

Chapter 6

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Chapter 6

Trade Facilitation in Malaysia and the Results of the ASTFI Baseline Study¹

Ponciano Intal Jr., Hosni Hussen Md Saat, and Edo Setyadi

1. Introduction: The Importance of Trade Facilitation in Malaysia's Growth and Transformation Strategy

With a trade to gross domestic product (GDP) ratio that has been well above 100% since 1979² (reaching more than 200% during the early 2000s), seamless trade facilitation is a major anchor of Malaysia's drive towards becoming an advanced nation. Enhancing Malaysia's presence in the regional supply chains of major multinational corporations (e.g. Western Digital, Dell, Schlumberger, and Siemens) entails efficient logistics services and trade facilitation. Thus, of the five strategic shifts that comprise the key strategies of the country's Logistics and Trade Facilitation Masterplan, 2015–2020, strategic shift 2 on 'enhancing trade facilitation mechanisms' is to: 'Increase the efficiency of trade facilitation mechanisms particularly improvements in cargo clearance system, paperless trading and security of trade documents. This will boost trading activities and reduce the cost of doing business' (Ministry of Transport, 2015: 10).

Similarly, unlocking the potential of significant productivity growth as the driver of Malaysia's goal of advanced nation status includes having a good trade facilitation regime alongside a robust regulatory ecosystem. One of the strategic thrusts of the Malaysia Productivity Blueprint (MPB) – forging a robust ecosystem – includes key activity 13 to 'improve efficiency of the logistics sector', which is broadly considered to include trade facilitation processes (Economic Planning Unit, 2017: E-7). The MPB also 'recommends the restructuring of non-tariff measures, including customs regulations, to ensure streamlined processes and regulations for export and import permits and regulations' (Economic Planning Unit, 2017: p.3-20).

The statements above show that the drive towards seamless trade facilitation – to which the ASEAN Seamless Trade Facilitation Indicators (ASTFI) ascribes – is very much in the spirit of Malaysia's strategies and plans towards the achievement of the national goal of becoming an advanced nation.

This report presents secondary indicators on the trade facilitation regime in Malaysia and the results of the ASTFI baseline study. Overall, there have been remarkable achievements, but significant challenges remain in achieving a truly seamless trade facilitation regime in the country, being at the forefront of global best practices in trade

¹ This report is based on the 2018 data of the ASTFI baseline study survey.

² World Bank (n.d.), DataBank, Trade (% of GDP) – Malaysia.

<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=MY> (accessed 15 June 2018).

facilitation, and becoming a strong pillar of a seamless trade facilitation regime in the Association of Southeast Asian Nations (ASEAN). Following this introduction, section II of this chapter looks at the trade facilitation regime in Malaysia based on published secondary indicators, and section III presents and discusses the results of the ASTFI baseline study. The final section makes recommendations for moving forward and provides brief concluding remarks.

2. Trade Facilitation in Malaysia: Substantial Achievements but Significant Concerns Remain

Several secondary indicators show considerable achievements in trade facilitation in Malaysia, but worrying secular trends suggest that significant concerns remain.

The most popularly used secondary indicators of trade facilitation are the Logistics Performance Index (LPI) indicators and the Ease of Doing Business trading across borders indicator, spearheaded and maintained by the World Bank. Virtually all of the indicators, with the exception of the Ease of Doing Business trading across borders, rely largely on the perception and evaluation of logistics professionals (i.e. global freight forwarders and express carriers) and executives, key stakeholders, and major users of trade facilitation facilities and services. It is worth noting that perceptions have inherent biases and different people may have different expectations and reference points; hence, there is an element of lack of rigour and comparability, especially across countries. Nonetheless, as major users and likely knowledgeable at that, their views are of great interest and provide some broad indication of the satisfactoriness of trade facilitation services in any country.

