MALAYSIA

TOBACCO INDUSTRY INTERFERENCE INDEX 2019
Malaysia: 2019 Tobacco Industry Interference Index

Over the past three years, Malaysia has not made any progress in implementing Article 5.3 guidelines of the WHO Framework Convention on Tobacco Control (FCTC) and is deteriorating in efforts to address interference from the tobacco industry.

British American Tobacco (BAT) Malaysia, Japan Tobacco International (JTI) and Philip Morris Malaysia control 97 percent of the cigarette market. BAT is the dominant tobacco company occupying 58 percent of the cigarette market share. In 2017, BAT shut down its cigarette manufacturing facility in Petaling Jaya, citing increasing contraband cigarettes in Malaysia and a challenging business environment as its reasons. However just one year later, in October 2018, BAT has opened a new manufacturing facility in Johor stating it can leverage on the proximity for better management of materials, machinery parts as well as resources. This means Malaysia still provides an attractive investment environment for the tobacco business.

Despite there being a ban on tobacco advertising and promotions in Malaysia, in 2018, BAT reported in its annual report that it had seven promotional launches of its cigarette brands:

- January: DUNHILL Limited Edition Pack (LEP)
- February: PETER STUYVESANT 4Mix, first-ever cigarette with 4 different flavour capsules in one pack
- March: Upgraded pack for DUNHILL’s capsule range
- May: DUNHILL Limited Edition Pack (LEP)
- July: DUNHILL Evoque with Malaysia’s first bamboo charcoal filter; ROTHMANS KOOL (Menthol range)
- September: PETER STUYVESANT Bamboo Charcoal Filter and PETER STUYVESANT Tropica, first double novel capsules in one stick.

Main findings of the Index

There has been no progress in implementing Article 5.3, but a deterioration. Summary findings are as follows:

- **Level of tobacco industry’s participation in policy-development:**
  Overall, Malaysia has maintained a ‘no direct participation of the tobacco industry’ in policy-development. There were many pro-tobacco groups opposing tax increase. With the withdrawal of the GST, and reintroduction of the sales and service tax saw a slight price increase, however there was no excise tax increase. The new Border Security Agency, AKSEM which has the Kenaf Board in the committee (Japan Tobacco is on the Kenaf Board) carried out raids on smuggling of tobacco.

- **Tobacco related CSR activities:**
  PMI continued to sponsor Yayasan Salam Malaysia’s activity on ‘Back-to-School’ programme which was officiated by the political secretary of the Prime Minister and endorsed by the government and the Chief Minister of Kedah.

- **Benefits to the tobacco industry:** In 2018, PMI started to sell its IQOS heated tobacco product without pictorial health warnings (PHW) and there has been no enforcement to apply the PHW on these products. According to the Control of Tobacco Products Regulation, heated tobacco products are tobacco products. Malaysia continues to allow international travellers an allowance of 200 sticks of cigarettes to bring into Malaysia. On
the plus side, in ATIGA (ASEAN Trade in Goods Agreement), Malaysia has maintained to keep tobacco in the sensitive list and has not reduced import duties to zero just yet.

- **Forms of unnecessary interaction with the industry:**
  The Johor Director of Royal Customs, Dato' Mohammad Hamiddan bin Maryani, officiated at the opening ceremony of BAT’s new factory in Johor. The Managing Director of BAT was also present.

- **Transparency:**
  There is no official record keeping of when the tobacco industry meets with government officials. There are no rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists does not exist.

- **Conflict of interest:**
  There were no new appointments among recent senior government retirees. The former Secretary General of the Ministry of Home Affairs remains the Chairman of BAT Malaysia. The employee provident fund (EPF) continues to hold shares in tobacco business - BAT.

- **Preventive measures to protect officials from industry interference:**
  No progress in preventive measures. While the Ministry of Health started to develop a code of conduct for Ministry of Health officials several years ago, however there was no progress on it in 2018. There is still no procedure in place for disclosing records of interactions with the tobacco industry and its representatives.

**Recommendations**

- To ensure transparency there must be a procedure for government officials to record all interactions, where strictly necessary, with the tobacco industry.

- Ban tobacco related CSR activities.

- The tobacco industry should not be given any benefit to run its business. Tobacco control legislation must be implemented.

