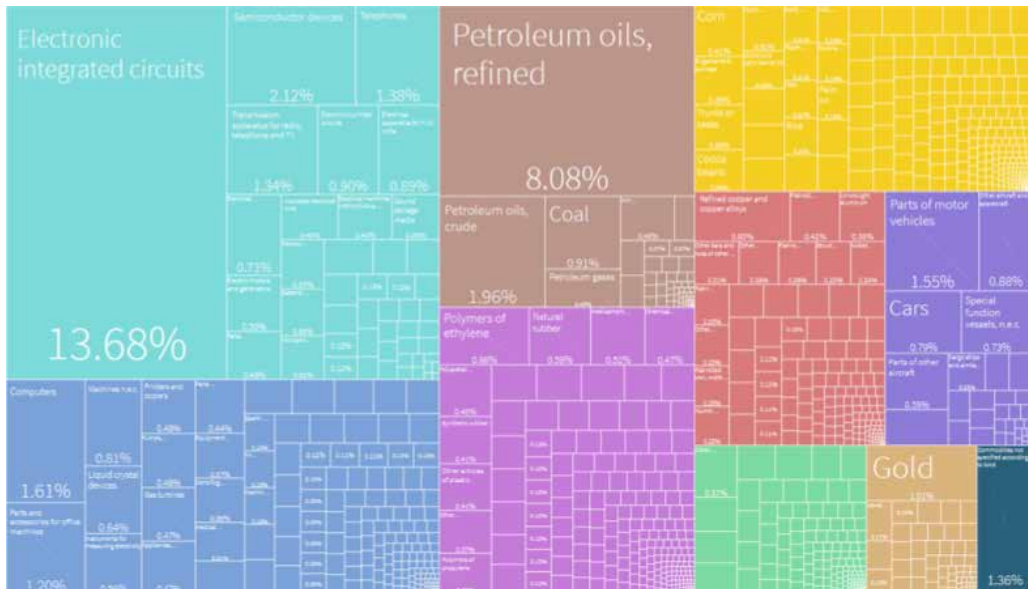
Figure 5.2a: Broad Composition of Imports, Malaysia, 2016 (%)



Note: Products are defined at the HS 4-digit level.

Source: Derived from Center for International Development (2019).

Figure 5.2b: Composition of Imports, by Subsector, Malaysia, 2016



Note: Products are defined at the HS 4-digit level.

Source: Derived from Center for International Development (2019).

Table 5.2: Leading Imports, Malaysia, 2016 and 2017 (US\$ billion, %)

Rank	HS	2016	Export	Share (%)
	Total	All Products	168.4	100.0
1	854231	Electronic integrated circuits; processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	10.0	5.9
2	854290	Electronic circuits and micro-assemblies; parts of the electrical goods of heading no. 8542	8.8	5.2
3	271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c., containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	7.1	4.2
4	271012	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c., containing by weight 70% or more of petroleum oils or oils from bituminous minerals; light oils and preparations	4.8	2.9
5	854239	Electronic integrated circuits; n.e.c. in heading no. 8542	3.9	2.3
Rank	HS	2017	Export	Share (%)
	Total	All Products	193.9	100
1	854231	Electronic integrated circuits; processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits	12.3	6.3
2	271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c., containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations	9.7	5.0
3	854290	Parts of electronic integrated circuits	8.4	4.4
4	271012	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c., containing by weight 70% or more of petroleum oils or oils from bituminous minerals; light oils and preparations	6.9	3.6
5	854239	Electronic integrated circuits; n.e.c. in heading no. 8542	6.6	3.4

n.e.c. = not elsewhere classified.

Source: Calculated from UN (2019).

1.1.3 Tariffs

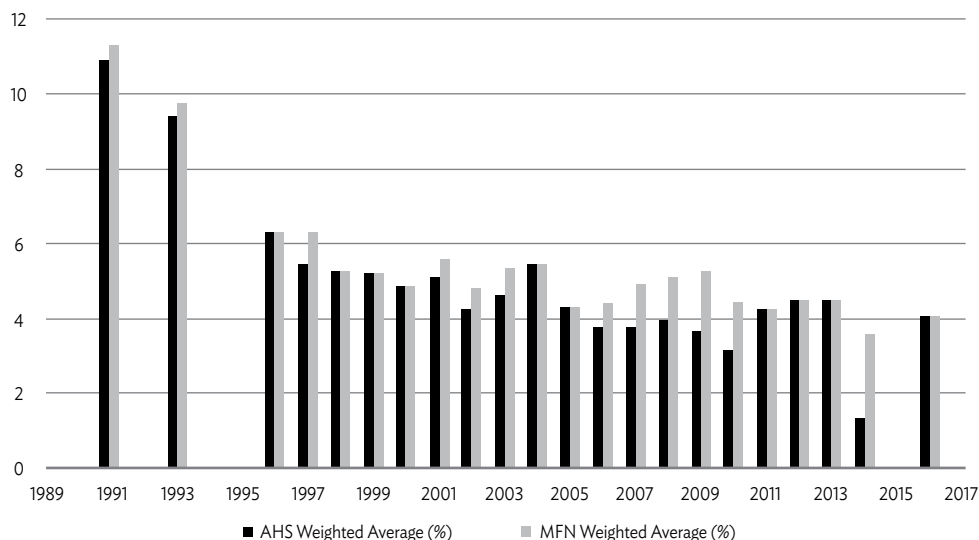
Malaysia has been a member of the General Agreement on Tariffs and Trade (GATT) since 24 October 1957, and of the World Trade Organization (WTO) since 1 January 1995. The effectively applied tariffs¹ for all products for Malaysia decreased substantially in 1996 (Figure 5.3). The weighted mean applied tariffs² declined from a high of 10.8% in 1991 to a low of 1.3% in 2014, before increasing to 4.0% in 2016. In 2004, the effectively applied tariffs were further reduced under the Agreement on Trade in Goods of the Framework

