



## **Review of NESR** to pivot to Digital Trade: Final Report

December 2024





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# **Review of NESR 2.0**



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### **Key Objectives**



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With the National E-Commerce Strategic Roadmap (2021 – 2025) (NESR 2.0) ending in 2025, MDEC as NESR PMO has been tasked by the NESR Taskforce to undertake a review of NESR 2.0 to pivot to Digital Trade, taking into account:

- Current state of e-commerce in Malaysia
- NESR progress achieved thus far
- Key developments at regional/global level



### **Scope of the Study**



### Phase 1: Current State

### Macro Level Analysis

Review current state of e-commerce in Malaysia through 3 key statistical indicators:

- a. E-Commerce contribution to GDP
- b. E-Commerce Income
- c. Seller and Consumer adoption
- Method
- Desk research
- Statistical analysis

#### 2

#### **Review of NESR 2.0**

- a. Review programs and KPI achievements under NESR 2.0
- b. Highlight notable achievements and outline key challenges
- c. Establish relevance of on-going programs in current context
- Method
- Desk research
- Stakeholder engagements

### Phase 2: Comparative Analysis



- a. Identify key components / definitions of Digital Trade
- b. Identify and analyse key developments at regional/global level that are aligned to national priorities



### Phase 3: Solutioning

#### Recommendations Moving Forward

- a. Map new opportunities/trends identified at global level that aligns with Malaysia's strategic priorities
- b. Recommend strategic priorities and areas of intervention to unlock digital trade in Malaysia
- c. Develop impact analysis of digital trade towards Malaysia's digital economy
- Mathad
- Method
- Desk research Statistical analysis
- Stakeholder
   engagements



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# **Current State Assessment**



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### **National E-Commerce Strategic Roadmap 1.0**



NESR 1.0, developed in 2016, was implemented from **2017 to 2020** with the goal of **Doubling Malaysia's E-commerce Growth Rate** by 2020



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### **National E-Commerce Strategic Roadmap 2.0**

Driven as a Whole-of-Nation Collaborative Approach between the public and private sectors to enhance and accelerate the growth of Malaysia's e-commerce ecosystem from **2021 to 2025** 



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### **Current State of E-Commerce in Malaysia**



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### **E-Commerce Contribution to GDP**

Malaysia's e-commerce has shown remarkable growth potential, and its upward trajectory is expected to continue



- The e-commerce contribution to GDP nearly doubled, soaring from 7.6% (RM89 bil) in 2015 to 13.6% (RM248 bil) in 2023.
- The total value of e-commerce also saw a remarkable increase of 178.4% over the 8-year period which appears to outpace the percentage difference in total GDP of 33% over the same period.

(2024), Department of Statistics Malaysia, Gross Domestic Product 2015 - 2023 (2024), Department of Statistics Malaysia, Malaysia Digital Economy 2024



Total Gross Value Added of E-commerce (RM bil)

- The total GVA of e-commerce has consistently increased from RM89 bil in 2015 to RM248 bil in 2023 with notable increases occurred from year 2020 to 2022.
- This upward trend indicates sustained growth in the e-commerce sector over the years.

Source:

(2024), Department of Statistics Malaysia, Malaysia Digital Economy 2024

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Source:

### **E-Commerce Adoption: Sellers**



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- The e-commerce landscape in Malaysia has experienced substantial growth, notably during COVID-19 pandemic period, there was significant surge in e-commerce adoption among MSMEs and individual sellers.
- Both charts resemble S-curve which may suggest e-commerce adoption has reached a significant level.



Note: "MSMEs" include registered businesses & individuals in informal sectors. The data is consolidated from numbers submitted by respective agencies and a single MSME may be participating in more than 1 programme, as reported by KUSKOP

#### Source:

Ministry of Entrepreneur and Cooperatives Development (MECD)



Note: Use of ICT services and equipment by one or more individuals in a Household; Individuals in a household aged 15 years and above; and use of mobile phone, computer and Internet for the last three months

#### Source:

(2024), Department of Statistics Malaysia, ICT Use and Access by Individuals and Households Survey Report 2023, Pg. 12



### **E-Commerce Adoption: Consumers**



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There is a consistent upward trend in e-commerce adoption among consumers with significant acceleration occurred between 2020 and 2021 and has gradually stabilised since then, forming an S-curve which is consistent with regional development.



Note: Use of ICT services and equipment by one or more individuals in a Household; Individuals in a household aged 15 years and above; and use of mobile phone, computer and Internet for the last three months

#### Source:

(2024), Department of Statistics Malaysia, ICT Use and Access by Individuals and Households Survey Report 2023, Pg. 123



### **Income of E-Commerce in Malaysia**



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Income of E-commerce (RM bil) 1.153 1.127 1.037 896 675.... 561 447 423 398 2020<sup>1</sup> 2016\* 2018 2023 2019 2015 2017 2021 2022 Total Income of e-commerce RM bil • • • • • Trendline

\*Data on the income of e-commerce for year 2016 and 2018 are unavailable. Therefore, estimates were derived by calculating the median from the year preceding and the year following the missing data.

Source:

(2023), Department of Statistics Malaysia, Usage of ICT and E-Commerce by Establishment 2022, Pg. 73 (1) Department of Statistics Malaysia, Quarterly Services Statistics 2020, 2023

- Income from e-commerce transactions has witnessed a remarkable growth from RM398 billion in 2015, to more than RM1 trillion in 2021 and has since then continued to surpass the RM1 trillion threshold.
- The trend is exhibiting an s-curve indicating that ecommerce in Malaysia has matured, after having gone through significant growth during the pandemic.

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### **Key Takeaways**









### E-Commerce Contribution to GDP

Malaysia's e-commerce has shown remarkable growth potential, and its upward trajectory is expected to continue.

This indicator reflects how deeply e-commerce is integrated into Malaysia's economic landscape. It's not just a side play anymore; it's a key driver of our nation's growth and prosperity.

### **E-Commerce Adoption**

E-commerce adoption in Malaysia has experienced substantial growth and can be said to have reached a significant level among both buyers and sellers.

The vitality of Malaysia's dynamic e-commerce ecosystem is evidenced by those around us seamlessly and actively integrating online shopping into their daily routines, while a growing number of local entrepreneurs and businesses eagerly embrace digital platforms to engage customers beyond traditional storefronts.

### **Income from E-commerce**

This indicator highlights the impressive surge in income generated through e-commerce transactions. With every click to buy, e-commerce income rises, unveiling the tangible outcomes of numerous transactions fueling a vibrant digital economy.

These indicators paint a vivid picture of how e-commerce is not just a trend but a driving force behind Malaysia's economic growth, showing how it's become a part of daily life for consumers and businesses alike, and its potential for substantial revenue growth, highlighting the nation's commitment to fostering a digital economy that benefits all Malaysians.

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### **Current State of E-Commerce in Malaysia**



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### **National E-Commerce Strategic Roadmap 2.0**

Driven as a **Whole-of-Nation Collaborative Approach** between the public and private sectors to enhance and accelerate the growth of Malaysia's e-commerce ecosystem from **2021 to 2025** 





### **2025 NESR Key Targets vs. 2023 Achievement**





Source: MDEC



Source: MATRADE



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Cumulative 2017 to 2023

MDEC

### **Overview of KPI Performance as at 2023**



- 23 KPIs have at least met target as at 2023, of which 2 have been concluded
- 4 KPIs are below targets
- 1 KPIs are pending result
- 2 KPIs are discontinued
- 1 KPI is under review

				Summar	y of	31 KPIs		
ST1		ST2		ST3		ST4	ST5	ST6
P1 KP	I 1	P1 KPI 1		P1 KPI 1		P1 KPI 1	P1 KPI 1	P1 KPI 1
P1 KP	12	P1 KPI 2	2	P2 KPI 1		P2 KPI 1	P2 KPI 1	P1 KPI 2
P1 KP	13	P2 KPI 1		P2 KPI 2		P2 KPI 2	P2 KPI 2	P2 KPI 1
P2 KP	I 1	P2 KPI 2		P2 KPI 3		P3 KPI 1	P2 KPI 3	P3 KPI 1
P2 KP	12		~	P3 KPI 1		P3 HP1 2	P2 KPI 4	
				P3 KPI 2		~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~		
				P4 KPI 1				
				P5 KPI 1				
Legend		Met/ Exceeded KPI Target		Below Target		Pending for result for KPI	KPI under review	Discontinued
	ST	Strategic Thrust	Ρ	Programme	KPI	Key Performance	9	



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### **Overview of Strategic Thrust 1**







#### **Problem Statement**

Businesses have yet to capitalise on the full potential of e-commerce

#### Objective

Increase conversion rate of businesses selling via e-commerce

Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

	No.	Programmes	Programme Lead
ĺ	1	Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses	KUSKOP
	2	Facilitate demand generation among e-commerce consumers	MDEC





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P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses



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#### KPIs & Results (2021 – 2023)

1. KPI #1: Additional no. of individuals trained in e-commerce

Cum. Target: 201,000 | Achievement: 306,003

KPI #2: Additional no. of MSMEs adopting
 e-commerce i.e. selling online
 Cum. Target: 266,000 | Achievement: 1,021,905

Note: \*"MSMEs" include registered businesses & individuals in informal sectors. The data is consolidated from numbers submitted by respective agencies and a single MSME may be participating in more than 1 programme, as reported by KUSKOP

3. KPI #3 Average increase in sales among businesses who have engaged with training programmes via e-commerce (Dropped 2023)

NESR Taskforce endorsed KUSKOP's request to discontinue ST1 P1 KPI #3 at NESR TF #3/2023 as no suitable alternative KPI was identified for ST1 P1 KPI #3





- 1. 2 KPIs exceeded 2023 cumulative targets while 1 KPI was discontinued.
- 2. KPI #1 (individuals trained):
  - 2023 cumulative achievement exceeded cumulative target by 52.2%.
- 3. KPI #2 (MSMEs adoption):
  - 2023 cumulative achievement exceeded the cumulative target by 284%.
  - 2023 cumulative achievement of 1,021,905 exceeded 2021-2025 cumulative target of 658,000.
- 4. The number of MSMEs adoption has notably increased, especially post Covid-19 and continues to outpace number of individuals trained in e-commerce.



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Met/ Exceeded

**KPI** Target

Pending Result

Legend

#### Analysis



P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses



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KPI #1: Additional no. of individuals trained in e-commerce







P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses



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#### KPI #1: Additional no. of individuals trained in e-commerce





P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses



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KPI #2: Additional no. of MSMEs adopting e-commerce i.e. selling online







P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses

Analysis



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KPI #2: Additional no. of MSMEs adopting e-commerce i.e. selling online



Key contributions to the achievements are due to:

- 2021: The Belanjawan 2021 initiative, contributed to approximately 91% of the achievement
- 2022: The DE Dagang initiative accounted for 32% of the total achievement
- 2023: 95% of the achievement were driven by the industry which was reported to MDEC based on contractual commitments





P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses



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### Challenges

- 1. Consistent over-achievement of targets.
- 2. Absence of specific list of individuals/MSMEs in the data submitted to programme lead and PMO:
  - Achievement is based on data reported by KUSKOP which is consolidated from submissions by various ministries/agencies and industry players. Submissions by various ministries/agencies and industry players to KUSKOP are without detailed breakdown by individuals/MSMEs in view of PDPA concerns and commercial reasons.
- 3. A single MSME may participate in multiple programs.
- 4. Discontinuation of KPI #3 KPI set without considering on-the-ground practicalities in implementation:
  - The absence of methods/instruments to measure the holistic achievement of the KPI based on existing reporting;
  - Difficulty in obtaining cooperation in collecting data and information periodically;
  - Lack of detailed data in view of Personal Data Protection Act 2010 (PDPA).



### **Overview of Strategic Thrust 1**



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### **Effective adoption of e-commerce**



#### Problem Statement

Businesses have yet to capitalise on the full potential of e-commerce

#### Objective

Increase conversion rate of businesses selling via e-commerce

Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

No.	Programmes	Programme Lead
1	Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses	KUSKOP
2	Facilitate demand generation among e-commerce consumers	MDEC

#### Source: EY Analysis







P2: Facilitate demand generation among e-commerce consumers

#### KPI and Result for 2023

KPI #1: Individual consumer e-commerce adoption rate (No. of individual consumers who are making purchases online/ Total consumers)

2023 Target: 77% | Achievement: 70.6%

Met/ Exceeded

**KPI** Target

Pending

Result

Legend



#### Analysis

- 1. NESR 1.0 does not track consumer e-commerce adoption.
- 2. The yearly achievements for KPI #1 surpassed targets set for 2021 and 2022, growing from 64.7% to 70.4%. Adoption appeared to have stabilised in 2023 at 70.6%.
- 3. The trendline for KPI #1 exhibits an S-curve, consistent with regional development as indicated in the macro-analysis section.

