



Review of NESR to pivot to Digital Trade: Final Report

December 2024





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Review of NESR 2.0



Key Objectives



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

1

Macro Level Analysis

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

- 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
- Highlight notable achievements and outline key challenges
- Establish relevance of on-going programs in current context

Method

- Desk research
- Stakeholder engagements

Phase 2: Comparative Analysis

3

Global Scanning

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

Method

- Desk research
- Stakeholder
 engagements:
 International
 organisations, relevant
 ministries/agencies,
 and industry players
- Technical visits

Phase 3: Solutioning

4

Recommendations Moving Forward

- Map new opportunities/trends identified at global level that aligns with Malaysia's strategic priorities
- Recommend strategic priorities and areas of intervention to unlock digital trade in Malaysia
- Develop impact analysis of digital trade towards Malaysia's digital economy

Method

- Desk research
- Statistical analysis
- Stakeholder engagements





Current State Assessment



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

Doubling eCommerce growth Supportive Governance Framework Accelerate seller adoption of Realign existing economic eCommerce incentives Increase adoption of Make strategic investments in eProcurement by businesses select eCommerce player(s) Promote national brand to boost Lift non-tariff barriers cross-border eCommerce Good and Affordable Infrastructure

Income from E-commerce **Transactions RM 896 bil RM 398 bil** 2015 Source: DOSM

Share of E-commerce to **GDP** 11.6% **7.6%** 2015 Source: DOSM

2020

MSMEs Adoption 489,958 130,000 2016 Source: KUSKOP/MDEC

Consumer **Adoption 45.0%** 24.8% 2018 Source: DOSM



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**

17 Ministries/Agencies • 17 Programmes • 31 KPIs



MDEC

NESR PMO

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

Intensify E-Commerce Adoption and Growth Effective e-commerce adoption



Capitalise on export potential



Enhance Ecosystem Development

Strengthen e-commerce fulfillment capabilities



Spearhead e-commerce

innovation



Strengthen Policy and **Regulatory Environment**

Tap the power of data



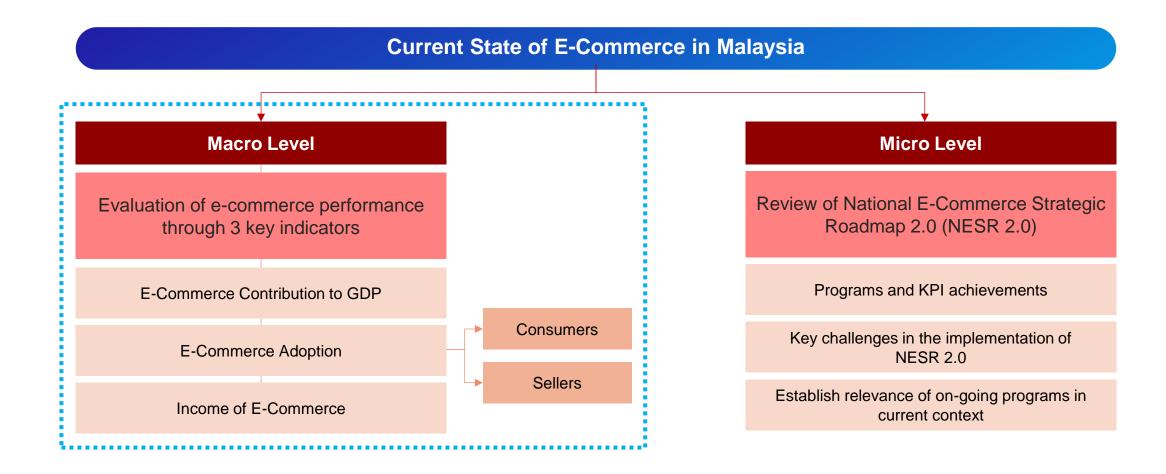
Improve consumer & seller protection







Current State of E-Commerce in Malaysia



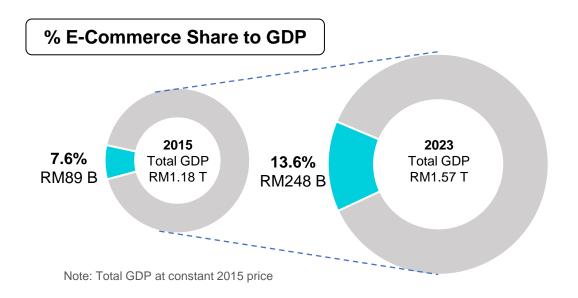


E-Commerce Contribution to GDP



10

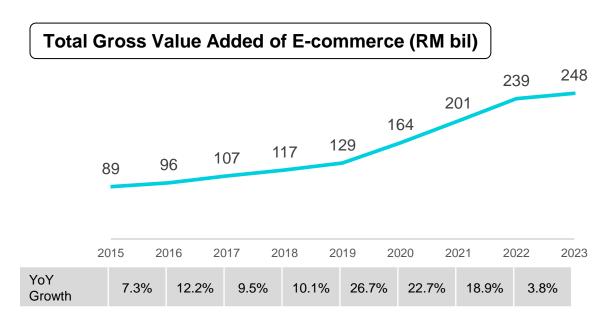
Malaysia's e-commerce has shown remarkable growth potential, and its upward trajectory is expected to continue



- 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.

Source:

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



- 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:

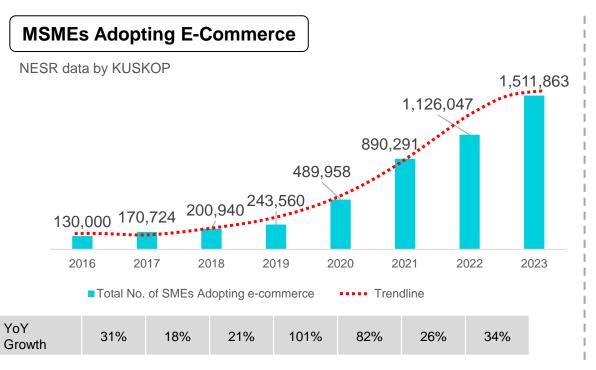
(2024), Department of Statistics Malaysia, Malaysia Digital Economy 2024

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E-Commerce Adoption: Sellers



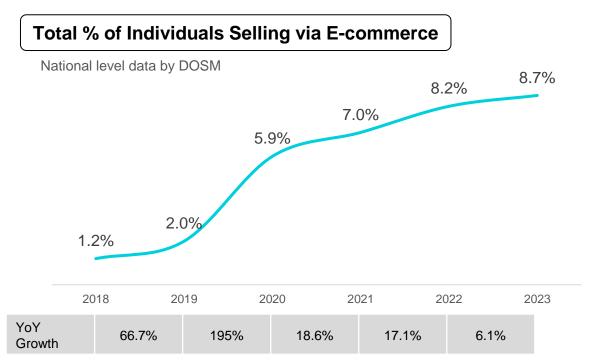
- The e-commerce landscape in Malaysia has experienced substantial growth, notably during COVID-19
 pandemic period, there was significant surge in e-commerce adoption among MSMEs and individual sellers.
- Both charts resemble S-curve which may suggest e-commerce adoption has reached a significant level.



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

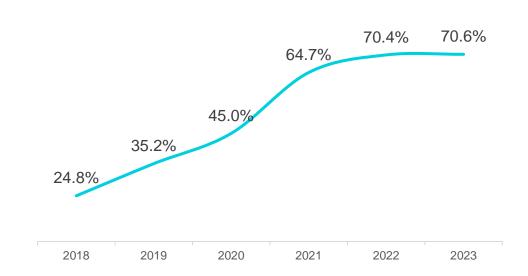


E-Commerce Adoption: Consumers



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.

Total % of Individuals Purchasing via E-commerce



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:

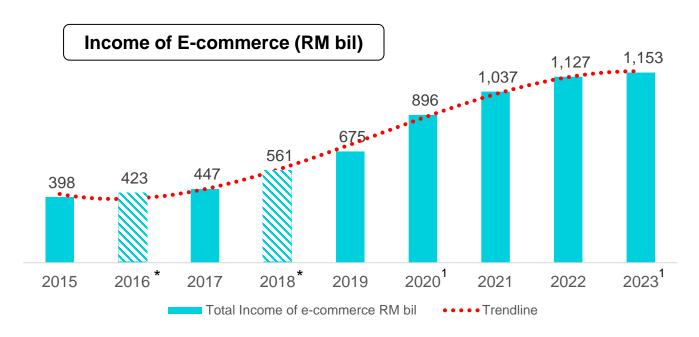
(2024), Department of Statistics Malaysia, ICT Use and Access by Individuals and Households Survey Report 2023, Pg. 123





Income of E-Commerce in Malaysia





*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.



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.

