

Malaysia Private Sector Assessment

Private Sector Assessment

A Preliminary Scoping Study

The primary objective of the study is to provide a broad-based overview of the private sector in Malaysia as a stakeholder in combating modern slavery in the country

The Mekong Club

The Mekong Club is a catalyst for change – engaging, inspiring and supporting the private sector to eradicate slavery from their business. Given that the majority of modern-day slavery exists in the private sector, these companies are ideally placed to help turn the tide of this global epidemic.

The only organisation of its kind, The Mekong Club steers away from the approach taken by other players in this space, which is to ‘name and shame’ companies – ousting bad behaviour or issues related to this subject. Instead, we believe in starting and ending with collaboration.

In fact, The Mekong Club originally formed as a direct response to the growing number of companies looking to develop strategies to address forced labour risk through a professional forum. Divided into industry-specific working groups, these networks meet regularly to learn, share best practices, and network with other like-minded professionals. Member companies also work together to achieve an annual deliverable which will work towards producing tangible results in the fight against forced labour.

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2. Objectives of the Study

The primary objective of the study is to provide a broad-based overview of the private sector as a stakeholder in combating modern slavery in the country. More specifically the study aims to generate a knowledge base from which The Mekong Club can approach the private sector in order to create awareness and offer cooperative solutions for the eradication of modern slavery in corporate supply chains; the core focus of the Mekong Club’s mission.

The following secondary objectives specify the details of the data that need to be gathered in order to fulfil the scope of the study:

- Give an overview of the demographic landscape and economic conditions in Malaysia
- Detail the characteristics of the labour force in Malaysia by looking at factors such as size, average income, distribution, key issues
- Provide a detailed analysis of the private sector in terms of size of industries, number of workers and key players
- Provide in-depth reports on the Banking/finance, Manufacturing, Construction, Agriculture and Retail and hospitality industries
- Identify the current state of modern slavery in Malaysia



3. Definition of Terms

Throughout the report the following definitions will apply to the use of the terms human trafficking, forced labour, bonded labour and contract slavery, as specified by The Mekong Club.

HUMAN TRAFFICKING	FORCED LABOUR	BONDED LABOUR AND CONTRACT SLAVERY
<p>An act (1) carried out by a third party, through different means (2), for the purpose of exploitation (3).</p> <p>For children under age 18 it is sufficient to demonstrate the act of moving a child for the purpose of exploitation.</p>	<p>All work or service which is extracted from any person under the menace of any penalty and for which the person has not offered themselves voluntarily.</p>	<p>Bonded labour begins when a worker borrows money from an employer and commits themselves to work for the employer in return.</p> <p>Contract slavery involves deceiving or illegal contracts signed by victims who cannot understand them, and used to justify forced labour.</p>
<p>1. Act of:</p> <ul style="list-style-type: none">• Recruitment• Transportation• Transfer• Harboring• Receipt <p>2. By means of:</p> <ul style="list-style-type: none">• Threat• Force or coercion• Abduction• Fraud• Deception• Abuse of power• Abuse of vulnerability <p>3. For the purpose of:</p> <ul style="list-style-type: none">• Exploitation• Slavery or similar practices• Servitude• Prostitution• Removal of organs• Forced labour and service	<p>Threat of penalty</p> <ul style="list-style-type: none">• Physical and/or sexual violence.• Imprisonment or physical confinement.• Withholding of wages, unreasonable fees or financial penalties.• Withholding of identity documents.• Unfair dismissal or exclusion from future employment.• Deprivation of food or shelter.• Exclusion from community, social life or denunciation to community/family.• Intimidation and other threats. <p>Lack of Valid Consent</p> <ul style="list-style-type: none">• Worker deceived about the wages they would receive.• Worker cannot leave employment as they must remain for an undefined period to repay debts to employer.• Worker made to work by family.• Deception or fraud during recruitment stages.	<p>Common features of Bonded Labour</p> <ul style="list-style-type: none">• The employer manipulates interest rates or charges excessive rates.• The employer imposes high charges for food, accommodation, transportation, or tools.• The employer charges workers for shortfalls in business output or days missed due to worker sickness. <p>Common features of Contract Slavery</p> <ul style="list-style-type: none">• Contracts are in a language the victim does not understand.• Contracts are presented to victims who cannot read.• Victim is told fines and penalties will follow if he breaks the contract.
<p>HUMAN TRAFFICKING emphasizes the movement of victims</p>	<p>FORCED LABOUR is often a consequence of human trafficking and emphasizes the exploitative condition the victim suffers</p>	<p>BONDED LABOUR CONTRACT SLAVERY are two forms of forced labour</p>

4. Demographic Overview & Key Social Trends

4.1. Summary

Population	32.2 million
Rural	76%
HDI	0.789
Poverty Rate	3.8%
GINI	46.2

4.2. Population Distribution

The total population of Malaysia was estimated at 32.2 million in the third quarter of 2017¹ and is slightly skewed to males at 51.7%. The urban population constitutes about 76% of the total population².

