

# **Beyond Blueprints**

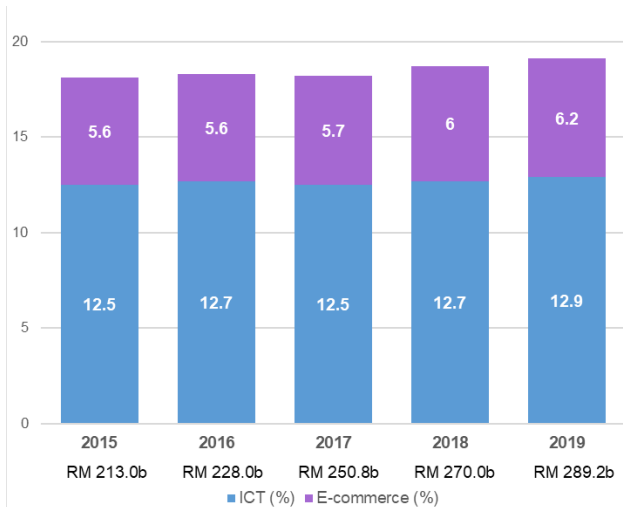
## **Assessing Malaysia's Untapped Opportunities for Digital Trade**

**Mark Chan**

## Malaysia: General Trends

# Traversing the “computerisation gap”

Malaysia’s Digital Economy is expected to hit 22.6% of GDP by 2025



New initiatives serve to ‘**upgrade**’ **E&E and ICT industry value chain** towards services and smart manufacturing



Malaysian government views Digital Economy development as a **key post-COVID-19 recovery strategy**

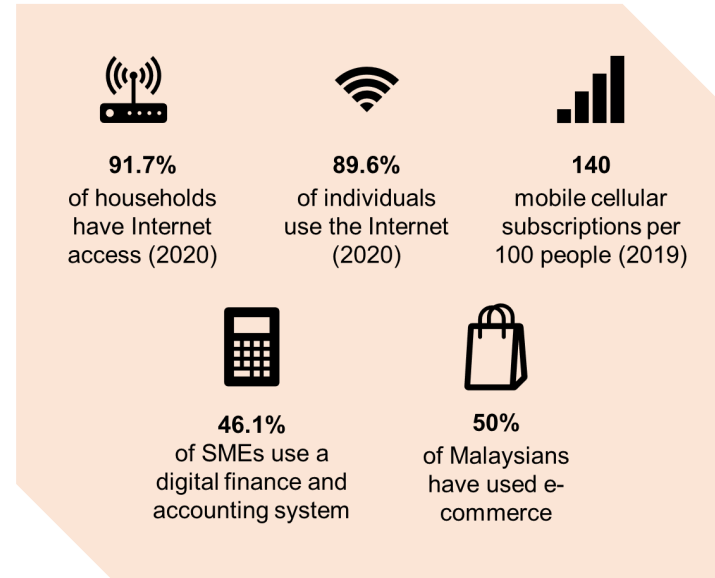
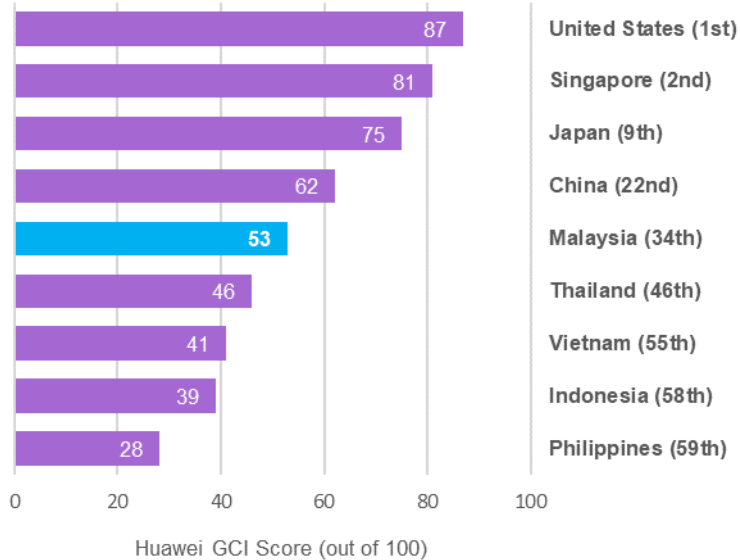