¹ An effectively applied tariff is the lowest available tariff. An existing preferential tariff will be used as the effectively applied tariff; otherwise, the most favoured nation (MFN) applied tariff will be used.

² Weighted mean applied tariff is the average of effectively applied rates weighted by the product import shares corresponding to each partner country.

Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations (ASEAN) and China. The reduction in tariffs continued until 2010, when the ASEAN-China free trade agreement (FTA) was realised.

Figure 5.3: Effectively Applied Tariffs and Most Favoured Nation Weighted Average Tariffs, Malaysia, 1991–2016 (%)



AHS = effectively applied tariff, MFN = most favoured nation.

Source: Derived from UNCTAD (2019).

The adoption of the then HS 2012³ nomenclature streamlined Malaysia’s customs tariffs. The most favoured nation (MFN) rates dropped in 2009–2014 (WTO, 2014). Tariff dispersion was reduced, although tariff escalation remained obvious. The effectively applied tariffs were adjusted to address the change in classification. The sharp drop in the effectively applied tariffs in 2014 (Figure 5.3) may be attributed to the final implementation phase of the ASEAN Economic Community (AEC), whereby efforts to implement all outstanding measures were doubled in the run-up to the formation of the AEC at the 26th ASEAN Summit in 2015 (MITI, 2014). For example, the government, under ASEAN and WTO obligations, committed to remove or reduce import duties for automotive products.

³ Malaysia’s tariff schedule is now based on HS 2017 nomenclature.

1.2 Laws and Regulations

1.2.1 Regulatory System

The law of Malaysia is mainly based on the common law legal system. The Federal Constitution, the supreme law of the land, provides the legal framework for the laws, legislation, courts, and other administrative aspects of the law. There are three levels of government, and therefore three types of legislation: federal, state, and local government laws.

Federal laws or acts apply throughout the country. However, some acts apply differently to Sabah and Sarawak on matters such as land, wildlife, and forests.⁴ State laws are enactments or ordinances, and laws and rules created by local governments or authorities are by-laws. To date, 803 acts are being enforced. This compilation of public (mandatory) NTMs refers to all trade-related acts (Table 5.A1, Appendix). However, if the act comes with a detailed or specific regulation, only the regulation is coded.⁵ In some notable exceptions, the act and the corresponding regulation are both coded as the former is more detailed than the latter: Biosafety Act 2007 and Biosafety (Approval and Notification) Regulation 2010, Feed Act 2009 and Feed (Labelling of Feed or Feed Additive) Regulations 2012, Pesticides Act 1974 (Amendments up to 1 January 2006)/Pesticides (Amendment) Order 2010) and Pesticides Regulations (Labelling) 1984, Dangerous Drugs Act 1952 (as of 1 March 2018) and Dangerous Drugs Regulation 1952 (Incorporating latest amendment P.U. (A) 333/2006), and Strategic Trade Act 2010/ Strategic Trade (Amendment) Act 2017 and Strategic Trade (Strategic Items) (Amendment) Order 2017.

1.2.2 Sources of Information

To ensure the legal comprehensiveness of the coding exercise, we referred to the following five channels and sources:

- (i) Laws of Malaysia (official portal of the Attorney General's Chambers of Malaysia, http://www.agc.gov.my/agcportal/index.php?r=portal2/lom&menu_id=b21XYmExVUhFOE4wempZdE1vNUVKdz09). The series is a compilation and reprint of the laws published in volume form pursuant to Section 14A of the Revision of Laws Act 1968. It is the only official and authoritative publication of the laws of Malaysia.

⁴ In the Constitution of Malaysia, matters pertaining to land, wildlife, and forests are governed by the Federation and the states of Sabah and Sarawak.

⁵ Regulations or 'subsidiary legislation' are more specific as they are guidelines that dictate how the provisions of the act are applied. The reference to regulations will also avoid any redundancy in coding NTMs.

- (ii) Webpages of ministries and government departments (Table 5.A1, Table 5.A2, Appendix).

Sources (i) and (ii) are used to confirm if there have been any updated or amended acts and regulations since 2016. The changes to a specific act or regulation are announced on the webpage of the ministry. For example, the Strategic Trade (Amendment) Act 2017 by the Ministry of International Trade and Industry (MITI) is made available on the ministry's homepage (<http://www.miti.gov.my/index.php/pages/view/4128>). Changes to a specific act or regulation are also made public through briefing sessions. Since 2016, five regulations have been amended or updated: Strategic Trade Act 2010 updated with Strategic Trade (Amendment) Act 2017, Strategic Trade (Strategic Items) (Amendment) Order 2017 (Strategic Trade [Strategic Items] [Amendment] Order 2014 revoked), Electricity Regulation 1994 (Incorporating latest amendments – 431/2003) updated with Electricity Amendment Regulations 2013, Customs (Prohibition of Exports Order) 2017⁶ (Customs [Prohibition of Exports Order] 2012 revoked), Customs (Prohibition of Imports Order) 2017 (Customs [Prohibition of Imports Order] 2012 revoked), and Excise Duties Order 2017 (Excise Duties Order 2012 repealed).