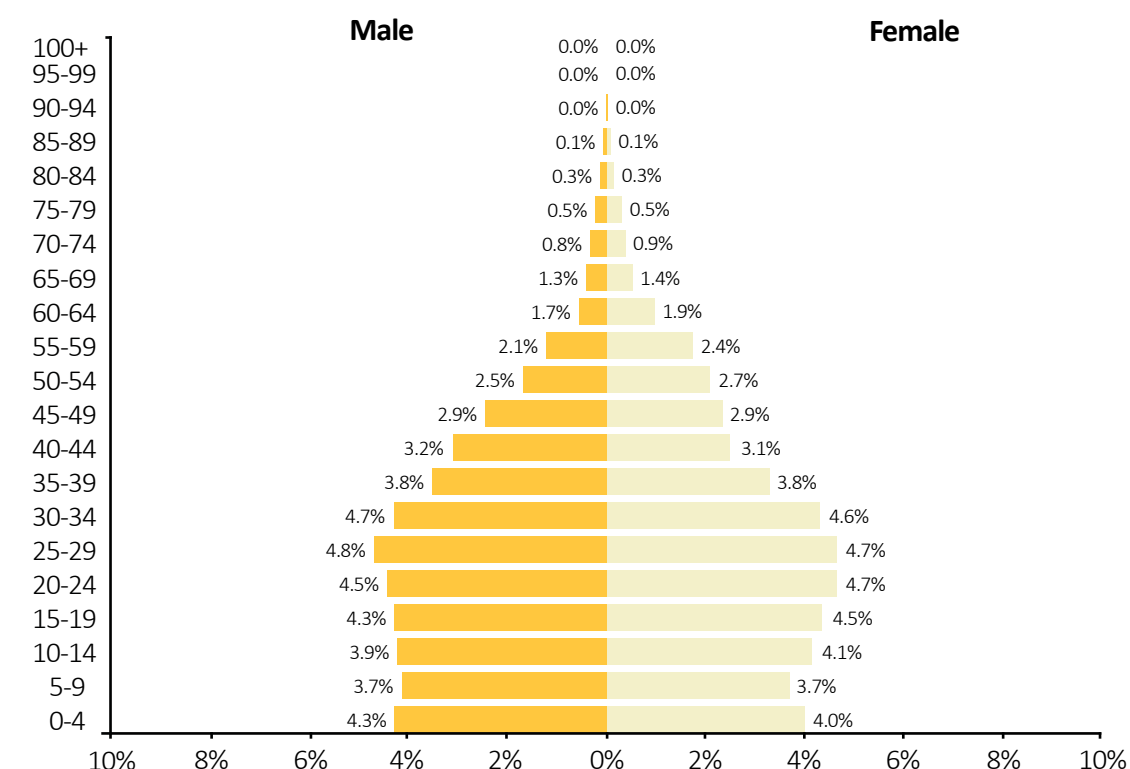
Population Distribution by gender and Location in (2017)

	2016
Total	68,863,514
Male	50.7%
Female	48.3%
Urban	76%
Rural	24%

The population is evenly spread out over the country, although the biggest concentrations can be found in Selangor (19.9%), Sabah (27.9%) and Johor (11.5%)³.

The Malaysian population structure is beginning to show an aging population as there is a decrease in the prevalence of the youth and a steady increase in the mid cohort⁴. These trends will continue, following similar patterns of aging populations elsewhere in Asia due to rising life expectancy and declining fertility rates⁵. It is also important to note that these patterns differ for the various ethnic groups in Malaysia, adding further challenges to social and economic development⁶.

Population Pyramid 2016



Population Distribution by Age in 2017⁷

	%	Male	Female
0-14 years	27.83%	4,493,084	4,238,991
15-24 years	16.81%	2,677,834/	2,598,958
25-54 years	41%	6,507,499	6,358,762
55-64 years	8.27%	1,316,331	1,277,558
65 years and over	6.1%	907,850	1,005,125

1. Population Statistics Third Quarter 2017

2. https://www.indexmundi.com/malaysia/demographics_profile.html

3. https://www.dosm.gov.my/v1/index.php?r=column/cthem&menu_id=L0pheU43NWJwRWVVSZklWdzQ4TlhUUT09&bulid=OWIxdEVoYlJCS0hUZzJyRUcvZEYxZz09

4. <https://www.populationpyramid.net/malaysia/2017/>

5. <https://themarketmogul.com/malaysias-demographic-crisis/>

6. <https://academic.oup.com/gerontologist/article/56/4/603/2605567>

7. https://www.indexmundi.com/malaysia/demographics_profile.html

4.3. Social Indicators

4.3.1. Human Development Index (HDI)

According to the UNDP Human Development Report of 2016⁸, “Malaysia’s HDI value for 2015 is 0.789—which put the country in the high human development category—positioning it at 59 out of 188 countries and territories.” The Human Development Index (HDI) is a statistic measuring human development based on life expectancy, education, and per capita income indicators⁹.

In its overview of the country, the World Bank¹⁰ states that “*Malaysia today has a diversified economy and has become a leading exporter of electrical appliances, electronic parts and components and natural gas.*”

Malaysia Human Development Index (HDI)

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP\$)	HDI Value
1990	70.7	9.7	6.5	10,050	0.643
1995	71.8	10.2	7.6	13,836	0.683
2000	72.8	11.9	8.6	14,910	0.725
2005	73.6	12.7	7.6	17,676	0.732
2010	74.1	13.0	10.0	20,438	0.774
2011	74.3	12.9	10.0	21,348	0.776
2012	74.4	12.9	10.1	21,871	0.779
2013	74.6	13.0	10.1	22,648	0.783
2014	74.7	13.1	10.1	23,644	0.787
2015	74.9	13.1	10.1	24,620	0.789

In South East Asia, Malaysia ranks the highest on the HDI, above Thailand.

Malaysia HDI Value and component measures compared to countries in the region¹¹

	HDI Value	HDI Rank	Life Expectancy at birth	Expected years of schooling	Mean Years of Schooling	GNI Per Capita (PPP USD)	IHDI Value
Vietnam	0.683	115	75.9	12.6	8	5,335	0.562
Philippines	0.682	116	68.3	11.7	9.3	8,395	0.556
Thailand	0.740	87	74.6	13.6	7.9	14,519	0.586
Indonesia	0.689	113	69	12.9	7.9	10,053	0.563
China	0.738	90	76	13.5	7.6	13,345	**
Malaysia	0.789	59	74.9	13.1	10.1	24,620	**
Cambodia	0.563	143	68	10.9	4.7	3,095	0.436
Myanmar	-	-	-	-	-	-	-
East Asia & Pacific	0.720	-	74.2	3,423	0.617	12,125	0.581
Medium HDI	0.631	-	68.6	4,314	0.655	6,281	0.469

4.3.2. GINI Coefficient

The distribution of inequality is further illustrated through the GINI coefficient, which is calculated at 46.2 for the year 2013¹². Malaysia’s GINI is higher than Thailand (39.4), Vietnam (35.6) and Indonesia (38.1) and the Philippines (43.0)

4.3.3. Poverty Rate

According to the World Bank¹³, “*In the past 30 years, Malaysia has successfully curtailed high poverty rates and reduced income inequalities. Its goal is to attain high income status by 2020 while ensuring that growth is sustainable.*” According to the Central Intelligence Agency (CIA) World Factbook 2017, Malaysia’s poverty rate is the lowest among South-East Asian countries. At 3.8% it compares favourably to Vietnam and Indonesia (11.3%), Thailand (12.6%), Laos (22%), the Philippines (25.2%) and Myanmar (32.7%)¹⁴.

8. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MYS.pdf

9. Wikipedia: https://en.wikipedia.org/wiki/Human_Development_Index; see also UNDP: <http://hdr.undp.org/en/content/human-development-index-hdi>

10. <http://www.worldbank.org/en/country/malaysia/overview>

11. UNDP: Human Development Report 2016: Human development for everyone

12. UNDP: Human Development Reports: <http://hdr.undp.org/en/content/income-gini-coefficient>

13. <http://www.worldbank.org/en/country/malaysia>

14. <https://www.thestar.com.my/business/business-news/2017/12/27/malaysia-has-lowest-poverty-rate-in-s-e-asia---salleh/>

5. The Labour force

5.1. Employment and Income

5.1.1. Employment Distribution

According to the Key Statistics of the Labour force, Malaysia – November 2017¹⁵, the labour force stood at 15.08 million. If broken down further, 14,5 million (96.7%) were employed and 505 100 were unemployed. Of the total labour force, 17.86 million (32%) were unavailable (e.g. housewives, students or elderly). The reports states that “A total of 7,1 million or 32.1% of the working population (aged 15-64) were outside the labour force, which comprised of students, housewives, disabled persons and those not interested in work. This puts the labour force participation rate at 67.9%.”

In terms of labour participation in 2016, the retail industry employs the biggest part of the workforce (16.5%), followed by manufacturing (16.2%), agriculture (10.9%), construction (8.5%) and accommodation and food services (8.5%).

Labour participation by Industry¹⁶

	('000)
	2016
Labour Force	14,667.8
Employed persons by Industry ¹	-
Agriculture, forestry and fishing	1,609.9
Mining and quarrying	96.3
Manufacturing	2,390.6
Electricity gas and air-conditioning supply	77.9
Water supply, sewerage waste management and remediation activities	76.4
Construction	1,251.7
Wholesale and retail trade, repair of motor vehicles and motorcycles	2,428.5
Transportation and storage	630.4

15. Key labour statistics

16. https://www.dosm.gov.my/v1/index.php?r=column/ctimeseries&menu_id=NHJlaGc2Rlg4ZXlGTjh1SU1kaWY5UT09

Accommodation and food service activities	1,260.7
Information and communications	208.7
Financial and insurance activities	346.9
Real estate activities	82.4
Professional scientific and technical activities	361.8
Administrative and support service activities	657.0
Public administration and defense, compulsory social security	748.2
Education	928.7
Human health and social work activities	570.3
Arts entertainment and recreation	80.9
Other service activities	230.8
Activities of Households as Employers	124.7
Total of Employed Persons	14,163.7
Unemployment	504.1
Unemployment Rate (%)	3.4
Labour Force Participation Rate (%)	67.7

5.1.2. Income

Wages in Malaysia increased to 2463 MYR/Month (629 USD/Month) in 2016 from 2312 MYR/Month (590 USD/Month) in 2015. Wages in Malaysia averaged 2086.29 MYR/Month (532 USD/Month) from 2010 until 2016, reaching an all-time high of 2463 MYR/Month(629 USD/Month) in 2016 and a record low of 1814 MYR/Month in 2011.¹⁷

Wages in Manufacturing in Malaysia decreased to 3347 MYR/Month (854 USD/Month) in November from 3362 MYR/Month (858 USD/Month) in October of 2017. Wages in Manufacturing in Malaysia averaged 2879 MYR/Month from 2012 until 2017, reaching an all-time high of 3392 MYR/Month in September of 2017 and a record low of 2391 MYR/Month in August of 2012.

17. <https://tradingeconomics.com/malaysia/wages>

5.2. Gender Gap

According to a World Economic Forum report, Malaysia ranked 106th, out of 145 countries measured on its Gender Gap index¹⁸. Furthermore, based on the Salary and Wages Survey Report 2016 released by the Department of Statistics Malaysia, on average, women in Malaysia get paid 79 sen to a ringgit earned by men¹⁹.

5.3. Comparative Minimum Wage

Compared to the rest of Asia, Malaysia’s current minimum wage structure puts it behind Thailand in ASEAN, but significantly below the East Asian and OECD economies.

Comparative Minimum Wages in Selected Countries in Asia
(As of 30 June 2017)²⁰

Country/City	Daily Minimum Wage		Monthly Minimum Wage		Exchange Rate Per US\$1*
	In Country Currency	In US\$	In Country Currency	In US\$	
Bangladesh (Taka)	176.67 ^{b/}	2.23	5,300.00 ^{1/}	66.88	79.2430
Mongolia (Tugrik)	6,400.00 ^{a/}	2.73	192,000.00 ^{2/}	81.95	2,342.8400
Myanmar (Kyat)	3,600.00 ^{a/}	2.68	108,000.00 ^{3/}	80.32	1,344.6100
Lao PDR (Kip)	30,000.00 ^{a/}	3.71	900,000.00 ^{4/}	111.39	8,079.9800
Pakistan (Rupee)	333.33-400.00 ^{a/}	3.22-3.86	10,000.00-12,000.00 ^{5/}	96.62-115.95	103.4940
Cambodia (Cambodia Riel)	18,666.67 ^{a/}	4.67	560,000.00 ^{6/}	140.00	4,000.0000
Vietnam (Region I & II Dong)	103,333.33-116,666.67 ^{a/}	4.60-5.20	3,100,000.00-3,500,000.00 ^{7/}	138.07-155.89	22,452.4000
Philippines/XI (Peso)	340.00 ^{8/}	6.74	10,200.00 ^{b/}	202.20	50.4451
Philippines/VII (Peso)	308.00-366.00 ^{9/}	6.11-7.26	9,240.00-10,980.00 ^{b/}	183.17-217.66	50.4451
Philippines/III (Peso)	329.00-380.00 ^{10/}	6.52-7.53	9,870.00-11,400.00 ^{b/}	195.66-225.99	50.4451
Philippines/IV-A (Peso)	293.00-378.50 ^{11/}	5.81-7.50	8,790.00-11,355.00 ^{b/}	174.25-225.10	50.4451
Indonesia (Jakarta-Jawa-Timur-Surabaya) (Rupiah)	38,333.33-103,333.33 ^{a/}	2.88-7.77	1,150,000.00-3,100,000.00 ^{12/}	86.52-233.23	13,291.8000