**MyDigital** initiative provides wide overarching strategy for Digital Economy growth

## Malaysia: General Trends

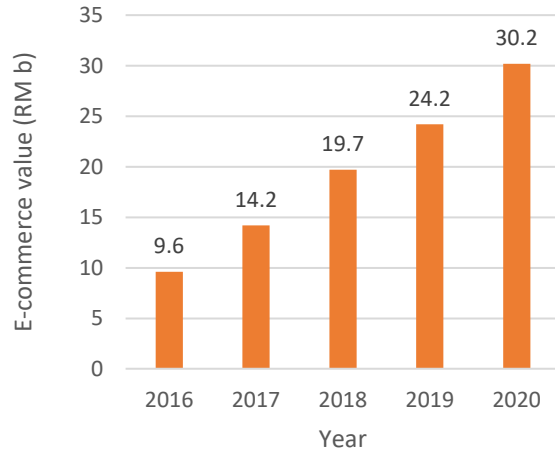
# Strong digitalisation fundamentals

Malaysia ranked **34<sup>th</sup>** in Huawei's Global Connectivity Index 2020 – measuring ICT maturity, investments, and digital economic performance



# Post-pandemic, digital acceleration experienced differently

### E-commerce platforms: sales volumes on an up-swing



### Retail users: adoption of digital services goes mainstream



**36%** of all digital service users were new



of which **59%** were from non-urban areas



**47%** YoY increase in Internet and mobile banking transactions



**260%** YoY increase in active e-wallet users

### SMEs: 'K-shaped' effects with winners and losers



**25%** accelerated digital transformation plans



**60%** slowed down digital transformation plans due to lack of cash flow



**84%** had difficulty communicating with customers and suppliers due to connectivity issues

# MyDigital reaffirms Malaysia's Digital Economy aspirations



**An overarching initiative led by the PM:** Targets 22.6% GDP contribution and 500,000 new jobs by 2025

**Provides new direction in emerging fields:** 5G commercialization, cloud computing, National Digital Identities

**However, inflection point:** an opportunity for Malaysia to articulate its domestic objectives with interoperability and collaborative aspirations vis-à-vis trade partners.



# Malaysia's Readiness for DEA Collaboration

### Ready for DEA

**Data Regulations:** progressive cross-border data liberalisation

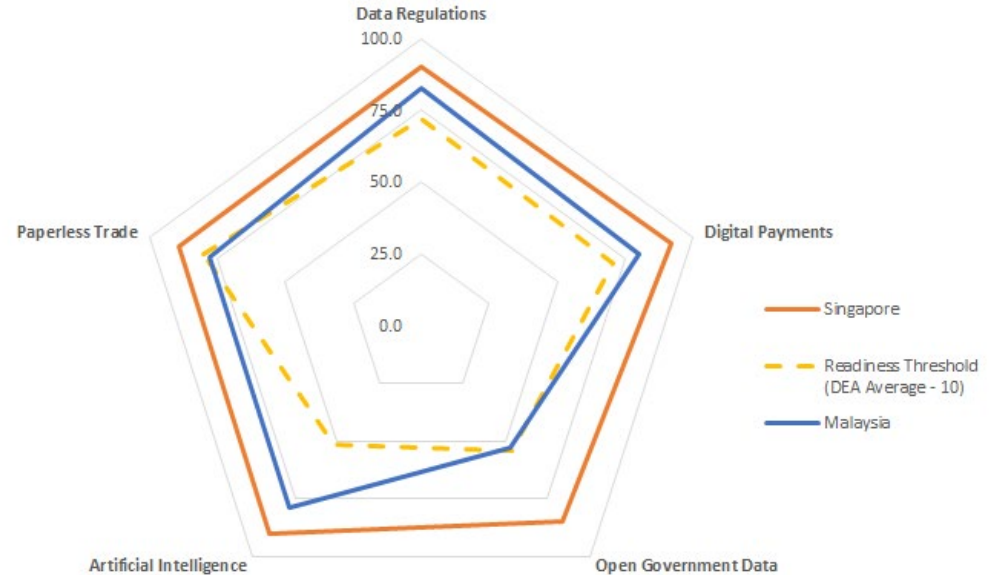
**Digital Payments:** mature and well-regulated ecosystem

**Artificial Intelligence:** supported by active emerging tech promotion

### Opportunity Areas

**Open Government:** room for enhanced data accessibility and granularity

**Paperless Trade:** facilities for cross-border trade data exchange limited beyond ASEAN



# Data Regulations

**READY TO SIGN DEA**

Singapore	90.1
Australia	85.8
<b>Malaysia</b>	<b>82.7</b>
New Zealand	82.0
Chile	78.6