- (iii) Input from the Malaysia Productivity Corporation (MPC), which was reviewing NTMs. To ensure good regulatory practice, the MPC ensures that all regulations are made transparent to stakeholders. The authors of this paper are part of the MPC initiative and have direct access to all the documents referred to, which are used to cross-check any regulations that may have been missed.

- (iv) The Trade Policy Review – Malaysia (WTO, 2017) identifies NTMs such as the following:

- Tariff quotas applied to 27 tariff lines at the HS 10-digit level – live swine and poultry, poultry and pork meat, liquid milk and cream, and round cabbage (NTM Code E6).
- Export duties on live plants, certain seeds, rattan; crude palm oil; palm nuts and kernels suitable for sowing and palm nuts and kernels not suitable for sowing; wood in the rough (108 lines); certain unwrought lead and lead waste and scrap; certain live animals; palm nuts, palm kernel oil (refined, bleached, deodorised); slag, ash, and residues; silver; platinum; refined copper, unwrought; unwrought zinc; palm kernel oil; crude petroleum oil; ferrous waste and scrap; copper waste and scrap;

⁶ The Customs Prohibition Orders (Exports and Imports) 2017 are covered in the various acts and regulations. These documents are not coded separately in the template to avoid double counting. However, both the Customs (Prohibition of Exports Order) 2017 and Customs (Prohibition of Imports Order) 2017 are used as supplementary documents in case some of the acts or regulations are not covered in the individual documents. For example, Schedule 1 (full prohibition) for both orders does not relate to any individual act or regulation and is therefore taken as an additional measure; likewise for specific items listed in the orders under the Ministry of Defence.

master alloys of copper; nickel mattes; nickel oxide sinters; unalloyed nickel; nickel alloys; aluminium waste and scrap (NTM Code P42). For export duties on crude palm oil, see Malaysian Palm Oil Board, 2018.

- Full prohibition of 15 major product categories (14 from the world and 1 from Indonesia) of Schedule 1, Customs (Prohibition of Imports) Order 2017 (NTM Code E311), on religious, security, health, environmental protection, and safety grounds.
 - A cess (tax or levy) of 0.2% of the export value charged to manufacturers of rubber products.
 - Full prohibition of two major product categories of Schedule 1, Customs (Prohibition of Exports) Order 2017.
 - Import and export licenses required for all goods from and to Israel.
- (v) The Standards of Malaysia Act 1996 (Act 549), amended in 2012, governs matters relating to standardisation and accreditation. It was established under the Department of Standards Malaysia, Ministry of Science, Technology and Innovation. As of February 2017, 510 Malaysia Standards were compulsory. Mandatory standards that are trade related number 493 (Table 5.3). The main categories of products with compulsory standards are electrical products and building and construction materials (WTO, 2017). With the exception of Approval for Electrical Equipment, all other technical standards documents are not available online (for free) and need to be purchased. The content pages of other technical standards are used as a guide to code NTMs, and they are largely confined to B7, B82, and B83

2. Descriptive Non-tariff Measure Statistics

This section describes the NTM database in terms of total NTMs and NTM type. It also details the governing institutions of public NTMs. The discussion consistently compares the data on NTMs in 2015 and 2018.

2.1 **Comprehensiveness of the Non-tariff Measure Database**

Table 5.3 provides some general statistics on NTMs based on the Economic Research Institute for ASEAN and East Asia (ERIA)–United Nations Conference on Trade and Development (UNCTAD) 2018 database. The NTMs are drawn directly from 79 related acts and regulations (Table 5.A1, Appendix) from 19 issuing institutions (Table 5.A2, Appendix). The number of NTMs increased by 5.5% in 2015–2018. NTMs are expected to increase as measures are put in place in response to public policy objectives (consumer

health and safety, environmental protection, and national security). The number of notifications made to the WTO does not reflect the number of NTMs in the country (Cadot et al., 2013; Malouche et al., 2013).

Table 5.3: Comprehensiveness of Non-tariff Measures, Malaysia, 2015 and 2018 (number)

Number	Comprehensiveness	Number	
		2015	2018
1	Total number of coded regulations	79	79
2	Total number of notifications (reported NTMs) made at the WTO	252	320
3	Total number of coded NTMs	876	920
4	Total affected products (HS lines, national tariff lines)		
	(a) Total number of affected products (b) Share of the number of affected products to the number of total products		
5	Total number of issuing institutions	19	19

Note: (a) and (b) refer to the number and share of affected products at the HS 8-digit level. The total number of tariff lines at the HS 8-digit level is 10,635.

Sources: ERIA–UNCTAD (2018); Table 5.A1, Table 5.A2, Appendix; Calculated from WTO (2019).