#### Data Source Update

Result from KPI #1 was initially sourced from MCMC's E-Commerce Consumer Survey report. However, as at the end of Q1 2023, results for 2021 and 2022 have yet to be published. Consequently, an alternative measure has been identified and endorsed by NESR TF #2/2023 to adopt "**percentage of individuals purchasing via e-commerce**" published by DOSM in its ICT Use and Access by Individuals and Households Survey (ICTHS) Report.



Did not Meet

**KPI** Target

**KPI Under** 

Review





ARPU =

### **ST1: Effective E-Commerce Adoption**



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P2: Facilitate demand generation among e-commerce consumers

KPI and Result for 2023	Analysis				
KPI #2: Average Revenue Per User  (ARPU) (RM)	Year	2021	2022	2023	
2023 Target: RM9,616   Achievement: RM17,708.75	Target	Baseline / methodology established	9,428	9,616	
Result is expected to be available based on:				RM17,708 (estimate)	
a. B2C E-Commerce Income (RY2023 is based on ICTEC 2024 to be published in 2025),	Achievement	2018 Baseline established	RM17,682	The 2023 B2C e-commerce market size is estimated based on the	
b. Population Data for RY2023 will be published by DOSM end of July 2024, and	Admevement	(RM5,285)	NW17,002	2022 B2C e-commerce market size ratio of 28% due to unavailability o	
c. ICTHS for RY2023 will be published in April/May 2024				2023 B2C breakdown.	

For 2021, baseline was established based on ARPU component of MCMC report for ecommerce consumer adoption rate. As there has been no publication by MCMC since 2018, ARPU component on e-commerce consumer adoption rate was subsequently revised in 2023 to be replaced by Individual E-Commerce Adoption Rate published by DOSM in ICTHS.

The yearly performance of KPI #2 for 2022 and 2023 exceeded target by:

- 2022:87.55% .
- 2023:84.16% .



Total Population aged >15

years and above



published in 2025),	Achievement	2018 Baseline established
Data for RY2023 will be published by DOSM 2024, and	Acmevement	(RM5,285)
RY2023 will be published in April/May 2024		

**B2C E-Commerce** 

Market Size

x E-Commerce Consumer

Adoption rate



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### **ST1: Effective E-Commerce Adoption**

P2: Facilitate demand generation among e-commerce consumers

	State	viduals purchas commerce in 20	-		AGR - 2023
	W.P. Putrajaya	97.0		3	3%
	W.P. Labuan	93.1		1	%
	Selangor	88.0		3	3%
	Terengganu	82.3		2	2%
	W.P. Kuala Lumpur	80.2		(	)%
	Melaka	78.1		8	3%
	Kedah	76.0		3	3%
	Negeri Sembilan	 73.4		7	7%
	Pahang	 71.9		1	1%
alaysia	Johor	69.9		3	3%
.6%	Pulau Pinang	67.0		9	9%
	Kelantan	66.3		4	1%
	Perak	55.2		2	2%
	Perlis	52.9		1	0%
	Sabah	48.8		2	2%
	Sarawak	48.5		3	3%

- Observation 1: 9 states in West Malaysia are above national average of 70.6%.
- Observation 2: The rest of the states in West Malaysia are above 50%.
- Observation 3: East Malaysia demonstrates potential for further growth.



Source: (2024), Department of Statistics Malaysia, ICT Use And Access By Individuals And Households Survey Report 2023, Table 6.19, Pg. 123

### **ST1: Effective adoption of e-commerce Key takeaways**



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### 1. MSMEs adoption in e-commerce

- MSMEs adopting e-commerce have experienced substantial growth, notably during the COVID-19 pandemic period when the number reached 489,958 in 2020 from 243,560 in 2019, an increase of over 100%. The following years saw continued growth, with the number rising to 890,291 in 2021 (a growth of 82%) and to 1,126,047 in 2022 (a growth of 26%). By 2023, it surged to 1,511,863, reflecting a growth of 34%. This indicates that e-commerce adoption has reached a significant level and is approaching a stable phase, resembling an S-curve pattern.
- Since 2017, the number of MSMEs adopting e-commerce has consistently outpaced the number of individuals trained indicating that training is not a pre-requisite requirement for e-commerce adoption.

### 2. Consumers adoption in e-commerce

- Consumers e-commerce adoption rates have shown consistent upward trend with significant acceleration occurred between 2020 and 2021 (growing from 45% in 2020 to close to 65% in 2021) and gradually stabilised since then, hovering at 70.4% in 2022 and 70.6% in 2023. The growth pattern exhibited an S-curve which is consistent with regional development.
- In terms of e-commerce consumer adoption rate by states in Malaysia as of 2023, it was observed that 9 states in West Malaysia are above the national average of about 70% while 2 states in East Malaysia demonstrate a potential for further growth with an adoption rate of less than 49%.



### **Overview of Strategic Thrust 2**



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### **Capitalise on export potential**



#### Problem Statement

Local businesses are facing difficulties to penetrate cross border markets

#### Objective

Enhance adoption and value of e-commerce export

Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

Number	Programmes	Programme Lead
1	Develop and implement a national brand for Malaysian products based on a data-driven e-commerce export strategy	MATRADE
2	Facilitate market access and generate demand for Malaysian products abroad	MATRADE

#### Source: EY Analysis







P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

#### KPI & Result (2021 – 2023)

1. KPI #1: Cumulative e-commerce export sales generated from national brand campaigns

Cum. Target: RM175 mil | Achievement: RM866.59 mil

#### 2021-2023 cum. export sales exceeded 2021-2025 cum. target by 247%



Met/ Exceeded

**KPI** Target

Pending

Result

Legend



Cumulative Achievement from 2021 ..... Cumulative Target (RM Mil)

#### Analysis

- 1. The cumulative target for e-commerce export sales over the period 2021 to 2023 was set at RM175 million and the achievement surpassed the target by 395% reaching RM866.59 million by the end of 2023.
- 2. The 2023 cumulative achievement of RM866.59 million exceeded 2025 cumulative target by 247%.



Did not Meet

**KPI** Target

**KPI Under** 

Review



P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

#### KPI #1: Cumulative e-commerce export sales generated from national brand campaigns





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P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

#### KPI #1: Cumulative e-commerce export sales generated from national brand campaigns

Analysis



••••• Yearly Target

- 1. From 2021 to 2023, more than 30 export campaigns and initiatives were driven by both the government and the industry which have contributed positively to the e-commerce export sales as seen in the 2-year CAGR of 190%.
- 2. Key contributions to the achievements are mainly attributed to:
  - 2021: The Belanjawan 2021 initiative, contributed to approximately 62% of the achievement
  - 2022: MATRADE's initiatives such as eBizLink and eTRADE accounted for 86% of the total achievement
  - 2023: 84% of the achievement were driven by the industry which was reported to MDEC based on contractual commitments





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P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

#### **KPI & Result (2023)**

#### KPI #2: Average increase in e-commerce export sales

2023 Target: 2.7% or above | Achievement: No data (In April 2024, the taskforce endorsed MATRADE's request for the measurement of this KPI to be based on "International" component of Income of Ecommerce Transactions published in "Usage of ICT and eCommerce by Establishment" (ICTEC) by DOSM)



KPI #2: Average increase in e-commerce export sales

#### 2022 2023 Year 2021 Target 2.7% or above 2.7% or above 2.7% or above No data No data 11.9% Achievement (Data to be based on DOSM (Data to be based on DOSM (CAGR between 2019 - 2021) Survey result/Economic Census) Survey result/Economic Census)

Analysis

- Initially, the target was set at 2.7 % to be based on MOF's export projections for 2021. 1.
- In the absence of a mechanism to track the KPI, MATRADE proposed that the KPI should 2. be tracked through surveys conducted by DOSM, and MATRADE has been in discussion with DOSM for this data to be published in Economic Census.
- 3. However, based on discussions with DOSM, there is no available indicator in regard to export data specifically on the amount of exports by e-commerce.
- In view thereof, DOSM suggested that MATRADE to measure this KPI based on 4. "International" component of Income of Ecommerce Transactions published in "Usage of ICT and eCommerce by Establishment" (ICTEC) by DOSM.







P2: Facilitate market access and generate demand for Malaysian products abroad

#### **KPIs & Results (2021 – 2023)**

1. KPI #1: Increase in businesses exporting via e-commerce\* Cum. Target: 38,000 | Achievement: 188,098

2. KPI #2: Average increase in e-commerce export sales for businesses supported by the end of NESR2.0 (in 2025)\*\*

Met/ Exceeded

**KPI** Target

Pending

Result

2023 Target: 30% or above Achievement: 92.51% from 2022 export sales

#### Note:

Legend

\*Any activities related to e-commerce such as capacity building, eTRADE Consultation Day series, e-National Export Day, eBizMatch. The figures include businesses exporting via new platforms / to new markets. \*\*Based on eTRADE annual survey.



#### Analysis

- 1. KPI #1 (Businesses exporting):
  - 2023 cumulative achievement exceeded the cumulative target by 395%
  - 2023 cumulative achievement of 188,098 exceeded 2021-2025 cumulative target of 64,000

2. KPI #2 (Average increase in export sales)

 The yearly achievements for KPI #2 surpassed target set for 2022 and 2023, growing from 57.4% to 92.51%

### 2021-2023 cum. businesses exporting exceeded 2021-2025 cum. target by 194%



KPI #2: Average increase in e-commerce export sales for businesses supported						
Year	2021	2022	2023			
Target	30% or above	30% or above	30% or above			
Remarks	The export sales reported in 2023 by MATRADE for 2021 export sales is RM26.5 mil	The export sales reported in 2023 by MATRADE for 2022 export sales is RM41.7 mil, an increase of 57.4% from 2021 export sales	The export sales reported in 2024 by MATRADE for 2023 export sales is RM80.3 mil, an increase of 92.51% from 2022 export sales			

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Did not Meet

**KPI** Target

**KPI** Under

Review
### **ST2: Capitalise on export potential**

P2: Facilitate market access and generate demand for Malaysian products abroad



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#### KPI #1: Increase in businesses exporting via e-commerce





### **ST2: Capitalise on export potential**

P2: Facilitate market access and generate demand for Malaysian products abroad



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#### KPI #1: Increase in businesses exporting via e-commerce



Key contributions to the achievements in 2021 and 2023 are mainly attributed to:

- 2021: The Belanjawan 2021 initiative, contributed to approximately 75% of the achievement
- 2023: 86% of the achievement were driven by the industry which was reported to MDEC based on contractual commitments



ATRADE



### **ST2: Capitalise on export potential**

P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

P2: Facilitate market access and generate demand for Malaysian products abroad

#### Challenges



- 1. Consistent over-achievement of targets.
- 2. Absence of specific list of exporters in the data submitted to programme lead and PMO.
- 3. KPI set without establishing mechanism for measurement.
- 4. Absence of data for timely reporting.



### **ST2: Capitalise on export potential Key takeaways**



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#### 1. E-commerce export sales

- The cumulative target for e-commerce export sales over the period 2021 to 2023 was set at RM175 million and the achievement surpassed the target by 395% reaching RM866.59 million by the end of 2023.
- The 2023 cumulative achievement of RM866.59 million exceeded 2025 cumulative target by 247%.

#### 2. Businesses exporting via e-commerce

- The cumulative number of businesses exporting via e-commerce from 2021 to 2023 achieved 188,098 exceeded the cumulative target of 38,000 which also exceeded 2021 to 2025 cumulative target by 194%.
- In 2023, the achievement was seen mainly driven by the industry which contributed 86% of the total achievement of 124,656 which was reported to MDEC based on contractual commitments.