Malaysia (Ringgit)	30.67-33.33 ^{a/}	7.14-7.76	920.00-1,000.00 ^{13/}	214.23-232.86	4.2944
Thailand (Baht)	300.00 ^{14/}	8.84	9,000.00 ^{b/}	265.29	33.9245
Philippines/NCR (Peso)	454.00-491.00 ^{15/}	9.00-9.73	13,620.00-14,730.00 ^{b/}	270.00-292.00	50.4451
China (Yuan Renminbi)	33.33-73.00 ^{a/}	4.90-10.73	1,000.00-2,190.00 ^{16/}	147.04-322.02	6.8008
Taiwan (Taiwan Dollar)	920.00 ^{17/}	30.25	27,600.00 ^{b/}	907.54	30.4120
Hongkong (\$HK)	260.00 ^{18/}	33.32	7,800.00 ^{b/}	999.70	7.8024
South Korea (Won)	51,760.00 ^{19/}	45.37	1,552,800.00 ^{b/}	1,360.99	1,140.9300
Japan (Japan Yen)	5,424.00-7,280.00 ^{20/}	48.36-64.90	162,720.00-218,400.00 ^{b/}	1,450.66-1,947.04	112.1700
New Zealand (New Zealand Dollar)	97.60-122.00 ^{21/}	71.19-88.99	2,928.00-3,660.00 ^{b/}	2,135.67-2,669.58	1.3710
Australia (Australian Dollar)	141.60 ^{22/}	107.73	4,248.00 ^{b/}	3,231.97	1.3144

*For more full details of how the wages are determined see: http://www.nwpc.dole.gov.ph/pages/statistics/stat_comparative.html

18. <http://reports.weforum.org/global-gender-gap-report-2016/economies/#economy=MYS>
19. <https://www.imoney.my/articles/gender-wage-gap-malaysia>
20. http://www.nwpc.dole.gov.ph/pages/statistics/stat_comparative.html

5.4. Competitiveness

According to the Deloitte Global Manufacturing Competitiveness Index²¹, as measured on 500 survey responses from senior manufacturing executives around the world, Malaysia ranks 17th out of a sample of 40 manufacturing countries (see below).

Deloitte Global Manufacturing Competitiveness Index 2016

Rank	Country	Index
1	China	100
2	United States	99.5
3	Germany	93.9
4	Japan	80.4
5	South Korea	76.7
6	United Kingdom	75.8
7	Taiwan	72.9
8	Mexico	69.5
9	Canada	68.7
10	Singapore	68.4
11	India	67.2
12	Switzerland	63.6
13	Sweden	62.1
14	Thailand	60.4
15	Poland	59.1
16	Turkey	59.0
17	Malaysia	59.0
18	Vietnam	56.5
19	Indonesia	55.8
20	Netherlands	55.7
21	Australia	55.5
22	France	55.5

23	Czech Republic	55.3
24	Finland	52.5
25	Spain	50.6
26	Belgium	48.3
27	South Africa	48.1
28	Italy	46.5
29	Brazil	46.2
30	United Arab Emirates	45.4
31	Ireland	44.7
32	Russia	43.9
33	Romania	42.8
34	Saudi Arabia	39.2
35	Portugal	37.9
36	Colombia	35.7
37	Egypt	29.2
38	Nigeria	23.1
39	Argentina	22.9
40	Greece	10.0

21. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Manufacturing/gx-global-mfg-competitiveness-index-2016.pdf>

21. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Manufacturing/gx-global-mfg-competitiveness-index-2016.pdf>



6. Political Risk Assessment

Malaysia's political landscape has always been dominated by the sharp ethnic divisions, a legacy of colonial era resettlement. These divisions become especially dominant during election periods, as will be the case in 2018. BMI²² summarizes Malaysia's Business Risk in 2018 as follows:

Malaysia is set to hold its 14th general elections by August 2018 and we expect the country's political scene to be dominated by the run up to and aftermath of the general elections. The elections are likely to be more closely fought than the previous general elections in 2013 following the defection of former Prime Minister Mahathir Mohammad to the opposition in 2016 and the establishment of a new opposition party, PartiPribumiBersatu Malaysia (PPBM), by Mahathir which is aimed at undermining the ruling BarisanNasional (BN)'s rural Malay powerbase. With both BN and the opposition PakatanHarapan (PH) coalition firmly in election mode, we expect to see a rise in racial and religious rhetoric as both seek to present themselves as the best option for the country. We highlight that BN is in a considerably stronger position and that the coalition's informal agreement with the opposition Islamic Parti Islam Se-Malaysia (PAS) could help it retain its majority in parliament. On the other hand, the coalition appears considerably weaker and Mahathir's disagreement with the country's sultans could undermine PH's chances at the ballot box. Pre-election politicking is likely to lead to a slight increase in political uncertainty, informing our short-term political risk score of 75.6 (out of 100).

7. The Private Sector

7.1. Overview

Malaysia's economy has been performing well, as "acceleration is set to continue through to the next year [2018] after experiencing significant progress in 2017 with year-on-year growth projected at 5.8%" according to the World Bank Malaysia Economic Monitor of December 2017.

The report²³ further states that:

The pace of GDP growth quickened in the first three quarters of 2017, supported by strengthening domestic and external demand. In 2018, GDP growth rate is expected to remain strong at 5.2%.

Private consumption had a robust expansion in 2017. Expect it to remain as the main driver of growth in the coming year, supported by stable labor market conditions and continued income growth.

The expansion of Malaysia's exports is expected to continue into the first half of 2018, although at a lower rate.

Reforms to enhance productivity could be intensified to address key constraints, such as a lack of competition in key markets, and critical human capital and skills deficits. Addressing this will positively impact households in the bottom 40%, enabling access to more jobs to ensure real income gains.