2.2 Non-tariff Measures and Institutions

Of the 19 ministries that administer the acts and regulations with trade-related measures, the Ministry of Health is the most important based on the number of NTMs found in the laws under its portfolio (Table 5.4).

Table 5.4: Non-tariff Measures by Issuing Institution, Malaysia, 2015 and 2018 (number, %)

No	Issuing Institution	2015		2018	
		No. of NTMs	Proportion of NTMs (%)	No. of NTMs	Proportion of NTMs (%)
1	Ministry of Health	510	58.2	520	56.5
2	Ministry of Agriculture and Agro-Based Industry	145	16.6	148	16.1
3	Ministry of Natural Resources and Environment	53	6.1	53	5.8
4	Ministry of Plantation Industries and Commodities	41	4.7	41	4.5
5	Royal Malaysian Customs	1	0.1	22	2.4
6	Ministry of Domestic Trade, Co-Operatives and Consumerism	15	1.7	18	2.0
7	Ministry of Finance	15	1.7	15	1.6
8	Ministry of Foreign Affairs	13	1.5	13	1.4
9	Energy Commission	11	1.3	11	1.2

No	Issuing Institution	2015		2018	
		No. of NTMs	Proportion of NTMs (%)	No. of NTMs	Proportion of NTMs (%)
10	Ministry of Human Resources	10	1.1	10	1.0
11	Others	62	7.0	69	7.5
Total		876	100	920	100

Note: The Ministry of Natural Resources and Environment has been renamed Ministry of Water, Land and Natural Resources. The Ministry of Science, Technology and Innovation has been renamed Ministry of Energy, Science, Technology, Environment and Climate Change.

Source: ERIA-UNCTAD (2018).

2.3 Types of Non-tariff Measures

The total number of NTMs increased from 876 in 2015 to 920 in 2018 (Table 5.5). Most were from the import side, as export measures (chapter P) constitute only approximately 15% of all NTMs. The NTMs are highly concentrated, distributed across only 6 of the 16 chapters (UNCTAD, 2018). Technical measures⁷ dominate the NTM landscape. Technical barriers to trade (TBT) are the most prominent NTM type, followed by sanitary and phytosanitary (SPS) measures, together accounting for 76.8% in 2015 and 75.7% in 2018.

Table 5.5: Non-tariff Measures by Chapter, Malaysia, 2015 and 2018 (number, %)

Chapter	2015		2018	
	No. of NTMs	Proportion of NTMs (%)	No. of NTMs	Proportion of NTMs (%)
A Sanitary and phytosanitary (SPS) measures	317	36.19	324	35.22
B Technical barriers to trade (TBT)	356	40.64	372	40.43
C Pre-shipment inspection and other formalities	6	0.68	6	0.65
D Contingent trade protective measures	0	0.0	0	0.0
E Non-automatic licensing, quotas, prohibitions, and quantity control measures for other than SPS or TBT reasons	40	4.57	49	5.33
F Price control measures, including additional taxes and charges	29	3.31	29	3.15
G Finance measures	0	0.0	0	0.0
H Measures affecting competition	0	0.0	0	0.0
I Trade-related investment measures	0	0.0	0	0.0
J Distribution restrictions	0	0.0	0	0.0
K Restriction on post-sales services	0	0.0	0	0.0
L Subsidies (excluding export subsidies under P7)	0	0.0	0	0.0

⁷ Technical measures include sanitary and phytosanitary measures, technical barriers to trade, and pre-shipment inspection and other formalities (A, B, and C).

Chapter	2015		2018	
	No. of NTMs	Proportion of NTMs (%)	No. of NTMs	Proportion of NTMs (%)
M Government procurement restrictions	0	0.0	0	0.0
N Intellectual property	0	0.0	0	0.0
O Rules of origin	0	0.0	0	0.0
P Export-related measures	128	14.61	140	15.22
Total	876	100	920	100

NTM = non-tariff measure.

Note: The chapters are based on the UNCTAD (2018) classification.

Source: ERIA-UNCTAD (2018).

Table 5.6 compares the top-10 NTMs based on sub-chapter in 2015 and 2018. The top-10 NTMs were from TBT, SPS, and export measure chapters in both years. The two most prominent sub-chapters were B7 (product quality or performance requirement), followed by A22 (restricted use of certain substances in food and feed and their contact materials).

Table 5.6: Top-10 Non-tariff Measures, by Sub-chapter, Malaysia, 2015 and 2018 (number, %)

No	NTM Type	2015		2018	
		No. of NTMs	Proportion of NTMs (%)	No. of NTMs	Proportion of NTMs (%)
1	B7	162	18.49	166	18.04
2	A22	125	14.27	127	13.8
3	B31	86	9.82	90	9.78
4	A31	70	7.99	73	7.93
5	B6	39	4.45	40	4.35
6	E1	35	3.98	40	4.35
7	A83	37	4.22	37	4.02
8	P43	17	1.94	18	1.96
9	A33	16	1.83	16	1.85
10	P11	16	1.83	17	1.74

NTM = non-tariff measure.

Notes: (1) The sub-chapters are based on the UNCTAD (2018) classification. (2) E1 includes E111, E119, and E121.

Source: ERIA-UNCTAD (2018).

