

Malaysia

1. Industrial Strategy

Malaysia's industrial policy evolved over four decades, from resource- and labour-intensive import substitution to export-oriented, higher-value manufacturing, and finally to a green, technology-driven model. The first three Industrial Master Plans—IMP1 (1986-1995), IMP2 (1996-2005), and IMP3 (2006-2020)—furthered this transformation by establishing a manufacturing base, strengthening clusters and linkages, and diversifying into specific services, with MITI and the Malaysian Investment Development Authority (MIDA) playing critical roles.¹ During this time, Penang and the northern corridor relied largely on EU- and US-anchored value chains, particularly in the electrical and electronics (E&E) sector.² In the 2000s and 2010s, Malaysia tried to strengthen industrial clusters and diversify into services while maintaining its core exports. Policies encouraged collaboration between international corporations and local suppliers, as well as improving skills and infrastructure to facilitate higher-value-added industries. The E&E sector in Penang and Johor became more integrated into global production networks, while palm oil processing and petrochemicals broadened industrial diversification.³

Today's industrial policy promotes complexity, sustainability, and resilience. The New Industrial Master Plan 2030 (NIMP 2030), which was established in 2023, is a mission-based plan for driving technological adoption, aligning industry with net-zero goals, and ensuring economic stability.⁴ This is strengthened by Industry4WRD (the National Policy on Industry 4.0), which promotes robotics, automation, and digital manufacturing, as well as the National Energy Transition Roadmap (NETR), which emphasises renewable energy and green technologies as future growth drivers.⁵

Malaysia is putting more of an emphasis on strategic alliances and regional integration going forward. The Johor-Singapore Special Economic Zone (JS-SEZ), which opened in 2025, aims to attract advanced manufacturing, energy and environmental investments, and green industries by combining Malaysia's land and people with Singapore's financial and technological capacity.⁶ These efforts aim to maintain Malaysia's long-standing industrial strengths while preparing the economy for prospects in semiconductors, electric vehicles, and clean energy technology.

¹ MITI, *Third Industrial Master Plan (IMP3) 2006–2020* (MITI 2006) <<https://www.miti.gov.my/index.php/pages/view/1690>> accessed 28 August 2025.

² MITI, 'Performance and Challenges of Industrial Development' (MITI 2006) <<https://www.miti.gov.my/miti/resources/auto%20download%20images/557f968bc4aaf.pdf>> accessed 28 August 2025.

³ Ministry of Economy (Malaysia), 'Industrial Development' (2020) <https://ekonomi.gov.my/sites/default/files/2020-08/Chapter%204%20-%20Industrial%20Development_compressed.pdf> accessed 28 August 2025.

⁴ MITI, *New Industrial Master Plan 2030 (NIMP 2030)* (2023) <https://www.nimp2030.gov.my/nimp2030/modules_resources/bookshelf/NIMP_2030_Summary1/NIMP_2030_Summary1.pdf> accessed 28 August 2025.

⁵ MITI, *Industry4WRD: National Policy on Industry 4.0* (2018) <https://www.miti.gov.my/miti/resources/National%20Policy%20on%20Industry%204.0/Industry4WRD_Final.pdf> accessed 28 August 2025.

⁶ Singapore Economic Development Board, 'Agreement on the Johor–Singapore Special Economic Zone' (Media Release, 8 January 2025) <<https://www.edb.gov.sg/en/about-edb/media-releases-publications/agreement-between-singapore-and-malaysia-and-the-johor-singapore-special-economic-zone.html>> accessed 28 August 2025.

2. Digital (Development) Strategy

Malaysia's digital strategy originated in the 1990s with the Multimedia Super Corridor (MSC Malaysia), a flagship effort aimed at attracting ICT investment and positioning the country as a regional hub for digital services.⁷ The MSC provided incentives, infrastructure, and legal frameworks that contributed to establish Malaysia's reputation in outsourcing, shared services, and early digital industries.⁸

The Malaysia Digital Economy Blueprint (MyDIGITAL, 2021-2030) serves as the foundation for the present digital policy framework, laying out a vision for integrating digitalisation throughout all sectors of the economy. The report aims to achieve ambitious targets for 5G coverage, SME digital adoption, cloud-first government policies, and the digital sector contributing at least 22.6% of GDP by 2030, by setting out six strategic Objectives:⁹

- Drive digital transformation in the public sector.
- Boost economic competitiveness through digitalisation.
- Build enabling digital infrastructure.
- Foster inclusive digital society.
- Develop agile and competent digital talent.
- Create an integrated ecosystem with trusted digital services.

In addition, Industry4WRD (2018) is essential to Malaysia's industrial upgrading plan, supporting the use of automation, artificial intelligence, and robotics in the manufacturing sector.¹⁰ The JENDELA initiative (2020) supports connectivity expansion by upgrading nationwide broadband infrastructure and enabling extensive 5G deployment.¹¹ The government's Cloud-First Policy (2020) establishes cloud adoption across public services, promoting data integration and resilience.¹² Malaysia has also improved its security and governance systems. The National Cyber Security Policy 2.0 (2020-2024) aims to protect vital information infrastructure and build cyber resilience, while the National Artificial Intelligence Roadmap (2021-2025) focuses on fostering AI innovation in industry and government.¹³

⁷ Economic Planning Unit, *Malaysia Digital Economy Blueprint (MyDIGITAL 2021–2030)* (Putrajaya, 2021).

