White Paper for Taiwanese Business and Investment in Malaysia

Organised by:
Taiwan Chamber of Commerce and Industry in Malaysia
Asia Taiwanese Chambers of Commerce
World Taiwanese Chambers of Commerce

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Principal investigator:
Jiang Wun-ji

Sub-investigator:
Yen Huai-Shing

Researchers:
Yang Ming-Min, Chen Meng-Chun, Li Yi-ching, Hsu Yu-Chia,
Tsai Hsin-yuan, Luo Wan-Jhen and Cheng Li-Hao

Executive Summary

White Paper for Taiwanese Business and Investment in Malaysia summarises the changes in Malaysia's overall economic, trade and investment environment in recent years and explores the prospects for bilateral cooperation between Taiwan and Malaysia after the US-China trade war and the COVID-19 pandemic. Through comprehensive assessment of the interview outputs from Taiwanese businesses in Malaysia, the white paper also outlines the needs of such business community while at the same time, provides its recommendations to the Malaysian trade and investment authorities on how to strengthen Malaysia-Taiwan relations in the increasingly volatile global economic order today.

Firstly, Malaysia is the third largest economy among ASEAN countries, after Indonesia and Thailand, in terms of overall business environment. Although its economic growth has slowed down due to the impact of the COVID-19 epidemic, it is expected to regain growth momentum in the long term. Secondly, the geographical location is excellent; it is located in the Malacca Strait and close to Southeast Asia's geographical centre. In addition, Malaysia's business environment performs outstandingly among ASEAN countries, with its business freedom and global competitiveness indexes ranked second after Singapore.

Due to the importance of the global economic and trade system, Malaysia has actively tapped into the networks of trade agreements externally. The Malaysian government officially ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (Comprehensive and Progressive Agreement for Trans-Pacific Partnership, C P T P P) in 2022.

The Malaysian government is also actively recruiting foreign investments into its shores. In the past ten years, Malaysia's cumulative foreign investments has ranked fourth among ASEAN countries, after Singapore, Indonesia, and Vietnam. In addition, the country's economic freedom also ranks after that of Singapore within the ASEAN region. This shows that Malaysia has an attractive investment environment among ASEAN countries.

The bilateral trade between Taiwan and Malaysia has steadily grown over the past ten years. Still, Malaysia has a trade deficit with Taiwan at present. In terms of imports, Malaysia's imports from Taiwan are concentrated in electronic and electrical equipment, accounting for approximately one-half of the total imports from the latter. At the same time, Malaysia's exports to Taiwan have shifted from mineral products to electronic and electrical equipment in recent years, with mechanical equipment and optical products showing upward trend as well.

In both 1990 and 1994, Taiwanese businesses s used to be the largest source of Malaysia's Foreign Direct Investments (FDIs). For the past 10 years, the Taiwanese investments in Malaysia are mainly in the manufacturing industry (44.82%), finance and insurance industry (33.97%) as well as wholesale and retail industry (15.68%). In addition, the Taiwanese businesses haves also begun to pay attention to the needs of local consumers in Malaysia and as such, their investment strategy has shifted from building a cost-efficient production base to catering to the demand of local consumer markets.

In general, the Taiwanese businesses have greatly contributed to Malaysia's economic growth. Taking advantage of Malaysia's industrial development plans over the years, they have improved the country's local production capacity, enhanced the supply chain with Malaysia as one of the players, and cultivated technical talents among Malaysians. All of these served to facilitate Malaysia's industrial upgrading and economic growth overall. Besides, the Taiwanese businesses also implemented their Corporate Social Responsibility (CSR) strategies while pursuing profits in the context of Malaysia. During the COVID-19 period, the Taiwanese businesses also vigorously assisted the Malaysian government in combating the pandemic through contributions of funds and donations of medical equipment --- receiving high praises from all walks of life in Malaysia.

The issues that the Taiwanese businesses in Malaysia are concerned about falls into the following eight: (1) Legal norm system and procedural issues; (2) Administrative and procedural issues; (3) Trade issues; (4) Investment issues; (5) Labour and human resources issues; (6) Tax issues; (7) Infrastructure; and (8) Other issues.

Legal System and Procedural Issues

Regarding the legal system and procedural issues, the concerns of the Taiwanese businesses in Malaysia are: (1) Strengthening of policy and regulation transparency while improving predictability; (2) Establishment of a channel for foreign investors to express their opinions on the draft law; (3) Improvement of the friendliness of foreign investors in using Malaysia's judicial system; and (4) Provision of the English version of regulatory policy announcements or administrative document forms.

First and foremost, although Malaysian policy and regulatory information are relatively transparent, there is a lack of a "one-stop" website for foreign companies enquiring on matters related to investments. So often, foreign investors have to do their own searches that resulted in the increase of time and costs spent on such task. It is recommended that the Malaysian government establish a "one-stop" website to reduce the time and costs for information searches for foreign investors. In addition, the state government's economic and trade investment policies and measures are not necessarily in line with the federal government's. As a consequence, multiple parties must approve foreign investments at different government levels, increasing operation costs for the businesses. Therefore, Malaysia's federal and local governments should reach a myriad of consensuses to avoid policy differences.

Second, the Taiwanese businesses expressed their hope that the dialogue mechanism between foreign businessmen in Malaysia and the Malaysian government should be strengthened when the latter is implementing new regulations or policies. Whilst Taiwanese businesses always respect the national laws of Malaysia, there is always the room for communication between the two parties that will in turn, help to stabilise investment confidence and long-term investment planning among Taiwanese businesses. It is recommended that the Malaysian government utilise the public policy consulting platform, Unified Public Consultation (UPC) portal, as a two-way policy communication channel between the government and the private sector. This will allow foreign investors to express their opinions to the Malaysian government on new drafts of laws or regulations introduced by the latter.

Third, Malaysia's judicial system is generally less than friendly to foreign investors than to the locals. A high deposit is required to initiate a lawsuit. It is recommended that equal status is granted by the government to foreign investors, or different deposit amounts should be granted based on the individual foreign investor's past business records.

Finally, the Malaysian government required that letters in business dealings with the government to be written in Malay language in recent years. For foreign investors, such regulation may lead to information or understanding gaps in their communications with the Malaysian government. It is recommended that the Malaysian government accommodates foreign investors to use English letters to liaise with the government, and relevant policy announcements or administrative document forms related to foreign investment business, to be provided in English language to facilitate decision-making processes among foreign investors.

Administrative Procedural Issues

On the administrative procedure issues, the major concerns of Taiwanese businesses in Malaysia are: (1) improving the efficiency of administrative operations; and (2) enhancing the stability of the Malaysian government's electronic administrative service system.

While Malaysia's laws are comprehensive, and the quality of civil servants is excellent, liaison and inter-ministerial coordination remained to be inadequate. Such shortcoming, in turn, resulted in the reduction of administrative operational efficiency as a whole. It is recommended that the Malaysian government establish a comprehensive single business window to tackle the issues which foreign businesses frequently encounter, adopt a one-stop process service management and integrate the inter-ministerial liaison to improve coordination at the high-level.

With regard to the electronic administrative services regarding Malaysia's economic, trade and investment matters, the Taiwanese business respondents generally praised the quality and the transparency of the system --- which is convenient for tracking the progress of the cases and contacting the handling officials. Although there are a few complaints about technical problems such as system instability, but overall, they are generally positive. It is recommended that the Malaysian government continues to improve the stability of the service system. In addition, the Malaysian government can also strengthen paperless trade and improve electronic exchange services for cross-border paperless trade to reduce the cost of complicated paperwork of international trade.

Trade Issues

The trade issues that are of concern among the Taiwanese businesses in Malaysia are: (1) Reduction of product tariffs and domestic taxes to strengthen bilateral economic and trade exchanges; (2) Uniformity of law enforcement and interpretation of rules by customs personnel; (3) Elimination of unnecessary or moderate relaxation of import non-tariff trade measures; and (4) Improvements of transparency regarding government procurements and allowing Taiwanese businesses to join the Government Procurement Agreement.

Although Malaysia adopts the principle of free trade in its trade policies, tariffs are usually higher for imported products than those that are produced domestically. Yet, there is no bilateral trade agreement between Taiwan and Malaysia. To further facilitate imports from Taiwan, the Malaysian government should look into reducing the tariff rates of these products and consider signing a bilateral Free Trade Agreement (FTA) with Taiwan or supporting Taiwan to join the CPTPP to lower tariff thresholds and strengthen bilateral trade and investments. As for the electrical vehicles (EVs) industry that involves import tax reduction and exemption measures for electric vehicles, it is recommended that the Malaysian government conduct regular inspections and extensions given as necessary, to facilitate the potential of Taiwanese businesses investing in the EV industry and help Malaysia capturing more opportunities in this emerging industry.

Also, Malaysia's tariff regulations are generally comprehensive, but different customs officers and customs brokers interpret the contents of product declaration items differently. As a result, the Taiwanese businesses bear the risk of being suspected as evading taxes. It is suggested that the Malaysian government strengthen the uniformity of law enforcement and interpretation of rules by customs personnel or formulate strict product definitions to reduce perception gap and ambiguity.

Third, Malaysia has non-tariff protective measures for some imported products. It is recommended that the Malaysian government appropriately eliminates unnecessary protective measures or relaxes them, formulates standards based on scientific evidence and improves transparency to facilitate import-export trade businesses involving the Taiwanese investors.

Finally, the Malaysian government's procurement process adopts the principle of prioritising local businesses. It is also difficult for foreign businesses to enter this market due to the lack of transparency on how to bid for government procurement projects. It is recommended that the Malaysian government consider opening up foreign businesses to participate in government procurement fairly and join the Government Procurement Agreement to attract more foreign businesses into Malaysia. Market competition will also help Malaysian companies bid in other member states.

Investment Issues

The concerns of investment issues among the Taiwanese businesses in Malaysia are as follows: (1) Increase of the intensity of investment incentives and expansion of the scope of application; (2) Smooth financing for small and medium-sized companies; (3) Update of the Bilateral Investment Agreement (BIA) to bring more opportunities and enhance protection for investments by both parties; (4) Relaxation of restrictions on foreign investment and foreign shareholding in businesses; and (5) Strengthening of the administrative efficiency of the investment single window.

Although Malaysia has provided several investment incentives in recent years, the incentives are slightly insufficient compared to neighbouring ASEAN countries. It is recommended that the Malaysian government increase the intensity of investment incentives, evaluate the feasibility of raising the upper limit of investment incentives, and expand the scope of incentive industries, especially giving priority to foreign investment in the areas of Industry 4.0 and smart technology for attracting more foreign investment and build key industry supply chains.

Also, there is a lack of financing information for small and medium-sized companies in Malaysia, which causes many inconveniences. It is suggested that the Malaysian government strengthen the flow of information to manufacturers and provide assistance to foreign companies in applying for financing to secure funds. Furthermore, the Malaysian government can also moderately liberalise the financial industry and allow Taiwanese banks to set up offices or branches in Malaysia to diversify the financing channels for the Taiwanese businesses in Malaysia.

On the other hand, 30 years have passed since the Taiwan-Malaysia Bilateral Investment Agreement (BIA) was signed and enacted. It was suggested that the Taiwanese and Malaysian governments should accelerate the update of the Bilateral Investment Agreement, expand the scope of investment protection, improve the details of the terms, and enhance the protection for Taiwanese businesses and Malaysian locals.

Besides, Malaysia still has prohibitions or shareholding ratio restrictions on foreign investment in the service industry, and there are special investment approval systems for specific industries. It is recommended that the Malaysian government opens up the industry, relaxes foreign shareholding restrictions on investment operations and revises the current investment approval system. This initiative will help encourage innovation and progress in Malaysia's domestic service industry market.

Finally, although MIDA's single window is provided for foreign-invested companies to apply for various investment businesses, the cost of starting a business in Malaysia is still time- and energy-consuming, which is detrimental to foreign investment. It is recommended that the Malaysian government further strengthen the administrative efficiency of the single window for foreign investment, speed up the approval of applications, and moderately reduce the fee of start-ups. This can reduce the time and costs involved, allowing foreign investments projects to kick off quickly.

Labour and Human Resources Issues

Regarding the issue of labour and human resources, the Taiwanese businesses in Malaysia is concerned about: (1) Studying appropriate foreign labour policies and solving the problem of labour shortage; (2) Simplifying the work permit application process; (3) Strengthening professional talent training and promoting talent exchanges between Taiwan and Malaysia; (4) Relaxing labour regulations and restrictions on the number of foreign employees.

Malaysia is facing labour shortage problem and has relied on foreign workers to supplement its labour force for many years. However, before companies are allowed to apply to hire foreign workers, they have to prove that they cannot find suitable Malaysian citizens or permanent residents after having exhausted all avenues. The review process by the competent authorities is strict, making it difficult to get approval. It is suggested that the Malaysian government relax restrictions on hiring foreign workers, simplify recruitment procedures, and establish a single processing window or agency to accelerate the recruitment of foreign workers and solve the problem of industrial labour shortages.

Apart from that, the Malaysian government has strict regulations for issuing work permits. The procedures are cumbersome, and the administrative process is inefficient, which affects Taiwanese business managers' work schedules in Malaysia and the company's long-term planning. It is recommended that the Malaysian government consider amending the relevant regulations on issuing work permits, simplifying the procedures, and adjusting the administrative process to avoid unnecessary paperwork. In addition, it is recommended that the professional entry visa be issued for more than 12 months, and those in key positions can be issued a 5-year working permit to facilitate foreign companies' operation and human resources arrangements.

Furthermore, Malaysia has had a serious problem of talent pool outflow in recent years, particularly the general lack of high-quality science and engineering talents in the industry. It is recommended that Malaysia establish a complete long-term professional talent training system that focuses on cultivating science and engineering professionals. It can also strengthen talent exchanges, industry-academia cooperation, education and training and other aspects of Taiwan to meet the needs of cultivating professional and technical talents.

Last but not least, Malaysia's labour regulations focus on protecting workers, and companies must prioritise hiring local citizens. It is recommended that the Malaysian government consider balancing the rights and protection provisions of both employers and employees and relaxing the protection policy for local workers to facilitate companies in recruiting employees. In addition, it is recommended that the restrictions on foreign employee quotas, determined by the amount of paid-in capital of manufacturing companies, be liberalised so that companies can hire employees based on their actual operating conditions and human resource planning for more efficient investment and operational planning.

Tax Issues

Regarding the issue of taxation, the Taiwanese businesses in Malaysia are concerned about: (1) Reasonable adjustment of the tax rate to reduce the tax burden on both domestic and foreign companies; and (2) Strengthening of the tax administration's efficiency.

Malaysia's corporate income tax burden is higher than that of Taiwan and most ASEAN countries. It is suggested that the Malaysian government refers to the tax systems of ASEAN neighbouring countries, lowering the corporate income tax rate and simplifying the existing tax system. Also, levying the same tax rate on local and imported products will help attract foreign investment.

On top of that, Malaysia also adopts an estimated tax payable declaration system for corporate income tax. However, the relevant regulations are relatively strict, which may cause manufacturers to be penalised due to incorrect estimates. It is recommended that the Malaysian government considers revising the timing of estimated tax payments to avoid companies from being punished for this reason. At the same time, the administrative process for tax refund processing should be strengthened to improve the efficiency of cash flow management of small- and medium-sized companies.

Infrastructure Issues

As far as the infrastructure issues are concerned, the Taiwanese businesses in Malaysia are largely concerned about: (1) Continuous improvement of the deployment and quality of network infrastructure and narrowing of the gap between urban and rural areas and; (2) Balancing regional infrastructure and overhauling existing obsolete infrastructure.

Overall, Malaysia's level of network infrastructure is significantly better than that of most Southeast Asian countries. It is recommended that the deployment and quality of network infrastructure continue to improve, especially in rural areas, and that construction efforts be strengthened to bridge the gap between urban and rural areas. Such an initiative will help the future transformation and development of Malaysia's digital economy.

Additionally, although Malaysia's transportation infrastructure is above the global average, climate change has increased the number of floods in recent years. The maintenance situation of the country's older infrastructure has also become increasingly severe, and there is also a looming crisis of insufficient water and electricity supply, indirectly increasing the risks to the Taiwanese businesses in Malaysia. It is recommended that the Malaysian government to continue focusing on the quality of relevant infrastructure and consider using public-private collaboration to introduce foreign technology investment cooperation to strengthen Malaysia's infrastructure.

Other Issues

Other issues the Taiwanese businesses in Malaysia focus on are: (1) Strengthening of the enforcement of intellectual property rights and laws; and (2) Loosening the halal product certification system.

Although the Malaysian government has always supported the intellectual property rights protection system and complied with the standards of international organisations, there is still room for continuous improvement. In some areas of Malaysia, counterfeit and pirated goods are still rampant. It is recommended that the Malaysian government refer to the Intellectual Property Convention which Singapore has joined, as follow-up steps or goals, to standardise the domestic and international intellectual property protection standards. This will posit Malaysia in line with advanced countries, and strengthen the fight against counterfeiting and piracy to support legitimate businesses in their operations.

Whereas there is a bilateral recognition mechanism between Taiwan and Malaysia for overseas halal verification, Malaysia stipulates that foreign halal certificates are generally valid for one to two years --- resulting in Taiwan's THIDA certification only valid for one year. Not to mention the strict halal criterium which required each product to be inspected one by one, creating a trade barrier for halal certification. It is recommended that the Malaysian government provide Taiwan with a THIDA certification validity extension to 2 years, reducing export costs and time for Taiwanese businesses.

Finally, based on the current bilateral economic development trend of Taiwan and Malaysia and their complementary advantages, this research proposes the following seven areas of priority for potential cooperation: (1) Electronic and electrical industry; (2) Business automation; (3) Circular agriculture; (4) Halal industry; (5) Renewable energy; (6) Medical and health industry; and (7) Smart logistics. These seven areas of priority for bilateral cooperation can be briefly explained as follows:

Cooperation in Electronic and Electrical Industry

Malaysia is currently a major assembly and testing hub for the global semiconductor supply chain. Since 2023, as part of the country's quest for the upgrading of its semiconductor industry, the Malaysian government has adopted key policies to encourage manufacturers to invest in the Integrated Circuit (IC) design, an upstream process within the global supply chain.

Taiwan, meanwhile, holds a significant role in all aspects of the global semiconductor supply chain, be it the IC design (upstream), chip manufacturing (midstream) and IC packaging and testing (downstream). Therefore, Taiwan and Malaysia are in good position to sign bilateral industrial cooperation agreement or memorandums of understanding (MoU) to tap on each other's niche advantages in the semiconductor industry. At the same time, Malaysia could implement policies to encourage Taiwan's downstream packaging, testing and peripheral equipment as well as material manufacturers to invest in Malaysia and collaborate with Malaysian players to jointly explore the international market. In addition, the Malaysian government can also draw on Taiwan's semiconductor industrial experiences in formulating relevant industry-academia policies, as the catalyst to build a complete semiconductor industry chain.

Although Malaysia's productions of other electronic and electrical products are less competitive globally and heavily dependent on import markets, Taiwan and Malaysia can strengthen their business matchmaking activities in the future, through efforts such as encouraging the Taiwanese businesses to expand their product exports to the Malaysian market and collaborating with local businesses to set up manufacturing facilities in the Southeast Asian country.

Cooperation in Business Automation

In addressing the long-standing labour shortage issue, Malaysia has actively encouraged small- and medium companies (SMEs) to enter the forays of automation and smart manufacturing as a means to boost the country's industrial competitiveness. By comparison, Taiwanese SMEs have many years of experiences in carrying out digital transformation and automated production □ which can serve as a valuable case study from both technical and regulatory perspectives.

Specifically, Malaysia should continue to strengthen its existing collaboration with Taiwan and invite Taiwanese experts to provide consulting services for Malaysian SMEs in digital transformation and automation production. Aside from that, the Malaysian government can encourage the Taiwanese businesses to cooperate with local companies in venturing into the use of automated equipment and smart production processes.

Cooperation in Circular Agriculture

Currently, Malaysia is the world's second-largest palm oil producer, with global output just ranked behind its neighbour, Indonesia. However, the oil palm industry has long been questioned for its sustainability due to wide deforestation and destruction of biodiversity. Apart from that, the disposal of palm oil residues, such as fruit pulp waste after oil extraction, is a challenge on its own. To balance industrial development with environmental protection, the Malaysian government has initiated policies that encouraged industrial players to implement circular agriculture and pursue sustainable management.

For Taiwan, the island has long been recognized for its advanced agricultural technologies. As such, by having Taiwanese businesses to invest in in Malaysia and cooperate with local partners, Malaysia stands to reap the benefits of injecting added value for its agricultural products as well as enhancing its environmental protection and industrial competitiveness. It is recommended that the Malaysian government encourages Taiwan's agritech companies with circular agriculture expertise and experiences to invest in the country. This will facilitate Malaysia's continuous development of cutting-edge agricultural technologies and thus, deepen the development of circular agriculture in the Southeast Asian nation.

Cooperation in Halal Industry

The halal food certification system was first developed in Malaysia, and the Codex certification has enabled those halal products that are produced in Malaysia to enjoy a strong reputation at both domestic and international fronts. As an Islamic country, Malaysia has approximately 20 million Muslims, accounting for 60% of the total population. Hence, when comes to the halal products, the country's huge production and consumption have contributed approximately 7.5% to its national GDP. This amply explains the reason halal industry is one of the key industries to be developed within the Twelfth Malaysia Plan. Besides catering to the domestic market, products that have obtained Malaysia's halal certification can also be exported to other countries that recognise the country's halal certification. It is not an exaggeration to claim that Malaysia is the "gateway" to the Muslim market in the world.

At present, various Taiwanese government agencies and organisations plan to cooperate with Malaysia in the halal industry. To this, several cooperation agreements have been signed with Malaysia's Halal Development Corporation (HDC). It is recommended that the HDC integrates the abovementioned information to provide clearer understanding to the Taiwanese businesses on the current state of cooperation between Taiwan and Malaysia. This will help improve the Taiwanese businesses' understanding of halal business opportunities and future development trends as well as encouraging more investments in the country's halal industry. At present, the Malaysian halal industry's largest contributors are the food and beverage sectors. Taiwan, with its advanced food processing technology and traceability systems, can enhance the effectiveness of Malaysia's halal certification by introducing its food traceability technology.

Malaysia is a signatory of the United Nations Framework Convention on Climate Change and is committed to net-zero carbon emissions. Meanwhile, Malaysia's renewable energy focuses on four major fields: solar energy, biomass energy, hydropower and new energy. Under Taiwan's "5+2 Industrial Innovation Plan" and the "Six Core Strategic Industries" initiative, Taiwan has been actively promoting energy transformation, with wind and solar power being the primary focus. Therefore, it is a matter of fact that Taiwan has already developed significant capacities in these sectors, attracting foreign investors to tap on such advantage.

With policy alignment of both countries, Taiwan and Malaysia can jointly explore cooperation in optoelectronics, wind energy and biomass energy in the future. At the same time, Malaysia may have potential for wind power development in the future. As a generator of offshore wind energy, Taiwan could offer insights from its policy-making and development experiences, providing Malaysia with valuable lessons for its own wind energy strategies. As for the biomass sector, several Taiwanese companies have already invested in Malaysia, achieving positive results by helping the country manages waste while increases its energy usage.

Cooperation in the Medical and Healthcare Industry

Malaysia's medical and healthcare industry has been a key focus of government development for many years, with recent growth particularly in the areas of medical devices and medical tourism. Taiwan, with its long history of medical and healthcare developments, has set its future directions through the island's "Biomedical Industry Innovation" and "Precision Healthcare Industry". With its strong capabilities in medical device technology and smart healthcare equipment, Taiwan is poised to progress towards these two directions in the long run.

Given the policy alignment of Taiwan and Malaysia within the medical and healthcare industry, joint exploration in the use of medical devices, personnel training and experimental visits by hospital executives, remained to be the most effective collaborative measures between both sides. Furthermore, Malaysia has experienced a shortage of medical staffs in recent years and is actively developing the lucrative medical tourism in its shores. Taiwan's exports of comprehensive smart healthcare systems can improve the efficiency of Malaysia's medical system and provide tourists with premier medical services.

Cooperation in Smart Logistics

Malaysia has always been a regional logistics hub in Southeast Asia due to its geographical location in the Malacca Strait. In recent years, the Malaysian government is actively seeking to upgrade its industrial landscape through the promotion of smart logistics industry. On the other hand, Taiwan's logistics industry has long integrated big data, artificial intelligence (AI), robotics and cold chain technologies into its operations, giving rise to smart logistics in the Taiwanese economy. Therefore, the Malaysian government can encourage the Taiwanese businesses to establish their local footprints in Malaysia and cooperate with Malaysian players in providing integrated smart logistical solutions to potential customers. It will help Malaysia elevates its own logistics industry at a long-term basis.

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Chapter One: Overview

1.1. Introduction

As the Taiwanese foreign investments have increased, Taiwanese chambers of commerce have been established one after another around the world since the 1980s. Taiwan Commerce of Commerce and Industry in Malaysia (TWCHAM) was established on 27th March 1990. It is the only legitimate organization that is registered under the Malaysian Societies Act and represents Taiwanese businesses in Malaysia. As a non-governmental, non-profit business organization, TWCHAM aims to promote Taiwanese investments in Malaysia, provide members with services and consultation on Malaysian laws and regulations, assist members in exchanging business information with each other, and solve a myriad of problems faced by Taiwanese businesses in Malaysia. TWCHAM is committed to improving trade and investment exchanges between Taiwan and Malaysia.[1]

Members of the TWCHAM are the Taiwanese companies doing businesses in Malaysia --- with memberships increasing continuously from about110 manufactures in the early 1990s to more than 460 members to date. Many members are located in all the states in Malaysia, involved in a wide range of industries, namely, manufacturing, technology, finance and wholesale/retail industries. With the efforts by TWCHAM, economic exchanges and cooperation between Taiwan and Malaysia have continued to expand, creating vast business opportunities for Taiwanese companies in the Malaysian market. At the same time, Taiwanese investments in Malaysia has also created local job opportunities and helped in industry upgrading, promoted the development of Malaysia's economy. It is worth mentioning that TWCHAM also actively participates in social welfare undertakings in Malaysia, contributes their own share of corporate social responsibility (CSR), and supports public welfare projects in education and healthcare sectors.[2]

As an important country in the Indo-Pacific region, Malaysia has its advantages in terms of geographical location, rich natural resources and high-quality human capital, made it one of the main hot spots for foreign investments in the region. Driven by a series of economic reforms and business-friendly policies from the Malaysian government in recent years, such as the 12th Malaysia Plan, 2021-2025 National Investment Aspirations, MyDIGITAL and climate change measures, there is a wave of new investments coming to this Southeast Asian country. It is worth to mention that with Russia-Ukraine war, COVID-19 pandemic, climate change and the US-China rivalry for the past few years, the global economic landscape has confronted with unprecedented challenges today. In the highly interconnected global economy today, each country is seeking to improve own supply chains resilience to cope with the impacts of these uncertainties. In this regard, Malaysia has demonstrated high competitiveness in the domains of technology, manufacturing and services --- all of which are highly complementary to Taiwan's industrial structure. Therefore, under the current new

1 Taiwan Chamber of Commerce and Industry in Malaysia: *https://www.twcham.org.my/*.

2 Taiwan Chamber of Commerce and Industry in Malaysia's Facebook.

global economic landscape, there is considerable room for cooperation between Taiwan and Malaysia at the macro-level. Within the micro-level, there are wide areas of investments for the Taiwanese businesses in Malaysia.

In order to further strengthen the economic, trade and investment cooperation between Taiwan and Malaysia, TWCHAM has specially compiled the " White Paper for Business and Investment in Malaysia" (thereafter, White Paper), with the aspiration that the actual investment experiences of Taiwanese businesses in Malaysia will provide ideas to the Malaysian government in reforming its economy and polishing its business-friendly environment. For one, the White Paper provides objective, concrete and feasible improvement suggestions in terms of institutional adjustment and regulatory loosening. In addition, in promoting and optimizing Malaysia's overall business-friendly environment for Taiwanese investors, this white paper also explores areas where bilateral cooperation can be strengthened through the harmonization of complementary advantages between Taiwan and Malaysia.

On forward-looking cooperation issues such as deepening bilateral economic and trade relations, we hope to realize the visions of two-way reciprocity, mutual benefit and common prosperity between Taiwan and Malaysia. TWCHAM hopes that this white paper can serve as a bridge for exchanges and cooperation between Taiwan and Malaysia, continue to promote Malaysia's economic development, and create a more friendly investment environment for Taiwanese businesses in Malaysia.

This white paper is divided into four chapters. The first part is an overview, including an introduction of the study, exploration of Malaysia's importance in the global economic and trade system, background of bilateral economic and trade between Taiwan and Malaysia, and the participation and contribution of Taiwanese businesses to Malaysia. Also, the discussion of the first part focused on the economic and trade cooperation between Malaysia and Taiwan under the new global economic and trade scenarios. The second part then takes the perspective of Taiwanese businesses in articulating their current inconvenience of doing business in Malaysia, and provide some objective, concrete and feasible suggestions to the Malaysian government for further improvements of the business environment. The third part will analyze the industrial cooperation opportunities between Taiwan and Malaysia in various prioritised industries. Finally, the fourth part features the summary of key research results for this white paper.

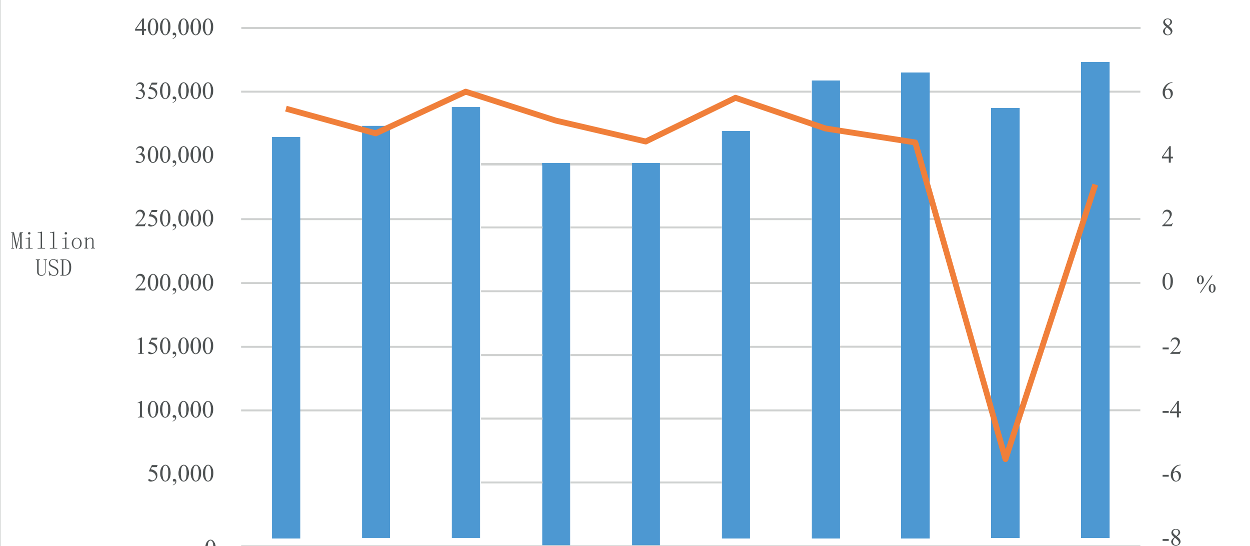
1.2. Malaysia's Importance in the Global Economic and Trade System

1.2.1. Overall Business Environment

(I) Economic growth will still be affected by COVID-19 epidemic in the short term, growth momentum is expected to resume in the medium to long term

Malaysia is the third largest economy among ASEAN countries, after Indonesia and Thailand. It is geographically close to the equator, especially close to the important Malacca Strait. According to the data released by the World Bank in the past three years (2019-2021), Malaysia's GDP maintained at US$3,300 billion to US$3,700 billion. The GDP in 2013 and 2016 declined mainly due to the economic turbulence of major trading partners such as China, Japan, and United States. In 2020, the implementation of pandemic control measures to restrict movements and commercial activities during the COVID-19 period, coupled with the impact of factors such as the decline in global crude oil prices and the unstable domestic political environment, have seriously affected the momentum of economic growth of Malaysia. From Figure 1-1 (below), it is clear that Malaysia's economy only recovered gradually in 2021, with the economic growth rate rebounded to 3.09%.

