
INTERVIEW WITH BLOOMBERG

Friday, 10 September 2021

Questions to Siobhan Das, CEO, American Malaysian Chamber of Commerce (AMCHAM)

- 1. Have any member AmCham companies moved out of Malaysia due to the Covid-19 pandemic? If yes, how many and which industries are they from? Which country/countries are these companies relocating to? And why? If not, why?**

We have not heard of any of our member companies moving out of Malaysia. Many American firms have been in the country for decades and, over time, have invested and continue to invest deeply in developing their company's footprint, qualifying vendors to create a robust ecosystem that now plays an integral role in their global supply chain. Companies will not now leave due to COVID-19.

Member companies have also developed their workforce in anticipation of future needs and growth, continually investing in training and upskilling local talent as companies have moved up the value chain. The maturity that currently exists in their operations is hard to replicate as a whole elsewhere quickly, and these companies are deeply committed to the communities in which they operate.

However, due to the relatively unique business disruptions of late in Malaysia, as compared to companies' experiences elsewhere regionally and globally, along with the unpredictability at their Malaysian operations, many of their supply chains are under stress and have been severely negatively impacted.

Global executives are being forced to address this uncertainty and unreliability. As a result, alternative locations will factor into business continuity plans to restore and stabilize various aspects of their supply chains, including the ones that run through Malaysia. Such focus on supply chain resilience to hedge against risks has seen increased investments into neighboring countries that would have otherwise been directed to Malaysia.

Malaysia still has an opportunity to build on top of the existing capacity. By doing so, Malaysia can remain a critical part of essential supply chains, even as a critical node. As such, Malaysia will also see expansions and growth to take advantage of that mature ecosystem but there will also be greater pressure on local companies to be more productive to meet the demand. Malaysia's storied resilience, if restored, may win out.

2. How does AmCham view the Malaysian government's handling of the pandemic? How does the response compare with that of other Asian countries? How can Malaysia do better?

AMCHAM believes that after the initial reaction that led to the complete closure of industry, the Malaysian Government is finding its way to the balance between health and economics with a foundation built upon vaccinations. Although Malaysia initially fared badly relative to our neighbours, we are seeing that the country's strategy will allow for faster recovery.

The Malaysian government's response to COVID-19 allowed for an accelerated and expanded vaccination program. To date, the government has successfully inoculated 64.1% of its **total** population with at least one dose of the vaccine and covered 50.5% of the people with a double dose.¹ The economic powerhouse of the Greater Klang Valley has reached 82.7% and 72%, respectively. This has been an enormously important accomplishment.

Even in the beginning, Malaysia did its best in engaging with the business community and tried to accommodate the requests by various sectors to maintain continuous operations in the midst of lockdowns that began on 18 March 2020. We believe that the engagement accorded to industry and chambers by way of the Ministry of International Trade and Industry (MITI) allowed some critical sectors to maintain crucial levels of operations, but, supply chain operations were severely hit, and, to a unique degree in Malaysia compared to other countries in the region and further afield. Intermittent but severe disruptions are still a feature for some sectors, undermining the ability to fully deliver on the pent up demand and pressures in global markets.

That being said, in comparison to other Asian countries, it has and continues to be a work in progress because of the dynamic nature of the COVID-19 virus. No one could have predicted the severity of the Delta variant and its delayed impact on other countries as it raged through India and South East Asia.

To continue to improve, we believe the government should articulate a cogent strategy of living with endemic COVID-19 and develop practical policies for vaccinated persons. That strategy will need to take into account the psychological toll the pandemic has placed at both the institutional and personal level and introduce measures that will facilitate the return of people to work, schools and socialising in a community context.

As for trade, be it domestic or international, the government needs to help the country reclaim the confidence of foreign investors along with supporting domestic ecosystems that have long been the magnet for FDI. It also needs to

¹ <https://covidnow.moh.gov.my>

continue its drive to accelerate the adoption of digital technologies and ensure that the supporting infrastructure is robust enough to be a driver for growth.