Table 6.1 provides the international LPI ratings from 2007 to 2018. The LPI uses the ratings of logistics professionals based outside Malaysia who provide logistics-related services in trade with Malaysia. The overall LPI rating improved during 2007–2014 but declined in 2014–2018. The indicator of most importance for the report is the customs indicator, which covers customs and other border agencies and processes. The LPI customs ratings declined during 2007–2014 and then recovered to virtually the same level by 2014, but declined secularly during 2014–2018. Note that the rate of secular decline for Malaysia during 2014–2018 was much faster than the secular decline of the global best practice value during the same period. The secular decline in Malaysia meant that the country, which was second to Singapore amongst ASEAN Member States (AMS) in terms of the perception of the efficiency of customs and other border processes in 2014, slid to fourth by 2018, following Singapore, Thailand, and Viet Nam. Table 6.1 shows that the decline in the ratings of LPI customs is not unique for Malaysia – all the international LPI components registered secular deterioration across the board. This seems to suggest that there has been a secular deterioration in the logistics performance of Malaysia over 2007–2018.

Table 6.1: International Logistics Performance Index – Malaysia, 2007–2018

Indicators	2018	2016	2014	2012	2010	2007
Overall LPI score	3.22	3.43	3.59	3.49	3.44	3.48
Customs	2.90	3.17	3.37	3.28	3.11	3.36
Infrastructure	3.15	3.45	3.56	3.43	3.50	3.33
International shipments	3.35	3.48	3.64	3.40	3.50	3.36
Logistics quality and competence	3.30	3.34	3.47	3.45	3.34	3.40
Tracking and tracing	3.15	3.46	3.58	3.54	3.32	3.51
Timeliness	3.46	3.65	3.92	3.86	3.86	3.95

LPI = Logistics Performance Index.

Source: World Bank (2018), International Logistic Performance Index. Data from https://lpi.worldbank.org/sites/default/files/International_LPI_from_2007_to_2018.xlsx (accessed 15 June 2018).

The picture of trade facilitation in the country, from the views and perceptions of logistics professionals (global freight forwarders and express carriers) based in Malaysia, is much more mixed and less downbeat than the results of the international LPI on customs. However, it nonetheless indicates some deterioration over 2016–2018 in perceptions of the efficiency of the border clearance process and of the quality of services provided. Table 2 shows the survey results for a number of selected indicators:

- As compared to the lower percentages during 2010–2014, all respondents (in-country logistic professionals) in 2016 and 2018 answered ‘often or nearly always’ on the transparency of customs clearance, provision of adequate and timely information on regulatory changes, expedited customs clearance for traders with high compliance levels, etc. Hence, there is virtual unanimity amongst the respondents that Malaysian customs clearance and other relevant border agencies have been transparent.
- All the Malaysia-based logistics professionals considered that the clearance and delivery of imports and exports were often or nearly always efficient during 2014 and 2016. However, by 2018, only 50% (for imports) and 75% (for exports) of them considered it so.
- There is also a large drop-off from 2016 to 2018 in the percentage of respondents who considered the competence and quality of customs agencies, standards and inspection agencies, and health/sanitary and phytosanitary agencies to be high or very high. A similar decline was seen in the perception of the competence and quality of the services of customs brokers, trade and transport associations, shippers, freight forwarders, warehousing/transloading and distribution, as well as all the forms of transport in the country.

Table 6.2: Domestic Logistics Performance Index, Environment and Institutions – Malaysia, 2010–2018

(%)

		2018	2016	2014	2012	2010
Indicator		Percentage of respondents answering low/very low				
Quality of infrastructure	Ports	25	0	33	22	0
	Airports	25	0	0	0	0
	Roads	25	0	0	11	0
	Rail	25	0	0	22	0
	Warehousing/transloading facilities	25	100	0	25	0
	Telecommunications and IT	25	100	0	11	0
Evaluate the quality of trade and transport related infrastructure (e.g. ports, roads, airports, information technology) in your country of work						
		Percentage of respondents answering high/very high				
Competence and quality of services	Road	25	100	33	50	33
	Rail	0	100	0	0	0
	Air transport	50	100	67	50	71
	Maritime transport	50	100	100	63	67
	Warehousing/transloading and distribution	50	100	67	50	50
	Freight forwarders	50	100	100	63	83
	Customs agencies	50	100	67	38	0
	Quality/standards inspection agencies	50	100	33	38	0
	Health/SPS agencies	50	100	0	25	0
	Customs brokers	50	100	67	50	33
	Trade and transport associations	50	100	0	50	0
Consignees or shippers	50	100	33	50	33	
Evaluate the competence and quality of service delivered by the following in your country of work						
		Percentage of respondents answering often or nearly always				
Efficiency of processes	Clearance and delivery of imports	50	100	100	75	86