Figure 1-1 Malaysia GDP and its Growth Rate during the Past Decade



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GDP	314,443	323,277	338,062	301,355	301,255	319,112	358,792	365,175	337,338	372,981
GDP Growth	5.47	4.69	6.00	5.09	4.44	5.81	4.84	4.41	-5.53	3.09

GDP GDP Growth

Source: World Bank.

(II) Strategic geographical location

Malaysia is geographically close to the equator with Asian tropical rainforest climate. Its land and climate not only suitable for growing crops all year round, but is also rich in natural resources such as palm oil, rubber, oil and natural gas. Malaysia is the fifth largest exporter of liquefied petroleum gas in the world. In addition, Malaysia is close to the Strait of Malacca, an important global maritime channel and a geographical hub of Southeast Asia. In terms of industrial structure, Malaysia is dominated by manufacturing, services, agriculture and mining, and its main export industries include electronics and electrical industry, rubber products industry, chemical and chemical products industry and others. In terms of export output value, the highest output value industry is manufacturing (electrical and electronics, chemicals), followed by agriculture (palm oil) and mining (crude oil and natural gas).[3]

(III) Excellent business environment among ASEAN countries

Malaysia has adopted many direct and indirect tax investment incentives that include the Investment Promotion Act 1986, Income Tax Act 1967, 1967 Tariff Act, Sales Tax Act 1972, Internal Revenue Code 1976, and Free Zones Act 1990. In order to promote foreign investments to revitalize the Malaysian economy, Malaysia Investment Development Authority (MIDA) also provides investment incentives with tax reductions and exemptions for the manufacturing and service industries, such as tax exemptions for the manufacturing sector, high-tech industry investment tax incentives, strategic industry incentives, just to name a few.

According to the latest data released by World Bank on Annual Doing Business Report 2020 (Doing Business 2020) among the 190 global economies, Malaysa's overall ease of doing business score is 81.50,[4] up 6 positions than the previous year (2019) to rank 12th in 2020. Among ASEAN countries, Malaysia ranked second in the ease of doing business ranking, just behind Singapore. Although World Bank has suspended the release of 2020 figures due to the epidemic, the business environment report after that particular year, shows that Malaysia's investment environment had seen an overall improvement and is also widely favored by Taiwanese businesses. In 2021, there were 15 projects invested by Taiwanese businesses, amounting to about US$155 million --- with the largest investments coming from electronics and electrical products, followed by chemicals and chemical products. This placed the Taiwan as the 10th foreign investment source in that year alone.

3 Department of Investment Promotion, MOEA, 2022.

4 World Bank, *https://ws.ndc.gov.tw/.*

Table 1-1 Changes in Malaysia's Global Competitiveness Index and its Various Pillars from 2019 to 2020

Economy	DB ranking 2020	Change in DB ranking 2019 - 2020	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Singapore	2	–	4	5	19	21	37	3	7	47	1	27
Malaysia	12	+3	126	2	4	33	37	2	80	49	35	40
Thailand	21	+6	47	34	6	67	48	3	68	62	37	24
Vietnam	70	-1	115	25	27	64	25	97	109	104	68	122
Indonesia	73	–	140	110	33	106	48	37	81	116	139	38
Philippines	95	-29	171	85	32	120	132	72	95	113	152	65
Cambodia	144	-6	187	178	146	129	25	128	138	118	182	82
Laos	154	–	181	99	144	88	80	179	157	78	161	168
Myanmar	165	+6	70	46	148	125	181	176	129	168	187	164

Note: A total of 190 economies were included in the study.

Source: World Bank, *Doing Business 2020*.

In terms of national competitiveness, according to the IMD World Competitiveness Report 2022 published by the International Institute for Management Development (IMD), Malaysia fell 7 places, ranked 32nd out of the 63 economies. The IMD World Competitiveness ranking is based on four factors, namely, economic performance, government efficiency, business efficiency and infrastructure. From the analysis of these four factors, it can be found that if compared with the data t 2020, Malaysia's economic performance has the most improvement, rising 3 positions from 15th increased to 12th in 2022. That said, Malaysia's government efficiency dropped by 8 places from 30th in 2021 to 38th in 2022, mainly due to the unstable domestic political environment. Similarly, the country's business efficiency and infrastructure dropped 6 and 5 places respectively as compared to the figures in 2021, a demonstration that Malaysia were still in a state of economic recovery after the COVID-19 pandemic.

Table 1-2 Changes in Thailand's IMD World Competitiveness Ranking from 2021 to 2022

	Ranking in 2022	Ranking in 2021	Changes in ranking from 2021 to 2022
Overall Ranking	32/63	25/63	-7
Economic performance	12/64	15/63	+3
Government efficiency	38/64	30/63	-8
Business efficiency	38/64	24/63	-6
Infrastructure	37/64	32/63	-5

Source: IMD, IMD World Competitiveness Country profile 2022, compiled by the research team.

In addition, the efforts made by the Malaysian government in improving the overall investment environment was reflected in its achievement within other comparable competitiveness ranking. According to The Global Competitiveness Report 2019 released by the World Economic Forum, the Malaysian government's effectiveness in improving the investment environment had gained certain result. Although Malaysia's global competitiveness dropped by 2 places to 27th among the 141 economies when compared to the figures in 2018, the country still maintained its second most competitive economy after Singapore, within the ASEAN region. Yet, among the 12 pillars of the World Competitiveness Indicators, thanks to improvements of market size, non-tariff barriers, trade tariffs and other indicators, Malaysia's rankings for both product market and business dynamism indicators had also improved. At the same time, the improvement in business dynamism rankings contributed to the gains in the ease of starting a business, insolvency regulatory framework and other indicators.

Table 1-3 WEF Global Competitiveness Indicators of Malaysia and Changes in Ranking of Each Pillar from 2018 to 2019

Indicator	Ranking in 2019	Ranking in 2018	Changes in Ranking from 2018 to 2019	Indicators Whose Score and Ranking Both Declined from 2018 to 2019*
Ranking in the Global Competitiveness Index	27/141	25/140	-2	–
Indicator Pillars				–
Institution	25/141	24/140	-1	● Organized crime ● Reliability of police services ● Property rights ● Intellectual property protection
Labour skills	30/141	24/140	-6	● Mean of schooling years ● Extent of staff training ● Vocational training ● Skill set of graduates ● Ease of finding skilled employees ● School life expectancy ● Pupil-to-teacher ratio in primary education ratio ● Critical thinking in teaching
Product market	20/141	24/140	+4	● Tariff complexity of tariffs
Labour market	20/141	20/140	-	● Redundancy costs ● Flexibility of wage determination ● Active labour market policies ● Pay and productivity
Financial system	15/141	15/140		● Financing of SMEs ● Venture capital availability ● Insurance premium ● Soundness of banks
Market size	24/141	23/140	-1	–
Business dynamism	18/141	19/140	+1	● Cost of starting a business ● Attitudes towards entrepreneurial risk ● Growth of innovative companies ● Companies embracing disruptive ideas
Innovation capability	30/141	30/140	-	● Diversity of workforce ● Multi- stakeholder collaboration

However, it is worth noting that in terms of indicators such as institution, infrastructure, information and communication technology adoption, macroeconomic stability, health, labour skills and market size, Malaysia had seen deteriorating rankings in 2019 if compared to the same figures in the previous year. Among them, the largest decline in ranking was in macroeconomic stability, in which the ranking fell one place to 35th in 2019. The reason of the decline was debt dynamics indicator, fell from 1st place in 2018 to 35th in 2019. Other pillars that witnessed a drop obviously was labour skills, in which Malaysia's ranking was down by 6 places as compared to 2018. The reasons for the decline were declining performance in the mean of schooling years and the skill set of graduates as well as the ease of finding skilled employees in 2018. Table 1-3 showed that although the rankings of many pillars of competitiveness of Malaysia fell in 2018, the decline was not significant in general. Therefore, Malaysia should prioritize improving the macroeconomic stability and labour skills, which have fallen significantly in the WEF Global Competitiveness Indicators. This will help in increasing Malaysia's global competitiveness as a whole.

1.2.2. Importance of the Global Economic and Trade System

(I) Actively deploying trade agreement networks externally

In addition to supporting the multilateral system, Malaysia's foreign trade policy also actively promotes the signing of Free Trade Agreement (FTAs) and Regional Trade Agreements (RTAs) with other countries/regions. As of December 2022, Malaysia has signed a total of 17 FTAs, including the bilateral FTAs, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). The negotiations and signing of these trade agreements will help Malaysian products enjoy tariff exemptions or reductions, thereby increasing the competitiveness of its export products in the international market. This also provides a more stable and attractive investment environment, promote domestic direct investment (DDI) and foreign direct investment (FDI) as well as other investment activities.

Currently, the scope of effective FTA/RTA signed by Malaysia are not limited to neighboring Southeast Asia, East Asia, Australia and New Zealand, but also included countries such as Pakistan in South Asia and Turkey in West Asia. In addition, Malaysia has ratified the CPTPP on 29 November 2022, the 11th member country to do so. Through the agreement, Malaysia can access new markets and acquire a wider range of ingredients at competitive prices. The agreement also provides technical assistance and increases Malaysia's production capacity for the local industries such as automobiles, scientific equipment, and medical instruments. Almost all Malaysian exports to CPTPP member countries are expected to enjoy zero tariff treatment in 2033. After the agreement comes into effect, Malaysia's exports to Australia and Singapore will be eligible for tariff exemptions automatically, while all exports to New Zealand and Canada are to be exempted from tariffs in 2024 and 2029 respectively. Apart from that, Malaysian companies can also enter the government procurement markets of other member countries with lower thresholds.[5]

However, Malaysia still has room for progress in terms of trade enhancement. Negotiations for an FTA between Malaysia and the European Union (EU) started in 2010. Since the beginning of 2021, due to European concerns about the impact of palm oil to the environment, the negotiations on the FTA were affected. While the Dispute Settlement Body of WTO agreed to hear Malaysia's appeal against the EU in May 2021, such dispute continued for many years --- further delaying the negotiation process between the two sides.[6]

Table 1-4 Overview on FTAs/RTAs Signed by Malaysia

Status	Type of Agreement	Name of the FTA	Date of Signing/ Taking Effect
In Effect	Bilateral	Malaysia-Australia	1 January 2013 (goods & services)
		Malaysia-Chile	25 February 2012 (goods)
		Malaysia-Pakistan	1 January 2008 (goods & services)
		Malaysia-New Zealand	1 August 2010 (goods & services)
		Malaysia-Japan	17 July 2006 (goods & services)
		Malaysia-Turkey	1 August 2015 (goods)
		Malaysia-India	1 July 2011 (goods & services)
	Regional	ASEAN	29 March 2012
		ASEAN-Mainland China	1 January 2005 (goods) 1 July 2007 (service)
		ASEAN-Japan	1 December 2008 (goods) 1 August 2020 (service)
		ASEAN-South Korea	1 January 2010 (service) 1 May 2009 (goods)
		ASEAN-New Zealand and Australia	1 January 2010
		ASEAN-India	1 January 2010 (goods) 1 July 2015 (service)
		ASEAN-Hong Kong	11 June 2019
		RCEP	18 March 2022
		CPTPP	29 December 2022
		GSTP	19 April 1989

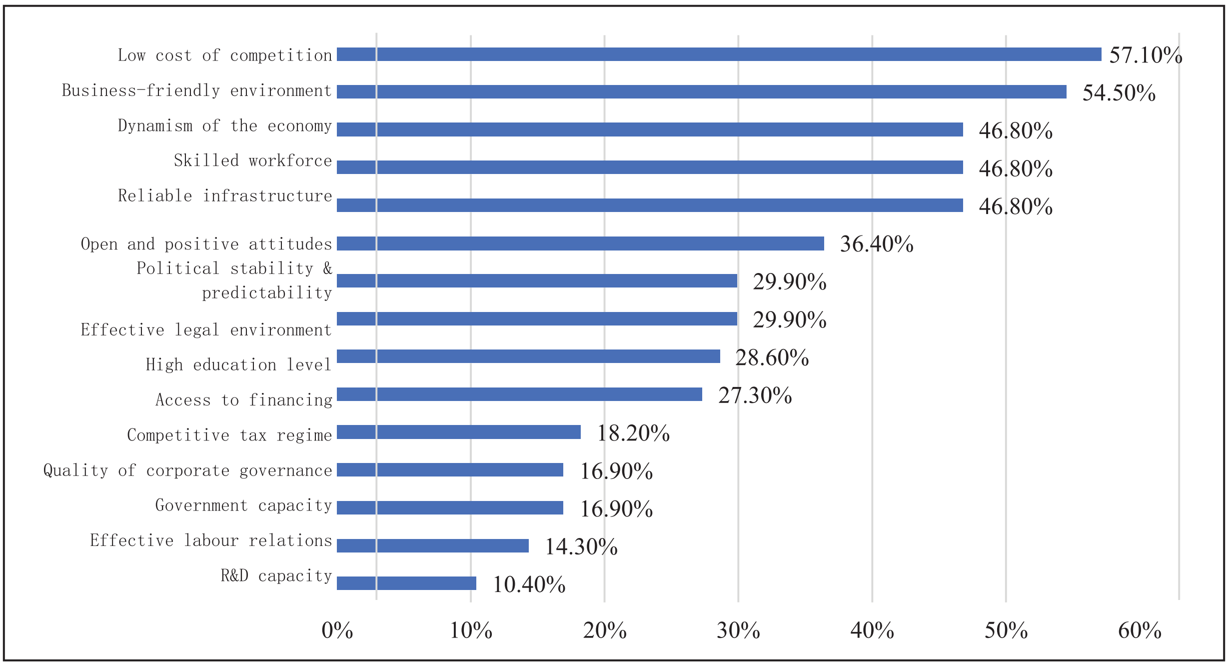
5 Hong Kong Trade Development Council, Malaysia ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Economic and Trade Research, 28 October 2022.

6 Cross-border Strategy Consultants, Malaysian Import and Export: Current Development of Trade Policies and Regulations, 2023.

(II) Open investment environment to foreign investors

For a long time, Malaysia has been a key target for foreign investments in the Asia-Pacific region. Among the 10 ASEAN countries, Malaysia ranks 4th in terms of the inward foreign direct investment accumulated for the past decade, which is only outperformed by Singapore, Indonesia and Vietnam.[7] According to the IMD World Competitiveness Yearbook, the relatively low cost of competition and friendly attitude of Malaysia are the important factors in attracting foreign investors. As policy directions continue to improve the country's domestic economic freedom, it will create an open and convenient investment environment for foreign investment inflows into Malaysia.

Figure 1-2 Key Factors for Foreign Investment Attraction in Malaysia



Note: The results presented in this figure are based on a survey conducted by IMD on senior executives in Malaysia. Respondents selected the top five factors (out of a total of 15) which they think make Malaysia an attractive investment target.

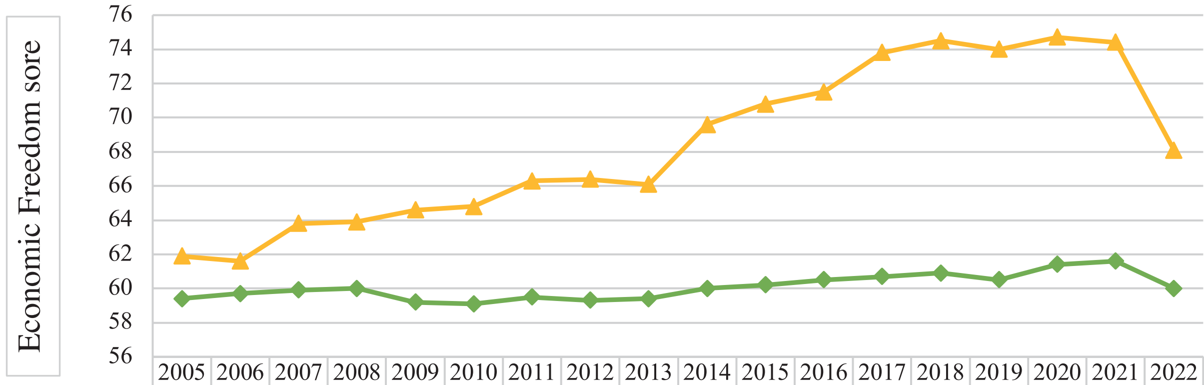
Source: IMD, *IMD World Competitiveness Yearbook 2023*, compiled by the research team.

Furthermore, according to the data of the Index of Economic Freedom published by the Heritage Foundation in the U.S. in 2022, the economic freedom scores of Malaysia has been rising steadily since 2013, and its performance has always been better than the world average (see Figure 1-3). However, Malaysia's economic freedom ranked42rd among the 177 economies in the world which were rated in 2022, declined from 22nd place in 2021, with the score fell to 68.1 points in 2022. Malaysia'8th among 39 countries and territories in Asia-Pacific region, performed by Singapore, New Zealand, Taiwan, Australia, South Korea, Japan and Samoa, and Malaysia was classified in the moderately free country group. The reason why

7 ASEANStatsDataPortal, *https://data.aseanstats.org/*.

Malaysia 's economic freedom score plummet in 2022 can be due to the impact of the COVID-19 epidemic and local political chaos since the 2018 general election. Social divisions have led to an unstable political environment and a decrease in the effectiveness of government operations, which in turn negatively impacted the overall economic situation of Malaysia.

Figure 1-3 Economic Freedom Score of Malaysia



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
world	59.4	59.7	59.9	60	59.2	59.1	59.5	59.3	59.4	60	60.2	60.5	60.7	60.9	60.5	61.4	61.6	60
Malaysia	61.9	61.6	63.8	63.9	64.6	64.8	66.3	66.4	66.1	69.6	70.8	71.5	73.8	74.5	74	74.7	74.4	68.1

Although Malaysia's economic freedom performance in 2022 was not as good as 2021, but its overall performance is still better than the world average. Table 1-5 below summarize the four areas of Malaysia's economic freedom indicators (i.e rule of law, government size, regulatory efficiency and open market) and its 12 indicators for evaluation. As shown in the table, Malaysia scored higher than world average in all the 12 indicators, and the score for trade freedom, government spending, fiscal health, etc. were significantly better than the world average. Compared to 2021, 7 indicators declined, 4 Indicators remained unchanged, with only 1 indicator improved. The most significant decline were property rights (-19.5), freedom of doing business (-19.6) and freedom of labour (-16.9) . In order to further improve the economic freedom, Malaysian government should give priority to improving the above-mentioned indicators that have declined significantly and take measures to continue to make significant breakthrough in economic freedom and hence attract more foreign investments.

Table 1-5 Overview Performance of Malaysia's Economic Freedom Indicators

Area	Indicators	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Global average in 2022	Change from 2021 to 2022	Comparison between Malaysia's Data and the global average in 2022
Overall Score		66.4	66.1	69.6	70.8	71.5	73.8	74.5	74	74.7	74.4	68.1	60	-6.3	higher
Rule of Law	Property Rights	50	55	55	55	55	85.3	83.8	84.1	86.5	85.1	65.6	55.3	-19.5	higher
	Government Integrity	44	43	44.3	50	52	51.8	54.8	55.4	49.4	53.2	53.9	45.3	0.7	higher
	Judicial Effectiveness	–	–	–	–	–	67.3	65.2	68.2	74.6	70.5	57.6	50.2	-12.9	higher
Government Size	Tax Burden	84.5	85.1	84.6	84.4	85	85.3	85.6	85.6	85.7	83.8	83.8	77.9	flat	higher
	Government Spending	72.5	73.5	75.6	74	74.3	78.7	81.3	83.2	84.6	84.3	82.9	65	-1.4	higher
	FiscalHealth	–	–	–	–	–	76.5	80.7	82.4	80.2	79.4	73.4	60.6	-6	higher
Regulatory Efficiency	Business Freedom	78.1	79.9	85.6	93.5	91.4	90.8	83.9	83.9	87.8	86.7	67.1	60.3	-19.6	higher
	Labour Freedom	79.3	72.3	78.5	75.7	71.5	73.1	75.8	74.4	74.5	73.9	57	55.7	-16.9	higher
	Monetary Freedom	81.6	79.8	81	80.8	84.5	85.3	85.6	78.6	81.6	83.6	83.6	74.4	flat	higher
Open Market	Trade Freedom	78.8	77	76.4	80	81.4	81.2	87.4	82	82	82.4	82.2	69.5	-0.2	higher
	Investment Freedom	45	45	55	55	60	60	60	60	60	60	60	57	flat	higher
	Financial Freedom	50	50	60	60	60	50	50	50	50	50	50	48.7	flat	higher

1.3. Trends in Taiwan-Malaysia Trade and Investment Relations

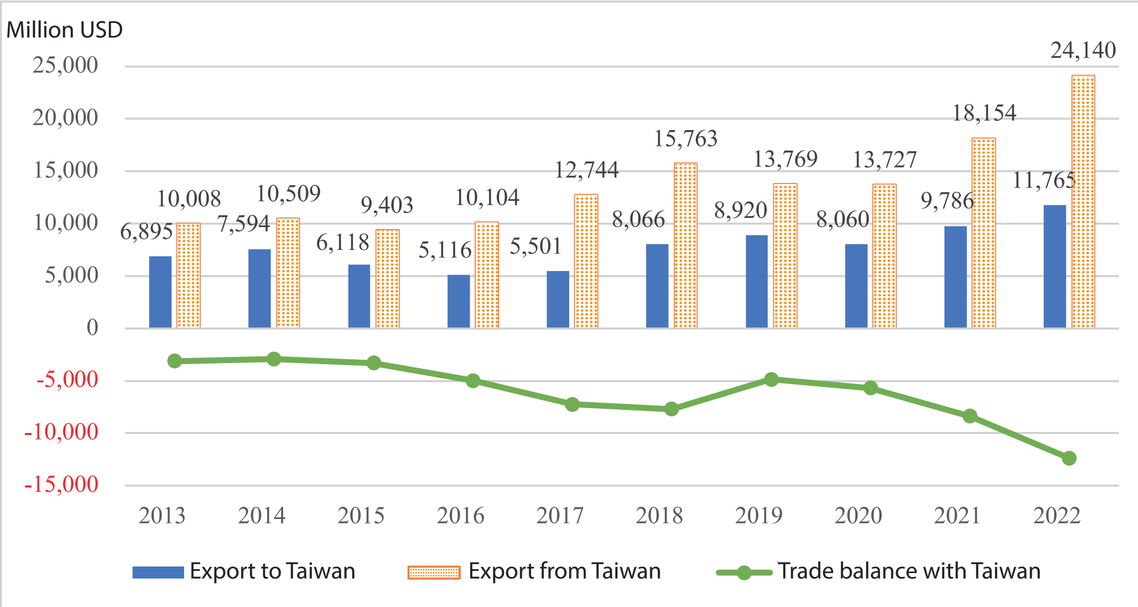
1.3.1. Trends of Bilateral Economic and Trade between Taiwan and Malaysia

(I) Bilateral import and export trade between Taiwan-Malaysia shows growth

Figure 1-4 shows the general statistics of import and export between Taiwan and Malaysia from 2013 to 2022. From the trends in the past decade, it can be observed that the 2015 to 2016 period was the lowest point for Malaysia's import and export trade to Taiwan. Since then, it has generally shown a growth trend, the export value has slightly decreased from US$6.895 billion in 2013 to US$5.116 billion in 2016, then grew to US$11.765 billion in 2022. During the same period, the import value decreased slightly from US$10.008 billion to US$9.403 billion in 2015, then climbed again to US$24.14 billion. The trade deficit was observed between Malaysia-Taiwan in the past decade, especially for 2021 and 2022 where Malaysia's exports to Taiwan grew by about 20-21% while the imports from Taiwan grew by about 32-33%. The growth rate of imports was higher than that of exports causing the trade deficit to expand to US$12.375 billion, a record high in 10 years.

Malaysia has successively promulgated a series of policies to promote the country's development, transformation and upgrading, such as the 11th Malaysia Plan, 2016-2020 and National Policy on Industry 4.0 in 2018, which focus on the development of industries such as electronics and electricals, machinery and equipment, chemical industry, aerospace and medical equipment. The latter is a combination of the Internet of Things, big data, cloud computing, simulation computing, automatic machinery, augmented reality, internet safety, system integration and 3D printing and other cutting-edge technologies to enhance manufacturing productivity. The National Transformation Plan 2050 (Transformasi Nasional, TN50) also focuses on the development of digital economy, infrastructure, education, innovation and sustainable development, aiming to realize transformation and modernization of Malaysia during the period 2020 to 2050. On the other hand, Taiwan has been actively promoted the New Southbound Policy (NSP) in 2016, and plan to increase the economic, trade, scientific and technological, cultural and other linkages with co-operate with the new southbound countries in four major aspects, i.e trade cooperation, talent exchange, resource sharing and regional links. Observing the development of bilateral trade in recent years, part of the reason for the continued growth of Taiwan-Malaysia trade may be due to bilateral policies promoting the docking and complementarity of resources supply and demand.

Figure 1-4 Overview of import and export trade between Malaysia and Taiwan from 2013 to 2022



(II) Malaysia's imports from Taiwan are mainly electronic and electrical equipment

There has been little change in the top 10 industries of imports from Taiwan to Malaysia, but the structural proportions have slightly changed, focusing more on electronic/electrical equipment. Take 2013 and 2022 for example, the Table 1-6 shows the top 10 industries of imports from Taiwan and their respective value, structural proportion, and the proportion of such industries in the total imports of similar industries in Malaysia. In 2013, products imported from Taiwan to Malaysia were mainly electronic and electrical equipment, with the import value reaching US$5.045 billion, accounting for 50.41% of Malaysia 's imports from Taiwan. This category is followed by mineral products, machinery and equipment, steel and chemicals, accounting for between 5% and 13% of Malaysia's imports from Taiwan. Import of the remaining products is accounting for less than 4% .In 2022, the main imported goods by Malaysia from Taiwan remained the same 5 categories, but imports are more concentrated in electronic and electrical equipment, with the imported value grew to US$17.393 billion, which was 3.5 times of 2013, and accounting for 72.05% of Malaysia's imports from Taiwan, while the import amount of remaining 4 categories gained growth of US$2 billion to US$6 billion, but the import proportion was lower than that of 2013. The import proportion of mineral products and machinery equipment has dropped to 7.79% and 5.79% respectively, while the import proportion of steel and chemicals were both lower than 4%.

Table 1-6 Main industries of imports from Taiwan to Malaysia

Unit: million US dollars

Rank	Industry	2013			2017			2022		
		Import Value	Structure Proportion	Market Share	Import Value	Structure Proportion	Market Share	Import Value	Structure Proportion	Market Share
	Import from Taiwan	10,008	100%	4.86%	12,744	100%	6.53%	24,140	100%	8.18%
1	Electronic and electrical equipment (HS85)	5,045	50.41%	9.86%	8,697	68.24%	15.90%	17,393	72.05%	20.36%
2	Mineral (HS25~27)	1,252	12.51%	3.57%	510	4.00%	1.87%	1,882	7.79%	3.13%
3	Machinery and Equipment (HS84)	754	7.54%	3.26%	711	5.58%	3.11%	1,399	5.79%	5.40%
4	Steel (HS72)	696	6.95%	11.59%	635	4.98%	12.12%	927	3.84%	13.99%
5	Chemicals (HS28~38)	521	5.20%	3.75%	538	4.22%	3.80%	738	3.06%	3.21%
6	Plastic (HS39)	394	3.94%	6.19%	369	2.89%	4.78%	479	1.98%	4.78%
7	Optical products (HS90)	150	1.50%	2.88%	211	1.65%	3.77%	297	1.23%	4.44%
8	Metal products (HS74~81)	197	1.96%	2.00%	203	1.59%	2.85%	230	0.95%	2.18%
9	Rubber (HS40)	155	1.55%	3.54%	225	1.77%	5.80%	158	0.66%	3.71%
10	Paper (HS47~49)	156	1.56%	6.86%	116	0.91%	5.11%	107	0.44%	3.46%
-	other	688	6.88%	1.42%	530	4.16%	1.19%	530	2.20%	0.89%

Note: Sorted by the value of imports from Taiwan to Malaysia 2022.

Source: ITC trade map.

(III) Taiwan's imports from Malaysia tend to focus on electronic and electrical equipment, and the proportion of mechanical equipment and optical products also continues to increase

In the past decade, Taiwan's top 10 industries of imports from Malaysia changed a lot. The main imported products are electronic and electrical equipment and mineral products, but the import trends for both products changed in diverse way. Taiwan's imports from Malaysia tend to focus on electronic and electrical equipment, and the proportion of mechanical equipment and optical products also continues to increase. The import value and proportion of main imported products in the early years, such as chemicals, wood and wood products, like straw have declined. Take 2013 and 2022 for examples, Table 1-7 below shows the top 10 industries of imports from Malaysia to Taiwan, and their respective value, structural proportion, and the proportion of such industries in the total imports of similar industries in

Taiwan. In 2013, Taiwan's imported products from Malaysia were mainly mining and electronic and electrical equipment, with the import value reached US$3.357 billion and US$2.247 million, accounting for 41.16% and 27.54% of Taiwan 's imports from Malaysia. This category followed by chemicals (H S 2 8 ~ 3 8) camounted US$528 million, accounted for 6.47 % while the import structure of other products accounted for less than 5%. In 2022, Taiwan's imported products from Malaysia were still mainly minerals and electronic and electrical equipment, but the significance was swapped, and the import amount of the former dropped to US$1.926 billion, the proportion of imports dropped to 14.25% while the latter grew by nearly 3 Times to US$6.711billion and the import proportion increased to 49.66%. The second main imported products are mechanical equipment and optical products, and the import volume increased from US$300 million and US$4000 million respectively to US$1.1billion and US$1.4billion, accounting for 10.66% and 8.68% of imports respectively. The import proportion of other products are less than 5%.