⁸ C Lee, 'Strategic Policies for Digital Economic Transformation: Lessons from Malaysia' (ISEAS–Yusof Ishak Institute, Economics Working Paper 2022-6, 2022).

⁹ Economic Planning Unit, *Malaysia Digital Economy Blueprint (MyDIGITAL 2021–2030)* (Putrajaya, 2021) 8–10.

¹⁰ Ministry of International Trade and Industry, *Industry4WRD: National Policy on Industry 4.0* (MITI, Putrajaya 2018).

¹¹ Malaysian Communications and Multimedia Commission (MCMC), 'JENDELA Quarterly Report Q2 2022' (MCMC, 2022) <https://www.mcmc.gov.my/en/media/press-releases/jendela-q2-2022-report> accessed 28 August 2025.

¹² Unit Pemodenan Tadbiran dan Perancangan Pengurusan Malaysia (MAMPU), *Pekeliling Kemajuan Pentadbiran Awam (PKPA) Bil. 1 Tahun 2021: Dasar Perkhidmatan Pengkomputeran Awan Sektor Awam* (Putrajaya, 2021).

¹³ Ministry of Science, Technology, and Innovation (MOSTI), *Malaysia National Artificial Intelligence Roadmap 2021–2025 (AI-Rmap)* (MOSTI, 2021) <https://www.mosti.gov.my/ai-roadmap> accessed 28 August 2025.

3. Main Constitutional Provisions

Malaysia's federal constitution and supporting statutes provide the legal framework that underpins industrialisation and digital transformation. Key provisions include:

- Article 74 allocates legislative powers between federal and state levels, giving the Federal Government primary competence over trade, commerce, industry, finance, telecommunications, and digital affairs.¹⁴
- Article 153 enshrines affirmative measures in favour of the Bumiputera (ethnic Malays and indigenous groups), which has shaped industrial policy through preferential treatment in procurement, licensing, and educational opportunities.¹⁵
- Article 121 establishes the judiciary, ensuring the enforceability of regulatory frameworks underpinning industrialisation and digitalisation.¹⁶

4. Main Regulatory Provisions and Policy Developments

Malaysia's regulatory framework for industrial and digital development combines forward-looking strategic blueprints with binding legislation. Together, these instruments aim to accelerate industrial Development, foster digital innovation, and provide a stable legal environment for trade, investment, and data governance.

- Malaysia Digital Economy Blueprint (MyDIGITAL, 2021–2030) establishes national priorities for digital inclusion, 5G deployment, cloud adoption, and a target for the digital economy to contribute 22.6% of GDP by 2025.¹⁷
- National Semiconductor Strategy (NSS, 2024–): a multi-phase plan with substantial investment to position Malaysia as a global hub in integrated circuit design, advanced packaging, and semiconductor manufacturing.¹⁸
- New Industrial Master Plan 2030 (NIMP 2030): it provides a mission-based industrial policy framework to drive manufacturing complexity, high-value job creation, green transition, and digital adoption across priority sectors.¹⁹
- Free Zones Act 1990 (Act 438): it establishes customs-free industrial and commercial zones to support Malaysia's export-oriented industrialisation.²⁰
- Communications and Multimedia Act 1998 (Act 588): it regulates telecommunications, licensing, and digital content, forming the backbone of Malaysia's digital economy governance.²¹

¹⁴ *Federal Constitution of Malaysia* (as of 1 November 2020, Commissioner of Law Revision Malaysia), Art. 74.

¹⁵ *Idem*, Art. 153.

¹⁶ *Idem*, Art. 121.

¹⁷ Economic Planning Unit (Prime Minister's Department), *Malaysia Digital Economy Blueprint (MyDIGITAL 2021–2030)* (Putrajaya, 2021).

¹⁸ CREST, *National Semiconductor Strategy* (Malaysia, October 2024) https://crest.my/wp-content/uploads/FINAL_NSS_141024_2_compressed.pdf accessed 28 August 2025.

¹⁹ Ministry of Investment, Trade, and Industry (MITI), *New Industrial Master Plan 2030* (MITI, 2023) <https://www.investmalaysia.gov.my/media/jqohhwub/new-industrial-master-plan-2030.pdf> accessed 28 August 2025.

²⁰ *Free Zones Act 1990* (Act 438, Laws of Malaysia, 1990).