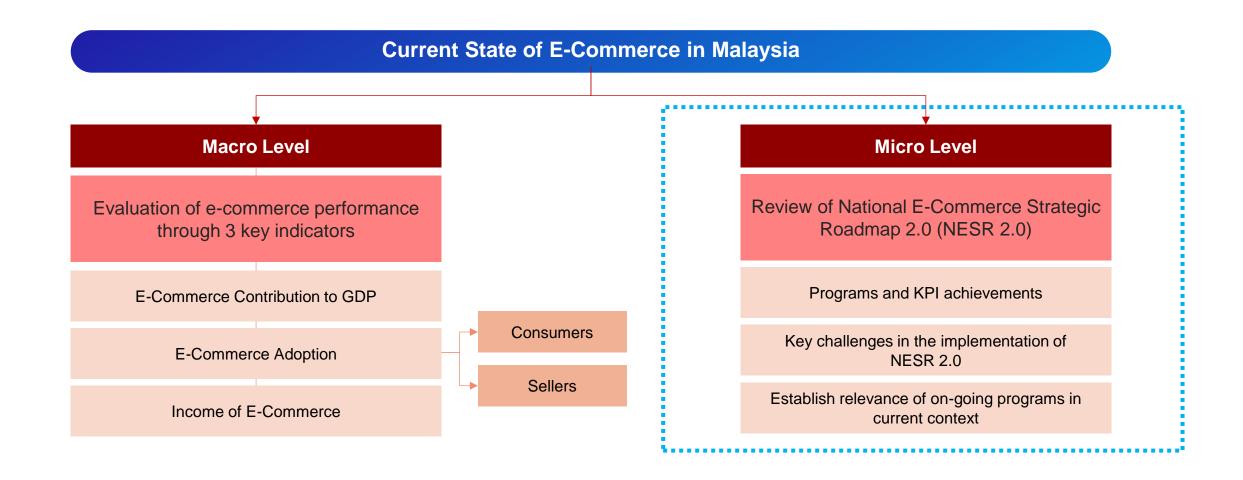
Income from E-commerce

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.



Current State of E-Commerce in Malaysia





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**

16

17 Ministries/Agencies • 17 Programmes • 31 KPIs

MITI · KD · KK · KE · KUSKOP · MOT · MOSTI · KPDN · DOSM

NESR PMO

for e-commerce stakeholders









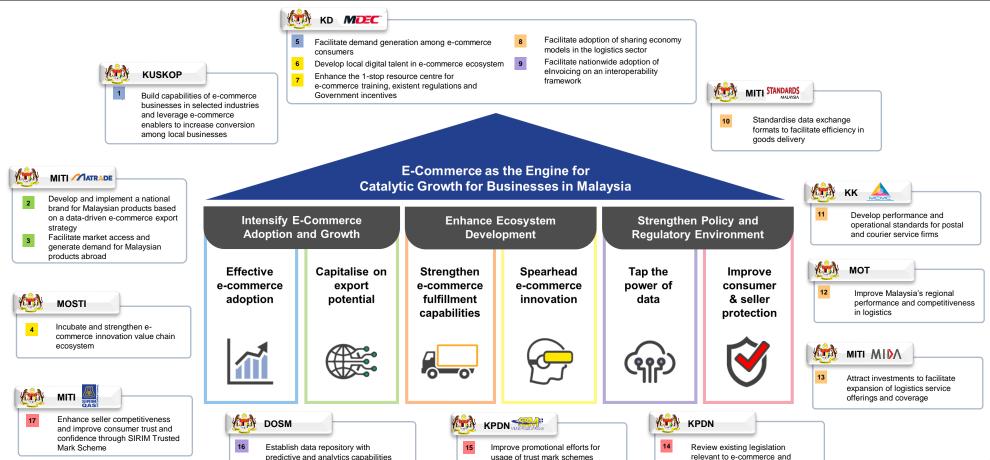
drive greater enforcement













2025 NESR Key Targets vs. 2023 Achievement

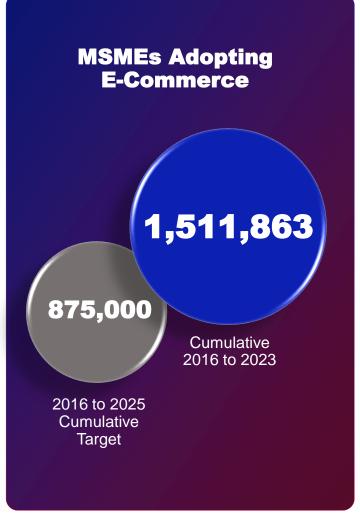


Businesses Exporting via

E-Commerce









Source: MATRADE

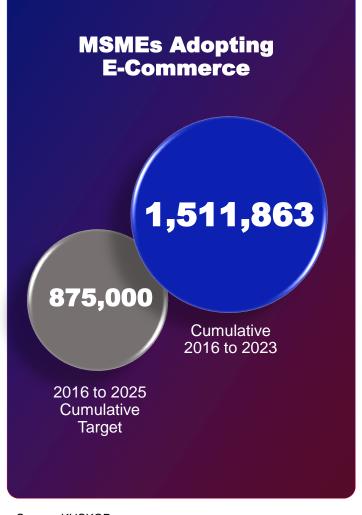


84,000

2017 to 2025

Cumulative

Target



MDEC "

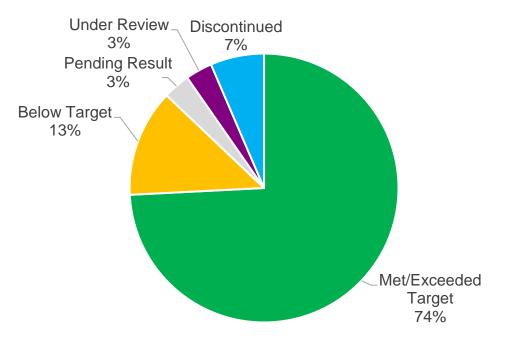
215,733

Cumulative

2017 to 2023

Overview of KPI Performance as at 2023





Analysis

- 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

| Summary of 31 KPIs | | | | | | | |
|--------------------|----|-----------------------------|--------------|-----|------------------------------|------------------|--------------|
| ST1 | | ST2 | ST3 | | ST4 | ST5 | ST6 |
| P1 KPI | 1 | P1 KPI 1 | P1 KPI 1 | | P1 KPI 1 | P1 KPI 1 | P1 KPI 1 |
| P1 KPI | 2 | P1 KPI 2 | P2 KPI 1 | | P2 KPI 1 | P2 KPI 1 | P1 KPI 2 |
| P1 KPI | 3 | P2 KPI 1 | P2 KPI 2 | | P2 KPI 2 | P2 KPI 2 | P2 KPI 1 |
| P2 KPI | 1 | P2 KPI 2 | P2-KP13 | | P3 KP[1 | P2 KPI 3 | P3 KPI 1 |
| P2 KPI | 2 | | P3 KPI 1 | | P3 KP[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 P | Programme | KPI | Key Performance Indicator | | |



Overview of Strategic Thrust 1 Effective adoption of e-commerce



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



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 |









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

KPIs & Results (2021 – 2023)

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

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

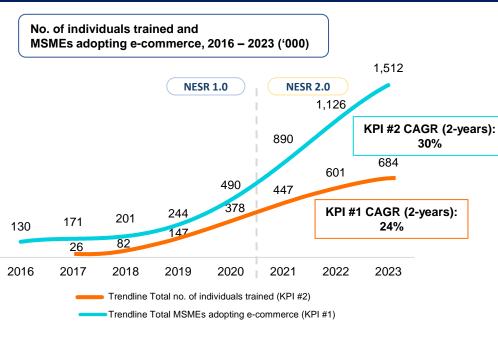
2. KPI #2: Additional no. of MSMEs adopting e-commerce i.e. selling online

Cum. Target: 266,000 | Achievement: 1,021,905

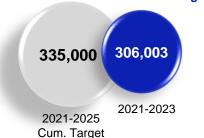
Note: *"MSMEs" include registered businesses & individuals in informal sectors. The data is consolidated from numbers submitted by respective agencies and a single MSME may be participating in more than 1 programme, as reported by KUSKOP

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

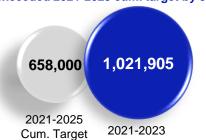


KPI #1 2021-2023 cum. individuals trained is 91% to 2021-2025 cum. target



KPI #2 2021-2023 cum. MSMEs adoption exceeded 2021-2025 cum. target by 55%

Analysis



- 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.
- 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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Discontinued

Did not Meet

KPI Target

KPI Under

Review

Met/ Exceeded

KPI Target

Pending Result

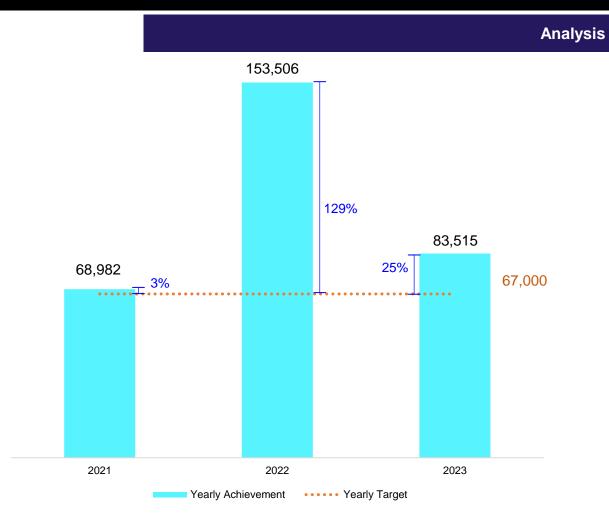
Legend





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

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



- 1. Consistent over-achievement of targets.
- 2. The performance of KPI #1 for 2021, 2022 and 2023 exceeded target by:

• 2021:3%

• 2022:129%

• 2023 : 25%



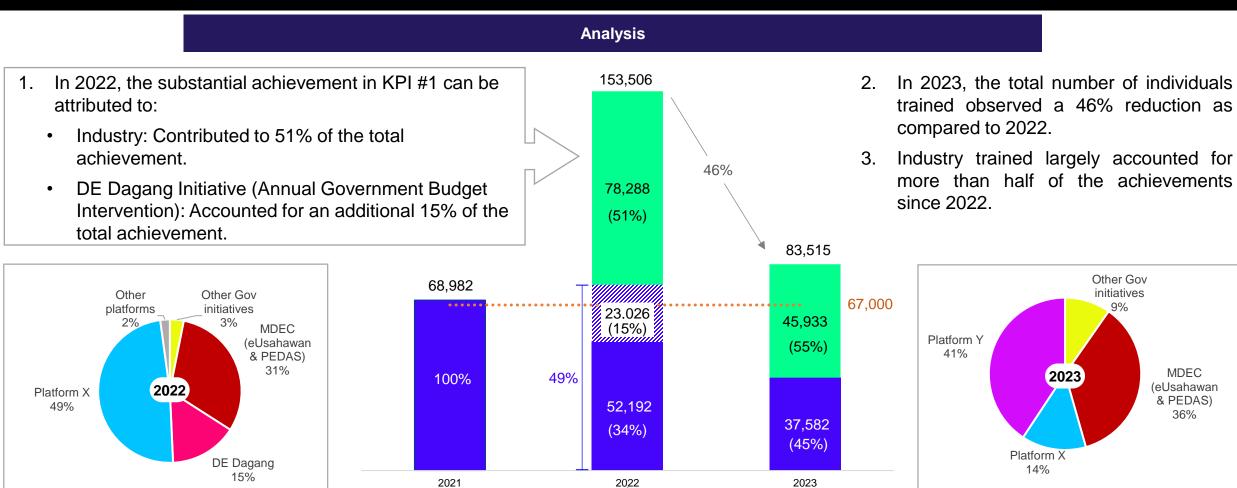




MDEC

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

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



ndustry /////// Programme under government's annual budget allocation

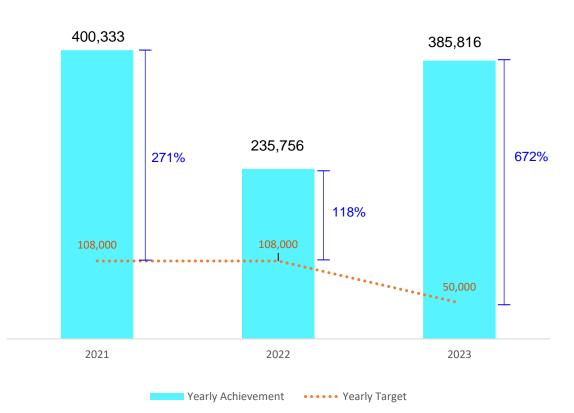




P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses

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

Analysis



The performance of KPI #1 for 2021, 2022 and 2023 exceeded target by:

2021 : 271%

2022 : 118%

2023 : 672%



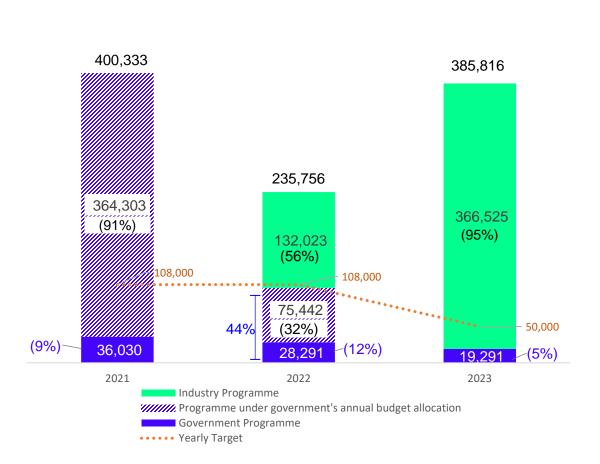




P1: Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses

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

Analysis



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

Challenges

- 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

Effective adoption of e-commerce



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



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%





- 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.









P2: Facilitate demand generation among e-commerce consumers

KPI and Result for 2023

KPI #2: Average Revenue Per User (ARPU) (RM)

2023 Target: RM9,616 | Achievement: RM17,708.75

Result is expected to be available based on:

- a. B2C E-Commerce Income (RY2023 is based on ICTEC 2024 to be published in 2025),
- b. Population Data for RY2023 will be published by DOSM end of July 2024, and
- c. ICTHS for RY2023 will be published in April/May 2024

| | Analysis | | |
|-------------|--|----------|--|
| Year | 2021 | 2022 | 2023 |
| Target | Baseline / methodology established | 9,428 | 9,616 |
| Achievement | 2018 Baseline established (RM5,285) | RM17,682 | RM17,708 (estimate) The 2023 B2C e-commerce market size is estimated based on the 2022 B2C e-commerce market size ratio of 28% due to unavailability of 2023 B2C breakdown. |

ARPU = Total Population aged >15 x E-Commerce Consumer years and above Adoption rate

For 2021, baseline was established based on ARPU component of MCMC report for e-commerce 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%









P2: Facilitate demand generation among e-commerce consumers

Individual consumer e-commerce adoption rate by state in Malaysia, 2023

| | State | % individuals purchasing via e-commerce in 2023 | CAGR 2021 - 2023 |
|--------|-------------------|---|---------------------|
| | W.P. Putrajaya | 97.0 | 3% |
| | W.P. Labuan | 93.1 | 1% |
| | Selangor | 88.0 | 3% |
| | Terengganu | 82.3 | 2% |
| | W.P. Kuala Lumpur | 80.2 | 0% |
| | Melaka | 78.1 | 8% |
| | Kedah | 76.0 | 3% |
| | Negeri Sembilan | 73.4 | 7% |
| | Pahang | 71.9 | 11% |
| Malays | sia Johor | 69.9 | 3% |
| 70.6% | Pulau Pinang | 67.0 | 9% |
| | Kelantan | 66.3 | 4% |
| | Perak | 55.2 | 2% |
| | Perlis | 52.9 | 10% |
| | Sabah | 48.8 | 2% |
| | Sarawak | 48.5 | 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.





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ST1: Effective adoption of e-commerce Key takeaways

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%.



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Overview of Strategic Thrust 2

Capitalise on export potential



E-Commerce as the Engine for Catalytic Growth for Businesses in Malaysia Intensify E-Commerce Adoption and Growth Strengthen Policy and Regulatory Environment **Enhance Ecosystem** Development Capitalise on Spearhead Effective Strengthen Tap the Improve export e-commerce power of consumer e-commerce e-commerce innovation & seller adoption potential fulfillment data capabilities protection

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)

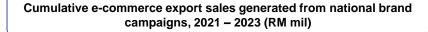
1. KPI #1: Cumulative e-commerce export sales generated from national brand campaigns

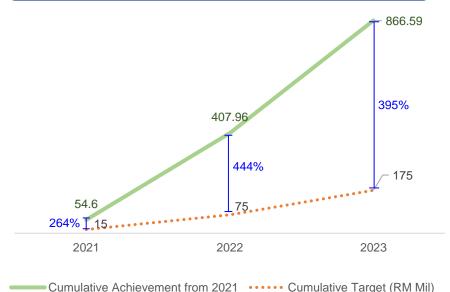
Cum. Target: RM175 mil | Achievement: RM866.59 mil

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



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%.





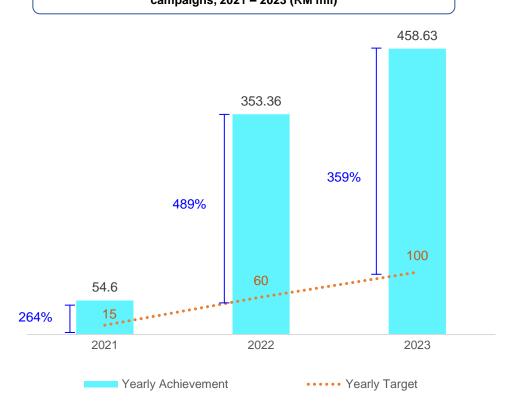




P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

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





Analysis

The yearly performance of KPI #1 for 2021, 2022 and 2023 exceeded target by:

• 2021:264%

• 2022:489%

2023 : 359%

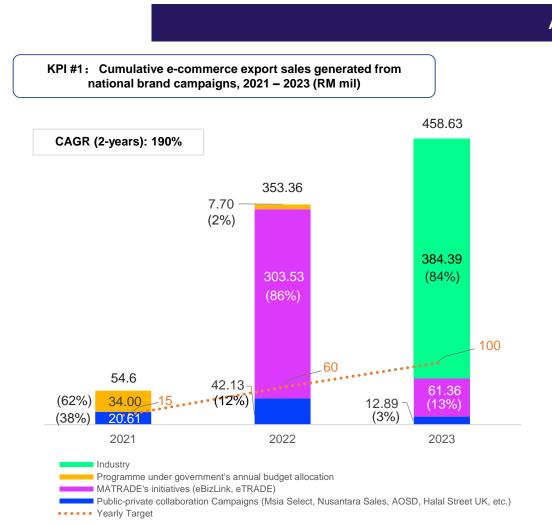






P1: Develop and implement a national brand for Malaysian products based on data-driven e-commerce export strategy