Evaluate the efficiency of the following processes in your country of work	Clearance and delivery of exports	75	100	100	100	100
	Transparency of customs clearance	100	100	33	50	20
	Transparency of other border agencies	100	100	67	38	
	Provision of adequate and timely information on regulatory changes	100	100	33	50	29
	Expedited customs clearance for traders with high compliance levels	75	100	67	50	20

IT = information technology, SPS = sanitary and phytosanitary.

Source: World Bank (2018), Domestic Logistics Performance Index, Environment and Institutions. Data from https://lpi.worldbank.org/domestic/environment_institutions (accessed 15 June 2018).

- A significant percentage of the in-country respondent logistics professionals considered the quality of the country's trade-related infrastructure (e.g. roads, ports, airports) to be low or very low in 2018, while virtually none said so in 2014 (except for ports).
- Compared with 2014, all respondents in 2016 and 2018 noted improvement/much improvement on the issue of solicitation of informal payments, with nobody considering it a source of major delay (while 33% said so in 2014).
- The World Bank's Ease of Doing Business trading across borders indicator showed a slight reduction in the border compliance times for both imports and exports for the 2018 report compared with the 2015–2017 reports, which suggests some improvement.

The evaluation of Malaysian customs and border agencies – and therefore the country's trade facilitation regime – by global institutions and associations is echoed domestically by the government. For example, the MPB highlights the 'lack of consistency in export and import licensing, permit and approval processes' and 'high levels of manual input in customs processes' (Economic Planning Unit, 2017: p.3–20). In addition, it asserts that the delay in the implementation of uCustoms (for ubiquitous customs) is due to a 'lack of alignment on regulations and processes across ministries and initial IT specifications not meeting the requirements' (Economic Planning Unit, 2017: p.3–20).

3. Results of the ASTFI Baseline Study

Thirteen government agencies responded to the ASTFI questionnaires on the seven components, including the Royal Malaysian Customs Department (RMCD) and major agencies identified by Malaysia. The results of the baseline survey are summarised below.

3.1. Transparency and information on laws, regulations, and procedures

The availability of information from major agencies is almost complete, except for the information on transit and trans-shipment procedures. Based on the responses received from the questionnaire and consultation validation meeting with the RMCD, the information related to transit and trans-shipment is available in Section 52 of the Customs Act, 1967.

The RCMD has a variety of information channels such as Facebook, Twitter, Instagram, and the RMCD website. The RMCD website has a platform for the public to address complaints and a customs call centre for general enquires. If information related to transit and trans-shipment is needed, the public can find information/seek advice from/via the RMCD website and customs call centre. Malaysia's National Trade Repository also provides comprehensive information, while the ASEAN Trade Repository provides links to relevant pages of Malaysia's National Trade Repository.

The information on export and import formalities is complete, as appropriate, for Malaysia's other government agencies which regulate commodities. These include the Ministry of International Trade and Industry (MITI), the Malaysian Quarantine and Inspection Services (MAQIS), the Plant Biosecurity Division of the Department of Agriculture (DOA), the Department of Fisheries, the Department of Veterinary Services, the Ministry of Health (MOH), and the Ministry of Finance.

3.2. Communication with and active engagement of the private sector

Malaysia has seen excellent performance under this component. It has a well-functioning mechanism for the National Trade Facilitation Committee, as well as structures for stakeholder consultations that also cater to micro, small, and medium-sized enterprises. The Trade Facilitation Cluster Working Group (TFCWG) was established to assume the role of the National Trade Facilitation Committee, as required by the World Trade Organization Trade Facilitation Agreement.