Table 1-7 Main Import Industries from Malaysia to Taiwan

Unit: million US dollars

Rank	Industry	2013			2017			2022		
		Import Value	Structure Proportion	Market Share	Import Value	Structure Proportion	Market Share	Import Value	Structure Proportion	Market Share
	Imported from Malaysia	8,156	100%	3.02%	7,182	100%	2.79%	13,514	100%	3.09%
1	Electronic and electrical equipment (HS85)	2,247	7.54%	4.11%	2,870	39.96%	4.26%	6,711	49.66%	5.28%
2	Mine (HS25~27)	3,357	1.16%	4.58%	1,765	24.57%	4.00%	1,926	14.25%	2.29%
3	Machinery and Equipment (HS84)	340	4.16%	1.19%	383	5.33%	1.17%	1,440	10.66%	1.98%
4	Optical products (HS90)	353	4.33%	3.41%	485	6.75%	4.56%	1,173	8.68%	6.13%
5	Food processing (HS15~24)	270	3.31%	5.94%	281	3.91%	5.57%	510	3.77%	7.89%
6	Chemicals (HS28~38)	528	6.47%	1.73%	367	5.11%	1.32%	461	3.41%	1.28%
7	Metal products (HS74~81)	191	2.34%	1.95%	214	2.99%	2.07%	369	2.73%	2.82%
8	Steel (HS72)	30	0.37%	0.30%	132	1.83%	1.65%	199	1.47%	1.83%
9	Plastic (HS39)	102	1.25%	1.36%	140	1.95%	2.00%	176	1.31%	1.94%
10	Wood and wood products straw (HS44~46)	362	4.43%	24.84%	190	2.64%	15.66%	112	0.83%	7.66%
-	other	377	4.62%	0.95%	356	4.96%	0.83%	438	3.24%	0.77%

Note: Sorted by the value of imports from Malaysia to Taiwan 2022.

Source: ITC trade map.

1.3.2. Overview of Taiwanese Businesses' Direct Investments in Malaysia

(I) Taiwanese business' investments in Malaysia in the past decade were mainly in the financial and insurance industries, wholesale and retail industries as well as electronic components' manufacturing industries

According to information from the Department of Investment Review of Ministry of Economic Affairs, the investment by Taiwanese companies in Malaysia began in 1959, and the investment became much more intensive and larger since 1987. Figure 1-5 showed that Taiwanese investment in Malaysia hit US$442 million historical peak in 1991, and the investment mainly in the textile industry (8 cases, amounted US$342million). The second high peak reached at US$370 million and US$313 million in 2010 and 2017 respectively, both mainly invested in the financial and insurance industries (the former mainly invested in the financial industry at US$302 million while the latter mainly invested in banking industry at US$268 million).As at end of 2022, the total cases of Taiwanese investment in Malaysia is 499, the amount reached US$3.548billion, the invested industry are mainly finance and insurance (30.77%), textile(17.15%), wood and wood products manufacturing industry (8.08 %), electronic components manufacturing industry (7.32 %) and wholesale and retail trade (6.96%).

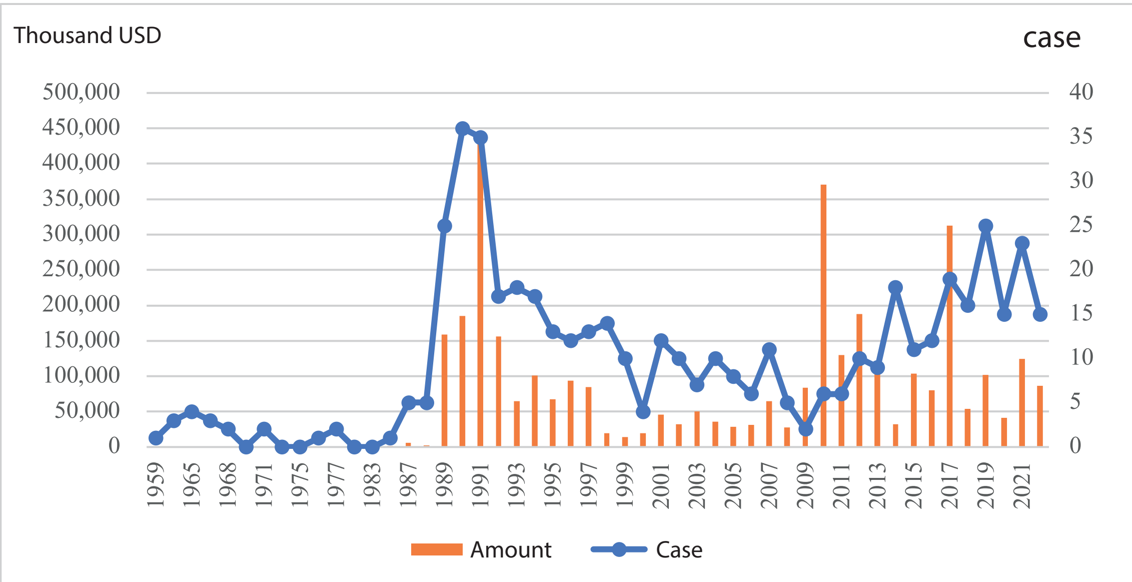


Figure 1-5 Amount and Number of Taiwanese Investments in Malaysia

Observing the Taiwanese investment in Malaysia in the past decade, the minimum annual investment amount all exceeds US$30 million. In 2017, the investment amount peaked at US$313 million. The largest Taiwanese investment project in Malaysia was the combined remittances of Cathay United Bank and Cathay Life Insurance Company at US$268 million, acquired the total shareholding of Bank of Nova Scotia

Berhad. In the past decade, there have been a total of163 Taiwanese investments in Malaysia, with a total amount of US$1.039 billion, accounting for 1.01% of Taiwan's foreign investment during the same period, making Malaysia the 20th largest foreign investment destination for Taiwan.

In terms of industry, Taiwan's investment in Malaysia in the past decade has mainly been made in manufacturing, including investment in electronic components US$105 million, base metals US$85 million, chemical materials and fertilizers US$77 million. The cumulative investment amount reached US$466 million, accounting for 44.82% of Taiwanese investment in Malaysia. This followed by finance and insurance industry (mainly the banking industry, US$280 million), with cumulative investment amount of US$353 million, accounting for 33.97% of Taiwanese investment in Malaysia. The third highest is wholesale and retail industry (mainly electronic equipment and related component wholesale industry, US$51million), with cumulative investment amount and proportion were US$ 163million and 15.68% respectively.

It is worth noting that not all Taiwanese businesses investing abroad must submit reports to Department of Investment Review, and the statistics of the depart does not include investments made by Taiwanese businesses to Malaysia through third destination such as the Cayman Islands, Singapore, and mainland China. Therefore, there might be some differences between the statistics of department and Malaysia. Thus, the statistics from Department of Investment Review of Ministry of Economic Affairs Taiwan may not reflect the full picture of Taiwanese investment in Malaysia and may underestimate the economic influence of Taiwanese businesses in Malaysia.

Table 1-8 The Number and Amount of Approved Manufacturing Projects by Taiwanese Businesses in Malaysia

Year	Taiwan Reviewed Investment		Malaysia Approved Investment (Manufacturing)		
	Number of project	Amount (million US$)	Number of project	Amount (million RM)	Amount (million US$)
2013	9	103.45	18	131.0	41.58
2014	18	31.79	30	692.1	211.47
2015	11	103.59	24	1,275.5	326.59
2016	12	79.97	18	548.6	132.25
2017	19	312.72	20	755.4	175.66
2018	16	54.11	18	678.7	168.20
2019	25	101.97	28	5,235.9	1,263.96
2020	15	40.79	20	760.8	180.99
2021	23	124.14	15	648.5	156.52
2022	15	86.39	20	572.3	130.04
10 years cumulative	163	1,039.91	211	11,298.8	2,787.24

(II) Taiwanese investments in Malaysia inject momentum into Malaysia's industries and promoting the local industrial development and export growth

From the Malaysia perspective, as at end of 2022, total Taiwanese investment in Malaysia reached a total of US$5.979 billion Ringgit, of which manufacturing investment accounted for 70.46% and service industry investment accounted for 29.54%, accounted for 0.68% of Malaysia's foreign investment.[8] Although Taiwan is not Malaysia's main source of foreign investment, but Taiwanese investment in Malaysia injected momentum into the country's development and helps promote industries.

Furthermore, Malaysia has launched many important economic measures recent years, such as the 12th Malaysian Plan, 2021-2025, and actively promote the growth of industries such as electronics and electrical machinery, aerospace, cultural and creative industries, tourism, halal, biomass energy and smart agriculture, and develop digital economy plans (MyDIGITAL), Industry 4.0 policy (Industry4WRD), among which the electronic and electrical industry is Malaysia's largest foreign exchange earning industry. A large number of multinational companies have chosen Malaysia as a regional base to integrate local companies into a part of the global value chain, they mainly come from the Netherlands, Singapore, Taiwan, and China. Malaysia government mainly approved sub-sectors such as electronic components, consumer electronics, industrial electronics, electrical components, and electrical appliances (including industrial electrical appliances).[9]

In addition, Taiwanese investment in wood products industry Malaysia (such as cabinet production projects) has also contributed to furniture export growth of Malaysia; investment in the production of high-tech medical lenses also has provided equipment and machinery to local suppliers in Malaysia, new business opportunities for machine tools, packaging materials and products, which will have positive impact on the development of medical device ecosystem Malaysia[10]; investment in the establishment of a sodium silicate factory in the chemical industry responds to Malaysia's goal of developing the chemical industry.[11] Taiwan and Malaysia have also launched bilateral economic cooperation to promote trade, investment and the development of small and medium-sized companies, especially in areas such as smart manufacturing, Industry 4.0, Internet of Things and circular economy.[12]

8 Statistics of Foreign Direct Investment in Malaysia, 2022.
9 Malaysia Investment Performance Report, 2020.
10 Malaysia Investment Performance Report, 2020.
11 Malaysia Investment Performance Report, 2021.
12 Malaysia Investment Performance Report, 2020.

(III) The investment strategies of Taiwanese businesses in Malaysia: Shifting from low-cost production bases to local demand and consumption

Judging from the history of Taiwanese investment in Malaysia, Taiwanese investment in Malaysia mainly focused on manufacturing in the early stages. After 2006, it can be observed that the investment in service industries such as finance, insurance, wholesale and retail increased. According to the Economic Yearbook of Survey of Overseas Taiwanese businesses[13], the main push factor for Taiwanese businesses to invest and set up factories in Malaysia is cost considerations. Malaysia's labour costs and fixed asset costs such as land, factories, machinery and equipment are relatively low. However, meeting the large demand in the local market is also an important factor in the investment strategies for Taiwanese businesses. Other factors that attract Taiwanese businesses to invest and set up factories in Malaysia include: raw materials supply price in Malaysia is relatively cheap and investment tax incentives or other incentives are provided investing and setting up factories in Malaysia can help in reducing the tariffs or non-tariff trade barriers, make use of local advanced technology and technical personnel in Malaysia, or Taiwanese businesses can cooperate with upstream, mid-stream and downstream cooperative manufacturers or customers' requirement to relocate abroad etc. All these show that the investment strategies of Taiwanese businesses in Malaysia not only treat Malaysia as a low-cost overseas production base, but also takes into account the local domestic consumer market in Malaysia.

The U.S.-China trade war has forced Malaysia to rethink its trade and investment strategies to attract multinational companies to relocate their trade and supply chains. According to a report by Nomura International Research Institute of Japan, Malaysia is one of the countries that has benefited more from the US-China trade war, and semiconductors are the industrial sector that has benefited the most from trade transfers[14]. In view of the fact that Malaysia's global market share of packaging and testing reaches 13%, major international manufacturers have invested more in setting up factories in Malaysia. The global semiconductor manufacturers are accelerating the transfer of production capacity from China to Southeast Asia and requesting suppliers to increase services to the Southeast Asian market.

Taiwanese semiconductor packaging and testing companies such as ASE have also significantly increased their investment in Malaysia, plans to invest US$300 million in the next five years to purchase advanced equipment and expand the scale of their factories.

13 Overseas Community Affairs Council is a cabinet-level council of the Executive Yuan of the Republic of China (Taiwan), Economic Yearbook of Taiwanese businesses Overseas, 2017.

14 Nomura Research International, US-China Trade Diversion: Who Benefits?, 2019.

1.4. Participation and Contributions of Taiwanese Businesses to Malaysia's Economic Development

1.4.1 Taiwanese Businesses Have a Long History of Investing in Malaysia

Since Malaysia opened up to foreign investment in 1986, Taiwanese businesses have been steadily investing and setting up manufacturing lines in Malaysia, driven by the rising Taiwanese labour costs and the appeal of Malaysian Market. This has fostered trade cooperation and active market positioning in Malaysia, contributing to local economic growth. 1990s marked the peak of Taiwanese investments in Malaysia, with US$2.35 billion and US$11.765 in 1990 and 1994, making it the largest foreign investor in Malaysia at the time.[15] The investment not only supported Malaysia's economic growth but also laid a solid foundation for Malaysia's future economic transformation. According to the investment environment report released by Economic Division of Representative Office in Malaysia (TECO) in April 2023, Taiwanese businesses currently have 469 investment projects in Malaysia, amounting to US$3.4 billion. Major investment areas include electronic and electrical products, rubber products, metal products, textiles, furniture and other industries. These investments are primarily located in Johor, Selangor, Perak, Malacca, Kedah and Sabah in West Malaysia.[16]

1.4.2. Enhancing the Industrial Supply Chain of Malaysia

Driven by globalization, Taiwanese investments and business operations in Malaysia have significantly contributed to shaping the Malaysia's industrial supply chain. These contributions are not only reflected in the increase in employment opportunities, productivity and income, but also enhances the technological depth and integrity of the supply chain. In other words, when Taiwanese businesses setting up production bases or factories in Malaysia, Taiwanese businesses not only provide direct employment opportunities, but also enhance the localization of production, enabling Malaysia to autonomously control more production processes, gain technical know-how, and further improve the competitiveness of local industries. The electronics, machinery, and automotives and parts can serve as key examples.

(I) Electronic industry

Malaysia's electronics industry mainly focuses on semiconductor packaging and testing., with significant industrial clusters located in the western coastal region of Peninsula Malaysia, including Kuala Lumpur,

15 Toh Jinxuan, Reviewing the relationship between Lee Teng-hui and Malaysia during the Lee Teng-hui era, Critical Comment Network, 5 August 2020.

16 Taipei Economic and Cultural Office (TECO) in Malaysia, Investment Environment Report for Taiwanese businesses in Malaysia, 2021.

Penang, Selangor and Johor. According to annual data of Department of Statistics Malaysia 2021, the output value of the electronics industry, including the production of electrical equipment, computers, electronics and optical products, reached US$1,166 billion, ranking first in the manufacturing industry and well ahead of other industries.

Taiwanese investments in Malaysia's electronics industry are mainly concentrated in the downstream electronic equipment assembly. Those companies including Foxconn, Wistron, Inventec, BenQ, New Kinpo, Hotai Electronics and Wiwynn have invested in and established production facilities in Malaysia. In addition, computer and peripheral manufacturers such as Acer, Asus, MSI and Gigabyte, also invested in Malaysia. On the other hand, for the midstream parts and components production, firms such as Walsin Technology, TA-I Technology, Ralec, Chilisin and ABC Taiwan Electronics manufacture have invested in producing passive components; Pan Global, BizLink Holding, SpeedTech and Golden Bridge Electech, etc. companies invest in the local production of connectors, while companies such as Abico Group,Hamagawa, Eson, Waffer, Silitech,Chi Cheng and HTM International invest in the local production of computer structural components.[17]

(II) Machinery industry

Malaysia has always been a production hub for machinery-related equipment. The main machinery industry clusters are located in the western coastal area of the Peninsular Malaysia, including Penang, Selangor, Johor and other states. With the rise of Industry 4.0, the demand for automated production equipment and high-end machinery has increased. According to Department of Statistics Malaysia (2021). The machinery equipment sector ranked second in manufacturing output, reaching approximately USD 10.32 billion, second only to electronics, electrical, and optical products.

Taiwanese machinery companies mainly focus on downstream supply chain manufacturing in Malaysia, producing entire machines. Notable companies include Tongtai, Chin Fong, Victor Taichung, YCM, Hannsa Precision, Kai Hung Machinery and Li Chin Precision have established manufacturing plants in Malaysia.

In addition, plastic and rubber machinery companies such as Ming Hsing Ultrasonic, Hui-Cha and Launch Machinery Work have also set up factories locally for production; in the midstream component production, there are Hiwin, Mtachling Tooling, Delta Electronics, Xindai and AirTAC have set up factories locally.[18]

17 Ma Liyan, Wu Peiling, Lin Jiayi, Huang Yuzhen, Li Shuhong, Cai Liping, New Southbound Electronics Industry Map, 2022.

18 Ma Liyan, Wu Peiling, Lin Jiayi, Cai Liping, New Southbound Machinery Industry Map, 2022.

(III) Vehicles (including Electric Vehicles) and component parts industry

In recent years, Malaysia has been actively building a next-generation smart vehicle industry production chain. It's policy goals focus on localized production of electric vehicles, aiming to become a global electric vehicle industry production base in the future. Currently, Malaysia's vehicle industry clusters are mainly located in the western coastal area of the Peninsular Malaysia, including states such as Penang, Selangor, Johor and Kedah.

According to statistics from the International Association of World Automotive Industries, Malaysia's automobile production volume in 2020 is approximately 48.5 million units, of which 92.8% are passenger cars and 5% are light commercial vehicles, mainly Japanese and domestic brands. At present, the Taiwanese vehicle industry in Malaysia is mainly focused in midstream production of automotive electronic components, with notable firms like Da Hui, Action, ASE, Lite-On and BizLink have invested and set up factories locally.[19]

1.4.3. Enhance Local Production Technology and Promote Industrial Upgrading

According to the statistics of Malaysian Investment Development Authority (MIDA) , as of 2021, the cumulative investment amount of Taiwanese businesses in Malaysia's manufacturing industry has reached US$13.98 billion , ranked 8th, after the Netherlands, Singapore, Japan, United States, China, South Korea and German. Taiwan ranked third in cumulative investment projects (2,577) and job creation (386,762), just behind Japan and Singapore. Taiwanese business has long provided a key boost to Malaysia's economic development.[20]

In the recent years, Malaysia seeks to upgrade its industry. The Taiwanese investments has also played an important role in the process. For instance, Malaysia, strategically positioned in Southeast Asia, has long been a storage hub for the global logistics industry. In recent years, with the rise of smart warehousing focusing on "online sharing", Taiwanese company, Ally Logistics Property established OMega Smart Warehouse at Bukit Raja, Selangor. The smart warehouse allows customers to complete transactions online in a "one-stop" manner, without the need for transportation, simplifying processes, sharing inventory goods, reducing warehousing pressure, and creating approximately 3,000 local job opportunities.[21]

In addition, smart factories integrating big data technology have gradually become a mainstream production technology lately. This in line with the direction of industrial upgrading that Malaysia is actively developing. Taiwanese company Wiwynn Technology has developed its own printed circuit board factory in

19 Ma Liyan, Wu Peiling, Lin Jiayi, Cai Liping, New Southbound Vehicle and Parts Industry Map, 2021.

20 Li Zhiliang, Lin Kaimin, Taiwan can be key driver of Malaysia's industrial, Think China, 14 November 2022.

21 Malaysian Investment Development Authority, *https:// www.mida.gov.my/mida-news/taiwans-ally-logistic-property-to- in vest-us1b-to-develop-smart-warehousing-solutions-in-malaysia*.

Senai, Johor. The factory introduces relevant production technologies, upgrades manufacturing equipment, and improves production processes. The company manage to create 1,600 jobs in Johor.[22]

1.4.4. Strengthen Bilateral Talent Cultivation and Exchanges to Bolster Industrial Capabilities

The Malaysian government requires foreign companies to provide technology transfer or talent training to facilitate the country's industrial upgrading and transformation. Since 2018, MIDA has collaborated with Taiwan's Industrial Technology Research Institute (ITRI) on topics like Industry 4.0 technology R&D and industrial transformation Taiwanese businesses are encouraged not only to invest and set up factories, but also actively engage in academia-industry partnerships with local educational institutions, helping university graduates enter related industries. This aligns with the Malaysian government's goal of enhancing labor skills and workforce quality to strengthen industry capabilities.[23] For example, Wiwynn Technology plans to cooperate with the University Technology Malaysia (UTM) to implement a six-month training program for graduating students to better prepare them for workplace demands.

In addition, Taiwan's overseas education policy of the 1950s encouraged overseas students to study in Taiwan. Malaysian overseas students have always been the largest source country, the cumulative number is estimated to reach one-third of the total number of overseas students. Due to Malaysia's education and labour policies, many of these students return to work in Taiwanese-owned companies after graduation. Taiwanese firms prefer hiring these returning graduates, as they are culturally and linguistically aligned and more affordable. Studies indicate that most Taiwanese companies' branches or subsidiaries in Malaysia have a strong base of mid-level managers with overseas backgrounds, apart from a few senior executives sent from Taiwan, creating a core group that significantly contributes to Malaysia's industrial development.[24]

1.4.5. Fulfill Corporate Social Responsibilities

In recent years, corporate governance has increasingly emphasized corporate social responsibility, urging companies to go beyond profit-driven business operations to address environmental sustainability, social engagement, and other public responsibilities. In addition to promoting the local economy, Taiwanese businesses in Malaysia also actively involved in social activities.

For example, Lih Mei Industries, the largest supplier of acrylic protective paper of the world does pays attention to social responsibilities such as local employee welfare, energy saving and carbon reduction,

23 Malaysian Investment Development Authority, *https:// www.mida.gov.my/media-release/mida-partners-with-taiwans- largest-research-institutions-to-drive-rd-and-industry-4-0-agenda*.

24 Pan Xuan, "Strangers" in "Hometown": "Return" Migration Experience and Self-Identity of Children of Taiwanese businessesmen and Taiwanese Cadres in Malaysia, Master's Thesis, Department of Sociology, National Chengchi University, 2020.

social welfare, and compliance with laws and regulations, as part of its social responsibilities beyond profit. Therefore, the company was recommended by the Chief Minister of Penang State, Malaysia, Mr. Chow Kon Yeow in 2021 and won the 23rd Outstanding Overseas Taiwanese SME Award.[25] During the COVID-19 pandemic, when Malaysia faced a shortage of medical supplies, Perak branch of TWCHAM raised RM111,000 among the members, and handed over to the Perak State Government to purchase medical supplies.[26] These actions reflect Taiwanese companies' commitment to being responsible corporate citizens in Malaysia, showing care for local social issues beyond just business interests.

1.5. Opportunities and Challenges for Taiwan-Malaysia Economic and Trade Cooperation in the New Global Economic and Trade Situation

1.5.1. The New Global Economic and Trade Situation Strengthens Opportunities for Economic and Trade Cooperation between Taiwan and Malaysia

(I) US-China rivalry has prompted the shift of the global semiconductor industry supply chain

The U.S.-China trade war has led to the weakening of supply chain relations between the two sides. In order to avoid encountering high tariffs in the global supply chain when entering the U.S. market, many manufacturers have chosen to move their production bases to geographically close Southeast Asian countries. In particular, the economic and trade policies of the United States in recent years have emphasized strengthening economic and trade connections with allies or countries with similar values, and providing mutual assistance and mutual benefit to ensure the flexibility and stability of the supply chain, thus accelerating the transfer of global supply chains to Southeast Asia.

Malaysia is an important manufacturing and production base for the global semiconductor supply chain. In 2022, Malaysia's semiconductor exports accounted for approximately 56% of the exports of the electronic and electrical industry and approximately 22% of the country's total exports. Benefiting from the shift in the supply chain of the semiconductor industry, Malaysia's exports of integrated circuit products grew by about 29% in 2000.[27] Some studies also point out that if the United States increases tariffs on Chinese semiconductor products by 1%, Malaysia's exports of semiconductor products to the United States will be increased 1.6% while exports to China increase by 1.8%, and exports to other ASEAN countries will increase

25 Overseas Chinese Affairs Electronic News, *https://ocacnews.net/theme/2/article/296893*.
26 Taipei Economic and Cultural Office in Malaysia, *https://www.roc-taiwan.org/my/post/12829.html*.
27 World Bank, Malaysia Economic Monitor, 2023.

by 2.5%.[28] This indicates that Malaysia is expected to benefit from the US-China trade war and become an alternative to the withdrawal of the semiconductor industry supply chain from China.

Taiwan has always played an important role in the semiconductor industry supply chain. If Taiwan and Malaysia can work together to strengthen cooperation amid this wave of supply chain shifts caused by the U.S.-China trade war, they will have the opportunity to benefit from each other's product manufacturing areas, thereby reshaping the global semiconductor supply chain ecosystem and continuing to improve their respective position in the global semiconductor industry chain.

(II) Malaysia's economic potential is overweighed by foreign investors and foreign direct investments have increased significantly recently

Under the global de -risking thinking model, the global supply chain ecology has changed, which has also affected the global investment layout of foreign capital. Southeast Asia has emerged as a hot spot for foreign capital. In 2022, Malaysia's net foreign direct investment inflow will be approximately US$17 billion, ranking 23rd in the world and fourth among ASEAN countries, only stayed behind Singapore, Indonesia and Vietnam. It increased 39% compared to 2021, grew the most among ASEAN countries. About half of the direct investment comes from the United States (51.1%), with an amount of approximately US$8.68 billion, showing that the United States values highly Malaysia's economic potential. Other important FDI source countries include Singapore (amount of US$2.61 billion, accounting for 15.4%) and Japan (amount of US$2.20 billion, accounting for 12.9%). The main investment areas are concentrated in the manufacturing industry, especially the electricals and electronic and transportation equipment industry. In addition, foreign investment has also invested heavily in areas such as solar components and R&D of battery.[29]

Against the above backdrop, Those Taiwan companies that have the advanced production technology and capabilities in electrical and electronic components, solar components (such as J &V Energy) and batteries (such as Taiwan Cement, Hon Hai, and Formosa Plastics) can complement Malaysia's growing foreign investment and manufacturing base, and become members of the relevant supply chain. In addition, Taiwanese businessmen have been deeply investing in Malaysia for a long time, which has greatly contributed to the economic development of Malaysia. When the global foreign investment layout changes, the Malaysian government can promote various programs to reward foreign investment, and at the same time encourage foreign businessmen and Taiwanese businesses to expand their investment in Malaysia. This will allow Taiwanese and other foreign businessmen to continue to provide assistance to Malaysia's economic growth.

28 Pablo Fajgelbaum, Pinelopi K. Goldberg, Patrick Kennedy, Amit Khandelwal & Daria Taglioni (2023), The US-China Trade War and Global Reallocations, National Bureau of Economic Research.

29 World Bank, Malaysia Economic Monitor, 2023.

(III) The epidemic ended and stable political situation boost investment confidence

The Malaysian government has always been the locomotive in promoting various domestic industrial development plans, such as the launch of the " Malaysian Industry 4.0 WRD" in 2018 and the "12th Malaysia Plan" in 2021. and "Malaysia Digital Economy Blueprint". However, the domestic and foreign investment attitudes to become more conservative during the past few years due to COVID-19 epidemic. Thus, the emerging industries such as smart medical care, renewable energy, and circular agriculture that are strongly promoted in the above-mentioned development plans have developed relatively slowly.[30]

As the COVID-19 epidemic gradually eases in 2022 and the Anwar cabinet came to power in December of that year, Malaysia 's political and economic situation has tended to stabilize, and domestic and foreign investment confidence has gradually recovered, which will help promote the implementation of the above-mentioned industrial development plans. The government is also actively promoting various policies to attract foreign investment. On the other hand, Anwar's cabinet plans to implement fiscal reforms and restructure government organizations, which is also expected to improve the financial and administrative efficiency of the Malaysian government, making the Malaysian business environment more conducive to foreign investment.

Since Taiwan restarted the New Southbound Policy in 2016, it has vigorously encouraged Taiwanese businessmen to invest in Southeast Asian countries such as Malaysia. Taiwanese businesses in Malaysia have also long been paying attention to the country's industrial investment plans and have actively invested and set up factories in line with Malaysian policies. Although affected by the epidemic two years ago, Taiwanese businesses generally still greatly value of Malaysia's investment environment. As the epidemic in Malaysia ended and the political situation becomes more stable, it will surely boost the investment confidence of Taiwanese businesses, continue to strengthen investment in Malaysia, and consolidate the existing close economic and trade cooperation between Taiwan and Malaysia.

1.5.2. Challenges to Taiwan-Malaysia Economic and Trade Cooperation in the New Global Economic and Trade Situation

(I) Declining foreign demand, high inflation and tightening monetary policies have led to a slowdown in economic growth

Malaysia's economy maintained excellent performance before the COVID-19 outbreak, with an average annual growth rate of 4.7% during 2000-2010 period, and an average annual growth rate of 5.4% during

30 World Bank, Malaysia Economic Monitor, 2023.

2010-2020 period. However, after the outbreak of COVID-19, the Malaysian economy declined by 5.7% in 2020 due to the impact of the epidemic and isolation control measures. In 2021, as vaccines gradually become more popular and isolation control measures are relaxed, the Malaysian economy recovered slightly, with economic growth reaching 3.8%. In 2022, Malaysia's economic growth reached 8.7%, thanks to the optimism of the global economy, the prosperity of the commodity market, and the recovery of the domestic demand market.

However, Malaysia's economic growth faces several risks of slowdown in 2023, including: (1) Decline in foreign demand: Malaysia's exports are mainly electronics and semiconductor products, and the demand for electronic products driven by the epidemic declined sharply at the end of 2022, coupled with the recovery the main exporting country of AEAN, i.e China was not as good as expected, which has impacted the overall electronics and semiconductor industry exports; (2) High inflation: affected by global inflation, furthermore with the Russia-Ukraine war, oil production cuts, and food shortages caused by extreme weather, all led to high inflation, and (3) tightening monetary policy: Malaysian government has adopted tightening monetary policy to respond, but it has led to rising interest rates, which is detrimental to investment. The above risks may lead to a decrease in the willingness of Taiwanese businesses to invest in Malaysia. However, as time goes by and the relevant unfavorable factors are adjusted over time, the Malaysian economy is expected show a moderate recovery trend in 2024. It is expected that the Malaysian economic growth in 2024 will be slightly higher than in 2023, at about 4.3%. [31]

(II) Increased fiscal expenditure may reduce the confidence of foreign investors

Since Malaysia's economy was severely impacted by the epidemic in 2020, the government has expanded fiscal expenditures to stimulate economic growth. The related expenditures include electricity prices, fuel subsidies, and infrastructure expenditures. Although expansionary fiscal policy can stimulate the economy in the short term, it has increased Malaysia's debt repayment costs and public debt pressure, and is also detrimental to Malaysia's evaluation on some international indicators. Take the World Competitiveness Annual Report as an example. The government efficiency indicator is one of the indicators under the evaluation of a country's competitiveness. The proportion of public debt to GDP and the proportion of fiscal deficit to GDP are the detailed evaluations of this indicator. High proportions will be led to the perspective that a country's economy is in a more unstable state, resulting in a lower score for the government efficiency indicator.

In terms of the proportion of public debt to GDP, Malaysia 's average was 55% in the 2010s, 57% in 2019 before the epidemic, and 69% and 62% after the epidemic in 2021 and 2022, which are significantly

31 Allianz, Country Risk Report: Malaysia, 2023; ASEAN+3 Macroeconomic Research Office, ASEAN+3 Regional Economic Out look, 2023; Coface, Malaysia, 2023.

higher compared to in the 2010s. To this end, the Malaysian government raised the legal public debt ceiling from 55% to 60% in 2020, and further revised it to 65% in 2021.