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



Analysis

- 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







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)

Analysis

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

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

- . Initially, the target was set at 2.7 % to be based on MOF's export projections for 2021.
- In the absence of a mechanism to track the KPI, MATRADE proposed that the KPI should 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.
- 4. In view thereof, DOSM suggested that MATRADE to measure this KPI based on "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)**

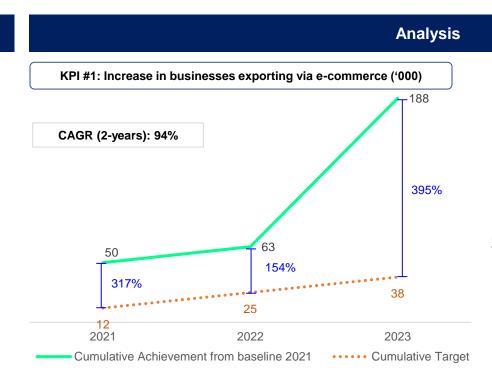
2023 Target: 30% or above

Achievement: 92.51% from 2022 export sales

Note:

*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.



- 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 |

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



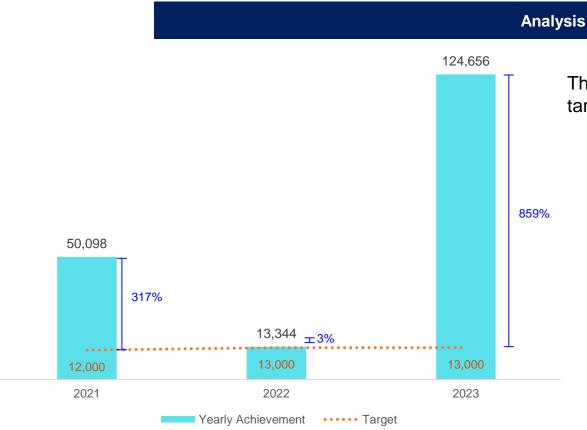


ST2: Capitalise on export potential

MALAYSIA DIGITAL

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

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



The yearly performance of KPI #1 for 2021, 2022 and 2023 exceeded target by:

2021:317%

• 2022:3%

• 2023:859%



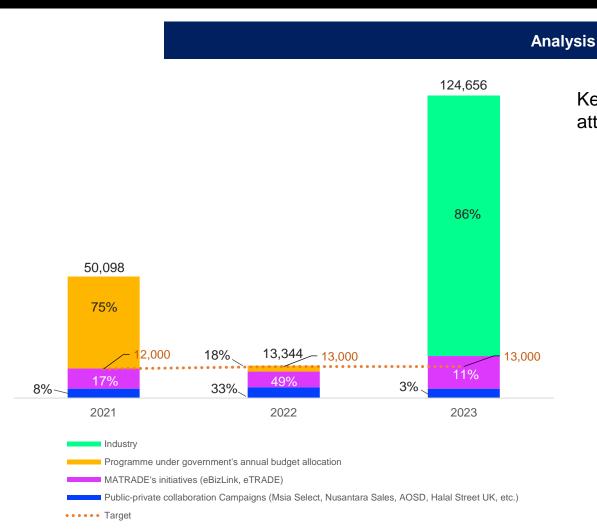


ST2: Capitalise on export potential



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

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







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

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



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ST2: Capitalise on export potential



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%.

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.

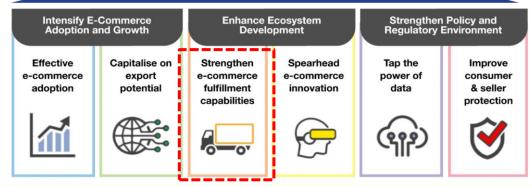


Overview of Strategic Thrust 3

Strengthen e-commerce fulfilment capabilities



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 | MOT |
| 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



MOT

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

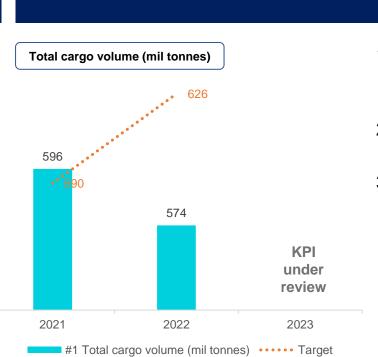
KPIs & Results (2023)

1. KPI #1:Total cargo volume

Target: KPI being reviewed Achievement: No data

(MOT obtained endorsement from NESR Taskforce to review the KPI during the NESR

TF #2/2023)



Analysis

- 1. In 2021, the total cargo volume exceeded the target, achieving 596 million tonnes, which is 1% above the target of 590 million tonnes.
- 2. In 2022, the total cargo volume reached 574 million tonnes against the target of 626 million tonnes.
- 3. In 2023, MOT requested to review KPI #1, on the basis that total cargo volume is not a direct measure of e-commerce, as there is no specific breakdown for the e-commerce component.

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





ST3: Strengthen e-commerce fulfilment capabilities

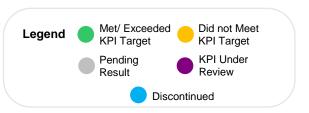


P2: Facilitate adoption of sharing economy models in the logistics sector

| V | TM C |
|---------|-----------|
| MALAYSI | A DIGITAL |

KPIs & Results (2021 - 2025)

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



- 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.

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ST3: Strengthen e-commerce fulfilment capabilities



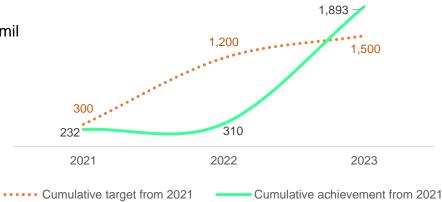
P3: Attract investments to facilitate expansion of logistics service offerings and coverage

KPIs & Results (2021 – 2023)

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

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

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



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

- 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 transportation (air, ocean, road, rail), warehousing, and value-added services, forming a comprehensive logistics solution
- International integrated logistics services (IILS) status is granted to logistics companies that
 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
 Agent livense.

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



Analysis

- KPI #1 (Approved Investments):
- 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

Legend Met/ Exceeded Did not Meet KPI Target KPI Target

Pending Result KPI Under Review





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

Cum. Target: RM362 mil | Achievement: RM780 mil

KPI #2: Cumulative <u>realised</u> investments (both foreign and domestic direct investments) in regional e-fulfilment hub (RM mil)



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



KPI #2 (Realised Investments):

Analysis

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

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

- 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
 transportation (air, ocean, road, rail), warehousing, and value-added services, forming a
 comprehensive logistics solution.
- International integrated logistics services (IILS) status is granted to logistics companies that
 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-to-door
 delivery. IILS status companies will be granted the Freight Forwarding Agent/Customs Agent
 license

Legend Met/ Exceeded Did not Meet
KPI Target KPI Target

Pending
Result KPI Under
Review





ST3: Strengthen e-commerce fulfilment capabilities



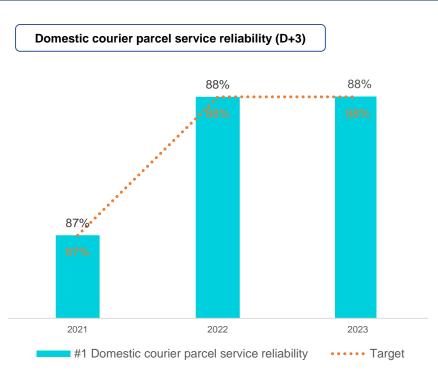
P4: Develop performance and operational standards for postal and courier service firms

KPI & Result (2023)

1. KPI #1:Domestic courier parcel service reliability

2023 Target: 88% Achievement: 88%





- KPI #1 measures delivery performance by postal & courier service through MCMC Star Rating Awards (MSRA) survey published under Industry Performance Report.
- 2. Consistent achievement of 88% since 2022.
- 3. Result only covers delivery performance in Peninsular Malaysia.







ST3: Strengthen e-commerce fulfilment capabilities



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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
- **<u>Key benefit</u>**: 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

- 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.
- 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.



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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.