The Economic Transformation Programme (ETP) has identified 12 National Key Economic Areas (NKEAs) that the government believes are Malaysia's strongest and most competitive sectors. These are: Greater Kuala Lumpur/Klang Valley; oil, gas and energy; financial services; wholesale and retail; palm oil and rubber; tourism; electrical and electronics; business services; communications content and infrastructure; education; agriculture; and health care.

22. <http://www.asia-monitor.com/political-risk-analysis-general-elections-dominate-political-landscape-2018-mar-2018-0>

23. <http://www.worldbank.org/en/country/malaysia/publication/malaysia-economic-monitor-december-2017>

7.2. Key Players in the Private Sector

A good measure of the top companies in Malaysia is the thirty companies that compose the KLCI index – the thirty largest PLC’s of Malaysia. The list below details the companies and the industries in which they operate.

- AMMB Holdings Berhad – sector: Finance
- Astro Malaysia Holdings Berhad – sector: Media & Publishing
- Axiata Group Berhad – sector: Telecommunications
- British American Tobacco (Malaysia) Berhad – sector: Tobacco
- CIMB Group Holdings Berhad – sector: Finance
- Digi.com Berhad – sector: Telecommunications
- Genting Berhad – sector: Conglomerate
- Genting Malaysia Berhad – sector: Real Estate
- Hap Seng Consolidated Berhad – sector: Conglomerate
- Hong Leong Bank Berhad – sector: Finance
- Hong Leong Financial Berhad – sector: Finance
- IHH Healthcare Berhad – sector: Healthcare
- IJM Corporation Berhad – sector: Conglomerate
- IOI Berhad – sector: Conglomerate
- KLCC Real Estate Investment Trust Berhad – sector: Real Estate
- Kuala Lumpur Kepong Berhad – sector: Plantations
- Malayan Banking Berhad – sector: Finance
- Maxis Berhad – sector: Telecommunications
- MISC Berhad – sector: Shipping
- Petronas Chemicals Group Berhad – sector: Petrochemicals & Chemicals
- Petronas Dagangan Berhad – sector: Energy & Utilities
- Petronas Gas Berhad – sector: Energy & Utilities
- PPB Group Berhad – sector: Food & Beverages
- Public Bank Berhad – sector: Finance
- RHB Capital Berhad – sector: Finance
- Sime Darby Berhad – sector: Conglomerate
- Telekom Malaysia Berhad – sector: Telecommunications
- Tenaga Nasional Berhad – sector: Energy & Utilities
- UMW Holdings Berhad – sector: Conglomerate
- YTL Corporation Berhad – sector: Conglomerate



7.3. Transparency

Transparency International ranks Malaysia 55th out of 175 countries on its Corruption Perceptions Index of 2016²⁴, an index based on expert opinion from around the world that measures the perceived levels of public sector corruption worldwide. This illustrates the high level of transparency of public institutions and the relative absence of corruption.

Country	CPI2016	Rank
New Zealand	90	1
Singapore	84	7
Australia	79	13
Hongkong	77	15
Japan	72	20
Bhutan	65	27
Taiwan	61	31
Brunei	58	41
Korea (South)	53	52
Malaysia	49	55
Solomon Islands	42	72
China	40	79
India	40	79
Mongolia	38	87
Indonesia	37	90
Maldives	36	95
Sri Lanka	36	95
Philippines	35	101
Thailand	35	101
Timor-Leste	35	101
Vietnam	33	113
Pakistan	32	116
Laos	30	123
Nepal	29	131
Myanmar	28	136
Papua New Guinea	28	136
Bangladesh	26	145
Cambodia	21	156
Afghanistan	15	169
Korea (North)	12	174

24. https://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

8. The Mekong Club Target Sectors

For the purpose of this study, which aims to generate a knowledge base from which The Mekong Club can approach the private sector in order to create awareness and offer cooperative solutions for the eradication of modern slavery in corporate supply chains, attention will be given to the following core target sectors:

- Agriculture (10.9%)
- Retail industry (employs 16.5% of labour force),
- Manufacturing (16.2%)
- Accommodation and food services (8.5%)
- Banking

8.1. The Agricultural Sector

In 2016, agriculture constituted 8.65% of the GDP in Malaysia, contracting systematically from 20% in 1988 through 13% in 1998 to its current level²⁵. According to the Malaysian Department of Statistics ²⁶, palm oil made the biggest contribution to agricultural GDP in 2016 at 43.1%, followed by livestock (11.5%), fishing (11.5%), forestry and logging (7.2%) and rubber (7.1%). As indicated above, agriculture employs 11% of the labour force.

8.1.1. The Palm Oil Industry

Malaysia and Indonesia have been known to grow their economies off mass exploitation in the palm oil industry. Together these 2 countries produce 84 percent of the world’s supply and employ over three million workers.²⁷

According to a report by human rights first:

Workers struggle to survive and sustain their families as plantation owners pay them little to no wages. Palm oil producers often utilize financial punishments when employees make mistakes or fail to meet arbitrary work targets. Laborers interviewed by Amnesty International admitted to needing to make their children and spouses join them in the fields to meet targets for work to avoid these financial consequences.

Children involved in palm oil production are made to carry large loads of heavy fruit, weed fields, and spend hours every day bent over collecting fruit from the plantation floor. Heat exhaustion as well as cuts and bruises from climbing thorny palms are commonplace. To avoid being culpable for profiting from child labor, companies do not officially recognize children as laborers and the children receive little or no pay for their grueling work.

25. <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=MY>

26. https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=72&bul_id=MDNYUitINmRKcENRY2FvMmR5TWdGdz09&menu_id=Z0VTZGU1UHBUT1VJMFpaXRRR0xpdz09

27. <https://www.humanrightsfirst.org/blog/slavery-palm-oil-industry>

In a first for the industry, Malaysian palm oil giant IOI Group announced on 31 October 2017, major labor policy renewals to reduce the level of exploitation in the industry. According to the report:²⁸

IOI Group’s new policies raise the bar on labor standards in the Malaysian palm oil industry on a number of critical issues. In its new wage policy, IOI commits to paying workers a statutory monthly minimum wage topped with productivity linked incentives, and it commits to calculate a living wage using a credible methodology with the goal of closing the gap between prevailing wages and a living wage. In its recruitment policy, IOI commits that foreign migrant workers will not be charged any recruitment related fees and any fees found to be charged will be reimbursed to workers. This policy is to be enforced with systematic after-arrival interviews. Lastly, in its Freedom of Association policy, IOI commits that trade unions will have free access to the IOI estates.

