MALAYSIA

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

MITI REPORT 2015

MITI MALAYSIA
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To purchase this publication or for other information,
please contact:

Senior Director
Strategic Planning Division
Ministry of International Trade and
Industry Malaysia
Level 22, MITI Tower
No. 7, Jalan Sultan Haji Ahmad Shah
50480 Kuala Lumpur, Malaysia
Tel: +603-6200 0252 Fax: +603-6206 4059
MITI Homepage: www.miti.gov.my
Email: mitiweb@miti.gov.my

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Sasyaz Holdings Sdn. Bhd. (219275-V)
29, Jalan PJU 3/48
Sunway Damansara Technology Park
47810 Petaling Jaya, Selangor, Malaysia
Tel: +603 7803 3754
Fax: +603 7804 8245
Email: enquiry@sasyaz.com.my

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FOREWORD

The year 2015 was a challenging one for the Malaysian economy; nevertheless, we persevered as a united nation and were able to weather the strong economic headwinds. We emerged with a growth of 5.0 per cent.

Malaysia was confronted by low prices of crude oil throughout 2015. Brent crude sank to an 11-year low in December 2015, the lowest in more than a decade, even surpassing the lows recorded during the financial crisis. Malaysian exports of mining goods, especially LNG and crude petroleum plummeted by 26.6 per cent and 33.4 per cent, respectively. Exports of petroleum-related manufactures, such as petroleum products,contracted by 21.5 per cent. The total fall in revenues from these sub-sectors of petroleum-related exports amounted to an aggregate of RM39.23 billion.

Global prices of commodities began to fall in 2014 and continued its downward trajectory through 2015. Malaysia took another hit as exports of palm oil, palm-based products and natural rubber fell in tandem, contracting by 5.5 per cent and 11.9 per cent respectively, with the nation experiencing a loss of RM3.20 billion in export value. Concerns over the low global oil and commodity prices, plus other domestic and global developments such as the hike in US interest rates collectively made for a challenging year, causing the Ringgit Malaysia to fall, depreciating by 18.6 per cent against the US Dollar in the 12 months of 2015.

But through it all, Malaysia stood resilient. The nation's GDP growth at 5.0 per cent, albeit lower than 6.0 per cent in the year before, was still commendable. Malaysia's GDP growth in 2015 surpassed the global growth estimate of 2.4 per cent by World Bank and the United Nations. And even in the relatively fast-growing region of ASEAN, Malaysia was still ahead of the aggregate 4.4 per cent estimated growth. In terms of trade, Malaysia posted a sizeable trade surplus of RM94.6 billion from RM82.5 billion in 2014. Exports grew modestly by 1.9 per cent, while imports recorded a growth of 0.4 per cent.

Malaysia's economic resilience is grounded by lessons learnt from past economic crises and downturns. We are a small and highly open economy, and are not insulated from uncertainties in the external environment. But Malaysia has implemented tough structural reforms, decreased fossil fuel subsidies, instituted financial sector reforms, put in place GST and focussed on increasing the economy's productive capacity. Our focus is on sustainable growth and shared prosperity for all Malaysians as elaborated in our 11th Malaysia Plan.

Towards this end, MITI has worked to leverage on trade liberalisation as a growth catalyst. Malaysia was Chair of ASEAN in 2015 and had prioritised the establishment of the ASEAN Economic Community (AEC). We believe the AEC has the inherent capacity to lift regional trade and with it the ability to improve businesses and livelihoods. It was indeed a proud moment, when as Chair of ASEAN the historic announcement and signing of the Kuala Lumpur Declaration on the Establishment of the ASEAN Community, took place on 22 November 2015. With the inking of the document, the ASEAN Economic Community (AEC) became a reality on 31 December 2015.

Another significant milestone was the finalisation and signing of the Kuala Lumpur Declaration on ASEAN 2025: Forging Ahead Together. This document charts ASEAN's plan for the next 10 years, its framework on deepening integration within ASEAN, and the blueprint for all three pillars of the ASEAN Community namely, the political-security, economic, and socio-cultural pillars.

We also pressed ahead with negotiations on the ambitious Trans-Pacific Partnership Agreement (TPPA). Negotiations were concluded on 5 October 2015, in Atlanta, Georgia, United States, after five years of active talks. We successfully negotiated safeguards and concessions to address sensitive areas such as Bumiputera issues, SMEs, government procurement and state-owned enterprises. TPPA is expected to generate gains through the dismantling of non-tariff barriers as well as to increase GDP by USD107 - 211 billion over the period 2018 - 2027. Investment is projected to rise by USD136 - 239 billion over the same period. TPPA is a reflection of our continuing commitment to transparency, governance, liberalisation and capacity building.

We must also be cognisant of the changing patterns of consumer demand, and put in place adaptive production systems which will allow manufacturers to cope with product customisation, accommodate shortened product cycles and bridge collaborative arrangements across borders and between complex supply chains as the fourth industrial revolution is already upon us.

In addition, it is imperative that we pay continual attention to our manufacturing activities as part of our conscious effort to reduce our ecological footprint on the environment. We must therefore, minimise the production of waste and better manage the treatment of effluents, to create a sustainable eco-system for the future.

Going forward, Malaysia remains in a position of strength. The modest growth in advanced economies for 2016 will continue to fuel demand for Malaysia's exports,especially for E&E products. Malaysia's economy is sufficiently well-diversified and flexible to withstand global economic uncertainties.

At the national level, various blueprints/masterplans and councils have been launched and are being implemented to help realise the Eleventh Malaysia Plan (11^{th} MP).

These include:

(i) The Logistics & Trade Facilitation Masterplan;
(ii) The Services Sector Blueprint;
(iii) The 2nd Aerospace Industry Blueprint 2030;
(iiii) The National eCommerce Council (NeCC);
(v) The National Export Council (NEC);
(vi) The Malaysia Services Development Council;
(vii) The Human Capital Council;
(viii) The Malaysia Steel Council (MSC); and
(ix) The Malaysian Aerospace Council (MAC).

Strategies formulated in the blueprints/masterplans are to accelerate economic growth and promote an economy that is driven by high-value and knowledge-intensive activities. Hence, the focus of the blueprints/masterplans is to increase participation of our SMEs in local supply chains, sharpen competitiveness of the Malaysian industry and enhance human capital development. In essence, these are to accelerate the movement of Malaysia's products and services up the global value chain.

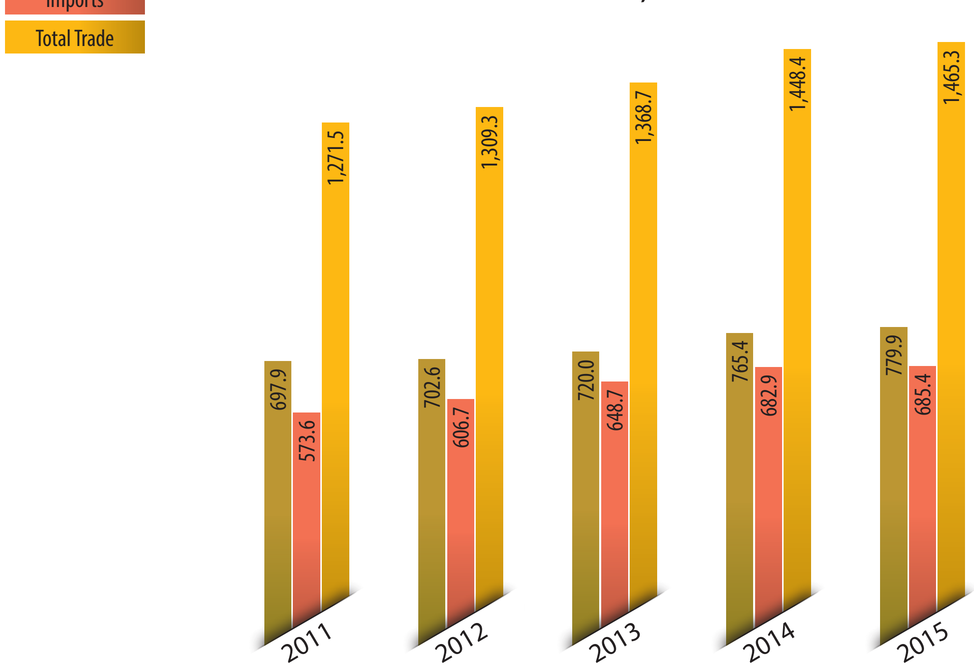
We are only a few years away from 2020, the year when Malaysia aims to be a high-income and developed economy. Instead of resting on our laurels, we must intensify our efforts in improving our economic competitiveness and delivering strong economic growth required to achieve our aspiration. The Ministry of International Trade and Industry will continue to work with all stakeholders involved to realise our transformation agenda.

Thank you.

Dato' Sri Mustapa Mohamed
Minister of International Trade and Industry, Malaysia

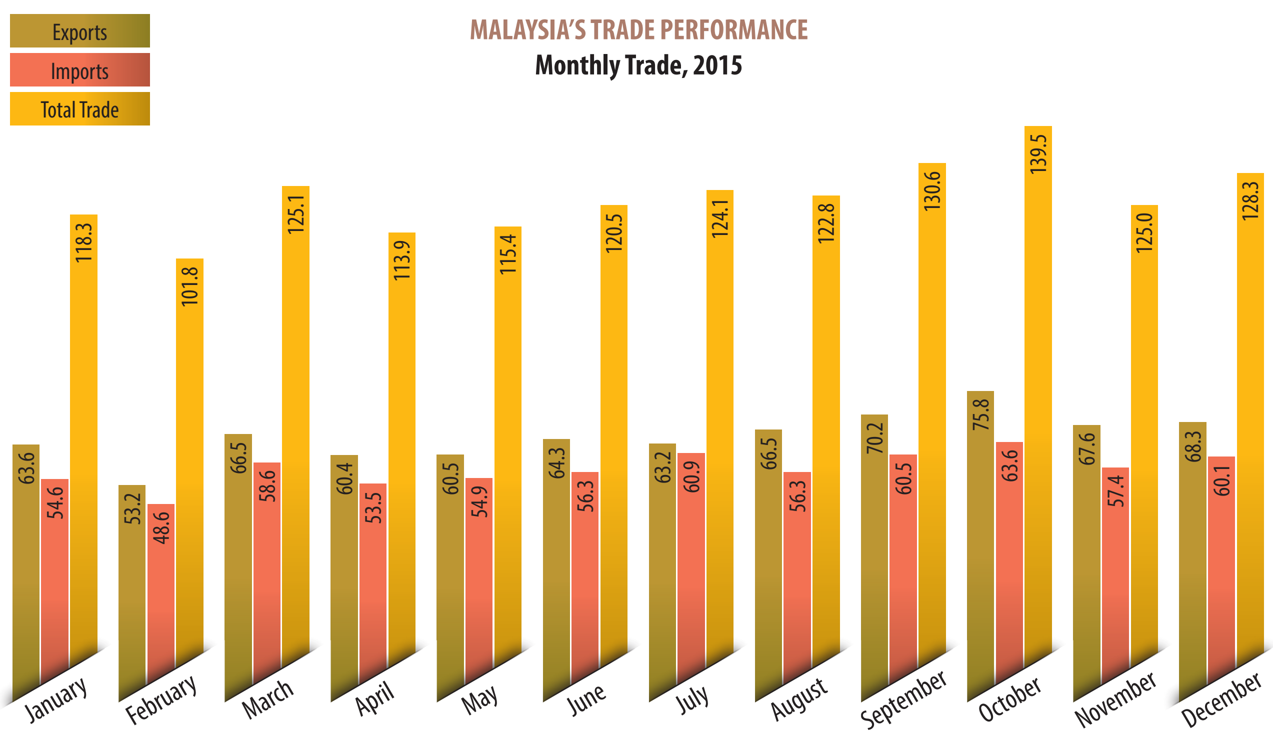
AT A GLANCE

MALAYSIA'S TRADE PERFORMANCE
Annual Trade, 2011-2015



Source: DOSM

MALAYSIA'S TRADE PERFORMANCE
Monthly Trade, 2015

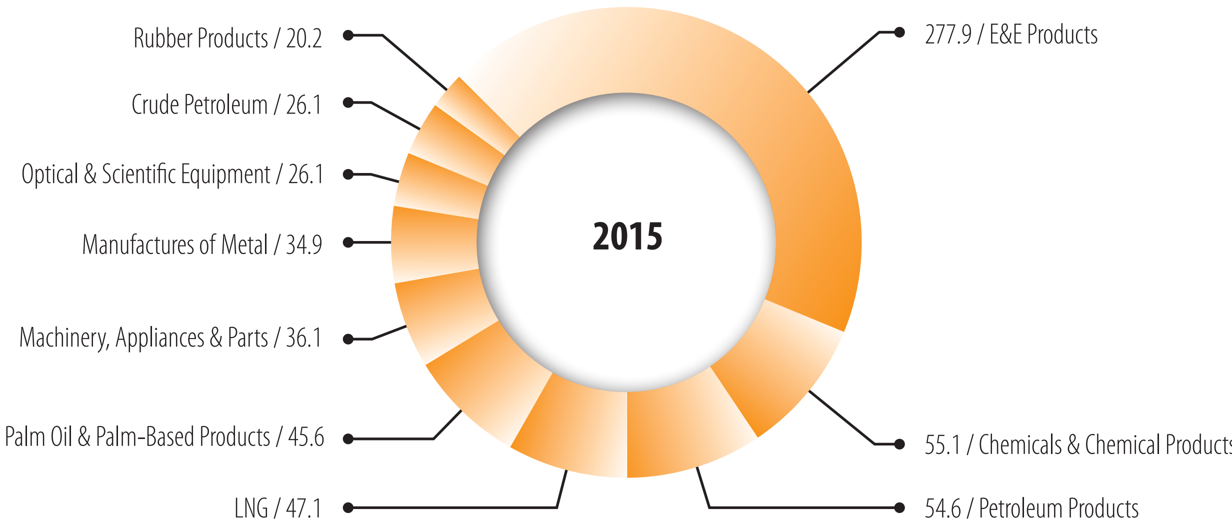


Source: DOSM

MALAYSIA'S TRADE PERFORMANCE

Top Ten Major Export Products, 2015

RM billion



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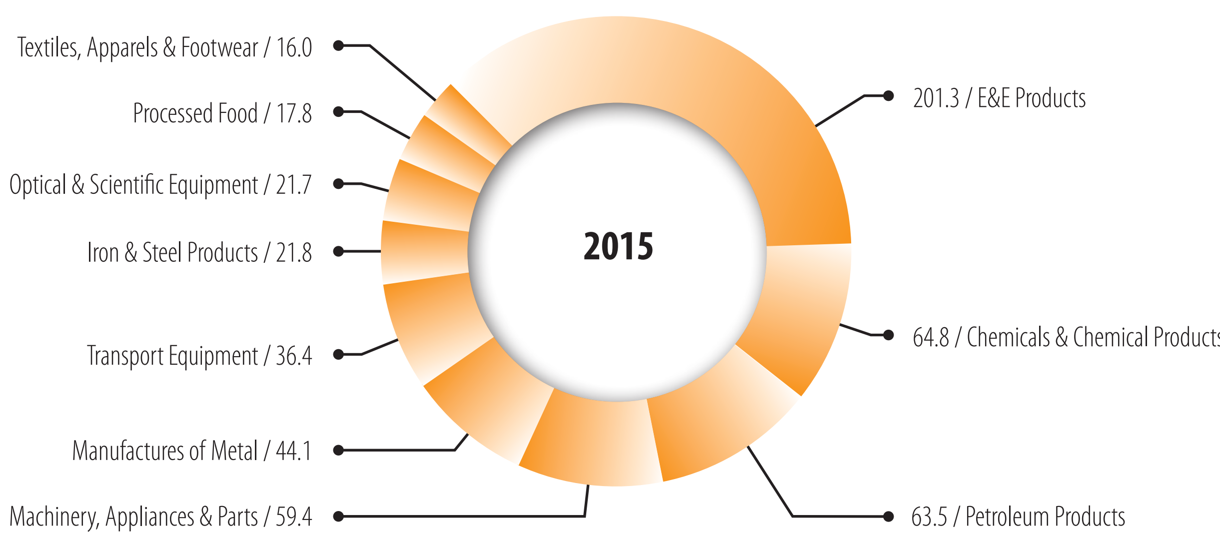
MALAYSIA'S TRADE PERFORMANCE

Top Ten Major Import Products, 2015

RM billion



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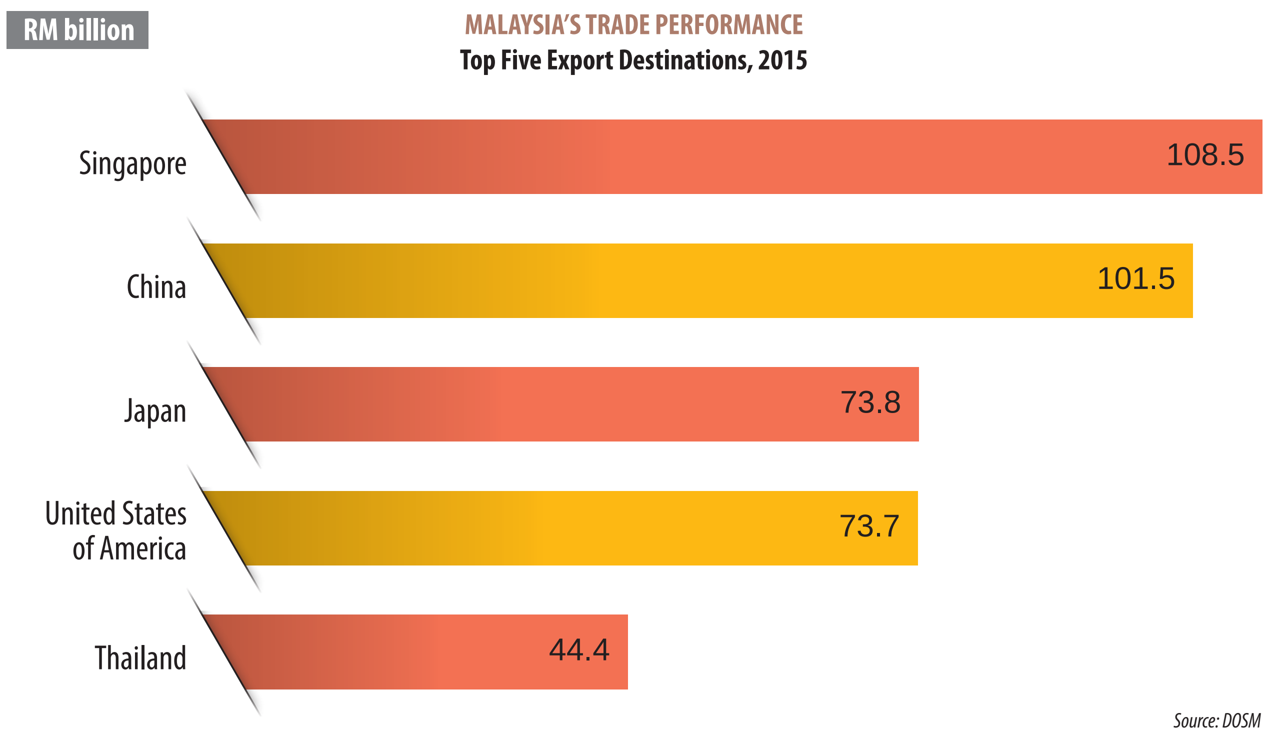
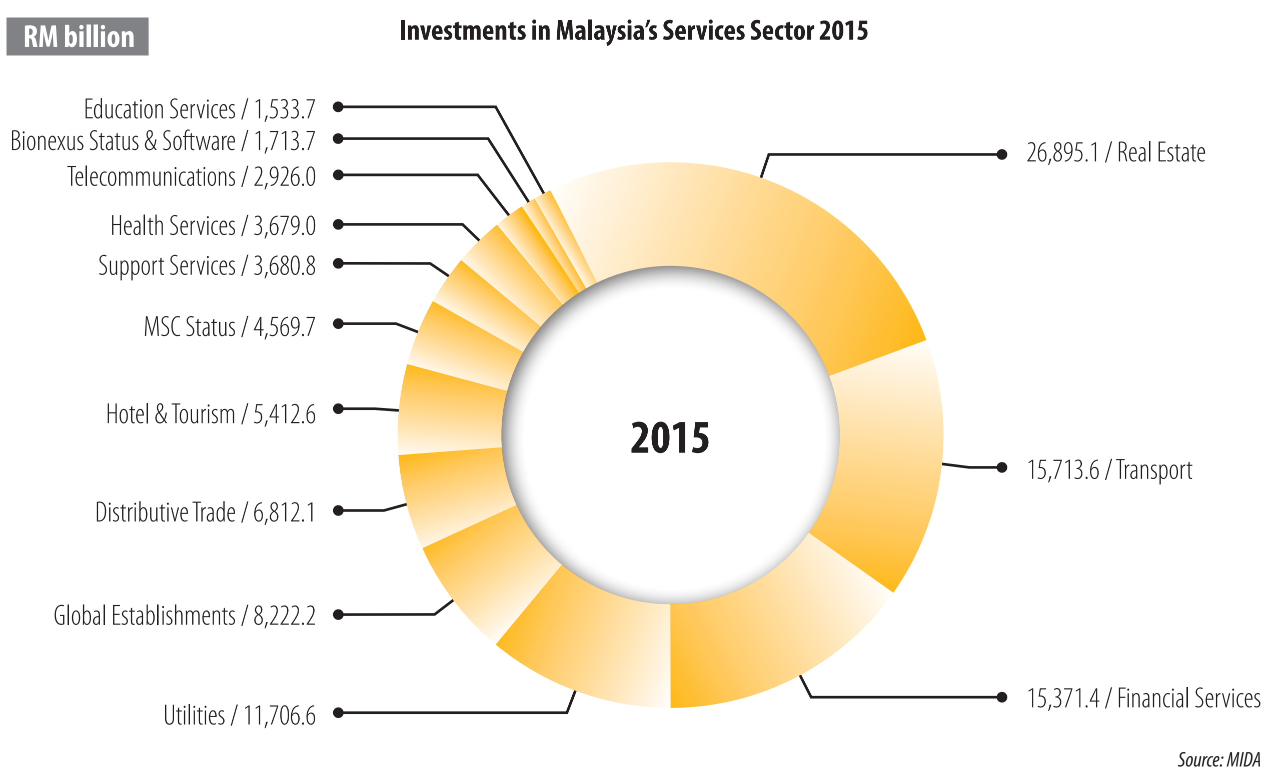
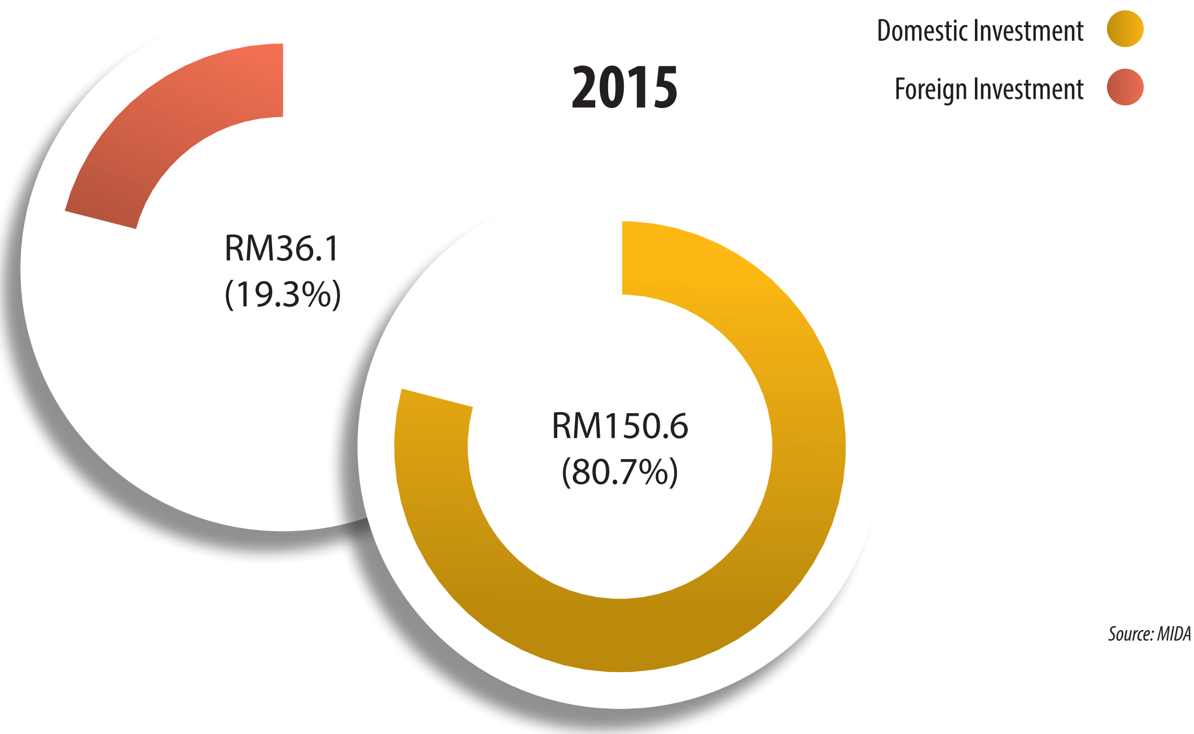

RM billion
MALAYSIA'S TRADE PERFORMANCE
Top Five Export Destinations, 2015
Singapore
108.5
China
101.5
Japan
73.8
United States of America
73.7
Thailand
44.4
Source: DOSM


RM billion
Investments in Malaysia's Services Sector 2015
Education Services / 1,533.7
Bionexus Status & Software / 1,713.7
Telecommunications / 2,926.0
Health Services / 3,679.0
Support Services / 3,680.8
MSC Status / 4,569.7
Hotel & Tourism / 5,412.6
Distributive Trade / 6,812.1
Global Establishments / 8,222.2
Utilities / 11,706.6
26,895.1 / Real Estate
15,713.6 / Transport
15,371.4 / Financial Services
2015
Source: MIDA

Domestic and Foreign Investments in Approved Projects
2014 & 2015

RM billion



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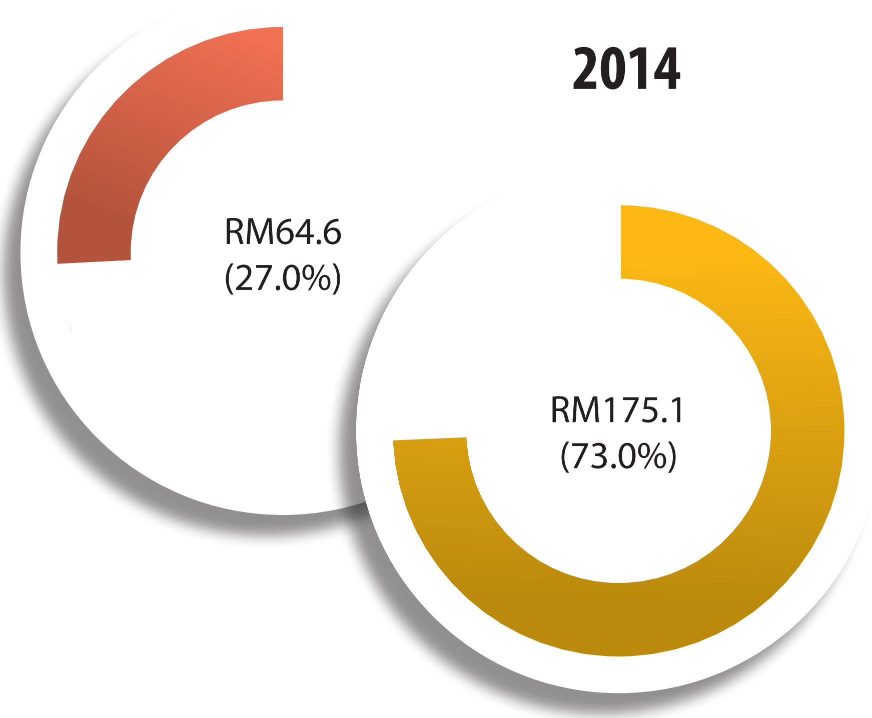


Source: MIDA

ECONOMIC PERFORMANCE AND OUTLOOK – MALAYSIA AND THE WORLD

ECONOMIC PERFORMANCE AND OUTLOOK – MALAYSIA AND THE WORLD

MALAYSIA – THE ECONOMY IN 2015

It was a challenging year for Malaysia and the global economy as a whole. Malaysia was inundated by challenge upon challenge but was able to sustain a creditable growth performance due largely to strong economic fundamentals, structural adjustments and reforms that were undertaken in the recent past. The nation has had to weather and withstand plummeting global crude oil prices, foreign exchange volatility and extreme Ringgit Malaysia depreciations, the sluggish global economy, sinking commodity prices, volatile capital flows, and the slowing momentum of the People's Republic of China's (PRC) previous double-digit growth which dragged on trade; all of which contributed in slowing down Malaysia's economic growth.

Against this backdrop, Malaysia's growth of 5.0 per cent in 2015 is considered a relatively good outcome, although it was a contraction from the earlier growth of 6.0 per cent in 2014. The Malaysian economy surpassed the 4.7 per cent growth estimation for the year, projected by the World Bank and the International Monetary Fund (IMF).

Malaysia's growth in 2015 was primarily fuelled by domestic demand which has been the key impetus to Malaysia's economic growth for more than a decade. Growth momentum eased slightly to 5.1 per cent from 5.9 per cent in 2014, partly due to the dampening effects of the depreciating Ringgit Malaysia and the newly imposed 6.0 per cent Good and Services Tax (GST) on 1 April 2015.

Domestic demand was driven mainly by the private sector. Private consumption continued to expand but at a more modest rate of 6.0 per cent (2014: 7.0 per cent), underpinned by stable job and income growth conditions.

Government consumption expenditure stayed at 4.3 per cent, slightly slower than the 4.4 per cent growth in 2014. The Government made efforts to rein in expenditure, with careful spending on emoluments and with a freeze on new hiring.

Overall investment spending slowed in 2015. Private investment growth of 6.4 per cent was lower than the year before (2014: 11.0 per cent), as domestic demand moderated and businesses were more risk-averse; exercising greater caution with capital expenditure in a subdued global environment. Private sector investment was focussed mainly on on-going projects in the manufacturing and services sectors as well as downstream oil and gas activities. Investment in the manufacturing sector which accounted for a 24.0 per cent share of private investment, was primarily in export-oriented industries. Malaysian Investment Development Authority (MIDA) reported higher approvals of manufacturing investment valued at RM74.7 billion in 2015, an increase from the RM71.9 billion in 2014.

The services sector accounted for 51.0 per cent of private investments in 2015 which were largely in distributive trade, transport and storage and tourism-related sub-sectors.

Public investment recorded a smaller decline of 0.1 per cent compared to a contraction of 4.7 per cent in 2014, as the Federal Government and public corporations continued with capital spending on new and on-going projects to support growth.

On the supply side, all major sectors still recorded growth in 2015, but at a slower pace. The services sector, the largest contributor to GDP growth, expanded at a more sedate pace of 5.1 per cent in 2015 as compared to 6.5 per cent in the preceding year. A slowdown in domestic consumption, emanating from lower household spending, sluggish retail and motor vehicle sales and a contraction in the finance and insurance sub-sectors, contributed to the drag. Growth in the services sector was kept buoyant by robust demand in the information and communications sub-sectors as well as healthy output from the transportation and storage sub-sectors. Services contributed 53.5 per cent to GDP in 2015.

Manufacturing grew 4.9 per cent in 2015, compared to the 6.2 per cent reported in 2014. This sector contributed 23.0 per cent of GDP growth in 2015, largely due to continued strong performance from export-oriented industries. Firm production growth in the electrical & electronics (E&E) sub-sector, especially in consumer electronics and semi-conductor components, as well as demand for chemical products were mainly responsible for supporting manufacturing growth. Services and manufacturing sectors remained key drivers of overall growth for Malaysia in 2015.

Mining and quarrying grew 4.7 per cent in 2015, (2014: 3.3 per cent) and was the only sector that exceeded the growth registered in 2014. Growth in the sector was the result of higher production of crude oil from a new deepwater oilfield in Sabah which started operations end 2014. Mining accounted for 8.9 per cent of GDP growth.

Construction growth moderated to 8.2 per cent from 11.8 per cent in the year before. Growth slowed due to sluggish activity in the residential sub-sector, despite stronger performance in the civil engineering sub-sector. Growth in the agricultural sector slowed to 1.0 per cent in 2015 from 2.1 per cent in the previous year. This was due to unfavourable weather conditions which lowered crude palm oil production. Construction and agricultural sectors contributed 4.4 per cent and 8.8 per cent respectively, to GDP growth in 2015.

Despite all these challenges, the labour market remained broadly stable in 2015. Supported by modest domestic demand, unemployment hovered around 3.2 per cent, a slight increase from 2.9 per cent in 2014. Headline inflation receded to 2.1 per cent in 2015 from 3.2 percent the year before primarily due to depressed commodity and oil prices which more than compensated for the weaker Ringgit Malaysia and the effects of GST.

GLOBAL SCENARIO IN 2015

The global economy in 2015 remained sombre. The World Economic Outlook Update issued by the IMF on January 19, 2016, estimated global growth at 3.1 per cent, hitting below the 3.4 per cent growth posted in 2014.