The MITI is the national coordinator for the TFCWG. To enhance its implementation, this committee is driven by the National Logistics and Trade Facilitation Masterplan, 2015–2020 under the supervision of the Ministry of Transport. The master plan was developed to provide strategic direction to improve the productivity and competitiveness of the logistics industry as well as trade facilitation, in line with Malaysia's aspiration to be 'The Preferred Logistics Gateway to Asia' (Ministry of Transport, 2015: 10). It outlines five strategic shifts and 21 action items for implementation.

The TFCWG is co-chaired by the MITI and customs, and comprises members from both the government and the private sector. The TFCWG provides a platform for closer cooperation between the government and the private sector, and has been a very successful avenue for the government to receive feedback from industry. The TFCWG undertakes various efforts to strengthen Malaysia's position as a preferred regional logistics hub, in line with the emergence of digital trade and recent developments in the maritime ports sector. To ensure certainty of implementation, initiatives proposed under the master plan have also been incorporated in the Eleventh Malaysia Plan, 2016–2020.

The major regulatory agencies have mechanisms (mainly meetings) for stakeholder consultations on regulatory issues. For the RMCD, consultations relating to customs matters include formal consultation at national and state level (known as the Customs–Private Sector Consultative Panel) held twice a year. Frequent informal discussions are also held regularly to discuss new issues and policies, as well as joint development area (relating to oil and gas) meetings. For micro, small, and medium-sized enterprises, the RMCD has organised roundtable discussions on an ad hoc basis; and participated in formal consultations held by other agencies such as the Malaysian Investment Development Authority and the State Economic Development Corporation. The RMCD also undertakes consultation sessions relating to sales and services taxes, which include regular technical consultation meetings between RMCD officers and private sector/accounting firms to ensure continued support and guidance.

Consistent with the consultation mechanism, General Circular No. 1/2013 provides a legal mandate for public consultations on new regulations.³ A Special Task Force to Facilitate Business (PEMUDAH) was established in 2007. PEMUDAH consists of public and private sector membership, co-chaired by the Chief Secretary to the Government of Malaysia and a captain of industry; and collaborates on policy, process, and regulatory improvement in Malaysia. The responsibilities of PEMUDAH include

- identifying improvements to existing government processes and regulations based on public feedback and global benchmarking reports (the World Bank's Ease of Doing Business, the World Economic Forum's Global Competitiveness Report, the Institute for Management Development's World Competitiveness Yearbook, etc.);
- overseeing implementation;
- recommending business-related policy changes to the cabinet, based on public feedback; and
- addressing bureaucracy through active private sector participation.

Many working groups on trade facilitation initiatives have focused on enhancing the efficiency and effectiveness of work procedures, especially to enhance supply chain activities by collaborating as smart partnerships with the private sector. These include the

³ MPC (2013), The National Policy on the Development and Implementation of Regulations http://www.mpc.gov.my/wp-content/uploads/2016/04/Surat-Pekeliling-Am-Bil_1-Tahun-2013.pdf (accessed 20 June 2018).

Technical Working Group on Trading Across Borders, smart partnerships between the RMCD and Malaysia Productivity Corporation (MPC), and Invest KL, which have addressed the following issues, amongst others:

- faster clearance for the import and export of oil and gas equipment (Schlumberger);
- faster advance rulings;
- faster Licensed Manufacturing Warehouse waste approval;

PEMUDAH, with its technical working groups, demonstrates good practice for public-private partnership in regulatory reform that can be emulated by other AMS. What makes it worth emulating is the co-equal partnership, active and continuing engagement of the private sector, regular and frequent meetings of the task force and its technical working groups, and the technical and secretariat support provided by the MPC. The MPC has been mandated to review both current and proposed business-related regulations, and is providing technical support to good regulatory practice initiatives in the country. The MPC has high credibility in both the private sector and the government sector.

3.3. Release and clearance formalities

Malaysia receives a generally high evaluation on release and clearance formalities, although it varies in terms of the subcomponents. Amongst the highest evaluations, risk management, Post-Clearance Audits (PCAs), electronic payments (e-payments), appeal and review mechanisms, and advanced rulings stood out and are summarised below.