²¹ *Communications and Multimedia Act 1998* (Act 588, Laws of Malaysia, 1998)

5. (Regional) Economic Treaties to which Malaysia is a Signatory

Malaysia's trade policy is strongly anchored in its regional commitments, reflecting its central role within ASEAN and broader Asia-Pacific frameworks. Key agreements include:

- ASEAN Free Trade Area (AFTA, 1992) – cornerstone of Malaysia's regional trade policy, reducing intra-ASEAN tariffs and fostering integrated supply chains.²²
- ASEAN Comprehensive Investment Agreement (ACIA, 2012) – provides investor protections and promotes liberalisation across ASEAN.²³
- ASEAN Trade in Services Agreement (ATISA, 2021) – expands commitments on services liberalisation, supporting Malaysia's services and digital economy.²⁴
- Regional Comprehensive Economic Partnership (RCEP, 2022) – the world's largest FTA, covering ASEAN and major Asia-Pacific partners, in force for Malaysia since March 2022.²⁵
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, 2022) – ratified by Malaysia in November 2022, offering broad market access and rules on digital trade, investment, and intellectual property.²⁶

6. International Agreements

Malaysia complements its regional agreements with broader commitments and adherence to international dispute settlement mechanisms:

- World Trade Organization (WTO, 1995) – Malaysia is a founding member of the WTO, underpinning its commitment to multilateral trade rules.²⁷
- International Centre for Settlement of Investment Disputes (ICSID, 1966) – accession facilitates investor-state arbitration for foreign investors.²⁸
- New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1985) – ensures enforceability of arbitral awards in Malaysia's courts.²⁹
- United Nations Convention on International Settlement Agreements Resulting from Mediation (Singapore Convention, 2019) – signed by Malaysia in 2019, reflecting a commitment to mediation as an alternative dispute resolution mechanism.³⁰

²² Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (signed 28 January 1992, entered into force 1993).

²³ ASEAN Comprehensive Investment Agreement (signed 26 February 2009, entered into force 2012).

²⁴ ASEAN Trade in Services Agreement ('ATISA') (signed 5 October 2019, entered into force 2021).

²⁵ Ministry of International Trade and Industry Malaysia (MITI), 'Malaysia and RCEP Agreement Entered into Force on 18 March 2022' (MITI Press Release, 2022) <https://www.miti.gov.my> accessed 28 August 2025.

²⁶ Ministry of International Trade and Industry Malaysia (MITI), 'Malaysia Ratifies Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)' (MITI Press Release, 30 September 2022) <https://www.miti.gov.my> accessed 28 August 2025.

²⁷ World Trade Organization (WTO), 'Malaysia and the WTO' (WTO, 2023) https://www.wto.org/english/thewto_e/countries_e/malaysia_e.htm accessed 28 August 2025.

²⁸ International Centre for Settlement of Investment Disputes (ICSID), 'List of Contracting States and Other Signatories of the Convention' (World Bank, 2024) 4.

²⁹ Convention on the Recognition and Enforcement of Foreign Arbitral Awards (United Nations [UN]) 330 UNTS 3.

³⁰ United Nations Treaty Collection, United Nations Convention on International Settlement Agreements Resulting from Mediation (Singapore, 2019): Malaysia (UNTC, 2024).

7. Proceedings Initiated Against Malaysia, or by It, Before International Fora for the Adoption/Implementation of Industrial Policy Measures (e.g., Before WTO Panels, the WTO's AB)

Malaysia has been involved in two WTO dispute settlement cases that directly intersect with industrial policy or digital/e-commerce frameworks:

- DS1 – Malaysia: Prohibition of Imports of Polyethylene and Polypropylene (1995) Shortly after the formation of the WTO, Malaysia banned imports of polyethylene (PE) and polypropylene (PP). Singapore responded under GATT (pre-WTO DSU) proceedings.³¹
- DS600 – Malaysia vs. EU (Renewable Energy Directive – Palm Oil Biofuel) In January 2021, Malaysia (together with Indonesia) initiated a WTO dispute challenging the EU's Renewable Energy Directive (RED II), which excluded palm oil-based biofuels—central to Malaysia's industrial and agricultural sector—from its renewable energy targets. The WTO panel largely upheld the EU's authority to pursue environmental regulation but found procedural and discriminatory flaws in how the measures were implemented.³²

To date, these are the two WTO disputes directly tied to Malaysia's industrial policy. However, Malaysia has participated as a third party in WTO disputes involving anti-dumping duties on biodiesel, solar cells, and packaging requirements—areas with indirect implications for its industrial and digital trade strategies.³³

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³¹ Malaysia — Prohibition of Imports of Polyethylene and Polypropylene (DS1) (WTO, 1995) <https://dsdb.wto.org> accessed 28 August 2025.

³² European Union and Certain Member States — Certain Measures Concerning Palm Oil and Oil Palm Crop-based Biofuels (DS600) (WTO, complaint-initiated 15 January 2021; panel report circulated 5 March 2024) https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds600_e.htm accessed 28 August 2025.

³³ UNCTAD, Investment Dispute Settlement Navigator: Malaysia (UNCTAD, 2025) <https://investmentpolicy.unctad.org/investment-dispute-settlement/country/127/malaysia> accessed 28 August 2025