This sluggish performance was attributed to several factors, one of which was the continued deceleration in emerging and developing economies, which collectively accounted for 70.0 per cent of global growth. According to the World Bank, developing economies grew 4.3 per cent in 2015, down from 4.9 per cent in 2014 – the lowest and weakest pace since the global financial crisis of 2008 - 2009.

Emerging and developing economies continued to be plagued by low commodity prices, subdued global trade and weak capital flows. Tumbling oil prices, depressed prices for commodities, a slowdown in PRC's manufacturing activity and volatility in financial market, all contributed to the drag in growth.

Overall, the global economic scenario in 2015 seemed to be a continuation of the downward momentum that had plagued the world for the past three years. The expected growth for 2015 did not materialise and the World Bank, the IMF and the United Nations all had to revise their forecast downwards.

Amidst the lacklustre performance of 2015, there were a few exceptions. The developed and high-income economies of the United States (US) and the Euro zone posted a modest recovery. Developing and emerging economies in Europe, Africa, and South Asia such as the Czech Republic, Uganda, Morocco and Pakistan, also turned out better growth in 2015 as compared to the previous year. It is worthwhile to note that developing and emerging market economies have been the engine of global growth since the financial crisis of 2008 - 2009, and despite their slowing pace of growth since 2010, these markets still attained a higher growth rate than those achieved by developed and advanced economies.

The PRC is the second largest economy after the United States. In 2015, real GDP growth for PRC slowed to 6.9 per cent from 7.3 per cent in 2014. This was just slightly under the government's official growth target of 7.0 per cent, and marked the PRC's slowest growth in the last 25 years. Manufacturing growth slowed to 6.0 per cent in 2015 from 7.3 per cent in the year before, while services grew to 8.3 per cent from 7.8 per cent. For the last three years, the PRC has been proactively restructuring to rebalance its economy by steering away from being too dependent on investment, manufacturing and exports. This new configuration focusses on consumption and services as the PRC's new engine of economic growth.

PRC's exports and imports contracted in 2015, brought about by sluggish external demand, riding on the back of a slowing global economy. According to PRC's General Administration of Customs, the economy's full-year exports fell 2.8 per cent while imports weakened even further by 14.1 per cent. This resulted in an annual trade surplus of USD594.5 billion, compared with USD382.5 billion in 2014.

Despite the decline in exports last year, the PRC still managed to increase its share of global trade, accounting for 13.0 per cent of the world's total exports in 2015 as compared to 12.4 per cent last year.

The European Commission in their European Economic Forecast of February 2016 reported that the collective GDP growth for the 28-member **European Union** (EU28) stood at 1.9 per cent, making the annual growth rate one of the best since 2011.

The European economy in 2015 grew at a moderate pace, supported by a positive environment of lower energy prices and steady domestic demand which made consumer spending the main driver of growth. Exports accelerated despite the downturn in emerging markets, contributed in part by the depreciation of the Euro, especially against the US Dollar.

In 2015, real GDP growth of the **US** reached 2.5 per cent, slightly above the 2.4 per cent attained in 2014. Propelled by robust consumption, and solid, non-oil private sector investment and high employment, US attained the highest annual rate of growth since the 2008 - 2009 global financial crisis. Data from the World Bank showed that the US accounted for 0.6 per cent, or approximately 23.0 percent of the world's total growth of 2.4 per cent in 2015.

Plummeting oil prices boosted consumer disposable incomes and consumer demand, which is the engine of growth for the US economy. Consumer demand which accounted for almost 70.0 per cent of economic activity, rose in the third and fourth quarters of 2015. The slump in oil prices which began in 2014 continued its downward trajectory in 2015, with Brent crude falling to an 11-year low of USD36.05 a barrel in December. The strong labour market in 2015 also added 12 million American jobs and unemployment fell to 5.0 per cent from a high of 10.0 per cent in 2009.

Japan's economic growth is estimated by World Bank to be 0.8 per cent in 2015, a weak but positive growth from the negative 0.1 per cent growth posted in 2014. IMF was less optimistic, estimating a slightly lower GDP of 0.6 per cent for 2015.

The third largest economy in the world grappled with significant economic headwinds in 2015, where flattened investment and contracted private consumption caused a drag on its fragile economic growth.

Chinese Taipei's growth in 2015 was revised downwards to 0.75 per cent from 0.85 per cent by its Directorate General of Budget, Accounting and Statistics. It was Chinese Taipei's worse growth performance since 2009. Its export-led economy was weighed down by shrinking exports due to slowdown in PRC's demand as well as competition from PRC's high-tech manufacturing. It was a dismal comparison to Chinese Taipei's GDP growth of 3.77 per cent in 2014. Exports slumped in tandem with the broader downturn in exports of regional economies, particularly in countries which have a greater trade exposure to the PRC. One third of Chinese Taipei's exports are bound for the PRC.

Growth for the **Republic of Korea** (ROK) is estimated by the United Nations at 2.6 per cent, down from 3.3 per cent in 2014. ROK's economy contracted mainly due to shrivelling exports to a slowing PRC, which is a recipient of one quarter of ROK's total exports. Growth in 2015 marked ROK's slowest pace since 2012. Government measures implemented to support domestic demand helped counter lethargy in external demand, but exports still dragged on growth.

The World Bank estimated growth in **India** at 7.3 per cent in 2015, unchanged from 2014. India is one of the fastest growing economies in the world, aided partly by the plunge in global oil prices. India is also relatively sheltered from the effects of the slowdown in PRC, due to its low trade exposure to the giant. However, India still experienced anaemic exports, largely due to weaknesses in external demand and the slowing global economy.

ASEAN IN 2015

The collective GDP for the 10-Member States of ASEAN, comprising Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam remained unchanged at 4.4 per cent.

The OECD Development Centre in conjunction with the United Nations and Asian Development Bank (ADB) Institute however, was more upbeat and in its Economic Outlook for Southeast Asia, the PRC and India 2016 report, estimated ASEAN growth at 4.6 per cent for 2015, the same as 2014.

According to World Bank, growth across all of ASEAN, moderated downwards, from a more robust growth seen in 2013 - 2014, with the exception of Thailand and Viet Nam. Decelerating growth in the PRC, Japan and the ROK, and subsequent depressed demand emanating from these economies, plus the added sharp fall in commodity prices, all collectively contributed to the decline in growth of ASEAN economies.

Despite the contraction, ASEAN economies remained stable, and growth, although slower than in previous years, was still considered high by global standards. ASEAN nations in general, were not expected to be critically affected by the global slowdown, mainly due to their strong domestic consumption, which mitigates the sluggish external demand to some extent.

According to the World Bank, the best performers with robust growth in ASEAN for 2015 were the economies of **Cambodia** with a GDP growth of 6.9 per cent (2014: 7.0 per cent), **Myanmar** and **Viet Nam**, where each registered a growth of 6.5 per cent (Myanmar 2014: 8.5 per cent, Viet Nam 2014: 6.0 per cent) and **Lao PDR** which notched 6.4 per cent (2014: 7.5 per cent). These countries are at the start of their growth cycle.

The United Nations echoed a similar outcome for CLMV (Cambodia, Lao PDR, Myanmar and Viet Nam) economies, but estimated that Myanmar grew 8.4 per cent in 2015, driven by new investments, rapid credit growth and higher government spending. Growth in Viet Nam was estimated at 6.4 per cent, led by healthy domestic consumption, recovery in consumer spending, an increase in fixed investment, and strong manufacturing exports, as well as foreign direct investment inflows. In Cambodia and Lao PDR, growth was attributed to rapid developments in the agricultural, tourism and industry sectors.

The largest ASEAN economy, **Indonesia**, expanded at a slightly slower pace of 4.7 per cent in 2015 from 5.0 per cent the year before. As a major commodity exporter, Indonesia was affected by low commodity prices and declining external demand. At home, investment remained subdued and higher inflation adversely affected domestic demand, private consumption and consumer spending. Average inflation rate CPI for Indonesia in 2015 was 6.38 per cent.

Brunei Darussalam, like Indonesia is commodity-dependent. The global oil price shock badly affected the economy and GDP growth in 2015 was a negative 1.4 per cent, an improvement from the contraction of 2.3 per cent posted in 2014.

The Philippines turned in a solid growth performance of 5.9 per cent in 2015, although slightly lower than the 6.1 per cent attained in 2014. The economy was powered by strong domestic demand, public spending, overseas remittances and FDI inflows and remained robust despite anaemic exports.

Singapore's economy grew at a slower 2.0 per cent in 2015, from 2.9 per cent the previous year. Growth was dragged down by sinking exports as manufacturing sagged from depressed demand in global markets. Singapore also faced slowing domestic demand, labour shortages and falling productivity growth.

Thailand posted the smallest growth among ASEAN economies, rising from 0.9 per cent in the previous year to 2.5 per cent in 2015. Thailand's economy was badly affected last year due to political unrest and environmental disasters including floods and droughts. GDP growth registered in 2015 was a positive turnaround from the stalled growth the year before, but exports remained sluggish and consumer spending was weak, constrained by lower farm revenues and household debt.

Malaysia grew 5.0 per cent in 2015, a contraction from the 6.0 per cent growth in 2014. Malaysia was hit by tumbling global oil and low commodity prices for its exports. Exchange rate volatility caused its currency, Ringgit Malaysia, to take the steepest fall of 18.6 per cent against the US Dollar in 2015. Ringgit Malaysia's depreciation however, helped support export expansion and Malaysia's exports grew 1.9 per cent in 2015 while many other Asian nations saw their exports contract.

Unemployment in ASEAN is generally low, between 1.0 to 4.0 per cent, except for the Philippines and Indonesia, where it hovered around 6.0 per cent. Aggregate Inflation for the region was approximately 2.7 per cent in 2015.

OUTLOOK FOR THE GLOBAL ECONOMY

Outlook in the near-term is modest, with growth expected to pick up marginally and at a slower pace. For the next three years from 2016 - 2018, the World Bank projects global growth to increase moderately to 2.9 per cent in 2016 from 2.4 per cent in 2015 and subsequently remain at 3.1 per cent for both 2017 and 2018.

Forecast for a modest upturn in global growth in 2016 - 2018 is mainly riding on the back of an expected, albeit mild recovery in high-income, advanced economies such as US, Japan, and the Euro Zone. This forecast also collectively hinges on a stabilisation of commodity prices, a gradual tightening of financing conditions as well as a steady and measured growth alignment and rebalancing of the economy in PRC. In addition, any growth in emerging and developing economies especially those that were under economic distress in 2015, such as Brazil and Russia, would contribute positively to global output going forward.

For the **United States (US)** in 2016, the world is banking on the robust, consumption-driven economy to be the engine of growth during this crucial time when PRC's economy is slowing and undergoing restructuring. In 2016, US is expected to account for 20.9 per cent of global growth, making a larger contribution than any other advanced economy.

The growth recovery in the **Euro Zone** is projected to continue improving with growth reaching 1.7 per cent in 2016 and remaining stable through to 2017.

The **German** economy, the main growth engine of the European Union is projected to again put in a solid and slightly upbeat performance with GDP expanding at 1.7 per cent in 2016. Despite weak exports and fixed investments, the economy was buoyant from low oil prices, inflation and unemployment, which in turn spurred private sector spending and public consumption. Going forward into 2016 and 2017, Germany expects the support of solid domestic dynamics and private consumption to drive much of its growth.

Japan is expected to recover from a more fragile 0.8 per cent growth in 2015 to1.3 per cent in 2016, and subsequently slow down in 2017 to 0.9 per cent. The Bank of Japan expects the economy to continue on its moderate growth path, despite falling exports and manufacturing production which were affected by the slowdown in emerging economies. Domestic demand is projected to be the backbone of the economy through to 2017 when exports are expected to increase moderately as emerging economies move out of their economic deceleration and stagnation phase. Japan's unemployment rate is estimated at 3.6 per cent in 2016.

Chinese Taipei's economy is expected to expand 1.47 per cent in 2016, a downgrade from its earlier projection of 2.32 per cent. However, the modest recovery expected in the global economy should be able to override and neutralise any negative effects and ultimately yield a GDP growth of 1.84 per cent in 2016, according to the Taiwan Institute of Economic Research (TIER).

Growth in the **Republic of Korea (ROK)** in 2016 is projected to improve to 3.0 per cent from 2.6 per cent in 2015 despite concerns with ROK's sluggish export performance especially exports to the slowing economy of the PRC as well as the contagion effect of PRC's financial market volatility on Asian currencies including the Korean Won.

The World Bank lowered **India's** growth rate in 2016 to 7.8 per cent from its earlier forecast of 7.9 per cent. Despite this, growth in India is expected to rise above the rates in other major emerging market economies and India will remain one of the fastest growing economies in 2016 - 2018.

According to the World Bank, growth in **the PRC** is expected to moderate to 6.7 per cent in 2016 then dip slightly to 6.5 per cent in 2017 and 2018.

The PRC, the world's second largest economy is expected to continue to decelerate with slowing exports, excess industrial capacity, and labour issues. On the flip side, lower oil and commodity prices are expected to help stimulate consumption and partly cushion the impact of the slowdown. Currently, there is some evidence of an increase in the share of services employment attributed to the rebalancing of PRC's economy. This is expected to contribute towards supporting private consumption and real incomes.

According to the latest Asian Development Outlook 2016 report by ADB in March 2016, **ASEAN** is collectively estimated to grow by 4.5 per cent in 2016, and 4.8 per cent in 2017. Growth in 2015 was pegged at 4.4 per cent. Growth slowed in seven out of the ten ASEAN Member States in 2015.

The spillover effects of PRC's economy as it steers away from a reliance on investment and exports, will continue to impact growth in ASEAN nations in the near term. A large majority of ASEAN Member States are highly exposed to the PRC through deeply integrated trade and investment flows. But the impact is not confined to ASEAN alone. In fact, empirical analysis for potential growth shows that a 1.0 percentage point decline in the actual growth rate in the PRC is associated with a 0.2 percentage point reduction in potential growth worldwide, and a 0.5 point decline in other Asian economies.

OUTLOOK FOR MALAYSIA

Malaysia's economy is deeply integrated with the global economy through trade and investment flows. It is this deep intra-regional trade and investment integration that has fostered growth and it is also the same conduits that transmit volatility and growth fluctuations. As Malaysia is one of the world's most open and diversified regional economies and one highly integrated into global value chains, it is particularly vulnerable to spillover effects and growth fluctuations from regional links, which are mostly based on trade, foreign direct investment and tourism.

As the PRC continues on a path of structural reform and economic realignment, seeking new engines of growth and a more sustainable economic model, its pursuit of innovation and productivity growth is expected to generate higher disposable incomes and increased private consumption. This economic re-configuration is also expected to put into motion, shifts in manufacturing and services, which can result in an increase in outward investment for the manufacturing and services sector. Prospects of higher disposable incomes, greater demand and increased FDI from the PRC will present potential new areas of opportunities for Malaysia.

Malaysia continues to navigate the challenges emanating from the international economic and financial landscape from a position of strength. Malaysia used to be an Export-Led Growth economy (ELG), dependent on external demand and foreign capital that catapulted the nation to becoming an 'emerging Asian tiger' in the 1990s. The Asian Financial Crisis of 1997-1998 called this strategy into question. Malaysia has since reconfigured its policies towards a complementary mix of Domestic Demand Driven Growth (DDDG) and ELG, post-crisis. Through this gradual economic realignment, Malaysia has grown in resilience by factoring in policy flexibility and building on strong economic fundamentals. It has diversified its risks and mitigated its vulnerability through a variety of policy tools that will help manage and moderate global uncertainties.

Year 2015 also marked the end the 10th Malaysia Plan or generally termed RMK10 which was a 5-year development plan involving the Government Transformation Programme and the New Economic Model. One of the key strategic thrusts is to create an environment to promote sustainable economic growth with a targeted gross domestic product (GDP) of 6.0 per cent per annum over 2011 - 2015.

During the RMK10 period, the Malaysian economy grew steadily, posting strong growth of 5.3 per cent, although in aggregate, it fell short of the targeted 6.0 per cent. Malaysia's growth during RMK10 was however well above the global GDP growth of 3.6 per cent and also exceeded the growth recorded by developing economies of 5.0 per cent. Malaysia's GDP growth was powered mainly by domestic demand, which withstood the challenges in the global environment, prevalent at different periods within the RMK10 timeframe.

The World Bank's Global Economic Prospects of January 2016 forecasts a lower growth for Malaysia, as the nation adjusts to lower global oil prices and slower growth in both domestic and external demand. Growth in 2016 and 2017 is expected at 4.5 per cent, lower than the 4.7 per cent growth attained in 2015. The Government of Malaysia meanwhile, expects the economy to grow between 4 - 4.5 percent in 2016.

As the global economy recovers and demand strengthens, Malaysia is forecast to see a higher growth of 5.0 per cent in 2018.

Going forward, all sectors of the economy are expected to expand except for agriculture, which is projected to show negative growth of 0.3 per cent. All other sectors are forecast to grow at a slower rate than in 2015. Services and manufacturing will remain the main drivers of growth in 2016.

Domestic demand will continue to remain the mainstay of growth, but will moderate somewhat to 4.3 per cent (2015: 5.1 per cent) in adjusting to the weaker global economic environment. Domestic demand will be sustained primarily by the private sector and supported by the external sector, especially by advanced economies which are expected to show stronger growth in 2016. In an environment of persistent uncertainty and cautious business sentiments, private consumption is expected to grow 5.1 per cent, a contraction from the 6.0 per cent growth in 2015. Household spending will be guarded due to higher cost of living and will be affected by weaker consumer sentiments, labour market conditions and financial and exchange rate performance.

Private investment is also projected to fall in 2016 to 5.5 per cent from 6.4 per cent the year before. Unemployment rate is expected to increase slightly but still remain low at 3.3 - 3.5 per cent. Headline inflation is forecast to be higher at 2.5 - 3.5 per cent in 2016.

Overall, the Malaysian economy is still forecast to grow, but at a modest pace. It will still be powered by domestic demand, albeit weaker than before, but the economy will be relatively sheltered from sudden downward swings in growth or demand in the external sector. In an environment of persistent macroeconomic uncertainty and volatility, it is good to know that Malaysia is sufficiently diversified and has the economic and financial adaptability to handle and weather these challenging environments.

ECONOMIC RELATIONS

ECONOMIC RELATIONS

DEVELOPMENTS IN THE MULTILATERAL TRADING SYSTEM

In 2015, the World Trade Organisation (WTO) celebrated its 20th anniversary of being the only international organisation dealing with multilateral rules on trade in goods and services. Over the 20-year period, WTO has faced various challenges but despite this, it has been successful in integrating the role of developing countries in shaping its agenda as well as in managing the negotiation process in the multilateral trading system.

Malaysia is one of the founding members of the WTO by virtue of its membership in GATT since 24 October 1957. When the WTO replaced GATT on 1 January 1995, Malaysia officially became a WTO member.

Fifty-eight years after GATT, and twenty years after becoming a member of the WTO, Malaysia is an example of how a nation can substantially benefit from a transparent and predictable trading environment, from the lowering of trade barriers and from the opening of new market opportunities under a multilateral trading system accorded by the WTO. Malaysia's total trade in 2015 increased multi-fold to RM1.5 trillion from the RM309 billion recorded in 1995.

Malaysia has been an active participant in the WTO and has been involved at various levels in several bodies and committee meetings. In 2014, Malaysia was selected as Chairperson to the Trade Policy Review Body in recognition of Malaysia's active role in the WTO.

WTO Director-General (WTO DG), Roberto Azevêdo's Visit to Kuala Lumpur, 19 May 2015

This visit was part of a proactive tour to engage with stakeholders in member countries through various fora and programmes. The WTO DG hoped to help pave the way for the implementation of the post-Bali work programmes and other remaining issues of the Doha Development Agenda (DDA) in the run up to the Tenth WTO Ministerial Conference (MC10), which was held in December 2015 in Nairobi, Kenya.

In one of the programmes in Kuala Lumpur, attended by 600 participants from various government ministries and agencies, foreign embassies , the private sector and institutions of higher learning, the WTO DG in his speech, highlighted the importance and value of the WTO; the breakthrough achieved in Bali, the implementation of the Bali Package and the possible deliverables for the MC10; the implementation of the Trade Facilitation Agreement (TFA), the amendment of the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement and the expansion to the Information Technology Agreement (ITA).

The WTO DG also acknowledged Malaysia's leadership in delivering success in Bali and the active role by Malaysia at the ASEAN level.

WTO Trade Facilitation Agreement (TFA)
On 26 May 2015, Malaysia became the fifth member to ratify the TFA which was adopted in 2013 as part of the Bali Package aimed at reducing trade cost by making the movement of goods across borders faster, easier and cheaper. The Agreement is expected to boost the global economy by USD1.0 trillion per year as well as create 21 million jobs worldwide. However, the TFA will only enter into force upon acceptance by two thirds of the current WTO membership of 162.

As Chair of ASEAN in 2015, Malaysia assumed a major role in pushing for the ratification of the TFA among ASEAN Member States and encouraging other WTO Members to do so. Malaysia also shared its experience with some other Members particularly on the setting up of the National Committee on Trade Facilitation.

Protocol Amending the TRIPS Agreement
Malaysia ratified the Protocol Amending the TRIPS Agreement on 10 December 2015. The ratification of this protocol will improve access to more affordable medicines particularly for developing countries with insufficient or no manufacturing capacities through the effective use of compulsory licensing. Similarly, this protocol will enter into force upon acceptance by two thirds of the WTO Membership.

Tenth WTO Ministerial Conference (MC10), Nairobi, Kenya, 15 - 19 December 2015
The Ministerial Conference is the highest decision-making body of the WTO and the conference is held once every two years to make important decisions and provide a mandate for negotiations.

Despite the challenges in the run up to MC10, Members were still able to achieve a substantial outcome known as the Nairobi Package that would benefit the organisation's poorest members.

During MC10, the Minister of International Trade and Industry held bilateral discussions with Kenya, Mauritius, Turkey, United Arab Emirates (UAE), Pakistan, Switzerland, Saudi Arabia and India to discuss the issues under the WTO and bilateral trade and investment with Malaysia.

Discussions were also held with the Chief Executive of the International Trade Center (ITC) on the possibility of cooperation in enhancing trade programmes for small and medium enterprises (SMEs).

The Minister of International Trade and Industry also met with the Minister of Industry and Entrepreneur Development, Kenya, where opportunities for cooperation between Malaysia and Kenya were highlighted especially in the high technology, information technology and construction sectors.

Expansion of the Information Technology Agreement (ITA)
WTO members representing major exporters of IT products, agreed on a timetable for the implementation of a landmark deal, which will eliminate tariffs on 201 information technology products, valued at more than USD1.3 trillion per annum.

Negotiations on the ITA expansion were based on the original Information Technology Agreement (ITA) of December 1996. The ITA expansion was a significant contribution to trade liberalisation, in light of the development of new technologies for IT products.

Fifty-one WTO Members from developed and developing countries, including Malaysia, were involved in the negotiations on the ITA expansion, which accounted for approximately 90.0 per cent of world trade in IT products. All WTO members will enjoy duty-free market access to the markets of member economies for these IT products through the ITA expansion.

As a result of the negotiations, approximately 65.0 per cent of tariff lines will be fully eliminated on 1 July 2016 while the remaining tariff lines will be completely phased-out in four stages over three years.

ASEAN

Chair of ASEAN 2015

Malaysia took over the Chair of ASEAN from the Republic of the Union of Myanmar on 1 January 2015. This is the fourth time Malaysia has become the Chair since ASEAN's establishment in 1967. Malaysia adopted the theme *'Our People, Our Community, Our Vision'* to emphasise the importance of individuals and communities in moving ASEAN forward.

Eight key priorities were identified as Malaysia's deliverables:

- formally establishing the ASEAN Community;
- developing the ASEAN Community's post-2025 vision;
- steering ASEAN closer to its peoples;
- strengthening the development of SMEs in the region;
- expanding intra-ASEAN trade and investments;
- strengthening ASEAN's institutions;
- promoting regional peace and security through moderation; and
- enhancing ASEAN's role as a global player.

Summits, Meetings and Retreats

Malaysia hosted two ASEAN Summits in 2015. The 26th ASEAN Summit (26 - 28 April 2015) in Kuala Lumpur and Langkawi, Kedah was attended by all ASEAN Heads of State/Governments. The 27th ASEAN Summit and Related Summits (21 - 22 November 2015) in Kuala Lumpur was attended by all ASEAN Heads of State/ Governments as well as leaders of ASEAN Dialogue Partners, from Australia, the Republic of China, Japan, the Republic of Korea, India, New Zealand, the Russian Federation, the United States of America, and the Secretary General of the United Nations.

Malaysia hosted several meetings on the ASEAN Economic Community (AEC):

- The 21st ASEAN Economic Ministers' (AEM) Retreat in Kota Bharu, Kelantan (28 February - 1 March 2015);
- The Regional Comprehensive Economic Partnership (RCEP) Intersessional Ministerial Meeting (13 July 2015) in Kuala Lumpur; and
- The 47th AEM Meeting and Related Meetings (20 - 25 August 2015), also in Kuala Lumpur.

AEC Council Ministers met twice in 2015 to ensure the smooth transition of the AEC Blueprint 2015 and the continuation of economic integration through the AEC Blueprint 2025. The meetings were held on 26 April 2015 (at the sidelines of the 26th ASEAN Summit) and on 20 November 2015 (at the sidelines of the 27th ASEAN Summit and Related Summits).

The 29th ASEAN Free Trade Area (AFTA) Council Meeting and the 18th ASEAN Investment Area (AIA) Council Meeting were also held during the 47th AEM Meeting and Related Meetings. Besides these, the High-Level Task Force on ASEAN Economic Integration (HLTF-EI) meeting chaired by Malaysia, also met twice in 2015.

Other AEC-related meetings hosted by Malaysia include:

- The 19th ASEAN Finance Ministers' Meeting (AFMM) (20 - 21 March 2015);
- The 33rd ASEAN Ministers on Energy Meeting (AMEM) (5 - 9 October 2015); and
- The 21st ASEAN Transport Ministers (ATM) Meeting (5 November 2015.) All meetings were held in Kuala Lumpur.

Outcomes and Achievements

Malaysia assumed a key role and worked with other ASEAN Member States and ASEAN Dialogue Partners in ensuring the eight priorities identified were realised by end 2015. All these efforts culminated in the historic announcement and the signing of the Kuala Lumpur Declaration on the Establishment of the ASEAN Economic Community (AEC) on 22 November 2015. With the signing, AEC became a reality on 31 December 2015.

Another major achievement under Malaysia's Chair was the finalisation and signing of the Kuala Lumpur Declaration on ASEAN 2025: Forging Ahead Together. This document outlines the plan for the next 10 years from 2016 - 2025 to further deepen integration of ASEAN, covering the political security pillar, economic pillar and socio-cultural pillar.

Other key reports and documents launched in 2015 include:

- **The ASEAN Integration Report 2015 and AEC 2015: Progress and Key Achievements.** This report is an analysis of the progress, achievements and evaluation of the impact of the AEC 2015 Blueprint;

- **The ASEAN Strategic Action Plan for SME Development 2016 - 2025 (SAP SMED 2025)**. This focusses on promoting productivity, technology and innovation, increasing access to finance, enhancing market access and internationalisation, enhancing policy and regulatory environment as well as promoting entrepreneurship and human capital development. A new focus under the Plan is to strengthen micro-enterprises (MSMEs) and enhance their competitiveness and resilience.

No.	Documents Signed and Adopted
1.	Kuala Lumpur Declaration on a People-Oriented, People-Centred ASEAN;
2.	Langkawi Declaration on the Global Movement of Moderates;
3.	Declaration on Institutionalising the Resilience of ASEAN and its Communities and Peoples to Disasters and Climate Change;
4.	2015 Kuala Lumpur Declaration on the Establishment of the ASEAN Community;
5.	Kuala Lumpur Declaration on ASEAN 2025: Forging Ahead Together: • ASEAN Political-Security Community Blueprint 2025; • ASEAN Economic Blueprint 2025; and • ASEAN Socio-Cultural Community Blueprint 2025;
6.	ASEAN Convention Against Trafficking of Persons, Especially Women and Children;
7.	Kuala Lumpur Declaration on Ageing: Empowering Older Persons in ASEAN;
8.	ASEAN Joint Statement on Climate Change 2015;
9.	Regional Framework and Action Plan to Implement the ASEAN Declaration on Strengthening Social Protection;
10.	Kuala Lumpur Declaration on Higher Education;
11.	Regional Plan of Actions on Elimination of Violence Against Women;
12.	Regional Plan Of Actions on Elimination of Violence Against Children;
13.	Declaration on ASEAN Post-2015 Environmental Sustainability and Climate Change Agenda; and
14.	Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation and Certain Agreements thereunder between ASEAN and China

- **The ASEAN Investment Report 2015** This reviews the rise of Foreign Direct Investment (FDI) flows into ASEAN and highlights the role of corporate players in infrastructure and connectivity; and

- **The ASEAN Young Entrepreneurs Council (AYEC) Report** highlights the participation of youth in the regional integration initiative.

Beginning January 2016, Lao PDR took over as Chair from Malaysia. This is the beginning of the implementation of the next phase of integration of ASEAN covering the period 2016 - 2025.

THE ASEAN ECONOMIC COMMUNITY (AEC)

The formal establishment of the ASEAN Economic Community (AEC) on 31 December 2015 is a reflection of the monumental effort by the 10-nation group over the last two decades. As at end December 2015, a total of 475 out of the 506 key prioritised measures have been implemented, which translate to a high implementation rate of 93.9 per cent for the year. Adoption and application of the AEC measures across ASEAN will create a more unified market where barriers to trade, services and investment would be substantially reduced or eliminated. It will also allow for greater and freer flow of capital and mobility of skilled persons intra-regionally.

The establishment of the AEC is expected to further contribute to reducing poverty, improving the overall well-being of the people, strengthening economic development and promoting the expansion of extra-and intra-ASEAN trade and investment.

Based on economic data from 2007, the AEC is seen to have a favourable impact on the economic resilience of the 10-Member States. Average GDP growth of ASEAN for the period 2007-2015 was 5.1 per cent. GDP growth in 2014 was 4.6 per cent and in 2015 growth dipped slightly to 4.4 per cent due to the global economic slowdown. With the expected pick-up in demand from advanced and developed economies of the US and the EU, the region's GDP is projected to grow to 4.5 per cent in 2016 and 4.8 per cent in 2017.

The overall structure of ASEAN economies has also evolved with the growing importance of the services sector. Services contributed to 50.2 per cent of the collective GDP of ASEAN economies in 2014, compared to the 38.0 per cent contribution by industry and 11.0 per cent by agriculture.

AEC collectively is the third largest market in the world with 622 million people, just behind China and India. ASEAN was the world's 7th largest economy in 2015 with a combined GDP of USD2.57 trillion, a near doubling of the 2007 figure of USD1.33 trillion.

The region has also turned into a global investment destination, accounting for 11.0 per cent of the world's total FDI inflows in 2014, a healthy increase from just 5.0 per cent in 2007. Likewise in trade, ASEAN has played an increasingly important role in the global economy, with total trade reaching USD2.53 trillion in 2014 compared to USD1.61 trillion in 2007.

Eliminating Tariff and Non-Tariff Barriers (NTBs)

In an effort to enhance intra-ASEAN trade, ASEAN has eliminated import duties on 96.0 per cent of the tariff lines under the ASEAN Trade in Goods Agreement (ATIGA). Average ATIGA rate is negligible for ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Thailand and Singapore) with tariffs eliminated across 99.2 per cent of products. Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) have also been gradually eliminating duties and to-date has eliminated duties on 90.8 per cent of tariff lines. These four CLMV countries will eliminate duties on the remaining tariff lines by 1 January 2018.

With the elimination of import duties on intra-ASEAN trade underway, ASEAN is turning its attention towards trade facilitation measures. Removal of Non-Tariff Barriers (NTBs) and other restrictions under the AEC is now priority. The ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC) was revived specifically to work on developing a comprehensive action plan to address and reduce the prevalence of NTBs in the region. ATF-JCC comprises representatives across both public and private sectors that will proactively identify, reduce and eliminate restrictive trade measures.

Complaints on Barriers to Business - ASEAN Solutions for Investment, Services and Trade (ASSIST)

To facilitate the private sector in lodging complaints on barriers or other restrictions in doing business in the region, the ASEAN Solutions for Investment, Services and Trade (ASSIST) was launched on 21 November 2015 at the sidelines of the 27th ASEAN and Related Summit in Kuala Lumpur. ASSIST serves as an internet-based problem-solving facility that provides a non-legal and non-binding mechanism capable of swiftly and effectively resolving operational problems encountered by the business community on cross-border issues that are related to the implementation of ASEAN agreements. It is expected to be fully operational in September 2016.

Single Point Access to Trade-Related Information – National Trade Repositories (NTRs)

Efforts to develop NTRs were stepped up in 2015. NTRs will form the basis for developing the ASEAN Trade Repository (ATR). NTRs will operate as a single point of access for pertinent trade-related information on ASEAN Member States, such as MFN tariffs, preferential tariffs offered under ATIGA and ASEAN FTAs with Dialogue Partners, rules of origin, non-tariff measures, national trade and customs laws and rules, as well as procedures and documentary requirements, administrative rulings, best practices, and a list of authorised traders. In 2015, NTR web portals were established in Cambodia, Indonesia, Lao PDR, Malaysia, the Philippines, Singapore, Thailand and Viet Nam, while the other two ASEAN Member States are working expeditiously towards the establishment of their respective NTRs.