In term of fiscal deficit to GDP, the average level before the outbreak was 2.0%, rising to 5.5% in 2021 and falling to 4.4% in 2022, and is expected to remain around 3.4% in the next few years. This result shows that although the fiscal deficit as a proportion of GDP is gradually under control, it is still significantly higher than the past average. An excessively high ratio of public debt and deficit to GDP will lower Malaysia's score in international evaluations such as the World Competitiveness Annual Report, it may reduce the confidence of Taiwanese businesses and foreign investors as well. Therefore, although it helps in stimulating the economy in the short term, this practice should be avoided in the long run.[32]

(III) Climate change has impacted some industries

In Malaysia, the average surface temperature increased by 0.14°C – 0.25°C every decade from 1970 to 2013. The rainfall is expected to increase in the future. Among them, the increase in rainfall in Sabah and Sarawak will be greater than that in Peninsular Malaysia. Malaysia is already particularly vulnerable to floods, and the losses caused by floods are greater than other natural disasters in Malaysia. As climate change intensifies, the risk and severity of floods in Malaysia are likely to increase in the past decade.[33]

Increased rainfall may have a certain impact on foreign investment confidence in Malaysia. Taking December 2021 as an example, three consecutive days of torrential rain in Malaysia caused severe flooding in eight states. The capital city, Kuala Lumpur and the prosperous and densely populated state, Selangor were also severely affected. In addition, the warehouse of some ports, empty container storage areas, and connecting roads have been affected by floods, which has hindered port operations and prevented personnel and logistics companies from entering.[34] These impacts may discourage Taiwanese and foreign investment, so it is necessary to upgrade infrastructure. Climate resilience will be an issue that the Malaysian government should pay attention.

32 Allianz, Country Risk Report Malaysia, 2023; World Bank, Malaysia Economic Monitor, 2023.

33 World Bank, Climate Risk Country Profile: Malaysia.

34 51,000 people were evacuated due to floods in Malaysia, and the electronics supply chain was damaged and shut down, Critical Comment Network, December 22, 2021.

Chapter Two: Issues of Concern to Taiwanese Businesses in Malaysia

This study uses questionnaire surveys, supplemented by in-depth corporate interviews and a symposium of Taiwan Chamber of Commerce and Industry in Malaysia (TWCHAM) to analyze the main issues of concern to Taiwanese businesses in Malaysia and explore their recommendations for improvements to the Malaysian government. The online questionnaire survey mainly targeted members of TWCHAM in Malaysia. With the assistance of the TWCHAM, a total of 127 valid questionnaires were collected. The issues of concern to Taiwanese businesses in Malaysia are divided into eight major issues, including: (1) Legal normative system and procedural issues; (2) Administrative procedural issues; (3) Trade issues; (4) Investment issues; (5) Labor and human resources issues; (6) Tax issues; (7) Infrastructure issues; and (8) Other issues. The following describes the findings of each topic in this study.

2.1. Legal Norm System and Procedural Issues

2.1.1. Questionnaire Survey Results

Regarding the legal regulatory system and procedural issues that Taiwanese investors in Malaysia are concerned about, 66 of the 127 respondents believed that the relative lack of transparency or predictability of policies and regulations, is the main factor hindering Malaysia's legal regulatory system and procedural. This option is the highest proportion of concerns under this topic, accounting for 51.97%. As for other options, the issues that Taiwanese investors in Malaysia are concerned about, in order are: (1) The lack of a channel for foreign investors to express their opinions on the laws that the Malaysian government is preparing to implement. 44 of the 127 respondents expressed the concern, accounting for 34.65% %; (2) Difficulty for foreign investors in using Malaysian judicial channels to resolve investment disputes. 17 of the 127 respondents agreed, accounting for 13.39%; (3) Insufficient announcement, laws and implementation details in English, with 10 of 127 respondents expressed concern (7.87%). Finally, a total of 32 respondents out of 127 respondents (accounting for 25.20%) stated that investing in Malaysia did not encounter the above-mentioned obstacles which are related to the legal regulatory system and procedural issues.

2.1.2. Comprehensive Explanations and Recommendations

(I) Strengthen the transparency of policies and regulations while improving predictability

A. Problem 1's Description and Impact

Malaysia's policy and regulatory information is relatively transparent. Its official legal and regulatory database mainly announces and notifies the public about all legal amendments in Malaysia through the Federal Government Gazette's (https://www.parlimen.gov.my) official website. In addition to the Malaysian Federal Government Gazette, relevant Malaysian regulatory authorities will also issue guidelines and policy documents, and publish this information publicly on their respective websites. However, Malaysia currently does not have a "one-stop" website for foreign companies to access important regulations such as investment, trade, taxation and land.[35] Foreign investors need to filter website information by themselves to obtain the required regulatory information, thus significantly increasing the time and costs spent searching for information, and may also miss important regulatory information. This lack of centralized information may negatively impact foreign investors' market entry strategies and reduce the overall efficiency of their business operations.

Recommendation

Establish a "one-stop" website for foreign companies to access important regulations on investments, trade, taxation and land, and publish them on relevant government websites, such as the Malaysian Investment Development Authority (MIDA), while also informing the domestic and foreign investors on the updates of government policy changes. This will make it easier for domestic and foreign investors to collect and understand changes in domestic laws and regulations, and further enhance the transparency of domestic investment-related laws and regulations.

B. Problem 2's Description and Impact

Malaysia is a federal state. Sabah and Sarawak in East Malaysia enjoy certain autonomous rights and interests under the Malaysia Agreement 1963. Due to the influence of historical factors, the autonomy of the Sarawak and Sabah states are relatively high. Therefore, these states government's economic, trade and investment policies are not necessarily consistent with those of the federal government. When foreign investors invest, they need to corroborate with governments at all levels, which will increase their operating costs and may also lead to uneven regional development.

35 Ministry of Commerce of China (2022),"Country (Region) Guide to Overseas Investment and Cooperation 2022: Malaysia".

Recommendation

In terms of policy promotion, the federal government and state governments should coordinate, discuss and reach consensus on important policies, confirm the implementation scope of relevant economic and trade investment policies and measures, as well as mitigate the inconsistency between federal and local government policies. This will ensure consistent regulations and policies are tabled to the foreign investors.

(II) Establishing a channel for foreign investors to express their opinions on the draft laws

A. Problem Description and Impact

In order to promote good regulatory practices in the country, Malaysia adopted the National Regulation Development and Implementation Policy (NPDIR) in 2013, which was later rebranded into the National Good Regulatory Practice Policy (NPGRP) in 2021. Several notices were announced in the hope of improving the efficiency of the national regulatory framework by strengthening mechanisms such as accountability, standardization and transparency.[36] The Taiwanese businesses interviewed in this survey, all expressed respect for the national legal system and policy promotion of the Malaysian government. However, if the dialogue mechanism between foreign businesses and the Malaysian government can be strengthened through regulations or policy promotion, it is expected to improve the business conditions in Malaysia and contribute towards stability of the former's businesses. This will enhance foreign investors' operating confidence and long-term planning in Malaysia, as well as attracting more foreign investments into Malaysian shores.

Recommendation

A public policy consultation platform, Unified Public Consultation (https://upc.mpc.gov.my) was set up in 2019 as a policy communication channel between the government and the private sector. The platform provides policy information in advance for planned official policies. The functions of the platform include contents' provision, solicit public consultation, collect public feedback, and then make revisions and improvements to make public policies better. Although the Unified Public Consultation has good intentions, its results appear to be limited.

Most of the interviewed industries said that if they want to provide policy advice to the Malaysian government, they often rely on the network of specific industrial organizations or industrial development meetings held by the government, which is not conducive to the exchange of public opinions. This phenomenon shows that the Unified Public Consultation has not been well utilized by the Taiwanese

36 US Department of State, 2021 Investment Climate Statements: Malaysia, 2021.

companies in Malaysia. It is recommended that Malaysia can increase the publicity and encourage the foreign companies to use the Unified Public Consultation as the dialogue channels for the latter to clearly voice their opinions to the former.

In addition, Unified Public Consultation currently only allows one-way opinion on planned regulations and policies by the government, and businesses or the public cannot take the initiative to propose proposals. Therefore, it is recommended that the platform to become a two-way channel, not only allowing business people to express their opinions on government proposals but, also proactively initiate policy proposals and participate in policy formation and planning. By allowing the foreign investors to be proactive in providing policy recommendations to the Malaysian government and reflect actual needs, it helps the Malaysian government to improve the overall industrial and economic policy from the perspective of external investors. On the other hand, it can also expand the participation of foreign companies in the policy formulation process to avoid inadvertently ignoring the real needs of the development of foreign companies in the process of promoting industrial policies. Overall, such two-way channel strengthens the country's business environment and the operational confidence of foreign companies.

(III) Improve the friendliness of Malaysia's judicial relief system to foreign investors

A. Problem Description and Impact

Malaysia signed the Convention on the Settlement of Investment Disputes between States and Nationals of Other Countries (ICSID) on October 22, 1965, and it came into effect on October 14, 1966. In addition, Malaysia is also a party to the 1958 New York Convention and has recognized and enforced foreign arbitral awards since November 5, 1985.[37]

In order to make ICSID and the New York Convention effective domestically, Malaysia further enacted the Convention on the Settlement of Investment Disputes Act of 1996 (Act No. 14 of Parliament of 1966) and the Notification of the Effectiveness of the Convention on the Settlement of Investment Disputes Act of 1966 (Notice No. 96 on 10 March 1966), and the Arbitration (Amendment) Act, 1980 (Act No. 478 of 1980). In this regard, although foreign investors can capitalize on Malaysia's domestic legal system for their businesses, foreign investors still need to pay a huge deposit if they want to file a lawsuit in a Malaysian court should any commercial dispute arise. Such requirement is not conducive for foreign businesses to utilize Malaysian judicial channels to resolve disputes.[38]

Recommendation

Overall, most businesses expressed their trust in Malaysia's judicial procedures and officials, and believed

37 US Department of State, 2021 Investment Climate Statements: Malaysia, 2021.

38 US Department of State, 2021 Investment Climate Statements: Malaysia, 2021.

that disputes could be resolved through the country's commercial arbitration procedures. However, the high deposit requirements for litigation procedures affect the willingness of respondent businesses to proceed with litigation proceedings.

Therefore, it is recommended that the Malaysian government to grant equal status to foreign businesses and abolish the high deposit requirements for foreign investors. For solution, different deposit amounts can be charged based on an individual foreign investor's number of years in Malaysia or the performance of past business credit records of those foreign businesses. At the end, this will encourage the foreign investors to use litigation procedures to seek judicial relief.

(IV) Provide English versions of regulations, policy announcements or administrative document forms

A. Problem Description and Impact

According to the survey, the interviewees pointed out that although the Malaysian Investment Development Authority (MIDA) and other competent foreign investment agencies have provided complete English versions of economic and trade investment information and application or administrative documents, there are others which are still in Malay language. In addition, in recent years, the Malaysian government has requested all business correspondence with the government must be in Malay language. Such requirement will need additional Malay translation work in order to ensure smooth communications between foreign investors and the Malaysian government. This not only increases the cost of doing business but, may also cause information gaps.

Recommendation

The use of Malay in correspondence with the government is vital to safeguard Malaysian culture, and the use of a country's official language should be respected. Nevertheless, it is recommended that the Malaysian government to pay special attention to the difficulty faced by foreign investors. For matters related to foreign investment business, in addition to providing complete English versions of regulations, policy announcements or administrative documents and forms, foreign companies should be allowed to correspond in English with the government. Without mandatory translation into Malay language, foreign companies can reduce the operating costs of foreign companies while at the same time, ensure there will be no information gaps.

2.2. Administrative Procedural Issues

2.2.1. Questionnaire Survey Results

On the issue of administrative procedures, as many as 105 of the 127 respondents (82.6%) agreed that Malaysia's administrative efficiency needs to be improved --- an indicator that this option is the most pressing issue for Taiwanese investors investing in Malaysia. In addition, 25 of the 127 respondents (19.69%) are concerned about the low usage of electronic and paperless government services in Malaysia. Another 15 of the 127 respondents (11.81%) stipulated that it has no impact to them.

2.2.2. Comprehensive Explanations and Recommendations

(I) Improve administrative efficiency

A. Problem Description and Impact

Malaysia inherited the British legal system and has comprehensive laws and regulations, but administrative efficiency ought to be improved. Furthermore, most of the industry interviewees in this study believe that Malaysia's laws and regulations are relatively complete and its public servants are highly qualified. However, the cross-ministerial coordination of various business-regulatory authorities are relatively insufficient, resulting in slow processing of foreign business applications, additional time spent by foreign companies and higher uncertainty of administrative work engaged by these companies. All of these in turn, affect the foreign company's operations as a whole.[39]

Recommendation

It is suggested that the Malaysian government establishes a single business window for the procedures in which foreign businesses must fulfill and at the same time, adopt a one-stop process service management, integrate cross-department contacts and set reasonable working hours or working days required for each task. This should help improve the communication efficiency of various governmental agencies, shorten the time for administrative tasks, significantly improve the efficiency of public services, reduce unnecessary administrative costs for foreign businesses and enhance the efficiency of similar business procedures.

39 Investment Business Division, Ministry of Economic Affairs (2022), "Introduction to Malaysia's Investment Environment 2022".

(II) Improving the stability of the government's electronic administrative service system

A. Problem Description and Impact

The Malaysian government has been promoting the digitization of electronic administrative services since 1996 and the public is encouraged to utilize the electronic administrative system of government agencies. Overall, most Taiwanese businesses interviewed highly affirmed the Malaysian government's electronic administration in economic, trade and investment-related matters. The service quality and the transparency of the system process are particularly appreciated, which is convenient for tracking the progress of each case and contacting the handling officials. That said, a few Taiwanese businesses pointed out that the stability of the Malaysian government's electronic administrative system is less ideal, and there are occasional problems such as system crash or data loss. If such situations occur repeatedly, it may affect the confidence of foreign companies in using the Malaysian government's electronic administrative service systems.

Recommendation

Overall, the electronic administrative services of the Malaysian government in economic, trade and investment-related businesses have been well received by the survey respondents. Although there are a few complaints about technical issues such as system instability, the shortcomings are generally not serious. It is recommended that the Malaysian government continue to improve the stability of system services, providing foreign companies with better electronic administrative service experiences.

On the other hand, the Malaysian government can also make full use of the advantages of transparent electronic administrative processes to improve internal relations among administrative agencies through process management improvements. This helps to achieve the goal of strengthening the accountability and supervision mechanism, and reduce the complaints of poor coordination amongst the Malaysian government agencies.

In addition, the Malaysian government can also improve the government sections that are weak in digitalization. According to the UN Global Survey on Digital and Sustainable Trade Facilitation 2023, Malaysia's overall score of digitalization is 87.1%.[40] When comes to individual sections, the scores were clearly lower than the overall figure --- Paperless Trade which scored 85.19% and Cross-Border Paperless Trade which had 66.67%.

First of all, in the paperless trade section, Malaysia has fully implemented paperless trade government digital service projects such as the Automated Customs System, but only partially implemented the Electronic Submission of Air Cargo Manifests and failed to implement the Electronic Application for Customs Refunds.

40 United Nations, *https://www.untfsurvey.org/economy?id=MYS*.

This resulted in the Paperless Trade score being slightly lower than the overall score. Second, within the cross-border paperless trade section, Malaysia only partially implemented the Electronic Exchange of Customs Declarations, Electronic Exchange of Certificate of Origin, and Electronic Exchange of Sanitary & Phyto-Sanitary Certificate. On top of that, the implementation of Paperless Collection of Payment from a Documentary Letter of Credit is also unclear, adding to the drop of Paperless Trade score for Malaysia.

In summary, it is recommended that the Malaysian government implements government digital services for the individual sections that have not been fully implemented in the above survey: strengthening paperless trade, reducing the operating costs of trade customs clearance for foreign enterprises and improving the electronic exchange of cross-border paperless trade services. All of these will reduce the tedious and complicated paperwork in international trade operations which will then facilitate foreign investors' trade and investments.

2.3. Participation and Trade Issues

2.3.1 Questionnaire Survey Results

In terms of trade issues, 27 of the 127 respondents said that Malaysia's import tariffs are high, accounting for 21.26%. As for the remaining options, the issues and proportions of concerns of the interviewees are: (1) Inconsistencies of customs officers in product tax classification, valuation and interpretations of regulations. 24 of the 127 interviewees expressed concern about this matter, accounting for 18.9%; (2) Unnecessary non-tariff trade measures for imports, with 22 of the 127 respondents expressed concern (17.32%); (3) Lack of transparency in government procurement in which 14 respondents agreed (11.02%); (4) Large number of cumbersome and unnecessary inspection requirements for customs clearance of industrial products. 11 out of 127 respondents expressed concern, accounting for 8.66%; (5) Cumbersome and unnecessary inspection measures for customs clearance of perishable products. Only 6 of the 127 respondents said they had this problem (4.72%). Finally, a total of 41 of the 127 respondents stated that they experienced no such impact, accounting for 32.28%.

2.3.2. Comprehensive Explanations and Recommendations

(I) Reduce product tariffs and domestic taxes to strengthen bilateral economic and trade exchanges

A.Problem 1's Description and Impact

Malaysia adopts the International Harmonized Commodity Classification Code (HS Code) system for commodity classification. According to the WTO tariff survey,[41] Malaysia's WTO tariff binding coverage is about 83.8%. The tariff rates of these Malaysian taxes are subject to WTO's regulations. On the other hand, it also denotes that the remaining 16.2% of tariffs will not be covered unless Malaysia has signed free trade agreements (FTAs) or regional trade agreements with other countries for preferential tariff rates. Otherwise, the Malaysian authorities will have room to significantly increase tariffs on these products, which may cause a certain degree of unpredictability in trade.

In addition, Malaysian tariffs are mostly levied in the form of ad valorem taxes. Tariffs are usually higher for items with significant local production. Generally speaking, tariffs for raw materials are lower than for processed products. For some chemicals and network products, Malaysia imposes low tariffs on most other countries, even provides zero tariff preferential treatment to ASEAN, Japan, South Korea and so forth. In contrast, Malaysia imposes a 15% tax rate for high-density polyethylene; 10% tax rate for the primary state of polyvinyl chloride that is not mixed with any other substances; and as high as 21.67% for network products coming from Taiwan. These tariff barriers have created a competitive disadvantage for Taiwanese companies engaging in such exports to Malaysia.[42]

Recommendation

Reducing tariffs is an issue of great concern to Taiwanese businesses. Taiwan and Malaysia are both WTO members. However, Taiwan is not a member of ASEAN and has not signed a bilateral economic and trade agreement with the region. Therefore, it is difficult to compete with other countries on tariffs on certain products. In particular, Taiwan's chemical and electronic component products are of excellent quality and have been recognized by European and American international customers in the global market. With the tariff barriers, it is not conducive to Malaysia's domestic industries to choose higher-quality Taiwanese products. In this sense, it is suggested that Taiwan and Malaysia sign a bilateral FTA or support Taiwan's joining the CPTPP to reduce tariff barriers. Under the framework of the CPTPP, it is expected that Taiwan and Malaysia will be able to obtain more long-term benefits and cooperation while at the same time, promote bilateral industrial links and developments.

B. Problem 2's Description and Impact

Alcoholic products, tobacco and its products, and motor vehicles are required to pay higher domestic taxes. Cars are subject to extremely high consumption taxes, ranging from 60% to 105% depending on the vehicle type and engine size.[43] In response to global climate change, the Malaysian government has extended the

41 WTO, *https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/my_e.pdf*.

42 Bureau of International Trade, Ministry of Economic Affairs, Survey Report on Export Obstacles of Domestic Enterprises, 2021.

43 US Trade Representative (2023), 2023 National Trade Estimate Report on Foreign Trade Barriers.

import tax exemption policy for components used in locally assembled electric vehicles (EVs) until December 2027. All the consumption tax and sales tax exemption policies for Complete Knocked Down (CKD) electric vehicles in Malaysia have also been extended for the same time limit whereas the import tax exemption policy for Complete Built-Up (CBU) vehicles has been extended until December 2025.

Recommendation

In order to promote the sales of EVs, the Malaysian government provides import tax exemptions for these vehicles. These tax incentives are designed to expand Malaysia's domestic EV consumer market and thereby, drive the expansion of EV's infrastructure. In addition, Malaysian government has provided substantial tax reductions in domestic taxes, import taxes and sales taxes, which is expected to increase investments in EV-related equipment manufacturers, assembly plants, car factories and industries that provide electric vehicle-related services. Such expected slew of investments will speed up the establishment of an ecosystem for EV's infrastructure-making in Malaysia. It is recommended that the Malaysian government regularly reviews the import tax reduction and exemption measures for EVs, extend them as necessary, and work with global trusted manufacturing partners to build a resilient EV supply chain system.

(II) Strengthen the uniformity of law enforcement and interpretation of rules by customs personnel

A. Problem Description and Impact

According to interviews with Taiwanese businesses in Malaysia, the country's classification of tariff codes is generally complete. The problem, however, lies on different views among customs brokers when comes to assisting their clients in customs declaration. As a result, the change of customs brokers often led to the reviews of past declaration records due to different interpretations of import taxes by different brokers. This created suspicions from the Malaysian authorities on foreign investors attempting to evade such tax.

Recommendation

It is suggested that the Malaysian authorities strengthen communications and coordination between customs personnel and customs brokers to reduce the information gap between the two parties when comes to product declaration, or by formulating more stringent product definitions so that there is no room for ambiguity during customs declaration process. In this way, it can reduce misunderstandings between the Malaysian authorities and the Taiwanese businesses. Meanwhile, it can also reduce the unwarranted flexibility of customs brokers when filing tax returns.

(III) Eliminate unnecessary or moderately relax import non-tariff trade measures

A. Problem Description and Impact

In order to protect national health and maintain product safety and quality, the Malaysian government imposes a number of non-tariff measures (NTMs) on imported products. For example, in the perishable products sector, Malaysia imposes many requirements on the food labels as well as processing and production methods. In addition to the restrictions on the use of certain specific substances in food and feed, food, beverages and tobacco products ought to have product labeling while food, chemical and mineral products must undergo pre-shipment inspection measures as well.[44]

Recommendation

Since NTMs are implemented to achieve different public policy goals (safety, quality control, health, etc.), removal of all NTMs to achieve free trade, might not be the best or appropriate way forward. It is recommended that the Malaysian government gives priority to Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) to moderately simplify the requirements for these types of NTMs. For instance, Malaysia can adopt the international standards set by the World Organization for Animal Health (OIE) and the Codex Alimentarius Commission (Codex). In order to promote Malaysia's overall import and export trade, the country should regulate its domestic SPS and TBT and other relevant NTBs based on scientific evidence to eliminate unnecessary NTBs or moderately relax its import non-tariff trade measures for import products.

(IV) Improve the transparency of government procurement's information and Malaysia to join the Government Procurement Agreement (GPA)

A. Problem Description and Impact

Malaysia has always used government procurement contracts to support national public policy objectives, including encouraging Malays to participate in economic activities, transferring technology to local industries, reducing foreign exchange outflows, creating opportunities for local companies and enhancing Malaysia's export capabilities. Therefore, Malaysia government usually conducts international tenders when it lacks the ability to provide domestic products and services. Against this background, foreign suppliers (including Taiwanese companies) need to cooperate with local partners/intermediaries in order to enter the bid.

Also, Malaysia's domestic bidders enjoy preferential treatment in the international bidding. Malaysian local companies enjoy exemption treatment in which bidders obtaining security bonds exceeding a certain

44 EUROCHAM, Non-Tariff Measures in Malaysia-EU Trade, 2020.

threshold --- a requirement for international bidding --- must come from domestic financial institutions in the country. In addition, Malaysia requires individuals, enterprises or legal entities that plan to participate in government procurement of projects and services to register with the Ministry of Finance (MOF) and foreign companies must set up local subsidiaries to register with the MOF, barring the consulting companies. [45] These policies and measures in Malaysia have caused unfair treatment to foreign companies. At the same time, the opaque government procurement's information has left the foreign manufacturers (including Taiwanese enterprises) with little chance to enter the Malaysian government's procurement market.[46]

Currently, Malaysia is not a party to the Government Procurement Agreement (GPA), although it has been an observer of the GPA since July 2012. Therefore, many of the normative principles of the GPA do not apply to Malaysia.

Recommendation

It is recommended that the Malaysian government considers opening a fair share of government procurement opportunities to foreign suppliers through gradual lifting of restrictions on foreign suppliers. This move will not only allow foreign suppliers profits but, also enable Malaysia to obtain higher-quality construction and upgrade its domestic industries through local-foreign suppliers' competition. Furthermore, Malaysia is well-positioned to join the GPA as a follow-up policy goal since it is currently an observer of agreement. This will not only improve Malaysia's bidding conditions for foreign suppliers, eliminate unfair treatment and increasing the transparency of government procurement's information but, also permits local Malaysian suppliers to compete for government procurement projects from member countries of the GPA. A mutually beneficial relations with other GPA member countries, is also attained from such opening up by the Malaysian government.

2.4. Investment Issues

2.4.1. Questionnaire Survey Results

Among the investment issues that may be of concern to Taiwanese investors in Malaysia, according to the results of the questionnaire survey, the highest proportion of Taiwanese businesses believe that investment incentives are insufficient, with 47 out of 127 respondents agreeing, accounting for 37.01 %. In terms of other options, among the 127 respondents, 27.56 % believed that the financing obstacles for local small and medium-sized enterprises were high; 25.98 % said that there was a lack of protection for the investment

45 US Trade Representative, 2022 National Trade Estimate Report on Foreign Trade Barriers, 2022.

46 Bureau of International Trade, Ministry of Economic Affairs, 2021-2022 Report on Trade Barriers to Taiwan by Countries, 2022.

rights and interests of Taiwanese businesses; 24.41 % said that investment incentives only focus on a few specific industries; 22.83 % pointed out that there are investment restrictions in specific industries (such as shareholding ceilings, prohibited investments, business license restrictions); 19.69 % believed that a single investment window has not been established or that the administrative efficiency of the single window needs to be strengthened. In addition, 16.54 % (21) of the respondents indicated that they did not face any of the above-mentioned investment issues throughout their operations.

2.4.2. Comprehensive explanations and Recommendations

(I) Increase investment incentives and expand their scope of applications

A. Problem Description and Impact

Malaysia has provided a number of investment incentives in recent years. The investment incentives mainly include: (1) Preferences in the general manufacturing sector: providing Pioneer Status and Investment Tax Allowance. Qualified enterprises may enjoy income tax exemptions and tax relief. (2) Preferences for specific industries: targeted at the aerospace industry, automobile industry, shipbuilding and ship repair industry, machinery and equipment, industrial building systems, biotechnology industry, agriculture (including agricultural products, food, halal products), and oil palm-based biomass production, among others, which are provided income tax exemptions or exemptions equivalent to investment tax incentives. (3) Environmental management benefits: waste recycling, green technology asset procurement, investment in green buildings, and energy efficiency projects enjoy income tax exemptions or investment tax reductions. (4) Research and Development (R&D) benefits: R&D investments enjoy income tax exemptions or investment tax exemptions. (5) Automation and digital transformation incentives: Provide a 20% capital subsidy for ICT equipment and software, and a smart automation subsidy of less than RM1 million. (6) Preferential benefits for the service industry: include investment consulting services, government financial assistance, and tax incentives. (7) Other incentives: such as industrial construction subsidies, tax incentives for angel investors, and import tax or sales tax exemptions.[47] The global supply chain structure has changed recently due to the new world economic and trade situation. Most countries, especially ASEAN countries, are offering preferential investment measures to attract foreign investments. The Malaysian government needs to propose a set of attractive investment incentives, to create a conducive environment for attracting new foreign investments and securing a place in the future global supply chain.

47 Malaysian Industrial Development Authority, Malaysia Industrial Investment Guide: Policies, Incentives and Measures, 2023.

Recommendation

As the economy recovers in the post-pandemic era, ASEAN countries are now competing to attract foreign investments. In light of such competition, it is recommended that the Malaysian government evaluate the feasibility of increasing the upper limit of investment incentives and expanding the scope of incentivized industries to build key industry supply chains, form a relatively complete industrial cluster in Malaysia, and increase the diversification of Malaysia's industrial ecosystem.

B. Problem Description and Impact

In the context of rapid global economic and technological changes, Industry 4.0 and intelligence have become key factors in promoting the transformation and development of national industries. These key factors not only significantly improve production efficiency but, also reduce manual errors and production costs, thereby increasing the competitiveness of domestic industries. However, to boost domestic industry upgrades to Industry 4.0 and smart transformation, attracting relevant foreign investments is an important complement to domestic investments. The industry interviewees in this study believe that although the Malaysian government is actively transforming the industry toward smart industry, the investment preferential measures provided in key sectors of Industry 4.0 and Smart Manufacturing are slightly insufficient, which may affect the willingness to invest among foreign investors.

Recommendation

The importance of Industry 4.0 and intelligence for industrial development cannot be ignored. Countries around the world, including ASEAN, are actively launching various investment incentives to attract relevant foreign investments and promote the transformation of domestic industries toward Industry 4.0 and intelligence. The Taiwanese businesses interviewed in this study suggested that the Malaysian government should prioritize strengthening incentives for foreign investments in the field of Industry 4.0 and smart technologies. On one hand, this can attract relevant foreign investment to enter and enhance the technological capabilities of Malaysia's Industry 4.0 and smart fields. On the other hand, it can also help alleviate the current labour shortage problem in Malaysia.

(II) Smooth financing for small and medium-sized enterprises (SMEs)

A. Problem Description and Impact

Small and medium-sized enterprises (SMEs) have limited resources, making it more difficult for them to obtain investment funds and face trade financing obstacles compared to larger enterprises. The financing resources for SMEs in Malaysia mainly include bank loans, various government financing support programs, and financial support from angel investors. Financing obstacles faced by SMEs in bank loans include poor credit ratings, inability to provide sufficient collateral, banks charging higher interest rates to riskier SMEs, and restrictions on the size of loan. In recent years, the Malaysian government has introduced several financing support programs to help SMEs overcome these difficulties. For example, from 2009 to 2022, the Commercial Financing Guarantee Company (SJPP) provided guarantees to more than 50,000 enterprises, with a total guarantee value of RM48 billion, making it easier for SMEs to obtain bank loans.[48] In addition, the Malaysian One Business Startup Plan 2022 (Semarak Niaga) offers RM40 billion (approximately US$9.56 billion) in loan assistance that aims to help micro, small and medium-sized enterprises (MSMEs) with financial relief and post-pandemic recovery. However, according to this research survey, only 30% of the respondents believe that financing obstacles for SMEs in Malaysia remain high, reflecting a persistent financing gap. Possible reasons include some companies' lacking the knowledge about Malaysian financing application procedures or management capabilities, as well as a limited number of Taiwanese bank branches that are familiar to Taiwanese companies operating in Malaysia.

Recommendation

The financing gap is detrimental to the operational development of SMEs and hinders business expansions and R&D investments. It is understood that the "lack of information" is the main obstacle faced by SMEs in understanding or applying for various preferential treatment. It is recommended that the Malaysian government strengthen outreach and communication with foreign manufacturers and provide assistance during financing applications, so that foreign companies can understand the financing process in Malaysia and smoothly obtain the needed funding.

In addition, due to the rising land and labor costs in Malaysia in recent years, the labor-intensive manufacturing industry has faced transformation pressures. The Malaysian government is actively promoting emerging and high-tech, high value-added industries. These industries are typically knowledge-intensive, technology-intensive, and capital-intensive. The lack of appropriate financing channels will hinder the attraction of high-quality Taiwanese businesses in related fields to invest in Malaysia. Therefore, it is suggested that the Malaysian government moderately liberalize the financial industry, allowing Taiwan's banking industry to first establish offices in Malaysia, followed by branches in major cities to better serve Taiwanese businesses and make financing channels in Malaysia more convenient for them. Creating more financing channels is expected to help promote trade between Malaysia and Taiwan and encourage Taiwanese businesses to invest in emerging and high-tech fields in Malaysia.

