

## ARISE Plus Malaysia

# Inclusive and Sustainable Economic Growth in Malaysia through International Trade and Economic Integration



## PROJECT SUMMARY

ARISE Plus Malaysia aims to support inclusive and sustainable economic growth in Malaysia through international trade and economic integration. It supports greater connectivity and economic integration between Malaysia and the Association of Southeast Asian Nations (ASEAN) region in line with the ASEAN Economic Community (AEC) Blueprint 2025.

The 3-year project, worth EUR 3 million, which started on 1 February 2021, aims to enhance a sustainable business and investment environment in Malaysia, improve product quality and competitiveness, and enhance sustainable and internationally quality-compliant practices in the agri-food sector.

These priority areas of support were identified together with the Ministry of International Trade and Industry Malaysia (MITI) and Malaysian stakeholders to help tackling specific trade-related challenges faced by Malaysia. They are also relevant to support Malaysia in managing the economic and trade impact of Covid-19.

Ultimate project beneficiaries include Malaysian Small and Medium-Sized Enterprises (SMEs), which will benefit from improved business environment, policies and processes to increase their competitiveness. Where relevant, attention will be devoted to women and youth.

The focus on supporting Malaysia's trade integration, can positively impact job creation in export-oriented sectors.

## CONTEXT

Malaysia sustained rapid and inclusive economic growth in the past 50 years. Real Gross domestic product (GDP) growth has averaged 6.2% per year between 1970 and 2020, with projections by the Central Bank of Malaysia on GDP growth for 2021 between 6%-7.5%.

The Malaysian economy has undergone a dramatic transformation: from dependence on agriculture and commodity exports to a more diversified and open economy with strong links to global value chains. Malaysia reached high middle-income country status in 1992 and set itself the target of achieving high-income country status by 2024.

Being a major trading nation with a small domestic market, the Malaysian economy is very much dependent on international trade. As such, Malaysia is actively pursuing increased trade openness, through unilateral reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives.

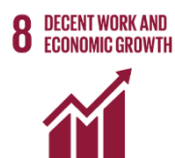
### OVERALL OBJECTIVE:

Support inclusive and sustainable trade growth and poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region.

### EXPECTED RESULTS:

- **Enhanced sustainable business and investment environment in Malaysia:** Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments,
- **Improved product quality and competitiveness:** Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices,
- **Enhanced sustainable and internationally quality-compliant practices in the agri-food sector:** Enhanced understanding and implementation of sustainable production standards and practices in agriculture and fisheries.

The project contributes to the achievement of the Sustainable Development Goals (SDGs):



## EXPECTED RESULTS

### Enhanced sustainable business and investment environment in Malaysia

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

The project will support Malaysia to upgrade capacities in a number of policy areas that are relevant for modern and progressive Free-Trade Agreements (FTA). The technical assistance will also be relevant to improve better connectivity with ASEAN as well as to implement international commitments under the World Trade Organization (WTO). Exposure to international policies and practices should contribute to ASEAN regional economic integration and a more active and effective participation in the multilateral trading system.

The project aims to:

- Build capacities of MITI, related bodies and selected Malaysian exporters, on emerging regulatory/operational requirements in trade policy regime and practices in FTAs
- Build capacities of MITI and other line ministries on best practices for international investment dispute settlement
- Build capacities and consensus building on a strengthened system of Rules of Origin in line with international standards
- Build capacities of MITI, related bodies and relevant sectoral business associations, on E-commerce regulatory framework and practices in relation to WTO and FTA negotiations
- Build capacities for MITI, related bodies and sectoral business associations, to conduct impact assessments on Malaysia's trade and investment policies

### Improved product quality and competitiveness

Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices

Malaysia's sustainable development will benefit from the upgrading of the quality infrastructure system, including the development of a national quality policy, enforcement

of good regulatory practices and improvement of capacities to set, manage and enforce standards. It is essential to raise awareness amongst policy makers, regulators and the wider business community on the importance of quality infrastructure as an integral part of an enabling environment for effective participation in international trade. Those efforts will contribute to reinforce the country's and regional connectivity, in line with both the Masterplan on ASEAN Connectivity (MPAC) 2025 as well as the EU-Asia Connectivity Strategy (2018).

The project aims to:

- Develop the national quality policy
- Harmonise Malaysian standards and technical regulations
- Strengthen the conformity assessment services to better support the demonstration of compliance of products on targeted markets

### Enhanced sustainable and internationally quality-compliant practices in the agri-food sector

Enhanced understanding and implementation of sustainable production standards and practices in agriculture and fisheries

Malaysia is facing a number of challenges for exporting agri-food products to international markets, including to the EU, with shortfalls in compliance with regards to contaminants, including pesticides and microbiological agents, resulting in interceptions on Malaysian exports of agri-food products. Support is also required to increase compliance with target markets' sustainable development frameworks and policies including on climate change and degradation of the environment, and with national sustainability standards.

The project aims to:

- Build capacities of agriculture personnel, focusing on Ministry staff, to engage in international institutions and to promote a sustainable agricultural industry
- Build institutional capacities of Malaysian certification bodies for agriculture and fishery products

# PROJECT PARTNERS

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## European Union

The European Union (EU) is an economic and political partnership between 27 European countries. It plays an important role in international affairs through diplomacy, trade, development aid and working with global organisations. Abroad, the EU is represented through more than 140 diplomatic representations, known also as EU Delegations, which have a similar function to those of an embassy.

ARISE Plus Malaysia is a trade-related technical assistance project contributing to the implementation of the EU Regional Multiannual Indicative Programme (MIP) Asia 2014-2020, which is the main framework for EU regional cooperation in Asia.

The project is part of the ASEAN Regional Integration Support by the EU (ARISE). ARISE Plus is closely aligned with the five pillars of the ASEAN economic community (AEC) Blueprint 2025.

The EUR 3 million ARISE Plus Malaysia project is fully funded by the EU.

## Ministry of International Trade and Industry Malaysia

The government of Malaysia is in the lead for this project.

The project has been designed and will be implemented jointly with the Government of Malaysia, in collaboration with the Ministry of International Trade and Industry Malaysia (MITI) and other relevant ministries/ agencies.

A Steering Committee co-chaired by the MITI and the EU Delegation to Malaysia will ensure the overall project governance.

## International Trade Centre

The International Trade Centre (ITC) is the only United Nations development agency fully dedicated to supporting the internationalization of SMEs. ITC enables SMEs in developing and transition economies to become more competitive and connect to international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. Established in 1964, ITC is the joint agency of the United Nations and the World Trade Organization.

ITC is the implementing agency of the ARISE Plus Malaysia Project.

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*This brochure has been produced with the assistance of the European Union. The contents of this brochure can in no way be taken to reflect the views of the European Union.*

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