Problem Solving Across Governments – ASEAN Pathfinder Project

Malaysia launched the ASEAN Pathfinder Project in 2015. It aims at facilitating companies that face problems in doing business or investing in ASEAN, by allowing direct access to governments in the region. It is an initiative that focusses on solving problems through the removal of trade and investment roadblocks. The project received favourable support and buy-in from the private sector and governments in the region. The First ASEAN Pathfinder Problem Solving Clinic was held on 8 October 2015 in Kuala Lumpur and this was followed by clinics in Viet Nam (16 October 2015) and Myanmar (19 October 2015). At the initial stage nine companies participated at the workshop held in Kuala Lumpur. In addition, 55 Malaysian companies also participated at the open clinic session in Kuala Lumpur to understand the concept of the ASEAN Pathfinder Project.

Facilitating Trade - ASEAN Self-certification Scheme

Other on-going efforts to enhance trade facilitation include the ASEAN Self-certification Scheme which enables certified economic operators to self-certify the origin of goods for preferential tariff concessions under ATIGA. Discussions on the possible reconciliation of the Self-Certification Pilot Project 1 and 2 towards achieving a single ASEAN-wide Self-certification Scheme is still on-going and the full implementation is targeted for end 2016.

Cargo Clearance – ASEAN Single Window (ASW)

Efforts to further hasten economic integration and expedite the process of cargo clearance formed the basis for the establishment of the ASEAN Single Window (ASW) . The ATIGA CO Form D which is the main document to be exchanged under the ASW system, will be traded among the five member economies namely Indonesia, Malaysia, Singapore, Thailand and Viet Nam. In addition to this, efforts are also on-going to develop the ASEAN Customs Transit System (ACTS) which serves as a management system for customs transit. The ACTS will increase the efficiency and effectiveness of transit procedures at customs checkpoints within the ASEAN region.

Liberalising Services – ASEAN Framework Agreement on Services (AFAS)

To promote the development of the services sector within ASEAN, Member States will continue to liberalise the services sector through the implementation of AFAS. Restrictions to modes of supply have been reduced and equity ownership liberalised to allow for freer flow of trade in services in the region across the 12 broad services sub-sectors, namely, business services, communication services, construction and related engineering services, transport services, financial services, distribution services, educational services, environmental services, health related and social services, tourism and travel-related services, recreational, cultural and sporting services.

As at December 2015, ASEAN has concluded nine services liberalisation packages covering over 100 sub-sectors. ASEAN continues to pursue the liberalisation of services sector under the 10th Package or Final Package of AFAS, discussions of which are still ongoing.

Movement of Skilled Persons Across Borders

Besides the liberalisation of the services sector, ASEAN has also facilitated the mobility of skilled people in the region through the mutual recognition arrangements (MRAs). To date, 1,252 engineers and 284 architects have been registered under the ASEAN Chartered Professional Engineers Register and the ASEAN Architect Register, respectively.

Removal of Restrictions on Investment – ASEAN Comprehensive Investment Agreement (ACIA)

Removal of restrictions under ACIA continued to be implemented in 2015. Brunei Darussalam, Indonesia, Lao PDR, and Myanmar undertook the revision of the reservations lists to further liberalise and improve the investment regime in their respective countries. Other ASEAN Member States also undertook to further improve their investment regimes through economic reforms and other investment facilitation measures.

Cooperation on Macroeconomic Policy and Financial Integration – ASEAN Banking Integration Framework (ABIF)

The ASEAN Finance Ministers and Central Bank Governors (AFMGM) Meeting held in March 2015 endorsed AFMGM's establishment as a permanent mechanism to further enhance cooperation on regional macroeconomic policy and financial integration, where appropriate. A significant achievement is the conclusion of ABIF which seeks to achieve a more integrated banking market, spearheaded by Qualified ASEAN Banks (QABs) that have the potential for a meaningful presence across ASEAN Member States. With ABIF, any two ASEAN Member States may enter into reciprocal bilateral agreements to provide QABs with greater market access, and operational flexibilities consistent with those of domestic banks in the respective host countries.

Better Transport and Connectivity – Protocol to Implement the Ninth Package of Commitments on Air Transport Services

The ASEAN Transport Ministers signed the Protocol to Implement the Ninth Package of Commitments on Air Transport Services under AFAS and endorsed the ASEAN Transport Strategic Plan 2016-2025 and the ASEAN Regional Road Safety Strategy. The ASEAN Transport Strategic Plan serves as a guiding regional policy document towards greater connectivity, efficiency, integration, safety and sustainability of ASEAN transport. Protocol 2 of ASEAN-China Air

Transport Agreement on the Fifth Freedom Traffic Rights came into effect on 8 September 2015 which further liberalises the air services regime between ASEAN and China.

AGREEMENTS SIGNED BY ASEAN IN 2015

Two agreements were signed in 2015 involving ASEAN and its FTA Partners:

i. The Protocol to Amend the Framework Agreement on Comprehensive Economic Co-Operation between ASEAN and the People's Republic of China signed at the 27th ASEAN Summit on 21 November 2015 in Kuala Lumpur. This Protocol involved the upgrading of the ASEAN-China FTA for Trade in Goods, Services, Investment and Economic and Technical Cooperation (ECOTECH).

ii. The Third Protocol to Amend the ASEAN-Korea Trade in Goods (AK-TIG) Agreement, signed on 22 November 2015 in Kuala Lumpur. It provides for the removal of the reciprocity concept in the enjoyment of preferential tariffs and allows parties to use advance ruling in the clearance of goods.

DOCUMENTS ADOPTED BY ASEAN IN 2015

i. The Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity (2016 - 2020);
ii. The ASEAN-China Strategy on Environmental Cooperation 2016 - 2020;
iii. The Assessment of the AANZFTA Economic Cooperation Support Programme (AECSP);
iv. The 2016 - 2020 Work Plan to Implement the ASEAN-Canada Joint Declaration on Trade and Investment;
v. The Plan of Action to implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity (2010 - 2015); and
vi. The Plan of Action to implement the ASEAN-India Partnership for Peace, Progress and Shared Prosperity (2016 - 2020).

ASEAN'S EXTERNAL RELATIONS – IN PURSUIT OF GROWTH

ASEAN leaders and ministers continued to engage in negotiations with Dialogue Partners, namely China, Japan, Republic of Korea, India, Australia, New Zealand, the United States, the European Union, Canada and the Russian Federation, in pursuit of building a cohesive and vibrant region that is fully integrated into the global economy.

ASEAN-CHINA

The Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the People's Republic of China – ACFTA Upgrade

The ACFTA, ASEAN's first FTA, was signed and implemented in 2004. With the trading environment having evolved since then, it was imperative to upgrade and amend the FTA and negotiations for this have been successfully completed.

The Protocol was signed at the 27th ASEAN Summit on 21 November 2015 in Kuala Lumpur. The upgrading of ACFTA aims to streamline and enhance economic cooperation, in line with changes in the trade and economic landscape between ASEAN and China, including amendments to the agreement on Trade in Goods, Services, Investment and Economic and Technical Cooperation (ECOTECH).

The upgrade offers further market access commitments and opens new business opportunities between ASEAN and China.

ASEAN-JAPAN

Conclude Trade in Services under ASEAN – Japan Comprehensive Economic Partnership (AJCEP) Agreement
In 2015, the leaders under AJCEP applauded the conclusion of negotiations on Trade in Services, including the Financial and Telecommunication Annexes and the Movement of Natural Persons (MNP) Chapters under this Agreement. They further called for negotiations on investment to be concluded as soon as possible.

Both ASEAN and Japan agreed to double their collective trade and investment flows by 2022 and paid recognition to the significant role of AJCEP in deepening economic integration between ASEAN and Japan.

ASEAN-HONG KONG

ASEAN-Hong Kong Free Trade Agreement (AHKFTA)
ASEAN and Hong Kong SAR commenced negotiations on a free trade agreement (FTA) in 2014, after ASEAN Leaders gave their endorsement for the FTA in 2013. Both parties believe that the FTA can contribute towards the deepening of economic integration within the East Asian region. The AHKFTA Trade Negotiating Committee (TNC) has met six times, most recently from 7 - 11 March 2016 in Siem Reap, Cambodia. Overall, AHKFTA negotiations have progressed smoothly and the TNC is on track towards its target of concluding negotiations by 2016, as mandated.

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (RCEP)

One of the key initiatives undertaken and intensely negotiated in 2015 was RCEP, involving ASEAN and its FTA partners, namely China, Japan, Republic of Korea, India, Australia and New Zealand. Three rounds of negotiations were held in 2015. The RCEP Ministers met twice in July and August 2015 in Kuala Lumpur to resolve specific issues related to modalities on market access commitments for goods and services.

The aspiration of all parties was to conclude RCEP by end 2015. Noting that there were still substantial amounts of work that had to be done, RCEP Leaders agreed to extend the timeline for conclusion of negotiations by end December 2016.

ASEAN MAJOR EVENTS

MY ASEAN Internship: Beyond 2015.
Malaysia launched the 'MY ASEAN Internship: Beyond 2015', a programme involving established Malaysian corporations offering and hosting ASEAN-level cross internships.
MY ASEAN Internship is a collaboration between the Ministry of International Trade and Industry (MITI) Malaysia and Talent Corporation Malaysia (TalentCorp) to engage top ASEAN students and fresh graduates in a programme that will raise their awareness of ASEAN and the ASEAN Economic Community (AEC).The following are the key features:

Malaysian undergraduates are provided the opportunity to do an internship in an ASEAN country, while ASEAN students, especially those studying in Malaysia or those who have recently graduated from Malaysian universities, are provided the opportunity to work here in Malaysia.

Malaysian corporations act as 'employers', which include AirAsia, Axiata, BDO, CIMB, DiGi, GE, Maybank, Deloitte, Nestle, Frost & Sullivan, Group M, Unilever, IKEA, Nestle, KPMG and ZicoLaw.

In 2015, a total of 21 employers participated in the MY ASEAN Internship programme, including 25 interns from Malaysia and 15 interns from ASEAN (Indonesia-8, Viet Nam-5 and Myanmar-2).

12th ASEAN Leadership Forum (ALF)

The 12th ALF by Asian Strategy & Leadership Institute (ASLI) was held on 26 April 2015. The event was co-organised by MITI and Ministry of Foreign Affairs. ALF is an annual forum held in conjunction with the April Summit, bringing together leaders from governments, businesses, academia and civil society to brainstorm and discuss the key issues and strategic challenges facing ASEAN. ALF debated and deliberated on the progress and achievements as well as gaps in AEC, thereby deepening ASEAN integration and strengthening competitiveness.

ASEAN Business & Investment Summit (ABIS) and ASEAN Business Awards (ABA)

ABIS and ABA, organised by the ASEAN Advisory Business Council (ABAC) were held on 20 - 21 November 2015. The Business Summit was inaugurated by the Prime Minister of Malaysia and attended by several ASEAN Economic Ministers. The second day of the Summit was attended by the President of the United States, Barack Obama; the Prime Minister of Japan, Shinzo Abe; and the Prime Minister of India, Narendra Modi. The three leaders addressed the importance of increased partnership between ASEAN and other nations for sustainable socio-economic growth.

ABIS is ASEAN's premier annual business and investment event which provides a key platform for the business community to interact with ASEAN leaders, business leaders, entrepreneurs and key decision makers by discussing the pressing issues that impact the region's potential and attractiveness for business and investment. The Summit involved open and robust discussions on how to advance the public-private partnership (PPP) agenda, seen as critical in ensuring ASEAN economic development.

One major initiative launched at ABIS was the Growth Accelerator Exchange (GAX) which is a platform providing e-finance, e-payments and e-logistics facilities to SMEs, micro-institutions and individuals. The Peer-to-Peer and Crowdfunding financing is an initial first step that can provide small companies access to competitive financing facilities to help them build, sustain, compete and grow their business operations.

Global Investors' Dialogue (GID)

GID, co-organised by Bank Negara Malaysia (BNM) and Black Rock, the world's largest asset management company, was held on 20 November 2015. GID's objective is to enable meaningful exchange between ASEAN leaders and a select community of global private institutional investors who are considering investing in ASEAN. The dialogue provided a platform for ASEAN to attract private investments that complement not only the existing fiscal resources but also to address the substantial infrastructure funding requirements in the respective economies.

AEC BLUEPRINT 2025

The AEC Blueprint 2025 was launched at the 27th ASEAN Summit in Kuala Lumpur in November 2015. The Blueprint builds on the achievements and early gains of AEC 2015, while taking into consideration the dynamics of regional economic integration and evolving domestic and external environments. The Blueprint is the outcome of a year of planning and intense discussions, and reflects the determination of ASEAN Member States to forge ahead with the next phase of ASEAN's evolvement.

This is an ambitious and forward-looking successor document that outlines strategic measures that will be implemented by the region over the next ten years with the following main characteristics:

i. A Highly Integrated and Cohesive Economy;
ii. A Competitive, Innovative, and Dynamic ASEAN;
iii. An ASEAN with Enhanced Connectivity and Sectoral Cooperation;
iv. A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and
v. A Global ASEAN.

Its objective is to ensure that the 10 ASEAN Member States are economically and sustainably integrated and are able to gainfully participate in the global economy, to be stable and resilient in the face of economic volatility, and to contribute to the mutual goal of shared prosperity among all. The focus of AEC 2025 is to ensure:

- a well-integrated and connected ASEAN economy within the global economic system;
- a business-friendly, trade-facilitative, market-driven and predictable environment which inspires investor confidence;
- a region with a key role in global value chains and increased participation in high value-added and knowledge-based activities;
- a competitive and dynamic region that inspires innovation, and where businesses of all sizes thrive, and where consumer rights are protected;
- a community where the benefits from economic integration are equitably shared among and within ASEAN Member States, including micro, small and medium enterprises, youth, and women entrepreneurs; and
- a connected region where improvements in transport linkages and infrastructure help people and businesses move efficiently and work more productively across borders, expand market reach and strategically source goods and services.

Under the Blueprint, further liberalisation initiatives will be implemented including:

- eliminating remaining tariffs on products that are traded within ASEAN;
- reducing and progressively eliminating restrictions and barriers to trade in services;
- enhancing trade facilitation initiatives through further simplification of rules of origins for preferential tariffs;
- simplifying customs procedures and facilitating mobility of skilled workers;
- strengthening intellectual property rights, competition policy and consumer protection;
- enhancing the use of digital technology and innovation and promoting greater connectivity throughout ASEAN; and
- ensuring that regulations introduced are pro-competitive and based on good international best practices.

Sustainable and inclusive economic development will be an integral part of the region's growth strategy. AEC 2025 will also include further integration of a number of economic sectors such as transport, agriculture, minerals, healthcare, ICT, energy, e-commerce and tourism, through liberalisation and facilitation measures.

Regional Growth Area

The Summit meetings of the sub-regional growth area of Indonesia-Malaysia-Thailand (IMT-GT) and the sub-regional growth area of Brunei-Indonesia-Malaysia and the Philippines (BIMP-EAGA) were held in April 2015, back-to-back with the ASEAN Summit in Langkawi, Kedah. The Summit meetings took positive note of the increased collaboration between ASEAN and the various sub-regional cooperation mechanisms at the secretariat level, in the effort to align sub-regional initiatives with regional commitments. Cognisant of the important role that sub-regional growth areas play in realising AEC and in narrowing the development gap, the leaders reaffirmed their strong commitment to push forward with the implementation of the work plan to promote development in these sub-regional areas, especially in enhancing economic activities and promoting greater connectivity through improved infrastructure facilities.

Consultations with Stakeholders and AEC Awareness Programmes

MITI in collaboration with various industry associations, universities and civil societies conducted over 100 outreach programmes and activities on AEC throughout 2015. The main objective was to update and create greater awareness among the stakeholders on the benefits of AEC, as well as to get the business community to take advantage of the AEC to expand their businesses and investments in the region.

ASEAN leaders and economic Ministers lent support by continuing to engage with stakeholders throughout 2015. ASEAN leaders met with the ASEAN Business Advisory Council and the East Asia Business Council. The leaders endorsed the enhanced role of the ASEAN-Business Advisory Council (ASEAN-BAC) in the regional integration efforts, including engaging and promoting AEC to various stakeholders in the region and engaging with foreign business councils to promote AEC. ASEAN BAC used the ASEAN Business Awards programme as a platform to create awareness of the AEC and spur domestic companies, especially SMEs to be more innovative and competitive.

ASEAN Economic Ministers also engaged with the ASEAN-BAC, US-ASEAN Business Council (USABC), EU-ASEAN Business Council (EUABC), Canada-ASEAN Business Council (CABC), ASEAN-India Business Council (AIBC) and the East Asian Business Council (EABC) during their annual meeting in August 2015. Various business councils have also provided substantial inputs to ASEAN through their various sectoral studies. Some of these recommendations have been incorporated into the AEC Blueprint 2025.

One of their main concerns is for ASEAN to accelerate work on trade facilitation, which includes harmonising rules and regulations, aligning product standards to international standards, enhancing the use of ICT in customs simplification initiatives, and creating a more business-friendly environment to ensure ASEAN remains a globally competitive economic entity.

The key role of ASEAN is to bring about sustainable regional convergence. It is no longer about the size of the market, but getting the region to be efficiently integrated and borderless; where ASEAN becomes one, through increased connectivity and the removal of barriers.

ASIA PACIFIC ECONOMIC COOPERATION (APEC)

The 2015 APEC Strategy for Strengthening Quality Growth

APEC 2015, hosted by the Philippines with the theme *'Building Inclusive Economies, Building a Better World'*, focussed on the importance of inclusive growth as a means towards building a better world. The Philippines has set four main priorities for the year:

- enhancing regional economic integration;
- fostering Micro, Small and Medium Enterprises (MSMEs) participation in the regional and global market;
- investing in human capital development; and
- building sustainable and resilient communities.

Work programmes under these four priorities were undertaken in line with APEC's three pillars – trade and investment liberalisation, business facilitation and economic and technical cooperation (ECOTECH).

At APEC 2015 in Manila, APEC leaders reiterated their commitment to the 2010 APEC Leaders' Growth Strategy and recognised its continuing relevance in guiding the region towards prosperity through trade and investment liberalisation and facilitation.

APEC leaders reaffirmed in 2015, their aspirations towards a balanced, inclusive, sustainable, innovative and secure growth for the region by strengthening the 2010 APEC Growth Strategy to respond to emerging challenges. The 2015 Strategy for Strengthening Quality Growth outlined key accountability areas for APEC economies to achieve by 2020. In addition, APEC has agreed to the APEC Services Cooperation Framework which will play a pivotal role towards achieving the Bogor Goals and providing a common strategic direction as well as promoting coherence in APEC's work in services. It also ensures that APEC's multi-fora and multi-stakeholder services agenda will remain dynamic and responsive to economic, market and technological developments of each APEC economy.

Throughout the year, Malaysia has worked on advancing regional economic integration by actively participating in the APEC Committee on Trade and Investment (CTI) initiatives. One of the significant initiatives led by Malaysia was integrating SMEs in the Global Value Chain, specifically, in the automotive sector. Malaysia initiated the Regional Automotive Supplier Excellence Programme's (RASEP) project together with the Philippines.

The APEC Ease of Doing Business (EoDB) has entered its second phase with the introduction of the APEC EoDB Action Plan (2016-2018). The Action plan focuses on further improvements in five areas related to business environments such as starting a business, getting credit, trading across borders, enforcing contracts and dealing with permits. Malaysia and Singapore volunteered to co-champion initiatives in '*Trading Across Borders*'.

On the sectoral front, Malaysia hosted the 10th APEC Telecommunication Ministerial Meeting in Kuala Lumpur. This meeting resulted in the APEC TEL Strategic Plan 2016-2020 which will chart the future of APEC in telecommunication initiatives. APEC will continue to develop and support ICT innovation to enhance digital and internet economies.

Malaysia also hosted the 3rd Chief Science Advisors Meeting in Kuala Lumpur from 15 to 16 October 2015. The meeting raised concerns on science diplomacy and critical needs to bridge lines of communication between the scientific and policy communities. This avenue is important in addressing issues ranging from climate change, disaster risk reduction and economic growth, to facilitating regional cooperation.

For the year 2015, Malaysia under the ambit of ECOTECH, initiated three APEC funded projects, with a total value of USD386,525.00. These were in the areas of good regulatory practices, medical external quality assurance and effective science communication among APEC young scientists. Malaysia also benefitted from APEC ECOTECH programmes through the participation of 192 APEC funded Malaysian participants/ speakers in various workshops and seminars supported by APEC.

Malaysia will be hosting APEC 2020 with MITI as the National APEC Secretariat, responsible for spearheading Malaysia's economic interest. As an active member of APEC, Malaysia continues to help align and drive APEC initiatives towards supporting sustainable economic growth and prosperity in the Asia-Pacific region. Year 2020 will be important as APEC has set many significant goals and targets to be achieved by then.

DEVELOPMENTS IN TRADING AGREEMENTS

Free Trade Agreements (FTAs) Currently In Force

Malaysia has seven bilateral FTAs currently in force and they are with Australia, Chile, India, Japan, New Zealand, Pakistan and Turkey. At the regional level, Malaysia and her ASEAN partners have established the ASEAN Free Trade Area or AFTA. Together under ASEAN, Malaysia has also implemented six plurilateral FTAs with China, Japan, Korea and India, as well as Australia and New Zealand.

Collectively, total trade with the countries covered by both the regional and bilateral FTAs amounted to RM927.66 billion, with exports worth RM492.41 billion while imports totalled RM435.25 billion. FTA partner countries contributed 63.1 per cent of Malaysia's total exports in 2015.

In 2015, Malaysia's main exports to FTA partners were electrical & electronics products (E&E), petroleum products, LNG, chemicals and chemical products, crude petroleum, manufactures of metal, palm oil and palm-based products, machinery, appliances and parts, optical and scientific equipment as well as processed food.

Through various FTAs, Malaysia recorded increases in exports to the markets of China, Turkey, Chile, Pakistan, Thailand, Viet Nam, the Philippines, Myanmar and Cambodia.

With the implementation of the Malaysia-Turkey Free Trade Agreement (MTFTA) in August 2015, exports to Turkey expanded by 54.5 per cent to RM3.8 billion in 2015 compared to 2014 (RM2.5 billion). Increases in exports were recorded for palm-based products, chemicals and chemical products as well as manufactures of metal.

Exports to Chile registered an expansion of 51.6 per cent or RM291.7 million in 2015 (2015: RM856.4million, 2014: RM564.8 million) contributed mainly by increased exports of E&E products, chemicals and chemical products as well as apparel and clothing accessories. In 2015, Chile displaced Argentina as the second largest export destination in South America, a position Argentina held for ten years since 2005.

Exports to Pakistan increased by 3.6 per cent or RM144.3 million (2015: RM4.1 billion, 2014: RM4.0 billion) benefitting from higher exports of chemicals and chemical products, petroleum products, manufactures of metal, textiles, machinery, appliances and parts as well as E&E products.

FTAs Under Negotiations

Malaysia is currently undertaking four FTA negotiations namely: the Malaysia-European Free Trade Area Economic Partnership Agreement (MEEPA), the Malaysia-European Union Free Trade Agreement (MEUFTA), the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN-Hong Kong Free Trade Agreement (AHKFTA).

Malaysia-European Free Trade Area Economic Partnership Agreement (MEEPA)

Negotiations for the MEEPA commenced in March 2014 when the First Round of negotiations was held in Geneva, Switzerland. The scope and elements of the FTA include trade in industrial goods, including fish and other marine products, trade in agricultural products, trade remedies, technical barriers to trade, sanitary and phytosanitary, rules of origin, trade facilitation and customs cooperation, trade in services, investment, intellectual property rights, competition, as well as legal and horizontal issues including dispute settlement. Five rounds of negotiations have been held, as at end 2015.

Malaysia-European Union Free Trade Agreement (MEUFTA)

The MEUFTA was launched in October 2010, and negotiations began two months later. In 2012, upon completion of eight rounds of negotiations, both sides agreed to pause talks. At that juncture, both Malaysia and the EU were of the view that negotiating options had been exhausted, and an impasse was inevitable. Although there have been no formal rounds since September 2012, informal engagements continued at the Chief Negotiators' level. The MEUFTA will be a comprehensive, high quality agreement, covering areas such as market access for goods and services, investment, intellectual property rights (IPR), government procurement (GP) and sustainable development.

Regional Comprehensive Economic Partnership (RCEP)

The RCEP is one of the key free trade initiatives in Asia. It involves building on the existing ASEAN + 1 FTA that ASEAN has signed with China, Japan, Korea, India, Australia and New Zealand. It is aimed at deepening economic integration of East Asia through a more trade facilitative agreement by streamlining procedures, rules and regulations among the 16 countries.

Collectively, the 16 RCEP countries, based on 2014 data, accounted for 48.6 per cent of the global population, with a combined GDP of USD22.68 trillion or 29.3 per cent of the world GDP. The 16 countries accounted for 25.2 per cent of global trade valued at USD9.6 trillion.

Economic integration and removal of barriers to trade and investments in this wider regional trade architecture will not only benefit RCEP countries but will also contribute to the global economy. It will also lead to improving connectivity within the region, narrowing the development gap, and enabling the maximisation of resources.

RCEP negotiations which commenced in 2013 were expected to be completed in 2015. Given that the negotiations are complex and challenging, RCEP Leaders at their meeting on 22 November 2015 agreed to extend the timeline for substantial conclusion of negotiations to end 2016. To date 11 Rounds of negotiations have been held, four of which were held in 2015.

The current scope of RCEP covers trade in goods which also includes customs, sanitary and phytosanitary, technical barriers to trade and rules of origin; trade in services, including financial and telecommunication services; investment; economic and technical cooperation; intellectual property; competition; and dispute settlement. Apart from main RCEP Trade Negotiating Committee (TNC) 14 negotiating groups have been established to negotiate these areas.

RCEP Ministers met twice in 2015 to provide guidance and to decide on key outstanding issues. Among the decisions taken by the ministers include endorsing the market access commitment modalities for trade in goods, services and investment. The ministers also agreed to expand the scope of RCEP to include e-commerce and SME cooperation.

The RCEP is a response towards the changing and challenging business climate. Leaders also resolved that the RCEP should deliver on its potential as a growth driver and key pathway for a broader economic integration in the region. To achieve this target, the RCEP is being negotiated to be user-friendly, adaptable to the global-value-chain business concept, addressing concerns of micro, small and medium enterprises, as well as providing shared opportunities for all RCEP members.

In 2016, at least three more rounds of negotiations will be held. Focus would be given to adhering to the target set on offers and finalising the text of RCEP.

ASEAN-Hong Kong Free Trade Agreement (AHKFTA)

ASEAN and Hong Kong SAR commenced negotiation of a free trade agreement (FTA) in 2014 after receiving endorsement from the ASEAN Leaders in 2013. Both parties shared the belief that the FTA would contribute to further strengthen economic integration in the East Asian Region.

The AHKFTA Trade Negotiating Committee (TNC) has met five times, most recently from 29 November to 3 December 2015 in Hong Kong SAR. Overall, AHKFTA negotiations have progressed well and the TNC is on track towards the target of concluding the negotiations by end 2016, as mandated.

FREE TRADE AREA OF THE ASIA PACIFIC (FTAAP)

The idea for a free trade area of the Asia Pacific was first mooted by the APEC Business Advisory Council or ABAC in 2004. It was a signal from the business community that there was a need for a more liberalised trade and investment in the region, since business models have continuously evolved and revolutionised through an integrated global value and supply chain towards greater efficiency and productivity. ABAC sees the FTAAP as the most effective and comprehensive mechanism for addressing barriers to trade and investment in the region.

In 2006, APEC recognised FTAAP as a long-term prospect and a vehicle to achieve regional economic integration and the Bogor Goals of free and open trade and investment by 2020. In 2010, in Yokohama, Japan, Leaders concurred that FTAAP is the vehicle to achieve these objectives, and agreed on the following pathways:

- FTAAP to address trade and investment barriers;
- FTAAP to be a comprehensive, high quality FTA, built on ongoing regional undertakings, such as ASEAN+3, ASEAN+6 and TPP;
- APEC to act as incubator of RTAs/FTAs in the Asia-Pacific region; and
- APEC to continue and further develop work on sectoral initiatives.

APEC Leaders in 2014 in Beijing, subsequently endorsed the ‘Beijing Roadmap’ including the undertaking of a Collective Strategic Study on Issues Related to the Realisation of the FTAAP, to be finalised by 2016. The Collective Strategic Study is a reflection of the agreement by APEC Leaders that the FTAAP should build on on-going regional undertakings and do more than achieve liberalisation in its narrow sense. FTAAP should be a comprehensive, high quality agreement and must incorporate and address “next generation” trade and investment issues.

A Task Force for the FTAAP Collective Strategic Study, co-chaired by China and the US, was then established to undertake the initiative. Malaysia is part of the core drafting group of the Study, leading the drafting of Chapter 8 of the collective strategic study on Regional Comprehensive Economic Partnership (RCEP). Drafts of all nine chapters will be discussed in greater detail throughout 2016, with a final presentation to Leaders at the APEC Economic Leaders’ Meeting (AELM) in 2016. The recommendations from the Collective Strategic Study will form the basis for the next course of action, including the projected timeframe, which would serve as guidance for work that is expected to follow.

Trans-Pacific Partnership Agreement (TPPA)

In 2010, Malaysia made a decision to join the TPPA negotiations because there was a value proposition with a market of 800 million people with a combined GDP of USD27.5 trillion as well as the prospect of getting preferential treatment especially in four new markets namely the United States, Canada, Mexico and Peru.

The TPPA was concluded after five years of negotiations on 5 October 2015. Following resolution of all technical and bilateral issues, the 12 Parties released the TPPA documents to the public on 5 November 2015.

The TPPA text together with the two cost and benefit studies undertaken by the Institute of Strategic & International Studies (ISIS) and PricewaterhouseCoopers (PwC) were debated in Parliament from 26 to 28 January 2016. Malaysia's participation in TPPA was approved by the Dewan Rakyat on 27 January 2016 and the Dewan Negara on 28 January 2016. On 4 February 2016, Malaysia together with 11 other nations signed the TPPA in Auckland, New Zealand.

The Agreement will enter into force 60 days after all original signatories ratify the agreement within 24 months from date of signing. If this condition is not met, the TPPA will enter into force 60 days after it is ratified by at least six (6) countries accounting for 85.0 per cent of the total GDP of the twelve (12) countries. The base year for the GDP calculation is 2013. Expected entry into force will be early 2018, if conditions are met.

The TPPA consists of both rules and disciplines and market access offers. It contains 30 Chapters covering provisions on legal and institutional arrangements, rules and disciplines and dispute settlement mechanisms. Market access offers cover goods, government procurement, financial services, investment and services.

The Malaysian negotiating team comprised experts from more than 20 ministries and agencies. For example, Bank Negara Malaysia handled the financial services negotiations; the Ministry of Finance negotiated the Government Procurement chapter; the Ministry of Human Resources negotiated the Labour Chapter; The Ministry of Natural Resources and Environment, the Environment chapter; the Ministry of Agriculture, the Sanitary and Phytosanitary chapter; the Ministry of Domestic Trade, Consumerism and Cooperatives, the chapters on Competition Policy, and Intellectual Property Rights. MITI was the overall lead coordinator as well as the lead ministry covering market access for goods, services and investment. The team was assisted by legal officials from the Attorney General's Chambers. Positions taken by our officials on issues negotiated in the TPPA were also based on feedback received from various stakeholders as well as the mandate from Cabinet.

Benefits for Malaysia

There are increasing numbers of Malaysian companies becoming global investors and they require a level of predictability that can be guaranteed effectively through binding agreements like FTAs. Concurrently, there is also interest from foreign companies from non-TPPA countries that are exploring Malaysia as a base for their operations hoping to enjoy the benefits of the TPPA. The combination of greater market access for Malaysian products and services under the TPPA and the continued inflow of foreign investments will create a powerful catalyst in driving Malaysia's economic transformation agenda.

The TPPA is an initiative to establish a free trade agreement (FTA) and promote economic integration among the 12 countries – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Viet Nam.

The TPPA will also create new opportunities for businesses; enhance competitiveness, productivity and innovation, all of which will result in improved living standards and sustainable growth. Malaysia views the TPPA as one of the many initiatives for transforming our country towards a developed nation status. Our primary aim is to expand access to existing as well as new markets for exports of goods and services. Being a party to the TPPA, Malaysia will enhance its position as an attractive and competitive destination for investors, both domestic and foreign.

As a member of the TPPA, Malaysia will become an integral part of the greater economic integration within the Asia-Pacific region. This will enhance Malaysia's participation in the regional supply and value chains, and facilitate access for Malaysia's products and services in the global market. By participating in the TPPA, output is expected to increase in most of Malaysia's economic sectors. Growth is expected mainly in E&E, textiles, resource-based (rubber and wood products) and automotive (parts & component) sectors as a result of import duty elimination in the TPPA region.