The is just the tip of the iceberg and significant reform is necessary to eradicate modern slavery practices in the palm oil industry.

8.2. FMCG Retail

Supermarket and Hypermarket Operators in Malaysia

Retailer Name and Outlet Type	Ownership	No. of Outlets	Location	Purchasing Agent Type
Cold Storage/ Giant/Jason/ Mercato	Local company, subsidiary of Dairy Farm International of Hong Kong	21 Cold Storage supermarkets and 119 Giant hypermarkets. Giant is a trusted retail name.	Nation-wide	Direct sourcing preferred with a number of preferred agents used.
Aeon Big	Formerly Carrefour;acquired by Japanese Aeon Co Ltd in Oct. 2012 and renamed Aeon BIG	21 hypermarkets	Major cities	Group sourcing direct from suppliers is preferred.

28. <https://www.finnwatch.org/en/news/495-major-malaysian-palm-oil-company-announces-groundbreaking-labor-policies>

AEON	Operated by AEON Co (M) Bhd, listed on the stock exchange. Parent company is AEON Group, Japan.	37 department store, with a significantly large super-market section	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
Tesco	Tesco Stores (Malaysia) SdnBhd, joint venture between Tesco UK and Sime Darby Bhd.	56 Tesco hypermarkets and Tesco Extra hypermarkets. 9 Tesco Express convenience stores.	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
Jaya Grocer/Hock Choon	Local family own; TrendcellSdn. Bhd.	22 upmarket supermarkets; also own Hock Choon Super-market that caters to expatriate communities	Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local and overseas suppliers.
Sam's Groceria	Local parent company-Mydin Mohamed Holdings Bhd.	6 supermarkets	Penang, Klang Valley (Kuala Lumpur & Selangor)	Sources directly from local importers
Village Grocer	Local family own	13 supermarkets	KlangValley (Kuala Lumpur & Selangor)	Sources directly from local and overseas suppliers.

The Malaysian Retail Chain Association represents “more than 440 leading retail chain stores operators as well as franchisors and covering more than 25,000 outlets throughout Malaysia.” The Association provides an excellent platform for the work of the Mekong Club.

<https://www.mrca.org.my/>

8.3. Banking

Top 4 banks

(Adapted from <https://www.worldatlas.com/articles/leading-banks-in-malaysia-by-assets.html>)

8.3.1. Maybank

Maybank is the largest bank in the country and one of the top banks in Asia with over US\$150 billion in assets. The bank has international branches of over 2,000 as well as offices in over 20 countries. The bank was established in 1960 and has established itself over the years as a strong brand both in Malaysia and beyond. The bank offers comprehensive banking products and services including commercial, investment, and Islamic banking, leasing, insurance, and asset management to its over 20 million customers. Maybank is also the largest public listed company on the Malaysian Stock Exchange with the largest market capitalization in the country.

8.3.2. CIMB Group

CIMB Group is one of the leading financial institutions in Malaysia and Southeast Asia. It is one of the largest Islamic banks in the world and the fifth largest in ASEAN with total assets of US\$109 billion. The bank has its network across 16 countries in Asia and beyond. CIMB Group is headquartered in Kuala Lumpur and operates over 1,000 branches across the region. The group's extensive network and services are promoted by its partnerships which includes the Standard Bank and Bank of Tokyo. The group's core areas of business include consumer, wholesale, and corporate banking and strategic investments among other core businesses.

8.3.3. Public Bank Berhad

Public Bank Berhad is headquartered in Kuala Lumpur and offers financial services to Malaysia and Asia-Pacific regions. The bank was established in 1966 and was listed on the Malaysian Stock Exchange in 1967. Today, Public Bank Berhad is one of the leading banks in Malaysia and Southeast Asia with over US\$90 billion of assets as of 2015. It is also the largest bank by shareholder's fund and the second largest by market capitalization. It offers comprehensive products and services including personal, commercial, Islamic, and Investment banking. The bank also offers insurance products and management of unit trust funds. The bank is well known for its consistent financial performance and financial ratings from local and international rating agencies.

8.3.4. RHB Bank

RHB Banking Group is one of the largest financial service groups in Malaysia with over US\$40 billion in total assets. The bank has over 190 branches in the country and ten branches in other countries including Singapore, Thailand, and Vietnam. The group offers several products and services through its subsidiaries including RHB Bank Berhad, RHB Insurance Berhad, and its Islamic branch. The Group was the first domestic financial provider to establish an Islamic bank in Malaysia. The group's retail banking provide services and products such as insurance, loans, and wealth management while the business banking serves mainly the commercial and SMEs customers

8.4. Manufacturing

8.4.1. Electrical and Electronic Products

According to the Malayan Investment Development Authority (MIDA) the *“electrical & electronics (E&E) industry is the leading sector in Malaysia’s manufacturing sector, contributing significantly to the country’s exports (36.6%) and employment (25.3%) in 2016²⁹.”*

The E&E industry in Malaysia consist of three major ecosystems namely semiconductors, solar and LED technologies.

The E&E industry in Malaysia can be categorised into four sub-sectors:(adapted from the MIDA)³⁰

(a) Consumer Electronics

This sub-sector includes the manufacture of LED television receivers, audio visual products such as blu-ray disc players/recorders, digital home theater systems, mini disc, electronics games consoles and digital cameras.

The sector is represented by many renowned Japanese and Korean companies which have contributed significantly towards the rapid growth of the sector.

(b) Electronic Components

Products/activities which fall under this sub-sector include semiconductor devices, passive components, printed circuits and other components such as media, substrates and connectors. Within the electronic components sub-sector, the semiconductor devices have been the leading contributor in the performance of exports for the E&E industry. In 2016, the electronic components sub-sector became the second largest sub-sector with approved investments of RM3.9 bil.

The presence of major (MNCs) such as Intel, TF AMD, NXP Semiconductors, ASE, Infineon, STMicroelectronics, Texas Instruments, Renesas and major Malaysian-owned companies such as Silterra, Globetronics, Unisem and Inari have contributed to the steady growth of the semiconductor industry in Malaysia. To date, there are more than 50 companies, largely MNCs producing semiconductors devices.

