



**MOVING FORWARD**



## Moving Forward

# Pathways to Sustainable Growth through Global Value Chain Integration

Malaysia's participation in the global value chain is a central agenda to the nation's economic strategy, aimed at enhancing MSME competitiveness in the global and domestic markets. As stipulated in the Midterm Review of the Twelfth Malaysia Plan, prioritising market expansion beyond domestic borders will position Malaysia as a key player in the global economy. Hence, the internationalisation agenda is one of the avenues in providing ample opportunities for firms to widen market outreach and tap into the network of multinational companies, global suppliers and consumers. Aligned to this objective, SME Corp. Malaysia Business Strategic Plan (2022 - 2030) also emphasised the importance of MSMEs to participate in impactful high growth industries and internationalise the business operation, thus allowing them to compete at par with other competitors.

### ASEAN CHAIRMANSHIP 2025

With the theme 'Inclusivity and Sustainability', Malaysia will assume the Chairmanship of ASEAN on 1 January 2025, a role that underscores its commitment in advancing the region's economic and geopolitical objectives. ASEAN too will commemorate the 10<sup>th</sup> anniversary of the formal establishment of ASEAN Community in 2025, marking a decade of regional integration and cooperation. As Chair, Malaysia is poised to promote strategic trust through sustained dialogues, diplomatic engagement and goodwill among member states. Malaysia is also anticipated to enhance intra-ASEAN trade and investment, positioning the region for greater economic integration and resilience in the face of global challenges. The focus on inclusivity and sustainability will be central to Malaysia's approach, in line with the MADANI Economy Framework, thus further ensuring that ASEAN's growth gives impacts to all member states and contributes to the long-term stability of the regional community.

Recognising the importance of the event that will involve hosting over 270 meetings and activities across all states, Malaysia's ASEAN Chairmanship in 2025 will provide a significant opportunity for economic growth and business development, particularly for MSME players in industries such as logistics, tourism and hospitality. This large-scale hosting effort will generate income for businesses, driving demand for local products & services across various industries. To further support local MSMEs, the Malaysian Government has mandated that all Ministries and departments involved in organising meetings and activities related to the Chairmanship must procure handicrafts from local producers, ensuring that the country's rich craftsmanship is showcased to an international audience. In fact, the Government will facilitate the procurement of souvenirs up to RM100,000 and quotations of up to RM1 million, specifically aimed at supporting local artisans and promoting Malaysian artistry.





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Given the influx of visitors in 2025, the event will not only stimulate the domestic economy but also provide local artisans and MSMEs with a valuable platform to market their products to international audience, thus providing opportunities for them to enhance their integration into the regional value chain. Moreover, the uniqueness and authenticity of Malaysian craftsmanship will be highlighted to the world, further reinforcing the country's cultural identity. Such an opportunity will elevate Malaysia's standing on the international stage, attracting greater investment and delivering significant economic benefits to the nation.

## PARTICIPATION IN ECONOMIC BLOCS

Malaysia, on 26 October 2024, was officially recognised as a partner country of BRICS (Brazil, Russia, India, China and South Africa), marking a significant step towards deeper engagement with one of the world's most influential economic blocs. While Malaysia has yet to attain full membership, this partnership status grants the country the opportunity to access a vast network of emerging and developing markets. To date, Malaysia has fostered strong economic ties with the founding members of BRICS, a bloc that currently accounts for 28% of the global economy and 18% of the global trade. This partnership will likely attract significant foreign direct investment (FDI), positioning Malaysia as a strategic player within the economic bloc and amplifying its economic resilience through diversified investments. Additionally, the partnership opens up new avenues for Malaysia to leverage the economic strengths of BRICS counterparts, potentially unlocking new business opportunities across various industries.

Businesses in Malaysia too can strategically position themselves to capitalise on the abundant opportunities available within various regional and international economic blocs, such as Economic Community of West African States (ECOWAS) and Organisation for Economic Co-operation and Development (OECD). These economic groupings, coupled with favourable free trade agreements (seven (7) bilateral and nine (9) regional FTAs) and various MoUs signed with international parties, will facilitate the MSME internationalisation agenda.

For local MSMEs, Malaysia's participation in these blocs and international platforms could serve as a catalyst for growth in widening access to global supply chains. The demand for Malaysia's commodities, such as palm oil, petroleum and rubber, is expected to rise as MSMEs in these sectors benefit from greater integration into the bloc's economic activities. Furthermore, MSMEs stand to gain from increased exports, access to technology transfers and opportunities for joint ventures with multinational companies operating



abroad. This strategic collaboration will enable Malaysian MSMEs to diversify their offerings, further innovate and scale up the business operation, thereby contributing to the country's goal of economic inclusivity and ensures long-term business survival.

## BUDGET 2025

Malaysia's Budget 2025 was unveiled on 18 October 2024, under the theme 'Reinvigorating the Economy, Driving Reforms and Prospering the Rakyat'. This marks the third budget introduced within the MADANI Economy Framework, with the intent of ensuring the economy remains resilient and competitive, capable of weathering potential global and local economic pressures.

A primary focus of Budget 2025 is the empowerment of MSMEs by bolstering their competitiveness through various capacity building initiatives. A total allocation of RM45.6 billion has been dedicated to the advancement of MSMEs, with programmes and initiatives designed to directly and indirectly benefit these firms. Acknowledging that access to financing is often the key challenge for MSMEs, Budget 2025 allocates the largest share of RM32.4 billion (71.1% of the MSME allocation) towards financial accessibility. Moreover, in response to the global shift towards sustainable development, the Budget places significant emphasis on fostering a green and sustainable economy among MSME players. A total of RM1.3 billion has been earmarked to support the industry's transition toward sustainable practices.

The Budget is strategically oriented towards stimulating investment in the electrical & electronics (E&E) industry, fostering high-income job creation and strengthening supply chains in key sectors through a range of attractive incentives for investors. These initiatives are anticipated to indirectly benefit MSMEs, as they are likely to experience positive spillover from the increased investment and expansion in the targeted industries. In terms of market access, the Government will assist Malaysian exporters in promoting their locally-made products & services abroad, especially in new markets such as Africa, Latin America and the Middle East.

In summary, Budget 2025 supports the MADANI Economy Framework by prioritising the MSME ecosystem, enhancing access to finance and markets, developing human capital, promoting inclusivity and technology adoption as well as fostering sustainable practices, all with the overarching goal of propelling Malaysia towards a resilient nation.