- Code of conduct for government officials to provide guidance on dealing with the tobacco industry. The Code will stop government officials from endorsing tobacco related activities and the tobacco industry.
### Questionnaire

#### Level of Industry Participation in Policy-Development

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<tr>
<td><strong>1. The government accepts, supports or endorses any offer for assistance or in collaboration with the tobacco industry in setting or implementing public health policies in relation to tobacco control</strong> (Rec 3.1)</td>
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<td><strong>2. The government accepts, supports or endorses policies or legislation drafted by or in collaboration with the tobacco industry. (Rec 3.4)</strong></td>
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| **Think Tank IDEAS (Institute for Democracy and Economic Affairs) which is funded by PMI and JTI, released a report (Combatting Illicit Trade: Lessons from Abroad) which among its recommendations urged the government to hold off any further price increases and instead review the present tax structure for tobacco products.**  
**The PMI funded “Asia Illicit Tobacco Indicator 2017: Malaysia” report by Oxford Economics was referred to in media articles.**  
**In November cigarette prices were increased slightly (average 40 sen per pack) when the Sales and Service tax came into force on 1 September to replace the GST. The government announced it will not raise excise tax for 2019 – BAT made a statement acknowledging the government for listening to it:**  
**“While we understand a price increase is inevitable given the implementation of the new tax system, we are glad the government has taken our interpretation into consideration to result in today’s price increase.”**  
**According to the National Kenaf & Tobacco Board Act 2009, the tobacco industry has a seat in the Board (represented by Japan Tobacco International). The National Kenaf & Tobacco Board (LTKN) participates in inter-sectoral tobacco control meetings.** |   |   |   |   |   |   |
| **3. The government allows/invites the tobacco industry to sit in government interagency/ multi-sectoral committee/advisory group body that sets public health policy. (Rec 4.8)** |   |   |   |   |   |   |
| 1 Never 5 Yes                                                            |   |   |   |   |   |   |

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1 The term “government” refers to any public official whether or not acting within the scope of authority as long as cloaked with such authority or holding out to another as having such authority  
2 The term, “tobacco industry” includes those representing its interests or working to further its interests, including the State-owned tobacco industry  
3 “Offer of assistance” may include draft legislation, technical input, recommendations, oversees study tour  
4 Mark Rao. Nation robbed of billions by contraband cigarettes, says IDEAS; The Malaysia Reserve; 31 October 2018  
5 Ronnie Teo. Smoke and mirrors; 28 October 2018; Borneo Post;  
6 Martin Carvalho et al. Smokers may turn to illicit cigs; The Star Malaysia; 1 November 2018  
7 Aisyi Yusof. Illicit cigarette sales on the rise; New Straits Times; 19/11/2018  
8 No decision on licensing of tobacco distribution and production says MPIC; The Malay Mail; 28 December 2015  
The government has not decided yet to impose issuing licenses to retailers to sell tobacco products;”
10. This is clearly a delay tactic.

The LTKN is also on the Board of the Malaysian Border Security Agency (AKSEM) which came into force in December 2017.11 Under the Act, the new agency, the Malaysian Border Security Agency (Agensi Kawalan Sempadan Malaysia, AKSEM), will be “responsible for curbing smuggling and other illegal activities along the country’s land borders.” Through the LTKN, the tobacco industry is now also involved in the agency (AKSEM) that conducts enforcement activities of illegal tobacco trade.12

4. The government nominates or allows representatives from the tobacco industry (including State-owned) in the delegation to the COP or other subsidiary bodies or accepts their sponsorship for delegates. (i.e. COP 4 & 5, INB 4 5, WG) (Rec 4.9 & 8.3)

There was no tobacco industry representative from the National Kenaf and Tobacco Board (LKTN) as in previous years, to COP8 session in 2018.13

So-called CSR activities

5. A. The government agencies or its officials endorses, supports, forms partnerships with or participates in so-called CSR activities organized by the tobacco industry. (Rec 6.2)

B. The government (its agencies and officials) receives contributions (monetary or otherwise) from the tobacco industry (including so-called CSR contributions). (Rec 6.4)

NOTE: Exclude enforcement activities as this is covered in another question

12 December 2018: Yayasan Salam’s “Back To School” programme funded by Philip Morris Malaysia was continued, and the 2019 programme was launched. The event was officiated by political secretary of the Prime Minister, Tuan Muhammad Zahid Md Arip. The event was attended by the Chief Minister of Kedah, Datuk Seri Mukhriz Mahathir. The backdrop to the event carried the logos of PMI, Yayasan Salam and government department.