The study by PwC highlighted the following benefits for Malaysia:

- GDP to increase by USD107 - 211 billion over 2018 - 2027
    - More than 90 per cent of gains due to lower non-tariff measures
- Additional investment of USD136 - 239 billion
- Wage growth in 2027
    - 0.45 - 0.91 percentage point for unskilled workers
    - 0.38 - 0.78 percentage point for skilled workers
- By 2027, there will be an additional 1 - 2 million jobs supported by TPPA
- Increased output and competition
    - Sectors contributing more than 20 per cent of GDP to register higher output growth
- Export-oriented firms to benefit from increased market access

The study by ISIS highlighted that participation in the TPPA:

- is in the interest of the nation;
- is consistent with Malaysia's New Economic Model of becoming a high-income economy;
- has positive effects on Malaysia's GDP and investment over a 10-year period, resulting in positive effects on wealth and job creation; and
- will help improve the standard of living and welfare of workers over time.

The TPPA is not only about trade, but also about improving our competitiveness and governance, through the adoption of international standards and best practices in areas such as labour and environment. Malaysia's involvement in TPPA complements our external trade policy as TPPA allows us to also benefit from the adoption of high international standards, good governance and enhancement of transparency in our process and decision making. In sensitive areas, Malaysia negotiated for longer timeframes to implement obligations, especially for government procurement, state-owned enterprises, and intellectual property rights. Certain sections or measures considered sensitive to Malaysia from the investment and services obligations, including land, privatisation and divestment and Bumiputera preferences have been excluded.

By not joining the TPPA, Malaysia would be at a disadvantage in terms of seeking better market access for its products and services. The impact of that disadvantage will be even more significant should other competitors decide to join later. In an increasingly competitive global environment, our absence will make Malaysia less attractive as an investment destination, compared to those that are parties to the TPPA.

ISSUANCE OF PREFERENTIAL CERTIFICATE OF ORIGIN (PCO) – A COMPARATIVE TREND FOR 2013 - 2015

A preferential certificate of origin (PCO) is a document attesting that goods in a particular shipment are of a certain origin under the definitions of a particular bilateral or multilateral free trade agreement (FTA). This certificate is required by a country's customs authority in deciding whether the imports should benefit from preferential treatment, in accordance with special trading areas or customs unions such as ASEAN, the EU, or the North American Free Trade Agreement (NAFTA).

In general, for the past three years the issuance of PCOs has experienced a steady decline in terms of total FOB value for exports, but shows a mix trend for the total number of PCOs issued.

The total number of PCOs issued and its corresponding total FOB values in 2013 and 2014 had fallen from 882,202 with FOB valued at RM287.961 billion to 510,555 with FOB valued at RM239.32 billion, respectively. In 2015, the total FOB value continued to decline to RM177.81 billion, despite an increase in the number of PCOs to 512,584.

Four bilateral FTAs, i.e., Malaysia-Chile Free Trade Agreement (MCFTA), Malaysia-Japan Economic Partnership Agreement (MJEPA), Malaysia-New Zealand Free Trade Agreement (MNZFTA) and Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA), together with Generalized Scheme of Preferences (GSP), have shown a decrease in the number of PCOs issued for the past three years.

The Malaysia-Australia Free Trade Agreement (MAFTA), in particular, has shown a drastic decrease from 70,464 in 2013 to 19,282 and 19,480 in 2014 and 2015 respectively. The reason for the drastic decrease in the number of PCOs under MAFTA was due to the changes in preference by exporters to select AANZFTA for exports to Australia resulting from the probable ASEAN cumulation benefits offered under AANZTA as compared to MAFTA.

The Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA), on the other hand, has shown an increase in the number of PCOs issued for three years consecutively, from 4,675 in 2103 to 14,248 and 15,687 in 2014 and 2015 respectively. 3,896 PCOs were issued for Malaysia-Turkey Free Trade Agreement (MTFTA), of which no comparisons can be made as yet due to its very recent implementation on 1 August 2015.

For the past three years, three regional FTAs, i.e. The ASEAN Trade in Goods Agreement (ATIGA), The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) and The ASEAN-Japan Economic Partnership (AJCEP), have shown a decrease in the number of PCO issuance, except for The ASEAN-China Free Trade Agreement (ACFTA) which had shown a steady increase.

Two regional FTAs, i.e. ASEAN-India Free Trade Agreement (AIFTA) and ASEAN-Korea Free Trade Agreement (AKFTA), had a mixed trend in the number of PCOs issued. AIFTA's number of PCOs issued decreased from 32,155 in 2013 to 26,806 in 2014, but managed to increase again to 31,298 worth RM8.27 billion in 2015. On the contrary, AKFTA showed an increase in number of PCOs issued from 38,886 in 2013 to 40,359 in 2014 but decreased to 39,713 valued at RM21.51 billion in 2015.

OUTREACH AND INFORMATION DISSEMINATION ON FTAs

In 2015, MITI held a total of 78 outreach and information dissemination programmes for business associations, NGOs, industry, state governments, politicians, government officials and the general public to educate them on FTAs and its benefits.

Upon conclusion of the TPPA negotiations and up to December 2015, a total of 58 TPPA engagement sessions were held. Pursuant to the release of the TPPA documents, engagements with all stakeholders were intensified to inform and clarify issues contained in the final TPPA. Extensive nation-wide outreach programmes were undertaken, including briefings to the Members of Parliament, the media, NGOs, business groups, universities, and State governments including Kedah, Kelantan, Perak, Sabah and Sarawak.

In 2015, there were 20 sessions of pocket talks organised to enhance awareness and educate the Malaysian business community on the benefits of utilising FTAs. A total of 420 participants from various sectors participated in these talks, with manufacturers and exporters forming the bulk of the attendees.

ECONOMIC RELATIONS AND TRADE

Trade and Investment Missions (TIMs)

TIM to Italy, Belgium and France, 7 - 14 May 2015

The TIM to Milan, Brussels, and Paris informed and updated the business and investment communities in Europe about the current economic and business opportunities available in Malaysia; clarified on the status of FTA negotiations on MEUFTA and Malaysia's commitment to resume the stalled negotiations; shared with the foreign business community, Malaysia's economic management in the face of financial volatility and the fall in global commodity and oil prices and reiterated Malaysia's welcome to FDIs and collaborative joint-ventures. This mission managed to secure RM1.08 billion in potential investment projects.

Malaysia-China Joint Economic and Trade Commission (JETC), Beijing on 8 September 2015

The Minister of International Trade and Industry co-chaired the JETC meeting with his counterpart the Minister of Commerce, China.

Issues and proposals raised and deliberated at the JETC include enhancement of bilateral trade; continuing implementation of the Five-Year Programme; reactivation of the Economic Cooperation Working Group (ECWG); update on industrial parks in Kuantan and Qinzhou; registration of the newly formed Malaysia Airlines Berhad (MAB) offices in China and the export of specific products to China.

TIM to Saudi Arabia, 7 - 9 November 2015

MITI's focus for this TIM was to deepen the existing collaborative relationships and to promote bilateral trade and investment. Malaysia and Saudi Arabia proposed a revamp of the Malaysia-Saudi Arabia Business Council and the signing of a Memorandum of Understanding based on economic and trade cooperation. While trade between the two nations had risen to USD4.0 billion in 2014 from USD3.0 billion in the previous year, the full potential had yet to be exploited.

Talks were also held between the Minister of International Trade and Industry, Malaysia and the Minister of Commerce and Industry, the Ministry of Health and the Makkah governor, Saudi Arabia. The meetings agreed to reactivate negotiations on the Malaysia-Gulf Cooperation Council (GCC) free trade agreement covering Saudi Arabia, the United Arab Emirates, Qatar, Oman, Kuwait and Yemen.

MITI also conveyed the interest of Malaysian corporations to invest in Saudi Arabia's digital autopsy services, hospital information technology management and medical devices sectors.

TIM to Osaka and Tokyo, Japan, 25 - 27 November 2015
This TIM was to expand Japanese FDI into Malaysia and during the visit to Tokyo, discussions with 15 Japanese companies yielded potential investment of approximately USD209 million. This mission also witnessed the signing of a Memorandum of Agreement (MoU) between Kyushu Economy International (KEI) and MIDA, to strengthen the existing cooperation between Malaysia and Kyushu.

Trade Fairs, Meetings and Working Visits

2nd Joint Cooperation Commission (JCC) Meeting, 20 January 2015
The 2nd Joint Cooperation Commission (JCC) meeting on the Malaysia-China Kuantan Industrial Park (MCKIP) and the China-Malaysia Qinzhou Industrial Park (CMQIP) was held on 20 January 2015 in Kuala Lumpur. The meeting was co-chaired by Deputy Minister of MITI and the Chief Minister of Pahang as the Alternate Chair. Authorities for the MCKIP and CMQIP reported on the progress and developments taking place in their respective areas.

19th China International Fair for Investment and Trade – CIFIT Xiamen, Fujian Province, People's Republic of China (PRC), 7 - 8 September 2015
A total of 39 Malaysian companies participated in the 19th CIFIT. The Malaysian Pavilion in the 19th CIFIT was organised by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and drew participation from 35 companies with 54 booths covering an exhibition area of 720 square meters. Range of products exhibited included property, rubber, food and beverages, beauty and healthcare, household products and tourism.

Minister II of MITI, also spoke at the International Investment Forum organised in conjunction with the exhibition.

11th World Islamic Economic Forum (WIEF), 3 - 5 November 2015
Malaysia hosted the 11th World Islamic Economic Forum (WIEF) with the theme, *'Building Resilience for Equitable Growth'* held in Kuala Lumpur on 3 - 5 November 2015. WIEF recognised the underlying strengths of Islamic economies, the growing opportunities for further collaboration especially with the realisation of the ASEAN Economic Community (AEC), and growth potentials in West Asia and Africa.

Five agreements relating to Islamic finance, halal industry, human capital development and ICT amounting to USD350 million were inked during the Forum.

INCOMING VISITS

Working Visit by Prime Minister of China, 23 November 2015
During the visit, two documents were signed:

- The Cooperation Programme To Enhance Bilateral Trade, Economic and Investment Cooperation Between Malaysia and the People's Republic of China (MITI-MOFCOM); and
- The Agreement on Cooperation in Enhancing Production Capacity and Investment (MITI-NDRC).

These two documents demonstrated the commitment of both Malaysia and China in fostering strong economic and trade relations with each other.

Working Visit by India's Prime Minister, 23 November 2015
The two Prime Ministers acknowledged that India-Malaysia relations had made impressive strides in recent years. Dialogue mechanisms at Ministerial and Official levels, supported by a wide range of agreements, provided a firm framework to harness the full potential of strategic partnerships established between the two countries in October 2010.

The two leaders welcomed the close cultural and religious affinity of the people, which is a positive factor in fostering and developing current and future linkages including the positive tourism flow.

STRATEGIC TRADE SECRETARIAT (STS)

Facilitating Secure Trade

The STS MITI is the national authority responsible for the management of the Strategic Trade Act (STA) 2010 which came into force on 1 January 2011. This Act is part of Malaysia's commitment to fulfill its international obligation as mandated under the United Nations Security Council Resolution 1540. STA 2010 aims at ensuring the export, transshipment, transit and brokering of strategic items, including arms and related material that will or may facilitate the design, development and production of weapons of mass destruction (WMD) and that their delivery systems are regulated effectively, without impeding a vibrant global marketplace.

STS coordinates the policy development, implementation and enforcement of the Act through close cooperation with partner licensing agencies namely the Malaysia Communications and Multimedia Commission (MCMC), Atomic Energy Licensing Board (AELB) and Pharmaceutical Services Division (PSD) as well as enforcement Agencies including the Royal Malaysian Customs (RMC), Royal Malaysian Police (RMP), the Malaysian Maritime Enforcement Agency (MMEA) and the Science and Technology Research Institute for Defense (STRIDE). The Strategic Trade Action Committee (STAC), comprising members from these agencies and other key agencies such as the Ministry of Foreign Affairs, Attorney General's Chambers and Central Bank of Malaysia, meets at least tri-annually to discuss issues concerning policy, legalities, implementation, enforcement and other pertinent matters related to the STA.

Since the law came into force five years ago, STS has conducted 47 training and capacity building programmes both locally and internationally. In 2015, a total 17 outreach programmes were conducted including commodity identification training organised by partner enforcement agencies around the country. International participants were impressed with Malaysia's achievement in implementing a comprehensive export control law within a short time frame. Among key interests were the short permit processing period of five working days, inter-agency collaboration and regular engagements and assessment of companies' compliance levels. Export permit applications have grown by 86 per cent and in 2015 a total of 18 STA-registered companies were evaluated to ensure that their compliance and awareness are maintained at a high level. STS continues to be a point of reference for international bodies and governments in implementing an effective export control regime.

Among the export control events that STS participated in and shared insights with in 2015 were:

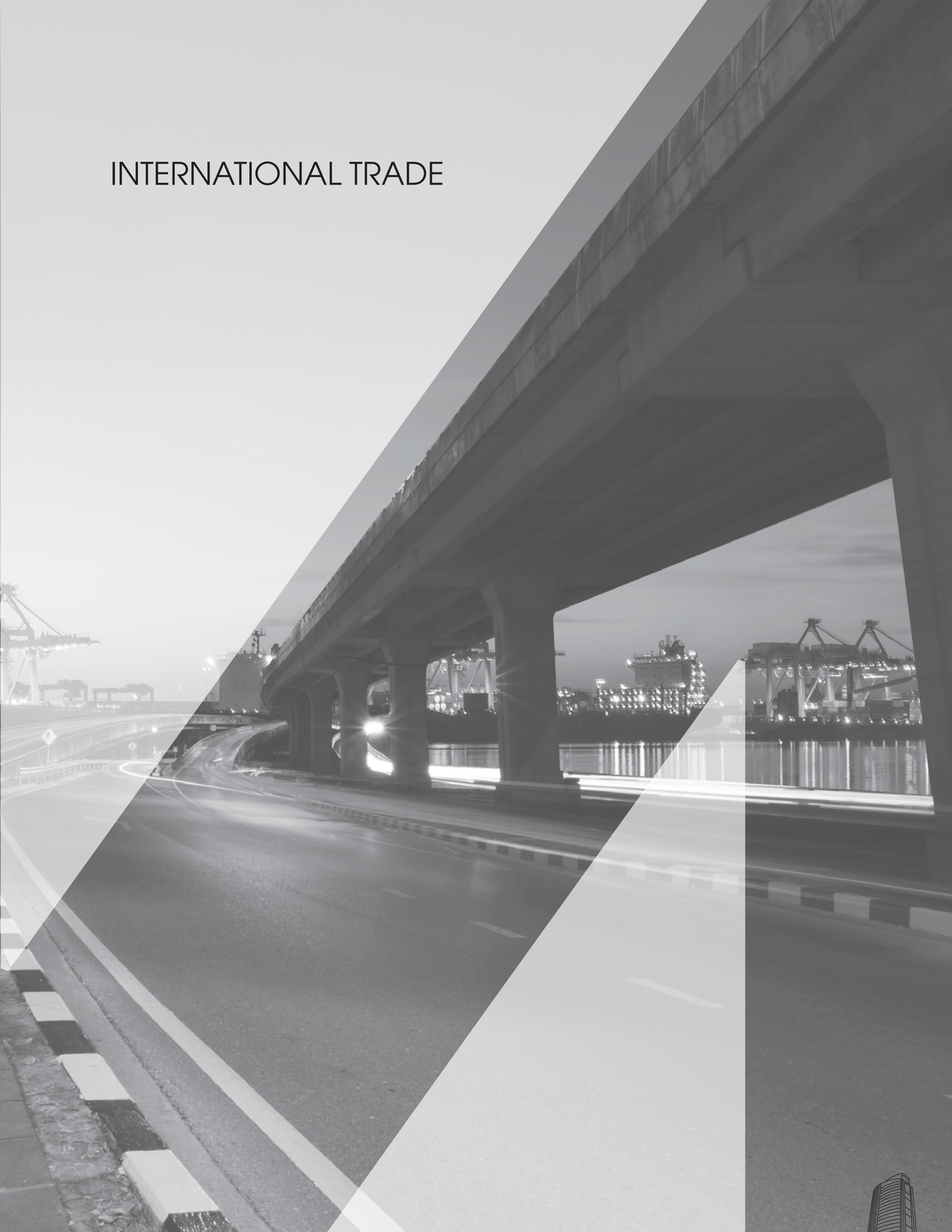
- Export Control Forum, New & Evolving Challengers in Frankfurt;
- 9th CBRN CoE National Focal Points Roundtable Meeting for South East Asia in Viet Nam;
- 22nd Asian Export Control Seminar in Tokyo;
- Wilton Park Meeting: The ATT & the Commonwealth in England; and
- Counter-Proliferation Investigations (CPI) in Washington DC.

Strategic trade management now involves non-traditional aspects as export control widens its sphere of regulatory coverage to include proliferation financing, intangible technology transfer and interdiction. These areas are as pertinent in Malaysia as they are on the international arena and STS has worked hard to consolidate and integrate these areas into existing provisions under the STA 2010.

With Malaysia's admittance as a member of the Financial Action Task Force (FATF), there is an increasing need for collaboration with financial institutions to implement effective counter-measures for money laundering and terrorist financing to prevent the misuse of local and international financing systems.

STS will continue to assist companies in the export, transit, transshipment and brokering of strategic items. Facilitating secure trade involves active collaboration and dynamic engagements with government agencies and industry players.

INTERNATIONAL TRADE



INTERNATIONAL TRADE

WORLD TRADE GROWTH IN 2015

World trade growth in 2015 was restrained. According to the WTO, growth in the volume of world trade was weak but still positive at 2.8 per cent, remaining unchanged from the same attained the year before. This marked the fourth consecutive year that world trade growth in volume terms has remained below 3.0 per cent. Global trade growth in Dollar value terms for 2015 declined sharply by 13.5 per cent to USD16.5 trillion, down from USD19.0 trillion in 2014.

The year 2015 was marked by economic uncertainty and financial volatility. Oil prices plunged by more than 60.0 per cent. Commodity prices for agricultural commodities, metals and food plummeted, with primary commodity prices shrinking more than 50.0 per cent on average since January 2014, metals sliding by 30.0 per cent and food and beverages by 20.0 per cent. The US Dollar appreciated around 20.0 per cent and PRC's economy slowed, affecting global demand, exports, imports, commodity consumption hence creating financial upheavals.

The contrast in performance between trade growth in volume terms and trade growth in value terms for 2015 was not due to a decline in the number of goods that were being shipped across borders, but due to the volatility in exchange rate fluctuations as a result of the strong US Dollar, and the steep falls in commodity prices.

Exports of developing economies grew faster at 3.3 per cent volume growth, while developed economies' exports lagged behind at 2.6 per cent. Demand was however stronger in developed economies, with surging imports of 4.5 per cent volume growth, compared to the anaemic import growth of developing economies which stagnated at 0.2 per cent.

MERCHANDISE TRADE GROWTH BY REGION

Import Growth

Composition of trade growth by volume is also changing. Asia used to power import demand and was the main impetus of trade growth from 2011 - 2013, right after the global financial crisis. Emerging Asia including the PRC and ASEAN accounts for more than a quarter of world trade, but in 2015 it was the epicenter of the trade downturn. Ninety-four (94.0) per cent of the contraction in world import volumes in 2015 can be traced back to Emerging Asia's import decline. It is evident that for the last two years of 2014 and 2015, the engine of import demand growth has shifted. While weak import demand had historically been concentrated in advanced economies, in 2015, the situation was different.

Demand in 2015 was being driven by the developed markets of North America (2015: 6.5 per cent growth in merchandise trade volume, 2014: 4.7 per cent) and Europe (2015: 4.3 per cent, 2014: 3.2 per cent), where their moderate growth is compensated for the slower growth in Asia (2015: 1.8 per cent, 2014: 3.3 per cent) and the rest of the world.

In comparison, Europe's import demand which languished after the financial crisis of 2008 - 2009, bounced back, in 2015, with a 1.5 per cent contribution to the 2.6 per cent increase in world import volume. The positive contribution by Europe is mainly due to stronger intra-EU trade in 2014 and 2015.

North America's contribution was also significant in 2015, and accounted for 1.1 per cent of the 2.6 per cent increase in world import volume.

Export Growth

Asia was the world's powerhouse pushing export volume growth between 2011 and 2014. However, in 2015, Asia was overtaken by Europe. While Asia was responsible for 1.0 per cent of the 3.0 per cent rise in world merchandise exports, Europe surged ahead with a 1.3 per cent contribution.

MERCHANDISE TRADE GROWTH BY PRODUCT

WTO data showed that fuels and mining products contributed to more than 50.0 per cent of the decline in trade values in 2015, but the decline was further aggravated by sluggish trade in manufactures and agricultural products.

In 2015, the steepest contraction in trade values among manufactured goods were for the products of office and telecommunication equipment, chemicals and other machinery including investment goods and other durables.

The WTO estimated that the US Dollar value of intra-Asia imports of manufactured goods fell by 5.0 per cent in 2015, almost mirroring the decline in Asian imports of manufactured goods worldwide. Asian imports of other machinery registered a sharper decline of approximately 8.0 per cent, suggesting a contraction in investment. This was mostly due to the 2015 decrease in PRC's imports of other machinery from Europe and North America, which fell by 15.0 per cent and 8.0 per cent respectively.

WORLD TRADE IN COMMERCIAL SERVICES

World trade in commercial services in 2015 registered a smaller contraction than merchandise trade. Exports of commercial services declined by 6.4 per cent to USD4.7 trillion compared to a growth of 5.6 per cent in 2014. The steepest fall was registered in transport, which contracted by 9.9 per cent as prices for sea shipment of dry bulk cargo fell to record lows in 2015.

Other types of commercial services exports such as travel fell by a smaller margin, of an average of 5.5 per cent.

In 2015, world commercial services exports fell across all regions, with Europe contracting 9.8 per cent to USD 2.21 trillion as compared to a growth of 6.2 per cent in 2014. Asia's exports of commercial services was valued at USD1.22 trillion in 2015, a fall of 3.4 per cent from a positive growth of 7.8 per cent in the previous year. Other Regions consisting of Russian Federation, Egypt, South Africa and other nations, saw commercial services slide 5.9 per cent from a growth of 0.9 per cent in 2014. North America posted exports worth USD790 billion and the smallest decline of 0.9 per cent from a positive growth of 2.9 per cent in the year before.

The US ranked as the world's leading exporter and importer of commercial services, garnering a 14.8 per cent share of world exports and a 10.3 percent share of global imports. Malaysia ranked the 29th largest exporter and importer of world commercial services, accounting for 0.7 per cent share of world exports and 0.9 per cent share of imports.

WORLD TRADE OUTLOOK FOR 2016

In 2016, the WTO forecast growth in the volume of merchandise trade to remain at 2.8 per cent and increase to 3.6 percent in 2017. These forecasts are premised on world GDP growth of 2.4 per cent in 2016 and 2.7 per cent in 2017.

The WTO predicts that exports of developed and developing economies would grow almost in tandem in 2016, with developed economies registering 2.9 per cent growth in export volume, while developing economies will attain a growth of 2.8 per cent. For imports however, developed economies are expected to post a faster growth in import volume of 3.3 percent and outperform the imports of developing countries projected at 1.8 per cent.

In 2016, Asia is expected to lead the world with the fastest export growth volume of 3.4 per cent, followed by North America and Europe, each with a 3.1 per cent growth.

Based on this projection, 2016 is expected to still remain a relatively slow growth period and will be the fifth consecutive year of below 3.0 per cent growth for the world. Risks to these forecasts are tilted to the downside and conditions would deteriorate if there were a further slowing in emerging economies including the PRC and the rest of Emerging Asia or volatility in financial and currency movements. The scenario would be made worse should the developed economies of the US and Europe experience slower GDP growth rates in 2016.

TRADE PERFORMANCE OF ASEAN ECONOMIES

The WTO, in April 2016 estimated the aggregate exports of the 10 ASEAN Member States in 2015 to have contracted by 10.2 per cent to USD1,163 billion, from a positive growth of 1.8 per cent achieved in 2014. Imports were estimated to have also contracted by double-digits as well, falling by 11.7 per cent to USD1,091 billion.

The Asian Development Bank (ADB) in their Asian Development Outlook 2016 report on March 2016, is slightly more pessimistic. The ADB estimated the growth of merchandise exports in the 10 ASEAN Member States for 2015, to have contracted by 11.7 per cent, a sharp downward turn from a positive 1.6 per cent growth in 2014. Merchandise imports fared worse, declining by 12.5 per cent in 2015, a continuation of the negative trajectory which began in 2014 when merchandise imports declined by 1.2 per cent.

The ADB reported that the fall in merchandise trade was widespread in Asia, with growth rates of merchandise exports from developing Asia showing declines of 8.1 per cent in 2015 from a positive growth of 2.8 per cent in 2014.

Every single economy in East Asia posted a decline in merchandise exports for 2015. PRC's exports fell by 4.4 per cent, Hong Kong SAR saw its merchandise exports decline by 1.9 per cent, Republic of Korea's (ROK) exports slumped by double-digits to 10.5 per cent, Chinese Taipei followed suit with a contraction of 10.4 per cent.

As for ASEAN, despite the collective contraction in merchandise exports by the 10 ASEAN Member States, not all experienced a decline in merchandise exports. CLMV economies, of Cambodia, Lao PDR, Myanmar and Viet Nam posted positive growth in merchandise exports, but aggregate exports fell in ASEAN due to the steep declines in exports from Indonesia, Malaysia, the Philippines and Singapore.

Exports from ASEAN in aggregate contracted by 11.7 per cent in 2015 from a positive growth of

1.6 per cent attained the year before. Among the 10 ASEAN Member States, Brunei Darussalam posted the highest contraction of 42.9 per cent in merchandise exports. This was followed by deep double-digit decreases for Malaysia with a 15.5 per cent contraction; Indonesia by 15.4 per cent, Singapore 13.9 per cent; the Philippines 13.1 per cent and Thailand 5.6 per cent.

CLMV economies all posted positive growths in merchandise exports. Cambodia showed the highest growth rate with 14.1 per cent; followed by Viet Nam with 7.9 per cent; Lao PDR with 7.1 per cent and Myanmar with 0.4 per cent.

ASEAN exports contracted sharply due to subdued global demand including a slowing in PRC's import and manufacturing appetite, low commodity prices and volatility in exchange rates with the weakening of the region's currency against the US Dollar. Even modest demand from developed economies such as the US and the EU could not stop merchandise exports from sliding.

Regional Integration and Impact of PRC's Slowing Economy on ASEAN

ASEAN Member States have a deep regional and global integration through trade and investment flows with each other and with the PRC. Its economies are among the most integrated into global value chains of which PRC is an integral player. PRC's process of rebalancing its economy and moving away from manufacturing and investments towards domestic demand and services has had a substantial impact on the global economy, particularly on the economies in Asia. Countries with a high trade exposure to the PRC were especially vulnerable.

In 2015, half of exports from Hong Kong SAR went to the PRC, while in the ROK and Chinese Taipei, the share was approximately one-fourth of exports. The share of trade with the PRC has doubled since 2000, for Australia, Japan, and ROK and tripled for Malaysia and New Zealand. The PRC is now the largest trading partner for Australia, Hong Kong SAR, Malaysia, Myanmar, New Zealand, and Thailand. It represents the second-largest trading partner for Indonesia and Lao PDR, and the third largest for the Philippines.

To fuel its industrialisation expansion in the last decade, the PRC became a massive export destination for metals and energy commodities, to the point where the PRC now accounts for more than half of the global demand for metals and 23.0 per cent for primary energy.

The PRC was also the largest global importer for other commodities produced by ASEAN countries. Indonesia, Malaysia and Thailand are globally significant commodity producers, where exports of commodities account for 6.0 - 30.0 per cent of their GDP. For Malaysia, 35.0 per cent share of global exports is from palm oil, and another 5.0 per cent from petroleum gas.

The PRC is also an important source of final demand for the ASEAN region, for both commodities and manufactures. ASEAN Member States such as Malaysia, Thailand, and Viet Nam were among the countries most dependent on final demand from the PRC for non-commodity merchandise.

In 2015, the effect of PRC's slowing economy coupled with depressed global oil and commodity prices and exacerbated by financial and exchange rate volatility, resulted in merchandise exports and imports of a large majority of ASEAN Member States to contract and GDP growth to slow down.

ASEAN currencies depreciated heavily against the strong US Dollar in 2015, with the Ringgit Malaysia taking some of the steepest plunges by depreciating 18.6 per cent, the Indonesian Rupiah fell 12.8 per cent, the Singapore Dollar 7.7 per cent, the Thailand Baht depreciated by 5.5 per cent, and the Philippine Peso 2.5 per cent. Thus in 2015, ASEAN Member States showed strong declines in trade values when reflected in US Dollars, as opposed to their local currencies.

MALAYSIA'S TRADE IN 2015

Malaysia's external sector stood resilient despite the challenging global environment in 2015 where the country faced slumping oil prices, falling commodity prices for exports, and the depreciating Ringgit Malaysia. In 2015, Malaysia retained its global ranking as the world's 23rd largest exporter and 26th largest importer .

Malaysia's total trade for 2015 in Ringgit Malaysia, grew marginally by 1.2 per cent (2014: 5.8 per cent) to reach RM1.465 trillion, compared to RM1.448 trillion in the previous year. This was the 9th year that trade had exceeded RM1 trillion. The growth of exports in 2015 resulted in an expanded trade surplus of RM94.56 billion, (2014: RM82.5 billion) representing Malaysia's 18th consecutive year of trade surplus. The trade surplus registered a double-digit growth of 14.6 per cent and was contributed by both manufactured and commodity exports, as commodity imports declined in value.

The increase in Malaysia's total trade was largely contributed by higher trade with major export markets such as the PRC, which increased by RM23.09 billion, ASEAN (RM12.29 billion), the United States of America (US) (RM12.22 billion), the European Union (EU) (RM4.52 billion) and Turkey (RM2.48 billion). Exports grew by 1.9 per cent to reach a value of RM779.95 billion.

The diversity of Malaysia's export portfolio helped cushion the full impact of the slump in commodity exports. The contraction was mitigated to some extent by stronger export demand for electrical & electronics (E&E) products and non-resource based manufactured products. Strong demand from the developed markets of the US and the EU, particularly for semiconductors for use in solar-related green technology as well as demand for data processing equipment, all collectively helped lift exports. Firm demand from developed economies for machinery, appliances and parts, manufactures of metal, and iron and steel products also contributed to Malaysia's export performance in the first half of 2015. In the second half of the year, export growth picked up due to higher demand for manufactured products and commodities and the positive effect of exports made cheaper due to a depreciated Ringgit Malaysia. Demand for E&E products continued through the remaining months of 2015 supported by firm demand from the US and Singapore for semiconductor devices and electrical machinery.

Major contributors to the positive export performance in 2015 for Malaysia include the firm exports of manufactured goods which grew 6.5 per cent, albeit slower than the 7.1 per cent in 2014, but strong enough to offset some of the negative effects of the downturn in exports of commodities. Exports of manufactures powered ahead on the strength of E&E exports, which grew 8.5 per cent (2014: 8.1 per cent). Expansion of E&E exports were driven mainly by demand for new applications of Internet of Things (IoT), for wireless communications and wearable devices. Manufactured goods accounted for 80.2 per cent share of total exports in 2015, an increase from its 76.7 per cent share of total exports, in 2014.

Robust export growth registered with major trading partners also helped navigate Malaysia to a positive trade position. Exports to the US surged to RM73.67 billion from RM64.40 billion in 2014. Exports to the PRC increased to RM101.53 billion from RM92.29 billion the year before. The EU also showed increased demand for Malaysia's exports, which increased to RM78.92 billion in 2015 from RM72.84 billion in 2014.

Exports to ASEAN Member States, increased to RM219.29 billion from RM213.40 billion in 2014, with strong uptake by Thailand, Viet Nam and the Philippines. Malaysia also recorded higher exports to Free Trade Agreement (FTA) partners, namely the PRC, Turkey, Chile and Pakistan.

In 2015, imports grew marginally to RM685.39 billion as compared to RM682.94 billion in 2014. Imports contracted in the first half of the year but rebounded in the second half. The decline in the first half of 2015 was attributed to the contraction in the import of intermediate goods and capital goods. In the second half of 2015, imports picked up with a rebound in the imports of capital goods, especially electrical machinery and telecommunication equipment.

MALAYSIA'S TRADE WITH FREE TRADE AGREEMENT (FTA) PARTNERS

FTA Markets – A Boost to Exports

In 2015, total trade with FTA partner countries stood at RM927.57 billion (2014: RM909.48 billion), with exports of RM492.41 billion (2014: RM493.35 billion) ahead of imports, valued at RM435.16 billion. FTA partner countries contributed 63.1 per cent of Malaysia's total exports in the year under review.

Main exports to FTA partner countries were E&E products, petroleum products, LNG, chemicals and chemical products, crude petroleum, manufactures of metal, palm oil and palm-based products, machinery, appliances and parts, optical and scientific equipment as well as processed food. FTA partner countries which registered increases in exports from Malaysia were the PRC, Turkey, Chile, Pakistan, Thailand, Viet Nam, the Philippines, Myanmar and Cambodia.