3. Incidence of Non-tariff Measures

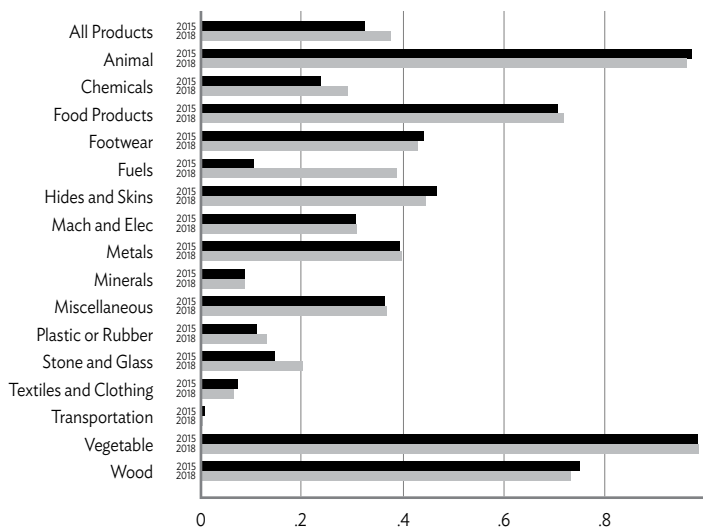
This section discusses NTM coverage ratios, frequency indices, and prevalence scores, which are the foundation of the inventory approach and show the importance of NTMs for

trade and the sectors affected. The coverage ratio is based on the value of trade (exports or imports) subject to NTMs, whilst the frequency index accounts only for the presence of NTMs on the tariff line item without indicating the value of trade (exports or imports) covered. Since the coverage and frequency ratios do not consider whether more than one type of NTM is applied to the same product, the prevalence score is calculated to capture the average number of NTMs that apply to a product.

3.1 Export Perspective

Exports have a relatively low coverage ratio (Figure 5.4) and a frequency ratio of below 0.4 (Figure 5.5). The coverage ratio is higher than the frequency ratio for most sectors, reflecting greater use of NTMs for the more exportable products. More importantly, the use of NTMs varies considerably across sectors. The incidence of NTMs based on the coverage ratio is more than 0.7 for vegetables, followed by animal products, wood, and food, mainly because vegetables and animal products are largely covered by export licensing and permits and food safety standards (Devadason et al., 2018). Vegetables, food, and wood comprise the fourth-largest export category (Figure 5.1a).

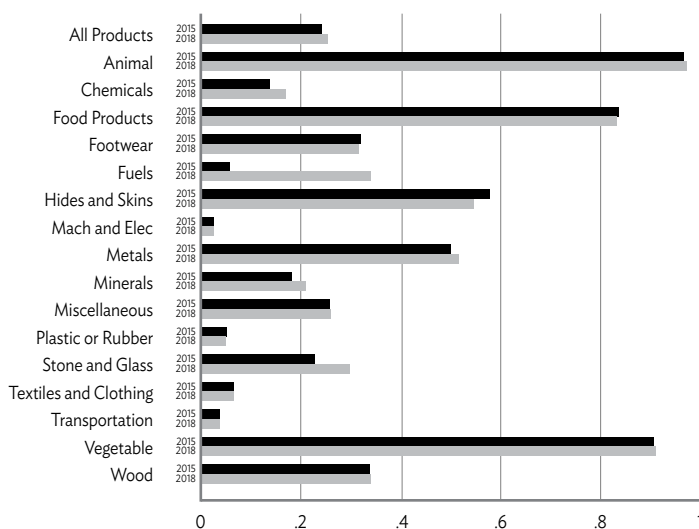
Figure 5.4: Export Coverage Ratio, Malaysia, 2015 and 2018



Note: Non-tariff measures (NTMs) with partial coverage (measures that cover an HS 6 product only partially in a country) and horizontal NTMs (measures that apply to all products in a country) are not included in the calculation of the coverage ratio.

Source: ERIA-UNCTAD (2018).

Figure 5.5: Frequency Index of Exports, Malaysia, 2015 and 2018



Note: Non-tariff measures (NTMs) with partial coverage (measures that cover an HS 6 product only partially in a country) and horizontal NTMs (measures that apply to all products in a country) are not included in the calculation of the coverage ratio.

Source: ERIA-UNCTAD (2018).

The incidence of NTMs increased notably for fuels in 2015–2018 (Figure 5.4, Figure 5.5) because regulatory instruments were strengthened with the passing of the Gas Supply (Amendment) Act 2016. Petroleum products were also further subject to excise duties under the Excise Duties Order 2017.