48 Nanyang Siang Pau, SJPP provides RM9 billion financing guarantee for SMEs, October 7, 2022.

(III) Updating the bilateral investment agreement will bring more opportunities and investment protection from both sides

A. Problem Description and Impact

The Agreement between the Taipei Economic and Cultural Office in Malaysia (TECO) and the Malaysian Friendship and Trade Centre (MFTC) in Taiwan, for the promotion and protection of investments was signed on February 18, 1993, and took effect on the same day. The agreement contains 10 articles in total, including definitions of terms, investment promotion and protection, most-favored nation treatment, exceptions, expropriation, investment repatriation, dispute settlement, subrogation, investment scope, effectiveness, and termination. The Taiwan-Malaysia Bilateral Investment Agreement is dated, while Taiwanese investment has become increasingly diversified in recent years. The agreement's protection of the rights and interests of manufacturers on both sides is relatively weak and inconsistent with current trends and norms, with the absence of terms like "national treatment", "prohibition of performance requirements", "government coordination mechanism" and the unclear as well as general "dispute resolution" procedures.

Recommendation

In view of the fact that international investment agreements have gradually developed more comprehensive protection for investors, and given that 30 years have passed since the Taiwan-Malaysia bilateral investment agreement was signed and came into effect, it is necessary to update the content of the agreement to provide better investment protection for investors on both sides. Expanding the scope of investment protection (for example, including indirect investment through third places, new investment types, and adding new terms) and improving the level of detail of the terms should be prioritized. In recent years, due to the trade and technology war between China and the United States, some Taiwanese businesses have moved their production and manufacturing bases to Malaysia or increased their investments in Malaysia. If a new bilateral investment agreement can be reached to improve the investment protection rights and interests of Taiwanese businesses in Malaysia, it will undoubtedly create more opportunities for investments from both sides.

(IV) Relaxation of industry-specific and foreign shareholding restrictions on foreign investment and operations

A. Problem Description and Impact

Investment in Malaysia's manufacturing industry has been fully liberalized, allowing 100% foreign ownership. However, in the service sector, some industries still prohibit foreign investment or impose restrictions on foreign shareholding ratios (ranging from 30% to 70%). For example, in audio-visual services, the upper limit for foreign shareholding in cable or satellite platforms is 30% and foreign investment in terrestrial broadcasting systems is prohibited. In the distribution and retail services, foreign-operated large supermarkets are limited to 70% shareholding, and 30% of shelf space must be reserved for Malaysian SMEs. In oil and gas services, the upper limit for foreign shareholding is 49%, while the upstream supply remains controlled by the Malaysian state-owned enterprise, Petronas. In telecommunications, the upper limit is 70% for the provision of network facilities and the provision of network services. For insurance and banks, the upper limit is 70%; in banking, up to 4 branches can be opened, with the business locations designated by Bank Negara Malaysia. In legal services, foreign investments are prohibited, and foreigners are not allowed to establish legal service companies.

In addition, there is a special investment approval system for specific industries in Malaysia, such as banking and finance, construction, oil and natural industries, wholesale and retail, etc. The Malaysian government reserves the right to review and approve the investments of domestic and foreign investors through the issuance of licenses by relevant ministries. The Ministerial Functions Act grants these ministries full discretionary powers. Licensing requirements apply to manufacturing industries with an investment of more than RM2.5 million or employing more than 75 employees, as well as most service industries.

It is particularly worth pointing out that regarding the banking industry, Malaysia's central bank briefly allowed large global banks, such as Japan's Mizuho Bank, to open in Malaysia between 2009 and 2012, but it has strictly controlled the issuance of foreign bank licenses since then. Taiwan's financial industry has so far been unable to obtain a full bank license to operate ringgit deposit businesses, nor can it establish subsidiaries in Malaysia through mergers and acquisitions. Specifically, Taiwanese banks have previously tried to establish subsidiaries in Malaysia through mergers and acquisitions, but they have not received approval from the Central Bank of Malaysia. For example, CTBC Bank attempted to acquire the Malaysian subsidiary of Royal Bank of Scotland (RBS) in 2016, and Cathay United Bank planned to acquire the Malaysian subsidiary of Scotiabank (The Bank of Nova Scotia Berhad) through mergers and acquisitions in 2017.[49] In both cases, the attempts failed to materialise. Malaysia evaluates whether an investment case is in the "best interest of Malaysia", including the impact of the investment on Malaysia's economic productivity and financial stability, as well as its potential to enhance the participation of Malaysians in the financial industry. However, there are no specific standards for the foreign investors to follow.

Recommendation

The service industry plays an important role in the modern economy. Relaxing the industry categories and restrictions on foreign investment in the service industry can attract more foreign investment into the Malaysian market, bring in advanced technology and management practices, and improve service quality and diversity. At the same time, the entry of foreign capital can increase competition, stimulate innovation

49 Bureau of International Trade, Ministry of Economic Affairs, 2021-2022 Report on Trade Barriers to Taiwan by Countries, 2022.

and progress among Malaysian enterprises, and thereby promote the development and upgrading of the service industry. It is recommended that Malaysia adjust the current investment approval system, balance national security and economic development, and consider further opening up the service industry market.

Furthermore, Taiwan is one of the main sources of foreign investments in Malaysia. Most SMEs have limited financial capabilities, with capital turnover being a key challenge in expanding their overseas operations. Taiwanese companies are constrained by the absence of Taiwanese banks in Malaysia that can provide ringgit-based financial services. Taiwanese banks have repeatedly stated that Malaysia's financial market is a closed market. It is suggested that the Malaysian government reconsider allowing the establishment of subsidiaries of Taiwanese banks in Malaysia to meet the needs of Taiwanese businesses operating in the country. In addition to offering financing and other banking services to Taiwanese companies in Malaysia, this move would also encourage more Taiwanese businesses to enter or expand their businesses in Malaysia.

(V) Strengthen the administrative efficiency of single window for investment

A. Problem Description and Impact

Malaysia provides a variety of investment tax incentives. Foreign-invested enterprises that intend to apply for relevant incentives have to submit an application to the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia, SSM) to establish a shareholding company. Furthermore, the application of foreign investors investing in the manufacturing industry must go through the Malaysian Investment Development Authority (MIDA), which is a one-stop single-window service unit or one-stop agency. The Ministry of Investment, Trade and Industry, the Ministry of Finance, the Ministry of Human Resources, and the Immigration Bureau all have personnel stationed in MIDA to assist in handling various investment-related matters. In addition, applicants can also apply for factory license (MANUFACTURING LICENSE), tax exemption (TAX INCENTIVE), foreign employee position (EXPATRIATE POST), etc. in one shot and submit them to the Action Committee on Industry (ACI) after being reviewed by MIDA. In terms of land, if foreign investors need to obtain land from the state governments, they must apply with a factory license or a certification letter issued by MIDA.[50]

Although MIDA provides a single window for foreign companies to apply for various investment businesses, according to the "Doing Business 2020" report released by the World Bank, Malaysia's performance in starting a business is lagging behind, ranking 126th among 190 countries. The main reason is that the costs of starting a business in Malaysia (such as official fees and legal or professional service fees) are too high and time-consuming,[51] reflecting the high amount of money and time required by foreign

50 Investment Promotion Department, Ministry of Economic Affairs (2023), "Introduction to Malaysia's Investment Environment".

51 World Bank, Doing Business 2020, 2020.

companies when investing in Malaysia. Such costs are unfavorable for foreign investments in the country.

Recommendation

In order to make the domestic business environment more friendly, it is recommended that the Malaysian government strengthen the administrative efficiency of the single window for foreign investors, help speed up the approval of applications, and moderately reduce the costs required to start a business. This will help save time and reduce administrative cost for foreign companies investing in Malaysia.

2.5. Labor and Human Resources Issues

2.5.1. Questionnaire Survey Results

In terms of labor and human resources, the results of the questionnaire showed that the labor shortage problem is severe and the foreign labor policy is unstable. The difficulty in applying for foreign labor was the most frequently highlighted issue by Taiwanese businesses, with 65.35% (83 out of the 127 respondents) citing this challenge. Among other issues, 48.82 % of the 127 respondents believed that it was difficult for business managers to apply for visas and obtain work permits; 44.09% mentioned a lack of local professional and technical talents; 26.77% said that the investors are required to hire a high ratio of local employees; 24.41% believed that labor regulations are relatively unfavorable to employers; and 22.83% pointed out that the number of foreign employees is determined by the size of the company's capital size, which is unfavorable for small and medium-sized enterprises. In addition, 11.02 % (14 respondents) said they did not face any of the above-mentioned labor and human resources barriers in their investments.

2.5.2. Comprehensive Explanations and Recommendations

(I) Formulate appropriate foreign labor policies and solve the problem of labor shortages

A. Problem Description and Impact

Malaysia is an important link in the global supply chain. Many industries considered dangerous or difficult by locals, such as palm plantations, have long relied on a large number of foreign workers. Previously, due to the pandemic, Malaysia extensively closed its national borders and implemented a freeze on the introduction of foreign workers. Although the Malaysian government announced in February 2022 that it would reopen its borders and lift the freeze, the slow progress of government approvals has led to minimal change. Currently, there are about 2 million legal foreign workers in Malaysia[52] --- highlighting the country's reliance on foreign workers.

The Malaysian government has set regulations for industries employing foreign workers. While foreign workers can be hired in agriculture, manufacturing, and service sectors, approval remains case-dependent. Employers are required to make every effort to find qualified Malaysian citizens or permanent residents for a certain period before applying for foreign workers.[53] Some Taiwanese businesses in the manufacturing industry have reported that applications for foreign workers face strict scrutiny from the Malaysian authorities, making the process challenging. Certain industries in Malaysia rely heavily on foreign workers, but the issue of labor shortage continues to persist, affecting Malaysia's industrial development and willingness to invest and start businesses. Overall, the Malaysian government's unstable labor policy is one of the biggest risks faced by labor-intensive manufacturing industries including Taiwanese businesses. Adjustment to the head tax and minimum wage not only increases production and operation costs but also hinder the immediate hiring of adequate labor, potentially causing production stagnation. Therefore, formulating appropriate foreign labor policies is an important issue that the Malaysian government must address at this stage.

Recommendation

It is recommended that the Malaysian government relaxes restrictions on the employment of foreign workers (such as nationality, approved work scope, industrial quotas) and accelerate the recruitment of foreign workers to solve the problem of industrial labor shortage, especially in industries with greater labor demand. At the same time, the government should adjust the current foreign labor policy, simplify the complicated and time-consuming hiring procedures, and establish a single processing window or agency. This would enable domestic and foreign companies to hire foreign workers through a fast, convenient and clear channel, which then alleviates the labor shortage pressure faced by Malaysian industries, promotes the development of related industries and drives overall economic growth for the country.

(II) Simplifying the work permit application process

A. Problem Description and Impact

Regarding the business environment, the procedures for issuing Employment Pass (EP) in the Malaysian labor market are cumbersome, and the administrative process is inefficient. It is challenging for foreign companies to obtain the Employment Pass, which reduces the willingness and interest of foreign investors to invest in Malaysia. Taiwanese businesses have pointed out that the steps for foreigners to apply for Malaysian

52 Investment Operations Division, Ministry of Economic Affairs, Introduction to Malaysia's Investment Environment, 2022.

53 Investment Operations Division, Ministry of Economic Affairs, Introduction to Malaysia's Investment Environment, 2022.

work permits are complicated, with frequent delays in the application process. In addition, when Taiwanese managers need to be replaced, they must inform one month earlier, but the work visa still failed to be issued on time, disrupting the schedules of Taiwanese managers working in Malaysia. In addition, Professional Visit Pass (PVP) in Malaysia is subject to a once-in-a-lifetime limit. This regulation causes inconvenience for foreign companies with recurring needs for expatriate professionals.[54]

Recommendation

The Malaysian government should consider amending the relevant provisions of the current labor laws and regulations on work permits, simplifying the complicated procedures for issuance of work permits and residence permits, and adjusting the administrative processing procedures of the undertaking units to reduce excessive and unnecessary paperwork as well as avoid excessive processing time. At the same time, it is recommended that the Malaysian government relaxes the Professional Entry Visa (PVP) regulations, extends the current maximum 12-month validity period and makes repeated applications possible to facilitate mobility for foreign professionals across borders.

In addition, if Malaysia government could issue 5-year visa instead of the current 2-year visa for the holders of key positions in Taiwanese and other foreign-invested enterprises, it would likely attract more Taiwanese businesses to invest in Malaysia.[55][Feng Jianqi, the Taiwan-Malaysia Business Advisory Group convened the Federation of Industry and Commerce to exchange industrial opinions, Industrial and Commercial Times, October 31, 2022.] This adjustment would strengthen bilateral trade and industrial cooperation, delivering substantial benefits for both sides.

(III) Strengthen professional talent training and promote talent exchanges between Taiwan and Malaysia

A. Problem Description and Impact

Malaysia has been facing a talent outflow in recent years. YB V. Sivakumar, previous Malaysia's Minister of Human Resources, pointed out that there are currently about 1.86 million people are living overseas --- accounting for 5.5% of the country's population which is higher than the global average of 3.3% --- mainly due to greater opportunities for career growth, higher pay and higher expectations for economic, political, and educational systems overseas. For Malaysian talents, there are relatively more development opportunities and the remuneration is relatively generous when working overseas. In addition, there are fewer science and engineering departments in the higher education system of

54 Bureau of International Trade, Ministry of Economic Affairs, 2021-2022 Report on Trade Barriers to Taiwan by Countries, 2022.

55 Feng Jianqi, the Taiwan-Malaysia Business Advisory Group convened the Federation of Industry and Commerce to exchange industrial opinions, Industrial and Commercial Times, October 31, 2022.

Malaysia, resulting in an insufficient supply of technical talents and affecting the development of related industries in Malaysia. According to the survey of the Malaysia Semiconductor Industry Association (MSIA) in 2022, only 560 employees in Malaysia have master's and doctorate degrees in the field of electronic and electrical products, accounting for 0.3% of the total number of employees. At the same time, 65% of companies reported that engineer is the most in-demand position, and the shortage of professional and technical talents is one of the main reasons for reduced corporate revenues.[56]

Recommendation

In terms of strengthening professional talent training, it is recommended that Malaysia evaluates the feasibility of establishing a comprehensive, long-term training system aimed at diversifying fields of study and increasing the supply of technical talents in STEM disciplines. In addition, given that Taiwan has abundant highly-educated science and engineering talents and its competitive edge in global technology industries, Malaysia can strengthen talent exchanges, industry-university cooperation, education and training with Taiwan to meet the needs of cultivating professional and technical talents. For example, driven by Taiwan's New Southbound Policy, the Overseas Chinese Affairs Commission of Taiwan cooperated with Yadong University of Science and Technology in 2022 to establish three specialized classes at the Overseas Youth (Haiqing) Class High-tech Talent Training Base. The courses including electrical engineering, 5G communication technology applications and long-term care. These programs provide courses in Taiwan's tech fields for overseas Taiwanese students and professionals, leveraging industry-academic resources to cultivate talent.[57] In addition, the Taiwan and The Federation of Alumni Association of Taiwanese Universities (Malaysia) signed a talent exchange memorandum in September 2022. Both parties agreed to strengthen talent exchanges between the two countries and promote the recruitment and retention of students and professional talents.[58] The Malaysian government could consider offering scholarships to encourage students to apply for Taiwan's training programs, deepening Taiwan-Malaysia talent exchange and enhancing Malaysia's technical and human resources.

(IV) Relaxing Labor Regulations on Foreign Employees and Lifting Quotas

A. Problem Description and Impact

The labor-related laws and regulations in Malaysia include Employment Law (1955), the Industrial Relations Law (1957), the Employees' Social Security Law (1969) and the Occupational Safety and Health Law (1994), among which Employment Law is the main legal basis for regulating the rights and obligations of employers

56 To Jinxuan, Peninsular Malaysia's sports industry faces the challenge of brain drain, Contemporary Review, March 15, 2023.

57 This week, Malaysian high-tech talent training base was unveiled. Tong Zhenyuan: A day to carry out talent cultivation and industry-university cooperation between Taiwan and Malaysia, September 26, 2022.

58 National Development Council, strengthening talent exchanges between Taiwan and Malaysia, September 12, 2022.

and employees. It has been revised many times to more comprehensively protect the work rights and interests of both employers and employees. The 2022 Amendment to the Employment Law was announced and implemented on January 1, 2023. The previous regulations stipulated that employers only need to submit information on foreign workers within 14 days of the employment period while the 2023 Amendment Law stipulates that employment of foreign workers must obtain the approval of the Director of Manpower Department of Peninsular Malaysia (JTKSM). Non-compliance results in fines not more than MYR100,000 or imprisonment for up to 5 years. In addition, if a foreign worker absconds during employment, the employer must report it to the labor department within 14 days.[59] While these updates aim to ensure employers maintain a good record and comply with labor standards, the stricter regulations may discourage investments from Taiwanese and foreign companies, as they add constraints to their operations. However, it shows that Malaysian labor regulations may be unfavorable to employers[60] and may affect the willingness of investments among Taiwanese and foreign investors.

In addition, the Malaysian government has stipulated that since November 2020, companies must first publish job advertisements on MyFutureJobs, a human resources website established by the government for more than 30 days before employing a foreign worker. The employers can only apply for foreign workers after they fail to find suitable Malaysian citizens or permanent residents. This requirement can delay the hiring process for specialized roles.[61] In addition, according to the regulations of the Malaysian Investment Development Authority (MIDA), the number of foreign employee positions for a manufacturing company can obtain, is based on the amount of paid-in capital (10 positions for above US$2 million, and 5 positions between US$200,000 and US$2 million, 1 position for less than US$200,000).[62] The relevant regulations seems are too rigid and inflexible, which is unfavorable for foreign SMEs to hire foreigners.

Recommendation

It is commendable that Malaysia prioritizes protecting workers' rights. However, foreign investments significantly contribute to Malaysia's economic growth, and labor policies that strongly favor workers may raise concerns for investors, potentially impacting business confidence. To balance the interests of both employers and employees, the Malaysian government should consider easing some employer requirements and reducing penalties for minor infractions.

In addition, the Malaysian government should relax its protection policies for local workers, encourage fair competition for employment opportunities, avoid conflicts between local workers and foreign workers. This

59 Bureau of International Trade, Ministry of Economic Affairs, the Malaysian government decided to reduce the maximum working hours per weekfrom 48 hours to 45 hours starting from January 1, 2023, Taiwan Economic and Trade Network, December 22, 2022.

60 Chinese National Federation of Industries, 2021 Survey Report on Trade Obstacles in the Export Market of Domestic Enterprises, 2021.

61 Depart of Investment Promotion, Ministry of Economic Affairs, Introduction to Malaysia's Investment Environment, 2022.

62 China Council for the Promotion of International Trade, Business Environment Guide for Enterprises' Overseas Investment: Malaysia, 2020.

move is expected to allow companies to have more diversified choices in recruiting employees, without being limited by the "local first" policy. With that, the foreign enterprises will be able to find suitable employees in the shortest possible time, shorten the time for recruiting employees and improve corporate efficiency.

Finally, it is recommended that MIDA amend the restriction on foreign employee quotas determined by the amount of paid-in capital of manufacturing enterprises, and consider using the enterprise's operating conditions and human resource deployment as the basis for evaluation. For SMEs that need to introduce workers to engage in labor-intensive industries at a lower cost, there should be flexibility in the number of foreign workers they can hire. Meeting the needs of SMEs and achieving good operating performance will also help Malaysia to grow its economy.

2.6. Tax Issues

2.6.1. Questionnaire Survey Results

A survey summarizing Taiwanese businesses' concerns about tax issues in Malaysia showed that domestic tax burdens (such as corporate tax, value-added tax, withholding tax, etc.) is high, with 51 out of 127 (40.16%) respondents agreed. In terms of other concerns, 22.05% of the 127 of respondents noted limited flexibility in the tax system and inefficient tax refunds, as companies can only adjust estimated income tax in the 6th and 9th months; 7.09% of the 127 respondents mentioned that the government imposed one-off prosperity tax on high-income companies. Also, 45 (35.43%) respondents did not encounter the above-mentioned related tax obstacles when investing in Malaysia.

2.6.2. Comprehensive Explanations and Recommendations

(I) Reasonably adjust the tax system to reduce the tax burden of domestic and foreign companies

A. Problem Description and Impact

The taxes that Malaysian companies should bear mainly include corporate income tax, sales tax, service tax, excise tax and so forth. As far as corporate income tax is concerned, Malaysia's current tax rate is 24%, which is relatively high compared to other ASEAN countries, only lower than Philippines. The corporate income tax rate of the remaining ASEAN countries is below 22%,[63] and Taiwan's corporate income tax is 20%. Relatively speaking, the tax burden of Malaysian enterprises is higher than Taiwan and most ASEAN countries.

63 Deloitte & Touche, Global Strategic Layout Tax Guide: ASEAN, India, Japan, the United States and Mexico, 2023.

Furthermore, the Malaysian government imposed a prosperity tax on high-income companies in 2022. Companies with taxable income exceeding RM100 million (approximately US$22.8 million) need to pay an additional 9% income tax, bringing the corporate income tax for these companies to 33%. Although this was a one-off special tax, the imposition of a new tax during the country's post-pandemic economic recovery stage may reduce the enthusiasm of enterprises to re-activate their operations and raise concerns about whether the prosperity tax will be used repeatedly.

Malaysia re-imposed sales tax and service tax in 2018. The sales tax rate is 5% or 10% on locally manufactured and imported products. Certain petroleum products are levied sales tax at specific rates while services (such as accommodation, catering, insurance, telecommunications, advertising, legal and consulting and other professional services) and imported services are subject to a service tax rate of 6% in Malaysia. Malaysia levies excise tax on products such as cigarettes, tobacco products, alcoholic and sugary drinks, motor vehicles, poker and mahjong. Among them, Malaysian domestic spirits are levied a lower tax rate on raw materials while imported spirits are levied a higher tax rate on finished products. High tax rates and inconsistent tax collection standards affect the fair competition of products. In all, the combined taxes on imported beverages and alcohol can reach up to 500%. Meanwhile, the motor vehicles are taxed between 60% to 105% based on type and engine specifications, which further hinders market expansion in these sectors.

Recommendation

With global supply chains shifting and ASEAN emerging as a hotspot for foreign investments, several ASEAN countries have implemented tax reforms in recent years to attract foreign companies. At present, among ASEAN countries, Singapore government impose the lowest income tax rate at 17% and the highest is Philippines at 25%. Malaysia's corporate income tax rate is 24%, which is relatively high among ASEAN countries. In relative terms, this weakens Malaysia's attractiveness to foreign investments. Therefore, adjustments to Malaysia's tax policies that will in turn, lower the tax burden on corporate earnings, will enhance the country's competitiveness for both domestic and foreign enterprises.

In addition, Malaysia's taxation standards for alcohol, motor vehicles and other products have remained unchanged. The budget 2023 proposed that imported electric vehicles will be exempted from import duties and excise taxes until December 31, 2024, and locally assembled electric vehicles will be given tax exemption until December 31, 2025. Taking alcohol and vehicle products as examples, it is recommended that Malaysia to simplify the existing tax system, remove disparities in tax rates between domestic and imported products. This adjustment would support a more level playing field, encouraging fair competition across product categories.

(II) Strengthening tax administrative efficiency

A. Problem Description and Impact

Under the Malaysian tax law, businesses must pay estimated taxes in monthly installments by the 15th of each month. A 10% penalty applies for late or insufficient payments if the actual tax payable exceeds the estimated tax payable by more than 30%, a 10% penalty will be imposed on the underestimation. Companies may adjust their estimated taxes in the 6th or 9th month of the tax year.

Seven months after the end of the accounting period, the enterprise should report the actual tax payable to the Inland Revenue Board of Malaysia (IRB). Since tax payments are made based on estimated amounts, discrepancies may arise, necessitating either a top-up payment (due by the filing deadline) or a tax refund. If the IRB requires additional payment, companies must settle the amount within 30 days of the notification. Non-compliance with tax requirements results in corresponding penalties.

Recommendation

Given Malaysian tax law which regulates the companies to revise their estimated tax payable twice a year, some Taiwanese businesses believe that this is highly inflexible. Taking the US as an example, companies can adjust estimated taxes each quarter based on projected income changes, providing four adjustment opportunities throughout the year.[64] Malaysia can consider increasing the number of adjustment periods to reduce penalties due to estimation errors.

Additionally, many Taiwanese businesses report that, although they comply with Malaysian tax regulations, the refund processing times are excessively long, limiting available funds for business operations. SMEs often face cash flow constraints and require efficient capital management. Accelerating the tax refund process would enable more flexible cash flow management and enhancing operational efficiency --- especially for SMEs that rely on timely access to funds.

2.7. Infrastructure issues

2.7.1. Questionnaire Survey Results

The results of the questionnaire showed that network infrastructure is insufficient or expensive, with 57 out of 127 respondents (44.88%) expressing such concern. As for other options, 26.77% of the 127 respondents think that transportation infrastructure was insufficient ; 24.41% think that electricity infrastructure was insufficient or expensive; 23.63% think that there was a large regional gap in infrastructure construction, such as the water, electricity and roads infrastructure in East Malaysia ought to be significantly improved;

64 Internal Revenue Service, 2022 Tax Withholding and Estimated Tax, 2022.

21.26% think that communication infrastructure is insufficient or expensive ; 17.32% think that the water supply infrastructure is insufficient or expensive. In addition, 35 (27.56%) respondents did not encounter the above-mentioned related infrastructure obstacles when investing in Malaysia. Overall, the findings suggest that Malaysia can prioritise improvements in internet, transportation, power and telecommunications infrastructure, and work towards reducing regional disparities. Additionally, addressing issues in water and digital finance infrastructure can further enhance the domestic investment environment.

2.7.2. Comprehensive Explanations and Recommendations

(I) Continue to improve the deployment and quality of network infrastructure and narrow the gap between urban and rural areas

A. Problem Description and Impact

The OECD 2021 Economic Survey Report pointed out that Malaysia's ICT infrastructure is largely insufficient.[65] Some small and medium-sized enterprises lack the equipment or skills to use computers or the internet. They only conduct physical offline transactions and cannot conduct transactions through e-commerce, resulting in operating losses during the pandemic restrictions. Many Taiwanese businesses view Malaysia's internet infrastructure as relatively good compared to most ASEAN countries, with fast and stable speeds in urban areas. However, there are significant urban-rural disparities. In urban areas, the network signal is stable and the connection speed is good, but in suburban areas, network signals are poor and those factories in remote areas may have to wait in line for the construction of fiber optic networks. Slow internet speeds, high server costs and occasional signal loss or disruptions in certain regions are the challenges faced by some Taiwanese businesses.

Recommendation

The Digital Economy Blueprint 2021-2030 which published in 2021 proposed six strategies, namely, driving digital transformation in the public sector, boosting economic competitiveness through digitalization, building enabling digital infrastructure and cultivating agile and competent digital talents, creating an inclusive digital society and establishing a trustworthy, secure and ethical digital environment.[66] The newly launch of New Industrial Master Plan 2030 (NIMP 2030) also focuses on the development of the digital economy and makes Malaysia to become a fully digital nation. To advance these goals, it is recommended that Malaysia actively implements its digital-related plans and measures and considers accelerating investments and upgrading of

65 OECD, Economic Survey of Malaysia, 2021.

66 Wang Zhenya, Challenges and opportunities for economic development in developing countries under the trend of digital transformation, Economic Research Issue 22, 2021.

digital infrastructure (including 5G and fixed broadband coverage). Not only this increases the availability and speed of broadband, it also accelerates digital adoption among enterprises and employees for business growth. Facilitating SMEs' access to technology and digital platforms will accelerate their developments and global integrations, creating a more attractive environment for both domestic and international investors.

(II) Balance regional infrastructure construction and overhaul existing obsolete infrastructure

A. Problem Description and Impact

According to the World Economic Forum's Global Competitiveness Report, Malaysia's transportation infrastructure is above the global average and just behind Singapore in ASEAN. However, the 2019 report showed that Malaysia's global rankings of infrastructure projects such as road transportation, railway density, air transportation and maritime service efficiency, electricity penetration rate, power supply and distribution efficiency, have dropped slightly. Similarly, according to the 2023 IMD World Competitiveness Annual Report released by the Lausanne School of Management in Switzerland,[67] the comprehensive evaluation of Malaysia's infrastructure is better than that of most ASEAN countries, only lagging behind Singapore as well. From both rankings, it is clear that there is room for Malaysia to strengthen its domestic infrastructure in the future.

However, a report by Khazanah Research Institute pointed out that there is a significant gap in infrastructure development between the East and West of Malaysia.[68] The roads are in poor conditions, the tap water coverage is lower, the power supply is relatively insufficient and unstable in East Malaysia. These kinds of issues may deter companies from investing in and setting up factories in Malaysia. In addition, rapid urbanisation and industrialisation of West Malaysia, coupled with issues such as climate change, have led to large-scale problems of insufficient or unstable water and electricity supply from time to time, especially in northern West Malaysia.

Facing the climate change challenge in Malaysia, there is a clear increase of business risks among manufacturers which are seeking uninterrupted operations in their businesses. For instance, the 2021-2022 flood caused damage to manufacturing plants, industrial zones and agricultural facilities across at least eight states. On the other hand, the 2023 Malaysian National Water Commission report also pointed out that due to the impact of climate change, water supplies of seven dams in Johor, Malacca, Kedah and Penang states are facing higher risks and there is a need for the government to review the design and safety of outdated dams as well as conduct regular maintenance and audits.

Taiwanese businesses invest and operate businesses in Malaysia to serve both local and overseas markets.

67 International Institute for Management Development, World Competitiveness Yearbook 2023, 2023.
68 Khazanah Research Institute, The State of Households 2018: Different Realities, 2018.

Currently, the investments and establishments of factories are mainly located in West Malaysia. Given that infrastructure is one of the important considerations for Taiwanese businesses to invest and set up factories, it has a bearing on the transportation and other costs as well as the strategies and models for local operations of Taiwanese enterprises. For instance, the poor road infrastructure in East Malaysia leads to high logistics costs, causing many Taiwanese businesses to either avoid the region or rely on local distributors for sales. In addition, with some areas in Malaysia are facing insufficient or unstable water and electricity supplies, many Taiwanese businesses are also worried about industrial water and electricity consumption in the near future.

Table 2-1 Evaluation of Infrastructure Projects in Malaysia's WEF Global Competitiveness Index from 2018 to 2019

Project	2019 ranking (141 economies in total)	2018 ranking (140 economies in total)	Ranking changes in 2019 compared with 2018
Infrastructure	35	32	-3
Road transport index	133	128	-5
Road quality	19	20	1
Railway density	63	59	-4
Train service efficiency	13	13	0
Airport connectivity	20	20	0
Air transport service efficiency	25	19	-6
Maritime Transport Connectivity Index	5	5	0
Shipping service efficiency	19	17	-2
Electricity penetration rate	87	85	-2
Power supply and distribution efficiency	38	28	-10
Water resource pollution level	63	69	6
Comprehensive reliability of water supply system	49	50	1

Note: The gray background indicates projects that have declined in ranking; rankings have been suspended since 2020 due to the COVID-19 pandemic impacted the global economy.

Source: This research is compiled from WEF: *The Global Competitiveness Report 2018* and *The Global Competitiveness Report 2019*.