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ST3: Strengthen e-commerce fulfilment capabilities Key takeaways



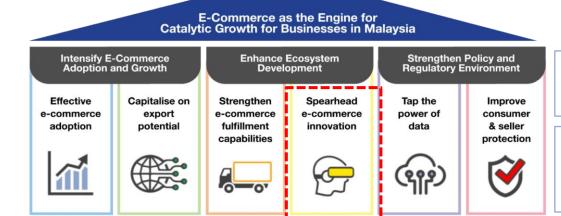
- 1. Logistics performance and competitiveness The KPI under this programme is currently under review to measure Malaysia's regional performance and competitiveness in logistics.
- 2. Sharing economy The programme has generated significant impact with an achievement of RM285.7 million revenue generated 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

Spearhead e-commerce innovation





Problem Statement

Malaysia lags behind leading nations with regards to technological innovation

Objective

Develop local enablers to create a vibrant and innovation-centric e-commerce ecosystem

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 |

Source: EY Analysis





ST4: Spearhead e-commerce innovation



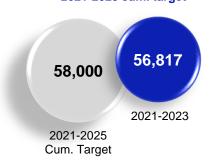
P1: Develop local digital talent in e-commerce ecosystem



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

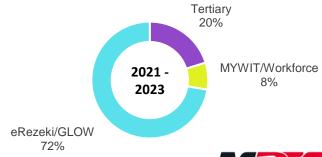


No. of digitally skilled talent trained/ reskilled/ upskilled 56,817 42,283 47,000 22,090 22,000 2021 2022 2023 Cumulative Target Cumulative Achievement from 2021

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.

% initiatives/programmes contributed under KPI #1, 2021 - 2023







ST4: Spearhead e-commerce innovation



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

MOSTI

KPIs & Results (2021 – 2023)

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

Cum. Target: 60 | Achievements: 74

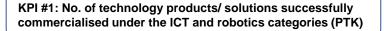
2. KPI #2: No. of e-commerce innovation applications developed across the e-commerce value chain (MRANTI)

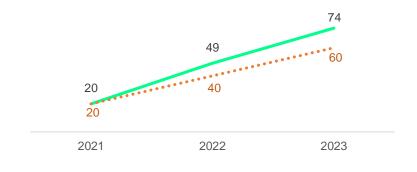
Cum. Target: 38 | Achievements: 38

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



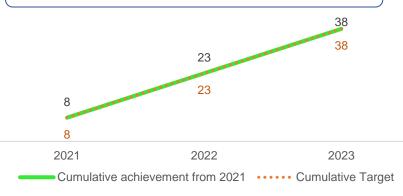






Cumulative achievement from 2021 ······ Cumalative Target

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



- 1. KPI #1 (Technology products/solutions commercialised):
 - 2023 cumulative achievement of 74
 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 targets were consistently met

KPI #2: E-commerce innovation applications 2021-2023 cum. achievement is 56% to 2021-2025 cum. target





ST4: Spearhead e-commerce innovation



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

KPIs & Results (2021-2022)

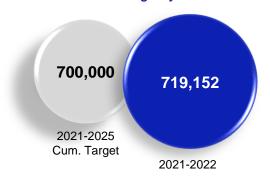
- 1. KPI #1: No. of unique users accessing and utilising the Go-eCommerce portal Cum. Target (2021-2025): 700,000 Cum. Achievement (2021-2022): 719,152
- 2. KPI #2: % of returning users who have previously accessed and utilized the Go-eCommerce portal within the past 12 months

2025 Target: 34%

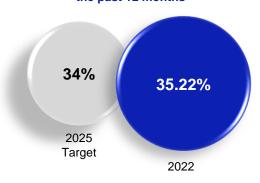
2022 Achievement: 35.22%

Analysis

KPI #1: Cum. no. of unique users accessing and utilising the Go-eCommerce portal exceeded 2021-2025 cum. target by 2.7%



KPI #2: % of returning users who have previously accessed and utilized the Go-eCommerce portal within the past 12 months



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

- The 2025 targets for KPI #1 and KPI #2 have been achieved in 2022.
- 2. 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



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.

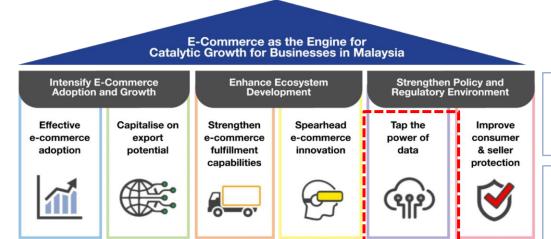
2. E-commerce innovation

- 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

Tap the power of data



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







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

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- **Key Objective:** To drive interoperable e-Invoicing by digitalising how businesses send invoices to other businesses, allowing different accounting software and ERP system to send and receive e-invoices in a system-to-system manner.
- **Key benefits:**
 - Increase business efficiency (reduce manual data entry, minimise errors, eliminate paper invoice)
 - Improve cashflow
 - Strengthen tax compliance

KPI 1

Announce plan to mandate adoption of e-Invoicing



2023 Achievement:

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

Analysis

Consistent achievement of annual target from 2021 to 2023.

Did not Meet Met/ Exceeded Legend **KPI Target KPI Under**







P2: Establish data repository with predictive and analytics capabilities for e-commerce stakeholders

DOSM

Overview KPIs and Results (2023)

KPI 1

Publication of Usage of ICT and E-Commerce by Establishment (ICTEC) Survey (currently published once in 2 years) (Subject to budgetary and resources approval)

2023 Achievement:

- ICTEC 2022 Dissemination: 6 July 2023
- ICTEC 2023 is being processed and is currently at 95.9% as of 5 December 2023
- 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.

KPI 2

Kick-off development of data repositoryData repository to be continuously enhanced thereafter



 Testing and production deployment activities will only be executed by DOSM after Q2/2024 since DOSM is sharing the resources with PADU

- 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.

Legend Met/ Exceeded KPI Target Did not Meet KPI Target

Pending Result KPI Under Review







P2: Establish data repository with predictive and analytics capabilities for e-commerce stakeholders

DOSM

Overview KPIs and Results (2023)

KPI 3

Number of downloads for ICTEC, ICTSA and ICTHS Survey

2023 Target: 5,935 | Achievement: 5,943

KPI 4

Average overall rating on User Satisfaction Survey for DOSM's e-commerce data (assessment covers range of parameters tracked, timeliness, quality and consistency of data, and usefulness of analysis)

2023 Target: 3/5 average overall rating

2023 Achievement: **83.5%**

Number of downloads for ICTEC, ICTSA and ICTHS Survey







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- 1. 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.

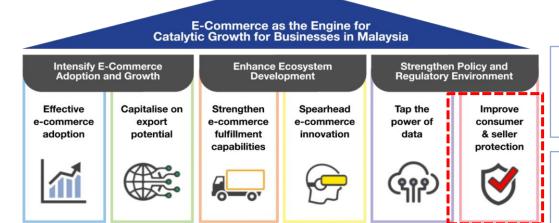


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Overview of Strategic Thrust 6

Improve consumer & seller protection





Problem Statement

Existing deterrence and enforcement mechanisms for compliance of laws and regulations relating to e-commerce are insufficient

Objective

Improve regulations and enforcement to grow consumers' and businesses' 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 |

Source: EY Analysis







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.









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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)
 Internet retail auctions

Analysis

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

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

- In 2022, the KPI was revised to measure the "% of Growth businesses on eCommerce adopting SSM's BizTrust QR Code registration" to measure year-on-year growth.
- 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

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





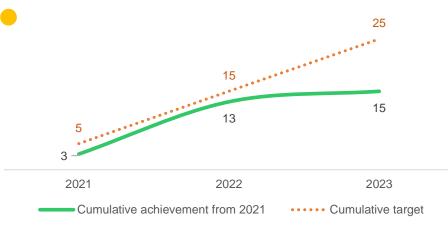


P3: Enhance seller competitiveness and consumer trust and confidence through SIRIM **Trusted Mark Scheme STMS**

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 assurance to consumers on product compliance with SIRIM's requirements

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

Analysis

- 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.

Did not Meet Met/ Exceeded Legend **KPI Target KPI** Under Pending





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).



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ST6: Improve consumer & seller protection Key takeaways



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



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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



























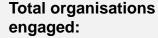














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Discussions were centered along these 3 key focus areas





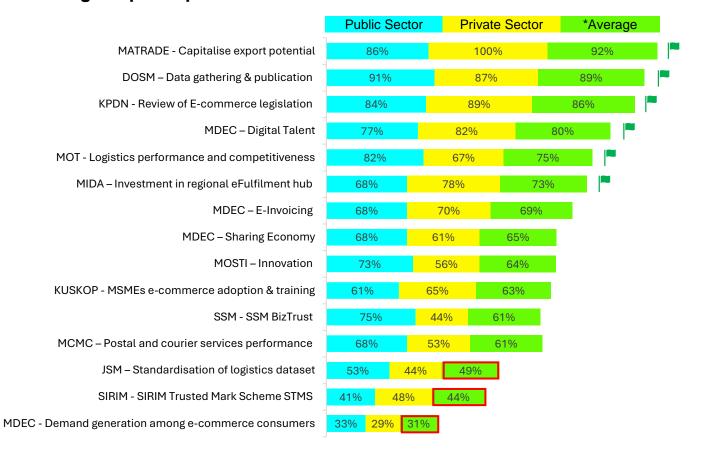


Whether government should continue to drive existing programmes under NESR 2.0 after 2025



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Percentage of participants voted for a "Yes"



Key observations

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

Notes:

- Red outline indicates vote under 60%
- *Average = Total "Yes" responses from both public and private sectors / Total no. of respondents from both sectors





Key Challenges (1/2)



69

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.

| 6 key | Digitalisation Readiness | Export | Logistics & Digital Infrastructure |
|-------------------------------|-----------------------------|----------------------|---------------------------------------|
| challenges were identified | Data Sharing & Coordination | Policy & Regulations | ESG |



Digitalisation Readiness

- Local players need help to digitalise
- Lack of capability
- Unsure of cost involved to adopt and integrate digital technologies and systems that promote interoperability

2

Export

- Complex process & regulations for export
- Concern on substantial cost incurred in exporting
- Lack of awareness on local products
- Need to enhance competitiveness of local products in global market
- Lack of export capability and capacity of local exporters

3

Logistics & Digital Infrastructure

- Inefficient logistics and supply chain management
- Inadequate transportation network and poor infrastructure are impeding ecommerce adoption in East Malaysia and in other rural /remote areas
- Disparity in shipping fees between West and East Malaysia



Key Challenges (2/2)



70

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.