Figure 5.6 indicates that most products are subject to more than one regulatory measure. An average of six export-related NTMs were applied to animal products in 2018. The large number of export measures in this sector suggests that it is highly regulated.⁸

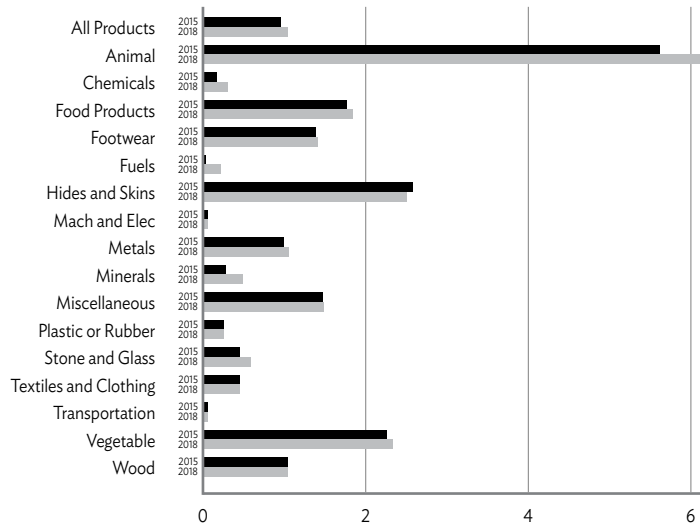
3.2 Import Perspective

The coverage ratio shows that imports are much more regulated than exports (Figure 5.4, Figure 5.7). The sectors with a high incidence of NTMs on the import side (Figure 5.7, Figure 5.8) – vegetables, animal products, and food – are also highly regulated on the export side (Figure 5.4, Figure 5.5). For example, a phytosanitary certificate stating that vegetables are free from diseases or pests is required to import them. Vegetables and food are the third-largest import category. Apart from vegetables, animal products, and food,

⁸ Conclusive results cannot be drawn on the stringency of the regulatory framework based on the prevalence scores alone, as measures within the same chapter are similar and often impose a lighter burden than measures from other chapters.

machinery and electronics contribute the most export earnings and have more NTMs applied to imports than to exports.

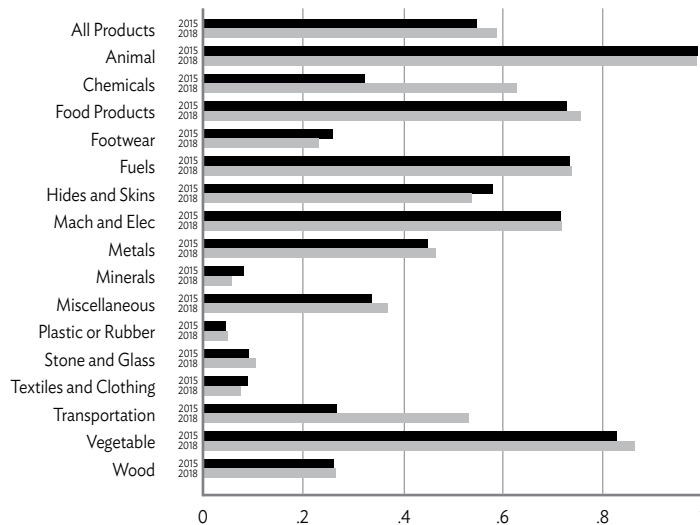
Figure 5.6: Prevalence Score of Exports, Malaysia, 2015 and 2018



Note: Non-tariff measures (NTMs) with partial coverage (measures that cover an HS 6 product only partially in a country) and horizontal NTMs (measures that apply to all products in a country) are not included in the calculation of the coverage ratio.

Source: ERIA-UNCTAD (2018).

Figure 5.7: Import Coverage Ratio, Malaysia, 2015 and 2018

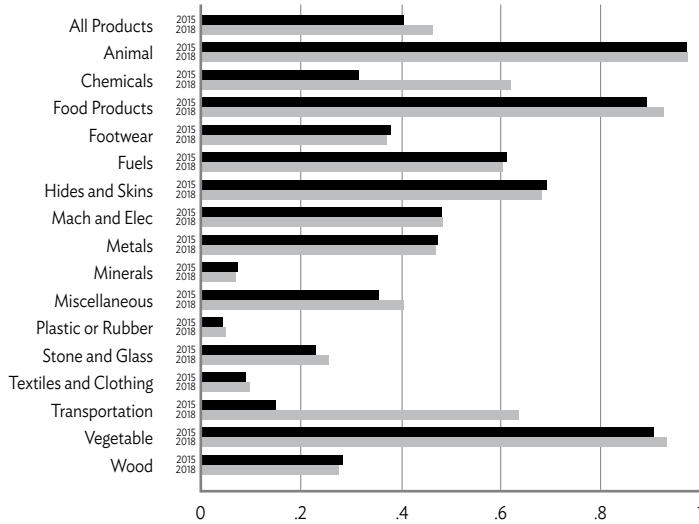


Note: Non-tariff measures (NTMs) with partial coverage (measures that cover an HS 6 product only partially in a country) and horizontal NTMs (measures that apply to all products in a country) are not included in the calculation of the coverage ratio.

Source: ERIA-UNCTAD (2018).

Figure 5.7 and Figure 5.8 also depict a substantial increase in the incidence of NTMs for chemicals and transportation in 2015–2018. Many taxes and duties are imposed on transportation to protect the domestic industry.