Table 2-2 Evaluation of Infrastructure Projects in Malaysia's IMD World Competitiveness Index from 2019 to 2023

Project \ Year	2019	2020	2021	2022	2023	Ranking changes in 2023 compared with 2022
Infrastructure	28	31	32	37	35	2
Basic infrastructure	14	13	13	19	8	11
Technical infrastructure	15	17	20	20	16	4
Scientific infrastructure	28	32	30	32	31	1
Health and environment	41	44	42	44	42	2
Education	35	37	39	44	45	-1

Note : There are 64 rated countries in total, the rated ASEAN countries included Indonesia, Malaysia, Philippines, Singapore, Thailand and other countries; the gray background indicates projects that have declined in ranking.

Source: IMD World Competitiveness Yearbook 2023.

Recommendation

Under the 12th Malaysia Plan 2021-2025, Malaysia has planned to improve infrastructure efficiency, enhanced connectivity and transport infrastructure. It is recommended that the Malaysian government accelerates the implementation of infrastructure upgrading plans to balance regional infrastructure, reduces cargo transportation costs for domestic and foreign companies and improves logistics and transportation efficiency as well as overall infrastructure and quality.

In addition to fiscal budget expenditures, Malaysia also leveraged on public-private partnerships (PPP) to implement various infrastructure development plans. According to data from Fitch Solutions, 11 of the 97 infrastructure projects in Malaysia are PPPs, most of which are the procurement of social infrastructure such as education and healthcare facilities. The government can explore collaboration opportunities with Taiwanese companies through the Taiwanese Chamber of Commerce and Industry in Malaysia (TWCHAM) and thereby, combine public-private efforts to strengthen various infrastructure.

2.8. Other Issues

2.8.1. Questionnaire Survey Results

The "other issues" that Taiwanese investors may be concerned about when investing in Malaysia are as follows: Among the 127 respondents, 21 (16.54%) of the 127 respondents believed that the protection of intellectual property rights needs to be strengthened. In addition, 15 (11.81%) respondents think that Malaysia should extend the timeframe for halal certification. The elaborations of other issues and follow-up recommendations by the Taiwanese businesses are as below.

2.8.2. Comprehensive Explanations and Recommendations

(I) Strengthening the enforcement of intellectual property rights

A. Problem Description and Impact

The protection of intellectual property rights in Malaysia is relatively robust and the country has established a comprehensive intellectual property rights protection system. Specifically, as the member of World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO), Malaysia has always adhered to the international intellectual property (IP) protection standards established by these organisations. In addition, Malaysia is also one of the signatory parties of the Patent Cooperation Treaty and the Madrid Protocol. These efforts enable streamlined international patent and trademark applications in the context of Malaysia. In terms of copyright, it is protected in Malaysia without registration. However, the copyright owner can still submit a voluntary copyright notification and register the copyright with the Intellectual Property Corporation of Malaysia (MyIPO). The registered copyright officially certified by MyIPO can be used as preliminary evidence to prove the detailed information of registered copyright. This information can be accepted as proof of work in the Malaysian courts.[69] On the other hand, the Geographical Indications Act Malaysia 2000 protects the geographical indications (GIs). Registration of geographical indications is not mandatory while the unregistered geographical indications will still be protected, with registered marks offering stronger legal footing.[70]

However, Malaysia still has some room for improvement in the protection of IP rights. For example, Malaysia is not a member of the International Union for the Protection of New Varieties of Plant (UPOV). The new plant varieties protection law is administered by the Ministry of Agriculture and although this provides a certain degree of protection to the owners, there are some sections which do not meet the UPOV

69 ITA (2022), Malaysia - Country Commercial Guide.

70 GEOGRAPHICAL INDICATIONS ACT 2000, *https://www.myipo.gov.my/en/geographical-indications-act-2000/*.

standards.[71] Also, even though the Malaysian government supports the fight against counterfeiting and actively enforces the protection of intellectual property rights, the number of counterfeit and pirated goods is still common in some areas of Malaysia. For example, the Petaling Street Market in Kuala Lumpur was listed as a physical market for the public sales of counterfeit goods under the 2022 Review of Notorious Markets for Counterfeiting and Piracy list that was released by US Trade Representative (USTR).[72]

Recommendation

Strengthening the protection of IP rights (IPRs) can boost the investment confidence of foreign investors. For instance, Singapore serves as a benchmark in ASEAN for proactive IPR protection, having signed 16 international IPR treaties (the highest in the region). Malaysia can refer to the current international intellectual property conventions (such as UPOV) that Singapore has joined as a follow-up goal. Harmonizing domestic and international IPR standards would demonstrate Malaysia's commitment to IPR protection, facilitating closer integration with advanced nations on IPR issues.[73] Besides, in order to combat counterfeiting and piracy, the Malaysian government is advised to enhance awareness of IPR protection through education for both law enforcement personnel and the public. This would help curb counterfeiting and piracy in certain regions and foster a fair and business-friendly competitive environment.

(II) Extend the validity period of halal product certification

A. Problem Description and Impact

Malaysia is a prominent Muslim-majority country in East Asia, with over 60% of its population identifying as Malay and predominantly practicing Islam. It plays a vital role in the global halal market in which Malaysia has positioned it as a key industry for national development. The halal industry extends beyond food into pharmaceuticals, cosmetics, health supplements, toiletries, and medical equipment --- with substantial market potential. Malaysian Halal Industry Development Corporation (HDC) oversees the development of Malaysia's halal industry, while the formulation of Malaysia's halal standards is the responsibility of the Islamic Development Authority (JAKIM).

Currently, foreign halal products face trade barriers in Malaysia in two aspects: First, JAKIM is responsible for all meat halal affairs, and imported meat must pass halal certification and listing. As for pork, the meat must go through the Malaysian Department of Veterinary Services (DVS) with authorization from the Bureau of Quarantine and Inspection Services (MAOIS) before they are being imported to Malaysia. Second, Malaysia does not recognize any export certificate related to halal requirements issued by foreign

71 ITA (2022), Malaysia - Country Commercial Guide.

72 USTR (2022), 2022 Review of Notorious Markets for Counterfeiting and Piracy.

73 China Association for the Promotion of International Trade Research Institute, ASEAN Business Environment Report 2022, 2022.

Islamic organisations. Export companies must undergo a preliminary inspection by JAKIM to obtain certification. The approval is only valid for 1 year and can be extended for up to 2 years. Such restriction complicates trade and logistics.

Malaysia has established a bilateral recognition mechanism with overseas halal certification bodies (Halal Certification Body, HCB), aiming to help overseas businesses obtain local certification that complies with the country's halal certification system. The Taiwan Halal Industry Quality Assurance and Promotion Association (THIDA) has been recognized by Malaysia government and its halal certification complies with JAKIM's specifications. The Taiwan Halal Integrity Development Association (THIDA) is among the 67 recognized HCBs across 40 countries. If the products successfully obtain the halal certification issued by THIDA, they will be deemed complying with the halal product specifications of Malaysia and can be legally circulated and sold in the Malaysian market.[74]

However, as mentioned above, while Malaysia stipulates that foreign halal certificates are generally valid for one to two years, THIDA certification has only one year validity. The maximum validity period is 2 years when renewal. However, due to the short validity time and renewals often require repetitive applications, these also led to inconvenience for Taiwanese exporters and with that, complicating trade operations as a whole.

Recommendation

The cost of applying for halal certification in Taiwan usually ranges from NT$30,000 to NT$50,000. The certification process usually takes several months and each product requires individual evaluation. Therefore, for those enterprises with diverse products, the cost and time spent in applying for halal certification can be significant. On top of that, halal certification in Taiwan is only valid for one year. As such, companies need to renew the certification before expiry date or re-certify when product ingredients changed.[75] Considering the cost and time required by Taiwanese companies, the validity period of 1 year is not adequate for exporters to develop their businesses. Therefore, it is recommended that the Malaysian authorities allow the validity period of THIDA certification to be extended to 2 years. This can effectively reduce the cost and time required for Taiwanese companies exporting halal products to Malaysia.

74 Taiwan Halal Industry Quality Assurance Promotion Association, *https://www.thida.org/tw/*.

75 iCONNECT web solution, information related to halal certification that you must know about the new southbound cross-border traffic, *https://www.i-connectweb.com/zh-hant/blog/halal*.

Chapter Three: Promoting the Development of Taiwan-Malaysia Industrial Cooperation

In 2018, the Malaysian government announced its National Industry 4.0 Policy in its quest to cultivate more high-tech and high-quality labour, improving manufacturing productivity through innovation, and thereby promote the upgrading, transformation and structural reform of Malaysia's manufacturing and service industries. On the other hand, Taiwan has continued to promote the New Southbound Policy since 2016, encouraging Taiwanese businesses to invest in ASEAN, South Asia, New Zealand and Australia. Through the NSP, the Taiwanese government aimed to expand exchanges in various fields such as economy, trade, technology, culture and tourism and promote cooperative dialogues in its pursuit for bilateral and multilateral free trade with all economies in the world. Therefore, if Taiwan and Malaysia can integrate their industrial advantages and deepen cooperation in the global supply chain, Malaysia will be able to smoothly adjust the industrial structure and enhance international competitiveness. For Taiwan, it will help the Taiwanese businesses to improve their market competitiveness as well as their market share in Southeast Asia. The industrial cooperation between Taiwan and Malaysia is mutually beneficial and complementary towards each other and as such, it is a win-win relationship.

In order to promote industrial cooperation between Taiwan and Malaysia, this study takes into account the future economic development needs and mutual advantages of Taiwan and Malaysia, proposes seven priority areas for cooperation, namely, electronic and electrical industry, enterprise automation, circular agriculture, halal industry, renewable energy, medical and health industry and smart logistics. This can be used as a reference for the governments and enterprises from both sides. The following is a detailed description of the development overview of various fields in Malaysia, as well as the advantages and feasible strategies of cooperation with Taiwan and Malaysia.

3.1. Electronic and Electrical (E&E) Industry

3.1.1. Overview of the Development of E&E Industry in Malaysia

The E&E industry is the most important sector in Malaysia's manufacturing industry. Take 2022 data as an example, the industry's output value accounted for approximately 32%, and its export proportion account for approximately 38%, both ranked the first in the manufacturing industry. In terms of the global semiconductor supply chain, Malaysia is the semiconductor back-end (downstream) manufacturing center in Southeast Asia, contributing approximately 7% of the global semiconductor industry output value. In particular, the IC assembly and testing segment remained to be the most important segment for Malaysia, accounting for approximately 13% of the global market. As driven by continued strong demand, the output value of Malaysia's semiconductor industry is expected to reach US$46 billion by 2028, with a compound annual growth rate of 7%.[76]

Currently, the world's major semiconductor manufacturers such as AMD, Intel, Renesas, NXP, Texas Instruments, Infineon, ASE, STMicroelectronics (STM) have set up their assembly and testing plants in Malaysia and the country has a mature ecosystem within the downstream level of semiconductor industry. Only Infineon and Malaysian local manufacturer, SilTerra produce wafers, and their products are mainly based on mature node process. In order to promote the upgrading and transformation of Malaysia's semiconductor industry, the Malaysian government not only lists the electronic and electrical industry as one of the priority development areas within the 12th Malaysia Plan, but also, encourages manufacturers through different policies to increase the investments in upstream IC design and advanced chips. Creating a global IC design champion and attracting global leaders to establish wafer manufacturing plants in Malaysia is part of the recent New Industrial Master Plan 2030 (NIMP 2030) that aims to expand high value-added activities in the supply chain.

3.1.2. Advantages and Promotion Strategies of E&E Industrial Cooperation between Taiwan and Malaysia

From the perspective of industrial complementarity and competition, this study recommends that Taiwan-Malaysia E&E industrial cooperation to be oriented as follows:

(I) Sign an industrial cooperation agreement or memorandum of understanding (MoU) to promote the sharing of Taiwanese and Malaysian semiconductor industrial development for future cooperation opportunities

As an undisputed player in the semiconductor industry, Taiwan plays an important role in the global supply chain. Currently, Taiwan's IC industrial output value ranks second in the world. Among them, the output value of wafer foundry and IC assembly and testing, is no. 1 in the world while Taiwan's IC design ranks second in the world. Such investments are noticeable not just within Taiwan but beyond the island as well. Malaysia is a key country for Taiwan's semiconductor industry to invest and set up factories in Southeast Asia. For example, ASE, a major semiconductor assembling and testing player, set up the factor in Penang as early as 1991, to produce image sensors and energy management sensors and so forth. In 2022, the company announced that it will invest additional US$300 million within five years to expand the scale of the Penang factory in Malaysia. This investment will be devoted to the production of copper bridges and image sensor packaging products. Expected to be completed in 2025, the investment will create 2,700 jobs for Malaysia

76 MoneyDJ Financial Network, Malaysia's semiconductor industry will have a total output value of US$46 billion by 2028, June 7, 2023.

and further injects growth momentum into Malaysia's semiconductor industry.[77]

Considering the current development and competitive scenario of the semiconductor industries in both Taiwan and Malaysia, and in line with Malaysia 's NIMP 2030, both sides may strengthen bilateral industrial cooperation based on the existing complementary links in the semiconductor supply chain. Specifically, Taiwan and Malaysia can consider signing an industrial cooperation agreement or memorandum of understanding (MoU) to share Taiwan's upstream wafer manufacturing and IC design experiences with Malaysia. This will help the latter to grasp the current status of midstream and upstream levels of the global semiconductor industry, and create a supportive ecosystem for Malaysia as a whole. In other words, by having Taiwan to share relevant manufacturing and design experiences, it will inform the Malaysian government on the latest industrial trends and help to strengthen the country's talent training endeavour which will in turn, contribute to the establishment of a complete semiconductor industry chain. At the same time, the governments from both sides can encourage Malaysian students to enrol in Taiwan's semiconductor talent training programmes, undertake talent exchanges between Taiwan and Malaysia, and upskill the technology and human resources of the Malaysian electronics industry.

(II)Meet their respective import needs through the export of complementary electrical and electronic products

Regarding other E&E products, Malaysia has a large demand for imported goods but its own production --- including device parts for printed circuits and radio broadcasts, televisions, and monitor --- are less competitive globally. In contrast, Taiwan has advantages in these products. In the future, matchmaking of bilateral business opportunities between Taiwan and Malaysia can be strengthened to encourage Taiwanese businesses to have an in-depth understanding of the local market and expand the export of Taiwan's E&E products to the Malaysian market. On the other hand, Taiwan can also expand its imports of products in which Malaysia has advantages and also highly demanded by the Taiwanese market. This will deepen the trade and supply chain relationships of both sides and thereby, achieve mutual benefits for both parties.

3.2. Enterprise Automation

3.2.1. Overview of the Development of Enterprise Automation in Malaysia

Labor shortage has been prevalent for many years in Malaysia. In tackling this long-standing issue, the Malaysian government launched the National Industry 4.0 Policy in 2018 to incentivise key enterprises in the manufacturing industry, to upgrade and transform for Industry 4.0. The Malaysian government places

77 MoneyDJ Financial Network , ASE Investment Holdings plans to invest US$300 million within five years to expand its factory in Penang, Malaysia, December 6, 2022.

special emphasis on the manufacturing automation of small and medium enterprises (SMEs) that made up the bulk of the country's manufacturing sector, with incentives such as smart automation subsidies to about 200 manufacturers and industrial smart training for about 20,000 related workers. This improves Malaysia's per capita productivity, and thereby, increases the overall economic contribution of small and medium manufacturers to Malaysia.[78]

3.2.2. Advantages and Promotion Strategies of Enterprise Automation Cooperation between Taiwan and Malaysia

SMEs have always been the backbone of Taiwan's economy for the past decades. In order to maintain its cost competitiveness, Taiwan actively supports the SMEs in digital transformation by improving the legal environment and financing services, assisting in matching export opportunities, strengthening the R&D and innovation as well as providing talent development measures. Hence, it is no exaggeration to say that the Taiwanese SMEs occupy a place in the global supply chain, form a mature industrial cluster advantages and have investment potential, efficiency as well as innovation capabilities. According to Cisco survey 2020 on the SMEs in the Asia- Pacific region that measured a total of 14 countries, Taiwan ranked 7th in terms of digital maturity, four spots above Malaysia (ranked 11th).[79] Therefore, the long-standing digital development and transformation experiences of Taiwanese SMEs can work as a model for Malaysia to improve the automation of its own SMEs and enhance the industrial competitiveness of these important players.

By having Taiwanese businesses setting up factories in Malaysia using automated machine production equipment, it will not only help maintain cost advantages for these foreign investors but also, provide new production experiences which can be promoted to the Malaysian small and medium-sized manufacturers. To date, there are some examples of Taiwanese companies in Malaysia which have successfully automated in line with the latter's Industry 4.0 agenda. For example, Hotayi Electronics, which produces consumer electronics products, has been committed to smart manufacturing R&D for many years. For one, the company introduced automated scanning systems in its Malaysian factories since 1996. Besides, lightless production was introduced in the company in 2004 and the system was integrated into a comprehensive traceability system 3 years later. So far, the automation level of the entire factory has reached more than 90% and all systems are developed by the company's team. In 2019, the company also established a new smart factory in Penang. This energy-saving green building factory not only creates hundreds of high value-added jobs for Malaysians but, also cultivates many engineering talents for Malaysia and forms a role model for enterprise automation production.

In terms of the Taiwanese experience, it has encouraged supply chain operators to work together

78 Economic department of Taipei Economic and Cultural Office in Malaysia, the Malaysian government will provide US $9.56 billion in loan assistance through the Business Startup Programme to relieve micro and small and medium-sized enterprises, February 23, 2022.

79 Cisco, 2020 Digital Maturity Study of Small and Medium Enterprises in Asia Pacific, 2020.

to introduce low-carbon and smart production-related products through subsidies under the Industrial Innovation Ordinance and the Low-Carbon and Smart Upgrading and Transformation Subsidy Programme for Large-scale and Small Manufacturing Industries introduced by the Ministry of Economic Affairs (MOEA), Taiwan. Expetech which is set up by Industrial Technology Research Institute (ITRI) and Advantech, also tasked to transform the Taiwanese machinery industry, promote industrial IoT and become a large-scale system integrator that offers smart manufacturing output services. Such institution is expected to further assist domestic and overseas companies to upgrade their smart factories, embark in smart warehousing, save their energy usage and satisfy their carbon reduction needs. Currently, it has actively cooperated with Taiwanese businesses in Malaysia, Thailand, Vietnam and other countries.

Based on the above, both Taiwan and Malaysia can benefit from each other's experiences if they cooperate within the domain of enterprise automation. Specific measures can be adopted as below:

(I) Continue to deepen cooperation with existing platforms and provide enterprises with digital transformation consulting services

Taiwan and Malaysia have established the Taiwan-Malaysia SME Development Working Group (SMEDWG) in 2016. Under this mechanism, it is recommended that Malaysia invites Taiwanese experts or personnel to share the island's digital transformation policies and implementation measures with the Malaysian counterpart. In addition, the MOEA has also commissioned the Taiwan Electronic Equipment Association (TEEEIA) to provide smart manufacturing consulting services to the Taiwanese businesses in Malaysia, ranging from corporate health clinics to proposals for industrial upgrade. With such advantage, Malaysia should pursue for enhanced cooperation and services of relevant platform mechanisms with Taiwan. The focus will be on digital upgrading, transformation of enterprises and expansion of the services to local Malaysian enterprises as well. This will help Malaysian SMEs to carry out enterprise automation and intelligence to enhance their competitiveness.

(II) Encourage Taiwanese businesses to cooperate with local enterprises, showcase Taiwanese factory's automated smart production process as a demo model

In assisting the smart upgrading of Malaysian industries, Taiwanese companies can introduce its automation and smart equipment technologies to Malaysian counterparts by showcasing their smart production processes in their own factories. A successful example will serve as a demo model for which Malaysian small and medium-sized manufacturers can draw lesson from, when comes to their own adoption of automation. If this model proves to be successful, it will improve the per capita production efficiency of Malaysian companies and alleviate the problem of labour shortage in the manufacturing industry of Malaysia.

3.3. Circular Agriculture

3.3.1. Overview of the Development of Circular Agriculture in Malaysia

Malaysia is the second largest palm oil producer in the world, with global output only lags behind its neighbour, Indonesia. Oil palm-related industries are also the important pillar of the Malaysian economy. Take 2022 as an example. That year, Malaysia's export volume of oil palm-related products stood at 15.72 million metric tons, with an export value of approximately US$30.543 billion (accounting for approximately 10% of the country's total exports). Among them, the palm oil output of Sarawak accounted for about 45% of the national output and thereby, it has become the most important source of palm oil production within Malaysia.[80] However, the oil palm industry has reverberated environmental concern due to deforestation and destruction of biodiversity. Furthermore, about 26 million tons of fruit pulp residue waste are produced every year after the oil palm fruit is squeezed out. This will also risk diseases and insect pests that affect other palms.

In order to balance industrial development and environmental protection, Malaysia encourages local oil palm-related businesses to follow the operating principles of circular agriculture. On one hand, it attaches importance to the goal of sustainable development and demonstrates to the international market that the country's oil palm industry assumes social responsibility and pursues environmentally sustainable development. On the other, Malaysia is trying to maintain the dominant position of the current oil palm industry by developing and looking for suitable new agricultural technologies to improve its competitiveness in the global market.

Taiwan's agricultural technology and talents have always been recognized by countries around the world. The industry, government, and academia have long cooperated closely with each other to create a conducive environment for technological innovation and development. Take All Cosmos Industries Sdn. Bhd., a Taiwanese company in Malaysia that manufactures biomass fertilizers, as an example. The microbial compound fertilizer developed by this company was first certified by the Malaysian Palm Oil Board in 2008, to tackle the terminal disease "Ganoderma root rot" which plagued the palm trees in Malaysia for so long. The company has also cooperated with Malaysian oil palm industry players to use the remaining pulp residues (after the oil palm fruit is squeezed out) to make plant vaccines. This contributes to early prevention and treatment of oil palm trees from Ganoderma Disease.

In addition, All Cosmos Industries also cooperated with the Industrial Research Institute to use novel technologies such as "lignocellulose depolymerization for sugar production", to upgrade and transform agricultural waste into sugar products. Essentially, the technology turned the oil palm pulp residues into xylitol and other high value products such as amino acids or ethanol fuel.[81] In short, this technology

80 Malaysian Palm Oil Board, *https://bepi.mpob.gov.my*.

81 Industrial Research Institute of Technology, Industrial Research Institute joins hands with All Cosmos Industries to open up a new blue ocean of green economy and assist Taiwanese companies to expand their new southbound territory, May 22, 2019.

tackles the problem of having a large amount of agricultural waste generated by the oil palm industry in Malaysia. In line with the Malaysian government's circular agriculture policy's goal of pursuing sustainable development, the possession of such technology will enhance the market competitiveness of the oil palm industry in the country.

3.3.2. Advantages and Promotion Strategies of Circular Agriculture Cooperation between Taiwan and Malaysia

(I) Malaysia should promote circular agriculture-related policies and investment incentives to attract Taiwanese businesses to invest in Malaysia

The Malaysian Investment Development Authority (MIDA) has a circular bioeconomy department that aims to promote Malaysia's transformation from a linear "use-dispose" development model to a circular "use-return" model. With the transformation, it is expected that Malaysia will make its large-scale transition to a circular bioeconomy and achieve sustainable as well as inclusive development.[82] This move will massively drive Malaysia's transformation into a circular bioeconomy and convert these resources and waste into sustainable high value-added products such as food, feed, bioenergy, biofuels, biochemicals and bio-based end products.[83]

Regarding specific industrial cooperation strategies, the Malaysian government can vigorously promote policies to encourage circular agriculture --- such as implementing the "Green Investment Tax Reduction and Green Income Tax Exemption Programme" and other relevant measures to attract Taiwanese companies to Malaysia to develop renewable energy, biomass power generation, waste recycling and other technologies. Like the case of All Cosmos Industries mentioned above, the use of Taiwanese agricultural technology to revitalize and upgrade the value of local agricultural waste in Malaysia not only reduces the deforestation of virgin rainforest but, also achieves the twin goals of sustainable development and industrial upgrading. Besides, having such technology also maintains the global competitive advantages of oil palm-related industries and maintain the balanced development of domestic regional economies.

(II) Matching Taiwanese businesses with Malaysian enterprises to deepen bilateral cooperation in circular agriculture

The Taiwanese government can also adopt the model of "Taiwanese businesses take the lead and the government backs it" to assist Taiwanese and local Malaysian businesses in targeting technologies that can be applied in circular agriculture. For this purpose, the industrial players can conduct cooperation negotiations and seek investment preferential measures from the Malaysian government. At the same time, both sides can also engage in joint development and innovation of agricultural technologies to strengthen Malaysia's circular agriculture.

82 Malaysian Investment Development Authority, *https://www.mida.gov.my/zh-hans/invest-in-malaysia/business-facilitation/* .
83 Trade Association Information Network, *https://www.taitraesource.com/total01.asp?AreaID=00&CountryID=MY&tItem=w06* .

3.4. Halal Industry

3.4.1. Overview of the Development of the Halal Industry in Malaysia

Malaysia first began to develop the halal food industry in 1980. The Department of Islamic Development Malaysia (Jabatan Kemajuan Islam Malaysia, JAKIM) is responsible for the standardized supervision and management of halal food production nationwide, and issues certificates of conformity to qualified manufacturers. Since the halal food certification system was first developed in Malaysia, a globally unified halal food label has been planned. The International Codex Alimentarius Commission (Codex) uses the Malaysian certification system as the standard and hopes that all countries can align with the Malaysian standard system in manufacturing halal food. This makes the halal products from Malaysia enjoy a good reputation in both domestic and international markets.[84]

There are currently about 1.9 billion Muslims in the world, and there are about 20 million Muslims in Malaysia, accounting for 60% of the total population of Malaysia.[85] Although Malaysia is not the largest Muslim country, it is the main driver of the development of the halal economy. The halal economy contributes approximately 7.5% to Malaysia's GDP, the largest of which is the food sector, which is estimated to contribute approximately US$31 billion. The Global Islamic Economy Indicator (GIEI) shows that Malaysia has ranked at the top for nine consecutive years. The current Malaysian government has also listed the halal industry as a key sector to be developed in the Twelfth Malaysia Plan. A key strategy is to promote the development of halal talent, introduce halal professional certification, revitalize industry growth and improve product competitiveness, and position Malaysia as a global halal hub. Malaysia hopes to further increase the contribution of the halal economy to GDP by 8.1% by 2025 and create more than US$12 billion in export revenue.[86]

Looking at the current overview of halal investment and trade in Malaysia, as of the end of December 2022, the cumulative investment in Malaysia's halal industry reached RM16.4 billion (approximately US$3.71 billion). It is expected that more than RM600 million (approximately US$136 million) in investment will flow into 14 halal industrial parks across the country this year.[87] In terms of trade, according to the statistics from the Malaysian Ministry of Investment, Trade and Industry, Malaysia's halal exports reached RM59.46 billion (approximately US$13.452 billion) in 2022, an increase of 63.8% compared with 2021. Among them, food and beverages continue to be the main source of contribution to Malaysia's halal economy. The export value was RM27.84 billion (approximately US$6.299 billion), accounting for 46.82% of Malaysia's total halal exports. The subsequent rankings were as follows: halal raw material exports of

84 Taiwan Economic and Trade Network, Malaysian Halal Market Overview, January 1, 2020.

85 Chen Yufeng, business is religion, starting from understanding Islam: obtaining halal certification and obtaining tickets to the Muslim market. Trade Journal Issue 380, 2023.

86 MoneyDJ Financial Network, Global Islamic Economic Indicators: Malaysia has ranked first for 9 consecutive years, October 20, 2022.

87 According to the Economic Section of the Taipei Economic and Cultural Office in Malaysia, Malaysia's halal product exports will reach US$13.348 billion in 2022, and are expected to grow by 15% in 2023, Economic and Trade Insights, May 9, 2023.

RM23.35 billion (approximately US$5.283 billion), cosmetics and personal care industry exports of RM3.49 billion (approximately US$790 million), palm oil derivatives exports valued at RM2.79 billion (approximately US$631 million), industrial chemical products exports of RM1.27 billion (approximately US$287 million), and the pharmaceutical industry contributed RM7.2 billion (approximately US$163 million) in exports[88]

Besides the Twelfth Malaysia Plan, the Malaysian government also launched the Halal Industry Master Plan 2030 (HIMP 2030) in March 2023, which outlines a clear action plan to respond to the growing global demand for Malaysia's halal products and services and to enhance the country's competitiveness through Malaysia's halal industry ecosystem and expertise. HIMP 2030 and the 2023 World Halal Business Conference (WHBC) explore cooperation opportunities in areas including food and beverages, pharmaceuticals, cosmetics, supply chains, financial services, technology, and environmental protection, social responsibility and corporate governance (ESG). Malaysia expects that the Malaysian halal industry market size will expand to US$113.2 billion in 2030, and the market value of food and beverages, cosmetics and personal care products, pharmaceuticals and other emerging projects will expand to US$85.2 billion, US$10.5 billion, US$59 billion and US$11.7 billion respectively, enhancing Malaysia's status as a key player in the global halal market.[89]

At present, the main organization responsible for the development and execution of plans for Malaysia's halal industry is Halal Development Corporation (HDC) under the Ministry of Investment, Trade and Industry of Malaysia. HDC is responsible for assisting industry players to enter the international halal market and to address investment-related matters. JAKIM is responsible for setting standards and issuing halal certification. It is the only international halal certification and logo supported by the government and adopted by all Muslim countries. As of March 17, 2023, JAKIM has recognized 83 foreign halal certification agencies from 46 countries.[90] At the same time, the number of domestic and foreign companies that have obtained halal certification issued by JAKIM has reached more than 10,000. As the halal certification issued by JAKIM has been recognized by most Middle Eastern and ASEAN countries, which gives it international credibility, it is deeply trusted by Islamic countries and people.[91] At present, Malaysia's halal industry has established a close partnership with Islamic countries around the world. If an enterprise is able to tap into the Malaysian market, it can be said that it has secured a ticket to the Muslim market. It is also worth noting that since halal certification attaches great importance to raw material management and traceability, for safety reasons, more and more non-Muslim consumers will give priority to halal-certified products, which can be seen as potential business opportunities in the future.[92]

88 Taiwan Economic and Trade Network. Malaysia's halal industry is expected to expand to US$113.2 billion in 2030 and contribute 8.1% to gross domestic product in 2025, March 24, 2023.

89 Halal Development Corporation (HDC) Berhad, Halal Industry Master Plan 2030, 2023.

90 Department of Islamic Development Malaysia, Jabatan Kemajuan Islam Malaysia (Jakim), 2023.

91 Economic Section of the Taipei Economic and Cultural Office in Malaysia, Key Report of the 2019 Global Halal Summit, 2019.

92 Chen Yufeng, business is religion, starting from understanding Islam: obtaining halal certification and obtaining tickets to the Muslim market. Trade Journal Issue 380, 2023.

