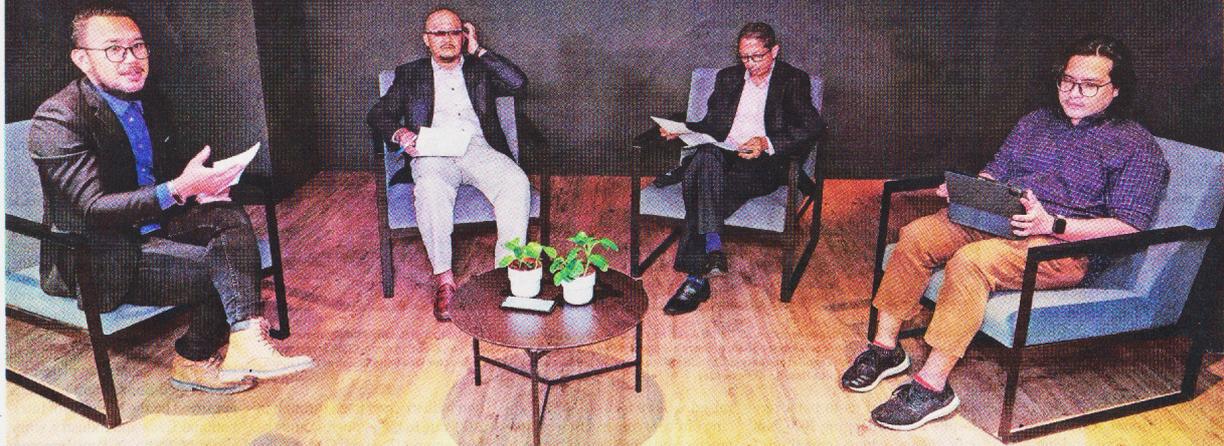


Regulation is the Catalyst for the Malaysian Vape Industry to Compete Globally

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Market value of the local vape industry could reach RM10 billion



by HARIZAH KAMEL

VAPE or electronic cigarettes have entered the local market since 2010 and have had a place among the people of this country. The industry is growing rapidly and now, it is estimated to be worth RM2.27 billion.

Experts predict that the industry will grow rapidly with the market value reaching RM10 billion in a few years if it is given a reasonable inducement by the government.

Based on a study conducted by a non-governmental organisation (NGO), it is estimated that there are more than 3,300 businesses related to the vape industry, including in the manufacturing, retail and import/export sectors.

The study also shows that a total of RM450 million has been spent to pay salaries for 15,000 workers in the vape industry in 2019.

No specific laws or regulations have been enacted to regulate this industry to date. If there is comprehensive enforcement, the NGO noted that this competitive industry can grow more rapidly to benefit the national economy.

In the 2021 Budget, Finance Minister Tengku Datuk Seri Tengku Zafrul Abdul Aziz stated that the government will start imposing a 10% excise duty on all types of electronic and non-electronic cigarette devices including vape effective January 1, 2021. Electronic cigarette liquids including vape will also be subject to excise duty at the rate of 40 cents per millilitre.

However, the tax does not include vape liquids that contain nicotine despite 97% of the products available in the market are nicotine-containing vape liquids and no tax or law is regulated for it.



The local vape industry has great potential to grow if there are comprehensive guidelines, says Pankaj

Therefore, the tax system must be expanded to include vape liquids containing nicotine and regulations should be introduced to guarantee product quality and standards, especially concerning the authorisation and regulation of the use of nicotine in vape liquids.

Recently, an exclusive roundtable discussion entitled "Vape Industry: Potential Economic Catalyst" was held by Utusan Malaysia with three panellists to discuss the direction of the industry. The panels were the Malaysian Vape Industry Advocacy (MVIA) president Rizani Zakaria, economic and investment analyst Pankaj Kumar and vape user Khairil Azizi Khairuddin.

Following are the keynotes of the discussion that took place.

UTUSAN: The vape industry is growing rapidly even though no specific laws are enforced by the government. Why does the government need to make regulations on this industry?