Yayasan Salam posting on its fb thanked Philip Morris Malaysia on the sponsorship, and the political secretary of the Prime Minister, for officiating the ‘Back To School 2019’ programme.14

13 http://www.who.int/fctc/en/
14 Yayasan Salam facebook post; https://www.facebook.com/YayasanSalam/photos/pbc.10156297646003138/10156297645028138/?type=3&theater
Photo: PMI is sponsor of the event whose logo appears together with logos of Yayasan Salam and government.


**Benefits to the Tobacco Industry**

6. The government accommodates requests from the tobacco industry for a longer time frame for implementation or postponement of tobacco control law. (e.g. 180 days is common for PHW, Tax increase can be implemented within 1 month) (Rec 7.1)

While the Ministry of Health strengthened its smoke-free measures (FCTC Article 8) in 2018, several other tobacco control policy decisions pending since 2016 did not make progress in 2018: plain packaging preparation, licensing of retailers and ban on e-cigarette.

1. In February 2016 the MOH announced they will start preparation on plain packaging of cigarettes. The statements suggested that the ministry had an implementation plan and strategy for plain packaging. The tobacco industry and lobby groups cautioned the Government through statements in the media that introducing plain packaging would violate international trade laws. The MOH backtracked on its decision, the Health Minister claimed they want to talk to the tobacco companies on intellectual property rights.

In 2018, IDEAS (funded by PMI and JTI) ran newspaper articles opposing plain packaging, claiming it did not bring smoking down in Australia but instead curbed decline in smoking and that it was five years of failure. The plan has since been put on hold.

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### INDICATORS

2. The Ministry of Primary Industries and the National Kenaf and Tobacco Board have delayed a decision on licensing of tobacco retailers claiming they are still consulting with stakeholders. Meanwhile pro-tobacco industry front groups such as the Malaysia Singapore Coffeeshop Proprietors’ General Association (MSCSPGA) and the Malaysian Indian Restaurant Owners Association (Primas), opposed any stringent tobacco control measures. See answer in Q3.

3. Contrary to recommendations from the Health Ministry to ban e-cigarettes, non-nicotine e-cigarettes will be allowed and three ministries will be responsible for this issue. Although the Ministry of Health recommended a ban on e-cigarettes, the vaping industry lobbied the Ministry of Domestic Trade and Consumer Affairs to allow its sale. On 28 October, the Cabinet decided, e-cigarette with nicotine will be banned — under the jurisdiction of MOH. However the Ministry of Domestic Trade and Consumer Affairs (KPDNKK) will be responsible for regulating and enforcing safety standards for electronic cigarette devices and batteries and vaping devices under the Consumer Protection Act 1999 (Act 599). It would also regulate and enforce the marking and labelling of electronic cigarette devices and nicotine-free liquid and vapes through the Trade Descriptions Act 2011 (Act 730); Act 599; the Price Control and Anti-Profit-eeing Act (Act 723) and the Weights and Measures Act. Some states, Johor have already banned e-cigarettes. Health Ministry study found e-cigarettes were currently used by 300,000 students and had been tried by 710,000.\(^\text{17}\)

4. Heated tobacco product: There is confusion around whether heated tobacco products are indeed tobacco products, hence must be subject to Control of Tobacco Products Regulations. In 2018, PMI started to sell its IQOS heated tobacco product without pictorial health warnings and there has been no enforcement to apply the PHW.\(^\text{18}\)

7. The government gives privileges, incentives, exemptions or benefits to the tobacco industry (Rec 7.3)

Part of MIDA (Malaysian Industrial Development Authority) the policy is to increase investments for exports – Incentives for Investment [Book 3 Guide] for Malaysian manufacturer. Under this policy, incentives are provided for manufacturing sector – the incentives include tax incentives and duty exemptions on raw materials, components, machinery and equipment; tax exemption on the value of increasing exports; exemption of duties include tobacco – over and above ATIGA. Import duties on cigarettes and tobacco leaves less than 5% under ATIGA (AFTA)

Malaysia continues to allow an allowance of 200 sticks of duty free cigarette to be brought into the country by international travellers. Both Singapore and Brunei have withdrawn duty free status on cigarettes.