4

Data Sharing & Coordination

- 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

5

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

6

ESG

 Low adoption of ESG practices in e-commerce supply chain



Key Areas of Opportunity



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



Sustain Growth of MSME & Boost Export

- Support and sustain MSMEs' Growth
- Enhance training and skill development
- Boost export opportunities and market access





Enhance Logistics & Digital Infrastructure

- Promote SMART warehouse
- Improve connectivity and digital infrastructure, especially in rural and underserved areas.
- Accelerate sharing economy and promote logistics consolidation



Leverage on Data to Drive Interoperability

- Single focal point for reliable and accessible data compilation and publication
- Develop and implement standards across ecosystem
- Promote integration of technology across platforms

3



Strengthen Regulatory Framework & Governance

- Promote fair competition
- Simplify regulations and streamline export processes
- Enhance cybersecurity and implement ethical Al practices
- Improve seller and consumer protections



Foster Innovation & Technology Adoption

- Promote adoption of technological advancements
- Digitalise
 e-commerce value
 chain and explore
 process automation
- Promote creation of innovation hubs and incubators



Support Sustainable Practices & ESG Integration

- Adopt ESG in the e-commerce supplychain
- Encourage usage and production of sustainable and environmentally friendly materials







4

Summary of current state assessment



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



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



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: <u>Digital Trade and U.S. Trade Policy</u>



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

Source: What is 'the digital economy' and 'digital trade'? | New Zealand Ministry of Foreign Affairs and Trade



Underpinning digital trade is the movement





of data

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 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 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, https://doi.org/10.1787/524c8c83-en.



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

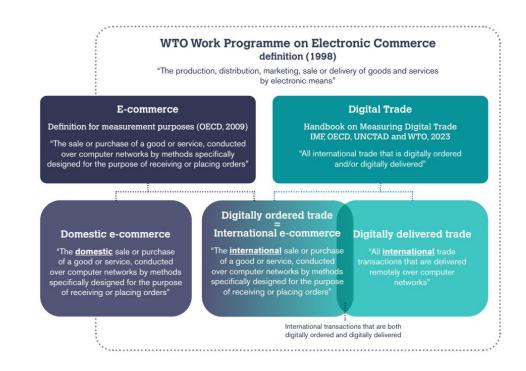


"Handbook on Measuring Digital Trade (2nd Edition)" published in 2023 seeks to help statistical compilers address policymakers' needs for better statistical evidence on digital trade.

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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.
- 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

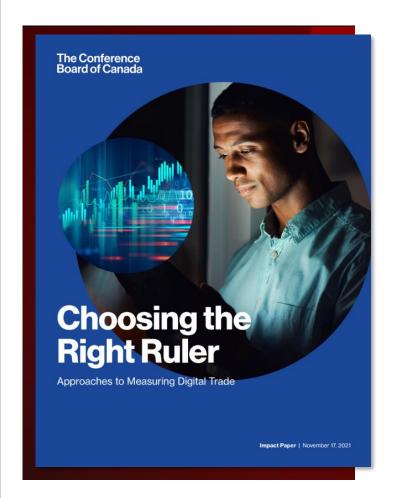
While the Handbook provides a common basis on how countries can measure digital trade, the Handbook recognises that countries may face various challenges in putting the Handbook into practice, ranging from applying the core concepts to the specific national context and to the available data sources,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



Official Statistics Struggle to Capture the Size of Digital Trade



The 2021 report by the Conference Board of Canada, *Choosing the Right Ruler: Approaches to Measuring Digital Trade*, highlights the challenges and evolving practices in accurately capturing the size and scope of digital trade.



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

- 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 <u>has caused difficulties in identifying the right measurement.</u>
- 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.



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 <u>equivalent to the</u> value of <u>international</u> <u>e-commerce transactions</u>, which can be sourced from ICT <u>surveys</u>.
- <u>Digitally delivered trade</u> can be proxy measured using the <u>International Trade in Services</u> (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 <u>international e-commerce income transactions</u> 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



Canada

Population: 40.1 million GDP: USD2,140 billion



United Kingdom

Population: 68.3 million GDP: USD3,340 billion



China

Population: 1.4 billion GDP: USD17.8 trillion

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



United States

Population: 334.9 million GDP: USD27.4 trillion

US accounts for 26% of global GDP and captures 42% of global technology spending



Malaysia

Population: 33.4 million GDP: USD399.6 billion



Singapore

Population: 5.9 million GDP: USD501.4 billion



ASEAN

Population: 676.6 million GDP: USD3.8 trillion



Australia

Population: 26.6 million GDP: USD1,723.8 billion



New Zealand

Population: 5.2 million GDP: USD253.5 billion

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



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 42% of global technology spending.
- 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 5th largest in the world and the 3rd largest in Asia.

Sources:

- 1. World Bank Open Data | Data
- Canada: Canadian ICT Sector Profile 2023
- 3. UK: Digital Sector Economic Estimates Gross Value Added 2022 (provisional) GOV.UK
- SG: Singapore Digital Economy Report 2023

- 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
- . Australian Bureau of Statistics
- 7. NZ: Regional Economic Profile | New Zealand | Economy structure
- 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

A Digital Trade Strategy for Canada

Pillar #1

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

- 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

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







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



- 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.







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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 <u>UK's remotely</u> 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)





Source: <u>Digital trade objectives - GOV.UK</u>



United Kingdom (2/2)





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:

- **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.
- **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.
- Avoiding Regulatory Fragmentation: Urging collaboration with international partners to standardize regulations on trade documents, personal data, and emerging technologies.
- 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.
- **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 \$\$106 billion or 17.3% of Singapore's gross domestic product (GDP) in 2022, up from \$\$58 billion or 13% of GDP in 2017"

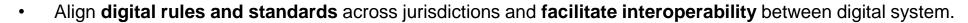
Infocomm Media Development Authority, IMDA

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





- 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:

- Digital Economy Agreements
 - Singapore's Digital Economy Partnership Agreement (aseanbriefing.com





"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:

- 1 ADVOCATING for digital trade liberalisation, standards and regulatory cooperation with international partners 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.

- 2 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)



New Zealand (1/2)



"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>

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Digital trade review

In 2023, the Ministry of Foreign Affairs and Trade (MFAT) of New Zealand conducted a **Digital Trade Review** which was undertaken to review New Zealand's engagement/interests in the digital trade negotiations

This review considered New Zealand's existing trade policy settings, identifications of gaps and opportunities for improvement, including to protection of what's important, while expanding market opportunities for exporters

Final Report

31 July 2023
Commercial In Confiden

6 thematic areas were identified in the report

- The use of digital tools to facilitate the movement of physical goods across borders
- Work with domestic agencies to determine what changes in settings are needed to enable and encourage the private sector to digitise its trade processes, including in trade agreements.
- Consider aligning ambitions and resourcing for DEPA and other commitments, post-signature.
- Drive effective implementation of the digitisation of trade processes among other government agencies, to demonstrate leadership abroad.
- Review and prioritise engagement in international digital trade forums, with partner agencies.

- 2 Managing the storage, location and flows of data
- Seek to remove restrictions on the flow of data across borders.
- Participate in setting, and promoting alignment with, international standards on the exchange and interoperability of data.
- Seek the removal of data localisation requirements, while maintaining the right to regulate for legitimate policy purposes.

- Weightless trade goods and services delivered electronically
- Seek protections for source code and encryption keys in our export markets.
- Seek the prohibition of customs duties on electronic transactions and non-discrimination of digital products.

Sources:

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



New Zealand (2/2)



88

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.

Preparing for new technology and data

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



- Digital Trade Review | New Zealand Ministry of Foreign Affairs and Trade (mfat.govt.nz)



ASEAN



- 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.

SOCIO-DEMOGRAPHY

Collectively, ASEAN population was 3rd largest in the world in 2023

1,438.1 million



1,422.6 million



China

ASEAN

343.5 676.6 million million



USA

247.5

million

Pakistan



ASEAN population accounts for **over 8%** of the World's population

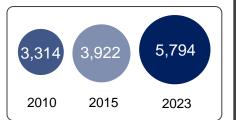
ECONOMY

In 2023, ASEAN's economy reached a nominal GDP of **USD3.8 trillion**, positioning as the 5th largest in the world and the 3rd largest in Asia



ASEAN nominal GDP per capita stood at **USD5,794** in 2023, a notable **37.6%** increase from 2015





ASEAN's Agenda Relating to Digital Trade



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



VLD

ASEAN Digital Economy Framework Agreement (DEFA)

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- 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



- Digital Trade
- 2. Cross-Border E-Commerce
- Payments
- 4. Digital ID and Authentication
- 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

Source

2. <u>ASEAN Digital Economy Framework Agreement</u> prepared by BCG



https://asean.org/wp-content/uploads/2023/09/leaders-statement-digital-economy-framework-agreement.pdf

ASEAN Digital Trade Standards Working Group (DTSWG)



 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.
- Facilitating digital trade, logistics and delivery including last mile delivery.
- Facilitating digital trust including digital identity, e-signature, cybersecurity.