Total trade with Turkey surged to RM5.65 billion from RM3.17 billion the year before. Exports outpaced imports in value, increasing to RM 3.80 billion in 2015 compared to RM2.46 billion in 2014. Imports soared to RM1.85 billion from RM710.67 million in 2014. The increase in trade is a positive outcome of the implementation of the Malaysia-Turkey Free Trade Agreement (MTFTA) in August 2015. Increases in exports were recorded for palm oil and palm-based products, chemicals and chemical products as well as, manufactures of metal.

Exports to Chile registered RM856.43 million in 2015 from RM564.76 million the previous year. The increase was mainly contributed by E&E products, chemicals and chemical products as well as, apparel and clothing accessories.

Exports to Pakistan increased to RM4.12 billion in 2015, benefitting from higher exports of chemicals and chemical products, petroleum products, manufactures of metal, textiles, machinery, appliances and parts as well as, E&E products.

MALAYSIA'S TRADE WITH ASEAN

ASEAN the Driver of Growth

Over the past decade, ASEAN has grown to become an important destination for businesses, trade and investments. The regional bloc is expected to develop further with the development of the ASEAN Economic Community (AEC). Given the good growth prospects in the region, Malaysian exporters have capitalised on this opportunity to expand their presence and business in neighbouring ASEAN countries.

More than a quarter or 27.4 per cent share of Malaysia's global trade is with ASEAN, boosted by growing trading activities, increased inter-company linkages, cross-border investments and outsourcing activities within the region. In 2015, total trade with ASEAN was valued at RM401.33 billion, an increase of 3.2 per cent from 2014. Singapore is Malaysia's largest trading partner in ASEAN, with a 47.5 per cent share of total trade, followed by Thailand, Indonesia, and Viet Nam.

Malaysia's exports to ASEAN in 2015 totalled RM219.29 billion, an increase of 2.8 per cent from RM213.40 billion in 2014. Exports to ASEAN accounted for 28.1 per cent of Malaysia's total exports, making ASEAN Malaysia's single largest regional export destination. Singapore, Thailand and Indonesia, were ranked among Malaysia's top ten export destinations and collectively accounted for 83.1 per cent of Malaysia's total exports to ASEAN.

Singapore was Malaysia's largest export partner within the region accounting for 49.5 per cent share of Malaysia's total exports. This was followed by Thailand (20.3 per cent share); Indonesia (13.3 per cent); Viet Nam (7.9 per cent); the Philippines (6.0 per cent); Myanmar (1.4 per cent share), Brunei Darussalam (1.2 per cent); Cambodia (0.4 per cent); and Lao PDR (0.03 per cent) in 2015.

In 2015, **Singapore** was the world's 14th largest exporter and 16th largest importer according to the WTO. Globally, Singapore is Malaysia's second largest trading partner after the PRC, but within ASEAN, the island republic is Malaysia's top trading partner, taking the lion's share of 45.7 per cent of Malaysia's total trade.

Malaysia's total trade with Singapore declined by 2.1 per cent to RM190.56 billion from RM194.61 billion in 2014. Trade with Singapore accounted for 13.0 per cent of Malaysia's global trade, a slight decrease of 0.4 per cent, compared to the 13.4 per cent in 2014.

The decrease in total trade in 2015 was due to a dual contraction in both exports and imports from Singapore, attributed to the weak demand in a sluggish global economy, especially of those economies that have a strong trade exposure to the slowing economy of the PRC.

In terms of exports, Singapore remained Malaysia's largest export destination in the world, with a 13.9 per cent share of Malaysia's total exports in 2015. Singapore also continued to dominate as the top export destination within ASEAN, garnering almost half or a 49.5 per cent share of Malaysia's total exports to ASEAN.

Exports to Singapore posted a slight decrease of 0.2 per cent or RM262.1 million to RM108.47 billion from RM108.73 billion in 2014. The decline was due to lower exports of petroleum products.

Despite the slight decline in exports to Singapore, Malaysia's exports of E&E products surged by double digits to 16.3 per cent or RM5.97 billion, to reach RM42.50 billion in 2015, from RM36.53 billion the previous year. Singapore remained the second largest export destination after the PRC, with a 15.3 per cent share of Malaysia's E&E exports, an increase from the 14.3 per cent share posted in 2014. The increase in exports was spurred by higher global demand for E&E products sourced through Singapore. The step-up in demand was largely due to the modest recovery in the US and EU markets in 2015.

Higher exports to Singapore were also recorded for machinery, appliances and parts which grew RM1.11 billion to RM6.75 billion; for optical and scientific equipment consisting mainly of electrically operated spectrometers and spectrophotometers using optical radiation (increased RM821.2 million to RM4.21 billion), for chemicals and chemical products (RM139.8 million to RM4.36 billion), for manufactures of plastics (RM175.4 million to RM2.43 billion) and for processed food (RM190.7 million to RM2.34 billion).

Malaysia's total imports from Singapore decreased by RM3.79 billion to RM82.10 billion from RM85.89 billion, recorded in the corresponding period of 2014.

The decline in imports was due largely to a fall in demand for petroleum products which decreased by RM11.54 billion, chemicals and chemical products (RM698.3 million) and iron and steel products (RM119.7 million).

Thailand was a significant trading partner for Malaysia, in ASEAN and globally. Thailand is Malaysia's second largest trading partner in ASEAN, having a 20.3 per cent share of Malaysia's exports and 22.9 per cent of Malaysia's imports in 2015. Thailand is also Malaysia's fifth largest trading partner in the world. Total trade with Thailand grew 8.0 per cent or RM6.35 billion to RM86.17 billion, from RM79.82 billion in 2014.

In 2015, Malaysia's exports to Thailand increased 10.5 per cent to RM44.42 billion, compared to RM40.21 billion in 2014. The increase was mainly due to higher exports of E&E products which grew 14.7 per cent to RM15.34 billion, of crude petroleum (increased 55.1 per cent to RM6.56 billion); of chemicals & chemical products (increased 10.6 per cent to RM4.46 billion); and of machinery, appliances & parts (increased 15.4 per cent to RM2.68 billion).

Thailand's E&E sector has been quite robust with a step-up in imports from Malaysia valued at RM15.34 billion from RM13.37 billion the year before. The supporting industries for electrical and electronics appliances such as compressors, motors, plastic, automotive and related industrial sectors continued to record positive recovery contributing to higher imports of related products especially from neighbouring countries .

Malaysia's total imports from Thailand grew 5.4 per cent, to RM41.75 billion from RM39.61 billion in 2014. Imports consisted mainly of transport equipment (increased 19.6 per cent or RM1.15 billion); rubber products (grew 18.8 per cent or RM227 million); manufactures of metal (17.5 per cent or RM166.4 million); and textiles, clothing & footwear (17.5 per cent or RM76.6 million).

Total trade with **Indonesia,** Malaysia's fourth largest trading partner in ASEAN grew marginally by 1.0 per cent or RM584.9 million to RM60.07 billion in 2015. Indonesia is Malaysia's seventh largest trading partner in the world.

In 2015, exports to Indonesia, Malaysia's eighth largest export destination fell by 8.4 per cent to RM29.10 billion from RM31.76 billion in 2014. The decrease in exports was largely due to the slowing global economy, depressed oil and commodity prices and sluggish demand in Indonesia. Malaysia's exports plummeted double-digit in several main sectors including petroleum products which dropped a hefty 37.8 per cent or RM4.32 billion; iron and steel products which shrank by 37.0 per cent or RM396.3 million); beverages and tobacco (fell 33.2 per cent or RM137.1 million); and optical and scientific equipment (declined by 21.3 per cent or RM120.9 million).

The sharp decrease in exports of petroleum products to Indonesia was caused primarily by the severe contraction of refined petroleum exports which fell 42.7 per cent from RM10.33 billion in 2014 to RM5.92 billion in 2015. This marked decline was largely due to low global oil prices and the weakening of the Indonesian Rupiah against the US Dollar.

Exports of iron and steel products to Indonesia suffered a steep fall of 37.0 per cent to RM674.5 million, from RM1.07 billion recorded the year before. The decline was largely due to decreased exports for iron and steel tubes, pipes, hollow profiles and fittings which plummeted by 80.1 per cent or RM301.1 million; for iron and steel bars, rods, angles, shapes and sections which shrank by 62.0 per cent or RM55.6 million; as well as for iron and steel in primary form, semi-processed, re-melting scrap and waste which contracted by 39.0 per cent or RM36.4 million. Falling global steel prices and the influx of cheaper imports prompted Indonesia to initiate counter measures and introduce anti-dumping import duties on steel products during the period under review.

While exports to Indonesia suffered a contraction, Malaysia's total imports from Indonesia in 2015 grew by 11.7 per cent to RM30.97 billion from RM27.73 billion recorded in 2014.

The increase was pushed by robust imports of palm oil and palm-based products which increased by 98.5 per cent to RM4.34 billion, from RM2.19 billion in 2014; of crude petroleum which increased markedly by 93.6 per cent to RM762.3 million; and of machinery, appliances and parts which rose by 30.9 per cent to RM1.55 billion.

Malaysia registered a 21.3 per cent increase in exports to **Viet Nam** of RM17.40 billion from RM14.34 billion in 2014. Higher demand for Malaysia's machinery, appliances and parts, petroleum products (refined petroleum products), chemicals and chemical products as well as E&E products, contributed to the rise. However, imports outpaced exports in 2015, with Malaysia's imports from Viet Nam growing by 23.5 per cent to RM18.85 billion from RM15.26 billion the previous year.

This increase was due to higher imports of textiles, clothing and footwear products (RM381.2 million); of non-metallic mineral products (RM74.4 million); and of machinery appliances and parts (RM73.4 million).

Total trade with **the Philippines** rose firmly by 14.6 per cent or RM2.51 billion to RM19.71 billion. (2014: RM17.21 billion). Exports to the Philippines also grew strong, to reach RM13.18 billion benefitting from increased exports of E&E products, palm oil and palm-based products as well as machinery, appliances and parts.

Major exports to the Philippines in 2015 were E&E products which increased by 23.2 per cent to RM3.0 billion, from RM2.44 billion in 2014; palm oil and palm based products which increased by 24.9 per cent (2015: RM1.71 billion, 2014: RM1.37 billion), chemical & chemical products which increased by 4.4 per cent (2015: RM1.59 billion, 2014: RM1.53 billion), and machinery, appliances and parts, which increased by 31.3 per cent (2015: RM864.4 million, 2014 : RM658.3 million). The only exception was crude petroleum which dropped by 15.4 per cent (2015 : RM887.3million, 2014 : RM1.05 billion)

Malaysia's imports from the Philippines valued at RM6.53 billion was an increase of 26.6 per cent from RM5.16 billion in 2014. Major products imported from the Philippines were E&E products, petroleum products, manufactures of metal, processed food and chemicals and chemical products.

In 2015, Malaysia's exports to **Myanmar** increased by 16.4 per cent to RM3.06 billion, compared to RM2.63 billion in 2014. The increase in exports was mainly due to high exports of manufactures of metal which increased by RM28.8 million; E&E products which grew by RM12.3 million; processed food which surged RM129.5 million; and chemicals and chemical products which increased by RM79.9 million.

Export growth was fuelled by rising incomes, an expanding economy and changing consumer trends towards international tastes. Demand is expected to grow approximately 10.0 per cent per year mainly due to increasing spending power in urban cities, especially Yangon, where salaries have risen significantly.

Malaysia's total imports from Myanmar in 2015 increased by 25.6 per cent to RM686.5 million from RM546.7 million recorded the year before.

Malaysia's total trade with **Brunei Darussalam,** contracted by RM414.9 million to RM3.23 billion in 2015. Exports decreased by RM 2.69 billion, compared to RM2.81 billion in 2014. The decrease in exports was mainly due to lower exports of petroleum products which contracted by RM981.4 million; manufactures of plastics which fell RM7.9 million; palm oil and palm-based products which decreased by RM1.0 million; and wood products which declined by RM5.0 million.

Malaysia's total imports from Brunei Darussalam in 2015 decreased to RM546.4 million from RM837.7 million recorded in the corresponding period of 2014. Imports contracted ahead of exports, mainly due to the sharp fall in imports of optical and scientific equipment by RM5.1 million; beverages and tobacco by RM0.9 million and petroleum products which shrank RM0.5 million.

Malaysia's total trade with **Cambodia** increased to RM1.51 billion in 2015. Exports was valued at RM917.2 million while imports registered RM594 million.

The increase in exports was mainly due to high exports of petroleum products which rose by RM80 million; optical and scientific equipment (RM3.1 million); chemicals and chemical products (RM13.6 million); and transport equipment (RM8.2 million).

Malaysia's total imports from Cambodia in 2015 fell slightly by 1.1 per cent to RM594 million from RM600.5 million in 2014. Imports decreased due to contractions in the imports of crude fertilisers and crude minerals (declined RM1 million), beverages and tobacco (fell RM1.1 million) and rubber products (plunged RM1.8 million).

Malaysia's total trade with **Lao PDR** decreased by 19.0 per cent or RM16.3 million to RM69.3 million in 2015, compared to RM85.6 million a year ago. Exports to Lao PDR registered a large contraction of 28.7 per cent or RM23.3 million to RM58.1 million in 2015, a huge fall from RM81.4 million in 2014. The sharp decline in exports to Lao PDR was largely due to lower shipments of transport equipment which shrank to RM2.9 million; machinery, appliances and parts which declined by RM10.9 million; manufactures of metal (contraction of RM7.8 million); and textiles, clothing and footwear (decreased RM4.1 million).

Imports from Lao PDR remained positive, posting a growth of 169.6 per cent to RM11.2 million in 2015 as compared to RM4.1 million in 2014. Major imports consisted of chemicals and chemical products, E&E products and natural rubber.

Trade with ASEAN by Sectors

Increase in exports to ASEAN was contributed mainly by manufactured products which formed 87.9 per cent of exports to ASEAN and consisted mainly of E&E products, petroleum products, chemicals and chemical products, machinery, appliances and parts and manufactures of metal.

The main driver of Malaysia's exports to ASEAN is E&E products, which constituted 30.7 per cent of total exports to the region. Exports of E&E products to ASEAN increased to RM67.3 billion, making Malaysia an integral part of the existing global supply chain for E&E manufactures in the ASEAN region. The increase in E&E exports came from electronic integrated circuits excluding processors and controllers, valued at RM24.61 billion. Products like parts and accessories of automatic data processing machines and units (RM6.30 billion) and electronic integrated circuits such as processors and controllers (RM3.88 billion) were also major contributors within the E&E sector.

Major markets for E&E products were Singapore (63.1 per cent) and Thailand (22.8 per cent). Export of E&E to Singapore and Thailand expanded by 16.3 per cent and 14.7 per cent respectively. Increase in exports of E&E to Thailand was largely due to higher imports by MNC investors in the country. Exports to other ASEAN countries that showed significant increases in 2015 include the Philippines (23.2 per cent), Brunei Darussalam (18.1 per cent) and Myanmar (13.1 per cent).

The second leading export to ASEAN was petroleum products which accounted for 14.0 per cent of Malaysia's total exports to ASEAN valued at RM30.65 billion in 2015. Both light petroleum distillates (58.8 per cent share) and petroleum spirit (31.2 per cent share) for motor vehicles together, accounted for 90.0 per cent of total petroleum products exported to ASEAN. Exports of petroleum products to ASEAN plunged by 33.9 per cent in 2015 from RM46.35 billion recorded the year before. In 2014, petroleum products accounted for 21.7 per cent share of Malaysia's total exports to ASEAN. The decrease in demand for petroleum products from Malaysia in 2015 was due to depressed global oil prices and weak market demand in ASEAN.

Within the region, Singapore was Malaysia's largest export destination for petroleum products. As Singapore is a globally significant oil trading and refining hub, 62.3 per cent share of the total exports of petroleum products was directed to the island state. Other major ASEAN destinations for petroleum products include Indonesia (23.2 per cent), Viet Nam (5.7 per cent), Thailand (2.0 per cent) and Myanmar (3.4 per cent). Exports to Viet Nam, surged to RM677.6million in 2015.

In 2015, imports from ASEAN increased by 3.6 per cent to RM182.03 billion from RM175.64 billion the year before. Manufactured goods which grew 3.7 per cent, formed the bulk of imports, garnering an 86.0 per cent share of total imports from ASEAN. Imports of manufactured goods were valued at RM156.52 billion in 2015, up from RM150.92 billion the year before. Manufactured imports were mainly E&E products with a 27.4 per cent share of total imports of manufactured goods, petroleum products (18.0 per cent share), chemicals and chemical products (8.6 per cent), as well as, machinery, appliances and parts (6.5 per cent).

Malaysia continued to post a trade surplus with ASEAN of RM37.26 billion, a slight decline from RM37.76 billion in 2014. In the year under review, Malaysia recorded a trade surplus with ASEAN Member States except for Indonesia and Viet Nam.

MALAYSIA'S TRADE WITH MAJOR PARTNERS (NON-ASEAN)

The People's Republic of China (PRC)

In 2015, Malaysia's trade with the PRC expanded at a slower rate of 11.1 per cent to reach RM230.89 billion from RM207.80 billion the year before. Malaysia's trade with the giant economy has been gradually slowing as the PRC continues to re-balance its economy from being dependent on a growth led by manufacturing and investments to an economy powered by domestic demand and services.

The PRC is Malaysia's second largest export destination after Singapore. Despite the slowing down of demand and imports from PRC due to its planned, gradual cooling of its economy, Malaysia's total exports to the PRC increased to RM101.53 billion in 2015, from RM92.29 billion in 2014. Higher exports were led by manufactured goods which accounted for 81.0 per cent of total exports to the PRC. Exports of manufactured goods rose to RM82.26 billion, from RM74.67 billion the year before.

E&E products contributed a 42.6 per cent share of manufactured exports and remained the largest contributor. However, Malaysia's exports of E&E products to the PRC have been slowing down, and in 2015, exports of E&E products grew to RM43.22 billion from RM43.08 billion in 2014.

Growth for E&E exports came mainly from electronic integrated circuits; parts for electrical machinery apparatus; apparatus for transmission or reception of voice, images and other data as well as, storage unit for computers.

Other sub-sectors of manufactured goods that showed strong growth and contributed to the increase in exports to the PRC were chemicals and chemical products (polymer of ethylene) which rose RM1.02 billion; petroleum products increased strongly by RM3.79 billion; manufactures of metal (nickel not alloyed), increased RM1.35 billion; and optical and scientific equipment (instruments and apparatus for measuring or checking semiconductor devices) which grew by RM594.9 million.

Exports of mining goods to the PRC also increased by 53.6 per cent to RM9.60 billion in 2015, from RM6.25 billion in 2014. The increase was contributed mainly by a significant jump in exports of metalliferous ores and metal scrap which grew by RM2.97 billion.

The PRC remained Malaysia's largest import source with a 18.9 per cent share of total imports in 2015. Imports expanded by 12.0 per cent to RM129.36 billion with higher imports recorded for apparel and clothing accessories, machinery, appliances and parts as well as, transport equipment.

European Union (EU)

Trade with the EU as a group of 28 economies increased by 3.1 per cent to RM148.52 billion as economic activities began to pick up in the region. EU accounted for a 10.1 per cent share of Malaysia's total trade with the world. Trade in 2015 increased by RM4.52 billion from RM143.99 billion in 2014.

The EU posted a modest growth recovery in 2015, and along with that recovery, demand for Malaysia's exports also rose in tandem. Malaysia's exports to the EU grew by 8.4 per cent or RM6.09 billion to RM78.92 billion (2014: RM72.84 billion). The EU also accounted for a higher share of Malaysia's total exports at 10.1 per cent from the 9.5 per cent in 2014. The Netherlands, Germany, the United Kingdom, France and Belgium remained the top five export destinations in the region.

Exports to Germany grew strongly by 10.0 per cent, the United Kingdom (17.6 per cent), France (11.0 per cent), Belgium (15.3 per cent), Italy (23.1 per cent), Spain (30.4 per cent), Sweden (24.7 per cent) and the Czech Republic (9.7 per cent). Exports contracted to the EU markets of the Netherlands by 0.2 per cent and Poland by 6.9 per cent.

The main driver for the increase in exports to EU was E&E products, primarily parts and accessories for office machines as well as, computers and data processing equipment. Exports of E&E products to the EU increased by 10.4 per cent or RM3.73 billion.

Other exports that registered increases to EU were rubber gloves, machinery, appliances and parts (pumps, compressors, fans, centrifuges and parts), transport equipment (aircraft parts), optical and scientific equipment (instruments and appliances used in medical, surgical, dental or veterinary sciences), manufactures of metal, petroleum products, apparel and clothing accessories as well as, iron and steel products.

Imports from the EU declined by 2.2 per cent to RM69.59 billion and main import products were E&E products, machinery, appliances and parts as well as, transport equipment.

United States of America (US)

Total trade with the US grew strongly to reach RM129.00 billion from RM116.78 billion in 2014. US was Malaysia's third largest trading partner and accounted for 8.8 per cent (2014: 8.1 per cent) of Malaysia's total trade with the world.

As GDP growth picked up in the US, Malaysia was able to sustain two strong consecutive years of double-digit growth in exports (2014 and 2015). Exports grew by RM9.26 billion to reach RM73.67 billion in 2015 (2014 : RM64.4 billion). This performance was driven by the higher purchasing power in the US, an increased domestic demand as well as the appreciation of the US currency.

Increased exports to the US was driven mainly by manufactured goods which accounted for 94.8 per cent of Malaysia's total exports to the country. Exports of this sector rose 16.7 per cent to RM69.81 billion mainly due to healthy increases in E&E exports. Higher exports of E&E products were registered for photosensitive semi-conductor devices; parts and accessories for office machines; computers and data processing equipment; apparatus for transmission; domestic vacuum cleaners; parts for electronic integrated circuits as well as apparatus for transmission or reception of voice, images and other data.

Other products that registered significant increases in exports were rubber gloves, wooden bedroom furniture, machinery, appliances and parts (parts and accessories for machines and apparatus for manufacture of semiconductors), optical and scientific equipment (instruments and appliances used in medical, surgical, dental or veterinary sciences) and transport equipment (parts for aircraft).

The US was Malaysia's third largest export destination, accounting for 9.4 per cent share of Malaysia's total exports to the world. In 2014, exports amounted to RM64.40 billion or 8.4 per cent share of Malaysia's total exports globally.

Imports grew by 5.6 per cent or RM2.96 billion to RM55.33 billion from RM52.37 billion in the year before. Growth was seen in the imports of E&E products, chemicals and chemical products as well as machinery, appliances and parts.

Japan

Japan was Malaysia's fourth largest trading partner in 2015, accounting for 8.7 per cent of Malaysia's total trade globally. Total trade with Japan contracted by 7.2 per cent to RM127.40 billion in 2015, a fall from RM137.33 billion in 2014. Japan's share of Malaysia's trade in 2014 was also higher at 9.5 per cent.

Decline in trade with Japan was due to dual contractions of both exports and imports. Exports to Japan fell sharply by 10.7 per cent or RM8.81 billion to RM73.81 billion (2014: RM82.62 billion) while imports declined by a smaller 2.1 per cent to RM53.59 billion.

Lower exports to Japan was due to weak exports of mining goods which declined by 27.3 per cent or RM12.02 billion. As global oil and commodity prices tumbled, exports to Japan suffered due to lower prices for LNG and crude petroleum, while mining goods accounted for 43.3 per cent share of Malaysia's total exports to Japan.

Unlike mining goods, exports of manufactures which accounted for 52.3 per cent share of total exports, grew by 9.0 per in 2015. Exports of manufactured goods grew by RM3.20 billion to RM38.63 billion from RM35.43 billion, the year before. Higher purchasing power and improvements in the labour market in the country gave the boost to Japan's domestic demand for manufactured goods.

Growth in Malaysia's manufactured exports to Japan was contributed mainly by E&E products, in particular, electronic integrated circuits. Other manufactured exports which grew include manufactures of metal, optical and scientific equipment, machinery, appliances and parts, rubber products, chemicals and chemical products, as well as processed food.

In 2015, imports from Japan declined to RM53.59 billion from RM54.71 billion in 2014. Major imports that contracted were manufactured goods, mainly iron and steel products, which fell by RM1.81 billion; and petroleum products (RM388.1 million). Japan was Malaysia's fourth largest source of imports globally in 2015.

The Republic of Korea (ROK)

The ROK is Malaysia's eighth largest trading partner in 2015, two spots down from being the sixth largest trading partner in 2014. Malaysia's total trade with the ROK fell by RM3.36 billion to reach RM56.28 billion in 2015. Total trade in 2014 was higher at RM59.64 billion. The ROK's share of Malaysia's trade also declined to 3.8 per cent from 4.1 per cent in 2014.

The ROK's exports fell by 7.9 per cent for the full year of 2015. It was the steepest decline since the global financial crisis in 2009 and the first annual contraction in three years.

The ROK's economy, was affected by the gradual slowing of PRC's economy. The PRC is one of ROK's main trading partners and a recipient of one quarter of Korea's total exports. Sluggish economic environment in the ROK had an impact on Malaysia's exports as well. In 2015, Malaysia's total exports to the ROK contracted by 9.7 per cent or RM2.71 billion. Exports fell from RM27.94 billion in 2014 to RM25.23 billion in 2015. The ROK accounted for 3.2 per cent share of Malaysia's global exports.

The fall in Malaysia's exports to the ROK was mainly attributed to a strong contraction of 26.0 per cent in mining goods, consisting mainly of LNG. As global oil prices tumbled, and with it prices of petroleum-related products, Malaysia's exports to the ROK took a beating as exports of LNG declined sharply by 23.9 per cent or RM2.42 billion due to low prices.

Exports of manufactured goods grew 2.6 per cent to RM15.43 billion from RM15.05 billion the year before. Exports of manufactures contributed 61.2 per cent to Malaysia's total exports to the ROK. Exports of E&E products formed the bulk of manufactured exports and this sub-sector grew exponentially by 46.1 per cent or RM1.91 billion to RM6.05 billion in 2015. E&E exports contributed 24.0 per cent share of Malaysia's total exports to the ROK.

Imports from the ROK posted a smaller decline of 2.0 per cent to RM31.05 billion from RM31.70 billion in 2014. Imports fell by a smaller margin compared to exports in 2015. Imports fell mainly because of sharp declines in the import of petroleum products. Malaysia's imports from the ROK that grew in 2015 consisted mainly of E&E products; machinery, appliances and parts; manufactures of metal; and optical and scientific equipment.

Chinese Taipei

Total trade with Chinese Taipei grew 2.2 per cent or RM1.29 billion in 2015. Trade with Chinese Taipei rose from RM58.97 billion in 2014 to RM60.26 billion in 2015, and accounted for a 4.1 per cent share of Malaysia's total trade worldwide. As in 2014, imports from Chinese Taipei outpaced exports resulting in a trade deficit for Malaysia of RM12.75 billion. Chinese Taipei is Malaysia's sixth largest trading partner in 2015.

Exports to Chinese Taipei declined by 3.5 per cent to RM23.75 billion in 2015 from RM24.61 billion the year before. Chinese Taipei accounted for a 3.0 per cent share of Malaysia's total exports in 2015, taking in a slightly smaller share than the 3.2 per cent in 2014.

The decline in exports was mainly caused by lower global oil prices which subsequently affected the prices of petroleum-related products. Malaysia's manufactured exports of petroleum products to Chinese Taipei plummeted by 48.0 per cent or RM692.8 million to RM750.4 million in 2015. This was a far cry from the RM1.44 billion exports achieved in 2014. Mining goods also contributed to export contraction, falling by 39.1 per cent or RM3.05 billion to RM4.75 billion, from RM7.79 billion in 2014. The stark decline in LNG exports to Chinese Taipei was the major drag for mining goods, with exports contracting 39.3 per cent or RM3.0 billion to RM4.63 billion in 2015. LNG exports to Chinese Taipei fared much better in 2014, with exports valued at RM7.64 billion.

In contrast to the steep declines for price-sensitive, oil-related exports, manufactured exports showed firm growth, rising by 15.0 per cent or RM2.32 billion to RM17.81 billion in 2015. (2014: RM15.49 billion). This was pushed mainly by E&E exports, which posted a small growth of RM265.71 million to RM7.77 billion; manufactures of metal which grew RM2.69 billion to RM3.69 billion and beverages and tobacco which increased RM83.98 million to RM333.56 million in 2015.

Imports from Chinese Taipei increased by 6.2 per cent or RM2.14 billion to RM36.51 billion in 2015 from RM34.36 billion in 2014. Manufactured goods accounted for 98.9 per cent of Malaysia's imports from Chinese Taipei, and was the main contributor to the increase. Major constituents of the increase in manufactured imports include E&E products, chemicals and chemical products, and machinery, appliances and parts.

India

India remained Malaysia's largest and most important trading partner in South Asia. In 2015, total trade with India grew 3.5 per cent to RM46.82 billion from RM45.23 billion in 2014, making India Malaysia's ninth largest trading partner in the world, accounting for 3.2 per cent share of Malaysia's global trade.

India's economy in 2015 escaped relatively unscathed compared to its many Asian neighbours. Its limited exposure to the slowing economy of the PRC meant that GDP growth in 2015 was more robust than the rest of Asia. India ranked as the top export destination for Malaysia among South Asian countries, taking in almost three-quarters of all Malaysia's exports to that region.

Malaysia's total exports to India showed a slight decrease of 0.7 per cent or RM227.4 million to RM31.67 billion in 2015, as compared to RM31.89 billion attained in 2014. Exports to India accounted for 4.1 per cent share of Malaysia's total exports to the world.

Palm oil and palm-based products was the biggest export to India, with an increase of 5.9 per cent or RM455.9 million. Exports grew from RM7.74 billion the year before to RM8.19 billion in 2015, as a result of increased demand from cheaper prices. Palm oil and palm-based products comprised a quarter of Malaysia's exports to India.

Among manufactures, exports of E&E products also posted a healthy increase, growing by 27.0 per cent to reach RM5.35 billion from RM4.21 billion last year. This upward trend was mainly due to the rise in demand for photosensitive semiconductors used in solar-powered projects which rose steadily in demand in 2014. Exports of manufactures of metal also grew strongly to reach RM3.03 billion in 2015, driven by India's increased demand for commodities to fulfill its infrastructure development.

Crude Petroleum exports to India experienced a contraction of 33.7 per cent or RM2.59 billion to RM5.09 billion from RM7.68 billion in 2014. The decline is due to the slump in global oil prices and weak demand.

Imports from India in 2015 posted a double-digit growth of 13.6 per cent or RM1.82 billion. Imports were valued at RM15.16 billion compared to RM13.34 billion in 2014. India was Malaysia's 12th largest source of imports. Main imports were manufactured goods especially manufactures of metals which grew substantially.

Africa

Total trade to Africa as a whole grew 2.5 per cent or RM741.4 million in 2015. Africa accounted for 2.1 per cent of Malaysia's total trade worldwide. Total trade increased to RM30.10 billion from RM29.35 billion in 2014.

As Africa is diversifying its economy and increasing its sources of supply, Malaysia's exports to Africa rose 5.9 per cent or RM1.14 billion to RM20.61 billion, from RM19.47 billion in 2014. Africa accounted for 2.6 per cent share of Malaysia's total exports in 2015. Major markets which recorded export values exceeding RM1 billion include South Africa, Nigeria, and Egypt.

Major exports to Africa comprised both industrial and consumer products, namely, palm oil and palm-based products, petroleum products, chemicals and chemical products, processed food as well as, machinery, appliances and parts.

In 2015, imports from Africa declined by 4.0 per cent or RM398.7 million. Imports fell to RM9.49 billion from RM9.88 billion in the previous year. The decline was attributed to collectively lower demand for imports from Nigeria, Algeria and Congo.

MALAYSIA – TRADE PERFORMANCE OF MAJOR SECTORS

Exports of Manufactured Goods

The manufacturing sector's contribution to Malaysia's GDP for 2015 was 23.0 per cent with a moderate growth of 4.5 per cent, mainly due to strong domestic demand in certain sectors such as the construction-related cluster, as well as chemicals and E&E sub-sectors.

Exports of manufactured goods grew by 6.5 per cent or RM38.30 billion to RM625.48 billion (2014: RM587.18 billion), cushioning the lower performance of the commodities sector in 2015. Manufactured exports accounted for a larger share of total exports with a contribution of 80.2 per cent, compared to 76.7 per cent in 2014. Exports of all manufactured goods recorded increases except for petroleum products and iron and steel products.

Exports of E&E products were the largest contributor to growth of manufactured exports. In 2015, E&E exports rose by RM21.78 billion to reach RM277.92 billion, the highest export value since 2007. Exports of E&E products accounted for 35.6 per cent of total exports.

Other manufactured products that contributed to growth in manufactured exports in 2015 include manufactures of metal, machinery, appliances and parts, chemicals and chemical products, optical and scientific equipment, rubber products, processed food, transport equipment, textiles, clothing and footwear, and manufactures of plastics.

Under the 11th Malaysia Plan (RMK-11), manufacturing remains the core sector for sustainable growth and to achieve a High-Income Nation status by 2020. Focus is on developing catalytic sub-sectors and further enhancing potential growth areas. The E&E, machinery and equipment, and chemicals and chemical products sub-sectors are primary sectors for the production of more complex and high value-added products and should function as the catalytic support for the development of other products and production activities. Potential growth areas include aerospace and medical devices which already have a strong base in Malaysia and will continue to evolve into higher value-added activities.