### **Overview of Strategic Thrust 3**

#### **Strengthen e-commerce fulfilment capabilities**



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Intensify E-Commerce Adoption and Growth		Enhance Ecosystem Development		Strengthen Policy and Regulatory Environment		
Effective e-commerce adoption	Capitalise on export potential	Strengthen e-commerce fulfillment capabilities	Spearhead e-commerce innovation	Tap the power of data	Improve consumer & seller protection	
			G	ണ്ട്ര	Ĩ	

E-Commerce as the Engine for Catalytic Growth for Businesses in Malaysia

#### **Problem Statement**

E-Commerce fulfilment performance needs to be improved

#### Objective

Enhance coverage and efficiency of e-commerce fulfilment services towards regional competitiveness

Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

Number	Programmes	Programme Lead
1	Improve Malaysia's regional performance and competitiveness in logistics	МОТ
2	Facilitate adoption of sharing economy models in the logistics sector	MDEC
3	Attract investments to facilitate expansion of logistics service offerings and coverage	MIDA
4	Develop performance and operational standards for postal and courier service firms	MCMC
5	Standardise data exchange formats to facilitate efficiency in goods delivery	JSM





### **ST3 : Strengthen e-commerce fulfilment** capabilities



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MOT

P1: Improve Malaysia's regional performance and competitiveness in logistics





Legend Met/Exceeded Bid hot Meet KPI Target Pending Result KPI Under Review

Met/ Exceeded

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Did not Meet

# **ST3 : Strengthen e-commerce fulfilment** capabilities



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P2: Facilitate adoption of sharing economy models in the logistics sector

#### KPIs & Results (2021 - 2025)

KPI	2021	2022	2023	
NFI	Target	Target	Target	
KPI #1: Average impact rating for sharing economy model for warehousing & storage	Benchmark score/rating based on pilot impact assessment developed	Adoption of Sharing Economy Services by 4 anchor companies	30 platforms active and in operation	
<b>Revised KPI 2023-2025:</b> No. of Sharing Economy platforms offering services and	Achievement	Achievement	Achievement	
solutions in logistics sector	Score: 2.36/5	<ul> <li>Adoption of Sharing Economy Services by 4 anchor companies</li> <li>Achievement</li> <li>2 anchor companies</li> <li>2 anchor companies</li> <li>Adoption of Sharing Economy Services by 5 anchor companies</li> <li>Achievement</li> <li>6 anchor companies</li> <li>Ganchor companies</li> <li>Adoption of Sharing Economy Services by 5 anchor companies</li> <li>Achievement</li> <li>Adoption of Sharing Economy Services by 5 anchor companies</li> </ul>	30	
KPI #2: Average impact rating for sharing	Target	Target	Target	
economy model for assets & transport capacity sharing	Benchmark score/rating based on pilot impact assessment developed		RM 250 mil	
Revised KPI 2023-2025: Revenue generated by Sharing Economy platforms in	Achievement	Achievement	Achievement	
logistic sector (RM Mil)			RM 285.7 mil	
	Target	Target		
KPI #3: Average impact rating for sharing economy model for logistics workforce	Benchmark score/rating based on pilot impact assessment developed		KPI #3 was discontinued following KPI # and KPI #2 revision in 2023	
Status: KPI 3 is no longer needed following KPI 1 and KPI 2 revision in 2023	Achievement	Achievement		
	Score: 2.65/5	6 anchor companies		

Legend Met/ Exceeded Did not Meet KPI Target FRI Target Pending Result KPI Under Review

MDEC

- 1. The initial KPI (measuring "Average Impact Rating") was proposed in the absence of baseline/indicator to measure the performance of the Sharing Economy models in logistics sector.
- 2. Subsequently, in 2023, both the KPIs were revised to better reflect the impact of Sharing Economy platforms in Malaysia.



# ST3 : Strengthen e-commerce fulfilment capabilities

P3: Attract investments to facilitate expansion of logistics service offerings and coverage

#### KPIs & Results (2021 – 2023)

KPI #1: Cumulative approved investments (both foreign and domestic direct investments) in regional e-fulfilment hub

Cum. Target: RM1,500 mil | Achievement: RM1,893 mil



#### 2021-2023 cum. approved investments is 90% to 2021-2025 cum. target



#### KPI #1 (Approved Investments):

Analysis

- The cumulative achievement of approved investments from 2021 to 2023 has shown exponential growth during this period
- The 2021-2023 cumulative achievement surpassed the cumulative target by RM393 million, representing a 26.2% increase over the target
- By 2023, the cumulative achievement reached 90% of the 2021-2025 cumulative target of RM2.1 billion



possess the capacity to provide comprehensive and streamlined logistics solutions, covering the entire value chain from start to finish as a unified entity on either a regional or global scale, signifying their proficiency in offering end-to-end logistics services, inclusive of door-todoor delivery. IILS status companies will be granted the Freight Forwarding Agent/Customs

E-fulfilment investments are from companies granted with ILS incentives or IILS status:

comprehensive logistics solution

Agent license

Integrated logistics services (ILS) incentives are either Pioneer Status or 60% ITA allowance

transportation (air, ocean, road, rail), warehousing, and value-added services, forming a

International integrated logistics services (IILS) status is granted to logistics companies that

for 5 years granted to eligible companies providing end-to-end logistics, including multimodal



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### **ST3 : Strengthen e-commerce fulfilment** capabilities

P3: Attract investments to facilitate expansion of logistics service offerings and coverage

#### KPIs & Results (2021 - 2023)

KPI #2: Cumulative realised investments (both foreign and domestic direct investments) in regional e-fulfilment hub

E-fulfilment investments are from companies granted with ILS incentives or IILS status:

comprehensive logistics solution.

**KPI** Target

Pending

Result

license

Legend

 Integrated logistics services (ILS) incentives are either Pioneer Status or 60% ITA allowance for 5 years granted to eligible companies providing end-to-end logistics, including multimodal

Cum. Target: RM362 mil | Achievement: RM780 mil



Analysis



2021-2023 cum, realised investment is 78% to 2021-2025 cum. target



KPI #2 (Realised Investments):

- The cumulative achievements ٠ recorded steady growth from year 2021 to 2023
- The 2021-2023 cumulative ٠ achievement is on track towards the 2021-2025 cumulative target of RM1 billion







**KPI Under** 

Review



### **ST3 : Strengthen e-commerce fulfilment** capabilities



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P4: Develop performance and operational standards for postal and courier service firms









# **ST3 : Strengthen e-commerce fulfilment** capabilities



P5: Standardise data exchange formats to facilitate efficiency in goods delivery

- <u>Key Objective</u>: To streamline order fulfilment data standards between e-commerce platforms and logistics service providers to improve logistics efficiency
- Key benefit: Improve business efficiency in data transmission and exchange

#### **KPI #1 Result**

2023 Target: Finalise guidelines to standardise order fulfilment dataset format between e-commerce platforms and logistics service providers

2023 Achievement:

 The Final Draft Malaysian Standard (FDMS) 2781 -Logistics dataset - Guidelines for eCommerce transactions & last mile delivery was approved by YBM MITI on 21 December 2023 and the MS has been published and made available on the MySOL portal

#### Analysis

- 1. The target on "Final Draft of Malaysia Standard (FDMS) on Logistics Dataset for E-commerce Transaction & Last Mile Delivery completed" was initially set for 2025.
- 2. In 2021, JSM requested that the target be moved forward to 2023.
- 3. In 2023, JSM achieved the target with the MS 2781:2023 approved by YBM MITI in December 2023 and published.
- 4. Given that the KPI was completed in 2023, JSM has proposed a new KPI in 2024 to enhance awareness of MS 2781:2023.







### **ST3 : Strengthen e-commerce fulfilment capabilities**

- P1: Improve Malaysia's regional performance and competitiveness in logistics
- P2: Facilitate adoption of sharing economy models in the logistics sector
- P3: Attract investments to facilitate expansion of logistics service offerings and coverage
- P4: Develop performance and operational standards for postal and courier service firms
- P5: Standardise data exchange formats to facilitate efficiency in goods delivery

Challenges

- 1. E-Commerce Logistics/Fulfilment is not a standalone component that can be specifically tracked.
- 2. Absence of data for timely reporting.



### **ST3: Strengthen e-commerce fulfilment capabilities Key takeaways**



- 1. Logistics performance and competitiveness The KPI under this programme is currently under review to measure Malaysia's regional performance and competitiveness in logistics.
- 2. Sharing economy The programme has generated significant impact with an achievement of RM285.7 million revenue generated in 2023 exceeding the target of RM250 million.
- **3.** Regional e-fulfilment hub From 2021 to 2023, the cumulative achievements for both approved and realised investments in the regional e-fulfilment hub have exceeded targets. Approved investments surpassed the cumulative target by RM393 million, a 26.2% increase, while realised investments reached RM780 million, significantly exceeding the target of RM362 million.
- 4. Postal and courier services performance The delivery performance by postal & courier service has achieved 87% and above since 2021 and is on track towards achieving a target of 90% in 2025.
- 5. Standardisation of logistics dataset This programme is intended to streamline order fulfilment data standards between e-commerce platforms and logistics service providers to improve logistics efficiency and the final draft of Malaysia Standard, MS 2781:2023 was approved in December 2023 and subsequently published on MySOL portal.



### **Overview of Strategic Thrust 4**





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Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

Number	Programmes	Programme Lead
1	Develop local digital talent in the e-commerce ecosystem	MDEC
2	Incubate and strengthen the e-commerce value chain ecosystem	MOSTI
3	Enhance the 1-stop resource centre for e-commerce training, regulations and incentives	MDEC

#### MDEC

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Source: EY Analysis





### **ST4: Spearhead e-commerce innovation**

P1: Develop local digital talent in e-commerce ecosystem

KPIs & Results (2021 – 2023)

KPI #1: No. of digitally skilled talent trained/ reskilled/ upskilled for technology and non-technology related positions Cum. Target: 47,000 | Achievement: 56,817

> 2021-2023 cum. achievement is 98% to 2021-2025 cum. target



Met/ Exceeded

**KPI** Target

Pending

Result

Legend



#### Analysis

- 1. 2023 cumulative achievement of 56,817 exceeded cumulative target of 47,000 by about 21%.
- 2. The cumulative targets for each year consistently exceeded the cumulative targets set.
- 3. The trend from 2021 to 2023 shows a steady increase in the number of individuals trained.



Did not Meet

**KPI** Target

**KPI Under** 

Review



### **ST4: Spearhead e-commerce innovation**

P2: Incubate and strengthen e-commerce innovation value chain ecosystem



MOSTI

#### KPIs & Results (2021 - 2023)

1. KPI #1: No. of technology products/ solutions successfully commercialised under the ICT and robotics categories (PTK)

Cum. Target: 60 | Achievements: 74

2. KPI #2: No. of e-commerce innovation applications developed across the ecommerce value chain (MRANTI)

Cum. Target: 38 | Achievements: 38

#### KPI #1: Technology/solutions commercialised 2021-2023 cum. achievement is 74% to 2021-2025 cum. target



#### KPI #1: No. of technology products/ solutions successfully commercialised under the ICT and robotics categories (PTK) 74 \*\*\*\*\* 20 20 2021 2022 2023

Cumulative achievement from 2021 ..... Cumalative Target



#### Analysis

- 1. KPI #1 (Technology products/solutions commercialised):
  - 2023 cumulative achievement of 74 ٠ exceeded cumulative target of 60 by 23%
  - The trend from 2021 to 2023 shows a . steady increase in the number of products/solutions commercialised
- 2. KPI #2 (Applications developed):
  - From 2021 to 2023, the cumulative ٠ targets were consistently met

**KPI #2: E-commerce innovation applications** 



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### **ST4: Spearhead e-commerce innovation**

P3: Enhance the 1-stop resource centre for e-commerce training, regulations and incentives

#### KPIs & Results (2021-2022)

- 1. KPI #1: No. of unique users accessing and utilising the Go-eCommerce portal Cum. Target (2021-2025): 700,000 Cum. Achievement (2021-2022): 719,152
- 2. KPI #2: % of returning users who have previously accessed and utilized the **Go-eCommerce portal within the past** 12 months 2025 Target: 34% 2022 Achievement: 35.22%





Analysis

Both KPIs are no longer being reported under NESR from 2023 onwards, because:

- 1. The 2025 targets for KPI #1 and KPI #2 have been achieved in 2022.
- Go-eCommerce portal is no longer in operation, as a more agile platform catering to eUsahawan learning management modules is being adopted to cater to specific requirements and functionalities of eUsahawan.



### **ST4: Spearhead e-commerce innovation Key takeaways**



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#### 1. Digital talent

- The various trainings and initiatives implemented have resulted in over 56,000 digital talents trained cumulatively from 2021 to 2023, exceeding the cumulative target of 47,000 by about 21%.
- A broad and inclusive trainings were facilitated through multiple programs, such as eRezeki/GLOW which are targeted at training freelance workers, programmes implemented at Tertiary level, and MYWIT/Workforce were introduced to upskill and re-skill workforce.

#### 2. E-commerce innovation

- From 2021 to 2023, over 70 technology products/ solutions were successfully commercialised under the ICT and robotics categories, surpassing the target of 60 commercialised technology products and the yearly achievements indicated a continuous upward growth demonstrated further potential in technological innovation.
- From 2021 to 2023, a total 38 e-commerce innovation applications developed across the e-commerce value chain and the trend shows a steady increase.