PANKAJ: This industry needs to be controlled with regulations and taxation as it is a fast-growing industry. It can help the government increase revenue from tax income that can contribute to economic growth. The vape industry also offers employment opportunities and can also attract inflows of foreign direct investment (FDI). A

proper regulation will allow the industry to grow and compete globally.

RIZANI: The use of vape in the country is quite widespread. If there is a regulation from the government, we can ensure the use is controlled especially on product quality and standards and prevent these products from falling into the hands of minors. In a recent opinion poll, 80% of Malaysians want the government to take more comprehensive action to regulate the vape industry. However, the government has yet to do so.

KHAIRIL: As consumers, we support any action taken by the government in creating specific laws. We want to use quality products that are regulated by standards and sold with controls under the laws. Currently, consumers have no choice but to use unregulated products due to the absence of regulations in Malaysia.

UTUSAN: Recently, there was a report from a vape association which said the vape industry was worth RM2.27 billion in Malaysia. Can the industry give its opinion?

RIZANI: Globally, many are aware that vape is a less harmful alternative to cigarettes, so many smokers have switched to using vape to help them quit smoking. Based on a report by the Health Ministry, there are 1.12 million vape users in Malaysia or 5% of the total population. This is a rather large number.

So, the value of this growing industry is not a surprise as smokers' shift to vape as a measure to quit smoking is an ongoing notion around the world. This is one of the reasons the industry is growing in Malaysia.

This development in the vape industry has

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spawned more than 3,000 businesses specialised in vape with more than 15,000 jobs in the industry. Most of the businesses in this industry are run by local and Bumiputera entrepreneurs.

In this regard, we should be proud of the achievements of the local industry and Bumiputera entrepreneurs who have driven the development of the vape industry in the country. Many of their products have gained recognition and response at the global and regional levels.

The development and potential of the vape industry in Malaysia is something that the government needs to take into account. With proper regulation, it will enable the Malaysian vape industry to achieve greater success and compete on the world stage.

UTUSAN: What is the potential of the vape industry in its contribution to the economy?

RIZANI: According to a study, the vape industry in Malaysia is estimated to be worth RM2.2 billion creating many local entrepreneurs and job opportunities. This is the result of the industry players' efforts over the years without policies from the government to spur the industry.

If the government takes steps to set a clear direction by introducing appropriate policies and regulations, the industry will be able to achieve a higher potential. For example, until now regulations have not been introduced although taxation is being imposed on products. However, the taxes are only levied on vape liquids without nicotine. In the market, vape liquid that contains nicotine is the most abundant product in the market at about 97%. In this regard, tax collection revenue cannot be maximised hence, government revenue from the tax on vape will not reach its main target. In terms of industry development, with a clear direction from the government, it will open up opportunities and trigger economic multipliers such as attracting domestic and foreign investment to enable improvements in innovation, quality and product standards.

PANKAJ: The local vape industry has great potential to grow if there are comprehensive guidelines. I estimate the market value of vape to increase to RM10 billion if it is carefully regulated because it is not only limited to the domestic market, but also on a global level as the vape industry has grown rapidly around the world. With a comprehensive policy from the government, it will enable the Malaysian industry to compete globally as there is a high demand for this product.



As a former smoker, the experience of trying to quit smoking was difficult until I started using vape, says Khairil Aizi

MALAYSIANS SAY REGULATE VAPE!

The number of vapers in Malaysia has hit the 1 million mark, with more and more consumers switching to vape as a means to quit smoking. To understand Malaysian's perception on vaping, Malaysia Vape Industry Advocacy (MVIA) recently conducted an opinion poll entitled MVIA - Malaysian Insights & Perspectives on Vape. Given that vape products are still unregulated, these are what Malaysians have to say.