ASEAN-6 Average

## DEA Readiness Scorecard

# Data Regulations

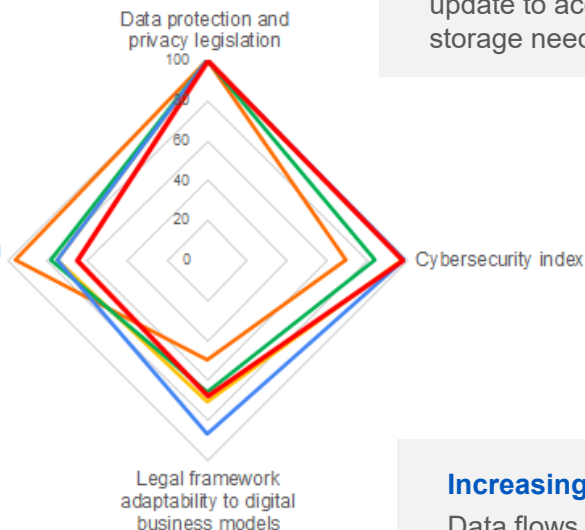
### READY TO SIGN DEA

Singapore	90.1
Australia	85.8
<b>Malaysia</b>	<b>82.7</b>
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Chile	78.6



ASEAN-6 Average

Data policies enabling digital trade



— Australia  
— Chile  
— New Zealand  
— Singapore  
— Malaysia

### Robust data protection and privacy framework

Personal Data Protection Act 2010 due for 2025 update to accommodate emerging data transfer and storage needs

### Room for data innovation sandboxes

Though FinTech sandboxes exist, facilities for public-private data stakeholder collaboration could catalyse data innovation

### Increasing attention to cross-border data flows

Data flows to be liberalised upon ratifying CPTPP and RCEP, but not clear what limitations will apply