Electrical and Electronics (E&E) Exports

Despite uncertainties in the global market, the E&E industry was the largest export earner in 2015, with exports valued at RM277.9 billion, an increase from RM256.1 billion, recorded in the previous year. This has been the highest export value since 2007.

In 2015, E&E exports accounted for 35.6 per cent of total exports. Exports were driven by continued demand for new applications of Internet of Things (IoT) for wireless communications and wearable devices. Major export destinations included PRC, Singapore, and the US.

Value-added E&E increased from RM44.2 billion in 2014 to RM 53.8 billion in 2015. Growth was mainly driven by production of consumer electronics which rose sharply by 102.0 per cent as well as by new applications for semi-conductors in digitalisation, mobility, connectivity, energy efficiency and miniaturisation.

Major sub-sectors that contributed to increase in E&E exports over the RM1.0 billion mark include electronic integrated circuits and parts, photosensitive semiconductor devices, and parts and accessories for office machines.

E&E export markets that recorded significant increases exceeding RM1.0 billion in 2015 include Singapore, US, and Thailand. Increased demand from the EU and greater manufacturing activities within ASEAN helped propel higher exports of E&E products to these markets by 10.4 per cent and 15.5 per cent, respectively.

Mining and Agricultural Exports

Exports of major commodities comprising palm oil, natural rubber, LNG and crude petroleum constituted 15.0 per cent of total exports or RM117.32 billion in 2015. Revenues from exports of commodities were badly eroded by low global oil prices and commodity prices in the year under review.

Exports of palm oil declined due to lower average unit value (AUV) as well as lower crude palm oil (CPO) output following unfavourable weather conditions. Exports of natural rubber declined mainly due to lower AUV as well as lower production volumes. Lower exports of palm oil and natural rubber posted a drag on performance of agricultural goods. In 2015, agricultural goods accounted for an 8.6 per cent share of total exports.

Exports of crude petroleum and LNG contracted in tandem with lower current global prices. Exports of crude petroleum amounted to RM26.08 billion while LNG was RM47.07 billion.

Both recorded increases in export quantities but was dragged down by lower AUV. Reduced exports of these commodities caused a decline in exports of mining goods which only reached RM82.67 billion in 2015.

Imports

Total imports grew marginally in 2015 to reach RM685.39 billion. Manufactured goods accounted for the lion's share of imports at 87.6 per cent share. Manufactured imports in 2015 were valued at RM600.55 billion from RM589.65 billion in 2014. Agricultural goods were the next largest imports accounting for 5.9 per cent of total imports. The remaining 4.2 per cent of imports came from mining goods.

Due to the slowdown in the global economy, imports in 2015 were generally slower than in the previous year. Largest imports under manufactures was E&E products. Other manufactured imports that contributed to growth in imports include chemicals and chemical products, machinery, appliances and parts, and manufactures of metal.

For imports by end use, imports of intermediate goods was RM398.80 billion in 2015. Intermediate imports were valued at RM408.18 billion in 2014. Imports of intermediate goods accounted for 58.2 per cent of Malaysia's total imports.

Imports of capital goods almost stagnated at RM95.91 billion from RM95.88 billion in 2014, and accounted for 14.0 per cent share of total imports.

Imports of consumption goods reached RM62.46 billion in 2015, and accounted for 9.1 per cent share of Malaysia's total imports.

The PRC was the largest import source for Malaysia, followed by Singapore, the US, Japan and Thailand. These countries accounted for 52.9 per cent of total imports. In 2015, ASEAN contributed RM182.03 billion or 26.6 per cent to Malaysia's total imports, an increase of 3.6 per cent from 2014.

TRADE OUTLOOK FOR MALAYSIA

Malaysia's export performance in 2016 is forecast to remain positive with gross exports expected to grow by 2.4 per cent. The forecast is based on the modest demand being sustained in advanced economies and the continued growth in developing economies, especially in developing Asia, where Malaysia is most exposed to in terms of trade.

Turmoil as a result of slumping global oil and commodity prices is expected to continue to weigh down on the Malaysian economy, but the country is anticipated to weather the economic fluctuations on a position of strength, and post a growth in 2016 on the resilience of its well-diversified economy and sound financial infrastructure.

Malaysia's exports of E&E products are expected to remain strong, riding on the back of a healthy global demand for technologically innovative gadgets. According to the US Consumer Technology Association (formerly known as the Consumer Electronics Association), innovations comprising the Internet of Things (IoT) will drive the consumer tech industry to an all-time high of USD287 billion in revenues. E&E exports are expected to be the main driver of manufactured exports in 2016.

Manufactures in general are forecast to grow by 5.6 per cent in 2016, while agricultural exports and mineral exports are projected to contract by 3.8 per cent and 17.0 per cent respectively. The persistent weakness in commodity prices will negatively impact both agricultural and mining exports.

Import growth is projected to grow by 4.9 per cent and outpace export growth in 2016. Intermediate imports which is the bulk of Malaysia's imports is forecast to grow 4.7 per cent.

MALAYSIA PAVILION AT EXPO MILANO 2015

The Malaysia Pavilion design of '*Rainforest Seed*' drew inspiration from a humble seed signifying the beginning of a journey and the potential within. Like the rainforest itself which is home to a rich bio-diversity, the Malaysia Pavilion symbolises Malaysia's diverse cultural heritage, reflected across a canvas of multi-ethnic sights, sounds, tastes and flavours as a tribute to the rich diversity and great dynamism of the nation.

The four elliptical structures reflect the nation's diversity: biologically, geographically, ethnically, culturally, linguistically and culinary-wise, and its growth and potential. A journey through the Malaysia Pavilion is a discovery of Malaysia as a nation, as it pursues its socio-economic developmental goals in an innovative, sustainable and environmentally-conscious manner.

In line with the Expo's theme of '*Feeding the Planet, Energy for Life*', the Malaysia Pavilion adopted a healthy green internal and external ambience underlining the goal of environmental sustainability. It was constructed of Glulam or glue-laminated timber; an innovative structural timber made of local sustainable material. The choice of Glulam, combined with the structurally complex design of the pavilion was a deliberate effort to showcase Malaysia's capabilities in both design and the use of innovative materials. All ramps and walkways inside were constructed with reconstituted rice husk decking, recycled from paddy.

The iconic Malaysia Pavilion attracted more than 3 million visitors at the Expo Milano 2015 which was held for 6 months from 1 May - 31 October 2015. The Prime Minister, Dato' Seri Najib Abdul Razak attended Malaysia's National Day celebration at the Expo Milano on 3 October 2015, and launched the Malaysia Food Festival at the site. Malaysia's Pavilion received positive reviews not just from visitors but also from other participating nations at the Expo. In a survey conducted by the main local Italian daily, *Corriera della Serra*, readers voted Malaysia as one of the top three destinations to visit and Malaysian food among the top three most popular at the Expo.

The Malaysia Pavilion also played host to several events that showcased the nation's unique diversity. These included cultural performances, traditional games, cooking demonstrations as well as fun activities for children. Some of the special events held at the Pavilion included the Malaysian Fruits Festival, the BioShoppe product launch, Hari Raya Aidilfitri celebrations, Merdeka Day and promotion activities conducted by several State Governments.

The Pavilion also served as a backdrop for several trade, investment and tourism-related activities that promoted Malaysia's attraction as a preferred investment and tourist destination. The forums, business meetings and business-matching activities provided an opportunity for businesses from Malaysia to explore possible collaborations with their counterparts from the rest of the world.

The collaborative approach adopted by MITI in working with various ministries, agencies, the private sector, civil society groups and various participating industries in overseeing the Malaysia Pavilion project had ensured that it succeeded in its mission of promoting the nation.

INVESTMENTS AND INDUSTRIAL DEVELOPMENT

INVESTMENTS AND INDUSTRIAL DEVELOPMENT

INVESTMENTS

In 2015, Malaysia continued to build momentum in its efforts to attract quality investments,being in line with its aspirations of becoming a high-income nation by 2020.

Despite global volatilities, Malaysia remained resilient in continuously attracting direct investment inflows into new growth areas within high value-added areas; high technology, capital-intensive and knowledge-intensive industries.

The year 2015 was the final leg of the implementation of the 10th Malaysia Plan (2010 - 2015). Amid tough economic challenges, the 10th MP had to date achieved average private investments of RM162.0 billion per year at current prices; surpassing the stipulated annual target of RM148.0 billion.

Even as Malaysia stood out as a strategically promising investment destination, the country had undoubtedly gone much further through its close association with the regional grouping of the Association of Southeast Asian Nations (ASEAN). As the Chair of ASEAN 2015, Malaysia had successfully steered ASEAN Member States towards the establishment of the ASEAN Economic Community (AEC), which would reduce investment-related barriers and realise the potential of ASEAN as a fully integrated regional grouping for gainful investments.

On-going efforts to establish free trade areas within ASEAN and with its neighbours, have brought a significant uptrend in foreign direct investments (FDI) and intra-regional investments. Foreign companies and major multi-national companies (MNCs) looking to ASEAN to establish themselves regionally would undoubtedly enhance Malaysia's opportunity to become their preferred destination.

INVESTMENT PERFORMANCE

In 2015, the country attracted RM186.7 billion in mostly high quality private investments; bearing testament to the sturdiness of Malaysia's economy amid the external challenges, the decline in demand and prices for hydrocarbons and other commodities, as well as the weakening Ringgit Malaysia.

Of the total investments approved, direct domestic investments (DDI) contributed RM150.6 billion or some 80.7 per cent while approximately RM36.1 billion or 19.3 per cent came from FDI. Throughout 2015, investments in the National Key Economic Areas (NKEAs) under the Economic Transformation Projects (ETP) amounted to an impressive RM113.8 billion or 60.9 per cent of total investments. There were also significant investments in Non-NKEA approved projects amounting to RM72.9 billion.

Realised private investments measured in terms of Gross Fixed Capital Formation (GFCF) totalled RM198.8 billion. The value has indeed surpassed the average annual investment target set under the 10th MP which attested to Malaysia's position as an attractive investment destination.

INVESTMENTS IN THE MANUFACTURING SECTOR

In 2015, the manufacturing sector attracted investments worth RM74.7 billion in 680 projects; an increase from the RM71.9 billion achieved in 2014.

New Projects

Amid global economic risks and uncertainties, Malaysia continued to attract a significant amount of new investments. In 2015, investments in new projects amounted to RM60.2 billion (384 projects) or 80.6 per cent of total investments approved. Of these, RM11.6 billion (19.3 per cent) were from foreign sources with the balance RM48.6 billion (80.7 per cent) being domestic investments.

Expansion and Diversification of Projects

Existing companies in Malaysia continued to expand and diversify their operations; reflecting their continued confidence in the country's investment environment. A total of 296 projects amounting to RM14.4 billion were approved in 2015, accounting for 19.4 per cent of total investments approved.

Investments Approved by Industry

As in the preceding year, petroleum products including petrochemicals once again recorded the highest investments approved in 2015, amounting to RM27.0 billion. This was followed by natural gas (RM10.4 billion), E&E products (RM8.9 billion), transport equipment (RM6.5 billion), non-metallic mineral products (RM3.7 billion), basic metal products (RM3.6 billion), food manufacturing (RM2.6 billion), fabricated metal products (RM2.6 billion) and chemicals & chemical products (RM2.3 billion).

Capital-Intensive Projects

Being focussed on attracting quality investments has reaped rewards for Malaysia, as in 2015, capital-intensity as measured by the capital investment per employee (CIPE) ratio of projects approved reached RM1,123,306. The industry with the highest CIPE ratio was in petroleum products including petrochemicals (RM14,495,080), followed by transport equipment (RM2,414,287) and chemicals & chemical products (RM1,136,068).

Employment Opportunities

Projects approved in 2015 created 66,494 employment opportunities. Of these, 13,951 (21.0 per cent) were in the managerial, technical and supervisory (MTS) categories, 39,714 (59.7 per cent) in the category of skilled workers and 12,829 (19.3 per cent) in the unskilled workers, sales, clerical and other categories.

Most of the employment opportunities created were in the E&E industry (22,599 jobs), followed by the rubber products industry (6,893 jobs) and fabricated metal products industry (4,515 jobs).

APPROVED INVESTMENT PROJECTS BY OWNERSHIP

Domestic Investments

Contributions from domestic investors are imperative in enhancing Malaysia's continued competitiveness and in accelerating the shift to high value-added, high technology, knowledge-intensive and innovation-based industries.

Domestic investments approved in 2015 leapt to RM52.8 billion from RM32.3 billion in 2014, accounting for 70.6 per cent of total investments approved during the year.

New projects were the main contributors to domestic investments amounting to RM48.6 billion, while RM4.2 billion were investments for expansion/diversification projects. Investments were mainly in petroleum products including petrochemicals with RM25.1 billion or 47.6 per cent of total domestic investments approved in 2015. Other industries with significant domestic investments were natural gas (RM10.4 billion), transport equipment (RM6.0 billion), food manufacturing (RM2.1 billion), fabricated metal products (RM1.6 billion), non-metallic mineral products (RM1.4 billion) and chemicals & chemical products (RM1.1 billion).

Foreign Investments

Approved foreign investments in manufacturing projects in 2015 amounted to RM21.9 billion and accounted for 29.4 per cent of total investments approved for the year.

E&E industry received the largest inflow of foreign investments, totalling RM8.2 billion. Other industries with high levels of foreign investments included basic metal products (RM2.7 billion), non-metallic mineral products (RM2.3 billion), petroleum products including petrochemicals (RM1.9 billion) and chemicals & chemical products (RM1.2 billion).

Major Sources of Foreign Investments

The US was the largest contributor to foreign investments for the manufacturing sector in Malaysia for the year 2015 contributing investments worth RM4.2 billion; followed by Japan (RM4.0 billion); Hong Kong SAR (RM3.2 billion), the PRC (RM1.9 billion), Singapore (RM1.4 billion); and the Republic of Korea (RM1.4 billion). These six countries jointly accounted for 72.7 per cent of total foreign investments approved in 2015.

Approved Manufacturing Projects by Location

A large number of projects approved were located in Selangor (222 projects), followed by Johor (137 projects) and Penang (107 projects); with these three states continuing to lead in terms of number of projects approved for investments. This total of 466 projects located in these three states contributed to 68.5 per cent of all projects approved nationwide for the year 2015.

In terms of investments approved, the state of Johor received the largest investment amount of RM31.1 billion followed by Sarawak (RM11.9 billion), Selangor (RM8.0 billion), Melaka (RM6.9 billion) and Penang (RM6.7 billion).

INVESTMENTS IN THE PRIMARY SECTOR

The primary sector comprises agriculture, mining and plantation & commodities sub-sectors. This sector contributed RM3.7 billion towards approved investments in 2015, of which 50.0 per cent was from FDI. The mining sub-sector was the largest recipient with approved investments of RM2.8 billion for 26 projects, the plantation & commodities sub-sector with RM712.2 million, and the agriculture sub-sector with RM261.2 million.

New Policy Initiative: Launching of Incentives

Following the announcement of new tax incentives in Budget 2015, MITI has published detailed guidelines on the following tax incentives aimed at intensifying quality investments and bolstering support for the investment eco-system:

- the Incentive for Industrial Area Management;
- the Capital Allowance to Increase Automation in Labour-Intensive Industries; and
- the Incentive for the Establishment of a Principal Hub.

For more details on these new tax incentives, visit http://www.mida.gov.my/home/new-incentives-under-the-2015-budget/posts/

Consistent with the aim of attracting quality investments, the roll-out of these policy incentives were aimed at:

- accelerating the shift in manufacturing and services sectors, from labour-intensive to high value-added, knowledge-intensive plus innovation-based industries; and

- improving the investment climate through enhancement of relevant infrastructure.

i. **Incentive for Industrial Area Management**
While there was an oversupply of 595 industrial estates in Malaysia in 2015, many did not meet investors' requirements. The new incentive is to ensure that these industrial estates are better managed, hence providing a more conducive investment environment with improved infrastructure facilities.

Industrial park managers are to undertake upgrading and maintenance activities within their respective parks including its roads, street lightings, database system and common facilities for the convenience of manufacturer-tenants located within their industrial park.

To this effect, MITI through MIDA has formed a taskforce committee for pilot projects on industrial park management in Selangor, Melaka, Perak and Johor, in an effort to identify the best park management model to be implemented.

ii. **Capital Allowance to Increase Automation in Labour-Intensive Industries**
Under this new one-off incentive, manufacturing companies are encouraged to adopt automation in the shortest possible timeframe. High labour-intensive industries such as in manufacturing rubber products, plastics, wood, furniture and textiles are entitled to a 200 per cent capital allowance on the first RM4.0 million expenditure incurred for undertaking automation; applicable as early as assessment year 2015, up to the year 2017. For other manufacturing industries, the 200 per cent capital allowance is only provided on the first RM2.0 million expenditure incurred within the year of assessment 2015 until the year 2020.

iii. **Incentive for the Establishment of A Principal Hub**
This scheme was intended to complement the increasing trend of global off-shoring activities; by encouraging foreign companies to leverage on Malaysia's competitive position in ASEAN and the Asia Pacific. This would also encourage Malaysian-owned and locally incorporated businesses to provide services related to the functions of operational headquarters, and to extend their expertise to those foreign entities.

In addition, the incentive would help to promote growth in the services sector; further positioning Malaysia as part of the integrated global supply chain in sectors where Malaysia has a comparative advantage.

This incentive scheme is available to companies registered in Malaysia which have, or intend to have, a significant level of headquarters-related business services or activities in Malaysia serving the Asian region and beyond. The incentive is in the form of a tiered rate of tax reductions based on the level of value created. This includes level of business spending, high-value job creation, high-level personnel, level of value-adding functions and risks transferred to the principal company, and also revenue.

The Principal Hub incentive scheme will replace the International Procurement Centres (IPC), Regional Distribution Centres (RDC) and Operational Headquarters (OHQ) Incentive Schemes, which will officially be terminated by 30 April 2016.

OUTLOOK FOR INVESTMENTS

The global economy including that of Malaysia, will continue to face challenges on multiple fronts in 2016. The road ahead requires Malaysia to go beyond that of just economic growth. Malaysia needs to build on the core strengths of the country, including its strong investment policy foundation, to secure various developmental opportunities with long-term benefits for the nation.

History has proven that Malaysia is a resilient nation. The strong private sector performance and Malaysia's diversified economy have enabled the country to continue strengthening its fiscal position. The priority now is not just about number of investors or absolute value of investments, but investments that would help fulfil the country's aspirations and provide Malaysians with good quality jobs that offer higher incomes.

The 11th Malaysia Plan (2016 - 2020) was launched in May 2015 with a targeted average private investments of RM291.0 billion per annum (current prices), in order for Malaysia to reach its economic transformation goals by 2020. The Plan has outlined the Malaysia National Development Strategy, which aims to rapidly deliver greater impact on both capital and people inputs at a lower cost to the Government. Investments in areas such as transportation, logistics, trade facilitation, ICT infrastructure, energy and utilities will directly support the capital economy. Having said that, quality investments in knowledge intensive activities are in tandem with the national strategic thrust to improve labour productivity and create high-skill job opportunities: benefitting both the people and the country's economy. Similarly, investments in sustainable technologies support the Government's green growth strategy.

The Government will continue to introduce various pro-business measures to bolster Malaysia's ability to face both domestic and external challenges, and take advantage of various opportunities including leveraging on our FTA networks such as the ASEAN Economic Community (AEC), the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP). In addition, Malaysia will continue to collaborate and engage with a variety of stakeholders to attract investors across all economic sectors. As the AEC prepares to propel the region forward with Malaysia at the forefront, investors can expect a challenging ride ahead in 2016; a satisfying one nevertheless.

WORKSHOP AND LAB ON COORDINATION OF THE NATIONAL INVESTMENT AGENDA

Emphasising on the steering role of MIDA and in line with the provisions of the MIDA Act (Incorporation) 1965, MIDA under MITI has been mandated by the Government to act as a 'single window' to coordinate all investment promotion activities in Malaysia.

In support of a comprehensive governmental eco-system approach to investment development, a good working relationship must be fostered between MIDA and the other strategic government agencies and investment promotion agencies at the federal, state levels as well as regional corridors.

In this regard, the MITI-MIDA-PEMANDU Workshop and Lab on Coordination of National Investment Agenda (NIC) were held from 12 - 14 January and on 27 March 2015, respectively. These two initiatives managed to coordinate issues of:

- overlapping roles amongst the investment promotion agencies at the federal, state and regional levels. Distinct individual and shared roles were re-established; and
- confusion over Data Collection/Announcement. MIDA has been directed to act as the single agency to announce any approved investment data.

The success of the follow-on initiatives, stemming from the NIC workshop and lab sessions to a great extent, is dependent on the collaborative efforts and commitment of all stakeholders in promoting Malaysia as the preferred investment destination in the region.

INDUSTRIAL DEVELOPMENT

The manufacturing sector's contribution to Malaysia's GDP for 2015 was 23.0 per cent, with a moderate growth of 4.5 per cent. This is mainly due to strong domestic demand in sectors such as the construction-related cluster, as well as chemicals and electrical & electronics (E&E) sub-sectors.

ELECTRICAL AND ELECTRONICS (E&E)

The E&E industry was the largest export earner in 2015 with RM277.9 billion as compared to RM256.1 billion recorded in the previous year. Major export destinations include the PRC, Singapore and the US. Added value in E&E products increased from RM44.2 billion in 2014 to RM53.8 billion in 2015. Growth was mainly driven by production of consumer electronics which rose sharply by 102.0 per cent as well as new applications for semi-conductors in digitalisation, mobility, connectivity, energy efficiency and miniaturisation.

E&E approved investments for the year 2015 amounted to RM8.9 billion with 93 approved projects; surpassing the annual target of RM6.0 billion. Foreign investments continued to be a major source of investments with RM8.2 billion (92.0 per cent) while domestic investments totalled RM700.0 million or 8.0 per cent of total investments.

New initiatives implemented in the E&E industry in 2015 include:

- Negotiations initiated by Malaysia with the US for the implementation of the APEC Mutual Recognition Arrangement for Conformity Assessment of Telecomunications Equipment (APEC TEL MRA). Once concluded, the MRA will ensure that Malaysia's local test labs will continue to be accepted as Conformity Assessment Bodies (CABs) for exports of telecommunication devices. This will ensure that Malaysia's exports to the US market will not be restricted after the new US Federal Communications Commission (FCC) ruling becomes effective on 13 July 2016.

- Finalisation of the APEC Environmental Goods List where Malaysia has committed to reduce tariffs for 54 related products to 5.0 per cent by early 2016.

- Establishment of the E&E Strategic Council (EESC) in March 2015 to develop strategies for the local E&E industry to ensure its competitiveness.

- Expansion of the Information Technology Agreement (ITA 2) with effect from 1 July 2016. Its implementation will further boost exports of Malaysia's ICT-related products to other ITA 2 members including the US, EU, PRC and Japan.

The E&E industry has been identified as a catalytic sub-sector under the 11th Malaysia Plan which has been targeted to drive the manufacturing sector growth, with its strong inter-linkages to other sub-sectors, as well as having the capacity to support overall manufacturing activities. In addition, manufacturers in the E&E industry have greater potential and strong capabilities to diversify production towards more complex and higher value-added products. Going forward, the E&E industry will continue to be driven by research and innovation particularly in areas such as the Internet of Things (IoT), eCommerce and cutting-edge semiconductor technology.

MACHINERY AND EQUIPMENT

M&E has been recognised as another catalytic sub-sector to drive manufacturing growth in the mid-term, with the capability to produce more complex and high value-added products.

M&E has also been identified as one of the 12 key export sectors under the newly established National Exports Council (NEC). The action plan for M&E encompasses programmes targeted to boost exports of selected specialised industries such as equipment for the semiconductor sub-sector, Oil & Gas (O&G), robotics & factory automation, and material handling. Under the NEC, the target is to boost exports of M&E by an additional RM2.0 billion annually in the next five years.

The Government plans to develop Malaysian Standards (MS) to ensure the safety and quality of locally manufactured M&E products. Development of MS for M&E products would encourage competitiveness and sustainability of the industry in both the domestic and foreign markets. MS will also be imposed on imported goods to ensure no sub-standard products are imported into the country.

CHEMICALS AND PETROCHEMICALS

MITI together with the Department of Occupational Safety and Health (DOSH) and the Department of Environment (DOE) are leading the ASEAN-Japan Chemical Safety Database (AJCSD) initiative for Malaysia. The database is an online platform that provides a medium for information sharing on hazardous chemicals, associated regulations on chemicals and chemical products, and risk assessment within the region. It also provides Chemical Abstracts Service (CAS) numbers, a Globally Harmonised System of Classification and Labelling of Chemicals (GHS), hazard information, chemical risk assessment results and associated regulations on chemicals in ASEAN and Japan. The pilot version of the database was launched on 6 April 2015, and the full-fledged database is scheduled to be operational by April 2016.

In April 2015, Malaysia adopted the Classification, Labelling and Safety Data Sheet of Hazardous Chemicals Regulations 2013 (CLASS Regulations) to replace the current Occupational Safety and Health (Classification, Packaging and Labelling of Hazardous Chemicals) Regulations 1997 (CPL Regulations). The main objective of the CLASS Regulations is to ensure safety of workers handling hazardous chemicals, as well as for consumers. Requirements under the CLASS Regulations include that on classification, labelling, preparation of Safety Data Sheets, packaging and chemicals inventory information. These initiatives have increased the safety level of chemical products and competitiveness of Malaysia's exports.

The AJCSD is expected to be a one-stop centre for exporters and importers to obtain information on rules and regulations of chemicals implemented in the ASEAN region and Japan. It is also to reduce issues and challenges with regard to compliance with the latest regulatory requirements. With this in place, Malaysia would be able to be at the forefront of data exchange on chemicals, and contribute towards significant enhancement in regional trade.

IRON AND STEEL

In 2015, the Malaysian iron and steel industry continued to face challenging conditions arising from global market instability as well as the influx of cheaper imports. In the interest of the industry, the Government has agreed to review and extend the import duty structure for flat products at 15.0 per cent until the end of 2019. In addition, the Government has taken several trade remedy measures including anti-dumping action on imports of hot rolled coils (HRC), chequered coil (CC) and pickled & oil (P&O) originating from the PRC and Indonesia, in February 2015, and imposition of global safeguard duties on imports of hot rolled steel plate (HRP) in July 2015.

As part of the 'shared responsibility' initiative, high-level industry engagements were continued at the upstream, midstream and downstream levels, together with participation from other Government stakeholders throughout the said year. This includes an Iron and Steel Lab between industry players and Government ministries/

agencies organised by MITI and the Malaysia Steel Institute (MSI) from 6 - 8 October 2015. The Lab identified several developmental actions and enablers to move the industry forward such as enhancing industry relations, facilitating industry consolidation, as well as enhancing innovation and R&D.

There is joint recognition that the iron and steel industry remains integral to Malaysia's industrial development in the medium term. In particular, it is important for the industry to continue to develop and produce higher-grade and higher value-added steel products particularly for the 11th Malaysia Plan focus areas, namely E&E, ICT, M&E, aerospace, medical devices and chemicals industry.

AUTOMOTIVE

The National Automotive Policy (NAP) 2006 was introduced to assist in the transformation and integration of the local automotive industry into a regional and global network that is becoming increasingly liberal and competitive. NAP 2014 was to also foster competitiveness of both the local and international automotive markets. Announced in January, NAP 2014 focussed on preparing the Malaysian local automotive players towards liberalisation of the industry.

The Government continued to implement various initiatives and programmes under NAP 2014, to further enhance capacity and capability of the domestic automotive industry. These include the introduction of Euro 4 standard for RON97 petrol for better fuel efficiency and lower carbon emission, in line with the aim to transform Malaysia into an Energy Efficient Vehicle (EEV) hub by year 2020.

In order to oversee, develop and continuously align plans of the competitive domestic automotive industry as well as monitor overall implementation of NAP 2014, the Government established the National Automotive Council (NAC) in 2015, chaired by the Minister of International Trade and Industry.

Investment, technology, engineering and market expansion are the main directions of the NAP 2014. It is also supported by three main strategies which focusses on human capital development, supply chain development and safety, as well as security and environment. The policy also focusses on structural issues affecting the domestic automotive industry. In addition, it provides an environment which is conducive for investments and related value-added activities; driven by high and advanced technology towards making Malaysia the production hub for energy-efficient vehicles (EEVs).

A year after the announcement of NAP 2014, Malaysia recorded various positive achievements. For manufacturing-related projects, eight Original Equipment Manufacturers (OEMs) provided RM11.5 billion in approved investments, creating a total of 322, 000 job opportunities. To date, RM6.8 billion worth of investments have been realised. The After Sales & Services sector attracted RM2.0 billion worth of investments.

Malaysia is also focussing on becoming an EEV hub in the region. Due to the fact that EEVs are vehicles that fulfil two essential criteria, namely low-energy consumption for a set distance travelled, and low-or-no-emission propulsion that satisfies green initiatives. EEVs are vehicles of the near future which would satisfy international demand for a cleaner earth while seeking global energy security.

EEV production will demand a high level of product technology, skilled and knowledged manpower, extensive research and development (R&D) initiatives, plus more sophisticated production engineering, materials and processes.

The automotive components manufacturing sub-sector has been liberalised. The presence of a strong base of local vendors that are 'open' and not in affiliation with any carmaker or particular brand will turn into useful parts and components supporters in the EEV manufacturing activities. EEV will open up greater opportunities for domestic direct investment (DDI) whereby local entrepreneurs can strategically venture into EEV parts and components manufacturing.

In addition, the Supply Chain Development project has successfully implemented the Lean Production System (LPS) to 305 companies, while the Automotive Supplier Excellence Programme (ASEP) has been adopted by 91 companies. Programmes conducted under the Supply Chain Development project recorded 23.9 per cent improved productivity with 540 workforce trained. These activities recorded RM670.4 million in cost saving.

The aftermarket sector through 46,920 public engagements drew participation from 252 companies under the Bumiputera Workshop Development & Transformation Programme (BWTP), while 12 companies were engaged in the Dealers Entrepreneurship Enhancement Programme (DEEP). Through these engagements, 1,000 workers from the sub-sector have been trained.

Since NAP 2014 was announced, the industry's human capital and technology developments have showed positivity. The numbers in the automotive workforce significantly increased, with more commercialised projects conducted under a technology collaboration programme, and establishment of more Industry Centres of Excellence to value add to our education system. RM18.07 million in project value was recorded for technology development.

Car prices on the other hand, recorded a 14.7 per cent reduction in 2015 compared to 2014. To improve fuel quality and environment, more than 50 stations have started sale of Euro 5 Diesel nationwide, with Euro 4 Petrol enjoying supply of RON 97 at existing petrol stations. The local automotive market is expected to expand with the launching of the AEC in December 2015. Joined by 10 countries comprising Thailand, Myanmar, Laos, Viet Nam, Malaysia, Singapore, Indonesia, the Philippines, Cambodia and Brunei Darussalam, it is believed that AEC will create a vibrant and competitive single market with more than 600 million people and a gross domestic product (GDP) in excess of RM7.5 trillion; transforming the region with free movement of goods, services, investments, skilled labour and freer flow of capital.

Through the AEC, penetration into the ASEAN automotive market would be made easier with elimination of import duties within ASEAN Member States; resulting in cheaper prices of vehicles and greater market access. Harmonisation of standards and regulations will also enhance safety of all parts and components sourced within the ASEAN region. Greater job opportunities would be created, with freer movement of skilled labour across ASEAN Member States.

Implementation of the NAP 2014 and establishment of the AEC have both created greater opportunities for the Malaysian automotive industry. These initiatives have also enabled local automotive manufacturers to set in motion the dynamics of the industry, and to continuously contribute to the nation's economy.

SHIPBUILDING AND SHIP REPAIR

2015 was a challenging year for the local shipbuilding and ship repair (SBSR) industry which was very much dependent on the oil and gas (O&G) industry. For instance, export of ships, boats and floating structures dropped significantly in 2015 to reach only RM0.7 billion from RM1.0 billion in the preceding year; with demand for offshore support vessels (OSV) greatly affected by the fall in global oil prices.

A total of 167 SBSR companies (99 shipyards and 68 non-shipyards) are spread out across the country between Peninsular Malaysia and East Malaysia. About 86.0 per cent of Malaysia's ship production is undertaken in Sabah and Sarawak. In Peninsular Malaysia, the majority of companies specialises in both steel and aluminium vessels, whereas in Sabah and Sarawak, the focus is on building of steel vessels and ship repair activities. The SBSR industry currently provides job opportunities for about 30,000 workers.

The overall outlook for the industry in 2016 remains challenging. To address this, a new set of incentives has been made available beginning 1 January 2016 to help boost and revitalise the sector which covers shipbuilding and ship repair activities, and other related services such as maintenance, repair and overhaul (MRO) of ships and floating vessels. Other potentials in the industry would include design and skills training.

AEROSPACE

The aerospace manufacturing industry has been identified by countries within the Asia Pacific region as one of the high growth sectors in the next 15 years. It is also an advanced technology sector, where innovations in this industry would have wide-reaching impact in other manufacturing industries. To ensure that SMEs in Malaysia stand to benefit from this initiative, a new Entry Point Project (EPP) has been introduced. It is identified as EPP8: Developing SMEs in the Global Aerospace Manufacturing Industry-focussing on the development of SMEs involved in the aerospace industry in Malaysia.