### Forms of Unnecessary Interaction

8. Top level government officials (such as President/ Prime Minister or Minister\(^\text{19}\)) meet with/ foster relations with the tobacco companies such as attending social functions and other events sponsored or organized by the tobacco companies or those furthering its interests. (Rec 2.1)

On 29 October 2018, the Director of Royal Customs Johor, Dato’ Mohammad Hamiddan bin Maryani, officiated at the opening ceremony of BAT’s new factory in Johor. The emcee tweeted: ‘just completed hosting the grand launch of British American Tobacco’s Johor Factory! Officiated by Yang

\(^\text{19}\) include immediate members of the families of the high level officials.
Yang Berbahagia Dato’ Mohammad Hamiddan bin Maryani, Director of Customs Johor with Erik Stoel, Managing Director of British American Tobacco Malaysia.20

Photos: launch of BAT’s factory in Johor – Director of Johor Custom appears side-by-side with BAT’s MD

Photo credits: emceeshaun

In May 2018, PMI was part of the US-ABC delegation for a meeting with the ASEAN Director-Generals of Customs held Langkawi in Malaysia.21 The press release issued by US-ABC lists PMI as one of the companies that attended the meeting. PMI is on US-ABC’s Customs and Trade Facilitation Committee. The US-ABC, which represents American businesses, proposed a deeper partnership with ASEAN Customs to tackle challenges faced by border agencies. For illicit trade in tobacco, partnership with the tobacco industry goes against the WHO FCTC.

The Prime Minister of Malaysia, Dr Mahathir Mohamad, received a delegation from US-ABC at his office which included a PMI executive.22

Political Secretary to the Prime Minister and the Chief Minister of Kedah were at the PMI sponsored Back to School programme. See Q5.

9. The government accepts assistance/ offers of assistance from the tobacco industry on enforcement such as conducting raids on tobacco smuggling or enforcing smoke free policies or no sales to minors. (including monetary contribution for these activities) (Rec 4.3)  

New Border security Agency, AKSEM - the Coordinating Committee has Kenaf Board as a member.

20 ‘Emceeshaun’, who was the master of ceremony at the event, posted it on his twitter; 29 Oct 2019.  
https://www.picbat.com/media/Bpqq8TOHIX


22 https://www.facebook.com/TunDrMahathir/photospcb.10155941307378652/10155941306938652/?type=3&theater
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<tr>
<td>JTI sits on the Kenaf Board. No other publicly available information.</td>
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<td>10. The government accepts, supports, endorses, or enters into partnerships or agreements with the tobacco industry. (Rec 3.1)</td>
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<td>NOTE: This must not involve CSR, enforcement activity, or tobacco control policy development since these are already covered in the previous questions.</td>
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<td>11. The government does not publicly disclose meetings/ interactions with the tobacco industry in cases where such interactions are strictly necessary for regulation. (Rec 2.2)</td>
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10 April 2017: Despite a call by former Deputy Health Minister Dr Hilmi Yahaya to raise cigarette prices to RM21.50 per pack from the current RM17, the Finance Ministry said there were no immediate plans to hike duty on tobacco products. Instead, the focus will be on cracking down on the illicit cigarette trade, which accounted for a staggering 57% market share as at last December. "At the moment, the government has no intention of increasing the cigarette tax," former Second Finance Minister Datuk Seri Johari Abdul Ghani told The Edge. These are usual industry position and statistic from the industry - there is no official record of when the industry met with the Minister. An immediate beneficiary of the news was British American Tobacco (M) Bhd (BAT) whose share price recovered following the assurance by the former Second Finance Minister.23

On 29 Oct 2018, BAT opened a new manufacturing factory in Nusajaya Tech Park in Johor, strategically located for easy access to BAT's factory in Singapore. BAT's annual report says this allows the manufacturing facility in Johor to leverage on the proximity for better management of materials, machinery parts as well as resources.24

BAT engaged with the Royal Malaysian Customs Johor to put in place a process to enable a seamless transition to allow the movement of materials and products to and from the Johor manufacturing facility. Since there is no guidelines on how government officials interact with the tobacco industry, it is unclear what BAT "seamless transition to allow movement" means for government procedure. An aim under BAT's supply chain is "decrease the time it takes to order and deliver tax stamps from the Government to the source factory. In 2018, the Supply Chain team worked with the Royal Malaysian Customs to establish a sustainable process to obtain a refund of duty paid. The total refund of duty paid obtained in 2018 amounted to RM19 million."

BAT's national distribution warehouse operated by TASCO Berhad, supply from the warehouse to the 29 sales hubs in Peninsular and East Malaysia.