Source: ASEAN Digital Trade Standards Working Group

02

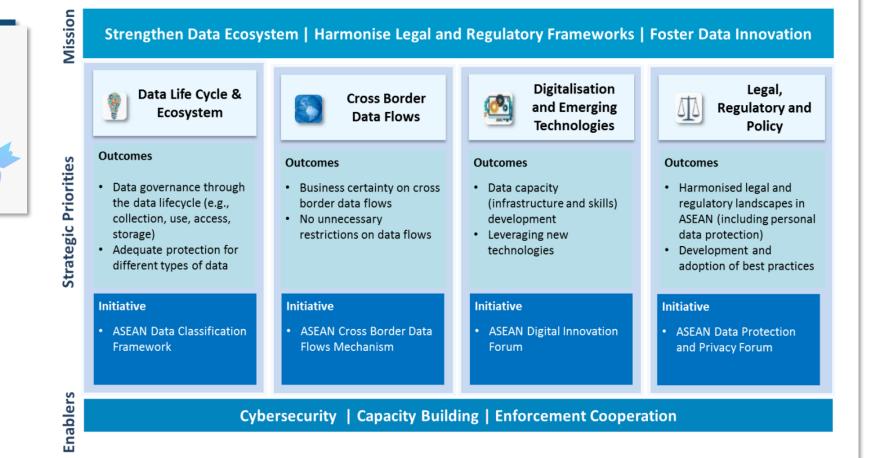
ASEAN Framework on Digital Data Governance



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

Mission

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







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

Source: The Promise of TradeTech: Policy Approaches To Harness Trade Digitalization (2022)



Digital Economy Agreements



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

Examples:

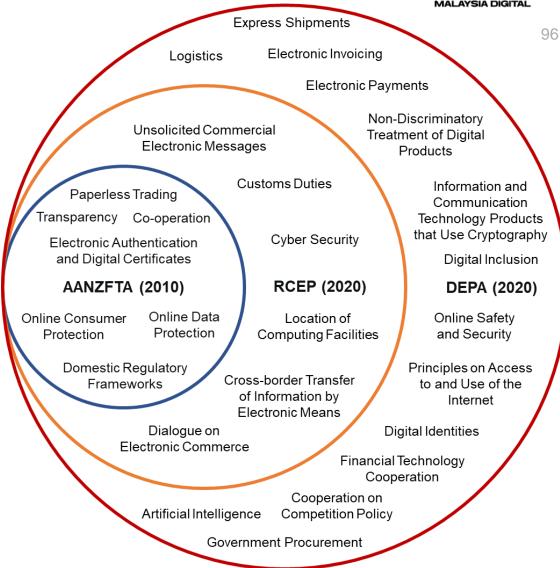
- Digital Economy Partnership Agreement (2020): Chile, New Zealand, Singapore
- Australia-Singapore Digital Economy Agreement (2020)
- UK-Singapore Digital Economy Agreement (2022)
- Korea-Singapore Digital Partnership Agreement (2022)
- ASEAN Digital Economy Framework Agreement (negotiation ongoing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



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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 digitisation and automation.



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



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



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



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



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





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.
- 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.
- 2 Bridging the digital divide and strengthening the readiness of developing economies to benefit from digital trade requires both domestic and international mobilsation.
- International cooperation is critical to ensure inclusive benefits of digital trade and is increasingly covers rules on digital trade.
- 3 Some economies are more prepared to seize opportunities and take on challenges associated with digital trade, highlighting the importance of digital infrastructure and skills.
- 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



100

"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





A nation with steady digital growth



Total Population

33.4 million

2023

Mobile Phone Users

99.4%

2023

Internet Users



97.7%

2023

Social Media Users



99.4%

2023

E-Commerce Consumer Adoption Rate



70.6%

2023

Income of E-commerce



RM1,153

billion

2023

Digital Economy Contribution to GDP



23.5%

2023



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

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

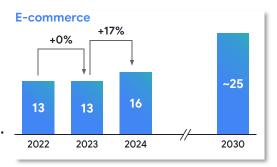


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Some of the relevant key sectors highlighted in the report to drive the growth in Malaysia's digital landscape are:

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.

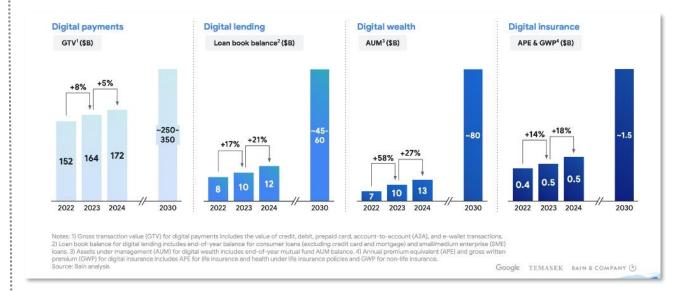


Artificial Intelligence

Malaysia leads Southeast Asia in **Al investments**, securing **50% of USD30 billion** in **Al investments** in **1**st **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

2020 < > 2030

SHARED PROSPERITY VISION 2030

NATIONAL VISION

STRATEGIC PLANS

EKONOMI MADANI

Ekonomi MADANI:

Memperkasa Rakyat

Malaysia Digital **Economy Blueprint**



National Fourth Industrial Revolution



National Trade Blueprint



New Industrial Master Plan (NIMP) 2030



Malaysia has a small open economy. Hence, Regional Economic Integration is key to create globally competitive firms



Pursue trade diplomacy and strategic arrangements



Facilitate movement of goods, capital, people and knowledge



Support regional expansion of Malaysian firms

MALAYSIA's DIGITAL TRADE FRAMEWORK







Source: MITI

Ekonomi MADANI: Memperkasa Rakyat



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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) Agenda | Malaysia as an Investment Destination | | | |
|--|--|--|--|--|
| Internationalising Local Start-ups and Small and Medium Enterprises (SMEs) | Leader of the Global Islamic Economy | | | |
| Micro Entrepreneurs and the Informal Sector | Green Growth for Climate Resilience | | | |

Land 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

| 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

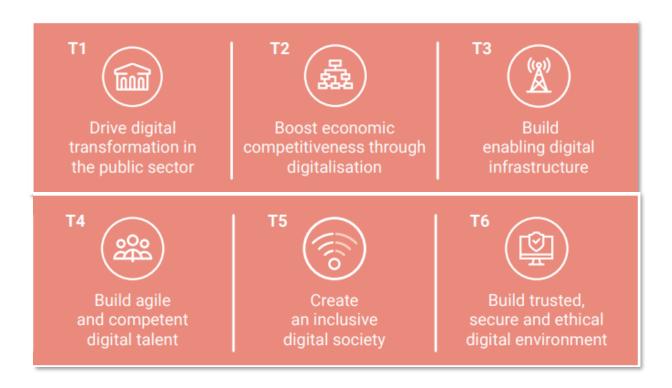
- https://belanjawan.mof.gov.my/pdf/belanjawan2024/economy/Chapter-1.pdf
- 2. https://malaysiamadani.gov.my/wp-content/uploads/2023/07/FINAL-ENGLISH-Translation-Ucapan-Kerangka-Ekonomi-MADANI-3.pdf



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.
- 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.



National Fourth Industrial Revolution (4IR) Policy



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The National 4IR Policy outlines 3 objectives, 4 policy thrusts and is supported by 16 strategies to prepare the country to embrace the 4IR and cope with current and future disruptions of emerging technologies

4 POLICY THRUSTS



Equip the rakyat with 4IR knowledge and skill sets



Forge a connected nation through digital infrastructure development



Future-proof regulations to be agile with technological changes



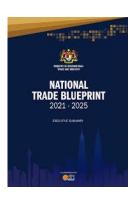
Accelerate
4IR technology innovation
and adoption

BUSINESSES

SOCIETY

GOVERNMENT





National Trade Blueprint



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

VISION To position Malaysia as a dynamic and pre-eminent trading nation through sustainable export development **KEY PRIORITIES Diversify Export** Increase Exporting Increase High Value Improve Export Companies **Export Goods Products Ecosystem** STRATEGIC THEMES BUILD **GROW** COMPETE Enhance capacities for Expand Malaysia's Improve the operating established excellence of environment for all export promotion products to greater heights exporters STRATEGIC THRUSTS Elevating Strengthening Uplifting Harnessing **Facilitating Promoting Driving Growth** Pursuing **Export** Malaysia's Growth Malaysia's Sustainability Export and Through Capacity and **Ecosystem** Strengths in Through Widening Brands and Investment and and Market Product Capabilities Export Technology 8 Export Innovation **E-Commerce** Access Diversification



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INDUSTRIAL MASTER PLAN 2030

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.