The presence of IC design firms strengthens the semiconductor ecosystem by providing IC design services for their own products or outsourced. Today, IC design firms have added more value to their capabilities. Companies such as Efinix, Pixart, Baysand and Symmid have the capability to feed the market needs of the mobility, medical, industrial, automotive as well as the emerging markets in the likes of IoT and autonomous vehicles. More IC design firms and fabless companies are needed to create a wider set-up of new technology and products.

(c) Industrial Electronics

This sub-sector consists of multimedia and information technology products such as computers, computer peripherals, telecommunication products and office equipment.

(d) Electrical

The major electrical products produced under this sub-sector are lightings, solar related products and household appliances such as air-conditioners, refrigerators, washing machines and vacuum cleaners. The electrical sub-sector is the largest sub-sector, comprising 44.4% of the total investments approved in the E&E sector for 2016.

29. <http://www.mida.gov.my/home/electrical-and-electronic/posts/>

30. Ibid

8.4.2. Foreign Labour

Migrant workers are the fuel driving Malaysia’s electronics boom. According to a 2016 article, Malaysia “hosts more than 5,000 international businesses from 40 countries, thanks to 500 nationwide industrial estates and “free zones” for trade.”³¹

Furthermore “Many of those working on the factory lines are migrant workers brought to the country on the promise of decent work but who are facing a system of exploitation that has deepened and expanded over the years...While a lot of this might look like normal work, when you consider the position that many of these workers are in, where they have paid extortionate fees for their jobs, have had to work as long as three years to pay off that debt, and have no access to personal identification documents or any control over terms or conditions of work, then this isn’t decent work – it is akin to modern slavery.”

The report continues:

“A 2014 report by supply chain specialists Verité found that as many as one in three foreign workers in Malaysia’s electronics sector were working under conditions of forced labour. It concluded that poor living conditions, unlawful passport retention, deceptive recruitment, huge debts, no freedom of movement and penalties for leaving a job before the contract ends are just some of the conditions many workers face.

Forced labour has also been well documented in other sectors in Malaysia from domestic work to construction, agriculture, manufacturing and mining (an industry that actually depends on North Korean slave labour).

Migrant workers are routinely harassed by Rela – an armed paramilitary civilian volunteer corps with nearly 4 million members nationwide – who are granted “certain powers” by the government to tackle illegal immigration.

Complicated and outdated trade union laws mean that Malaysia has still not adopted the basic International Labour Organisation convention allowing freedom of association, and legal protection for migrants – should they need it – can be wholly inadequate.

8.4.3. Garment and Textile Industry

Bizvibe.com³² provide a succinct summary of Malaysia’s garment and textile business:

Today, Malaysia’s textile and apparel industry is targeting the higher end of the global value chain with diversified production of higher value-added products. The industry also implemented the latest automation and technology in its manufacturing and distribution, while actively seeking business collaboration with foreign companies and undertaking new R&D activities to further strengthen its competitiveness in the global market. According to the Malaysian Investment Development Authority (MIDA) report, the textile and apparel industry currently employs over 68,000 workers across more than 970 registered garment and textile factories in the country, of which over 400 are making ready-made garments, and the rest are operating in major sub-sectors including polymerisation, spinning, weaving, knitting and wet processing, and textile accessories.

31. <https://www.theguardian.com/global-development/2016/nov/21/malaysia-forced-labour-casts-dark-shadow-over-electronics-industry>

In 2015, Malaysia’s textile and apparel industry was one of the top ten largest export earners in the country, with an export value reaching RM 13.2 billion, representing 1.7% of Malaysia’s total exports of manufactured goods. The latest figure shows that Malaysia’s textile and apparel exports increased 10% from the same period in the previous year to RM 6.99 billion (US\$ 1.7 billion) in the first half of 2016. The demand for textile and apparel is expected to further increase to \$160 billion (RM641.2 billion) by the end of 2018, according to the Deputy International Trade and Industry Minister Datuk Ahmad Maslan. The growth is mainly driven by the increasing demand in the global market for high quality textiles and clothing from Malaysia, as well as the rising purchasing power in major importing countries, namely the US, the EU countries, and Canada.

Currently, the US, Japan, China, Singapore and Turkey are Malaysia’s top five export destinations. The US remains the largest export market for Malaysian textiles products, accounting for over 18% of the industry’s total textile and apparel exports every year. Malaysia, as one of the most popular contract manufacturers and investment destinations in Asia, has been favoured by many international fashion brands and foreign investors. High-end global brands such as Marks & Spencer, Guess, Tommy Hilfiger, GAP, Adidas, Nike, Burberry, and Ralph Lauren are already manufacturing in Malaysia. Daiyin Textile and Garment Group – one of the largest textile and apparel companies in China – just recently announced its plans to invest \$124.2 million to further expand its operations in Malaysia.

8.5. Tourism, Food Service & Hospitality

8.5.1. Tourism

According to the Asian Bank’s Tourism Sector Assessment, Strategy, And Road Map for Cambodia, Lao People’s Democratic Republic, Myanmar, And Viet Nam (2016–2018) report, international visitor arrivals in Malaysia amounted to 26 million in 2015. Malaysia’s share of tourism in ASEAN stands at 24%.

International Visitor Arrivals, 2008–2015 ('000) ³³						
	2010	2012	2014	2015	Average Annual Growth Rate (%)	ASEAN Share (%)
Cambodia	2,508	3,584	4,503	4,775	12.3	4.4
Lao PDR	2,513	3,330	4,159	4,684	15.2	4.3
Myanmar	792	1,058	3,081	4,681	57.7	4.3
Viet Nam	5,050	6,848	7,874	7,944	9.5	7.3
Subtotal	10,863	14,820	19,617	22,084	15.1	20.3
Brunei Darussalam	214	209	201	218	-0.5	0.2
Indonesia	7,003	8,045	9,435	10,407	9.5	9.6
Malaysia	24,577	25,033	27,437	25,721	3.5	23.6
Philippines	3,521	4,273	4,833	5,361	8.2	4.9
Singapore	11,639	14,491	15,095	15,231	5.8	14.0
Thailand	15,936	22,354	24,780	29,881	10.9	27.4
Subtotal (ASEAN-6)	62,890	74,405	81,781	86,819	7.1	79.7
Total (ASEAN)	73,753	89,225	101,398	108,903	8.4	100

