
INTERVIEW WITH THE NEW STRAITS TIMES

Friday, 16 July 2021

1. In your opinion, can you please briefly explain how bad the current situation is affecting American companies operating in Malaysia due to the lockdown?

American companies are an integral part of the global supply chain and highly integrated within Malaysia's economy. Investments and confidence in the institutional capability of the government that has been built up over the past six decades is now at serious risk.

Many members of the American Malaysian Chamber of Commerce (AMCHAM) were severely impacted directly, but more so the SMEs that support our members not just locally but globally. The electrical & electronic/semiconductor (E&E) industry was, and still is, one of the hardest hit, exacerbated with increased demand coupled with the global shortage of chips.

Equally critical are inputs into the healthcare industry, from medical devices and components to basic needs like detergents, personal and industrial, all crucial while fighting a global healthcare crisis yet in some areas still not considered essential in Malaysia. Technology sectors feeding into security, aviation and many other value chains are also disrupted.

In the current iteration of Phase 1 of the National Recovery Plan/EMCO, our MNCs and their respective supply chains have been shut down and unplugged from their supply chains causing uncertainty and leading to risk assessments.

Factories that were already classified as essential and operated safely during MCO 1.0 and MCO 2.0 are now sidelined without consideration of their safety records or protocols. Many manufacturers did not even have a chance to deliver existing supplies to customers which would have eased the impact slightly or the option of lowering to an 'warm-idle' status to preserve the integrity of their equipment and operations. The damage for some is incalculable.

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As a result, global supply chain managers have been forced to reactivate business continuity plans and based on the current pattern of behavior, reconsider Malaysia's viability as a partner.

2. How significant is the impact on those affected companies in Malaysia in terms of their commitment for the global supply chain?

Malaysia does not stand alone nor does it have a domestic economy that is self-sufficient. Its strength however, is that over the decades from targeted policies attracting high-value add industries along with transferable technology, Malaysia built itself to become a critical node for many value chains in the globe. COVID-19 has exposed the level of integration and the sophistication that lies within our borders. According to Harvard Growth Lab's Country Rankings, Malaysia, pre-COVID-19, ranked 26 out of 133 nations in their Economic Complexity Index with Singapore at ranked 5th and Thailand 22nd.

The perception of Malaysia as a reliable location for the critical path in a company's global supply chain is now at risk. Our members now run the medium- to long-term risk of deprioritization in terms of new investments and product lines. Companies may continue to run some portion of their production here in Malaysia, but it will be challenging for Malaysia to secure higher value reinvestments. They will reflect on today's reality before committing to Malaysia in the critical path of their global supply chain.

This is of extreme concern for Malaysia's long term competitiveness both at the international and domestic level, and the full value of being in larger partnerships like RCEP and CPTPP in the years to come. As the world recovers, the pressure on Malaysia will be greater; this is an opportunity for Malaysia to capture or from which to pull away.

3. How big is the loss incurred by AMCHAM's members of companies? Is this worrying?

Losses can be measured in many ways. The quantitative impact is significant and it runs into the billions of ringgit but it is the qualitative impact on Malaysia's reputation, credibility and long term prospects of

our SMEs that is immeasurable and critical to the country beyond profits, losses and tax collected.

The loss of a supplier that is an integral part of the company's supply chain can be devastating and ripple across boundaries. An MNC would have spent years and money developing and training a vendor, and their personnel, to work to global standards in order to insert them into their supply chain. If the SME goes out of business or if an MNC loses a production line or a contract, a gap could appear in what was a robust ecosystem. How do you calculate the loss not just in jobs but the skillset and opportunity for these highly skilled SMEs and trained workers?

As we have pointed out previously, what has happened and continues to happen will resonate in the boardrooms and senior executive planning sessions long after we've achieved herd immunity. Reputation damage has been done.

But we must look forward to and address the long and arduous journey of rebuilding our credibility, which will require immediate action. The immediate action that can be undertaken is to lay out a comprehensive SOP for the economic sector that is based on shared responsibility anchored on detection and isolation, and to work on policies for supply chain protection and resilience that is owned by all stakeholders, be it the private sector and the public sector.

This will demonstrate the commitment that the Malaysian government has in working with the industry, closer than ever, and ensuring that we do not go through this painful experience ever again. And if faced with a similar situation, we have the mechanisms to address it head on.