- The RMCD and most major agencies perform risk management, with less than 100% inspection according to risk assessment such as critical goods and high-risk companies. Two agencies conduct 100% inspection: (i) veterinary services on animal products, animal feeds, and live animals; and (ii) the Plant Biosecurity Division of the DOA on plants, plant products, and regulated articles (for export).
- MAQIS also performs inspections based on international standards established by the International Plant Protection Convention for plants, i.e. the International Standards for Phytosanitary Measures 23, 31, and 32 are applicable for the inspection of plants, and random inspection based on physical/clinical symptoms carried out on live animals and fishes. MAQIS considers the risk of pest interception in imported commodities during inspections to establish a profile for low-risk commodities. Malaysia uses the current customs operating system (Sistem Maklumat Kastam (SMK)) for its risk management system, which also provides integrated risk management but with less advanced technology than uCustoms.
- The RMCD and MAQIS conduct PCAs. The RMCD conducts PCAs for selected traders/declaring agents via both risk management frameworks and random selection. MAQIS conducts post-border audits on selected importers in its three jurisdictions (entry points, quarantine stations, and quarantine premises). Planting materials, live animals, and fish which require quarantine are placed in quarantine

stations or premises for further observation, and testing is carried out to determine pest and disease-free status.

- The RMCD and all other relevant agencies use e-payments. Virtually all agencies accept online payments, except for the import and export authorisation of dangerous drugs and psychotropic substances, which need to be applied for and paid manually. The MITI does not appear to charge any fees for its services, so e-payments are not required.
- An appeal and review mechanism is available for judicial review as well as customs administrative review. Temporary admission is implemented using the Admission Temporaire/Temporary Admission (ATA) Carnet under the ATA Convention.
- The RMCD indicated that advance ruling on classification and valuation has been implemented since 2007. The procedures and decisions for advance rulings are published on the customs website. The standard operating procedures and guides for advance rulings on origin have been completed, and the necessary domestic legal requirements are being undertaken for their implementation.
- Malaysia allows self-certification for the ASEAN Trade in Goods Agreement and self-declaration under the Malaysia–New Zealand Free Trade Agreement and the Malaysia–Australia Free Trade Agreement.

The RMCD has implemented pre-arrival processing (PAP) nationwide, but it does not offer nor require PAP for land borders. There is no specific provision that allows the submission of declaration prior to importation and exportation by road. There seems to be not much need for a PAP for land borders in much of ASEAN because the congestion at the border almost always means that the border arrangements can be done while waiting in the queue. When the volume of trade amongst AMS over land becomes more commercially valuable, and the road and rail networks through the borders become wider and better, the PAP may be more relevant for the member states and the private sector.

The RMCD conducts the Time Release Study (TRS) according to the World Customs Organization method regularly (every 2 years) at the main port. The TRS result was published in a journal in 2011, along with two exit conferences where the dwell time result is published. The consultation validation meeting with the RMCD indicated that the dwell time was published at two exit conferences which were held in 2014 and 2015 with the Asian Development Bank and the World Customs Organization's Regional Office for Capacity Building, where the documents (including the publication of dwell time results) were distributed at seminars.

The RMCD maintains an Authorised Economic Operator (AEO) programme in Malaysia, but a mutual recognition agreement (MRA) on AEOs is not yet in place with other AMS. However, Malaysia has an interest in negotiating MRAs with other AMS.

The publication of dwell time and TRS methodology are included in the ASTFI. The World Bank's Ease of Doing Business for trading across borders has similar indicators. They are included in these indicators because they provide good measuring tools of the efficiency of the import/export and customs process, and allow for in-depth analysis of specific processes in the various ports for possible improvement and for the reduction of bottlenecks.

