For the attention of: Chief Executive Officer

Making Malaysian Industries Globally Competitive
Transparency ▪ Integrity ▪ Accountability ▪ No Corruption

GI / 08 / 2026

Summary and Highlights of the 343rd Meeting
of the FMM Council held on March 26, 2026

No	ISSUES AND FMM'S VIEWS & ACTION TAKEN	For enquiries
1	Reopening of Foreign Worker Recruitment For The Manufacturing Sector On March 6, 2026, the Ministry of Home Affairs announced the abolition of the March 31, 2026 deadline for foreign worker quota applications submitted through the One Stop Centre (OSC KDN). However, the prevailing conditions for recruitment still remain.	Head Office, Business Environment Division (Ms Hema Thiruchelvam)
2	Release of the FMM Business Conditions Survey 2H2025 – March 17, 2026 The findings of the 28th biannual FMM Business Conditions Survey for the second half of 2025 (2H2025) which closed with 631 responses, was published on March 17, 2026. The survey revealed that manufacturing activity stabilised in the second half of 2025 following the slowdown recorded earlier in the year. Operational indicators such as production and capacity utilisation improved modestly as firms adjusted to evolving business conditions. However, demand recovery remains uneven, with both domestic and export sales continuing to lag while cost pressures remain elevated. Looking ahead, manufacturers expect gradual improvement in operating conditions, although uncertainties surrounding demand and input costs may continue to temper expansion. Overall, manufacturers appear cautiously optimistic about the near-term outlook while maintaining prudent operational strategies amid persistent uncertainties. FMM President also provided updates on recent developments relating to US reciprocal tariffs, including the Section 301 investigations, as well as the impact of the Iran–US war, to supplement the survey findings, as these developments were not captured in the survey given that the Supreme Court decision on the tariffs and the outbreak of the Iran–US war took place only after the survey had closed.	Head Office, Business Environment Division (Ms Hema Thiruchelvam)
3	FMM Courtesy Call on CEO of MATRADE – March 13, 2026 Mr Jacob Lee Chor Kok, President of FMM, paid a courtesy call on Encik Abu Bakar Yusof, the newly appointed Chief Executive Officer of the Malaysia External Trade Development Corporation (MATRADE) on March 13, 2026. Highlights of the discussion include the following: a. Establishment of Export Crisis Response Task Force - FMM proposed the establishment of an Export Crisis Response Task Force as an ad-hoc Government–industry coordination mechanism to be activated during major trade disruptions. The proposed task force would enable closer coordination among relevant Government agencies, port authorities, financial institutions and industry stakeholders to monitor developments, share timely updates and address operational challenges.	Head Office, International Business Division (Cik Shamini Sakthinathan))

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	b. Strengthening FTA Utilisation and Capacity Building - FMM highlighted the need to improve the utilisation of Malaysia's Free Trade Agreements (FTAs), noting that utilisation rates remain relatively low compared to regional peers. To address this, FMM proposed an industry-led FTA Utilisation Programme, supported by MATRADE, focusing on technical training, advisory services and practical case-based solutions. FMM was requested to submit a detailed list of required capacity-building initiatives for MATRADE's budget consideration. c. Enhancement of Market Development Grant (MDG) - FMM recommended several improvements to the MDG. MATRADE requested FMM to continue advocating for increased funding for market expansion support and to engage the Government to secure higher allocations under the upcoming Budget. d. Establishment of National Export Resilience Fund - A dedicated National Export Resilience Fund is proposed to support exporters in managing adjustment costs associated with entering new markets, including product redesign, testing, certification, repackaging and marketing. MATRADE agreed that the Fund is critical and timely and will work with FMM to further develop the proposal including scope, implementation approach and potential funding mechanisms. e. Representation on MATRADE Board - FMM requested consideration for representation on the MATRADE Board, highlighting its role as a key industry body representing a large base of exporting manufacturers. MATRADE welcomed the suggestion and acknowledged the importance of FMM's role in representing industry.	
4	<u>Technical Working Group on International Trade Meeting No. 1/2026 – March 16, 2026</u> The meeting was co-chaired by Dr Ummi Nasrah Othman, Senior Director, Trade Facilitation Section, Investment Policy & Trade Facilitation Division, MITI and Mr Jacob Lee Chor Kok, FMM President. Highlights of the meeting are as follows: a. SIRIM QAS International and CVC Certification Scheme- Industry raised concerns that the introduction of the Premium Mark may create a two-tier market perception that disadvantages local manufacturers; transparency and governance. Despite follow ups on February 20, 2026 and March 3, 2026, no engagement session has been convened. MITI agreed to coordinate engagement with SIRIM, the Department of Standards and industry to provide clarity on the scheme and its alignment with national industrial policy. b. Enforcement on Fraudulent Declaration of Origin The implementation of Part XA under the Customs Act 1967 remains pending. Enforcement action remains limited due to jurisdictional gaps and the absence of operational provisions. MITI agreed to coordinate with the Royal Malaysian Customs Department to expedite the implementation of Part XA including the establishment of a joint task force to finalise enforcement mechanisms. c. Malaysian Company Trade Data Leak- Manufacturers have reported possible exposure of confidential trade transaction data through external platforms offering detailed export information. Engagement with the Royal Malaysian Customs Department has not resulted in any formal update on investigations despite continued follow ups. MITI agreed to coordinate with Customs, MCMC and relevant technical agencies to initiate a comprehensive investigation and determine the source, scope and necessary safeguards.	Head Office, International Business Division (Cik Shamini Sakthinathan)