As for the SMEs, the nature of how the government provides assistance and support has to go beyond mere export promotion and subsidies and focus on supply chain resilience and long term investments on 4IR technologies. Malaysia's reputation has always been built on the fact that we are first and foremost a trading nation. Given the vaccination rate, Malaysian can also build on potentially being a vaccinated country soon and use that head start.

4. Can you tell us about AMCHAM's pleas on what the government should do to allow American companies to resume their operations? If not, what are the repercussions?

In 2021 alone there have been not just 15 letters to various parts of the government but multiple virtual and in-person engagements. Presentations to MITI, and the EAC, and extensive discussions are all part of being the solution. Continuous engagement is what is needed so that we can both support each other to get Malaysia back on even ground. We have good engagements today but often very late in the decision making process and therefore sometimes limited in success. Engagement must move beyond 'meetings held' and into a substantive regular dialogue. We need stronger working mechanisms with the international investment community in all sectors, move away from the perception of "us versus them" we see evident in some discussions and to have practical discussions on implementable solutions.

From the very beginning, January 2020, if we had to call out a date, parts of the government have engaged with AMCHAM. It is only through the relationship that we have established with, but not limited to, MITI, MIDA, EPU and the EAC that we've been able to navigate these treacherous waters of the various MCOs. Our role is to provide not just inputs of global practices and how our members are managing COVID-19 but to share insight on how the Malaysian government choices reflect back at corporate.

We've been consistent in our messaging to the government. American MNCs are required to operate at the highest levels of safety and compliance to health protocols particularly because of the fact that there is no compromise when it comes to our ability to function as part of the global supply chain.

We've also made it abundantly clear that the supply chain in Malaysia which is primarily, if not exclusively, made up of Malaysian SMEs who provide products and services into our operations and are by association, part of that global supply chain too. In order to win business and be incorporated into an American supply chain they have

to comply with the rigorous standards imposed on them by corporate HQ back in the United States.

Repercussions to the country falling off that value chain, be it as a locally based MNC or the connected supply chain, if it happens, could be felt by Malaysia for years to come. This is why we are working to ensure Malaysia remains open, as an exporter, as a committed part of the value chain. To support the idea of living with COVID-19, we believe that business can reinforce the discipline necessary by driving education and adopting best practices at the workplace, as well as being understood and adopted at home.

Businesses can then become part of the solution and not the problem.

5. How many local employees are employed by American companies in Malaysia?

Unfortunately, we don't have this data as we do not compel members to provide them to us. That said, our member companies have strong localization policies, a hallmark of American companies and evidenced in our existing footprint.

Most of our companies have close to 90% Malaysian workforce, and many up to 100%. In a recent sampling, we were able to see that in Penang alone, a dozen companies employ around 20,000 locals and, 30% of our membership, those located in the Klang Valley employed around 70,000.

Commitment to the recruitment and training of local talent has not only spawned a couple of generations of skilled workforce but also accelerated many Malaysians into the global talent pool. Today, you will see many American companies being led by Malaysians who are in turn supporting the training of yet another generation

6. What is the role of business or industry in our recovery from COVID-19?

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Malaysia still holds a lot of positive fundamentals. American companies not only want to remain in Malaysia but want to invest further building on the footprint they have already established. Notwithstanding current circumstances forcing necessary decisions for supply chain integrity, a successful vaccination program provides Malaysia an opportunity to recoup and recover faster than the competition. But we need to be smart and collaborative about it.

As a nation we have to live with COVID-19. Even when herd immunity is achieved, society as a whole is still geared towards the fear of infection in great numbers. In other words, it is reactionary rather than preventative in nature.

Our ability to build resilience and chart a new path forward will depend on the development of a roadmap that stresses the importance of safety, hygiene and health at both the workplace and at home and everywhere else in between. We will need to work even harder and collaborate more with MITI, MoH, MEA and other stakeholders. We are grateful to have the relationship that has gotten us this far, more work is needed to take us over the line, together.



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ABOUT AMCHAM MALAYSIA

The American Malaysian Chamber of Commerce (AMCHAM) was founded in 1978 as an international, non-profit, private-sector business association. It comprises more than 1200 members representing about 280 American, Malaysian and other international companies with strong ties to American business. The Chamber is a member of the AmChams of Asia Pacific.

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