### **Overview of Strategic Thrust 5**



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#### Tap the power of data

Intensify E-Commerce Adoption and Growth		Enhance Ecosystem Development		Strengthen Policy and Regulatory Environment	
Effective e-commerce adoption	Capitalise on export potential	Strengthen e-commerce fulfillment capabilities	Spearhead e-commerce innovation	Tap the power of data	Improve consumer & seller protection
1		<b>6</b> -0'	G	ണ്ട്ര	3

E-Commerce as the Engine for Catalytic Growth for Businesses in Malaysia

#### **Problem Statement**

Data published on e-commerce can be more timely and comprehensive to cater to e-commerce stakeholder needs

#### Objective

To ensure availability of data for effective planning, monitoring and decision making

Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

Number	Programmes	Programme Lead
1	Facilitate nationwide adoption of e-Invoicing on an interoperability framework	MDEC
2	Establish data repository with predictive and analytics capabilities for e-commerce stakeholders	DOSM

Source: EY Analysis





### **MDEC** ST5: Tap the power of data

P1: Facilitate nationwide adoption of e-Invoicing on an interoperability framework



- Key benefits:
  - Increase business efficiency (reduce manual data entry, minimise errors, eliminate paper invoice)
  - Improve cashflow .
  - Strengthen tax compliance ٠

#### KPI 1

Announce plan to mandate adoption of e-Invoicing (

2023 Achievement:

The Cabinet Paper on the National e-Invoicing Initiative ٠ has been presented and approved in September 2023

Analysis

Consistent achievement of annual target from 2021 to 2023.



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### **ST5: Tap the power of data**



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P2: Establish data repository with predictive and analytics capabilities for e-commerce stakeholders DOSM **Overview KPIs and Results (2023)** KPI 1 KPI 2 Publication of Usage of ICT and E-Commerce by Kick-off development of data repository Establishment (ICTEC) Survey (currently published once Data repository to be continuously enhanced thereafter in 2 years) (Subject to budgetary and resources approval) 2023 Achievement: 2023 Achievement: ICTEC 2022 - Dissemination: 6 July 2023 Testing and production deployment activities will only be executed ICTEC 2023 is being processed and is currently at 95.9% by DOSM after Q2/2024 since DOSM is sharing the resources as of 5 December 2023 with PADU

- With KPI #1, DOSM has committed to publish ICTEC every year from 2023 onwards, as opposed to every 2 years.
- This target has been achieved in 2023.

- Key objective of KPI #2 is to strengthen national statistical system on data relevant to e-commerce ecosystem.
- Starting from 2024, DOSM will incorporate DOSM's data on digital economy into OpenDOSM.









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Review

Result

### **ST5: Tap the power of data Key takeaways**



- National e-Invoicing initiative In September 2023, cabinet approval was obtained to establish and implement an interoperable framework based on PEPPOL, to enable transmission of invoice data in a system-to-system manner which will increase business efficiency and improve cashflow.
- 2. Data gathering and publication DOSM as the programme lead has been consistently reporting and strengthening its measurement on key data that is relevant to measure the national e-commerce performance.



### **Overview of Strategic Thrust 6**

**Improve consumer & seller protection** 



E-Commerce as the Engine for Catalytic Growth for Businesses in Malaysia **Problem Statement** Intensify E-Commerce Adoption and Growth Strengthen Policy and Regulatory Environment Enhance Ecosystem Development Existing deterrence and enforcement mechanisms for compliance of laws Capitalise on Spearhead Tap the Effective Strengthen Improve and regulations relating to e-commerce are insufficient export e-commerce e-commerce power of consumer e-commerce fulfillment innovation data & seller adoption potential capabilities protection Objective 1 299 Improve regulations and enforcement to grow consumers' and businesses' 0 0 confidence in e-commerce

Programmes introduced under NESR 2.0 to meet the objective and address the problem statement identified during the review of NESR 1.0 in 2020

Number	Programmes	Programme Lead
1	Review existing legislation relevant to e-commerce and drive greater enforcement	KPDN
2	Improve promotional efforts for usage of trust mark schemes	SSM
3	Enhance seller competitiveness and consumer trust and confidence through SIRIM Trusted Mark Scheme (STMS)	SIRIM

#### MDEC

Source: EY Analysis





### **ST6: Improve consumer & seller protection**

P1: Review existing legislation relevant to e-commerce and drive greater enforcement

#### KPI 1

Consumer & Business eCommerce rights awareness and understanding rate (Based on National Score of Consumer Empowerment Index (CEI\*\*) 2020)

#### KPIs & Results (2023)

- 2023 Target: To conduct 3 e-commerce advocacy programmes, 1 publication on Advocacy Module and 2 consumer advocacy sessions.
- 2023 Achievement: 13 e-commerce advocacy programmes, 1 publication on Advocacy Module and 10 consumer advocacy sessions.

#### Analysis

- 1. Initially, KPI "Consumer & Business eCommerce rights awareness and understanding rate" was for the rating to be based on survey conducted by the ministry.
- 2. In 2022, the KPI was revised to use national level index (Consumer Empowerment Index), as opposed to a separate survey:
  - CEI is published once in 5 years last published in 2020, next publication 2025;
  - Hence only 2025 target is set which is set at 75%, based on 2020 baseline of 63.1%.
- 3. Accordingly, for 2022 to 2024, KPDN is focused on enhancing consumer & business awareness with advocacy programmes .

\*\*Note: The CEI study is an effort by KPDN to develop an index for Malaysia with the objective of measuring the level of empowerment among Malaysian consumers and making 2020 as the base year of measurement Source: (2020), KPDN Malaysia Consumer Empowerment Study 2019 - 2020

#### KPI 2

Review and revised E-Commerce Act 2006 or Consumer Protection (Electronic Trade Transactions) Regulations 2012 and other legislation relevant to e-commerce

#### 2023 Target:

 Draft amendment on the review of "Consumer Protection (Electronic Trade Transactions) Regulations 2012" submitted by the ministry to AGC.

#### 2023 Achievement:

• The draft amendment is under review by the ministry to be submitted to AGC and expected to be finalised by Q2 2024.







### **ST6: Improve consumer & seller protection**

P2: Improve promotional efforts for usage of trust mark schemes



#### KPIs & Results (2023)

KPI #1: Number of businesses on e-commerce registered under MSIC Code (47912, 47914) and adopting SSM BizTrust QR Code

2023 Target: 90,000 | Achievement: 111,252



#### The objective of SSM BizTrust:

 Improve the acceptance of online businesses through bolstering customer and consumer confidence in dealing with business entities

#### What is MSIC Code?

- **MSIC Code (47912)** Retail sale of any kind of product over the Internet
- **MSIC Code (47914)** ٠ Internet retail auctions

#### Analysis

In 2021, this KPI was intended to measure "% of Businesses on E-Commerce adopting SSM's BizTrust QR Code Registration":

Businesses on eCommerce adopting SSM's BizTrust QR Code registration Formula = Total of new business registration according to MSIC Code (47912, 47914)

- In 2022, the KPI was revised to measure the "% of Growth 2. businesses on eCommerce adopting SSM's BizTrust QR Code registration" to measure year-on-year growth.
- 3. In 2023, the KPI was subsequently revised to measure the number of businesses registered under MSIC Code (47912, 47914) adopting SSM's BizTrust QR Code (as opposed to % growth):
  - Justification: The decreasing trend in the number of new businesses registration from 2021 to 2022
  - For 2023 to 2025, the target is set at 90,000 per year







### **ST6: Improve consumer & seller protection**

P3: Enhance seller competitiveness and consumer trust and confidence through SIRIM Trusted Mark Scheme STMS

#### KPIs & Results (2021 – 2023)

KPI #1: Number of STMS certificates issued to online stores (STMS started in Feb 2021 and was officially launched in Nov 2021) Cum. Target: 25 | Achievement: 15



The objectives of STMS are:

- To protect consumers from buying counterfeit and substandard products.
- To provide <u>assurance to consumers on product compliance</u> with SIRIM's requirements

## 1. The number of STMS certs issued from 2021 to 2023 has consistently fallen short of the target set.

- 2. The shortfall of achievement against target indicating gaps in anticipating the practical constraints/challenges faced by industry in obtaining the STMS certification:
  - While SIRIM has received multiple STMS applications, many could not proceed to approval in a timely manner as STMS requires all products listed on the online store to meet the required SIRIM standards, which entail longer process and time.



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B TRUSTED

SIRIM STXY21ZZZZZ





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Analysis



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### **ST6: Improve consumer & seller protection**

#### Challenges

- 1. KPI set without establishing mechanism for measurement:
  - a. Consumer & Business eCommerce rights awareness and understanding rate
  - b. % of Businesses on E-Commerce adopting SSM's BizTrust QR Code registration
- 2. Absence of data for timely reporting: Consumer & Business eCommerce rights awareness and understanding rate (Based on National Score of Consumer Empowerment Index (CEI\*\*) 2020).



### **ST6: Improve consumer & seller protection Key takeaways**



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- 1. E-Commerce regulations and consumer & business e-commerce rights
  - The programme emphasised the importance of raising consumer and business rights awareness and strengthening existing laws relevant to e-commerce.
  - A series of advocacy programmes have been conducted to enhance consumer and business awareness on their rights.
  - A draft amendment on the review of "Consumer Protection (Electronic Trade Transactions) Regulations 2012" is under review and expected to be finalised by Q2 2024.

#### 2. Trust mark schemes

- The SSM Biztrust QR code and SIRIM Trusted Mark Scheme (STMS) certification are intended to boost consumers' confidence and to enhance seller competitiveness in e-commerce.
- In 2023, a total of 111,252 businesses adopted SSM BizTrust QR Code, surpassing the target of 90,000.
- The issuance of STMS certificates fell short, with a total of 15 certificates issued from 2021 to 2023 against a target of 25 STMS certificates issued. The shortfall of achievement against target indicating gaps in anticipating the practical constraints/challenges faced by industry in obtaining the STMS certification.
- Trusted mark schemes play a crucial role in maintaining a positive brand reputation by assuring consumers of the business's commitment to quality and reliability.



### **Overview of NESR 2.0 Review Current State Labs**



Public and Private Sector Labs, on 13 and 20 June 2024

The primary goal of the labs was to identify and gather feedback from both the public and private sectors on key challenges and potential areas of opportunity on the current state of e-commerce in Malaysia which includes macro-level and micro-level analysis



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# Discussions were centered along these 3 key focus areas



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#### Percentage of participants voted for a "Yes"



#### **Key observations**

- 1. Overwhelming majority (> 70%) indicated that 6 programmes should continue:
  - a. Export (92%)
  - b. Data gathering & publication (89%)
  - c. E-Commerce legislation (86%)
  - d. Digital talent (80%)
  - e. Logistics competitiveness (75%)
  - f. Investment in regional e-fulfilment hub (73%)
- 2. 3 programmes obtained less than 50% votes for continuation:
  - a. Standardisation of logistics dataset (49%)
  - b. SIRIM Trusted Mark Scheme (44%)
  - c. Consumer e-commerce adoption (31%)



Red outline indicates vote under 60%

Notes:

• \*Average = Total "Yes" responses from both public and private sectors / Total no. of respondents from both sectors

## 2 Key Challenges (1/2)



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Challenges across the ecosystem were highlighted based on feedback gathered from both the labs, from digitalisation readiness, export competitiveness, logistics infrastructure, data sharing, policy awareness, and ESG adoption.



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## **Key Challenges (2/2)**



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Challenges across the ecosystem were highlighted based on feedback gathered from both the labs, from digitalisation readiness, export competitiveness, logistics infrastructure, data sharing, policy awareness, and ESG adoption.



- SMEs perceive government-collected data as primarily intended for taxation rather than seeing tangible benefits from data sharing, due to a lack of awareness, transparency and trust
- · Lack of coordination on data sharing among agencies leading to data silo and fragmentation
- No dedicated one-stop centre in Malaysia to assist businesses
- · Too many paper-based process and lack of end-to-end digitalisation

#### **Policy & Regulations**

- Competing views as to whether government should continue to provide incentives and subsidies to businesses (tax breaks, grants, subsidies)
- Cybersecurity concerns
- Lack of awareness in consumer and seller protection rights





## **3** Key Areas of Opportunity



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6 key areas of opportunity were highlighted based on feedback gathered from both the labs



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### Summary of current state assessment



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This summary presents the current state of e-commerce in Malaysia, highlighting key insights from the macro-level analysis, NESR review, and stakeholders' feedback. It outlines the progress made, the remaining challenges, and the areas of opportunity that can be acted upon.

Based on the 3 key indicators evaluated under the macro-level analysis, e-commerce adoption and income of e-commerce in Malaysia are showing signs of normalisation, resembling an S-Curve, while e-commerce contribution to GDP continues to exhibit growth potential. These indicators paint a vivid picture of how e-commerce is not just a trend but a driving force behind Malaysia's economic growth while at the same time also suggesting a need to explore the next engine of growth.

With direct interventions conducted through various programmes under NESR 2.0, there have been significant achievements across the e-commerce ecosystem notably in MSMEs adopting e-commerce, e-commerce export sales, sharing economy platforms and revenue, investments in e-fulfilment hub, standardisation in logistics dataset, e-invoicing and others.