EPP 8 in the National Key Economic Areas (NKEAs) leverages directly on recommendations of the Malaysia Aerospace Industry Blueprint which was launched by the Prime Minster in March 2015 during LIMA '15. EPP 8 also impresses on initiatives of EPP 7, 'Making Malaysia the Hub for Aerospace Original Equipment Manufacturers in South East Asia' whilst taking advantage of the nation's potential to become 'Asia's Aerospace City'. EPP 8 was designed based on the current scenario of our industry which requires special attention and specific measurements according to the three growth levers, namely industry-recognised capability and capacity; business market; and industry development including investment, funding and incentives. EPP 8 solely focusses on six key initiatives undertaken to ensure that the goals and missions of the Malaysia Aerospace Industry Blueprint are achieved by the year 2020.

Targetting to increase the gross national income (GNI) to RM454.0 million by 2020, EPP 8 is also set to increase job opportunities to 4,108 by the same target year of 2020. Both targets indicate that the manufacturing sector in the aerospace industry encourages involvement of SMEs, which would have a huge positive impact on Malaysia's economic growth. With the introduction of EPP 8, initiatives to be implemented are seen as opportunities for SMEs to explore the medium and large scale markets including being distributors for major aerospace companies in the world such as Boeing and Rafale.

One of the initiatives that will be implemented by MITI through SME Corporation Malaysia is assisting SMEs in upgrading their status of certification and recognition which is deemed crucial in the aerospace industry. In addition, it would strengthen effectiveness of the aerospace's eco-system chain and create competitive businesses for SMEs; taking advantage of the various government funding schemes and existing investment opportunities.

The aerospace industry has been identified as a new source of economic growth for Malaysia under the 11th Malaysia Plan, particularly in the areas of aviation maintenance, repair and overhaul (MRO) and engineering services.
In 2015, a total of four new aerospace manufacturing projects were approved with

total investments of RM4.6 billion. Exports of aerospace products for the same year recorded a significant increase of 46.4 per cent; from RM2.8 billion in 2014 to RM4.1 billion in 2015 with the main export destinations being the US, UK and Singapore.

The year 2015 also saw the reinvigoration of the Malaysia Aerospace Council (MAC) under the chairmanship of the Minister of International Trade and Industry; to provide overall guidance and direction in the development of the aerospace industry in Malaysia, including monitoring implementation of the Malaysian Aerospace Industry Blueprint 2030. The first MAC meeting was held on 15 September 2015. Additionally, the National Aerospace Industry Coordination Office (NAICO) was established in August 2015 as a new unit under MITI, to oversee the implementation of strategies and initiatives in the Blueprint. The establishment of NAICO was based on recommendations proposed in the Malaysian Aerospace Industry Blueprint 2030. NAICO also serves as the focal point in linking aerospace industry players, relevant government ministries and agencies, and academia, to collectively work together in strengthening the capability and capacity of Malaysia's aerospace industry.

THE MALAYSIAN AEROSPACE INDUSTRY BLUEPRINT 2030

The Malaysian Aerospace Industry Blueprint 2030 which was launched in March 2015 signifies a new milestone for the aerospace industry in Malaysia.

The Blueprint aims to make Malaysia the top aerospace nation in South East Asia, and to be an integral part of the global market within this industry. Based on this, the aerospace industry is targeted to generate an annual revenue of RM55.2 billion and create more than 32,000 high-income jobs by 2030. The revenue targets are RM20.4 billion for MRO, RM21.2 billion for aero-manufacturing and another RM13.6 billion for engineering and design services.

Five focus areas identified in the Blueprint with specific objectives are:

- MRO - Capture at least 5.0 per cent of global market share
- Aero-Manufacturing - Become number one in South East Asia for Aerospace and Component Sourcing by targetting to be large assembly Tier-1 and Risk Sharing Partner (RSP)
- System Integration - Self-Reliant (at least 70.0 per cent) in integration and upgrading of strategic assets
- Engineering and Design Services - Capture at least 3.5 per cent of global market share
- Education and Training - No.1 in South East Asia in supply of competent workforce

The KPIs for each focus area over the period of 15 years until 2030 are as follows:

No.	Focus Area	2015	2020	2025	2030
1.	Maintenance, Repair and Overhaul (Global Market Share)	3 per cent	3.5 per cent	4 per cent	5 per cent
2.	Aerospace Manufacturing (Position in South East Asia)	No. 2	No. 2	No. 1	No. 1
3.	System Integration (Local Content)	10 per cent	30 per cent	50 per cent	70 per cent
4.	Engineering and Design Services (Global Market Share)	0.03 per cent	2 per cent	3 per cent	3.5 per cent
5.	Aerospace Training and Education (Position in South East Asia)	-	No. 1	No. 1	No. 1

Seven strategies have been identified in the Blueprint to steer the aerospace industry in the next 15 years covering essential aspects of policy and governance, institutional and regulatory, research and technology, talent development, funding and incentives, and market development. The strategies emphasise the need for the Malaysian aerospace industry to grow fast in terms of revenue, value-add, involvement in upstream activities, having high value advanced science and technology elements, and employing high productivity skilled workforce. The seven strategies are:

Strategy 1 : Apply policies that will impact the future landscape of the industry.

Strategy 2 : Enhance the effectiveness of institutions that have direct influence on the growth of the industry.

Strategy 3 : Harmonise civil and military regulations and promote green practices.

Strategy 4 : Invest in R&T to develop new capabilities and enhance industry competitiveness.

Strategy 5 : Promote aerospace investments through incentives and matching funding.

Strategy 6 : Attract and prepare the workforce of tomorrow for Malaysia and the region, and

Strategy 7 : Capture new market and strengthen local supply chain.

Forty-one key initiatives will be implemented in phases to achieve the seven strategies identified in the Blueprint. The initiatives will be led by both the Government and industry players; underscoring the need for commitment and support from all stakeholders to move the Malaysian aerospace industry to a higher level.

The Government will continue to support growth of the industry through business-friendly policies and a facilitating environment. For this purpose, a dedicated unit within MITI, NAICO has been established to coordinate execution of strategies set down in the Blueprint until the year 2030.

INDUSTRY-RELATED EMERGING ISSUES

As outlined under the 11th Malaysia Plan, a country's competitive economy requires efficient labour market clearance that matches demand and a comprehensive labour market support system. Among key initiatives to be undertaken by the Government include improving skills and productivity, creating more skilled jobs, reducing the wage gap, improving labour market information, minimising mismatch in the labour market, increasing effectiveness of the labour legislations and improving the management of foreign workers.

MITI has been tasked to provide administrative supervision on one of the key areas as outlined in the 11th Malaysia Plan, namely foreign labour management particularly for the manufacturing sector. As one of the permanent members of several approving committees for foreign workers and expatriate intake, MITI aims to further enhance development of the manufacturing sector by addressing the immediate and future industry demands on labour, in a sustainable manner.

Labour skills and talent enhancement are an integral part of national human capital development. Together with the Malaysian Employers Federation (MEF), MITI has been appointed as co-chair of the *Jawatankuasa Kemahiran Industri* (JKI) that was established in November 2014, as a committee under the *Majlis Modal Insan* (MMI). Supported by two working groups, namely the Industry Working Group (IWG) and the Critical Skills Monitoring Working Group (CSMWG), JKI strives to identify the skills demand required by the industry. Subsequently, this demand needs to be strengthened by academia and Technical, Vocational Education and Training (TVET) institutions in order to supply the required workforce, and prepare graduates so as to ensure better skills and appropriate job placements.

The Malaysian Government has also embarked on developing the National Human Rights Action Plan (NHRAP) which seeks to improve the state of human rights in Malaysia within a certain timeframe. The NHRAP aims to achieve institutional and legislative reforms, aside from raising awareness and cultivating a stronger culture of acknowledging and understanding human rights in the country. As an NHRAP committee member, MITI will assist the Government by offering ministerial inputs during the NHRAP preparatory and development phases, followed by monitoring and assessing implementation of the action plan.

On the environmental front, MITI is increasingly active on key issues such as climate change, sustainable consumption and production, and energy efficiency. MITI's role is to ensure that trade and environmental policies are non-discriminatory, and also to encourage a high level of protection of the environment while safeguarding interest of industries in Malaysia.

In ensuring these commitments are met, MITI's policies are also aligned with the initiatives of various other ministries and agencies through the 11th Malaysia Plan, specifically the Strategic Thrust 4 where MITI pursues development in a more sustainable manner for a more resilient growth in the country's economy and environment.

On climate change, MITI works alongside the Ministry of Natural Resources and Environment (NRE) and the various industries to ensure Malaysia's commitment is met in reducing Green House Gas Emission by 35.0 per cent (conditional reduction) and 10.0 per cent (unconditional reduction) by the year 2030 under the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP21). Malaysia has agreed to publicly outline actions taken under the Intended Nationally Determined Contributions (INDCs) every five years, and submission of the Biennial Update Report (BUR) to UNFCCC every two years. Malaysia submitted the Biennial Update Report to UNFCCC in December of 2015. MITI continues to engage with the industry players on areas such as adaptation of environmentally-friendly technologies, data management and capacity-knowledge building of stakeholders.

MITI also works closely with the Economic Planning Unit (EPU) on the Sustainable Consumption and Production (SCP) Blueprint. The SCP is integrated into the 11th Malaysia Plan as a significant mechanism to spur sustainable development and green growth as well as to mitigate climate change. It consists of 10 pathways which address the most relevant economic sectors for green growth such as the public sector, private households, industries and tourism. MITI's involvement in the SCP is directly linked to Pathway 3: The business case of SCP in Industry. This pathway sketches strategies for industry players to achieve higher productivity through optimal use of capital, human and natural resources. It looks into reporting and benchmarking aspects, good management practices, decoupling energy from the industrial output, sustainable supply chains and adding value to local resources.

On energy efficiency, MITI is working closely with the Ministry of Energy, Green Technology and Water (KeTTHA) on implementation of the National Energy Efficiency Action Plan (NEEAP), which is an instrument to implement strategies for energy efficiency in relation to electricity for a period of 10 years. With NEEAP, Malaysia's energy usage is expected to be reduced and managed more efficiently, thus reducing our dependency on fossil fuel as an energy source. Implementation of NEEAP aims for Malaysia's energy usage to be reduced by 8.0 per cent by 2025. For successful implementation, MITI is a member of the Sub-Committee on the Industrial Initiative Programmes. This sub-committee looks into assisting the industry in undertaking energy audits, energy management of large and medium-sized industries as well as promotion of energy cogeneration in industries and commercial buildings.

OUTLOOK FOR THE MANUFACTURING SECTOR

Under the 11th Malaysia Plan, manufacturing remains the core sector for sustainable growth to achieve high-income nation status by the year 2020. Manufacturing will see a transition towards more complex and diverse products with chemicals, E&E and M&E as the catalytic sub-sectors, thus enabling dynamic industrial development to increase exports and improve the nation's trade balance.

In strengthening macro-economic resilience for growth under the 11th Malaysia Plan, the strategy to unlock productivity potentials in ensuring sustainable and inclusive growth for the nation would apply to various sectors, including manufacturing. This strategy is in line with Thrust 3 of the 11th Malaysia Plan, which is accelerating human capital development. The Plan would also focus on high quality private investments in manufacturing so as to create more high-income job opportunities.

Additionally, the sector will move towards enhancing productivity through automation, stimulating innovative-led growth, strengthening growth enablers of various industries and ramping up internationalisation. This focus on high-end manufacturing activities would lead to higher domestic value add, which would subsequently stimulate the economy. Potential growth areas include aerospace and medical devices which already have a strong base in Malaysia, and henceforth, continue to venture into related higher value-added activities.

JAWATANKUASA KEMAHIRAN INDUSTRI

Jawatankuasa Kemahiran Industri (JKI) was established in November 2014 as a committee under the *Majlis Modal Insan* (MMI) with MITI and the Malaysian Employers Federation (MEF) appointed for the co-chairmanship roles. JKI is supported by two working groups, namely the Industry Working Group (IWG) and the Critical Skills Monitoring Working Group (CSMWG).

The Malaysia Investment Development Authority (MIDA) and the Department of Skills Development (DSD) of the Ministry of Human Resources (MOHR) are made responsible to monitor the progress of IWG. Ten sub-industry working groups (SIWGs) were established to spearhead the identified critical sectors, which are; Electrical & Electronics, Machinery & Equipment, Chemicals & Petrochemicals, Oil & Gas, Medical Devices, Pharmaceuticals, Automotive, Information, Content & Infrastructure, Aerospace, and Maritime. The CSMWG is led by Talent Corporation Malaysia (TalentCorp) and the Institute for Labour Market Information and Analysis (ILMIA). With the synergy of these two working groups, JKI would be able to identify skills required by the industry, and work together with the TVET Single Governance Body under the MMI structure to put forward recommendations to the MMI, for the development of skilled and competent human resource.

Currently, there is lack of synchronisation between skills demand and workforce supply. Under the MMI structure, it is expected that better coordination in TVET programme planning and delivery system will benefit both the graduates and the industry. JKI shall benefit the industry with its role to ensure skilled talents are developed to fulfil industry requirements. However, it is also a challenge to get a buy-in from the industry to assist in driving this initiative where there is urgent need for industry participation to lead the SIWGs. Active participation of the industry is needed for these working groups to receive accurate feedback and subsequently, provide suitable recommendations.

Uncertainties in the present economic situation or climate may hamper concerted effort with possibilities of change in trends of employment offers or skills requirement. Dynamic changes in industries would bring about complexities to create a long term projection of skills and human capital requirements. These are among the challenges which must be addressed by JKI to ensure expected deliverables and objectives are met, in achieving goals in the 11th Malaysia Plan.

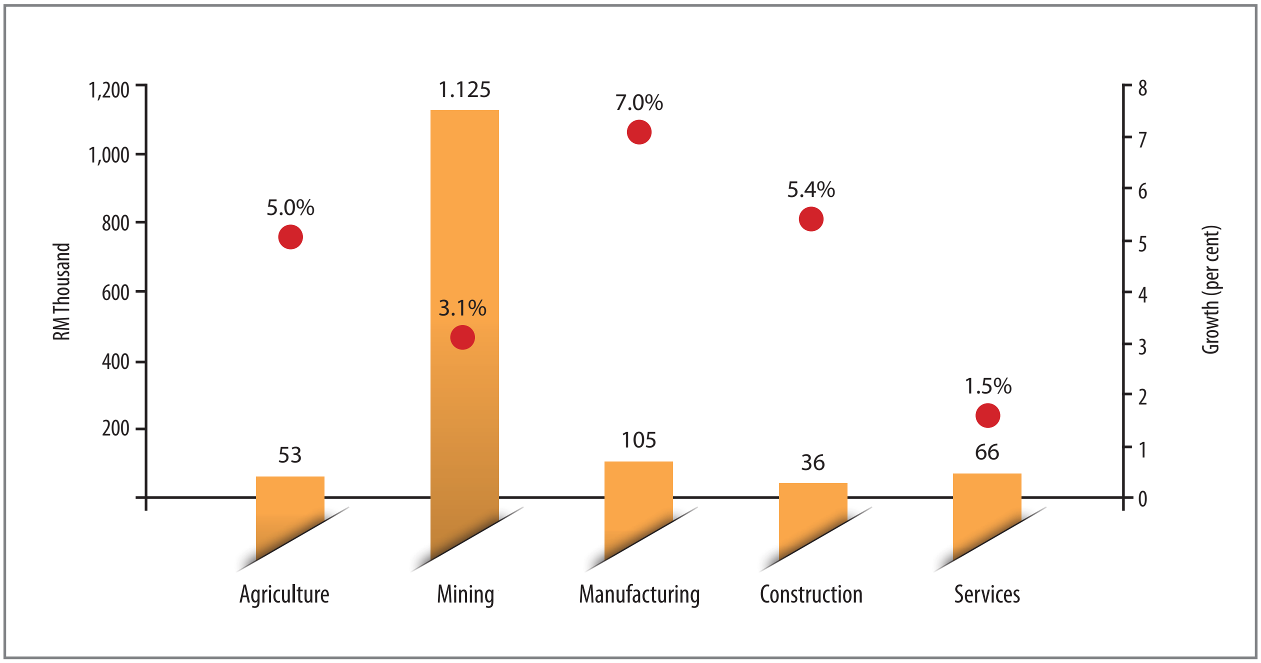
PRODUCTIVITY

PRODUCTIVITY

PRODUCTIVITY PERFORMANCE

In 2015, Malaysia's productivity as measured by real added value per employee, improved by 3.3 per cent to RM75,538 from RM73,091 in 2014. Growth in productivity was a contributing factor to the nation's higher growth in GDP which was at 5.0 per cent for the said year. In terms of employment, number of employees grew at 1.6 per cent, which was slower than that of 2014 (2.3 per cent). During the 10th Malaysia Plan (2011 - 2015), Malaysia's productivity registered an average annual growth of 2.4 per cent; above the target of 2.2 per cent. Productivity growth is targeted to grow at an average annual rate of 3.7 per cent under the 11th Malaysia Plan (2016 - 2020).

The manufacturing sector recorded the highest productivity performance in 2015 with growth at 7.0 per cent, followed by construction at 5.4 per cent and agriculture at 5.0 per cent. Productivity in the manufacturing sector increased to RM105,226 from RM98,307 the previous year. E&E products, chemicals & chemical products and rubber products were among the sub-sectors which contributed to positive productivity growth in the manufacturing sector. Other sectors with positive productivity performance were mining and services at 3.1 per cent and 1.5 per cent, respectively.

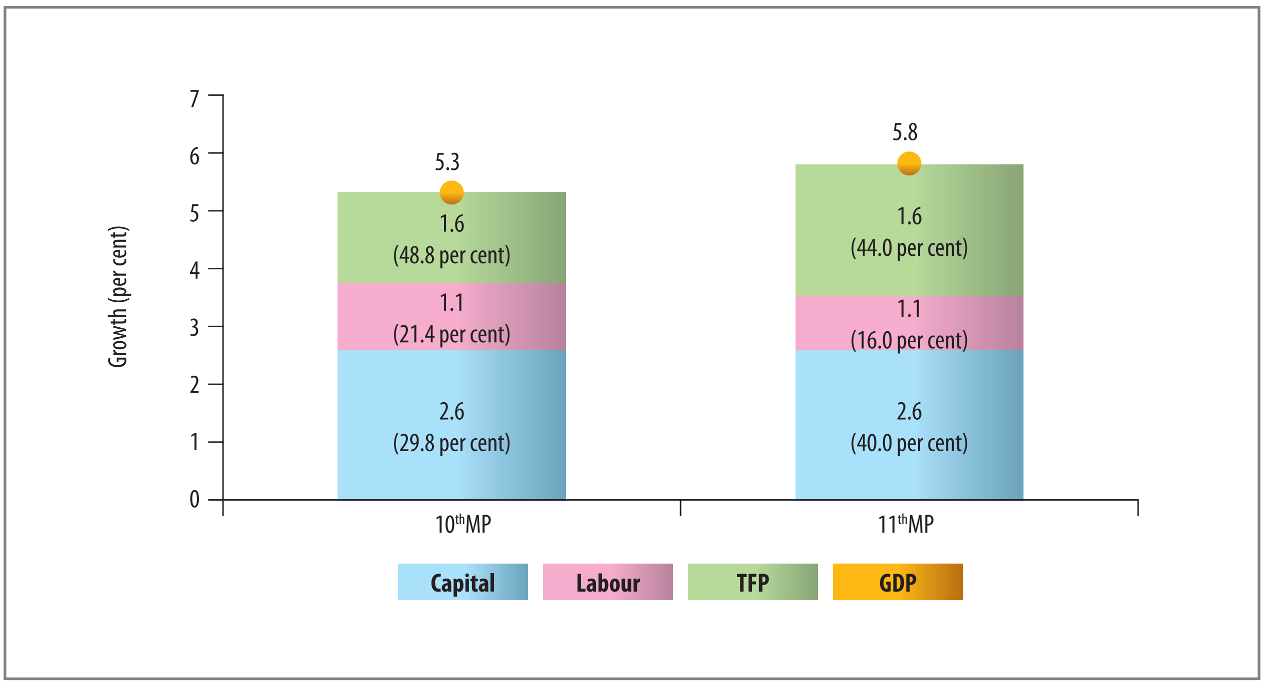


Notes: 2010=100
Source: Malaysia Productivity Corporation

During the 10th Malaysia Plan, the average contribution of Total Factor Productivity (TFP) to GDP was 25.1 per cent while contribution of capital input was 61.8 per cent; compared to the Government's target of 38.5 per cent in TFP and 37.5 per cent in capital input. Higher capital input was due to the remarkable increase in non-ICT and ICT investments. Malaysia's GDP growth of 5.3 per cent for this period would have been higher if TFP had recorded higher growth as TFP plays an important function in accelerating economic growth.

Thus under 11th MP, TFP contribution to GDP growth is targeted to increase to at least 40.0 per cent by the year 2020. Contributions of capital and labour inputs would correspondingly reduce to 44.0 per cent and 16.0 per cent by the same year.

Malaysia's Sources of Growth



Notes: Based on GDP in 2010 prices, share growth in brackets
Source: 11th Malaysia Plan

Comprehensive and cohesive strategies would be introduced at the national, industry and enterprise levels to meet the productivity targets set. Among the strategies that have been highlighted to boost productivity include accelerating regulatory reforms for ease of business, strengthening human capital by focussing on re-skilling and up-skilling local talents, promoting innovation through collaboration and coordination among all stakeholders involved in R&D, as well as fostering a productivity-based culture among Malaysians.

INTERNATIONAL PRODUCTIVITY

Country	2011	2012	2013	2014e	2015f
US	68,481	68,807	69,643	70,149	70,598
Australia	51,328	52,342	52,879	53,694	54,801
Japan	43,370	44,124	44,577	44,303	44,436
Singapore	51,109	50,837	51,860	52,024	52,665
ROK	46,308	46,532	47,177	47,723	48,456
Malaysia	23,968	24,443	24,645	25,508	26,420
Growth (%)					
Malaysia	1.9 %	2.0 %	0.8 %	3.5 %	3.6 %
PRC	8.8 %	7.3 %	7.3 %	7.0 %	6.7 %
India	5.7 %	2.7 %	2.8 %	3.8 %	4.2 %
Thailand	-0.5 %	5.7%	3.0 %	2.9 %	2.8 %
Indonesia	5.0 %	5.1 %	3.8 %	5.9 %	3.3 %

e - estimates *f - forecasts* *Source: Economic Database, the Conference Board*

Malaysia's labour productivity level at USD26,420 was still above that of all other emerging and developing countries. The PRC, one of the fastest growing economies, registered a productivity growth of 6.7 per cent which was still two times lower than the productivity level posted by Malaysia. Nevertheless, the PRC's productivity growth was the highest among all those countries.

Among selected developing countries, Malaysia's labour productivity grew steadily at 3.6 per cent to a level of USD26,420; the highest growth in 2015 followed by Australia (2.1 per cent, USD54,801), ROK (1.5 per cent, USD48,456) and Singapore (1.2 per cent, USD52,665). The global economic leader, the US only registered a 0.6 per cent productivity growth to reach USD70,598, while Japan experienced marginal growth of 0.3 per cent at USD44,436.

MALAYSIA'S COMPETITIVENESS PERFORMANCE

IMD World Competitiveness Yearbook 2015

Malaysia's Overall Ranking

Malaysia is placed 14th out of 61 economies in the WCY 2015, (WCY2014: 12th out of 60) with a score of 84.11. This is an improvement from the score of 82.09 in WCY 2014.

Top 15 Countries of the World Competitiveness Scoreboard 2015

COUNTRIES	2015 (n=61) RANK	2014 (n=60) RANK
US	1	1
Hong Kong SAR	2	4
Singapore	3	3
Switzerland	4	2
Canada	5	7
Luxembourg	6	11
Norway	7	10
Denmark	8	9
Sweden	9	5
Germany	10	6
Chinese Taipei	11	13
UAE	12	8
Qatar	13	19
Malaysia	**14**	**12**
Netherlands	15	14

Source: World Competitiveness Yearbook 2015

Identified Areas for Improvement

Areas that need improvement are as follows:

i. **Government Efficiency** in Malaysia has been ranked 16th out of 61 (WCY2014: 15th).
   a. Institutional Framework declined to 22nd position (2014: 13th)
   b. Business Legislation declined to 24th position (2014: 19th).
   c. Societal Framework declined to 35th in 2015 (2014: 32nd).

ii. **Business Efficiency** declined to 10th position in 2015 from 5th in 2014; influenced by declines in all the following four sub-factors:

   a. Labour Market recorded 4th position in 2015. (WCY2014: 3rd)
   b. Management Practices and Attitudes and Values in 2015 recorded 6th (2014: 2nd) and 8th (2014: 4th) positions, respectively.
   c. Finance declined to 15th position from 12th previously.
   d. Productivity and Efficiency declined to 24th position (2014: 21st).

However, Labour Market, Management Practices, and Attitudes and Values remained in the top ten positions.

Areas to be Further Strengthened

Malaysia improved to 6th position in the **Economic Performance** factor (WCY2014: 9th).

a. Domestic Economy improved to 15th position (2014: 19th);
b. Employment moved up to 7th position (2014: 12th).
c. International Trade and Prices sustained at 11th and 3rd positions, respectively.

The Malaysian Government continues to introduce and exercise the many reform systems and frameworks which will ultimately equip Malaysia to be a high-income economy by the year 2020. These include controlling the rising cost of living; diversifying the economy; upskilling of capabilities and expertise; reviewing the education system, and reforming and modernising the tax system through GST.

The 11th Malaysia Plan emphasised the crucial factor of increasing productivity. Thus the Government will establish a five-year Malaysia Productivity Blueprint which will spur significant increases in productivity with lesser inputs from capital and labour. Malaysia is optimistic in achieving a 3.7 per cent annual productivity growth through comprehensive initiatives at all levels, championed by industry players.

WEF Global Competitiveness Report 2015 - 2016

Malaysia's Overall Ranking

Malaysia ranked 18th out of 140 economies with a score of 5.23 (2014: 5.16) compared to 20th position out of 144 economies previously.

Selected Economies: Global Competitiveness Index 2015 - 2016

WEF GLOBAL COMPETITIVENESS REPORT (SELECTED ECONOMIES)		
Economy	GCI 2015-2016 (n=140)	GCI 2014–2015 (n=144)
	Rank	Rank
Switzerland	1	1
Singapore	2	2
US	3	3
Germany	4	5
Netherlands	5	8
Japan	6	6
Hong Kong SAR	7	7
United Kingdom	10	9
Canada	13	15
Chinese Taipei	15	14
New Zealand	16	17
UAE	17	12
Malaysia	**18**	**18**
Australia	21	21
PRC	28	28
Thailand	32	32
Indonesia	37	37
India	55	55
Viet Nam	56	68
Brazil	75	57

Source: Global Competitiveness Report by World Economic Forum 2015 - 2016

The WEF further asserted that gains in Malaysia's macroeconomic stability (2015: 35th, 2014: 44th) were mainly the result of a reduced budget deficit (3.7 per cent of GDP), the lowest in six years.

In line with the WEF's emphasis on higher productivity to address sluggish growth, renewed efforts will be undertaken to boost productivity in a focussed and targetted manner with clear outcomes at the national, industry and enterprise levels during the 11th Malaysia Plan period.

Identified Areas for Improvement

Areas that need improvement are as follows:

i. In **Institutions** pillar, Malaysia recorded 23rd position (GCR2014-2015: 20th)
   a. Strength of auditing and reporting standards declined to 27th position. (GCR2014-2015: 19th).
   b. Efficacy of corporate boards declined to 20th (GCR2014-2015: 10th).

ii. In **Financial Market Development**, Malaysia ranks 9th (GCR2014-2015: 4th)
   a. Legal rights index declined to 24th (GCR2014-2015:1st).
   b. Soundness of bank declined to 43rd (GCR2014-2015: 35th)
   c. Regulation of securities exchange declined to 20th (GCR2014-2015:13th)

Areas to be Further Strengthened

Improvements were recorded in four pillars namely:

i. **Technological Readiness**, ranks 47th (GCR2014-2015: 60th)
   a. Mobile broadband subscriptions, ranks 48th (GCR2014-2015: 93rd)
   b. Availability of latest technologies, ranks 30th (GCR2014-2015: 33rd)
   c. FDI and technology transfer, ranks 5th (GCR2014-2015: 8th)

ii. **Higher Education and Training**, ranks 36th (GCR2014-2015: 46th)
   a. Internet access in school, ranks 26th (GCR2014-2015: 34th)
   b. Quality of the education system, ranks 6th (GCR2014-2015: 10th)
   c. Quality of math and science education, ranks 12th (GCR2014-2015: 16th)
   d. Availability of specialised training services, ranks 12th (GCR2014-2015: 13th)

iii. **Health and Primary Education**, ranks 24th (GCR2014-2015: 33rd)
  a. Primary education enrolment, ranks 41st (GCR2014-2015: 60th)
  b. Quality of primary education, ranks 15th (GCR2014-2015: 17th)

iv. **Macroeconomics Environment**, ranks 35th (GCR2014-2015: 44th)
  a. Government budget balance, ranks 85th (GCR2014-2015: 102nd)
  b. Gross national savings, ranks 24th (GCR2014-2015: 25th)

DOING BUSINESS 2016

Malaysia's Overall Ranking

Using improved measurement methodology which focusses on the quality of regulation, Malaysia is placed 18th out of 189 economies in the Doing Business (DB) 2016 report, (compared to 18th out of 189 economies as published last year in DB 2015) with a Distance to Frontier (DTF) score of 79.13.

Identified Areas for Improvement

Areas for improvement are as follows:

i. **Getting Credit** in Malaysia has been ranked 28th out of 189 economies, with a DTF score of 70 which is lower than the ranking of 23rd in DB 2015. The indicator of credit registry coverage as a percentage of adult population improved from 56.2 to 57.0. The indicators remained unchanged in terms of the strength of legal rights index and the depth of credit information index with scores of 7.0. The indicator of credit bureau coverage as a percentage of adult population has declined from 78.6 to 77.1. This performance seems to indicate that the other economies had stepped up reform initiatives which improved their rankings.

ii. **Trading Across Borders** in Malaysia has been ranked 49th out of 189 economies with a DTF score of 86.74 compared to a DTF score of 89.94 at 11th position in DB 2015. DB 2016 uses a new methodology with a set of 12 new

Comparison: Singapore, Hong Kong SAR, Rep. of Korea & Malaysia

OVERALL RANKING

INDICATORS	1st	5th	4th	18th
Starting a Business	10	4	23	14
Dealing with Construction Permits	1	7	28	15
Getting Electricity	6	9	1	13
Registering Property	17	59	40	38
Getting Credit	19	19	42	28
Protecting Minority Investors	1	1	8	4
Paying Taxes	5	4	29	31
Trading Across Borders	41	47	31	49
Enforcing Contracts	1	22	2	44
Resolving Insolvency	27	26	4	45

Source: Doing Business 2016 by World Bank indicators to measure time and cost incurred for documentary compliance, border compliance and domestic transport procedures needed for exporting and importing. This shift has had an impact on rankings of the Doing Business economies in DB 2016.

iii. **Enforcing Contracts** in Malaysia has declined to 44th out of 189 economies with a DTF score of 66.61, compared to 29th position the previous year.

The Special Task Force to Facilitate Business (PEMUDAH) has successfully introduced several initiatives to enhance the business environment in Malaysia. Continuous collaboration between the public and private sectors has brought positive results as reflected in the improvements made to business processes.

Moving forward, in making Malaysia an even more attractive investment destination, PEMUDAH will continue to collaborate with the International Finance Corporation (IFC) of the World Bank to examine target areas for improvement and to work with the Government and private sector to improve regulatory quality and efficiency to enhance ease of doing business in the country. This includes:

i. learning from international and local subject matter experts on improving regulatory quality and efficiency that impacts on time, costs, quality and service delivery;

ii. identifying the top 'Distance-To-Frontier' economies to examine best practices;

iii. continuing to engage with the survey respondents and the business community to disseminate, clarify and share the new methodology introduced by the World Bank; and

iv. continuing to collaborate with the IFC of the World Bank to share Malaysia's improvement initiatives and target areas for improvement.

Areas to be Further Strengthened

a. **Starting a Business**
   i. Time (days) reduced to 4 days from 5.5 days; and
   ii. Cost (per cent of income per capita) reduced to 6.7 per cent from 7.2 per cent.

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b. **Getting Electricity**
   Cost (per cent of income per capita) reduced to 30.7 per cent from 46.3 per cent.

c. **Registering Property**
   The number of days reduced to 13 days from 13.5 days.

d. **Protecting Minority Investors**
   i. Extent of shareholder governance index (0 -10) improved to 7.0 from 6.2; and
   ii. Strength of minority investor protection index (0 -10) improved to 7.8 from 7.4.

e. **Paying Taxes**
   Time (hours per year) improved to 118 hours from 133 hours.

At 18th position, Malaysia is ahead of countries such as Austria, Switzerland, France, the Netherlands, UAE, Japan, Thailand, the PRC and India.