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Goals



Increase economic complexity



Create highvalue job opportunities



Extend domestic linkages





Improve inclusivity



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

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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

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

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

17 Ministries/Agencies • 17 Programmes • 31 KPIs



MITI • KD • KK • KE • KUSKOP • MOT • MOSTI • KPDN •















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



FREE TRADE 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)

DIGITAL ECONOMY AGREEMENTS

- 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)



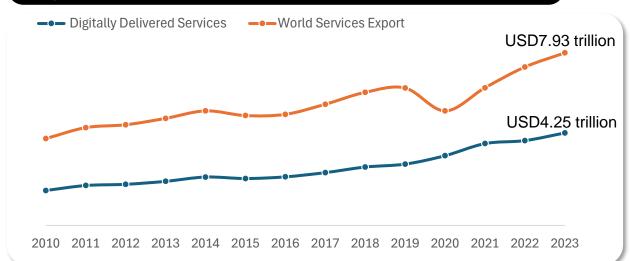
Growing Importance of Digitally Delivered Services (DDS)



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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Digitally Delivered Services Exports vs World Services Export



According to WTO estimates:



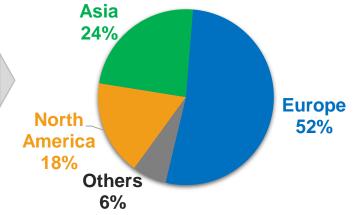
Digitally delivered services exports were worth

4.25 trillion in 2023



of total global services exports were delivered digitally in 2023

Digitally delivered services export shares in world, 2023



Digitally Delivered Services data by WTO - https://www.wto.org/english/res_e/statis_e/gstdh_digital_services_e.htm

World Services Export data by UNCTAD - https://unctadstat.unctad.org/datacentre/dataviewer/shared-report/6a50ff07-13cf-4ae7-b3d2-c4ec398d309 Goods and Services Export data by WTO - https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_24apr24_e.htm

Digitally delivered services exports, 2023 services exports



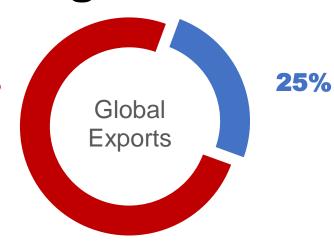
Physical goods form major share of international trade, even in a digital age



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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 goods¹
- At the centre of global trade, **Bill of Lading is the most important trade document**², 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**³
- Currently, ocean carriers issue around 45 million bills of lading per year¹
- In 2022, only 2% of bills of lading were electronic¹

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

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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

COMMERCIAL PROCESSES

- Purchase Order
- Commercial Invoice

FINANCIAL PROCESSES

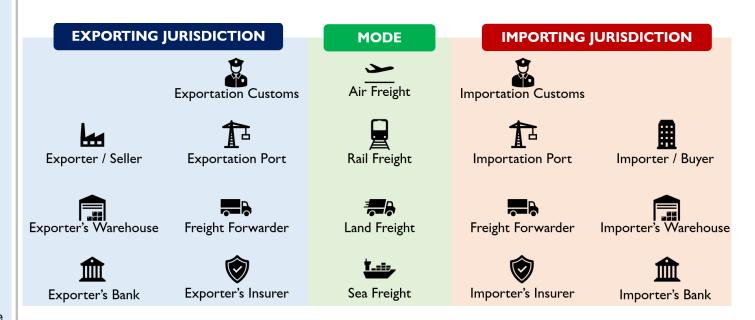
- Letter of Credit
- Payment Confirmation
- Bill of Exchange
- Promissory Note

TRANSPORT PROCESSES

- · Shipper's Letter of Instructions
- Packing List
- · Bill of Lading
- Sea Waybill
- Ship's Delivery Order
- Air Waybill
- · 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





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. https://www.tradetrust.io/files/TradeTrust_Legal_Analysis_Article.pdf

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:

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

Total organisations engaged:



Total individuals engaged:



58





MITI • KD • KK • KUSKOP • KKDW • MOSTI • KPDN • NRES • DOSM













































































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



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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

Phase 1: Current State

Phase 2: Comparative Analysis

Phase 3: Solutioning

Macro Level and Review of NESR 2.0

- Macro view of current e-commerce performance
- Review and analysis of NESR achievements
- Stakeholder engagements to uncover potential opportunities

Global Scanning

- Exploration of digital trade as the next engine of growth
- Best practices and initiatives in global development

Future State Assessment

- Identify strategic focus of National priorities
- Stakeholder engagements to refine the strategic focus

Synthesize & Refine

Recommendations moving forward

Key Focus Areas

Interoperability

Harmonised Cross Border Rules

Innovation and Technology

Trust & Confidence

Inclusivity

Sustainability & ESG



Key Focus Areas Identified from Stakeholder Engagements



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• Standardisation • Digitalisation Process • E-Invoicing • Paperless Clearance • Cross Border Payment • Single Window



Interoperability

• Trade Agreement • Regulations • Act • Compliance • Domestic Policy • Data Sovereignty • Cross Border Regulations • Reduce Barriers to Trade



Harmonised Cross Border Rules

 Smart Solutions • AI • Deep Technology / Start-up • Automation • Blockchain • Tech-up digital companies • Digitalisation (Use of Digital Technologies to Create Innovation)



Innovation and Emerging Technologies

• Cybersecurity • Data Protection • Trusted Data Corridor • Consumer Protection



Trust and Confidence

• Citizen-centric Initiatives • MSME Growth and Sustainability • MSME Export Readiness • Digital Support Services for MSMEs • MSMEs Ease of Adoption • Upskilling and Digital Literacy • Regional Disparity (Equal Opportunities for Rural & Underdeveloped areas) • Digital Infrastructure and Logistics



Inclusivity

 Promote Environmental Sustainability Practices: Optimising Logistics to Lower Carbon Footprints, Eco-Friendly Packaging



Sustainability and ESG



Focus Area #1: 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).

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Why interoperability is important?

Facilitate Seamless Cross-Border Transactions

Digital trade involves multiple stakeholders across borders. Interoperable systems enable data to flow between these parties efficiently hence reducing delays and errors.

Reduce Costs and Complexity

When platforms and systems are interoperable, businesses can avoid duplication of efforts, such as re-entering data into multiple systems. This leads to cost savings and simpler processes.

Enhance Efficiency and Speed

Interoperable systems streamline workflows, making trade operations faster and more efficient. This is particularly critical in international trade, where time-sensitive delivery are common.

Build Trust in Digital Trade

Interoperability ensures transparency and reliability, fostering trust between trading partners and reducing the risk of disputes.

Promote Inclusivity

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.

Align with Global Standards

Coherence of national laws with international framework e.g. 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.



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.

Why harmonised cross border rules are important?

Facilitate Interoperability

Harmonised rules establish a consistent framework that allows different systems, technologies and regulatory frameworks across jurisdictions to work together seamlessly.

Enhance Efficiency and Speed

Coherent set of rules and standards eliminate redundancies and streamline processes and documentation.

Reduce Compliance Costs

Businesses benefit from lower costs for them to meet varying regulatory requirements for each market, thus making cross-border trade more accessible and attractive.

Enable Broader Market Access

Harmonisation help countries to align their domestic framework with international trade framework, making it easier for businesses to enter new markets.

Boost Trust and Certainty

Transparent and consistently applied trade regulations fosters trust among businesses, as they can be certain about how their transactions will be treated across borders.

Support Innovation and Growth

With fewer regulatory hurdles, businesses can focus on innovation and adoption of emerging digital technologies.

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



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

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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



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

Secure systems ensure the safe exchange of data and transactions, empowering businesses to engage in cross-border trade with reduced risks of fraud, cyber threats, and illegal activities.

Safeguarding Economic Interests

Reliable systems protect the integrity of digital transactions and safeguard economic interests.

Strengthen Stakeholder Trust

A safe and transparent digital environment enhance trust and confidence among consumers, businesses, and regulators, encouraging more transactions and 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.





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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

Inclusive digital trade ensures fair access to resources and markets for all groups including the underserved B40 communities, helping to bridge the digital divide.

Improve Digital Infrastructure

Expanding digital infrastructure in underserved areas promotes local entrepreneurship, stimulates job creation, and encourages investment. It empowers rural communities to contribute to and benefit from national and global economic growth.

Capacity Building & Talent Development

By focusing on capacity building and upskilling/reskilling initiatives, inclusivity empowers B40 and underserved communities to participate meaningfully in digital trade, fostering broader economic growth.

Enhance Internet Connectivity

Improved connectivity ensures that businesses and individuals in remote areas gain access to digital platforms, tools, and marketplaces, allowing them to participate in economic activities 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



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 energy-efficient 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.



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



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 | 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). |
|----------------------------------|--|
| 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 | Innovation and Emerging Technologies focus on adopting and leveraging advanced technologies to drive growth, improve efficiencies, and enable digital transformation in trade ecosystem. |
| Trust and Confidence | Trust and confidence involve safeguarding online systems, protecting personal data, and ensuring secure crossborder data sharing to create a secure digital trade environment that encourages greater participation in the digital economy. |
| Inclusivity | 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. |
| Sustainability and ESG | 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. |





Thank you

- ▶ in Malaysia Digital Economy Corporation