Notwithstanding the above, feedback gathered from the labs indicated that there remained challenges to be addressed and areas of opportunities that can be acted upon moving forward. Challenges identified ranged from digitalisation readiness, export competitiveness, logistics infrastructure, data sharing, policy awareness, to ESG adoption; while the 6 areas of opportunity include intensifying e-commerce growth and market access, enhancing logistics and digital infrastructure, leveraging on data sharing to drive interoperability, strengthening the regulatory framework and governance, fostering innovation and technology adoption, and supporting sustainable practices and ESG integration to further enhance and intensify e-commerce growth in the country.




# **Comparative Analysis: Global Scanning**



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# What is Digital Trade?



Malaysia is using this working definition in our digital trade policy-making



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"All international trade that is digitally ordered and/or digitally delivered". - IMF, OECD, UNCTAD and WTO, 2023

Source: Digital Trade for Development - IMF, OECD, UNCTAD and WTO, 2023

-ICC

Digital Trade refers to "The **deliberate use of digital technologies in various aspects of trade**, including the exchange of goods, services, and information between B2B, B2C, B2G and G2G". – ICC Digital Standards Initiative



"Digital trade refers to **commerce enabled by electronic means** – by telecommunications and/or ICT services – and covers **trade in both goods and services**". - European Commission

Source: Digital trade - European Commission



The U.S. International Trade Commission (USITC) broadly defines digital trade as, "The **delivery of products and services over the internet** by firms in any industry sector, and of associated products such as smartphones and internet-connected sensors. While it includes provision of e-commerce platforms and related services, it excludes the value of sales of physical goods ordered online, as well as physical goods that have a digital counterpart (such as books, movies, music, and software sold on CDs or DVDs)."

Source: Digital Trade and U.S. Trade Policy



Digital trade is **anything that is enabled by digital technologies** whether or not it is digitally or physically delivered. – New Zealand

Source: <u>What is 'the digital economy' and 'digital trade'?</u> <u>New</u> <u>Zealand Ministry of Foreign Affairs and Trade</u>



# Underpinning digital trade is the movement of data



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According to OECD:

**"Underpinning digital trade is the movement of data:** data is a means of production, an asset that can itself be traded, and the means through which some services are traded and GVCs are organised. While there is <u>no single</u> <u>definition of digital trade</u>, there is a growing consensus that it **encompasses digitally enabled transactions in trade in goods and services** which can be either digitally or physically delivered involving consumers, firms and governments." - López González, J. and M. Jouanjean (2017), "Digital Trade: Developing a Framework for Analysis", *OECD Trade Policy Papers*, No. 205, OECD Publishing, Paris, <u>https://doi.org/10.1787/524c8c83-en</u>.



## Digital Trade and E-Commerce by WTO, OECD, IMF, UNCTAD



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"Handbook on Measuring Digital Trade (2<sup>nd</sup> Edition)" published in 2023 seeks to help statistical compilers address policymakers' needs for better statistical evidence on digital trade.

The Handbook provides:

- 1. A statistical definition of digital trade:
  - "Digital Trade encompasses all international trade that is either digitally ordered and/or digitally delivered"
  - Compatible with the WTO definition of the Work Programme on Electronic Commerce
- 2. A conceptual measurement framework.
- 3. Guidance on how to make digital trade transactions more visible in existing statistics on international merchandise and services trade.



#### **Challenges in Putting the Handbook into Practice**

While the Handbook provides a common basis on how countries can measure digital trade, the Handbook recognises that countries may face various challenges in putting the Handbook into practice, ranging from applying the core concepts to the specific national context and to the available data sources, to compiling and disseminating the resulting statistics.

Source: (2023), Handbook on Measuring Digital Trade, Second Edition, https://www.oecd.org/en/publications/2023/07/handbook-on-measuring-digital-trade-second-edition\_099afd2f.html



## Official Statistics Struggle to Capture the Size of Digital Trade $\overline{\mathsf{ND}}$





Canada has published this report with the key objectives of highlighting the different approaches in measuring digital trade. Key highlights from the report:

- 1. Currently, there is no consensus on an internationally agreed definition of Digital Trade, the precise size of digital trade, and what exactly it constitutes.
- 2. There is however widespread agreement that the contribution of digital technologies to the economy and international trade is growing.
- 3. The evolving and complexity on the economic activities covered under the broad term of Digital Trade has caused difficulties in identifying the right measurement.
- 4. Conventional trade statistics reporting captures the nature and value of the product, the trading countries, and the year of the trade. What it does not capture is the nature of the transaction whether it is physically or digitally traded.
- 5. Many countries, including the United States, United Kingdom, European Union, and Canada, are using the <u>OECD-WTO-IMF framework</u> to guide their digital trade measurement efforts, though there are variances in the respective scope covered.



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Source: (2021), Choosing the Right Ruler: Approaches to Measuring Digital Trade. https://www.conferenceboard.ca/product/choosing-the-right-ruler-approaches-to-measuring-digital-trade/

# **Measuring Digital Trade: Malaysia's context**



Based on the OECD-WTO-IMF framework:

- Digital Trade encompasses all <u>international trade</u> that is either <u>digitally ordered</u> and/or <u>digitally delivered</u>
- <u>Digitally ordered trade</u> is defined as equivalent to the value of <u>international</u> e-commerce transactions, which can be sourced from ICT surveys.
- <u>Digitally delivered trade</u> can be proxy measured using the International Trade in Services (ITS) survey.

Applying the OECD-WTO-IMF framework for Malaysia:

- <u>Digitally ordered trade</u>: The value of <u>international</u> e-commerce transactions can be sourced from DOSM's publication on "Usage of ICT and E-commerce by Establishments" (ICTEC)
- <u>Digitally delivered trade</u>: DOSM's publication on "Statistics of International Trade in Services (SITS)" can serve as the proxy measure for this component.

DOSM was consulted on the above proposed approaches in the context of Malaysia. Feedback provided by DOSM, as follows:

- <u>digitally ordered trade</u>: The international e-commerce income transactions proxy <u>may underestimate</u> digitally ordered trade.
- digitally delivered trade: SITS components as a proxy for digitally delivered trade are not deemed suitable.

More work is required to better capture Malaysia's digital trade including engaging with international organisations and countries to explore possible methodologies and practices.



# **Leading Digital Economies in the World 2023 Population and GDP**





The Global Digital Economy Will Reach \$16.5 Trillion And Capture 17% Of Global GDP By 2028

Malaysia, 2023 & Information And Communication Technology Satellite Account, 2023

# **Population, GDP, Digital Economy**



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		*	*			*			
	United States	China	Canada	United Kingdom	Singapore	Australia	New Zealand	Malaysia	ASEAN
Population 2023	334.9 million	1.4 billion	40.1 million	68.3 million	5.9 million	26.6 million	5.2 million	33.4 million	676.6 million
Gross Domestic Product 2023 (USD)	27.4 trillion	17.8 trillion	2,140 billion	3,340 billion	501.4 billion	1,723.8 billion	253.5 billion	399.6 billion	3.8 trillion
Digital Economy Contribution to GDP	-	-	5.7% (2023)	7.2% (2022)	17.3% (2022)	6.3% (2022)	4.2% (2023)	23.5% (2023)	-

Note:

1. US accounts for 26% of global GDP and captures <u>42% of global technology spending.</u>

2. CN accounts for 17% of global GDP and e-commerce captures the <u>largest share of the digital economy</u> in China with 39% of retail sales bought online in 2024, which expected to rise to 41% by 2028.

3. ASEAN's economy reached a nominal GDP of USD3.8 trillion, positioning as the 5<sup>th</sup> largest in the world and the 3<sup>rd</sup> largest in Asia.

#### Sources:

1. World Bank Open Data | Data

- 2. Canada: <u>Canadian ICT Sector Profile 2023</u>
- 3. UK: Digital Sector Economic Estimates Gross Value Added 2022 (provisional) GOV.UK
- 4. SG: <u>Singapore Digital Economy Report 2023</u>

- 5. Department of Statistic Malaysia, Department of Statistic Malaysia, ICT Use & Access by Individuals & Households Survey Report,
- Malaysia, 2023 & Information And Communication Technology Satellite Account, 2023 6. Australian Bureau of Statistics
- 7. NZ : <u>Regional Economic Profile | New Zealand | Economy structure</u>
- 8. ASEAN Statistical Highlights 2024



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**"A Digital Trade Strategy for Canada"** was published by the Business Council of Canada in 2022, recognising the importance of digitalisation in simplifying the international trade and acknowledging Canada's underperformance in international digital trade despite its strong digital competitiveness

# Pillar Extend and upgrade Canada's digital infrastructure

- Offer a flexible mix of regulatory and funding instruments to ensure that Canadians and Canadian businesses have access to affordable, fast, reliable and secure **Internet**.
- Upgrade Canada's and the world's digital payment infrastructure to be simple, reliable and secure.
- Ensure effective regional and international cooperation on sharing information and developing common technical and regulatory standards.
- Facilitate international trade in telecommunications and financial services through the effective implementation of Canada's existing trade agreements.

#### Pillar #2 Enhance Canada's digital capacity

- Invest in digital technology **adoption** as well as digital **skills development**.
- Provide labour market flexibility, competitive pressures and **risk capital** to support the adoption of digital technology.
- Integrate multiple disciplines that include both technical and non-technical knowledge in devising programs aimed at developing Canadians' digital skills.
- Provide advice, training and financial support to SMEs as part of an expanded Canada Digital Adoption Program.

#### Pillar #3

# **Remove barriers** to international digital trade

A Digital

Strategy

Canada

Trade

for

- Ensure that Canada's data protection laws and regulations remain "adequate" by the European Union's General Data Protection Regulation (GDPR) standards.
- Work closely with the U.S. and Mexico to implement a **digital trade chapter** within the Canada-United States-Mexico Agreement (CUSMA).
- Ensure that the **taxation** of digital activities, domestically and internationally, does not impede digital trade.
- Continue playing an active role in the negotiations of a plurilateral agreement on "trade-related aspects of electronic commerce" at the **WTO**.
- Take a leadership role in the creation of an International **Digital Standards** Board responsible for ensuring a single international digital trade area.

Sources:

1. <u>A Digital Trade Strategy for Canada (uottawa.ca)</u>

2. A Digital Trade Strategy for Canada Rests on Three Pillars | Faculty of Social Sciences (uottawa.ca)

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# In 2021, the Conference Board of Canada has published a report on **"Choosing the Right Ruler, Approaches to Measuring Digital Trade"**

The Conference Board of Canada



Impact Paper | November 17, 2021

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- The report highlighted that currently, there is no consensus on the precise size of digital trade or what exactly it constitutes. But there is widespread agreement that the contribution of digital technologies to the economy and international trade is growing.
- Conventional trade statistics reporting captures the nature and value of the product, the trading countries, and the year of the trade. What it does not capture is the nature of the transaction whether it is physically or digitally traded.
  - Many countries, including the United States, United Kingdom, European Union, and Canada, are using the OECD-WTO-IMF framework to guide their digital trade measurement efforts, though variances can be seen in the scope of what they include.



Source: (2021), Choosing the Right Ruler: Approaches to Measuring Digital Trade. https://www.conferenceboard.ca/product/choosing-the-right-ruler-approaches-to-measuring-digital-trade/

# **United Kingdom (1/2)**



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According to the **"Digital Trade Objectives" Policy Paper** published by the Department for Business & Trade and the Department for International Trade in the United Kingdom in September 2021:

- International digital trade is now a significant driver of productivity and business growth in the UK. In 2019, the UK's remotely delivered trade with the world was £326 billion around one quarter of Britain's total trade in that year.
- UK's vision is to become a Global Leader in Digital Trade with a network of international agreements that drive Productivity, Jobs, and Growth across the UK.

**5 Focus Areas** 

- 1. Open Digital Markets aims to ensure British businesses have access to international digital markets, allowing firms to invest and operate across borders freely and competitively.
- 2. Data Flows advocate for international data flows, ensuring that data can cross borders without unjustified barriers, while maintaining the UK's high standards for personal data protection.
- 3. Consumer and Business Safeguards advocate for consumer benefits and essential business safeguards in digital trade.
- 4. Digital Trading Systems establish digital trading systems with partners to reduce red tape, making trade cheaper, faster, and more secure for businesses.
- 5. International Cooperation and Global Governance collaborate with international partners to ensure that the rules and structures that govern digital trade are free, fair, and inclusive.