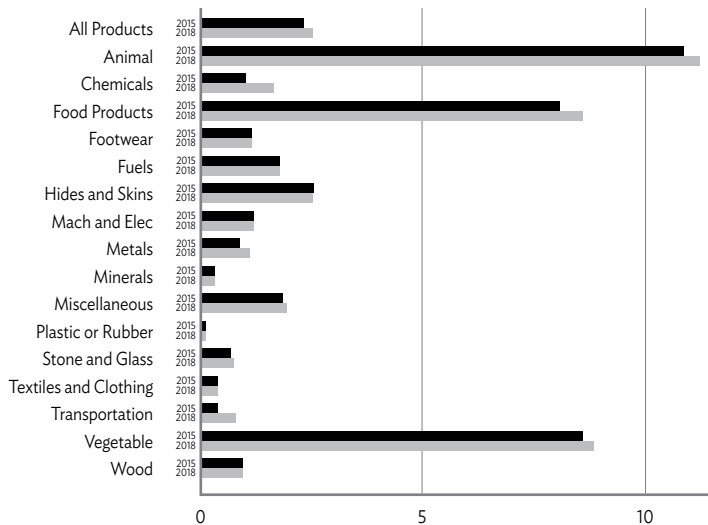
Figure 5.8: Frequency Index of Imports, Malaysia, 2015 and 2018



Note: Non-tariff measures (NTMs) with partial coverage (measures that cover an HS 6 product only partially in a country) and horizontal NTMs (measures that apply to all products in a country) are not included in the calculation of the coverage ratio.

Source: ERIA–UNCTAD (2018).

Figure 5.9: Prevalence Scores of Imports, Malaysia, 2015 and 2018



Note: Non-tariff measures (NTMs) with partial coverage (measures that cover an HS 6 product only partially in a country) and horizontal NTMs (measures that apply to all products in a country) are not included in the calculation of the coverage ratio.

Source: ERIA–UNCTAD (2018).

The prevalence scores are higher on the import than the export side. For example, the average number of import-related NTMs applied to animal products was 10 in 2018.

4. Conclusion

The new NTM database provides much-needed transparency on the extent to which trade is regulated beyond tariffs, as there is significant underreporting of NTMs to the WTO. The data indicate a higher usage of standard-like NTMs (SPS and TBT) than other measures to regulate trade. The data also reveal that imports are more highly regulated than exports, with significant heterogeneity in the incidence of NTMs across sectors. Multiple stacking of NTMs within sectors is also evident.

The database, however, does not indicate which standard-like NTMs serve a dual purpose of non-trade policy objectives and (hidden or concealed) protectionism. Further engagement with stakeholders (government agencies, businesses) is needed to identify unnecessary (and hidden) barriers and NTMs that burden traders. This should be the next stage – the follow-up initiative – of the NTM project.

Regulatory reform should follow from regulatory identification. National reforms should be undertaken at least once in five years since NTMs do not increase substantially based on the three year interval analysis of this report. Having said that, the decision to remove NTMs should be confined only to measures that favour some economic agents over society, whilst reforms should tackle measures that burden businesses. For the latter, which also constitute legitimate standard-like NTMs, procedural reforms are needed as removal of these measures is not an option. Ultimately, removing hidden barriers in NTMs will lower the costs of doing business.

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Appendix
Table 5.A1: Trade-related Acts and Regulations in Malaysia

No	Acts and Regulations
1	Animal Importation Order 1962
2	Animal Rules 1962
3	Assignment of Export Duty (Mineral Ores) Act 1964 (Revised 1989)
4	Assignment of Revenue (Export Duty on Iron Ore) Act 1962
5	Arms Licensing Regulations 1961
6	Arms (Fees) Regulations 1977
7	Biosafety Act 2007
8	Biosafety (Approval and Notification) Regulation 2010
9	Chemical Weapons Convention Act 2005 (Incorporating latest amendments – 1 September 2006)
10	Common Gaming Houses Act 1953/ Common Gaming Houses (Amendment) Act 2013
11	Communications and Multimedia (Technical Standards) Regulations 2000 (incorporating latest amendment P.U. (A) 280/2001)
12	Consumer Protection (Certificate of Conformance and Conformity Mark of Safety Standards) (Amendment) Regulations 2016
13	Construction Industry Development Board Act 1994 (Act 520) (Amended 1 June 2015 – Act A1407)
14	Control of Padi and Rice Act 1994
15	Control of Drugs and Cosmetics Regulations 1984
16	Control of Tobacco Product Regulations 2004 (Amended 2013)
17	Corrosive and Explosives Substances and Offensive Weapons Ordinance 1958
18	Control of Supplies Act 1961 (Act 122) (as of 1 December 2011)
19	Customs (Prohibition of Exports) Order 2017
20	Customs (Prohibition of Imports) Order 2017
21	Dangerous Drugs Act 1952 (as at 1 March 2018)
22	Dangerous Drugs Regulations 1952
23	Electricity Regulation 1994 (Incorporating latest amendments – 431/2003) (Electricity Amendment Regulations 2013)
24	Emergency (Prohibition of Uniforms and Dresses) Regulation 1974
25	Environmental Quality (Control of Lead Concentration in Motor Gasoline) Regulations 1985
26	Environmental Quality (Prohibition on the Use of Chlorofluoro-carbons and Other Gases as Propellants and Blowing Agents) Order 1993
27	Environmental Quality (Refrigerant Management) Regulations 1999
28	Environmental Quality (Halon Management) Regulations 1999
29	Environmental Quality (Control of Emissions from Motorcycles) Regulations 2003
30	Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996
31	Environmental Quality (Control of Petrol and Diesel Properties) Regulations 2007
32	Excise Duties Order 2017
33	Explosives Act 1957 (Amendments up to 1 January 2006)