Reforms focused on efficiency and productivity have to be accelerated. They also need to be anchored on rational and implementable rule-making that is designed to ensure protection of the public good while enhancing the value creation afforded by businesses on the economy and community. Talent mobility will also be key to catalyse the recovery and to bring in new added-value knowledge transfer and managerial technology.

The Government also needs to ensure, as it develops its policy frameworks, that they are designed to be rules-based and consistent, avoiding further backtracking or U-turns with policies that undermine long term investor confidence as we have seen more recently with the treatment of cabotage and MM2H. These are all factors that go against Malaysia's strategic interests.

We are hopeful that the country's leadership will see that such policies are key factors for further foreign investments, and that the business community looks forward to partnering to support national strategic objectives that simultaneously foster domestic growth and innovation and continue to attract meaningful and supportive foreign direct investment.

Malaysia has the opportunity to bounce back using the building blocks it already has established for a business friendly, open trading environment. Liberalization of the manufacturing sector, once embarked with trepidation, has proven successful; confidence in its ability to compete globally should be embraced. The ratification and negotiation of Free Trade Agreements (FTA) will help open up markets for Malaysian businesses while further upgrading our regulatory environment to global standards. This will help improve the competitiveness of Malaysia as a location and a regional base to look for and serve new markets.

Finally, the Malaysian government has to do an effective job in creating and delivering a narrative that is clear and consistent across all platforms, be it online or offline, and well understood by both the domestic and international business communities. Effective communication backed by facts and effective, consistent execution is the only way that markets can effectively assess and respond to the opportunities in Malaysia.

AMCHAM believes that the government of Malaysia has to assimilate all that has been learnt from the challenges faced by businesses operating in the midst of a raging pandemic. Only by focusing on reforms that promote resilience, innovation, mobility and trade integration will we be able to shift out of recovery and expand into a growth mode.

Malaysia needs to take advantage of its leading position in this region to snap up available investments, and international business looks forward to supporting these objectives.

3. How attractive is Malaysia as an investment destination for American companies now?

Malaysia continues to be an attractive location for American investment. However, a critical aspect for decision makers at American MNCs will be the Malaysian talent pool. Restricted by being a much smaller country than its neighbors, the quality and diversity of the Malaysian talent pool, along with the ability to access global talent to support job creation, will be important to continue the journey up the value chain. Gaps will appear when this happens. The government will need to have a comprehensive labor plan to match the growth and be ready to address re-skilling for employability, its education deliverable and support talent mobility that is effective and responsive.

Gone are the days of low cost labour. The Malaysian workforce has moved up the value chain, and can deliver needed skills and a high level of sophistication. They are fluent in digital technologies, evident in the high penetration rates of internet access and smart devices in the general public. More recently, they have proven to be agile and responsive to change which will be important for a business world powered by the digital revolution. The government's focus in building out a digital economy based on high value skills and activities built on a resilient digital infrastructure is a key consideration in making the decision of what to base here.

With the growing demand for transparency in business practices, to be environmentally and socially sound with effective governance, American businesses will be looking to see if their supply chains are robust and able to deliver environmental stewardship, strong labor practices and the inclusivity demanded by global shareholders & investors. As Malaysian companies gradually embrace responsible business practices and global standards, policies and capacity building programs need to reflect this commitment and be communicated to the public and investors alike.

The business ecosystem has endured a wide range of crises such as the Financial Crisis of 1998 and 2008 which has led to reforms to ensure a strong banking environment. Being a part of ASEAN and the push towards greater regional economic integration, pragmatic steps have been taken to streamline and harmonize cross border trade regulations to ensure the smooth movement of goods, services and people across borders. But more work still needs to be tackled in these areas.



These efforts are undertaken not only to promote inter-ASEAN trade but to further enhance Malaysia's ability to reap the benefits of FTAs such as the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Malaysia's active participation with the Organisation for Economic Co-operation and Development (OECD) in adopting the base erosion and profit shifting (BEPS) framework is evidence of the commitment displayed by the government to shift the regulatory tax environment to global standards.

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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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