3.4.2. Advantages and Promotion Strategies of Halal Industry Cooperation between Taiwan and Malaysia

Taiwan Halal Integrity Development Association (THIDA) is the current main development unit of the halal industry in Taiwan. Its halal certification is recognized by JAKIM Malaysia, Indonesia and Singapore. In addition, THIDA has reached an agreement with the China Islamic Association to cooperate on the division of labor on halal certification matters. THIDA is responsible for the certification of processed foods, fresh fruits and vegetables, while the China Islamic Association oversees halal certification for the domestic catering and tourism industry, the slaughtering industry, meat supply and other services.[93]

In recent years, Taiwan's cooperation with Malaysia in the halal industry has included events such as Taiwan-Malaysia Halal Industry Cooperation Forum, held on August 4, 2021, organized by Taiwan's Bureau of Foreign Trade (now renamed as International Trade Administration) under the Ministry of Economic Affairs in collaboration with Taiwan External Trade Development Council and HDC. On the Malaysian side, a senior manager from HDC analyzed the trends in Malaysia's halal market during the COVID-19 pandemic era and encouraged Taiwanese businesses to make good use of Malaysia's halal raw material database integration platform to find suitable Malaysian halal raw material suppliers and potential buyers. On the Taiwanese side, in response to Malaysia's need to improve the safety and transparency of halal food certification, experts from the Institute for Information Industry recommended Taiwan's cloud technology and food traceability applications technology to Malaysia. Through big data analysis and heterogeneous databases, these can provide producers and consumers with safer, more reliable assurance and comprehensive. In addition, in August 2022, the Malaysian Ministry of International Trade and Industry stated that it is currently cooperating with 9 countries, including Taiwan, to develop the global halal industry. The method of cooperation is to develop the halal industry ecosystem structure to accelerate economic cooperation and integration between countries and connectivity between regional markets.[94] As shown above, Taiwan and Malaysia have had a cooperative relationship in the halal industry for years.

Based on the overview of the development of Malaysia's halal industry, food and beverages are currently the main focus of halal product development in Malaysia. The manufacturing technology, automated production, and management technology of the food and beverage industry are all strengths of Taiwan, and the related industry chains are also quite complete, such as food machinery, packaging materials, logistics, and distribution, etc. If we can combine the advantages of Malaysia's halal certification and invest in setting up factories in Malaysia for production, we can not only supply Malaysia's diversified domestic market but can also enter the international halal market.

Regarding the current overview of Malaysia and the status of cooperation between Taiwan and Malaysia, it is suggested that specific cooperation between Taiwan and Malaysia be formed as follows:

93 Taiwan Halal Industry Quality Assurance and Promotion Association, *https://www.thida.org/tw/halal*.

94 Zhang Yuanzhi, Malaysia is actively cooperating with nine countries, including Taiwan, to develop the global halal industry, International Trade Administration, Ministry of Economic Affairs, August 17, 2022.

(I) The compilation of multiple agreements and cooperation information signed between the Halal Development Corporation (HDC) of Malaysia and Taiwan, aimed at promoting Taiwanese investments in Malaysia

Many ministries and legal entities in Taiwan have been promoting cooperation in the halal industry between Taiwan and Malaysia for years and have also signed multiple cooperation agreements with HDC Malaysia. For example, at the 2019 Taiwan -Malaysia Industrial Link Summit Forum, the Taiwan Food Institute and HDC Malaysia signed a memorandum of cooperation (MOU) to collaborate on providing training, consulting, matchmaking, and other business cooperation and industrial assistance.[95] In 2021, the Taiwan External Trade Development Council signed a MOU with the HDC Malaysia at the WHBC. Based on this memorandum, cooperation seminars will be held every year to promote collaboration in the halal industry, covering topics such as halal talent development, industry knowledge sharing, and the creation of business opportunities.[96] In 2023, the Kaohsiung City Government's Ocean Affairs Bureau cooperated with HDC Malaysia, with plans for 20 seafood products to obtain halal certification. In addition, local distributors in Malaysia were arranged to have face-to-face negotiations with Taiwanese businesses that have obtained halal certification, so that Taiwanese businesses can better understand the local halal market situation.[97] Based on this, it is recommended that HDC integrate the aforementioned information to make it easier for Taiwanese businesses to understand the current status of cooperation between Taiwan and Malaysia. This will help improve Taiwanese businesses' understanding of current halal business opportunities and future development trends, and promote foreign investment in the halal industry in Malaysia.

(II) Introduction of Taiwan's food history traceability application technology to increase the effectiveness of Malaysia's halal certification

Since halal certification attaches great importance on raw material management and traceability, improving the transparency of the halal industry supply chain through product traceability and monitoring mechanisms will help improve the credibility of halal certification and increase consumer confidence. The Malaysian government mentioned in the 12th Malaysia Plan, the functions of Malaysia Halal Analysis Center (MyHAC) in the areas of analytical capabilities for raw materials and products will be improved and strengthened, providing more reliable scientific evidence. In this regard, in order to improve the level of food safety, Taiwan has established a food traceability system by integrating emerging technologies such as Industry 4.0, big data, and the Internet of Things (IoTs) to ensure transparency across the supply chain, from manufacturing to the retail end. For example, Taiwan's Dachan Group recently built an Industry 4.0 food factory that incorporates technologies such as the Internet of Things, big data, the Manufacturing Execution System (MES) and SAP cloud management to build a comprehensive production history and promote closer

95 Bureau of Industry, Taiwan -Malaysia Industrial Link Summit Forum in-depth industrial exchanges to create a win-win situation, October 3, 2019.

96 Taiwan Halal Center, *https://thpc.taiwantrade.com*.

97 Kaohsiung City Government Oceanic Bureau, the Oceanic Bureau invited the Malaysian Halal Industry Development Corporation (HDC) to lead well-known supermarket chains to Taiwan for exchanges, May 18, 2023.

integration among different stakeholders, including raw material suppliers, manufacturers, distributors, and consumers.[98] Therefore, it is recommended that Taiwan cooperate with the MyHAC Center in Malaysia and select a halal industrial park in Malaysia (such as Penang Halal International in Penang) as a demonstration case to assist local halal small and medium-sized enterprises in implementing Taiwan's food traceability application technology. Through big data analysis, blockchain, and other emerging technologies, we can provide production and consumers with safer and more reliable protection and total demand solutions. This can not only increase the effectiveness and efficiency of Malaysian halal certification but also improve the production capacity of local small and medium-sized enterprises, enhance the added value of their products, and cultivate more internationally competitive micro, small and medium-sized halal enterprises for Malaysia.

3.5. Renewable Energy

3.5.1. Overview of Development of Renewable Energy in Malaysia

As one of the signatories of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), Malaysia has committed to reducing domestic greenhouse gas (GHG) emissions by 45% compared to 2005 levels by 2030 and achieving the vision of reaching 30% renewable energy power generation to fulfil the United Nations Sustainable Development Goals (SDGs). Currently, renewable energy in Malaysia focuses on four major fields: solar energy, biomass energy, hydropower, and new energy.

In order to achieve carbon emissions and green economy goals, the Malaysian government announced the National Green Technology Policy (NGTP) in 2009, initiating the development of green technology in Malaysia. In 2010, Bank Negara Malaysia launched the Green Technology Financing Plan, which after several postponements, was resumed in 2019. This plan is mainly used to fund companies involved in green technology. In 2017, the Ministry of Energy, Green Technology and Water of Malaysia launched the Green Technology Master Plan (GTMP), which outlines a strategic approach to develop green technology and create a low-carbon and resource-efficient economy. In 2021, the Malaysian government announced a new energy development plan called the Malaysian Renewable Energy Roadmap (2022-2035), which aims to reduce dependence on fossil fuels, reduce carbon emissions, and increase the proportion of renewable energy in power generation. The plan mainly includes three goals: (1) By 2025, the capacity of domestic renewable energy power generation installations will increase from the current 8GW to 18GW, raising the proportion from the current 16% to 31%, and further increasing to 40% by 2040; (2) According to Malaysia's Nationally Determined Contribution (NDC) under the United Nations Framework Convention on Climate Change, the carbon emission intensity of the domestic energy sector will be reduced by 45% by 2030, using 2005 as the baseline, and further reduced by 60% reduction by 2035; and (3) No new coal power projects will be built,

98 DIGITIMES, using the Internet of Things to build a traceability mechanism to resolve food safety crises, June 3, 2016.

and coal-fired power stations with a total installed capacity of 7GW will be decommissioned by 2033.[99] In 2022, the Malaysian government announced the (National Low Carbon Aspiration 2022-2040), setting nine green goals, including increasing the use of public transportation and electric vehicles, using alternative fuels, and implementing energy conservation.[100]

In order to accelerate Malaysia's energy transformation, the Ministry of Economy announced in May 2023 that the target for renewable energy power generation to account for total power generation will be 40% by 2035 and 70 % by 2050, thereby creating new investment opportunities attract to multinational companies, especially RE 100 companies.[101] In July 2023, the Malaysian government announced the launch of the first phase of the National Energy Transition Roadmap (NETR), consisting of 10 energy transformation plans such as solar energy and hydrogen energy, aiming to rapidly expand renewable energy installed capacity through the construction of appropriate infrastructure and technology. (As of March 2023, renewable energy accounted for approximately 25% of total power generation).[102]

3.5.2. Advantages and Promotion Strategies of Renewable Energy Cooperation between Taiwan-Malaysia

The Taiwanese green energy policy started with the Green Energy Technology Industry Innovation Promotion Solution under the 5+2 Industrial Innovation Plan in 2016. Its policy goal is to build balanced energy security, environmental sustainability, and green economic development. A safe, stable, efficient, and clean energy supply and demand system will create sustainable value and achieve the goal of a non-nuclear homeland by 2025.[103] On the basis of the 5+2 Industrial Innovation Plan, Taiwan proposed Six Core Strategic Industries in 2021, further listing green energy and renewable energy industries as targeted industries. It is expected to build a renewable energy industry zone and R&D base, improve the green power participation system, and build a national offshore wind power team to enter the Asia-Pacific wind power industry chain and export overseas.[104] In addition, in April 2021, the President announced Taiwan's net-zero transformation goal by 2050 and included this goal in legislative amendments to the Climate Change Response Act (formerly known as the Greenhouse Gas Reduction and Management Act), which was enacted in March 2023. The Taiwan 2050 Net Zero Emission Pathway and Strategy was officially released in December of the same year. The Net Zero Transformation Stage Goals and Key Strategies were announced to implement the promotion of twelve key strategies, including wind power/photovoltaic, hydrogen energy,

99 Institute of International Trade and Economic Cooperation of the Ministry of Commerce, Country (Region) Guide to Foreign Investment and Cooperation: Malaysia, 2022.

100 Chen Shuwei. Malaysia National Energy Policy 2020-2040, 2022.

101 Malaysian Investment Development Authority, *https://www.mida.gov.my/mida-news/renewable-energy-capacity-targeted-at-70-by-2050.*

102 Department of International Trade, Ministry of Economic Affairs, Malaysia's Ministry of Economic Affairs launches the first phase of the National Energy Transformation Roadmap (NETR), July 28, 2023.

103 National Development Council, 5+2 Industrial Innovation Plan, 2021.

104 National Development Commission, Six Core Strategic Industries Promotion Plan, 2016.

future energy, power systems and energy storage, energy conservation, carbon capture, utilization and storage, electrification and carbon-free transportation, resource recycling and zero waste, natural carbon sinks, net-zero green living, green finance, and just transformation.[105]

The total power generation for Taiwan in 2022 was 288.148 billion kWh. In line with the energy transformation policy direction of "reducing coal, increasing gas, developing green and non-nuclear", the proportion of renewable energy power generation increased significantly by 2.27%, from 6.00% to 8.27%, with photovoltaics as the main contributor, accounting for 3.70%, followed by conventional hydraulic power (2.03%), waste (1.25%), wind power (1.23%), biomass energy (0.05%), and geothermal energy (0.01%). In terms of the growth of renewable energy power generation, the total renewable energy power generation in 2022 reached 23.843 billion kilowatt-hours, an increase of 36.59% compared to the 17.456 billion kilowatt-hours in 2021. Among them, geothermal energy achieved the largest growth rate, with total power generation increasing from 9 million kWh in 2021 to 25 million kWh in 2022, a significant increase of 175.60% compared to 2021, followed by conventional hydropower with an increase of 68.24%, wind power with an increase of 60.41%, and solar photovoltaics, which increased by 33.97%.[106]

The well-developed information communications and semiconductor industries, as well as Taiwan's metal, electromechanical, composite materials, electronic control, and other industrial capabilities, support the development of the country's renewable energy industry. At present, Taiwan's development is mainly focused on wind and photovoltaics in the country, and it has also attracted many foreign businesses to settle in.

Based on the current development status of renewable energy in Taiwan and Malaysia, both parties can treat renewable energy as their future development goal and work together to achieve net-zero carbon emissions by 2050. Taking into account the policy orientations of both parties, in the field of common development, Taiwan and Malaysia can explore photovoltaics, biomass energy, and other opportunities in the future. In addition, regarding new energy exploration, Taiwan can share its experience in wind power development for Malaysia's reference. In terms of specific cooperation strategies, please refer to the details below:

(I) Utilize the large amount of agricultural waste in Malaysia and prioritize cooperation in biomass power generation

As early as 2015, the Taiwan Nuclear Energy Research Institute licensed the biomass energy technology it developed to the Taiwanese company, Cymao Plywood in Malaysia. The biomass energy technology developed by the Nuclear Energy Research Institute utilizes non-food fiber raw materials from diversified sources and converts them into biomass alcohol. This is not only an important industrial raw material but

105 National Development Council, Phased goals and actions for the net-zero transition, December 28, 2022.

106 Shi Yijun, Wang Han, Xiao Huicen, and Huang Weiren, 2022 Taiwan Energy Situation Review, 2022.

also the most commonly used alternative vehicle fuel in the world.[107]In addition, Han Xiang Taiwan has also entered the field of renewable energy and has successfully assisted Pingtung Central Livestock Farm and Hanbao Livestock Farm in ChangHua County in building biogas generating units. It has also expanded this business to Malaysia, where it built the world's first palm oil wastewater microturbine biogas power plant.[108] Having said that, Malaysia has great potential for biomass power generation, and there are some successful Taiwanese companies working in this field in Malaysia. In the future, they should be able to cooperate with the local government and carry out technical cooperation with local agricultural companies to properly handle agricultural waste and increase Malaysia's renewable energy (biomass energy) power generation to achieve the goal of net-zero carbon emissions.

(II) Share Taiwan's experiences in policy formulation and development of offshore wind power with Malaysia

In the Malaysian Renewable Energy Plan from 2022 to 2035, it is stated that Malaysia will start exploring offshore and onshore wind power generation options after 2025. Offshore wind power is one of the renewable energy construction projects that Taiwan has recently developed with great effort, through legal aspects (such as policy formulation, communication and coordination between ministries, and site selection) and financial aspects (such as attracting foreign investment and encouraging investment from financial industry), as well as talent development (such as personnel training) and other aspects of resource investment, which are boosting the growth of Taiwan's offshore wind power industry. Domestic products or technologies have been recognized by international offshore wind power developers, such as maritime engineering vessels (e.g., CSBC Cooperation, Taiwan), underwater foundations (e.g., casing underwater foundations by Century Iron and Steel Industrial, grouting materials by Ruentex Materials), and wind turbine blades (e.g., Tienli Offshore Wind). Taiwan's offshore wind power industry has developed from scratch and has accumulated significant development experience. In the future, Taiwan should be able to share its policy formulation process and experience in developing offshore wind power with Malaysia, such as policy formulation considerations, experience in cooperation with foreign developers, challenges and obstacles to localization, and various issues faced by industry promotion. This can provide Malaysia with valuable lessons and references to assist the Malaysian government in formulating the most suitable offshore wind power industry policy, accelerating the industrial development, and achieving the 2050 net-zero carbon emission goal.

107 The Atomic Energy Commission of the Executive Yuan, the Nuclear Research Institute 's Biomass Technology, authorized the Taiwanese company Xinmao Company of Malaysia to convert overseas fermentation fiber into alcohol technology, May 14, 2015.
108 Hanxiang Company, *https://www.aidc.com.tw/Content/File/csrreptw201706.pdf*.

3.6. Medical and Health Industry

3.6.1. Overview of the Development of the Medical and Health Industry in Malaysia

Malaysia's healthcare industry has been a cornerstone of government development initiatives for years. The National Key Result Areas (NKRAs) proposed by the Malaysian government in 2010 listed health care as a key industry, driving the growth of overall pharmaceutical and medical equipment and medical care market. The National Policy on Industry 4.0 launched in 2018 includes the medical equipment and pharmaceutical industries into 12 potential areas. The policies such as the 12th Malaysia Plan 2021 and the Strategic Framework of the Medical Programme, Ministry of Health Malaysia 2021-2025 promote the digitalization of medical care, improve the quality of medical services, actively promote the medical tourism industry, and the vigorous development of multinational private medical groups. In 2023, Malaysia allocated US$7.6 billion to strengthen health insurance plans, improve and repair medical facilities, improve the effectiveness of health treatments, replace critical and old medical equipment, and digitize medical services. In addition, the Ministry of Health passed a Health White Paper, committed to improving Malaysia's healthcare system to ensure the health and welfare of the Malaysian residents in the next 15 years.[109]

The current medical structure in Malaysia is a coexistence of public and private medical care. Public medical care is affordable, but often requires a lot of time queuing. People with higher financial capabilities mostly choose private hospitals with immediate services and comfortable environments. As of 2020, there are 146 public hospitals and 202 private hospitals in Malaysia.[110]

The medical devices and tourism industry is a major growth area. In terms of the medical equipment industry, Malaysia's per capita medical expenditure is US$423, stayed behind Singapore, the medical equipment market size ranks the top two in ASEAN, medical resources and facilities are also relatively sufficient. This is a market worthy of attention in the Southeast Asian medical device industry.[111] Malaysia imported more than US$1.3 billion of medical equipment in 2020, mainly high-tech medical equipment, among which with halal-certified equipment in high demand. In 2021, Malaysia's medical equipment exports reached US$9.9 billion, and 10 of 30 major global medical equipment manufacturers are operating in Malaysia. In 2022, investment in medical equipment in Malaysia also reached US$1.847 billion. In addition, between 2017 and 2021, the medical device industry also created 39,000 job opportunities for Malaysia.[112]

Medical tourism is another prominent sector, benefiting from Malaysia's high-quality, affordable healthcare. The country offers better healthcare services than regional neighbors like India and Indonesia at lower costs compared to Singapore and Australia, making it a leading destination for medical tourists.

109 Li Shuhui, Overview of Malaysia's medical environment, policies and industry, IEK Industry Intelligence Network, November 24, 2022.

110 Li Shuhui, Overview of Malaysia's medical environment, policies and industry, IEK Industry Intelligence Network, November 24, 2022.

111 Yu Peiru, Wang Yuxiang, and Chen Mengjun, ASEAN Medical Device Regulations and Current Industry Development: Taking Malaysia, Thailand, and Vietnam as Examples, Trade Policy Series Issue 32, 2020.

112 Bureau of International Trade. Malaysia's medical equipment exports in 2021 were worth US$9.9 billion and are regarded as one of the main areas of economic growth in Malaysia, September 8, 2022.

Currently, the main competitors are Singapore and Thailand. In 2019, 1.3 million tourists came to Malaysia for medical tourism, generating US$380 million in revenue, with more than 50% of the tourists were from Indonesia.[113] Malaysia also announced the Malaysia Healthcare Travel Industry Blueprint 2021-2025 in 2021. The strategy of this blueprint mainly includes three segments: (1) improving the quality of medical services; (2) realizing digital medical tourism, and (3) continues to strive to build the world's leading medical tourism destination with providing medical tourists with high-quality and affordable medical services.

3.6.2. Advantages and Promotion Strategies of Medical and Health Industry Cooperation between Taiwan and Malaysia

Taiwan has a well-established healthcare industry, supported by the government's strong focus on public health. Taiwan's internationally recognized National Health Insurance (NHI) system was launched in 1995, laying the foundation for its healthcare excellence. The Biomedical Industry Innovation under the 5+2 Industrial Innovation Plan launched by the Taiwan Executive Yuan in 2016, and the precision health industry policy under the Six Core Strategic Industries further promoted on the basis of the 5+2 Industrial Innovation Plan in 2021 demonstrates Taiwan's commitment to advancing the healthcare sector. importance the Taiwan's robust healthcare system, combined with its advanced optoelectronics and information communication technologies, facilitates research, development, and commercialization. In addition, comprehensive programmes like the National Health Insurance and the Taiwan Human Biological Database, which will help to establish complete national health insurance data and human biodata base. Taiwan's well-developed information network infrastructure and abundant biomedical and digital talents have also laid the foundation for the development of the medical and health industry.

The cooperation of medical and health industry between Taiwan and Malaysia began from the One Country, One Center initiative as part of the Healthcare New Southbound Policy in 2018, which was implemented by Chang Gung Memorial Hospital and China Medical University. One Country, One Center has three main goals: (1) Expanding Taiwan's influence in New Southbound countries through healthcare expertise; (2) Strengthening ties between healthcare collaboration and related industries to boost exports and economic value, and (3) Enhancing pandemic prevention by building a secure regional network. Currently, Taiwan's "One Country, One Center" plan is still ongoing. In October 2022, the China Medical University Hospital and the Malaysian Cell Therapy Association signed an MOU sharing expertise in stem cell therapy, AI-powered smart medical clinical experience, smart hospital innovations technology and application issues.[114] In April 2023, the Chang Gung Memorial Medical Foundation signed MOU with Putra Medical Center and Lam Wah Ee Hospital. The directions and practices of future cooperation include medical industry chain cooperation, talent training, programme co-organizing, and conduct information research and

113 Li Shuhui, Overview of Malaysia's medical environment, policies and industry, IEK Industry Intelligence Network, November 24, 2022.

114 Hou Ziying, New Sounth Bound Medical, the China Medical University Hospital signed an MOU with Malaysia, Central News Agency, October 7, 2022.

integration.[115]

Based on Malaysia's healthcare landscape, Taiwan's current development, and existing collaboration frameworks, the follow-up medical and health cooperation between Taiwan and Malaysia can be based on the existing One Country, One Center plan to carry out more in-depth cooperation, the following points can be referred for specific cooperation strategies:

(I) Promote cooperation and exchanges through training and first-hand experience

Malaysia has a growing demand for high-tech medical devices. Taiwan can leverage this opportunity by inviting Malaysian doctors who have undergone training in Taiwan, or hospital procurement executives, to visit Taiwan's medical device manufacturing facilities, providing hands-on demonstrations of device usage. This approach would give Malaysian stakeholders a deeper understanding of Taiwan's advancements in medical technology. Such exchanges between device manufacturers and Malaysian healthcare providers, can create better understanding on the medical and health development needs in Malaysia. This collaboration could pave the way for further exploration into medical device imports or technical partnerships, deepening bilateral ties in the healthcare industry.

(II) Export the complete smart medical system

Malaysia is actively developing medical tourism. In order to achieve the three major strategies of the Malaysia Healthcare Travel Industry Blueprint 2021-2025, Malaysia will need to integrate the medical industry with the Internet, AI, and big data systems, etc. Taiwan's high-quality smart healthcare equipment is well-suited to meet these needs. Taiwanese systems, equipped with advanced smart technologies, can be delivered as comprehensive solutions, customized with localized language interfaces to accommodate the flexible requirements of Malaysian healthcare institution. These turnkey solutions minimize the need for compatibility adjustments with other products, making it easier for Malaysian stakeholders to adopt and operate such systems while improving the efficiency of their healthcare infrastructure. By combining this with the earlier proposed medical device collaboration and exchange initiatives, Taiwan's smart healthcare systems could gain wider acceptance in Malaysia. This would not only support Malaysia in achieving its medical tourism goals but also strengthen bilateral cooperation, creating a mutually beneficial outcome for both nations.

115 Lin Yuting, Chang Gung Memorial Medical Foundation went south to Penang to establish medical cooperation opportunities between the two places, China Times, October 18, 2019.

3.7. Smart Logistics

3.7.1. Overview of Malaysia's Logistics Industry Development

Malaysia's logistics industry has experienced significant growth in recent years. According to report by Ken Research, the size of the Malaysian logistics market has grown from RM165 billion in 2017 to RM230 billion in 2022.[116] It is expected that the Malaysian logistics market will further grow to RM370 billion in 2027. The growth momentum is fueled by government investment in infrastructure such as logistics and trade facilitation, boosted by the growth of e-commerce, and technological advancements in the logistics industry, such as robotics, electronic data interchange (EDI), and radio-frequency identification (RFID) in inventory management. However, challenges such as high air freight costs and elevated import duties imposed by various countries could restrict future market expansion.[117]

Current Malaysian logistics market participants include third-party logistics companies such as Pos Malaysia, GD Express, Xin Hwa Holdings Berhad, ABX Express, Nationwide Express and Zepto Express, as well as fourth-party logistics companies such as DHL, City-Link Express, Tiong Nam Logistics Holdings, CJ Century Logistics Holdings and SNT Global. Although there are many players in Malaysia's logistics value chain, some players are adopting various market strategies such as acquisitions, mergers, and capacity expansion to increase market share[118] It is expected that the market will gradually consolidate into two major types of logistics supply, namely large-scale integrated Logistics companies and those focusing on niche market segments.[119]

Malaysia has positioned it as a major regional logistics center. The government has promulgated the National Transport Policy 2019-2030 to improve logistics continuity and cooperate with the development of e-commerce, continue to promote port upgrade and expansion plans, and propose measures to attract foreign investment for set up regional distribution centers in Malaysia, integrated marketing and logistics support services, and cold chain facilities. Important measures taken by Malaysia to promote the growth of the logistics industry include enhancing the status of International Integrated Logistics Service (IILS). IILS status does not have any equity restrictions, and foreign companies can establish it as a sole proprietorship or cooperate with local companies. Malaysia has also signed memorandums of understanding with several multinational integrated logistics service providers to cooperate in the development of domestic industries.[120]

According to the World Bank Logistics Performance Index (LPI) 2023, Malaysia has improved in six scoring factors, including customs efficiency, logistics infrastructure, international transportation, logistics service quality, freight tracking and timeliness, among which the scores for freight tracking, logistics

116 Jalaj Bhayana & Vidhi Tiwari, Malaysia Logistics Market Outlook to 2027, 2022.

117 Akash Vedpathak, Malaysia Freight Logistics Market, 2023.

118 Akash Vedpathak, Malaysia Freight Logistics Market, 2023.

119 Yennie Tan, Logistics in Malaysia: Market Overview and Trends, 2018.

120 Bureau of International Trade, Ministry of Economic Affairs, Malaysia is poised to become a major regional logistics center, Taiwan Economic and Trade Network, February 20, 2023.

infrastructure and customs clearance efficiency have improved most significantly, and the global ranking of overall logistics competitiveness has climbed from 41st in 2018 to 26th in 2023.

However, Malaysia's logistics and supply chain growth faces several challenges such as: (1) Lack of coordination in implementing logistics-related regulations resulting in low industrial operation efficiency; (2) Knowledge gap of logistics and supply chain strategies between Malaysian logistics manager and foreign counterparts, and this may damage the company's market expansion potential and reduce the opportunities for high-level cooperation between companies; (3) Fluctuating consumer demand complicates inventory forecast. The more accurate the forecast, not only ensuring that consumers can obtain the services they need for goods, but also reducing inventory costs; (4) The development of e-commerce has changed the routine processes of logistics and supply chains around the world, with more and more orders coming from e-commerce. Many logistics companies in Malaysia struggle to meet rising logistics needs due to limited resources and technological development.[121]

3.7.2. Advantages and Promotion Strategies for Taiwan-Malaysia Smart Logistics Collaboration

Combining emerging technologies such as big data and artificial intelligence (AI), Taiwan's logistics industry is increasingly moving toward automation, digitization, and intelligence in areas like warehousing management, cargo trading, and product distribution. The development of cold chain logistics in the post-pandemic era has gained prominence. Taiwan's cold chain logistics supply chain has gradually improved after decades of development. With decades of experience, Taiwan's cold chain logistics supply chain is highly developed, offering advanced technology, equipment, smart management, and practical expertise. Taiwan's cold chain transportation efficiency is on par with developed nations and has a cost advantage over countries like Japan. Furthermore, Taiwan has integrated cutting-edge technologies such as AI, IoT, automation, big data, multi-temperature layer refrigeration,[122] multi-temperature sharin g, and blockchain into its cold chain logistics. According to the World Bank Logistics Performance Index (LPI) 2023, Taiwan's logistics competitiveness ranks 13th in the world with France, Japan, and Spain. It performs even better especially in the three logistics performance index scoring sectors such as freight tracking, timeliness, and international transportation ranked among the top 10 in the world.

(I) Continue to introduce smart logistics technology and experiences from Taiwanese enterprises to enhance the professional knowledge of local managers, improve operational efficiency and decision-making accuracy

Although Malaysia has comprehensive infrastructure, good land, sea and air connectivity, and has solid

121 Ranaco Education and Training Institute, Challenges Faced by Logistics and Supply Chains in Malaysia, 2023.

122 Chen Huasheng, Prospects for the Development of Smart Cold Chain Logistics Industry in the Post- Pandemic Era, Taiwan Economic Research Institute, 2021.

foundation for a vigorous development of the logistics industry. However, challenges such as regulatory inefficiencies, border bottlenecks, low-value chain activities, labor shortages, and technical skill gaps remain to be addressed.[123] The World Bank report pointed out that in order to promote the development of environmentally sustainable logistics industry, it is recommended that the countries to adopt targeted policies and measures such as improving customs clearance processes, investing in infrastructure, adopting digital technology, and promoting low-carbon freight and energy-saving warehousing.

At present, Taiwanese company Ally Logistics Property (M) Sdn. Bhd. has joined hands with the Employees Provident Fund (EPF) of Malaysia to establish Malaysia's first international-level smart warehouse ALP Bukit Raja Omega in the Bukit Raja Industrial Zone, Klang, Selangor. It is expected to be officially launched in the third quarter of 2024. This modern smart warehousing is a multi-layered, automated technology-integrated warehousing platform that is expected to help local and multinational customers improve operational efficiency and decision-making accuracy by integrating next-generation automation and robotics technologies to cope with the high volatility and uncertainty of e-commerce and actively develop digitalization to meet the business needs of multinational brands and retailers in establishing regional distribution centers in Selangor, Malaysia. Directions for further bilateral cooperation include: expanding logistics and warehousing in other areas of Malaysia, providing customized logistics and solutions for Malaysian companies continue introducing the smart logistics technology and experience from Taiwanese companies, adopting the Taiwanese automated machinery and equipment and digital technology, service and knowledge transfer and sharing. By sharing Taiwan's knowledge and experience, this collaboration can support Malaysia's Logistics 4.0 goals and its vision of becoming a regional e-commerce hub.[124]

(II) In response to industrial development needs, cold chain logistics has potential for cooperative development

Malaysia is a key agricultural and food production hub in Southeast Asia, with growing demand for cold chain logistics, particularly for agricultural products, halal food, and pharmaceutical goods. Malaysia's demand for cold chain logistics is increasing day by day, the cold chain logistics market has considerable development potential. Since cold chain logistics can be developed in areas such as food, medical care, and e-commerce, and with the development of technologies such as the Internet of Things, big data, and artificial intelligence, cold chain logistics technology is also constantly advancing and innovating. Malaysia's government and private sector can enhance investments in cold chain logistics technologies to improve efficiency and reduce costs.

Taiwan, with its strong technological capabilities, extensive knowledge, and excellent reputation for

123 In 2023, Malaysia was the ASEAN country with the second highest ranking in the World Bank Logistics Performance Index, lagged behind Singapore. Overseas Chinese Affairs Electronic News, *https://ocacnews.net/theme/4/article/339310*.

124 Editorial Department, Malaysia's first smart warehouse Omega has started construction, Logistics Technology and Strategy Magazine Issue 120, 2023.

corporate integrity, has earned international recognition. Building on existing smart logistics collaborations, Taiwan and Malaysia can explore further opportunities. Taiwan could export its integrated service models, which combine cold chain technology, ICT solutions, and transportation expertise, to accelerate the development of Malaysia's smart logistics and cold chain infrastructure. This cooperation would address Malaysia's growing logistics needs while fostering innovation and efficiency in its logistics sector.