# Digital Payments

READY TO SIGN DEA

Singapore	91.8
New Zealand	81.1
Australia	80.8
Chile	80.3

**Malaysia 80.2**

60.2

ASEAN-6 Average

## DEA Readiness Scorecard

# Digital Payments

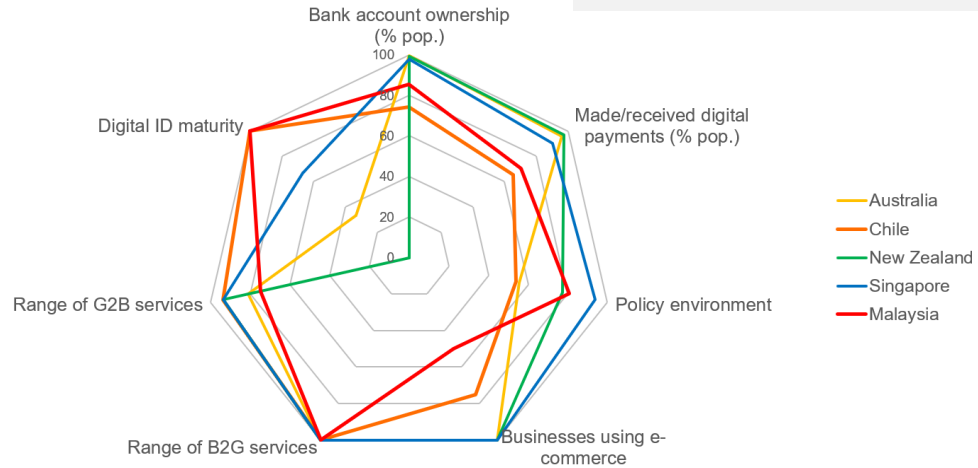
READY TO SIGN DEA

Singapore	91.8
New Zealand	81.1
Australia	80.8
Chile	80.3

**Malaysia** 80.2

60.2

ASEAN-6 Average



### High digital payments usage

70.4% of Malaysians 15+ made or received a digital payment in the past year

## DEA Readiness Scorecard

# Digital Payments

READY TO SIGN DEA

Singapore	91.8
New Zealand	81.1
Australia	80.8
Chile	80.3
Malaysia	80.2

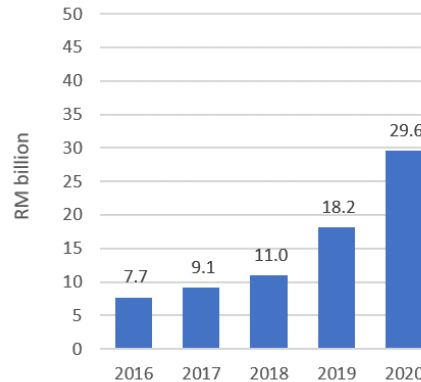
60.2

ASEAN-6 Average

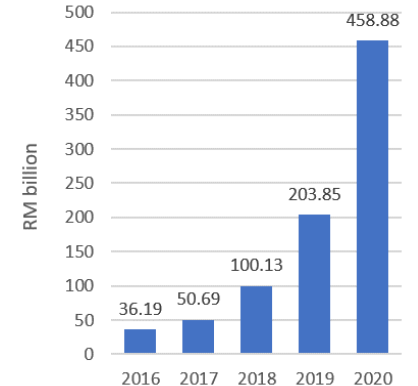
### High digital payments usage

70.4% of Malaysians 15+ made or received a digital payment in the past year

E-money transaction value



Mobile banking transaction value



## DEA Readiness Scorecard

# Digital Payments

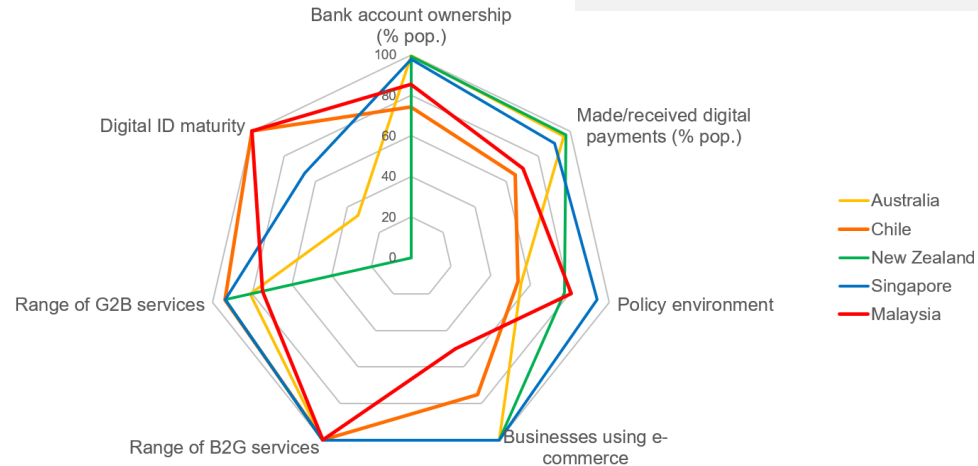
READY TO SIGN DEA

Singapore	91.8
New Zealand	81.1
Australia	80.8
Chile	80.3

Malaysia **80.2**

60.2

ASEAN-6 Average



### High digital payments usage

70.4% of Malaysians 15+ made or received a digital payment in the past year

### Payments interoperability a key focus

E.g., real-time debit payments between NETS Singapore and PayNet; real-time credit and QR payments in the works with Singapore and Thailand

### Proactive policymaking and regulators

A consistent focus for the Central Bank, Securities Commission and strategic blueprints (e.g. MyDigital)

# Paperless Trade

**NOT READY TO SIGN DEA**

New Zealand	94.4
Australia	91.7
Singapore	88.9
Chile	83.3
<b>Malaysia</b>	<b>77.8</b>

78.7

ASEAN-6 Average

## DEA Readiness Scorecard

# Paperless Trade

NOT READY TO SIGN DEA

New Zealand	94.4
Australia	91.7
Singapore	88.9
Chile	83.3



ASEAN-6 Average

### Digitalisation of paper documents high

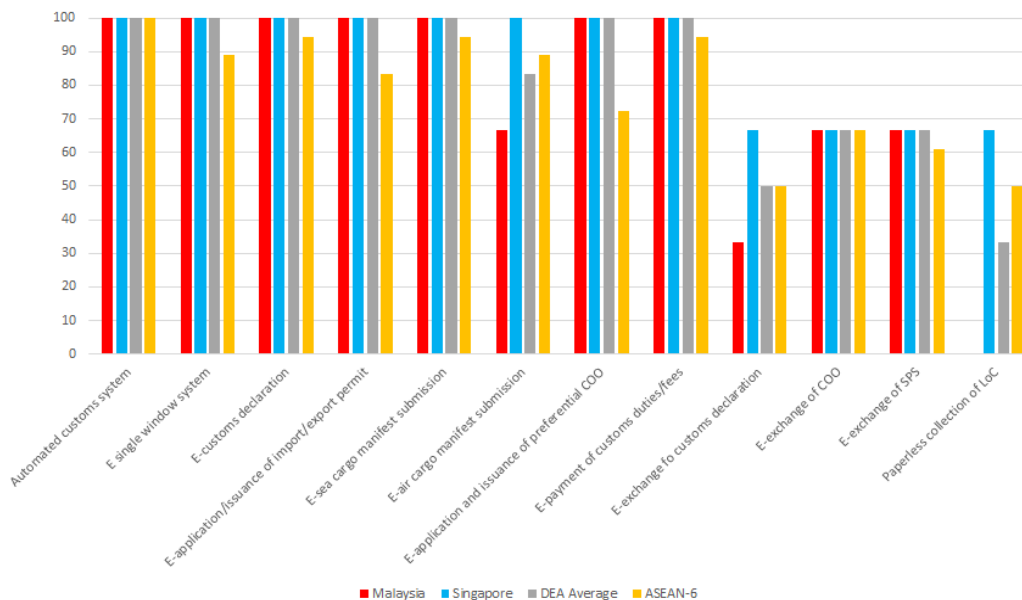
E.g., compulsory e-COO, custom declarations, export/import permits