Malaysia’s has taken aggressive measures to ensure the tourism and hospitality industry, to ensure the industry continues to be the third largest contributor to the country’s economy.³⁴

32. <https://www.bizvibe.com/blog/malaysias-textile-apparel-industry-expects-another-strong-year-growth/>

33. <https://www.adb.org/sites/default/files/institutional-document/227186/clmv-tourism-sector-assessment.pdf>

34. <https://www.thestar.com.my/business/business-news/2017/09/26/tourism-sector-to-remain-third-largest-contributor-to-economy/>

9. Modern Slavery and Human Trafficking in Malaysia

9.1. Overview

The extent of the problem in Malaysia can be best be understood within the context of the broader region. Using the Global Slavery Index³⁵, the estimated numbers of people in modern slavery, together with the government response for countries in the Mekong region are shown below. Government response data is measured by the Global Slavery Index as an assessment of composite factors of the survivors supported, criminal justice, coordination & accountability, addressing risk and government & business. They also provide a measurement of vulnerability to modern slavery based on civil and political protections, social health and economic rights, personal security, refugees and conflict (higher scores mean greater vulnerability).

Global Slavery Index

	Number in slavery (GSI)	% (GSI)	Government response rating	Mean vulnerability to modern slavery score
Global figures	45.8m			
Malaysia	128,800	0.425	CCC	38.51
Cambodia	256,800	1.648 (ranked 3rd in prevalence not absolute number out of all countries by proportion of population)	CCC	41.51
China	3,388,400	0.247 (in Mekong then china has the highest absolute number by virtue of being biggest pop, 2nd in world after India)	CCC	44.66
Laos	20,000	0.295	CCC	36.45
Myanmar	515,100	0.956	CCC	56.36/100
Thailand	425,500	0.626	B	47.54
Vietnam	139,300	0.152	B	29.34

9.1. USA Department of State “Trafficking in Persons” Report

The Government of Malaysia is currently ranked at Tier 2 according to the USA Department of State “Trafficking in Persons” Report – June 2017 Update.³⁶ This is fairly low, but still an improvement on previous years. In 2015, based on the 3rd Tier ranking of Malaysia according to the USA TIP, the Huffington Post noted that *“trafficking is an integral part of the nation’s political economy, fed by surrounding countries”*³⁷. In 2015, there was “an estimated four million foreign workers in Malaysia, with the US State Department’s 2013 Trafficking in Persons Report saying that half of them are undocumented

The June 2017 TIP reports summarizes the situation as follows:

As reported over the past five years, Malaysia is a destination and, to a much lesser extent, source and transit country for men, women, and children subjected to forced labor and women and children subjected to sex trafficking. The overwhelming majority of trafficking victims are among the estimated two million documented and an even greater number of undocumented migrant laborers in Malaysia. Foreign workers constitute more than 20 percent of the Malaysian workforce and typically migrate voluntarily—often illegally—to Malaysia from Bangladesh, India, Nepal, Burma, Indonesia, the Philippines, and other Southeast Asian countries, mostly in pursuit of better economic opportunities. Some of these migrants are subjected to forced labor or debt bondage by their employers, employment agents, or informal labor recruiters when they are unable to pay the fees for recruitment and associated travel. Foreign workers employed by outsourcing or contract labor companies, which may or may not have oversight of personnel issues or day-to-day working conditions, have heightened vulnerabilities to exploitative labor conditions and a reduced ability to resolve disputes. Agents in labor source countries may impose onerous fees on workers before they arrive in Malaysia, in some cases causing debt bondage. Foreign workers in Malaysia and the companies that employ them are subject to a complex system of government fees for immigration processing, foreign worker levies, and other administrative processes. The law allows many of the fees, which are initially paid by employers, to be deducted from workers’ wages, incentivizing employers to prevent workers from ending their employment before fees are recouped. Authorities report large organized crime syndicates are responsible for some instances of trafficking. Official complicity and corruption among immigration and police officers remains a problem and impedes some efforts to address trafficking. Discoveries of migrant camps and mass graves along the border with Thailand in 2015 generated reports some officials were complicit in facilitating migrant smuggling, which may have included trafficking crimes; however, no Malaysian official was held criminally accountable.

Some migrant workers on palm oil and agricultural plantations, at construction sites, in the electronics industry, and in homes as domestic workers are subjected to practices that can indicate forced labor, such as passport retention—both authorized and unauthorized—and contract violations, restricted movement, wage fraud, and imposition of significant debts by recruitment agents or employers. Contract violations remain widespread in Malaysia. Passport retention remained widespread and problematic; Malaysian law allows employers to hold workers’ passports with the workers’ permission, but it is difficult to determine if workers have freely given permission, and some employers may retain the passports to prevent workers from changing jobs. In efforts to circumvent anti-trafficking protections established by the Indonesian government, some Indonesian workers may transit Malaysia legally en route to Middle Eastern countries, where some may be

35. <https://www.globalslaveryindex.org/findings/>

36. <https://www.state.gov/j/tip/rls/tiprpt/2017/>

37. <http://www.themalaymailonline.com/malaysia/article/trafficking-essential-to-malaysias-economy-says-huffington-post#KMjut1pvEes57PLj.97>

subjected to domestic servitude. Although significantly fewer than the number of forced laborers, some young foreign women—mainly from Southeast Asia—are recruited ostensibly for legal work in Malaysian restaurants, hotels, and beauty salons, but are instead forced or coerced into the commercial sex trade. Vietnamese women and girls enter into brokered marriages in Malaysia and are subsequently forced into prostitution.

The more than 150,000 registered refugees and asylum-seekers in Malaysia lack formal status and the ability to obtain legal work permits, leaving them vulnerable to trafficking. Many refugees incur large smuggling debts, which traffickers use to subject some refugees to debt bondage. Children from refugee communities in peninsular Malaysia are reportedly subjected to forced begging. A large population of Filipino Muslims resides illegally in Sabah, some of whom are vulnerable to trafficking. Few Malaysian citizens are subjected to trafficking internally and abroad.