

*“Balancing
Domestic Growth
and Consumer Rights”*



MALAYSIA DOMESTIC TRADE AND CONSUMER FORUM

Keynote Address by:
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Malaysia Domestic Trade and Consumer Forum

About ISI

The International Strategy Institute (ISI) is a not-for-profit organisation that helps connect governments and businesses across Asia. We stand for universal ethical business values such as: equality, transparency, fair trade, and sustainable development.

Our dialogues, research and networking platforms, are designed to drive economic growth in the region. We aim to,

1. Build platforms for regional dialogue and networking opportunities that allow businesses, industry captains and governments to come together to drive economic growth of the region;
2. Provide timely research to keep our members and governments informed and updated on global trade and political issues that may have an impact on their operations;
3. Match businesses to the right investors - to ensure that the companies are paired with the right strategic investment partner

About Malaysia Domestic Trade and Consumer Forum

Malaysia has always been the bastion of stability in the ASEAN region, with very strong economic fundamentals, one of the cheapest places to do business and a very competitive cost of living.

However in recent times, the country is beset with several challenges that threatens its regional competitiveness namely the trade war between China and the US, the Brexit conundrum, the protectionist tendencies of the EU which affects Malaysia's palm oil industry and other external shocks.

It is in times like this that Malaysia must adopt a very sound and solid domestic growth agenda, in order to mitigate the debilitating effect of these external shocks. Chief among these is the rising cost of living and doing business which does not commensurate with a rise in wages. Such conditions can spell disaster as the economy goes into stagnation and a decrease in consumption and investment appetite.

It is therefore of pivotal importance that the government works closely with the private sector in ensuring the domestic economy continues to become vibrant through the implementation of critical policies aimed at managing the rising cost of living, and bring Malaysia back on track.

Malaysia Domestic Trade and Consumer Forum, brought to you by International Strategy Institute (ISI), is a platform to bring together policymakers on domestic policy, business associations and entrepreneurs operating within the domestic economy, the media, and concerned citizens of the country, towards addressing the most pressing issues on domestic trade, the rights of consumers and the necessary measures to be taken in the foreseeable future.

Number of Participants: 110

Panelists:

Segment: **Balancing Domestic Growth and Consumer Rights.**

1. Dato' Dr. Paul Selva Raj, Chief Executive Officer, Federation of Malaysia Consumers Associations (FOMCA)
 2. Datuk Nadzim Johan, Head of Activists, Persatuan Pengguna Islam Malaysia (PPIM)
 3. Nadira Yusoff, Founder and Chief Executive Officer, Kiddocare / Deputy President, National Council of Women's Organisations (NCWCO)
 4. Arunan Kumaran, Head of Trade Negotiations and International Section, Ministry of Domestic Trade and Consumer Affairs Malaysia
- **Moderator: Datuk Seri Azman Ujang, Chairman, BERNAMA**

Segment: **Achieving The Right Balance in Taxation.**

1. Datuk Dr. Sotimin Muhalip, Director, Tax Operation Department, Inland Revenue Board of Malaysia
 2. Ali Salman, Chief Executive Officer, Institute for Democracy and Economic Affairs (IDEAS)
 3. Bernard Yap, Partner and Head, Financial Services Tax, Ernst & Young Malaysia
- **Moderator: Jason Tan, Senior Associate, Lee Hishammudin Allen & Gledhill**

Segment: **Protecting Local Entrepreneurs or Incentivizing Foreign Players?**

1. Datuk Grace Chia, SME National Council, SME Association of Malaysia (SMEAM)
 2. Amnah Shaari, Chairman and Co-Founder, Serunai Commerce Sdn Bhd
 3. Mohammad Abozeed, Chief Executive Officer, Berkat Madinah
 4. Datuk Seri Garry Chua, President, Malaysia Retailer Chain Association (MRCA)
- **Moderator: Rajifah Ramli, Founder & Chief Executive Officer, DATA8 & Council Member, Policy & Government Relations, Persatuan Usahawan dan Industri ICT Bumiputera Malaysia (NEF)**

Segment: **Addressing The Blue Collar Sector**

1. Dato' Amir bin Omar, Secretary General, Ministry of Human Resources Malaysia
 2. Vignes Kassim, Director, FunnelTree
 3. Dato' James S.W. Foo, Executive Director, Poly M&E Bhd
- **Moderator: Khair Mirza, Finance Director, Value Tree**

Objectives.

To identify:

- Current status and necessary measures taken on protecting consumers' rights
- Promising good practices implemented by business entities / entrepreneurs and consumers
- Strategies that can be used to engage the business entities, entrepreneurs', and government as collaborative effort to combat the global trade war.
- Key players that can intervene to make good impact
- Key recommendations (specific goals and targets) and related key actions required to help balance the stimulation of economic activities.
- Signs of Progress (indicators) that would indicate the growth of national economy from main industries.

Key Points from discussions.