#### **Digital Trade Agreements**

- UK-Japan Comprehensive Economic Partnership Agreement (2020)
- UK-Singapore Digital Economy Agreement (2022)
- UK-Ukraine Digital Trade Agreement (2024)





# **Wited Kingdom (2/2)**



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HOUSE OF LORDS

International Agreements Committee

5th Report of Session 2024–25

#### Data and digital trade

Ordered to be printed 3 December 2024 and published 11 December 2024

Published by the Authority of the House of Lords

HL Paper 52

#### Report by House of Lords' International Agreements Committee on Data and Digital Trade Inquiry

The report highlights the rapid growth of digital trade in the global economy and analyses the UK Government's broad definition of digital trade, suggesting it may impede a more focused approach. The Committee advocates for a targeted digital trade strategy in the forthcoming trade policy, recognising the rapidly evolving nature of digital trade policies both domestically and internationally. Key points include:

- 1. International Cooperation: The report welcomes multilateral, plurilateral, and bilateral agreements such as the WTO's Joint Statement Initiative on E-Commerce, while acknowledging the challenges of implementation.
- 2. Data Flows and Regulation: Stressing the centrality of data flows in digital trade and advocating alignment with the EU on data regulation to support stable trade relationships, particularly ahead of the EU's data adequacy decision in 2025.
- **3.** Avoiding Regulatory Fragmentation: Urging collaboration with international partners to standardize regulations on trade documents, personal data, and emerging technologies.
- 4. Balancing Public Policy and Trade Agreements: Concerns are raised over issues such as the ban on government-mandated source code disclosure, with calls for broader consultation with stakeholders, especially non-industry groups.
- 5. Trade Facilitation: Recognising progress in digital tools like the Electronic Trade Documents Act while noting the financial challenges associated with large-scale initiatives like the Single Trade Window scheme.

The report concludes that the UK's current position in digital trade is strong but underscores the need to address outlined challenges to ensure sustained growth and regulatory coherence.

Source: https://publications.parliament.uk/pa/ld5901/ldselect/ldintagr/52/52.pdf





"Singapore's Digital Economy is significant and has experienced strong growth in recent years. It contributed an estimated S\$106 billion or 17.3% of Singapore's gross domestic product (GDP) in 2022, up from S\$58 billion or 13% of GDP in 2017" Infocomm Media Development Authority, IMDA

# Singapore has concluded negotiations on four legally binding **Digital Economy Agreements** (DEAs) addressing a wide range of digital trade issues:

- Singapore-Australia Digital Economy Agreement (2020)
- Singapore-Chile-New Zealand Digital Economy Partnership Agreement (2022)
- United Kingdom-Singapore Digital Economy Agreement (2022)
- Korea-Singapore Digital Partnership Agreement (2022)

#### DEAs OBJECTIVES

- Align digital rules and standards across jurisdictions and facilitate interoperability between digital system.
  - Support cross-border data flows and safeguard personal data and consumer rights.
  - Encourage **cooperation in emerging** areas such as digital identities, Artificial Intelligence (AI), FinTech and data innovation. This gives organisations the scope to trial use-cases and technologies across different countries.

DEAs seek to establish and shape international rules and benchmarks, promote digital trade and connectivity, and facilitate interoperability through aligning standards and frameworks.

#### Sources:

- 1. <u>Digital Economy Agreements</u>
- 2. <u>Singapore's Digital Economy Partnership Agreement (aseanbriefing.com)</u>









"In 2018, the Export Council of Australia estimated Australia's digital trade accounted up to \$43 billion of economic value in 2018 and predicted this to grow to \$192 billion by 2030" - Department of Foreign Affairs and Trade (DFAT)

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"Digital trade and related technologies are fundamental to growing Australia's digital economy and realising Australia's vision to be a top 10 digital economy and society by 2030." - DFAT To achieve this vision, Australia will pursue global digital trade rules that reduce barriers to digital trade and support the growth of an open and competitive economic environment

Launched in April 2022, Australia's **Digital Trade Strategy** provides a <u>framework</u> for Australia to maximise economic growth by shaping an enabling environment for digital trade. The strategy includes <u>3</u> key actions:

ADVOCATING for digital trade liberalisation, standards and regulatory <u>cooperation with international partners</u> and through participation in international fora

- Cooperate with ASEAN on Digital Trade Standard is an initiatives in developing, adopting and using international standards that promote digital trade and support inclusive economic growth in the region.
- ✓ Strongly committed to the WTO and its framework of rules.
- Actively collaborates with APEC, OECD, G20 members.
- Committed to international standards development and adoption.

NEGOTIATING liberalising and tradefacilitative <u>digital trade rules</u> and commitments in bilateral, multilateral and plurilateral agreements

- ✓ Extensive consultation with the State, Territory governments, peak industry bodies, individual companies, academics, unions and other interested individuals and organisations.
- ✓ Exploring regional digital trade initiatives with other countries in the Indo-Pacific.
- Negotiates FTAs to benefit Australian exporters, importers, producers and investors by reducing and eliminating certain barriers to international trade and investment.

**3** SUPPORTING the <u>implementation of digital trade rules</u> internationally, including through development assistance and capacity building projects and through promotion of Australian business overseas

- ✓ Regional Trade for Development Initiative which will provide technical assistance and capacity building to help eligible countries implement commitments under both the RCEP and AANZFTA agreements.
- ✓ Helps bridge the digital divide to reduce poverty and inequality in developing countries to implement the WTO Agreement on Trade Facilitation, which cuts red tape at the border and therefore more accessible for developing country traders.
- ✓ Streamline and digitise the cross-border trading system.
- ✓ Support MSMEs to engage with international markets through a number of activities such as the Trade Information Service, digital initiatives under the planned national strategy for the visitor economy, THRIVE 2030, and other services to businesses, including Fintech Bridges.

Source: Digital Trade Strategy | Australian Government Department of Foreign Affairs and Trade (dfat.gov.au)





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"The potential benefits of digitising trade processes for New Zealand exports have been estimated at between \$9 billion and \$18 billion if rolled out across the APEC region, when all those countries join a digital trade environment." – <u>Digital Trade Review, 2023</u>

policy purposes.



Sources: 1. Diaital trade is the way forward for New Zealan

<u>Digital trade is the way forward for New Zealand (nzier.org.nz)</u>
Digital Trade Review | New Zealand Ministry of Foreign Affairs and Trade (mfat.govt.nz)

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of trade processes among other government

agencies, to demonstrate leadership abroad.

 Review and prioritise engagement in international digital trade forums, with partner agencies.





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**4** Māori and digital trade

- Develop and communicate a clear statement on how Te Tiriti o Waitangi/Treaty of Waitangi applies to digital trade.
- Bolster cross-agency collaboration to support Māori participation and representation in the digital economy, including digital trade.
- Create mechanisms to make digital trade opportunities and threats more visible to Māori so they can anticipate and respond to them.
- Continue developing an understanding of mātauranga Māori, including how it could be treated in future trade treaties and digital trade chapters.

#### **5** Trust in the digital world

- Ensure New Zealand's Privacy standards are upheld online and seek mutual recognition arrangements.
- Push for cooperation on cyber security matters, including sharing best practice among trading partners.
- Promote the application of measures to manage unsolicited marketing messages, and enforcement on scams and fraud.
- Promote standards development, alignment, interoperability and cooperation on digital identities.
- Promote the same levels of protection for online consumers as any other consumers.
- Promote cooperation on matters relating to digitising the physical world and ensure the government's right to regulate.

• Remain technology-agnostic, and respect governments' right to regulate to protect against emerging threats.

Preparing for new technology and data

6



#### Sources:

- Digital trade is the way forward for New Zealand (nzier.org.nz)
- 2. Digital Trade Review | New Zealand Ministry of Foreign Affairs and Trade (mfat.govt.nz)



# ASEAN



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- ASEAN's strategic position in the global investment landscape remained strong, attracting USD229.8 billion of Foreign Direct Investment (FDI) in 2023.
- With over 8% of the world's population, half of whom are under 30, ASEAN boasts a vibrant and youthful market.



Source: ASEAN Statistical Highlights 2024

# **ASEAN's Agenda Relating to Digital Trade**



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Initiatives at ASEAN level relevant to digital trade:



- 1. ASEAN Digital Economy Framework Agreement (DEFA)
  - 2. Digital Trade Standards Working Group (DTSWG)
    - 3. ASEAN Digital Data Governance Framework



# ASEAN Digital Economy Framework Agreement (DEFA)



- 10 member states of ASEAN commenced negotiation of Digital Economy Framework Agreement (DEFA) in Sept 2023, to achieve a dynamic and future-proof ASEAN, which based on a study by the Boston Consulting Group, the progressive rules in DEFA would unlock USD 2 trillion to the ASEAN digital economy by 2030 from about USD300 billion in 2021.
- Negotiation of the ASEAN DEFA is being intensified towards timely completion by the end of 2025.
- Negotiation of ASEAN DEFA is guided by 4 core principles, namely, Accelerating Growth, Driving Interoperability, Ensuring Responsible Digital Growth and Strengthening Cooperation.

9 Core ASEAN DEFA Elements

- 1. Digital Trade
- 2. Cross-Border E-Commerce
- 3. Payments
- 4. Digital ID and Authentication
- 5. Cross-Border Data Flows and Data Protections

- 6. Online Safety and Cybersecurity
- 7. Cooperation on Emerging Topics
- 8. Talent Mobility and Cooperation
- 9. Competition Policy



Sources:

- https://asean.org/wp-content/uploads/2023/09/leaders-statement-digital-economy-framework-agreement.pdf
- 2. <u>ASEAN Digital Economy Framework Agreement</u> prepared by BCG

# **ASEAN Digital Trade Standards Working Group** (DTSWG)



1. Established in March 2020 under ASEAN Advisory Committee on Standards and Quality (ACCSQ).

- 2. Aims to promote harmonisation, standardisation and conformity assessment of digital trade in ASEAN with objectives to:
  - Exchange information on standards, regulations, procedures, policies, best practices, technical requirements and governance related to e-commerce/digital trade.
  - Identify areas for harmonisation of standards, regulations, technical requirements, procedures, best practices, develop and monitor sectoral mutual recognition arrangement.
  - Identify the technical infrastructure needs on standards, conformity assessment, technical regulation to support initiatives in e-commerce/digital trade.
  - Promote awareness and adoption of harmonised technical requirements/standards within member states where applicable.
  - Identify technical assistance and capacity building needed to support initiatives in e-commerce / digital trade.
  - Engage relevant regulatory institutions, private sector organisations, ASEAN sectoral bodies and other relevant organisations.

# A roadmap on digital trade standards is currently being developed and is aimed to be delivered by end of 2024.

#### DTSCWG's 2021-2025 Work Program focuses on 3 pillars

- 1. Facilitating digital transactions including e-commerce / digital platforms, e-invoicing, e-payments.
- 2. Facilitating digital trade, logistics and delivery including last mile delivery.
- 3. Facilitating digital trust including digital identity, e-signature, cybersecurity.



Source: ASEAN Digital Trade Standards Working Group



# **ASEAN Framework on Digital Data Governance**



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Endorsed at 18<sup>th</sup> ASEAN Telecommunications and Information Technology Ministers Meeting (TELMIN) on 6 December 2018



- 1. Strengthen Data Ecosystem
- 2. Harmonise Legal and Regulatory Frameworks
- 3. Foster Data Innovation







Source: https://asean.org/wp-content/uploads/2012/05/6B-ASEAN-Framework-on-Digital-Data-Governance\_Endorsedv1.pdf



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# According to WTO and WEF, since 2010, regional trade agreements (RTAs) have increasingly integrated e-commerce and digital trade provisions

Source: <u>The Promise of TradeTech: Policy Approaches To Harness Trade Digitalization</u> (2022)



# **Digital Economy Agreements**



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In recent years, some countries have entered into digital economy agreements addressing a wide range of digital trade issues.

Examples:

- Digital Economy Partnership Agreement (2020): Chile, New Zealand, Singapore
- Australia-Singapore Digital Economy Agreement (2020)
- UK-Singapore Digital Economy Agreement (2022)
- Korea-Singapore Digital Partnership Agreement (2022)
- ASEAN Digital Economy Framework Agreement (negotiation ongoing since 2023)



# **Digital Economy Agreement vs FTA**

- Digital Economy Agreement seeks to address a range of disciplines relating to the digital economy which includes:
  - Conventional provisions in e-commerce chapter of existing FTAs, including commitment on Online Consumer Protection, Domestic Regulatory Framework, Online Data Protection.
  - Newer issues related to the digital economy which were not previously addressed in existing FTAs.
- 2. Generally, Digital Economy Agreement and FTA tend to vary in terms of specificity, depth and breadth.
- 3. FTAs often take longer time to conclude, as they are dependent on conclusion of other chapters. Concluding a stand-alone Digital Economy Agreement may be faster, as there is no dependency on other chapters.







## **Establishing a globally harmonised** digital trade environment



The Digital Standards Initiative (DSI) is a global initiative by ICC which aims to accelerate the development of a **globally** harmonised, digitalised trade environment, as a key enabler of dynamic, sustainable, inclusive growth by 2026, to address the following 2 key challenges:

- Manual data cycle
- The process of digitalising trade is hampered by the multiplicity of data standards and approaches

#### **DSI** Goals



Make trade faster, cheaper and more secure through igitisation and automation.