PMI is a board member of AMCHAM and will be hard for government officials to avoid it. On 25 October, AMCHAM's Investment and Taxation Committee was briefed by representatives from the Ministry of Finance and Inland Revenue Board.25

On 28 June at AMCHAM's AGM Luncheon with the Prime Minister of Malaysia, Tun Dr. Mahathir Mohamad, PMI was one of the sponsors of the event.26

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On 10 July 2018, the Prime Minister attended AMCHAM function on CSR activities (photo below). PMI's table is next to the VIP table.\(^{27}\) PMI itself was not one of the featured companies in their CSR report.

Photo: PMI's table is next to the VIP table where the Prime Minister was seated.

12. The government requires rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists.

There are no rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists does not exist.

Conflict of Interest

13. The government does not prohibit contributions from the tobacco industry or any entity working to further its interests to political parties, candidates, or campaigns or to require full disclosure of such contributions. (Rec 4.11)

\[1 \text{ Never} \quad 5 \text{ Yes}\]

The government continues to hold investment in tobacco companies:

The Employees Provident Fund (EPF) is one of BAT's major shareholders, which has stated its intention to move towards ESG (environmental, social and governance) investments, has been paring down its stake in the group.

The EPF, which previously announced that it would be gradually decreasing its stake in the group, now holds about 5% stake.\(^ {28}\)

Corporations are not required to declare their contributions to political parties, hence there is no official record of contributions if any from tobacco companies to political parties.

14. Retired senior government officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General) (Rec 4.4)

No newly retired government official joined the tobacco industry in 2018.

The previous retiree still remains in his position with BAT.

Tan Sri Dato Seri Dr Aseh was appointed the new Chairman of BAT Malaysia in January 2017. He was the former Secretary General of the Ministry of Home Affairs, Malaysia, till his retirement on 22 October 2007; he is currently associated government linked companies - appointed as the Chairman.

\(^{27}\) https://www.facebook.com/AmChamMalaysia/photos/a.292416347500405/2062323507176338/?type=3&theater

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**INDICATORS**

of Social Security Organisation (SOCSO) in August 2017 and active in community service with his roles as Trustee and Chairman of the Football Association of Malaysia Vetting, Monitoring and Integrity Committee; he is an influential person. 29

15. Current government officials and relatives hold positions in the tobacco business including consultancy positions. (Rec 4.5, 4.8, 4.10) 0

There has been no record of current government officials and relatives holding position in tobacco business.

**Preventive Measures**

*SCORING for this section: 1. Yes, 2. Yes but partial only, 3. Policy/ Program being developed 4. Committed to develop such a policy/ program 5. None*

16. The government has put in place a procedure for disclosing the records of the interaction (such as agenda, attendees, minutes and outcome) with the tobacco industry and its representatives. (Rec 5.1) 5

There is no procedure for disclosing the records of any interaction with the tobacco industry in place and there has been no progress in taking this issue forward.

17. The government has formulated, adopted or implemented a code of conduct for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry. (Rec 4.2) 5

The Ministry of Health started work on developing Article 5.3 code of conduct for officials, prescribing the standards with which they should comply in their dealings with the tobacco industry. The initiative then focused on just Ministry of Health’s staff several years ago. The Code was not finalised in 2018.

18. The government requires the tobacco industry to periodically submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and any other activity, including lobbying, philanthropy, political contributions and all other activities. (5.2) 5

The government does not require the tobacco industry to submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and any other activity, including lobbying, philanthropy, political contributions and all other activities. No movement in 2018.

19. The government has a program / system/ plan to consistently raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines. (Rec 1.1, 1.2) 2

A number of government agencies are part of the FCTC Steering Committee coordinated by the Ministry of Health where issues of Art 5.3 are addressed. The Committee did not meet in 2018.

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29 BAT Malaysia

30 For purposes of this question, “consistently” means: a. Each time the FCTC is discussed, 5.3 is explained. AND b. Whenever the opportunity arises such when the tobacco industry intervention is discovered or reported.
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<td>20. The government has put in place a policy to disallow the acceptance of all forms of contributions/ gifts from the tobacco industry (monetary or otherwise) including offers of assistance, policy drafts, or study visit invitations given or offered to the government, its agencies, officials and their relatives. (3.4)</td>
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The government has no specific policy to disallow the acceptance of contributions/ gifts from the tobacco industry. However (General Orders) and anti-corruption law exists and this should apply overall.

TOTAL = 62