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	d. Export Crisis Response Task Force -A new proposal was tabled to establish an Export Crisis Response Task Force as an ad-hoc Government industry coordination mechanism to be activated during major trade disruptions. The proposed task force will enable coordination among relevant agencies and industry to monitor developments and address operational challenges. MITI agreed to consider the proposal and include it in the upcoming coordination meeting with relevant stakeholders. e. Digitalisation of Veterinary Health Certificate - The meeting was updated on the progress of the Veterinary Health Certificate (VHC) digitalisation initiative aimed at improving the efficiency of the application and issuance process. DVS Selangor will serve as the pilot state for the implementation of the initiative, with the outcomes expected to serve as a reference for adoption by other states. A dedicated taskforce comprising MITI, the Department of Veterinary Services (DVS), and the Malaysia Productivity Corporation (MPC) will be established to coordinate and monitor the initiative. It was agreed that FMM would be included as a permanent member of the taskforce to facilitate the collection of industry feedback. f. APEC Business Travel Card Application Process (ABTC Fee Implementation) - FMM raised concerns on the implementation of the upfront RM100 ABTC application fee effective February 1, 2026, which has disrupted existing submission channels. This has affected a long standing process where associations submit complete applications on behalf of members. FMM also highlighted that MITI's e-ABTC portal does not have an integrated payment gateway. FMM proposed that the Immigration Department formally recognise FMM and ACCCIM as authorised intermediary channels for ABTC application submissions for document handling purposes to allow batch submissions to continue. FMM also proposed that MITI and the Immigration Department expedite the integration of an online payment facility within the eABTC portal to enable electronic payment at the point of submission, remove the need for physical visits and improve process efficiency. g. Long-Lying Containers and Misdeclared Waste Shipments at Ports - An update by the APEC Business Advisory Council Malaysia highlighted that misdeclared waste, including e-waste and hazardous materials, is often declared as recyclables or general cargo and enters legitimate trade channels before being detected. Members noted that such shipments contribute to prolonged container dwell time, port congestion, operational delays and increased storage and compliance costs. The issue also presents safety risks, including fire hazards, and creates challenges in assigning responsibility, as ports, carriers and importing parties often bear the cost of handling and repatriation. The meeting noted that, stronger due diligence is required across the supply chain. Shipping lines should apply risk-based screening and take action to hold, reject or escalate shipments where anomalies are identified. The meeting further noted that stronger accountability at the point of origin is required. Members were informed that relevant authorities are working together through coordinated enforcement efforts to improve cargo monitoring systems, strengthen inter-agency coordination and enhance risk detection mechanisms. The meeting also noted that closer cooperation with international partners will be necessary to prevent the movement of misdeclared shipments across borders and to strengthen alignment in enforcement and regulatory approaches.	

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5	<u>Submission through PEMUDAH to the Ministry of Finance on Short Term Fiscal and Financial Relief Measures and to the Ministry of Agriculture and Food Security on Short Term Supply Intervention and Cross Ministry Coordination Measures</u> FMM submitted the following short-term fiscal and financial relief measures to PEMUDAH: a. <u>Sales Tax on Returned Export Cargo</u> FMM requests that MOF exercise its powers under Section 34 of the Sales Tax Act 2018 to provide exemption under the Sales Tax (Exemption) Order 2018 to exempt a registered manufacturer from sales tax on the reimportation of goods manufactured by that manufacturer, previously exported and returned to the same manufacturing facility as a direct consequence of the Middle East conflict. b. <u>Crisis-Related Logistics Cost Increases — Double Deduction</u> FMM requests that MOF gazette new Rules under paragraph 154(1)(b) of the Income Tax Act 1967 providing a double deduction for all export- and import-related expenses, incurred by a company in the basis period for a year of assessment and directly attributable to the Middle East conflict. c. <u>Immediate Deductibility of Crisis-Related Logistics Costs — LHDN Practice Note</u> FMM requests that MOF direct the Inland Revenue Board of Malaysia (LHDN) to issue a Practice Note or Public Ruling under Section 138A of the Income Tax Act 1967, confirming that for all export- and import-related expenses incurred during the period of the Middle East conflict is deductible under Section 33(1) of the Act in the year of assessment in which it is incurred. d. <u>Diesel Subsidy Access for Fuel-Intensive Industrial Sectors</u> FMM requests MOF for the diesel subsidy coverage to include fuel-intensive industrial sectors with no viable alternative fuel source. e. <u>Diesel Subsidy Access for Fuel-Intensive Industrial Sectors</u> FMM requests MOF for the diesel subsidy coverage to include fuel-intensive industrial sectors with no viable alternative fuel source. f. <u>Diesel Subsidy Access for Fuel-Intensive Industrial Sectors</u> FMM requests MOF for the diesel subsidy coverage to include fuel-intensive industrial sectors with no viable alternative fuel source. g. <u>Shortage and Price Escalation of Petroleum-Based Raw Materials and Packaging Inputs</u> FMM has requested Petronas to halt exports where possible and redirect supply locally, which is currently the highest priority. Major domestic refiners have also been asked to prioritise the allocation of key feedstock, and the government has been requested to establish a national inventory monitoring mechanism for critical petrochemical inputs. Additionally, FMM is exploring international supply options, including meeting with Government of Alberta (Canada), one of the top global sulphur producers, to provide members the opportunity for alternative sources of sulphur.	Head Office, International Business Division (Cik Shamini Sakthinathan)

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	FMM also submitted two main areas Fertiliser Feedstock Shortage — Ammonia, Urea and Sulphur-Derived Inputs and Food Supply Chain Disruption — Packaging Material Shortages to MAFI. FMM requests MAFI to take the necessary actions to protect fertiliser supply continuity for the agricultural sector and to protect food processing output from packaging-related supply disruption.

Han Mong Ying
Company Secretary

April 20, 2026/HAN

For enquiries on the above issues, please contact the Division/Branch-in-charge at the FMM Secretariat: -

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