3.4. Import/Export formalities and coordination

Malaysia was an early adopter of the National Single Window (NSW) in ASEAN. The process started with the linking of the home-grown Dagang Net with the RMCD's system (SMK) – automating customs procedures for shippers, carriers, and third-party logistics companies. The resulting SMK*Dagang Net handled all matters pertaining to export–import declarations and clearances. The nationwide roll-out of the SMK*Dagang Net was completed in 2004. In 2009, all permit-issuing agencies were linked to the SMK*Dagang Net, which became the NSW, with the RMCD (Ministry of Finance) as the NSW lead agency and the MITI as the ASEAN Single Window (ASW) lead agency for Malaysia. The SMK*Dagang Net has delivered well for Malaysia since its inception, indicating the benefits of the automation and integration of system and information flows. Based on a study in 1996, documentation error rates fell from 40% to 5% after the activation of the SMK*Dagang Net, while cargo turnaround times dropped from 4 days to 2 days and by 2004, to only 1 day (Chan, n.d.).

Dagang Net connects 30 permit-issuing agencies, 50 authorities, 160 customs stations, and 10 banks. The DOA (plant biosecurity) and the MOH (dangerous drugs and psychotropic substances) use a separate system for import permits. Dagang Net is a single sign-on facility with online status tracking and re-usability of data, covering eDeclare, ePermit, ePayment, eManifest, ePCO (for certificates of origin), and eSTA (permits for controlled goods). Its architecture includes NSW–ASW integration.

The RMCD is upgrading the SMK*Dagang Net to uCustoms (Chan, n.d.), to the tagline 'Fingertips, anytime, anywhere, any device'. uCustoms will eventually replace the SMK*Dagang Net as the NSW. The upgrade to uCustoms will include a centralised risk management centre called the National Targeting Center for the profiling and targeting of vessels, cargo, and passengers.

The National Clearance Center will handle the central submission of manifests and all types of declarations made via uCustoms. It will have an upgraded call centre. At the very least, it will allow customs to accept digital copies (which the SMK cannot do). Along with other upgrades, uCustoms will eventually allow paperless processing via a single window, with multiple channels, integrated application (including risk management) systems, and end-to-end solutions, using secured identification over a secured integrated government network. As in the case of Singapore's TradeNet (operated by CrimsonLogic), the processing of declarations could be expected to be dramatically reduced to a few minutes for most cargo, with much greater security and greater connectivity with the private sector.

Border agency customs, immigration, and quarantine coordination is operating and functional, but not in all border areas or agencies in Malaysia. The RMCD's current SMK was not designed to accept uploaded documents, therefore the system does not allow for digital copies. However, under Section 100 of the Customs Act, 1967, supporting documents can be submitted physically or via email as requested by customs. Most of the agencies require original copies or certified true copies. The MITI (strategic goods) accepts a combination of copies with the eSTA (strategic goods) application as well as plain copies for ePermits (vehicles, etc.). Paper documents (originals only) need to be produced on demand by customs. However, the RCMD is now embarking on uCustoms, which will allow the RMCD to accept digital attachments.

3.5. Cross-border coordination and transit facilitation

Similar to many AMS, Malaysia needs to improve its performance under this component, although the results are varied and it is performing well in some indicators.

There is border agency institutional coordination, as the RMCD is one of the implementing agencies under the cross-border transport agreement between Malaysia and Thailand of 2018. Border-crossing operational coordination is also in place, as the RMCD conducts cross-border coordination with neighbouring countries and aligns working hours with neighbouring country authorities. In addition, MAQIS and the MOH carry out extensive operational cross-border coordination (joint controls).

A computerised transit system is being pilot tested under the ASEAN Customs Transit System (ACTS). A computerised transit guarantee mechanism is also in place, with cross-border exchange of data. Malaysia provides simplified procedures for authorised transit traders on the Bukit Kayu Hitam border with Thailand and at Johor (Bangunan Sultan Iskandar and Kompleks Sultan Abdul Bakar) with Singapore. The simplified procedures are as determined by the contracting parties (Malaysia and its two neighbours).

Transit operations are of relatively low policy priority, perhaps because the demand from the private sector is not strong. In addition, ACTS is still effectively in the pilot stage. When it becomes fully operational, there will be a marked increase in the scores for transit-related variables, including cross-border operational coordination. To date, Malaysia has given much more focus to cross-border institutional coordination.