Chapter Four: Conclusions and Recommendations

4.1. The History and Overview of Taiwanese Investments in Malaysia, Participation and Contributions

Taiwan and Malaysia have close bilateral economic and trade relations. Since Malaysia opened up to foreign investments in 1986, Taiwanese businesses have actively invested in Malaysia, especially in the 1990s. The first wave of Taiwanese business investment in Malaysia peaked in 1990 and 1994 --- when the Taiwanese investors invested US$2.35 billion and US$11.765 billion respectively, being ranked the first among foreign investment sources of Malaysia.

In recent years, with the promotion of Taiwan's "New Southbound Policy" and the supply chain reconfiguration from the US-China trade war, the Taiwanese investments in Malaysia have witnessed stark increase of investment values. According to the investment environment report compiled by the Economic Division of the Taipei Economic and Cultural Office in Malaysia (TECO) that integrates the data from the Department of Investment Review, Ministry of Economic Affairs (MOEA) R.O.C. Taiwan, there are currently 469 investment cases by the Taiwanese businesses in Malaysia, with an investment amount of US$3.4 billion. The main industries being invested include manufacturing, finance and insurance, wholesale and retail industries, electronic and electrical products, rubber products, metal products, textiles and furniture. The Taiwanese factories are mainly located in Johor, Selangor, Perak, Melaka, Kedah and Sabah in West Malaysia. In addition, the investment strategy of Taiwanese businesses in Malaysia is no longer treating Malaysia as a lower-cost production base but, to consider the country as the base of consumption base as well. In other words, the Taiwanese businesses see Malaysia's booming consumer market as a major niche for which there should be investments in the production of goods to be sold domestically.

On the other hand, considering that the Department of Investment Review, Ministry of Economic, R.O.C. Taiwan does not force Taiwanese businesses to declare overseas investment projects, nor does it count indirect investments by Taiwanese businesses through third countries, Taiwan's statistical data may not truly reflect the full picture of their investments in Malaysia. In fact, it may underestimate the economic presence of Taiwanese businesses in Malaysia. If viewed from the Malaysian perspective, Taiwan's total investment in Malaysia had reached RM5.979 billion by the end of 2022, of which manufacturing investment accounted for 70.46% and services' investment accounted for 29.54%. In that year alone, the Taiwanese investments accounted for 0.68% of the total foreign investments in Malaysia.

To sum up, Taiwan's long-term investment in Malaysia has provided support for Malaysia's economic growth, laid a good foundation for Malaysia's economic transformation and assisted Malaysia in improving the industrial supply chain of electronics, machinery and vehicle components. According to statistics from the Malaysian Investment Development Authority (MIDA), Taiwan is the eighth largest source of foreign investment in Malaysia and ranks third in terms of the number of jobs created by investment activities from 1980 to 2021. This shows that Taiwan's investment in Malaysia has a significant impact on local economic development and contribute greatly to domestic employment. In recent years, the quality of Taiwanese investments in Malaysia has been increasingly improved, such as the introduction of smart warehousing systems and smart factories combined with big data production technology, which in turn, enhances Malaysian local production technology and promotes industrial upgrading. In addition, Taiwan's overseas education policy has encouraged overseas students coming to Taiwan to study at its universities while the Taiwanese businesses are actively working with local educational institutions to provide industry-university cooperation. Through these two channels of educational exchanges and cooperation, they certainly have cultivated the talent base for Malaysia's industrial development.

Although Malaysia has been affected by political instability and the COVID-19 pandemic in recent years, it is worthwhile to examine the cumulative amount of foreign investments to Malaysia vis-à-vis other ASEAN countries for the past ten years. In all, Malaysia still ranks fourth, only lagging behind Singapore, Indonesia and Vietnam. Besides that, Malaysia has many investment advantages, including being the strategic hub of Southeast Asia that makes it a suitable production base in the region. Furthermore, Malaysia's free and open business environment as well as the government's investment incentive policies, have created a constructive business environment suitable for foreign investments. Last but not least, the Malaysian government actively expands its trade agreement networks that in turn, helps foreign investors to reach new markets for their goods and services.

4.2. Issues of Concern and Recommendations

Although Malaysia's business environment has improved significantly and becoming attractive in recent years, this study found that the Taiwanese companies in Malaysia still face a myriad of issues coming from legal norm system and procedures, administrative procedures, trade, investment, labour and human resources, taxation, infrastructure and others. It is hoped that relevant agencies of the Malaysian government can refer to the recommendations of this white paper and take them into consideration for its future policy formulation, in order to eliminate the business obstacles faced by Taiwanese businesses and improve the country's investment efficiency as a whole. Table 4-1 below illustrates the matters of concern among Taiwanese businesses and specific suggestions for improvements.

Table 4-1 Taiwanese Businesses' Concerns and Recommendations

Matters of Concern to Taiwanese Businesses	Recommendations
1. Legal Norm System and Procedural Issues	
Enhance transparency and predictability of policies and regulations	● Establish a "one-stop" website for foreign investors to access important regulations such as investment, trade, taxation and land, and publish them on relevant government websites. ● In terms of policy promotion, the federal government and state governments should first reach a consensus on the implementation scope of economic and trade investment policies and measures in order to avoid inconsistencies.
Establish a channel for foreign investors to express their opinions on the draft law	● Malaysia to strengthen the promotion of foreign companies to use the public policy consulting platform, Unified Public Consultation to smooth the dialogue channels between foreign investors and the Malaysian government. ● It is recommended that the Unified Public Consultation platform can used as a two-way communication channel to facilitate provision of suggestions from foreign businesses and assist the Malaysian government to improving industrial and economic policies
Improve Malaysia's friendliness to foreign investors through regulatory system	● It is advisable to grant equal status to foreign investors, abolish the requirement to prepare high deposits for filing procedures. And allow the foreign investors to provide different deposit amounts based on the number of years foreign investors have invested in Malaysia or the performance of their past business credit records, etc.
Make English versions of regulatory policy announcements or administrative document forms available	● Other than providing complete English version of regulations, policy announcements or administrative documents and forms, it is recommended that foreign investors be allowed to use English to liaise with the government on matters related to foreign investments.
2. Administrative Procedural Issues	
Improve administrative efficiency	● A single business window can be established to tackle the issues frequently faced by foreign businesses, adopt a one-stop process service management and integrate the inter-ministerial liaison to improve coordination at the high-level.
Improve the stability of the Malaysian government's electronic administrative service systems	● Continue to improve the stability of service system and provide foreign companies with better experiences. ● Implement government digital service projects, continue to strengthen paperless trade, and improve electronic exchange services for cross-border paperless trade.
3. Trade Issues	
Reduce product tariffs and domestic taxes to strengthen bilateral economic and trade exchanges	● A bilateral FTA to be signed between Taiwan and Malaysia or Malaysia supports Taiwan to join CPTPP to reduce tariff barriers. ● Malaysian government to review the import tax and exemption measures for electric vehicles on a rolling basis and extend them as necessary, with a long-term outlook of deepening the electric vehicle's supply chain.
Strengthen the uniformity of law enforcement and interpretation of rules by customs personnel	● Customs personnel and customs brokers strengthen their communications and coordination to reduce the perception gap between the two parties in product declaration, or formulate more rigorous product definitions to reduce ambiguity during customs declaration.
Eliminate unnecessary or moderate relaxation of non-tariff trade measures on imports	● Malaysian government to give priority, wherever appropriate, to simplifying the requirements for non-tariff measures such as food safety inspection, animal and plant quarantine measures and technical trade barriers.
Improve the transparency of government procurement and join the Government Procurement Agreement (GPA)	● Open more fair government procurement opportunities to foreign suppliers gradually relax requirements or restrictions on foreign suppliers. ● Malaysia to join the Government Procurement Agreement (GPA) to eliminate Malaysia's bidding conditions for foreign suppliers, which will also help Malaysian suppliers win government procurement projects from other GPA member countries.

Table 4-1 Taiwanese Businesses' Concerns and Recommendations

Matters of Concern to Taiwanese Businesses	Recommendations
4. Investment Issues	
Increase the intensity of investment incentives and expand their scope of application	● Increase the feasibility of the upper limit of investment incentives and expand the scope of incentive industries to create a supply chain for key industries and form a complete industrial cluster. ● Priority can be given to strengthening investment incentives for foreign investments in Industry 4.0 and smart fields to attract more foreign investors, enhance technological capabilities and alleviate the current labor shortage problem.
Smoothly obtain financing for small and medium-sized enterprises	● Strengthen publicity and communication with manufacturers and provide assistance to the foreign financing applications so that foreign companies can understand Malaysia's financing process and successfully obtain funds. ● Malaysia to moderately open up its financial industry and allow Taiwanese banks to set up subsidiaries to diversify the financing channels for Taiwanese businesses in Malaysia.
Update Bilateral Investment Agreement (BIA) to bring more opportunities and investment protection from both sides	● Taiwan and Malaysia update the contents of the Bilateral Investment Agreement (BIA) to expand the scope of investment protection and improve other relevant terms.
Relaxation of industry-specific and foreign shareholding restrictions on foreign investments and operations	● Adjust the current investment approval system and further relax the industrial categories and restrictions on foreign investments in the service industry. ● Malaysian government to consider opening up banking industry to allow Taiwanese banks to establish subsidiaries and provide financing services to Taiwanese small and medium-sized enterprises.
Strengthen the administrative efficiency of investment single window	● Strengthen the administrative efficiency of the single window to expedite the approval of investment applications.
5. Labor and Human Resources Issues	
Analyze appropriate labor migration policies and solve the problem of labor shortages	● It is recommended to relax restrictions on hiring foreign workers, adjust the current migrant worker policy, simplify procedures, establish a single window or agency, and speed up the recruitment process.
Simplify the work permit application process	● It is recommended to consider amending the relevant provisions of the current labor laws and regulations on work permits, simplifying the procedures for issuance of work permits and residence permits, and adjusting administrative processing procedures and unnecessary paperwork to avoid delays. ● It is recommended to relax the professional entry visa regulations, extend the current period limit of no more than 12 months, and allow repeated applications. ● For those who hold key positions in foreign companies, it is recommended that five-year visas be issued. ● It is recommended to consider amending the relevant provisions of the current labor laws and regulations on work permits, simplifying the procedures for issuance of work permits and residence permits, and adjusting administrative processes and unnecessary paperwork to avoid delays. ● It is recommended to relax regulations for professional entry visa, extend the current period limit of no more than 12 months, and allow repeated applications. ● It is recommended that five-year visas be issued for those who hold key positions in foreign companies.
Strengthen professional talent training and promote talent exchanges between Taiwan and Malaysia	● It is recommended that Malaysia evaluate and establish a comprehensive and long-term professional talent training system to supply sufficient technical talent in science and engineering. ● Strengthen bilateral talent exchanges, industry-university cooperation, and education and training between Taiwan and Malaysia to meet the needs of cultivating professional and technical talent.

Table 4-1 Taiwanese Businesses' Concerns and Recommendations

Matters of Concern to Taiwanese Businesses	Recommendations
Relaxation of labor regulations and restrictions on the number of foreign employees	● It is recommended that the Malaysian government consider balancing the rights and protective provisions of both labor and management, and moderately relax the requirements and regulations on capital. ● It is recommended to relax protective policies for local workers and encourage fair competition for employment opportunities. ● It is recommended to modify the restrictions on foreign employee quotas, which are currently determined by the amount of paid-in capital of manufacturing enterprises, and use the actual operating conditions and human resources of the enterprise as the basis for evaluation.
5. Labor and Human Resources Issues	
Analyze appropriate labor migration policies and solve the problem of labor shortages	● It is recommended to relax restrictions on hiring foreign workers, adjust the current migrant worker policy, simplify procedures, establish a single window or agency, and speed up the recruitment process.
Simplify the work permit application process	● It is recommended to consider amending the relevant provisions of the current labor laws and regulations on work permits, simplifying the procedures for issuance of work permits and residence permits, and adjusting administrative processing procedures and unnecessary paperwork to avoid delays. ● It is recommended to relax the professional entry visa regulations, extend the current period limit of no more than 12 months, and allow repeated applications. ● For those who hold key positions in foreign companies, it is recommended that five-year visas be issued. ● It is recommended to consider amending the relevant provisions of the current labor laws and regulations on work permits, simplifying the procedures for issuance of work permits and residence permits, and adjusting administrative processes and unnecessary paperwork to avoid delays. ● It is recommended to relax regulations for professional entry visa, extend the current period limit of no more than 12 months, and allow repeated applications. ● It is recommended that five-year visas be issued for those who hold key positions in foreign companies.
Strengthen professional talent training and promote talent exchanges between Taiwan and Malaysia	● It is recommended that Malaysia evaluate and establish a comprehensive and long-term professional talent training system to supply sufficient technical talent in science and engineering. ● Strengthen bilateral talent exchanges, industry-university cooperation, and education and training between Taiwan and Malaysia to meet the needs of cultivating professional and technical talent.
Relaxation of labor regulations and restrictions on the number of foreign employees	● It is recommended that the Malaysian government consider balancing the rights and protective provisions of both labor and management, and moderately relax the requirements and regulations on capital. ● It is recommended to relax protective policies for local workers and encourage fair competition for employment opportunities. ● It is recommended to modify the restrictions on foreign employee quotas, which are currently determined by the amount of paid-in capital of manufacturing enterprises, and use the actual operating conditions and human resources of the enterprise as the basis for evaluation.

Table 4-1 Taiwanese Businesses' Concerns and Recommendations

Matters of Concern to Taiwanese Businesses	Recommendations
6. Tax issues	
Reasonably adjust the tax system to reduce the tax burden on domestic and foreign companies	● It is recommended to lower the corporate income tax rate with reference to the tax systems of neighboring ASEAN countries. ● It is recommended to simplify the existing tax system, eliminate the disparity in tax rates for domestic products and imported products, and treat locally produced products and imported products equally.
Strengthen tax administration efficiency	● It is recommended to consider increasing opportunities to revise the estimated tax payable to reduce the likelihood of companies being punished for making incorrect estimates. ● It is recommended to strengthen the administrative process for tax refund to subsequently improve the efficiency of fund management and cash flow of small and medium-sized enterprises.
7. Infrastructure Issues	
Continue to improve the deployment and quality of network infrastructure and narrow the gap between urban and rural areas	● It is recommended to concretely implement digital-related plans and measures, and consider accelerating investment in upgrading digital infrastructure, including 5G and fixed broadband, to increase broadband penetration and speed. Moreover, efforts should be made to strengthen support for businesses and workers to help them obtain necessary equipment and investment.
Balance regional infrastructure development and overhaul existing obsolete infrastructure	● It is recommended to implement and accelerate the implementation of infrastructure-related plans to balance regional infrastructure, reduce cargo transportation costs for domestic and foreign companies, improve logistics and transportation efficiency, and improve overall quality of the infrastructure. ● It is recommended to mediate suitable Taiwanese companies for investment cooperation through the local Taiwanese Chambers of Commerce and to combine the efforts of the public and private sectors to jointly promote the strengthening of various infrastructures.
8. Other issues	
Strengthen the enforcement of intellectual property rights	● It is recommended that Malaysia refer to the international intellectual property conventions that Singapore has joined as a follow-up goal to promote its own membership and harmonize domestic and international intellectual property protection standards. ● It is recommended that the Malaysian government enhance the awareness of law enforcement officers and the public regarding the protection of intellectual property rights through education and strengthen efforts to eliminate counterfeiting and piracy issues.
Loosening the Halal Product Certification System	● It is recommended that the Malaysian government allow the validity period of Taiwan's THIDA certification to be extended to 2 years to reduce the export costs and time for Taiwanese companies.

In summary, it is recommended that the Malaysian government consider the opinions of Taiwanese businesses collected in this report and work to remove relevant obstacles. This will not only improve the operating efficiency and competitiveness of existing Taiwanese businesses, but also attract more potential Taiwanese and foreign-invested companies to invest in Malaysia, thereby strengthening bilateral industrial cooperation and ties between Taiwan and Malaysia.

4.3. Promoting the Industrial Cooperation between Taiwan and Malaysia

4.3.1. Cooperation in the E&E Industry

1. Malaysia is the downstream packaging and testing center of the global semiconductor supply chain. In order to promote the upgrading and transformation of the domestic semiconductor industry, the Malaysian government not only lists the electronics and electrical industry as one of the priority development areas under the Twelfth Malaysia Plan, but also encourages manufacturers to invest in upstream IC design and advanced chips. On the other hand, Taiwan plays an important role in the global semiconductor industry supply chain, and its IC industry output value ranks second in the world. Therefore, Taiwan and Malaysia can sign an industrial cooperation agreement or memorandum to share semiconductor industry development experiences and strengthen future cooperation opportunities. The Malaysian government can prioritize policies that reward downstream packaging and testing manufacturers, as well as related equipment and material manufacturers, to invest and cooperate in Malaysia to improve the supply chain. Meanwhile, Taiwan's experience in upstream wafer manufacturing and IC design can be shared for Malaysia's reference, helping it grasp the latest trends in the industry and strengthen higher education to train the talents it needs.
2. The production of other electronic and electrical products in Malaysia is less globally competitive, but there is a greater demand for imports. In the future, bilateral business opportunities between Taiwan and Malaysia can be strengthened to encourage Taiwanese businesses to gain a deeper understanding of the local market in Malaysia, either to expand exports or further consider cooperating with local companies for investment and setting up factories in Malaysia.

4.3.2. Cooperation in Enterprise Automation

1. Malaysia's industrial development has faced issues of insufficient labor force and low efficiency for many years. Therefore, in 2018, the Malaysian government launched the National Industry 4.0 Policy to promote attraction, innovation and transformation, encouraging small and medium-sized enterprises to upgrade and transform, achieve enterprise automation, and enhance productivity through the smart transformation of a high proportion of small and medium-sized enterprises in the manufacturing industry.

2. Taiwan has been very effective in promoting the digital transformation of small and medium-sized enterprises and has rich experience in legal systems, financial financing, market exports and talent training. Thus, Malaysia can continue to deepen the existing cooperation platform and invite Taiwanese professionals to provide digital and green transformation services to Taiwanese businesses and Malaysian enterprises. In addition, the Malaysian government can adopt policies to encourage Taiwanese businesses to cooperate with local enterprises in Malaysia to set up factories, introduce automated smart production processes, and provide demonstration cases.

4.3.3. Cooperation in Circular Agriculture

1. The Malaysian government can promote circular agriculture-related policies and investment incentives such as the Green Investment Tax Reduction and Green Income Tax Exemption Plan to promote circular agriculture. These incentives could attract Taiwanese businesses to invest renewable energy, biomass power generation, waste recycling and other technologies in Malaysia for the purpose to revitalize and enhancing the value of local agricultural waste. This can help in achieving low carbon manufacturing, and align with sustainable development goals.
2. Taiwan has long been recognized for its advanced agricultural technologies. The Taiwan government could identify its existing strengths in circular agriculture and facilitate collaborations between Taiwanese businesses with Malaysian enterprises, and then seek relevant investment incentives from the Malaysian government for deepening bilateral cooperation in circular agriculture.

4.3.4. Cooperation in the Halal Industry

1. Taiwan has several government departments and organizations actively promoting Taiwan-Malaysia halal industry cooperation, with multiple agreements signed with Malaysia's Halal Industry Development Corporation (HDC). It is recommended that HDC integrates the aforementioned information to make it easier for Taiwanese businesses to understand the current status of cooperation between Taiwan and Malaysia. This will help improve Taiwanese businesses' understanding of current Halal business opportunities and future development trends, encouraging greater investment in Malaysia's Halal industry.
2. Food and beverages contribute the most to the current development of Malaysia's Halal industry. Taiwan's advanced food processing technology and traceability systems can play a pivotal role. The introduction of Taiwan's food traceability technology into Malaysia's halal certification process could improve certification efficiency and strengthen the credibility and marketability of halal-certified products.

4.3.5. Cooperation in Renewable Energy

1. Prioritize cooperation in biomass power generation using Malaysia's abundant agricultural waste resources Taiwanese companies, with proven experience in Malaysia, could collaborate with local governments and agricultural regions to develop biomass power generation projects. They can help the locals properly handle agricultural waste and increase the power generation capacity of renewable energy (biomass energy) in Malaysia, contributing to the goal of achieving net-zero carbon emissions.
2. Malaysia plans to start exploring offshore and onshore wind power solutions after 2025. Taiwan's offshore wind power industry has developed from scratch and has accumulated valuable experience in this field. Taiwan should be able to share insights on policy formulation with Malaysia in the future,

include the process and experience in developing offshore wind power, such as policy formulation considerations, experience and difficulties in cooperating with foreign developers, obstacles of localization promotion, and industry development issues. This knowledge transfer could assist Malaysia in drafting optimal policies for its offshore wind power sector, leveraging Taiwan's expertise as a reference point.

4.3.6. Cooperation in Medical and Health Industry

1. Malaysia has a growing demand for high-tech medical devices. Taiwanese medical device manufacturers can invite Malaysian physicians or hospital procurement executives who have trained in Taiwan to visit Taiwan's medical device facilities. Through exchanges between Taiwanese medical device manufacturers and Malaysian healthcare providers, the specific needs of Malaysia's healthcare sector can be identified, paving the way for further collaboration on medical device imports or technology partnerships.
2. 2.Malaysia has actively developed medical tourism and smart medical care in recent years. Taiwan, with its high-quality smart healthcare systems, can offer integrated solutions tailored to the needs of Malaysian healthcare institutions. If combined with the cooperation and exchanges in the export of medical devices it will be able to enhance the operational efficiency of Malaysia's medical system, in turn helping Malaysia promote its medical tourism.

4.3.7. Cooperation in Smart Logistics

1. Combining emerging technologies such as big data and artificial intelligence (AI), Taiwan's logistics industry is increasingly moving toward automation, digitization, and intelligence in warehousing management, cargo trading, and product distribution. In line with Logistics 4.0 Malaysia, Taiwanese companies have started to invest in logistics industry Malaysia. Malaysia can continue adopting Taiwan's advanced smart logistics technologies and expertise to enhance the professionalism of local managers, improve operational efficiency, and enable precise decision-making. This would help Malaysia better manage the volatility of e-commerce demand and advance its digital transformation efforts.
2. Malaysia is an important agricultural product and food producer in Southeast Asia. Many agricultural products and Halal food require cold chain transportation. The development of pharmaceutical industry products in Malaysia also requires delivery through cold chain transportation. The demand for cold chain logistics from food, medical, e-commerce and other industries are increasing day by day. Taiwan's advanced cold chain logistics systems — with its well-established supply chains, technology, equipment, smart management, and practical experience — can serve as a foundation for bilateral cooperation.

Appendices

Appendix 1:
Brief Introduction to the World Taiwanese Chambers of Commerce (WTCC)

Many of our overseas compatriots are business owners. In the past, as there was limited assistance provided by existing Chambers of Commerce, the majority of Taiwanese businesses overseas operated in isolation. Thus, it was difficult for these businesses to develop and expand without collaboration with others. In order to better develop overseas Taiwanese businesses, the Taiwanese government took steps to establish individual chambers of commerce in major cities overseas, which formed the intercontinental alliance of Chambers of Commerce in North America, Asia, Europe, Africa, Latin America, and Oceania. All six intercontinental alliances together formed the World Taiwanese Chambers of Commerce (WTCC).

With the efforts of many overseas Taiwanese businesspeople, the Taiwanese Chambers of Commerce of North America (TCCNA) were established, followed by the Asia Taiwanese Chambers of Commerce (ASTCC), the Council of Taiwanese Chambers of Commerce in Europe (ETCC), and the Africa Taiwanese Chambers of Commerce (ASTCC).

In September 1994, the World Taiwanese Chambers of Commerce (WTCC) was officially inaugurated in Taipei City. After the inauguration of WTCC, the Taiwanese Chambers of Commerce in Latin America (TCCLA) was established in August 1995 and joined WTCC the following month; the Taiwanese Chambers of Commerce in Oceania was established and joined WTCC in 1998. At this point, WTCC officially covered the globe.

WTCC's membership has been steadily increasing through generations of effort, giving a competitive edge to Taiwanese businesses in the world market. Currently, WTCC is one of the largest and most well respected global NGOs, and has been assisting international Taiwanese businesses with assimilating into local mainstream society in different parts of the world.

WTCC's vision and goals are as follows: 1) to encourage cooperation among Taiwanese businesses overseas and their mutual expansion of the international market; 2) to promote exchange of technology and knowledge as well as facilitate communication among Taiwanese businesspeople overseas; 3) to share information among Taiwanese businesspeople overseas in order to strengthen economic and trade cooperation in the region; 4) to elevate the status of Taiwanese businesspeople overseas to ensure their rights and interests are protected; and 5) to promote cultural exchange in each continent to increase mutual understanding and economic development.

Every year, WTCC elects its President, who will serve a one-year term and cannot be re-elected, while the Presidents of each Continental Chamber serve as ex officio Vice Presidents. In accordance with the regulations, the WTCC President has rights to appoint his/her own cabinet members, such as Secretary General and CFO, to be in charge of relevant matters on a voluntary basis.

A total of 17 committees have also been created for various affairs; these include election affairs, public fund management, Taiwanese businesses in China, social events for women, social events in Taiwan, elite training, business opportunity promotion, discipline, international affairs, public relations, project management, education and culture, the Outstanding Overseas Taiwanese SMEs Award, expertise, internet, publishing, and legal regulations.

WTCC has put forth great efforts to protect the rights and interests of Taiwanese businesspeople. It has also built a solid partnership with the Taiwanese government. Moreover, WTCC aims to improve diplomatic relationships and increase trading opportunities with each country where our members reside. In the future, WTCC will continue to help increase Taiwan's visibility in the international arena, and encourage overseas compatriots to invest in Taiwan, contribute to development and social welfare, and care for the disadvantaged in society.

In recent years, WTCC has actively assisted Continental Chambers with establishing Junior Chapters so that the younger generation of Taiwanese businesspeople can be encouraged to join WTCC. The World Taiwanese Chambers of Commerce Junior Chapter (WTCCJC) was set up to support this initiative in October 2010 so as to help our pioneering members pass down the torch to younger generations and facilitate the sustainable development of WTCC.

Appendix 2:
Brief Introduction to Asia Taiwanese Chambers of Commerce (ASTCC)

In the 1990s, Taiwanese enterprises faced issues such as soaring land prices, labour shortages, and sharp appreciation of the New Taiwanese Dollar, forcing enterprises to invest outside Taiwan. As the government was promoting the Southern Policy, many Taiwanese enterprises invested heavily in the Philippines, Thailand, Malaysia, Indonesia, and other Southeast Asian nations. The investment of Taiwanese entrepreneurs in these countries ranks among the top three in each country. The increasing number of Taiwanese entrepreneurs in Southeast Asian countries has also attracted the attention of local governments. Therefore, countries such as Thailand, the Philippines, Malaysia, Indonesia, and Singapore have successively established the Taiwan Chamber of Commerce, the establishment of which allows Taiwanese enterprises' investment in these nations to receive investment information via official channels, serving as a bridge between investment target nations and the Taiwanese government. The Taiwan Chamber of Commerce has been recognized by Taiwanese entrepreneurs from all over the world and has been promoted by investment target countries' governments. Chambers of Commerce in Southeast Asian countries were established one after another from 1990 to 1992, but there was little interaction and exchange among these individual chambers.

In view of this, the founding chair of the Thai-Taiwan Business Association, Mr. Seng Ching Yu, collaborated with presidents of the Chambers of Commerce in the Philippines, Malaysia, Singapore, Indonesia, and other countries to form the Asia Taiwanese Chambers of Commerce (ASTCC).

In July 1993, the ASTCC was established in Taipei, Taiwan with five initiatives, including (1) to promote the collaboration of Taiwanese entrepreneurs in Asian countries, pursue commercial and industrial development, and develop global markets; (2) to strengthen the contact, interaction, and collaboration between Taiwanese entrepreneurs in Asian countries, as well as facilitate business administration exchanges and academic or technological exchanges; (3) to provide various business and financial information for Taiwanese entrepreneurs in Asian countries, thereby strengthening regional economic and trade collaboration; (4) to enhance the international visibility of Taiwanese entrepreneurs and protect the rights and interests of Taiwanese entrepreneurs in various countries; and (5) to promote social and cultural exchanges in Asia so as to enhance mutual understanding and economic development.

The Asia Taiwanese Chambers of Commerce has a total of 17 members, including Thailand, the Philippines, Malaysia, Singapore, Indonesia, Japan, Hong Kong, Macau, Vietnam, Laos, Cambodia, Brunei, Bangladesh, Myanmar, Korea, Guam, East Timor and 2 observer members, i.e India and U.A.E. The total number of members exceeds 27,000 enterprises. The ASTCC has one chair (from one of the members), and the chairs from the other member countries are the vice chairs of the ATSCC. There are also a standing council, a council, and a supervisory board.

In addition, there are also committees to facilitate progress in the following areas: election affairs, public affairs, industrial functions, legal regulations, publishing, education and culture, finance, social events for Taiwanese businesses in China, ASTCC development and promotion, disciplinary supervision, new-generation entrepreneurs, crisis management, long-term development, ASEAN affairs, etc. There is also dedicated personnel responsible for contacting member units and consultants.

The Asia Taiwanese Chambers of Commerce (ASTCC) is affiliated to the World Taiwanese Chambers of Commerce (WTCC). It is the best platform for exchanges, business opportunities, and investment promotion among its member countries. We at ASTCC sincerely hope to provide exceptional service to members amidst the rapid development of ASEAN countries.

Appendix 3:
Brief Introduction to Taiwan Chamber of Commerce & Industry in Malaysia (TWCHAM)

Taiwan Chamber of Commerce & Industry in Malaysia (TWCHAM) was founded and duly registered as a society under the Societies Act of Malaysia. It was launched by the Honourable Prime Minister of Malaysia, Tun Dr Mahathir Mohamad on 27th March 1990. It is the only non-governmental organisation serving the interest of the Taiwan Investors in the country.

The objectives of TWCHAM are as follows: (1) To promote the investment from Taiwan to Malaysia; (2) To coordinate and foster good relationship amongst the members; (3) To provide services and advise on the law of Malaysia; (4) To exchange business information for the benefit of the members; (5) To assist in resolving difficulties faced by the members; and (6) To work for the business and investment rights and interests of the members in Malaysia.

Since its establishment, under the wise leadership of past presidents and the cooperation of all members, TWCHAM has been growing healthily. The number of members has also continued to increase, from 110 in the early days to the current 480. The members are distributed in all states in Malaysia, with a wide range of businesses, including electricals & electronics, iron & steel, machinery & equipment, basic metals, building materials , ceramics, textile, garments, chemicals, plastic, pharmaceutical products, auto/bicycle parts &components, food processing, wood-based industry, rubber-based industry, paper products, moulds & mouldings, precision instruments, sporting goods, aquaculture, cable & wire, audio system, transportation (air & sea), construction, etc.

With the main office set up in capital city of Malaysia, Kuala Lumpur, TWCHAM has 7 standing committees which located in whole Malaysia. They are (1) Kedah (including Perlis); (2) Penang; (3) Perak (including Kelantan, Terengganu, Pahang); (4) Kuala Lumpur (including Selangor, Kuala Lumpur, Negeri Sembilan, Putrajaya); (5) Melaka (including Muar); (6) Johor; and (7) East Malaysia (including Sabah, Sarawak, Labuan).

馬來西亞臺灣商會聯合總會

Taiwan Chamber of Commerce & Industry in Malaysia

www.twcham.org.my