Reduce fraud, regulatory noncompliance and illicit trade that arises due to opaque and nontransparent trade processes.



Enable agility and resilience in supply chains, by improving the quality, timeliness and pooling of data across the entire trade environment.



Support sustainable trade by generating and joining up data related to environmental and social impact.



Lower costs to serve, and bridge a persistent trade finance gap, particularly in the emerging markets.



Promote inclusion in trade by harmonising trade standards and forms so that even SMEs can navigate the cross-border landscape globally.



ICC Digital Standards Initiative (DSI) | Digital Trade | Welcom



Digital Trade for Development



# IMF, OECD, UN, World Bank, WTO: Digital Trade for Development 2023



This report explores the opportunities and challenges for developing economies arising from digital trade and discusses the role of international cooperation in tackling these opportunities and challenges

- **Cross-border digitally delivered services** are the **fastest growing segment** of international trade, with new players emerging.
- Bridging the digital divide and strengthening the readiness of developing economies to benefit from digital trade requires both domestic and international mobilsation.

Some economies are more prepared to seize opportunities and take on challenges associated with digital trade, highlighting the importance of digital infrastructure and skills.

- Governments need to put in place a **regulatory and policy environment** that not only facilitates trade in a digital world but also **generates inclusive and sustainable outcomes**.
- **International cooperation** is critical to ensure **inclusive benefits** of digital trade and is increasingly **covers rules on digital trade**.
- Beyond trade rules, other regulatory issues also require global solutions: cross-border data flows, competition and consumer protection.

In summary, while digital trade holds significant promises for consumers and businesses globally, including in low developing countries, it is imperative to channel its potential towards fostering economic development and **achieving inclusive growth.** 





## **2024 Digital Economy Report:** Shaping an Environmentally Sustainable and Inclusive Digital Future



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The rapid pace and expanding scope of digitalisation make it increasingly important to understand the relationship between digitalisation and environmental sustainability. How the world's ongoing digital transformation is managed will greatly influence the future of humanity and the health of the planet.



This report highlights:

- the **urgent need for sustainable strategies** throughout the life cycle of digitalisation.
- while digitalisation drives global economic growth and offers unique opportunities for developing countries, its environmental repercussions are becoming increasingly severe.
- making e-commerce more environmentally sustainable requires a greater emphasis on circular business models, ethical sourcing and production, energy-efficient logistics and adopting renewable energy and eco-friendly delivery solutions, as well as sustainable packaging and finding ways to promote sustainable consumption.
- policymakers can facilitate these changes through an appropriate mix of legislative, regulatory instruments and tax mechanisms to reduce CO2 emissions in transportation and minimise waste from e-commerce. This will require a collaborative effort between Governments, businesses, platforms, logistics providers and consumers.



## Strategic Priorities to Driving Digital Trade: Insights from Global Scanning



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"While there is no single definition of digital trade, there is a growing consensus that it encompasses digitally enabled transactions in trade in goods and services which can be either digitally or physically delivered; and Underpinning digital trade is the movement of data" – OECD

The following key areas have been identified from observed country practices, regional initiatives, and global discussions as essential drivers to advance digital trade within and across borders:

#### **1** Development of Policy / Strategy / Roadmap

- Digital Trade as a new area of growth
- Recognised the importance of digitalising trade (data and technologies)
- Inclusivity (capacity building, skills development, access and infrastructure)
- Sustainability

#### **2** Leverage on Free Trade Agreements and Digital Economy Agreements

- International cooperation essential to make trade faster, cheaper and more secure
- Interoperability for seamless flow of data across value chain and across the border
- Harmonised, coherent set of cross border rules needed
- The need to reduce barriers in cross border trade especially for MSMEs
- Strengthen trust and confidence





# Solutioning



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## A nation with steady digital growth



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Source: Department of Statistic Malaysia, ICT Use & Access by Individuals & Households Survey Report, Malaysia, 2023 Information And Communication Technology Satellite Account, 2023

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# e-Conomy SEA 2024 Report: Malaysia's Digital Economy to reach USD31 billion GMV in 2024, an increase of 16% YoY



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Some of the relevant key sectors highlighted in the report to drive the growth in Malaysia's digital landscape are:

#### **E-Commerce**

E-commerce continues to be the largest contributor to Malaysia's digital economy, with the sector expected to see a 17% increase, reaching USD16 billion in GMV in 2024.



#### **Artificial Intelligence**

Malaysia leads Southeast Asia in **Al investments**, securing **50% of USD30 billion** in **Al investments** in 1<sup>st</sup> half of 2024, which places Malaysia ahead of **Singapore (USD9 billion)** and **Thailand (USD6 billion)**.

#### **Digital Financial Services (DFS)**

**Digital Financial Services (DFS):** The emergence of **digital banks** is propelling the **growth of DFS**. This surge is playing a key role in boosting Malaysia's digital economy.





## Malaysia : National Economic Agenda dan Digital Trade Framework



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# **Ekonomi MADANI: Memperkasa Rakyat**





**Ekonomi MADANI: Memperkasa Rakyat** framework was launched by YAB Prime Minister in 2023. This framework focuses on two main objectives, namely restructuring the economy and improving the quality of life of all Malaysians. The overarching goal of the framework is to build a better and sustainable Malaysia.

#### Focus 1: Malaysia - Leading Asian Economy

To position Malaysia as a leader in the Asian economy, the economic structure requires a transformation from a labour-oriented to an innovation-led economy driven by highly productive and internationally competitive firms.

Main initiatives

# A Regional (ASEAN) AgendaMalaysia as an Investment<br/>DestinationInternationalising Local<br/>Start-ups and Small and<br/>Medium Enterprises (SMEs)Leader of the Global Islamic<br/>EconomyMicro Entrepreneurs and the<br/>Informal SectorGreen Growth for Climate<br/>ResilienceLand Use and Food Security

#### Focus 2: Elevating Quality of Life for the Rakyat

Recognising the need to raise the standard of living for all Malaysians, the Ekonomi MADANI framework will emphasise on building a more equitable and prosperous society with a fair distribution of wealth.

Strategies

Strategles						
Job Opportunities with Meaningful Wages	Equal Opportunity					
Social Protection for All	Healthcare Service Reforms					
Educational and Human Resource Reforms	Infrastructure and Public Transportation					
Basic Amenities	Affordable Housing for All Malaysians					



Sources: 1. https://belaniawan.mof.gov.my/pdf/belaniawan2024/economy/Chapter-1.pdf

2. https://malaysiamadani.gov.my/wp-content/uploads/2023/07/FINAL-ENGLISH-Translation-Ucapan-Kerangka-Ekonomi-MADANI-3.pdf



# **Malaysia Digital Economy Blueprint**



MyDIGITAL sets out the consolidated initiatives and targeted outcomes as it pertains to the rakyat, business and the government, across three phases of implementation up to 2030. All these benefits will be delivered through 6 strategic thrusts, 22 strategies, 48 national initiatives and 28 sectoral initiatives via the **Malaysia Digital Economy Blueprint.** 



- 1. Phase 1 (2021-2022) aims to accelerate adoption towards strengthening the digital foundation needed for the rapid and smooth rollout of Phase 2 and Phase 3.
- 2. Phase 2 (2023-2025), the focus shifts to driving digital transformation and inclusion across the digital economy, emphasising inclusivity among the rakyat and all levels of businesses.
- 3. Phase 3 (2026-2030) will chart the pathway for strong, sustainable growth in the decades to come, positioning Malaysia to become a regional market producer for digital products and digital solutions provider.



Source: https://www.ekonomi.gov.my/sites/default/files/2021-02/malaysia-digital-economy-blueprint.pdf

# **National Fourth Industrial Revolution (4IR) Policy**



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Source: https://www.ekonomi.gov.my/sites/default/files/2021-07/National-4IR-Policy.pdf

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# **National Trade Blueprint**



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The framework is guided by the vision to further strengthen Malaysia's position as a leading exporter through the 4 strategic priorities, 3 strategic themes and 8 strategic thrusts that have been identified to enhance Malaysia's export competitiveness





Source: https://www.matrade.gov.my/documents/ebook/ntbp/54/


## The New Industrial Master Plan (NIMP) 2030

The NIMP 2030 is a comprehensive industrial master plan that sets a clear direction for Malaysia over seven years from 2023 to 2030. Its successful implementation is crucial to maintain the global competitiveness of the manufacturing industry and its related services in the country, with overall aim to bolster the country's GDP, create better job opportunities and increase the salary.



The NIMP 2030 takes on a Mission-based approach in industrial policy development. This rallies the nation to work together collectively towards achieving the NIMP 2030 Vision and shared set of Goals. This approach will also serve as a lever to enhance capabilities in line with the strategic investment and industrial goals under the National Investment Aspirations (NIA).

Mission 1 Advance economic complexity This is to encourage high-growth industries to innovate and produce more sophisticated products. This will enhance the competitiveness of Malaysia in the global market. **Mission 2** Tech up for a digitally vibrant nation By embracing a whole-of-nation digital transformation, Malaysia can drive digital adoption, spur innovation, enhance labour productivity, and unlock opportunities in digital frontier technologies.

Mission 3 Push for Net Zero This emphasises Malaysia's commitment to addressing climate change by striving for a Net Zero future. Through sustainable practices and green initiatives, Malaysia aims to reduce carbon emissions and build a resilient and environmentally friendly economy.

Mission 4 Safeguard economic security and inclusivity Malaysia aims to build resilience and enhance trade security against global shocks and geopolitical tension. Apart from that, Malaysia is creating an enabling environment that fosters entrepreneurship, supporting SMEs, and promoting equitable participation in economic activities to narrow all forms of disparities between the States.





# **National E-Commerce Strategic Roadmap 2.0**







### Malaysia: Examples of Agreements with E-Commerce / Digital Chapter / Provisions



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### FREE TRADE AGREEMENTS

### **DIGITAL ECONOMY AGREEMENTS**

- ASEAN-Australia-New Zealand FTA (signed 2009, entered into force 2010)
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (signed 2018, entered into force 2022)
- Regional Comprehensive Economic Partnership (signed 2020, entered into force 2022)
- ASEAN-Australia-New Zealand FTA Upgrade (signed by AU,BN,ID,MY,NZ,SG on 21 Aug 2023)
- ASEAN-China FTA 3.0 Upgrade (substantial conclusion announced on 10 Oct 2024)

- ASEAN Agreement on Electronic Commerce (signed 2019, entered into force 2021)
- WTO Joint Statement Initiative on Electronic Commerce (stabilised text 2024)
- ASEAN Digital Economy Framework
  Agreement (negotiation ongoing)



### **Growing Importance of Digitally Delivered Services (DDS)**

This trend highlights the growing importance of digitally delivered services in the global economy, encompassing areas of services traded through computer networks, such as the Internet, apps, emails, voice and video calls, and digital intermediation platforms.