### Connections with National Single Windows abroad limited

Restricted to ASEAN-level cooperation for now

### Malaysia can begin collaborating by focusing on key trade items

Focus on augmenting export/import process for specific categories, and then expand offering



# Artificial Intelligence

**READY TO SIGN DEA**

Singapore	90.0
<b>Malaysia</b>	<b>78.5</b>
Australia	68.9
New Zealand	67.9
Chile	48.0

65.1

ASEAN-6 Average

## DEA Readiness Scorecard

# Artificial Intelligence

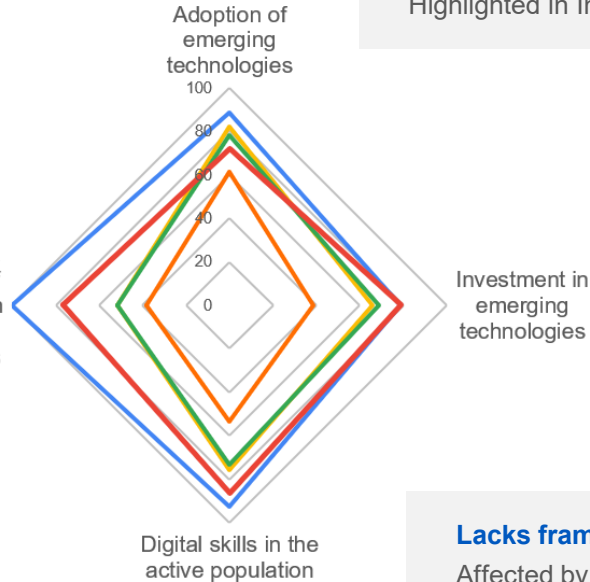
READY TO SIGN DEA

Singapore	90.0
<b>Malaysia</b>	<b>78.5</b>
Australia	68.9
New Zealand	67.9
Chile	48.0

65.1

ASEAN-6 Average

Government promotion of investment in emerging technologies



### Adoption of new technologies a consistent focus

Highlighted in Industry 4.0 and MyDigital masterplans

### Digital skills high, but not specialised

Affects ability to harness AI widely and effectively

### Lacks framework for responsible AI use

Affected by limitations to cross-border data flows, and lack of specialised cybersecurity law



# Open Government Data

**NOT READY TO SIGN DEA**



## DEA Readiness Scorecard

# Open Government Data

NOT READY TO SIGN DEA

Singapore	84.3
New Zealand	76.7
Australia	70.0
<b>Malaysia</b>	<b>53.0</b>
Chile	45.0

58.3

ASEAN-6 Average

Readiness to use

Coverage

100

80

60

40

20

0

Openness

Data coverage is on par with Australia and NZ

Good coverage across 22 key data categories

- Australia
- Chile
- New Zealand
- Singapore
- Malaysia

**Government initiatives on open data exist**

But initiatives to improve meaningful stakeholder data usage are needed to maximise data value

**Malaysia lags for data openness and accessibility**

Issues with data quality, granularity, machine readability and availability on unified platform

## Opportunities: interoperability and collaboration

	Malaysia
Data Regulations	✓
Digital Payments	✓
Artificial Intelligence	✓
Paperless Trade	✗
Open Government	✗

**Malaysia has the greatest potential in Data Regulations, Digital Payments and Artificial Intelligence.**

Digital Payments and Data Regulations should be priority areas for collaboration. Collaboration on AI could focus on best practices and ethical governance framework development.

**Opportunities for significant growth in Paperless Trade and Open Government.**

For Paperless Trade, incremental single window integration can occur with key trade partners. Domestic efforts are underway to 'digitalise' and bring government onto cloud, which will enhance digital data collection and visibility.