VIEWS ON REGULATION

Government should take more action to regulate vape industry

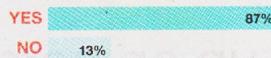


Malaysian economy would benefit from regulations



VIEWS ON TAXATION FOR VAPE PRODUCTS

Tax should be imposed on vaping products



Revenue from vape products could be spent on education and economy



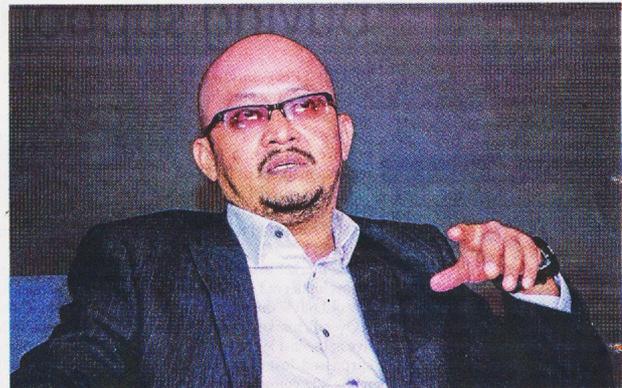
UTUSAN: Many international studies have stated that vape is less harmful than cigarettes. Many smokers have switched from cigarettes to vape. What are your views on this matter?

RIZANI: A study done by the UK health agency Public Health England (PHE) found that vape is less harmful and has a much lower risk than cigarettes. Various NGOs, especially public health bodies and bodies on smoking cessation and tobacco control, also supported the stand taken by PHE. For example, British Medical Association, National Cancer UK, and Action on Smoking and Health (ASH) not only supported the stance but also conducted their own independent studies and these studies are in line with the PHE study.

Not just in the UK, a similar stance was taken in New Zealand by its Ministry of Health. Recently, they launched a smoking cessation campaign using a vape called QuitStrong. It encourages the transition of smokers to vape products and also provides awareness of the risks of vape use which is seen to have only a handful of risks compared to smoking.

This is all due to the recognition from the respective governments that the product plays a role as a less harmful product than cigarettes which can help smokers as an effective alternative.

KHAIRIL: As a former smoker, the experience of trying to quit smoking before was quite diffi-



Rizani expects the industry to produce more local entrepreneurs, especially among Bumiputera

cult until I started using vape.

At first, I also doubted whether the use of vape would help me quit smoking and whether there would be any risk in its use.

After looking at the information available at the international level, the use of vape does have its risks but studies have shown the risk is much lower and it is 95% less harmful than smoking and effective in helping smokers to quit smoking. In addition, in the UK, this product is sold in hospitals to help smokers quit smoking. So, I started using vape and since then I have stopped smoking.

From a consumer's perspective, although this product has its benefits, it must be acknowledged that there are also risks, especially when currently in Malaysia, it has no regulations and controls in terms of its use.

In my opinion, these products need to be regulated so that consumers use quality products that comply with the set standards. This is important to ensure the content of the product is controlled such as setting the appropriate limit for nicotine in vape liquid and also ensuring that there are no other harmful contents.

UTUSAN: What do you all expect in the vape industry for the next 10 years?

PANKAJ: With the existence of government reg-

ulation, this industry has the potential to be a contributor to the national economy. Citing Grand View Research Inc, the size of the world vape market will reach US\$67.31 billion (RM279.10 billion) by 2027 and record a compounded annual growth rate (CAGR) of 23.8% from 2020 to 2027.

If the government views this positively and takes into account current global developments including the existing local vape industry's ecosystems, Malaysia is at an important stage as the decisions taken by the government will determine whether the industry can achieve its potential to compete globally or continues to be unregulated and not in line with current developments in the world.

RIZANI: In 10 years, this industry is expected to continue successfully produce more local entrepreneurs, especially among the Bumiputera. It can be realised if laws, as well as industry-specific standards, are implemented.

KHAIRIL: If the government considers the concept of Tobacco Harm Reduction (THR) such as those in other countries where it encourages smokers to quit smoking with less harmful alternatives such as vape, it can help more people raise awareness about this product and enable many smokers to quit smoking. I expect by that time, the vape industry will be bigger than the cigarette industry.