No	Acts and Regulations
34	Factories and Machinery (Steam Boiler and Unfired Pressure Vessel) Regulations 1970
35	Federal Agricultural Marketing Authority (Grading, Packaging and Labelling of Agricultural Produce) Regulations 2008
36	Feed Act 2009
37	Feed (Labelling of Feed or Feed Additive) Regulations 2012
38	Fish Marketing Regulations 2010
39	Fisheries (Control of Endangered Species) Regulation 1999 (Amended 2008)
40	Fisheries (Fish Disease Control, Compliance for Exports and Imports) Regulations 2012
41	Fisheries (Quality Control of Fish for Export to the European Union) Regulation 2009 (Amended 2010)
42	Food Export (Issuance of Health Certificate for Export of Fish and Fish Products to the European Union) Regulation 2009
43	Food Regulations 1985 (Amended 2014)
44	Food Irradiation Regulations 2011
45	Gas Supply Regulations 1997 (Amended 2017)
46	Guidelines to Apply for Import License for Motor Vehicles
47	International Trade in Endangered Species (Permit, Certificate, Registration, and Fees) Regulations 2009
48	Kimberley Process Certification Scheme (KPCS)
49	Malaysian Biofuel Industry (Licensing) Regulations 2008
50	Malaysian Cocoa Board Regulations 2012
51	Malaysian Palm Oil Board (Licensing) Regulations 2005 (Amended 2011)
52	Malaysian Palm Oil Board (Quality) Regulations 2005
53	Malaysian Quarantine and Inspection Services Act 2011
54	Malaysian Rubber Board (Licensing and Permit Regulations) 2014
55	Malaysian Timber Industry Board (Incorporation) Act 1973
56	Medical Device Regulations 2012
57	Motor Vehicles (Safety Seatbelts) Rules 1978
58	Motorcycle (Safety Helmet) Rules 1973 (Amendment 2010)
59	Motor Vehicle (Construction and Use) (Amendment) Rules 2007
60	National Kenaf and Tobacco Board Act 2009
61	National Heritage Act 2005 (Act 645)
62	Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemicals) Regulations 2013
63	Occupational Safety and Health (Use of Standards and Exposure of Chemicals Hazardous to Health) Regulations 2000
64	Pesticides Act 1974 – Amendments up to 1 January 2006 / Pesticides (Amendment) Order 2010
65	Pesticides Regulations (Labelling) 1984
66	Petroleum (Safety Measures) Act 1984 (Amended 1991)
67	Pineapple Industry Act 1957 (as of 1 February 2013)
68	Plant Quarantine Regulations 1981
69	Poisons Regulation 1952

No	Acts and Regulations
70	Poisons (Psychotropic Substances) Regulations 1989
71	Prevention and Control of Infectious Disease Act 1988
72	Radiation Protection (Transport) Regulations 1989 (Incorporating latest amendment P.U. (A) 146/91)
73	Radiation Protection (Licensing) Regulations 1986
74	Strategic Trade Act 2010/ Strategic Trade (Amendment) Act 2017
75	Strategic Trade (Strategic Items) (Amendment) Order 2017
76	Tin Control Act 1954 (Revised 1988) (Amended 1 January 2006)
77	Wildlife Conservation Act 2010 (Applies to Peninsular Malaysia only)
	Acts and Regulations (Apply to East Malaysia)*
78	Wildlife Protection Ordinance 1998 (Applies to Sarawak only)
79	Wildlife Conservation Enactment 1997 (Applies to Sabah only)

*Included because in the Constitution of Malaysia, matters pertaining wildlife are governed by the states of Sabah and Sarawak.

Table 5.A2: Relevant Ministries and Departments in Malaysia

No	Ministries and Departments
1	Ministry of Health Pharmaceutical Services Division
2	Ministry of Agriculture and Agro-based Industry Department of Quarantine and Inspection Services Malaysia Department of Veterinary Services Department of Fisheries National Paddy and Rice Board
3	Ministry of Natural Resources and Environment Department of Environment Minerals and Geoscience Department Forestry Department Peninsular Malaysia Department of Biosafety Department of Wildlife and National Parks Peninsular Malaysia
4	Ministry of Plantation Industries and Commodities Malaysian Rubber Board Malaysian Cocoa Board Malaysian Palm Oil Board National Kenaf and Tobacco Board Malaysian Pineapple Industry Board Malaysian Timber Industry Board

No	Ministries and Departments
5	Ministry of Human Resources Malaysia Department of Occupational Safety and Health
6	Ministry of Finance
7	Ministry of Foreign Affairs National Authority for Chemical Weapons Convention
8	Ministry of Home Affairs
9	Energy Commission
10	Malaysian Communications and Multimedia Commission
11	Ministry of Science, Technology and Innovation Atomic Licensing Energy Board Minerals and Geoscience Department
12	Ministry of International Trade and Industry
13	Ministry of Works Construction Industry Development Board
14	Ministry of Tourism and Culture Construction Industry Development Board
15	Ministry of Transport Road Transport Department
16	Ministry of Domestic Trade, Co-Operatives and Consumerism
17	Ministry of Defence
18	Royal Malaysian Police
19	Royal Malaysian Customs