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# Physical goods form major share of international Malaysia Digital age

# In 2023, global merchandise exports valued at USD23.8 trillion 75%

 Malaysia's merchandise exports valued at USD312.8 billion (88%)



In 2023, global services exports valued at USD7.9 trillion

 Malaysia's services exports valued at USD42.5 billion (12%)

Source: The UNCTAD Handbook of Statistics 2023, UNCTADstat

- Shipping industry now carries 90% of globally traded goods<sup>1</sup>
- At the centre of global trade, Bill of Lading is the most important trade document<sup>2</sup>, facilitating exchanges between various players in the global supply chain across borders in nearly every country
- In 2023, global maritime trade volumes reached **12.292 billion tonnes**<sup>3</sup>
- Currently, ocean carriers issue around 45 million bills of lading per year<sup>1</sup>
- In 2022, only 2% of bills of lading were electronic<sup>1</sup>

#### Sources:

- 1. The Future of International Trade (FIT) Alliance. Complete Guide To Electronic Bill Of Lading Adoption For Container Industry
- 2. Digital Container Shipping Association (DCSA). Bill of Lading standard: Eliminating paper and manual intervention
- 3. UN Trade and Development (UNCTAD). Review of Maritime Transport 2024

### **Trade in Goods: Key Documents in Cross Border Trade**





Trading across borders can be complex with multiple documents, stakeholders and jurisdictions involved



#### According to International Chamber of Commerce, there are about 36 most commonly used key documents in cross border trade ranging across different transactions in the supply chain Source: ICC DSI, WTO

"

ΠΠ

Exporter's Bank

Exporter's Insurer

#### COMMERCIAL PROCESSES

- Purchase Order
- Commercial Invoice

#### FINANCIAL PROCESSES

- Letter of Credit
- Payment Confirmation
- Bill of Exchange
- Promissory Note

#### TRANSPORT PROCESSES

- Shipper's Letter of Instructions
- Packing List
- · Bill of Lading
- Sea Waybill
- Ship's Delivery Order
- Air Wavbill
- Sea Cargo Manifest
- Air Cargo Manifest
- Rail Consignment Note
- Road Consignment Note
- Cargo Insurance Document
- Warehouse Receipt
- Dangerous Goods Declaration
- Consignment Security Declaration

BORDER AND REGULATORY	

- PROCESSES Export/import licence for agricultural products
- Non-preferential Certificate of Origin
- · Preferential Certificate of Origin
- Customs Declaration
- CODEX Generic Model Official Certificate
- Phytosanitary Certificate
- International Veterinary Certificates
- CITES Permit / Certificate
- Certificate of Inspection for Organic Products
- Customs Bond
- ATA Carnet
- TIR Carnet
- Transit Accompanying Document
- Advance Ruling Application
- Excise Guarantee
- · Administrative Documents used in the Excise Movement Control System
- **EXPORTING JURISDICTION IMPORTING JURISDICTION** MODE Û 5 Air Freight Exportation Customs Importation Customs  $\mathbf{T}$ Rail Freight Exporter / Seller **Exportation Port** Importation Port Importer / Buyer Exporter's Warehouse Freight Forwarder Land Freight Freight Forwarder Importer's Warehouse









### **Challenges:** Interoperability



### Present

Paper & Digital Silo Fragmented platforms & Paper Intensive

Outdated laws Outpaced by technological innovations

### Future

Interoperable Seamless cross-platforms exchange

> Modern Laws Enabling & facilitative

Whilst great progress on Digitalisation is being made, **documents in global trade** are either still being presented in paper form, or even if platforms are used, **Digital Silos** is prevalent, as INTEROPERABILITY is hindered by different:

- Technology
- Rulebook (legal systems, contracts)
- Standards

### What is "INTEROPERABILITY"

# Interoperability is the ability to communicate and transact with each other, in terms of technical aspects (standards, protocols) and legal aspects (legal recognition and effect)

Adapted from - Stephenson Harwood LLP. TradeTrust-enabled Electronic Bills of Lading: A legal and practical analysis of their use in global trade. <u>https://www.tradetrust.io/files/TradeTrust\_Legal\_Analysis\_Article.pdf</u>

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### **Stakeholder Engagements: Future State Labs**

### Public and Private Sector Labs, on 21 November 2024

The labs were held to engage with public sector and private sector representatives on the following areas:

- 1. Malaysia's Current State Landscape and potential areas of opportunity
- 2. Global Scanning Relating to Digital Trade
- 3. Regional & Global Agenda Relating to Digital Trade
- 4. Malaysia & Digital Trade: Potential Focus Areas
- 5. Opportunities and Challenges







Lab #3: Public Sector





**Total organisations** 

**Total individuals** 

42

58

engaged:

engaged:

# A Research Framework to <u>identify key focus areas</u> to unlock potential of Digital Trade in Malaysia

This research framework was adopted to assess the current state, explore best practices and initiatives in global development, and potential focus areas to unlock the opportunities of digital trade in Malaysia





### **Key Focus Areas Identified from Stakeholder Engagements**





## **Focus Area #1: Interoperability**



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\*Interoperability is the ability to communicate and transact with each other, in terms of technical aspects (standards, protocols) and legal aspects (legal recognition and effect).

Why interoperability is important?				
Facilitate Seamless Cross-Borde Transactions Digital trade involves multiple stakeholders across borders. Interoperable systems enable data to f between these parties efficiently hence reducing delays and errors.	When platforms and systems are interoperable, businesses can avoid duplication of efforts, such as re-entering data into multiple systems. This leads to			
Build Trust in Digital Trade	Promote Inclusivity	Align with Global Standards		
Interoperability ensures transparency and reliability, fostering trust between trading partners and reducing the risk of disputes.	Micro, small and medium enterprises (MSMEs), often with limited resources, stand to benefit from interoperable systems that lower entry barriers to participate in digital trade.	Coherence of national laws with international framework <i>e.g.</i> UNCITRAL Model Law on Electronic Transferable Records (MLETR) reduces trade friction and enables businesses to expand their reach globally.		

#### Why is it important for Malaysia?

Seamless flow of data is a core component of digital trade. Hence, interoperability serves as an important enabler for Malaysia in driving efficient digital trade which can be achieved through adoption interoperable global data standards.

\*Stephenson Harwood LLP. TradeTrust-enabled Electronic Bills of Lading: A legal and practical analysis of their use in global trade. https://www.tradetrust.io/files/TradeTrust\_Legal\_Analysis\_Article.pdf

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### Focus Area #2: Harmonised Cross Border Rules



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Harmonised Cross Border Rules seek to reconcile the divergence of legal frameworks in varying jurisdictions to achieve regulatory coherence in the rules and practices of trade across borders.

Facilitate Interoperability	Reduce Compliance Costs	<b>Boost Trust and Certainty</b>
Harmonised rules establish a consistent framework that allows different systems, technologies and regulatory frameworks across jurisdictions to work together seamlessly.	Businesses benefit from lower costs for them to meet varying regulatory requirements for each market, thus making cross-border trade more accessible and attractive.	Transparent and consistently applied trade regulations fosters trust among businesses, as they can be certain about how their transactions will be treated across borders.
Enhance Efficiency and Speed	Enable Broader Market Access	Support Innovation and Growth
Coherent set of rules and standards eliminate redundancies and streamline processes and documentation.	Harmonisation help countries to align their domestic framework with international trade framework, making it easier for businesses to enter new markets.	With fewer regulatory hurdles, businesses can focus on innovation and adoption of emerging digital technologies.

#### Why harmonised cross border rules are important?

#### Why is it important for Malaysia?

A harmonised and coherent set of cross-border rules creates an enabling and facilitative legal framework for a conducive digital trade ecosystem in Malaysia that fosters trust and confidence across the global supply chain.



## Focus Area #3: Innovation and Emerging Technologies N

**Innovation and Emerging Technologies** focus on adopting and leveraging advanced technologies to drive growth, improve efficiencies, and enable digital transformation in trade ecosystem.

### Why innovation and emerging technologies are important?

#### **Drive Trade Efficiency and Productivity**

Al and other digital technologies can help to streamline trade processes and reduce trade costs associated with trade logistics, supply chain management and regulatory compliance. Reduction in trade costs levels the playing field for small businesses, helping them to overcome trade barriers and enter international markets.

#### **Disrupt Conventional Concepts**

Emerging technology, such as AI, are redefining conventional concepts of international trade by unlocking new opportunities, but these advancements also raise several IP issues. To maximise AI's potential, it's essential to balance innovation with issues such as data governance, accessibility, and trustworthiness.

#### **Transform Patterns of Trade in Services**

Emerging technology like AI can foster the development of innovative services, and boost demand for them. By bolstering productivity and increasing demand, AI can boost services trade and transform the patterns of trade in services, particularly digitally delivered services.

#### Support Sustainable Growth

Innovative solutions contribute to sustainability goals by improving energy efficiency, reducing waste, and fostering green technologies.

#### Why is it important for Malaysia?

Innovation and emerging technologies are important for Malaysia as they transform trade by simplifying processes, reducing costs, and enhancing efficiency. These technologies are critical enablers of digital economic growth and transformation.



## **Focus Area #4: Trust and Confidence**



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**Trust and confidence** involve safeguarding online systems, protecting personal data, and ensuring secure cross-border data sharing to create a secure digital trade environment that encourages greater participation in the digital economy.

#### Why trust and confidence are important? Promote Secure Cross Border Trade Safeguarding Economic Interests **Strengthen Stakeholder Trust** Reliable systems protect the integrity of Secure systems ensure the safe A safe and transparent digital exchange of data and transactions, digital transactions and safeguard environment enhance trust and empowering businesses to engage in economic interests. confidence among consumers, cross-border trade with reduced risks businesses, and regulators, of fraud, cyber threats, and illegal encouraging more transactions and activities. boosting overall digital trade growth.

#### Why is it important for Malaysia?

Enhancing cybersecurity, data privacy, and regulatory frameworks is essential for building a safe and reliable digital ecosystem in Malaysia. Strengthening seller and consumer protections further ensure secure engagement in the digital economy, thus boosting confidence among stakeholders. Together, these measures not only support the growth of domestic and international digital trade but also position Malaysia as a trusted and credible partner in the global digital economy.



## Focus Area #5: Inclusivity



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**Inclusivity** in digital trade calls for promotion of equitable access and opportunities to all businesses, particularly MSMEs, to bridge the digital divide. This involves creating a more equitable and inclusive digital trade environment by offering MSMEs the necessary skills, digital tools, and platforms.

#### Why inclusive digital trade is important? **Promote Equitable Access & Inclusivity Capacity Building & Talent Development** Inclusive digital trade ensures fair access to resources and markets By focusing on capacity building and upskilling/reskilling initiatives, for all groups including the underserved B40 communities, helping inclusivity empowers B40 and underserved communities to to bridge the digital divide. participate meaningfully in digital trade, fostering broader economic growth. **Improve Digital Infrastructure Enhance Internet Connectivity** Improved connectivity ensures that businesses and individuals in Expanding digital infrastructure in underserved areas promotes local entrepreneurship, stimulates job creation, and encourages remote areas gain access to digital platforms, tools, and investment. It empowers rural communities to contribute to and marketplaces, allowing them to participate in economic activities benefit from national and global economic growth. and digital trade on equal footing with urban counterparts.

#### Why is it important for Malaysia?

Inclusivity is crucial for Malaysia's economic growth as it ensures all businesses, particularly MSMEs, have equal access to digital trade. By improving digital infrastructure and digital connectivity, Malaysia can create a more efficient and inclusive trade ecosystem that ensures shared prosperity. This focus area aligns with the MADANI Framework which emphasises on promoting inclusivity by ensuring that no group, is left behind in digital transformation.



### **Focus Area #6:** Sustainability and ESG



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**Sustainability** in digital trade emphasises minimising the environmental impact of digitalisation while promoting fair, ethical, and responsible practices. This involves embedding **ESG (Environmental, Social, and Governance)** principles into digital trade operations.

Why sustainability and ESG are important?

#### Promote Environmental Responsibility

Adopting sustainable practices in digital trade reduces carbon emissions and waste, fostering a greener economy. Utilisation of energyefficient data centers, cloud technologies, and green logistics will minimise the environmental footprint.

#### Stimulate Innovation and Encourage Long-Term Economic Resilience

Sustainability initiatives enhance resource efficiency and innovation, contributing to economic resilience. By incorporating ESG standards, businesses remain competitive in global markets.

#### **Support Paperless Trade**

The digital transformation of trade processes reduces the reliance on paper-based documentation, significantly reducing waste, enhancing efficiency, and lowering environmental impact.

#### Why is it important for Malaysia?

This area reflects the growing global calls for urgent adoption of sustainable strategies in digitalisation. Alignment of digital trade strategies with global climate goals, ensure that digital growth is achieved responsibly. By integrating ESG principles into digital trade operations, businesses can promote greener technologies, uphold transparent and equitable standards, and contribute to a more sustainable and inclusive global economy.



# 6 potential recommended focus areas identified to unlock Malaysia's Digital Trade



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Drawing insights from the current state assessment, findings from global scanning and stakeholder engagements, 6 potential focus areas are recommended for consideration, as follows:

Interoperability	<b>Interoperability</b> is the ability to communicate and transact with each other, in terms of technical aspects (standards, protocols) and legal aspects (legal recognition and effect).
Harmonised Cross Border Rules	Harmonised Cross Border Rules seek to reconcile the divergence of legal frameworks in varying jurisdictions to achieve regulatory coherence in the rules and practices of trade across borders.
Innovation and Technology	<b>Innovation and Emerging Technologies</b> focus on adopting and leveraging advanced technologies to drive growth, improve efficiencies, and enable digital transformation in trade ecosystem.
Trust and Confidence	<b>Trust and confidence</b> involve safeguarding online systems, protecting personal data, and ensuring secure cross- border data sharing to create a secure digital trade environment that encourages greater participation in the digital economy.
Inclusivity	<b>Inclusivity</b> in digital trade calls for promotion of equitable access and opportunities to all businesses, particularly MSMEs, to bridge the digital divide. This involves creating a more equitable and inclusive digital trade environment by offering MSMEs the necessary skills, digital tools, and platforms.
Sustainability and ESG	<b>Sustainability</b> in digital trade emphasises minimising the environmental impact of digitalisation while promoting fair, ethical, and responsible practices. This involves embedding <b>ESG (Environmental, Social, and Governance)</b> principles into digital trade operations.





# Thank you

In Malaysia Digital Economy Corporation

