

# ARISE Plus Malaysia

## Output 1

Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments,

## Activity 1.1

Activity 1.1. Build capacities of MITI, related bodies and selected Malaysian exporters, on emerging regulatory/operational requirements in trade policy regime and practices in FTAs

## CONCEPT NOTE: VALIDATION WORKSHOP

### REPORT ON LATEST TRENDS IN FREE TRADE AGREEMENTS. IMPLICATIONS FOR MALAYSIA

#### 1. BACKGROUND

The International Trade Centre (hereafter ITC) is the joint agency of the World Trade Organization (WTO) and United Nations (UN). The only multilateral agency fully dedicated to supporting the internationalization of Small and Medium Enterprises (SMEs), ITC seeks to foster their inclusive and sustainable growth and development by promoting trade and international business.

Since February 2021, ITC is implementing the EU funded, "Malaysia: Trade Related Technical Assistance (ARISE+ Malaysia)"<sup>1</sup> project which aims to support inclusive and sustainable trade growth in Malaysia, while contributing to economic integration in the ASEAN region. The project is expected to be aligned to the three dimensions of the 12th Malaysia plan (namely economic empowerment, environmental sustainability and social re-engineering) scheduled to be released later 2021 and also contributes to the objectives of the "EU strategy on connecting Europe and Asia".

ITC projects and programmes contribute to the global efforts to achieve UN Global Goals for Sustainable Development.

#### The specific objectives of the project are:

- Outcome 1: Trade policy formulation and implementation is aligned with regional (ASEAN) and international commitments;
- Outcome 2: Quality Infrastructure System (including standards, certification and metrology) is aligned with ASEAN and EU standards; and,
- Outcome 3: Sustainable practices in the agri-food sector (agriculture and fisheries) is enhanced and disseminated, in line with ASEAN, international and EU standards.

**For that purpose, the project will be composed of the following three expected results (outputs):**

<sup>1</sup> More information on the project available at: <https://www.intracen.org/arise-plus-malaysia/European-Union/>

- Output 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments;
- Output 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices; and,
- Output 3: Enhanced understanding and implementation of sustainable production standards and practices in agriculture and fisheries.

## 2. INTRODUCTION TO OUTPUT 1

Under this output, the project will focus on strengthening institutional capacities to formulate and implement trade policy, (and potentially regulatory/procedural improvements) aligned with ASEAN and international commitments with a view to enhance a sustainable business and investment environment in Malaysia. This output will be instrumental in assisting the Ministry of International Trade and Industry, Malaysia (hereafter MITI) and other government bodies as well as the private sector to build capacities and increase awareness in the areas of trade policy formulation and implementation, trade negotiations and investments.

The proposed activities correspond to the needs identified and requests formulated through consultations undertaken by ITC in 2021 and subsequent discussions, inclusive of MITI's proposals, and informed by the experience of ITC in the region when providing support to policymaking and other trade-related matters.

The implementation of Output 1 is being undertaken by ITC's Trade Facilitation and Policy for Business (TFPB) section.

Under the scope of Output 1, the following five activities will be implemented:

- Activity 1.1: Build capacities of MITI, related bodies and selected Malaysian exporters, on emerging regulatory/operational requirements in trade policy regime and practices in Free Trade Agreements (hereafter FTAs);
- Activity 1.2: Build capacities of MITI and other line ministries and provide advisory services on investment related aspects such as international investment dispute settlement;
- Activity 1.3: Build capacities and consensus building on a strengthened system of Rules of Origin in line with international standards;
- Activity 1.4: Build capacities of MITI, related bodies and relevant sectoral business associations, on E-commerce regulatory framework and practices in relation to WTO and FTA negotiations; and
- Activity 1.5: Build capacities for MITI, related bodies and relevant sectoral business associations, to conduct impact assessments on Malaysia's trade and investment policies.

**This concept note falls under the scope of activities that will be implemented under Activity 1.1**

## 3. OBJECTIVE OF ACTIVITY 1.1

Most contemporary FTAs tend to cover a new wide range of issues such as competition, public procurement, labour rights, sustainability and other topics that go beyond the definition of international trade but might significantly impact its results and evolution. For instance, the RCEP Agreement, ratified by Malaysia in March 2022, contains provisions on government procurement, competition, SMEs and e-commerce, which have not previously been included in most or have gone beyond those provided in the ASEAN+1 FTAs. The issue of trade and environment is also increasingly being addressed in regional and bilateral agreements, notably through chapters on "Trade and Environment" or on "Trade and Sustainable Development".

As seen above, Activity 1.1 aims to assist Malaysia to gain a better understanding of trade policy regimes and international best practices of FTAs, to identify emerging regulatory and/or operational requirements beneficial and relevant to the economy and Malaysia's major industries. The objective

of this activity is to assess how the emerging regulatory requirements and new trends can strengthen Malaysia's trade policy formulation.

In the course of the project, it was agreed that this objective will be achieved through a review of existing FTAs as well as recent/potential developments and trends in international trade policy. In this regard, in collaboration with the stakeholders, a study was conducted on the following selected key topics: market access commitments along with regulatory requirements in relation to trade in goods (e.g., rules of origin and e-certificate, TBT, SPS), services and e-commerce, investment and investor-state dispute settlement (ISDS), competition policy, government procurement, intellectual property, environment, sustainable development, circular economy, and other rules-based chapters.

In this regard, a report on *"Latest Trends in Free Trade Agreements: Implications for Malaysia"* was developed by ITC. Among other things, this report included an analysis of 13 selected FTA's (Malaysia is a party to some of them) to identify new trends in the thematic areas mentioned above. An initial draft of the report was submitted to MITI for feedback, based on which a second draft has been finalised.

As a next step, a workshop will be organised with relevant departments from MITI to validate and finalise the report. The main objective of the workshop will be to identify future capacity building activities to assist MITI and relevant stakeholders gain a better understanding of the various dimensions of new trends in FTAs and trade policy in general. Based on the review and prioritisation of these topics, ITC will then provide targeted awareness-raising workshops for relevant Ministry officials, private sector associations and businesses to enhance their understanding of the above-mentioned thematic areas.

This workshop is planned to be undertaken **16 January 2023 at MITI**, 03.00 PM – 06.00 PM (Malaysia Time), 08.00 AM – 11.00 AM (CET time). The meeting will be undertaken through a hybrid approach with ITC experts joining through an online platform, while MITI officials will join physically supported by ARISE Plus Malaysia's project team.

#### 4. AGENDA

16 January 2023, Wednesday: 03.00 PM - 06.00 PM KL TIME	
Time allocated	Topic
15.00 – 15.05	Opening remarks by ITC, MITI
15.05 – 15.30	Introduction and background of the research
15.30 – 16.00	Key findings on legal aspects
16.00 – 16.10	Break
16.10 – 16.45	Key findings on economic aspects
16.45 – 17.15	Presentation of recommendations
17.15 – 17.45	Discussion and finalization of future areas of support
17.45 – 18.00	Concluding remarks and collection of feedback