Segment: **Balancing Domestic Growth and Consumer Rights.**

Concerns:

1. Creating the balance between “perfect market” vs “real market”.
 - Assuring that consumers are getting what they are offered (similarity of products said. i.e.: what is shown / offered are as said in terms of comparison, quality and resemblance). Enforcement on consumer’s right should not be taken lightly as it might lead to market breakout once the consumer’s loses trust towards businesses.
2. Education on consumers’ rights.
 - Construction of proper mindset. Consumer’s protection values should be ingrained in order to grow. Loan sharks are taken as example. Consumers need to be educated on consumer’s rights and other options such as zakat and other government agencies. With proper education and guidelines, such cases could be avoided as the saying goes prevention is always better than cure.
3. Democratization on Innovation sectors (mainly focusing on services)
 - Prioritizing businesses catering to consumers’ basic necessities services such as “childcare” (Kiddocare) and “e-hailing” (Grab). Modern business culture main focus is to cater to the daily needs of consumers. Looking into childcare, we need around 38,000 care Centre in order to fulfill the demand. As off today, we only have around 4000 care Centre. The imbalance of demand and supply is palpable; this could be a setback for domestic growth as women are considered major contributors to the economic growth. Emergences of entrepreneurs that runs their business by offering services that is in demand using mobile based platform, helps to deliver consumers’ needs and automatically help in balancing domestic growth.
4. Convinced e-commerce by consumers to conventional business.
 - E-commerce allows businesses to punch above its weight against much larger competitors and expand geographic reach beyond community to specific region, the whole country for foreign markets. Crucial point as it opens the door to international trades. Bigger market means better chances in growing business and reaching out to more consumers.

Suggestions:

1. Accessibility and openness of adequate information in protecting consumers.
2. Framework on improving policies for the basic needs for consumers, embarking on digital platform focusing on mobile based platform.
3. Policies and regulations need to be updated and in-line to catch up with the swift moving world. Policies available now are still constrain and rigid and does not suit the changed lifestyle, demands and expectations of the consumers.
4. Specific interventions by government in “supply-chain”
5. Providing more “impact based organization” that does not fall under CSR or SDG’s.

As mentioned by one of the speaker, normal norm of CSR would be doing charity such as feeding the poor or visiting old folks home. Impact-based means “adding more values” instead of feeding the poor that we conduct once in a while, organizing a “workshop” would be a better approach. Why not we teach them skills so that they can get a proper job with what is taught. It is more useful to them as it helps them to develop and contribute back.

Segment: **Achieving The Right Balance in Taxation.**

Concerns:

1. The balance between tax burden, tax gap and tax rate.
 - Previously taxes are collected to sustain the rulers/ government but as time changes and in order to progress, taxes are collected to hand back to consumers in the means of providing amenities and services.
2. Malaysia- tax to GDP ratio is the highest in comparator regional countries, but lower than countries of same income group.
3. Global perspective of taxation.
 - Collaboration globally in the direction of taxation policies. Tax system reform is high on the agenda for many tax authorities, governments and public sectors bodies, but many administrations lack the capacity and resources to undertake these reforms on their own. Collaboration globally can help to plug the capacity gap through activities like the transfer of knowledge and expertise, financial resources, direct service provision and cooperative engagement by taxpayers. (In simpler words, it meant that we should look into countries that have efficient taxation policies in the manner of knowledge and expertise, financial resources, direct service provision and cooperative engagement by tax payer. Those mentioned are areas to work on for betterment of growth. We are not alone in facing mishap in taxation.
4. Relying too much on direct taxation would not be much of a help in times of economy collapse.
 - Malaysia's federal government revenue of 2018 shows that Direct tax collected is 3.2 times more than indirect tax revenue, Non-tax revenue rated at 26% whilst Tax revenue was rated at 74%. Growth rate of indirect tax is 1.8 times of direct tax.

Suggestions:

1. Public procurement can be made more competitive, transparent and cost-effective
2. Incentives are provided for cooperate and individuals to establish charitable trusts
3. Trends and directions of global tax policy:
 - Tax competition (Competitive tax rates to attract economic activity, Focus on creating relevant and acceptable incentives and New or increasing withholding taxes)
 - Tax compliance (Base Erosion and Profit Shifting (BEPS), Anti-Tax Avoidance Directive (ATAD), and Diverted Profit Tax (DPT).
 - Newer taxes and rules (Digital tax, Foreign-derived intangible income measure, Transfer pricing (TP) principles on intangible property arrangements aspects of high-value services transactions and New equalization levy)

Segment: **Protecting Local Entrepreneurs or Incentivizing Foreign Players?**

Concerns:

1. Current government taxes imposed at a rate is considered too high for local entrepreneurs.
 - It is important for governments to continually reform their tax policies so that they promote small business growth. A country's tax code can be key in promoting small business. Reducing corporate tax or reforming tax laws to benefit small business can have a positive ripple effect on the economy by increasing the likelihood of new venture start-ups. Malaysia- tax to GDP ratio is the highest in comparator regional countries, but lower than countries of same income group.
2. Regulator of predictability supply of workers.
 - Too much speculation is not good
3. Empowering and supporting local entrepreneurs on healthy competition as they interact with foreign entrepreneurs.
 - The protection of intellectual property is important to promote innovation by protecting ideas. If innovators are not protected legally then they are least likely to share their ideas or give them the opportunity to grow. Entrepreneurs will not be willing to take the risk of allowing their solutions/innovations/ideas to develop if they fear that they will be appropriated.
4. Success in business defined by "customer + crowd + sales = Profit", in this rapid moving world "crowd" are mostly those on social medias platforms. Partnership between locals and foreign entrepreneurs are crucial
 - Economy for the common good

Suggestions:

1. Reinvestment policy
2. Access to funding for SME's and Start-ups
 - A major challenge that entrepreneurs face is the access to capital and investment. Governments can assist in this area by encouraging local banks to work with start-ups and small business by providing loans or investment. Government can offer state loans that target small-business, start-ups or female entrepreneurs. These are incentives that encourage entrepreneurship within the ecosystem.
3. Reduced burden on business formation
 - It is easier for entrepreneurs to start their businesses in environments that do not have burdensome barriers of entry. Entrepreneurship thrives when entrepreneurs are able to start their businesses without steep requirements for their businesses to operate. These steep requirements can range from operational taxes to registration processes. Government can ensure that business entry requirements are attainable at multiple levels to support both formal and informal business.
4. Tourism
 - Focusing on foreign direct expenses.
5. Digital taxes
 - SMEs (locals) need protection for their growth both in micro and macro economy.
6. Identify specific industry
 - Avenues and digital platform should be provided in order to help B40 and M40 to make extra income (i.e. sciences - Discover what works with Intensify researches and Duplicate the seed - This simply means that in order to help the b40 and m40 make extra income, proper platform and avenues need to be accessible for them.) In explaining "discover what works with intensify researches and duplicate the seed", let's take "uber" for example. That is a platform. A platform is the end product of proper researches. From "uber" we now have "grab", "grabfood", "foodpanda", QR payment system, barcode or 2d data matric terminology and such.

Segment: **Addressing The Blue Collar Sector**

Concerns:

1. The need to discourse the labour market issues holistically
 - Creation of more quality jobs will help improve the issues of underutilisation of labour resources, particularly among the educated workforce.
 - Basically this can be further explained by putting right people at its right place so that their talent would not go to waste as they are capable to do more than what they are offered. By providing better jobs that suits their capabilities we are able to fully utilize them and unleash their potential. By doing so they would feel more content and motivated.

2. Lack of ability to manage sustainability for the future.
 - Labour market that able to match demand and supply through effective management of alternative sources of labour (i.e., expats, foreign labour, women)
 - This can be elaborate further by looking at the demand for all factor inputs, including labour, is a derived demand i.e. the demand depends on the demand for the products they produce. When the economy is expanding, we see a rise in demand for labour providing that the rise in output is greater than the increase in labour productivity.
 - During a recession or a slowdown, the aggregate demand for labour will decline as businesses look to cut their operations costs and scale back on production. While in a recession, business failures, plant closures and short term redundancies lead to a reduction in the derived demand for labour.
 - In fast-growing markets, there is often a strong rise in demand for labour – for example an increase in demand for new apps for smart phones and tablets causes an increase in labour demand and then higher wage rates for app programmers.

3. The need to look at macro level of the structure.
 - To improve workforce quality, the Human Capital Initiative should concede supply-side as well as labour market efficiency issues. Higher number of graduates in the semi-skilled and low-skilled occupations indicating education mismatches (qualification mismatch) which requires interventions from the demand side as much as the supply side.
 - In much simpler words we should look at this issue from the bigger picture or larger perspective. What we are facing now is a mismatch between demand and supply in the workforce.
 - For example, if we need more workforce that requires skills, we should prepare our graduates that are skillful instead of focusing too much on professionalism. We need to divert our focus on what is really needed in the market instead of what we assume we need..

4. Job creations that is demand driven.
 - 24.8% or about 1 out of 4 graduates unemployed or underemployed by skills (mismatch / over qualification). 4 out of 5 jobs at high risk of displacement by technology are semi-skilled. Automatable tasks are those that are both routine and manual. There is some evidence of employment growth in both low- and high-skilled occupations characterised by non-routine tasks, and decline in employment growth in middle-skilled occupations characterised by routine tasks and manual skills.

Suggestions:

1. Balancing the amount of foreign workers in the sectors by reviewing current policies.
2. Categorizing of sectors and subsectors.
 - Priority of local workers.
3. Strengthen the governing mechanism of job related agenda in industry development.
4. Adapt the human capital development initiatives from the supply side institutions at the national level with the industry strategies at sectoral level.
5. Formulate an explicit skills growth partnership model
 - Collaboration between governments, industry associations, unions and the educational institutions.
6. Reviewing salary structure in the sector
 - There should be a minimum wage for skilled workers