3.6. Transport facilitation

Malaysia has ample opportunities for improvement under this component. It is currently involved in the implementation of ACTS for Malaysia, Singapore, and Thailand. The issuance of ASEAN Goods Vehicle Cross-Border Permits will be implemented in the ACTS pilot phase by the three pilot countries.

Malaysia has signed the ASEAN Framework Agreement on Multimodal Transport (AFAMT) and is undertaking further deliberations on domestic legal requirements for the implementation of the AFAMT with relevant stakeholders. The AFAMT will be ratified when the domestic law provision is passed. On the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST), the Ministry of Transport is still

undertaking the domestic process to ratify the AFAFIST. Moreover, the procedures for the issuance of ASEAN Goods Vehicle Cross-Border Permits are in the pilot phase in Malaysia.

An electronic data interchange and port community have been established and put in place at the federal ports. Port Klang and Johor Port have also developed their respective internal systems to increase efficiency at the ports.

3.7. E-commerce

Malaysia is well ahead of many AMS on this front. The legal framework for e-identification and authorisation has been established and is operational at the national level. The legal framework for a domestic and cross-border e-commerce dispute settlement mechanism has been operationalised, including an online dispute resolution system to facilitate the resolution of claims over e-commerce transactions.

On revenue collection for cross-border e-commerce, Malaysia has undertaken a study on an appropriate revenue collection model for e-transactions (i.e. vendor collection model or account-based revenue collection model). However, harmonisation at the ASEAN region level is still being considered.

4. Key Recommendations

An important recommendation is the full and accelerated implementation of uCustoms, as mentioned under strategic shift 2 of Malaysia's Logistics and Trade Facilitation Plan, 2015–2020.

The ASW and the ASEAN Trade Repository should be made fully operational and in sync with the NSW and the National Trade Repository to contribute to seamless trade facilitation in the region. Signing and implementing bilateral MRAs on AEOs with other AMS would further the seamlessness of trade facilitation in the region. Finally, the implementation of self-certification could be expanded to reduce the transaction cost of obtaining certificates of origin, thereby encouraging greater intra-ASEAN trade.

Some issues are pending, including the publication of the rules and procedures for transit trade on the customs website, implementation of advance rulings for origin, implementation of paperless trade (with uCustoms), and more regular publication of the dwell time and TRS.

As an important leader of ASEAN, Malaysia should accelerate the implementation of the ASEAN transport facilitation agreements (i.e. the AFAFIST, the ASEAN Framework Agreement on the Facilitation of Goods in Transit Protocols 1 and 2, the AFAMT, and the ASEAN Framework Agreement on the Facilitation of Cross-Border Transport of Passengers by Road Vehicles).

Full operationalisation of ACTS would not only improve the scoring but, more importantly, the environment for Malaysia's transit and cross-border trade with its neighbours. Malaysia should strengthen its cross-border coordination with bordering countries. It should also study and undertake bilateral agreements with bordering AMS for simplified

or expedited clearance on land border crossings, similar to the Malaysia–Thailand agreement on perishables. Moreover, it should study and implement early release based on provisional documentation or incomplete manifests for AEOs and possibly Trusted Traders.

Malaysia should also strongly support the ASEAN Work Programme on Electronic Commerce, 2017–2025, for a revenue collection framework, online dispute settlement, etc., to help prepare the country and the region for the challenges and opportunities of e-commerce and the overall digital revolution that is occurring in the world.

The implementation of the above-mentioned recommendations would need to be in tandem with enhanced national initiatives to strengthen logistics and infrastructure connectivity, as well as related regulatory reforms, in order to have a significant benefit on the country, e.g. the Logistics and Trade Facilitation Masterplan to improve last mile connectivity to Port Klang, etc.

It is also important to examine the TRS results, dwell time data (data to be culled from the Northport and Westport of Port Klang), and time to permit approval (data to be culled from Dagang Net) for Malaysia, given the availability of data, in order to study the relationship with the ASTFI indicators and other trade facilitation indicators, as a preliminary test for the 2020/2021 assessment.

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