Malaysia has set the benchmark in regulatory quality and efficiency for Getting Electricity in reliability of supply and transparency of tariffs index; scoring 8 on the scale of 0 - 8. Example given was the move by Tenaga Nasional Berhad in setting a web page (www.tnb.com.my) with a bill calculator to make it easier for customers to estimate their future electricity costs based on the voltage level and subscribed capacity of their connection and their estimated monthly consumption during peak and off-peak periods.

The World Bank also noted that Malaysia reduced its taxes other than for profit and labour taxes. Malaysia had reduced the property tax rate from

12.0 per cent for 2014 to 10.0 per cent of the annual rental value for commercial properties in 2015.

Malaysia was exemplified as an economy that has enhanced its electronic services by making it compulsory for employers with 50 or more employees, to contribute to the Employee Provident Fund (EPF) using the e-filing system. Malaysia was also credited for making tax payment easier and less costly for companies, by making e-filing mandatory.

Current Initiatives

For Starting a Business and Resolving Insolvency sub-indicators, the Company Commission of Malaysia (CCM) is working on an enactment of a new Companies Bill that contains a number of important enhancements aimed at reducing costs. At the same time, a new online registration process will be put in place, in line with policies adopted under the new Companies Bill.

Discussions are underway between the CCM and the Attorney General's Chambers (AGC) on the legal framework to establish the Unified Collateral Registry, which is expected to improve ranking for Getting Credit.

For Registering Property, the Simplification and Standardisation of Consent Form and the Standard Operating Procedure for Consent have eased applications by the public for the state authority's consent at the land offices in Peninsular Malaysia. The number of supporting documents required for consent applications has been reduced from 40 to between 8 and 19 only. A web-based e-Consent Form is being utilised at land offices in Kuala Lumpur and Selangor to further facilitate approvals for applications for consent to transfer, charge or lease.

Reducing Unnecessary Regulatory Burden

Under its Modernising Business Regulation (MBR) initiatives, MPC has been providing support to National Key Economic Areas (NKEAs) of ETP by reviewing and recommending changes to existing policies and regulations that govern business and investments. The review was undertaken with the objective to remove unnecessary rules and related compliance costs, and to improve speed and ease of delivery in all the 12 NKEAs.

Evolution of Malaysia's Competitiveness Performance in the Global Competitiveness Report by Rank

Evolution in Malaysia's Rank	OVERALL RANKING	ECONOMIC PERFORMANCE	DOMESTIC ECONOMY	INTERNATIONAL TRADE	INTERNATIONAL INVESTMENT	EMPLOYMENT	PRICES	GOVERNMENT EFFICIENCY	PUBLIC FINANCE	FISCAL POLICY	INSTITUTIONAL FRAMEWORK	BUSINESS LEGISLATION	SOCIETAL FRAMEWORK	BUSINESS EFFICIENCY	PRODUCTIVITY & EFFICIENCY	LABOUR MARKET	FINANCE	MANAGEMENT PRACTICES	ATTITUDES AND VALUES	INFRASTRUCTURE	BASIC INFRASTRUCTURE	TECHNOLOGICAL INFRASTRUCTURE	SCIENTIFIC INFRASTRUCTURE	HEALTH AND ENVIRONMENT	EDUCATION
2015 (n=61)	14	6	15	11	8	7	3	16	19	8	22	24	35	10	24	4	15	6	8	27	12	5	29	36	35
2014 (n=60)	12	9	19	11	7	12	3	15	20	11	13	19	32	5	21	3	12	2	4	25	13	5	28	36	32
2013 (n=60)	15	7	18	5	14	11	10	15	20	11	15	24	29	4	22	6	9	4	4	25	12	13	28	42	34
2012 (n=59)	14	10	29	6	11	25	10	13	21	12	13	21	25	6	23	6	10	4	5	26	8	16	28	36	33
2011 (n=59)	16	7	28	3	13	19	6	17	19	9	17	30	29	14	27	8	17	6	7	27	13	18	29	36	35

Best **Worst**

Average

Source: World Competitiveness Report 2015 - 2016

In 2015, the various programmes implemented under the Reducing Unnecessary Regulatory Burden (RURB) initiatives have resulted in a reduction of compliance costs totaling RM4.09 billion, and a cost savings and other monetary benefits amounting to RM1.39 billion.

Improving Initiatives in Ease of Doing Business

The DTF, the key improvement to the DB report which was introduced in 2014, continued to feature prominently in 2015. DTF score is a measure of best practices across 36 sub-indicators of quality and efficiency, where 100 is the frontier and 0 the furthest from the frontier. Malaysia achieved a DTF score of 79.13 per cent; an improvement from the revised DTF score of 79.08 per cent in DB 2015.

Based on the World Bank's improved measurements which now focusses on regulatory quality and efficiency, Malaysia was ranked 18th out of 189 economies; joining the world's top 10 per cent easiest nation to do business in. Malaysia was ahead of countries such as Switzerland (26th), France (27th), the Netherlands (28th), UAE (31st), Japan (34th), Thailand (49th), the PRC (84th) and India (130th). Malaysia was ranked second within ASEAN; after Singapore.

Under PEMUDAH, several programmes have been implemented in 2015 to address the shortfall in elements namely, Starting a Business, Dealing with Construction Permits, Getting Electricity, Labour Market Regulations and Paying Taxes.

Doing Business Initiatives in 2015

	Area of Doing Business	Initiatives	Outcomes
i.	**STARTING A BUSINESS**	a) MyCoID Mandatory Incorporation Online	Reduction of procedures and time for starting a business. (MT)
ii.	**DEALING WITH CONSTRUCTION PERMITS**	a) Developing the OSC1 Submission Manual Semakan Kepatuhan Pelan b) Review for Process 4 on OSC1 Submission - Final Inspection (JPIF, TNB, BOMBA, SYABAS and IWK) c) Issuance of Excavation Permits	Manual Semakan Kepatuhan Pelan (MT) 1) Simplifying the processes 2) Reducing the procedures and cost 3) New SOP for joint-inspection (MT) Excavation Permit Framework (ST)
iii.	**GETTING ELECTRICITY**	a) Online Supply Application Process for Individual Customers	1) Simplifying the processes 2) Reducing the procedures and cost (LT)
iv.	**LABOUR MARKET REGULATIONS**	a) Modernising the Industrial Court Procedure b) e-Labour court	Expediting the process of hearing and handing down awards of the Industrial Court (LT) 1. Monitoring of cases 2. Expediting of cases 3. Simplifying the processes 4. Accessibility to clients to check status 5. Enhancement of transparency (LT)
v.	**PAYING TAXES**	a) e-Filing and e-Payment for withholding tax b) Implement consolidation of payment date – SOCSO, HRDF and IRB	Improvement in the efficiency of tax payment system (LT) Reduction by 50 per cent in time taken for tax preparation (MT)

Note: Long-term (LT), Middle-term (MT), Short-term (ST)
Source: Malaysia Productivity Corporation

Capacity Building Programmes

This project comprises Innovation and Productivity Enhancement Programmes to enhance efficiency and effectiveness of enterprise business processes. Companies/ organisations participating in these projects are trained in the knowledge, skills and systems development programmes, aimed at improving organisational performance.

A total of 7,601 employees from 830 various organisations were trained between January and December 2015. Popular courses included Leadership, Performance Excellence such as Business Excellence, Process Improvements, Lean Management System, Innovative and Creative Circle (ICC)/KIK and Quality Environment (QE)/5S. These programmes were offered throughout the year, and were also conducted as in-house training programmes.

Systems Development Programme

Systems development initiatives undertaken by MPC in the year 2015 stood at 108 projects with a total of 15,123 employees involved in all the programmes. The most popular focus for project development system were LEAN Management System, QE/5S, ICC, Business Excellence Framework (BEF), Work and Social Opportunities (WASO) and The Theory of Inventive Problem Solving (TRIZ) programmes. LEAN Management system is becoming very popular as it has a high impact on increasing productivity in a company. Additionally, companies were given the opportunity to benchmark best practices shared by successful organisations/companies through Best Practices Sharing Sessions.

Cost Savings from Process Innovation Projects

Innovation is one method used by organisations to stimulate synergy in their products, process of operations and other components across the entire organisation. With the implementation of these process innovation initiatives, operating costs of those companies can be reduced, thus enabling greater cost savings which have a direct impact on increased productivity. Companies with higher productivity would have positive effects on the nation's economic growth, and this further increases competitiveness of the country.

In 2015, both the public and private sectors recorded a total cost savings of RM619.1 million from the implementation of process innovation initiatives. These process innovation initiatives included such programmes as QE/5S, Team Excellence Convention ICC and QE/5S, Lean Management Projects, Kaizen Process and Total Productive Maintenance (TPM).

Breakdown of Total Cost Savings from Process Innovation Projects

Process Innovation Projects	Cost Savings (RM)
QE/5S Certification	39,184,628
Team Excellence – ICC	546,913,574
LEAN Projects	12,547,990
External Judging (QE/ ICC)	20,453,808

OUTLOOK FOR PRODUCTIVITY

The 11th Malaysia Plan has developed targeted initiatives to ensure tangible and significant improvements in productivity. In addition, real GDP growth targets during this period will be supported by higher labour productivity. Multifactor productivity (MFP) contribution to GDP growth is to be increased to at least 40.0 per cent by the year 2020.

Initiatives to institutionalise Good Regulatory Practices (GRP) would be implemented. These would include developing indicators on implementation of GRP across Government ministries and institutions, strengthening regulatory oversight, including a challenge function of Regulatory Impact Analysis (RIA) to complement advocacy and capacity building initiatives. GRP implementation will help ensure quality of regulations, increase compliance cost savings, ensure effective compliance and improve regulatory environment while complementing efforts towards achieving productivity targets.

There is also the need to proactively engage key agencies such as AGC, EPU, Malaysia Competition Council in National Policy on the Development and Implementation of Regulations (NPDIR) in the implementation and development of medium-term strategies for productivity targets to be achieved.

Comprehensive Scanning of Business Licensing

PEMUDAH's Focus Group on Business Process Re-engineering in Business Licensing (FGBPR), with the assistance of MPC, has undertaken a comprehensive Scanning of Business Licensing initiative (Modernising Business Licensing – MBL) which is a programme to undertake re-engineering of business licensing of various ministries and agencies at both federal and state Government levels.

Through this initiative, 767 business licences at the federal level were re-engineered or simplified and consolidated into 454 business licences. At the state level, 2,659 licenses were reviewed. The simplified licenses would be automated or integrated into the Business Licensing Electronics Support System (BLESS) portal; an online one-stop center for application of licences, permits and approvals. In 2015, streamlining and standardisation initiatives were undertaken in several states namely Johor, Perak, Selangor and the Federal Territory.

The National Policy on the Development and Implementation of Regulations (NPDIR)

To ensure the quality of new and existing regulations, ministries and agencies need to comply with good regulatory practices (GRP) and fulfil the adequacy criteria which emphasises transparency, openness and accountability. This approach is consistent with international development and global practice of regulatory coherence. Consequently, there was a need to standardise regulatory and rule-making processes within the government machinery and ultimately, enhance business regulations in Malaysia.

In 2013, the Government's regulatory reform initiatives took a significant step forward with the introduction of the policy and guidelines for implementing GRP in the public sector. The circular on the NPDIR was issued by the Chief Secretary to the Government of Malaysia on 15 July 2013 to formalise the requirement for all federal ministries and agencies to undertake GRP and Regulatory Impact Analysis (RIA) in developing new and amended regulations.

RIA is a systematic approach to critically assess the positive and negative effects of proposed and existing regulations and non-regulatory alternatives which encompass a range of methods. It is an important element of an evidence-based approach to policy making. RIA can help improve the effectiveness and efficiency of governments and can help address broader issues of competitiveness and economic performance, particularly in innovative and globalised economies. RIA is a regulatory tool used to examine and evaluate the likely benefits, costs and effects of regulations.

In 2015, an Assessment on Good Regulatory Practice Implementation in Malaysia was conducted by the Organisation for Economic Cooperation and Development (OECD). The assessment report produced by OECD was launched by the MITI Minister. The report recorded OECD's recommendations for Malaysia to further strengthen its implementation. The report suggested that Malaysia build on the progress made and institutionalise GRP into all Government planning, performance indicators and decision making processes.

SMALL AND MEDIUM ENTERPRISES

SMALL AND MEDIUM ENTERPRISES

SME PERFORMANCE

In 2015 SME performance was expected to expand at a sustained growth of 5.0 - 6.0 per cent, in tandem with the slowdown in the global economy and developments in Malaysia. In 2014, SME GDP grew at a phenomenal rate of 13.6 per cent mainly due to the one-off effect of the new and broader official SME definition, which came into effect in January 2014, and brought with it more companies under the category of SMEs. Consequently, the contribution of SMEs to overall GDP increased significantly to 35.9 per cent in 2014. During the 10^{th} Malaysia Plan period (2011 - 2015) the share of SMEs in the overall economy increased from 32.8 per cent in 2011 to an estimated 36.1 per cent in 2015.

Subdued SME performance in 2015 was a reflection of the moderation in domestic demand and rising cost of doing business. Dampened external demand and lower consumer spending due to the slowdown in the global economy posed a drag on SME growth during the year. Rising operating costs partly due to higher imported cost of goods and services as a result of the depreciation of the Ringgit Malaysia, the introduction of the Goods and Services Tax (GST), ongoing economic and structural reforms and subsidy rationalisation, all collectively contributed to the lower performance of SMEs in Malaysia for 2015. SMEs faced more headwinds during the year with the steep fall in crude oil prices which affected Government revenues and spending on supplies and services.

Weaker external demand from the structural rebalancing of the People's Republic of China (PRC), added to a challenging year for SMEs in 2015. SMEs had to adjust to the volatility, but were supported by Government instituted measures specifically tailored to assist SMEs during these trying times. The support initiatives, among others, included a Special Relief Facility, a funding for the business communities affected by floods and other disasters, guarantee schemes, facilities for SMEs to restructure and reschedule their business loans with financial institutions and the Human Resource Development Fund (HRDF) for skills training programmes, involving also skills upgrading for retrenched workers. These policy measures helped SMEs make the necessary adjustments by reactivating their businesses, alleviating short-term cash flow problems, and stimulating demand for SME products and services. For businesses in flood-stricken areas, these measures assisted them to recover and return to normalcy in a much faster time-frame.

NATIONAL SME DEVELOPMENT COUNCIL (NSDC)

In 2015, the NSDC undertook a review of the macro targets set under the SME Masterplan, after taking stock of the prevailing economic conditions. SME GDP target for 2020 which was earlier set at 41.0 per cent, remained unchanged but SMEs are expected to grow at a more sedate pace of an average 8.0 per cent annually, lower than the 8.7 per cent projected earlier. SME's share in employment was revised slightly upward to 65.0 per cent in 2020 from 62.0 per cent estimated previously, while the share of SME exports was revised downward to 23.0 per cent from 25.0 per cent previously.

The NSDC agreed that the SME Masterplan would be the basis for implementing SME development programmes moving forward into the 11th Malaysia Plan period. The focus will be on the four key areas namely productivity, innovation, entrepreneurship and inclusiveness.

In this context, the High Impact Programmes (HIPs) under the SME Masterplan recorded remarkable achievements in 2015. HIPs implemented in 2015 were:

- HIP 1: Integration of Registration and Licensing of Business Establishments – An information portal on business registration and a listing of licenses by 1,174 economic activities.

- HIP 2: Technology Commercialisation Platform – Five successful cases of innovation have been commercialised with 50 SMEs being facilitated to bring to market. Sixty-three of the IPs have been licensed.

- HIP 4: Going Export (Go-Ex) Programme – Eighty-seven companies approved, with export deals amounting to RM14.50 million.

- HIP 5: Catalyst Programme – On-gong with 10 companies recruited in the Oxford Accelerator Program for capacity building.

- HIP 6: Inclusive Innovation – Empowering the B40 (bottom of the pyramid 40.0 per cent) to leverage on innovation.

ACHIEVEMENTS OF FLAGSHIP PROGRAMMES AND INITIATIVES

Business Linkages Programme (BLing)
This programme creates opportunities for SME growth by supporting business linkages between SMEs and large companies, MNCs and Government-linked Companies (GLCs) through Business Matching Sessions conducted at annual flagship events.

As at end 2015, BLing had generated a total of RM484.94 million in potential sales through 616 sessions involving 347 SMEs.

ASEAN SME Showcase & Conference 2015 (ASSC 2015)
The theme for ASSC 2015 was '*One Business, One Community*'. It set a new benchmark as a platform for SMEs across the ASEAN region to showcase their products and services for the global market. Many ASEAN Member States expressed interest to institutionalise the ASSC as an annual event.

The event witnessed the participation of 62 regional and international SMEs from the ASEAN Member States, as well as ASEAN dialogue and trade partners such as the US, United Kingdom, Hong Kong SAR, Japan, the ROK and Sweden.

The ASEAN Business XchanGe Platform recorded RM418.54 million in potential sales and RM133.5 million of negotiated sales generated through 276 business matching sessions. The top four sectors with the highest potential sales value were E&E, Solid State Lighting/Light-Emitting Diodes (SSL/LED), Machinery & Equipment and Ship Building/Ship Repair.

The ASEAN SME Conference drew a total of 1,567 local and international participants including SME entrepreneurs, corporate figures, policy makers, industry experts and practitioners. All sessions, including the luncheon talks and a special session with the Minister of International Trade and Industry, Malaysia, as well as plenary sessions with distinguished speakers and participants from both the public and corporate sectors, created fruitful exchanges of information, ideas and experiences.

Market Development Grant (MDG)

MDG is a form of reimbursable financial assistance for eligible expenses incurred in undertaking export promotion activities. Targeted at supporting SMEs, the maximum grant for any eligible company is RM200,000.

For the purpose of MDG, SMEs can be categorised into three industries namely manufacturing, trading and services . The four activities eligible for this grant are:

- Participation in international trade fairs (Malaysia and overseas).
- Participation in trade and investment missions & specialised marketing missions.
- Participation in international conferences (overseas).
- Listing fee for 'Made in Malaysia' products in supermarkets/ hypermarkets/ retail centres (overseas).

Detailed information on MDG and its eligibility can be found at: www.matrade.gov.my

CAPACITY BUILDING FOR ENTREPRENEURSHIP DEVELOPMENT

SME-University Internship Programme

This is an initiative to link SMEs to universities as part of the Government's efforts to enhance synergies between industry and higher centres of learning, and help upgrade SME capacity and capability. It provides opportunities for students to apply their knowledge to real business environments and to learn business best practices from university professors, advice from SME Corporation Malaysia's Business Counsellors, as well as through their interaction with SME owners. In 2015, a total of 15 universities completed the programme, involving 288 students and 57 SMEs.

SME-University Internship 2015 Championship

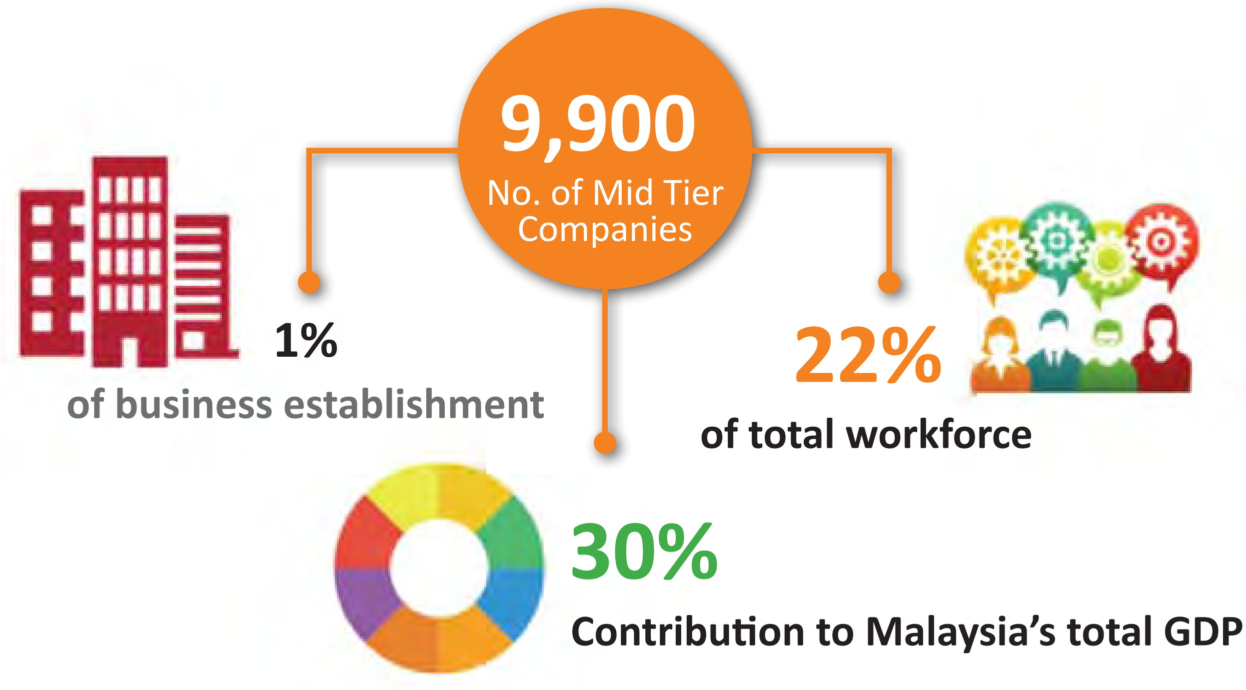
This Championship held in Kuala Lumpur, marked the culmination of the SME-University Internship Programme. Universiti Teknologi MARA (UiTM) was the champion, with Universiti Pendidikan Sultan Idris (UPSI) as the first runner-up, while Universiti Teknikal Malaysia Melaka (UTeM) was the second runner up. Top three winners of the Championship (including students and SMEs) received cash awards worth more than RM35,000. As an added prize, the winning team was offered a choice of an apprenticeship training programme for 6 - 12 months under PUNB's *Program Usahawan Perantis,* or a management training stint for a period of 1 - 2 years with a PUNB investee company.

MID-TIER COMPANIES DEVELOPMENT PROGRAMME (MTCDP)

The MTCDP was implemented in 2014 by the Malaysia External Development Corporation (MATRADE) as part of the Government's high impact initiative to help local mid-tier companies (MTCs) in Malaysia accelerate their export growth and strengthen their core business functions.

MTCs are a key driving force for the Malaysian economy.

Attributes of Mid-Tier Companies (MTCs) in Malaysia

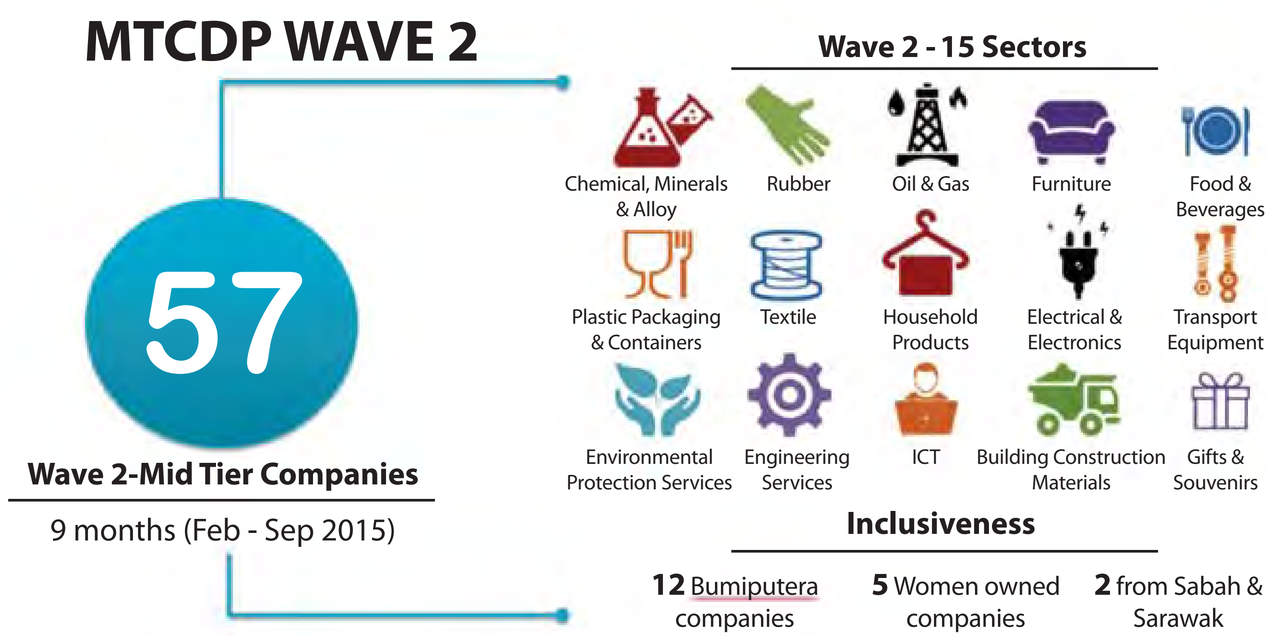


MTCs in Malaysia are defined as companies with annual revenues between RM50.0 million to RM500.0 million for companies in the manufacturing sector, and between RM20.0 million to RM500.0 million for those in the services sectors.

Definition of Mid-Tier Companies (MTCs) in Malaysia

Manufacturing Companies	• Manufacturing companies with annual revenues of between RM50 million to RM500 million
Services Companies	• Services companies with annual revenues of between RM20 million to RM500 million

Fifty-seven MTCs were selected to participate in the programme for MTCDP Wave 2 in 2015, which commenced from February to September 2015, representing 15 different sectors.



Throughout the nine-month period, each MTC underwent a diagnostic assessment where their export priorities and challenges were evaluated. From the assessment, export-oriented and business development activities tailored to the needs and requirements specific to each MTC were planned and implemented.

Wave 2 : Five programmes

MARKET ACCESS	EXPERT SESSIONS	CAPACITY BUILDING	FINANCING EVENTS	EXPORT SOLUTIONS TOOL
Business meetings in 21 countries including 5 country immersions	**57 export best practice working sessions** with industry and market experts	**6 capacity building including B2B, B2C & digital marketing** workshop	**Access to funding** from **international** and **local investors**	Introduction to **6 export solution tools** in order to strengthen MTCs export growth

Wave 3 MTCs
MATRADE is actively engaging with various MTCs in Malaysia to be part of Wave 3 in 2016, and welcomed the participation from high impact industry sectors of the 12 NKEAs, including MTCs from Sabah and Sarawak.

Ramp-Up Programme
The Ramp-Up Programme is a two-year support continuation initiative for MTCs that have completed Wave 1 (44 MTCs) and Wave 2 (57 MTCs) under MTCDP. Ramp-Up Programme ensures that MTCs complete their transformation to become export champions. The programme will commence in 2016.

TECHNOLOGY & INNOVATION

'Green' Programme for Light Emitting Diodes/ Solid-State Lighting
The 'Green' LED/SSL Programme is targeted at enhancing the capabilities of local LED/SSL companies and transforming them into global champions. It provides support through partial grants for process improvement activities, product development and testing, as well as, acquiring international certifications. Under this Programme, companies are able to claim 50.0 per cent of their machinery and equipment purchases with a cap limit of RM500,000. For acquiring certification and conformity to global standards, companies are allowed to submit claims up to 50.0 per cent of the total cost, with a maximum limit of RM500,000.

In 2015, ten companies qualified for this programme and have successfully formed a consortium called the Malaysian LED Consortium (MLC), and has achieved sales of RM116.97 million as at end 2015; exceeding the target of RM110.00 million set earlier.

e-Payment Programme for SMEs and Micro-Enterprises
In keeping with the Government's Digital Transformation Programme (DTP) or 'Digital Malaysia' vision, SME Corporation Malaysia in collaboration with Malaysia Development Corporation (MDeC), launched the Enabling e-Payment Services for SMEs and Micro Enterprises Programme in 2012. It aims to encourage SMEs and micro-enterprises to adopt e-Payment by simplifying the acquisition process and hence, lowering acquisition costs.

The programme introduced low cost e-Payment devices that could be connected to the existing network infrastructure. Considering its simplicity and affordability, the target groups for the e-Payment programme included operators of 'pasar tani', small restaurants, and smallholding businesses dependent on night markets, flea bazaars and cottage industries.

By end 2015, a total of 13,846 SMEs were mobilised to adopt e-Payment through 22,236 operators (merchant outlet points), with a transaction value of RM2.61 billion and a creation of 240 jobs.

Public-Private Research Network (PPRN)
This is a strategy to increase productivity and strengthen Malaysian economic development through innovation and commercialisation programmes. It aims to create a knowledge-friendly eco-system; an environment where knowledge is produced and diffused from those who have it to those who need it.

Through this strategic partnership, the collaborative synergy between SMEs, universities and industries would not only strengthen but also create a 'solutions' platform for commercialisation of local R&D products in a more effective and efficient manner with wide-reaching results.

Status of PPRN Project Implementation in 2015

Companies that Registered Applications	549 Companies
Projects Successfully Matched	304 Projects
Projects in Progress	247 Projects
Projects Completed (As at 6 April 2016)	57 Projects (37 Companies)

Malaysian Industrial Development Finance Berhad (MIDF)

MIDF promotes the development of the Malaysian economy through the provision of financial assistance to SMEs and large corporations in the manufacturing and services sectors. Financing is facilitated under various Government scheme funds managed by MIDF. It continues to remain an important conduit to disburse Government development funds under the various special loan schemes. MIDF extends both conventional and shariah-based financing under its various scheme funds.

Financial assistance programmes are for the purpose of establishing or expanding businesses involving the acquisition of fixed assets such as land for the construction of industrial and commercial buildings, ready-built industrial or commercial buildings, plant, machinery and equipment as well as provision of working capital requirement. MIDF also provides advisory services for SMEs that are eligible to apply for listing on Bursa Malaysia or envisage to be listed in the future. Soft Loan Schemes implemented by MIDF include the Soft Loan Scheme for:

- Small and Medium Enterprises (SLSME)
- Automation and Modernisation (SLSAM)
- Services Sector (SLSSS)
- Services Capacity Development (SLSCD)
- Bumiputera Automotive Entrepreneurs (SLBAE)

Details on soft loan schemes can be accessed at: www.midf.com.my

Status of the Soft Loan Schemes Approvals for 2015

Scheme	Application Approved	
	No	Value (RM mil)
Soft Loan Scheme For Small and Medium Enterprises (**SLSME**)	187	174.5
Soft Loan Scheme For Automation And Modernisation (**SLSAM**)	68	245.5
Soft Loan Scheme For Services Sector (**SLSSS**)	9	9.0
Soft Loan Scheme For Services Capacity Development (**SLSCD**)	13	39.5
Soft Loan Scheme For Bumiputera Automotive Entrepreneurs (**SLBAE**)	10	12.4
Total	287	480.7

Source : MIDF

Cumulatively (as at December 2015), MIDF has approved financing applications totaling RM4.0 billion for 3,500 companies against a total allocation of RM1.9 billion received under its various Government scheme funds since the introduction of these schemes of which RM1.9 billion were approved to 1,003 Bumiputera companies.

OUTREACH PROGRAMMES

***Simposium Usahawan* MIDF 2015**

MIDF, in conjunction with *Minggu Saham Amanah Malaysia* 2015 and in collaboration with Permodalan Nasional Berhad (PNB) successfully organised *Simposium Usahawan* MIDF 2015 for the 9th consecutive year on

25 April 2015. The symposium attracted more than 700 entrepreneurs from all over Sibu, exceeding the initial target of 500 participants.

***Forum Keusahawanan Malaysia* (FOKEM) 2015**
MIDF was one of the organisers of the Malaysian Entrepreneurship Forum (FOKEM) 2015 on March 26, 2015, in Kuala Lumpur. The one-day forum provided a platform to share experiences in building and developing their business network.

SME Corporation Malaysia Official Mobile App
This is a new platform for SMEs to obtain the latest news and events on SME development programmes, as well as, information on financial assistance and capacity development initiatives implemented by various Ministries and Agencies. This app is available in both IOS and Android platforms.

This app will be further improved to provide more interactive features in order to further the engagement process between SME Corporation Malaysia and SMEs.

SME Week 2015
This was held nationwide from 30 May to 5 June 2015. A total of 168 activities were implemented throughout the country during the week, with the support of various ministries and agencies, state governments, institutions of higher learning and financial institutions. Among the activities organised were the MyCEO Programme with primary schools, Business Matching with Hypermarkets and Supermarkets, and *'Program Jejak PKS'*, with representatives from the electronic and print media. Other programmes concluded through the year encompass business matching sessions, sharing of experiences, seminars, workshops, forums on entrepreneurship, Pocket Talks, Business Pitching and entrepreneurial clinics.

SME Week 2015 recorded a 112.0 per cent increase in sales from RM1.7 million in 2014 to RM3.6 million in 2015. The business matching sessions generated RM60.03 million in potential sales which was an increase of 77.1 per cent from 2014.

SME Week 2015 also recorded increases in terms of the number of exhibition booths and number of activities organised. A total of 1,314 SMEs had participated in the exhibitions which was an increase of 22.3 per cent compared to 1,074 SMEs in 2014. The number of activities implemented increased 6.3 per cent with 168 activities compared to 158 activities in 2014. Overall, a total of 344,709 participants and visitors benefitted from the seminars, workshops, Pocket Talks and information provided during the programme.

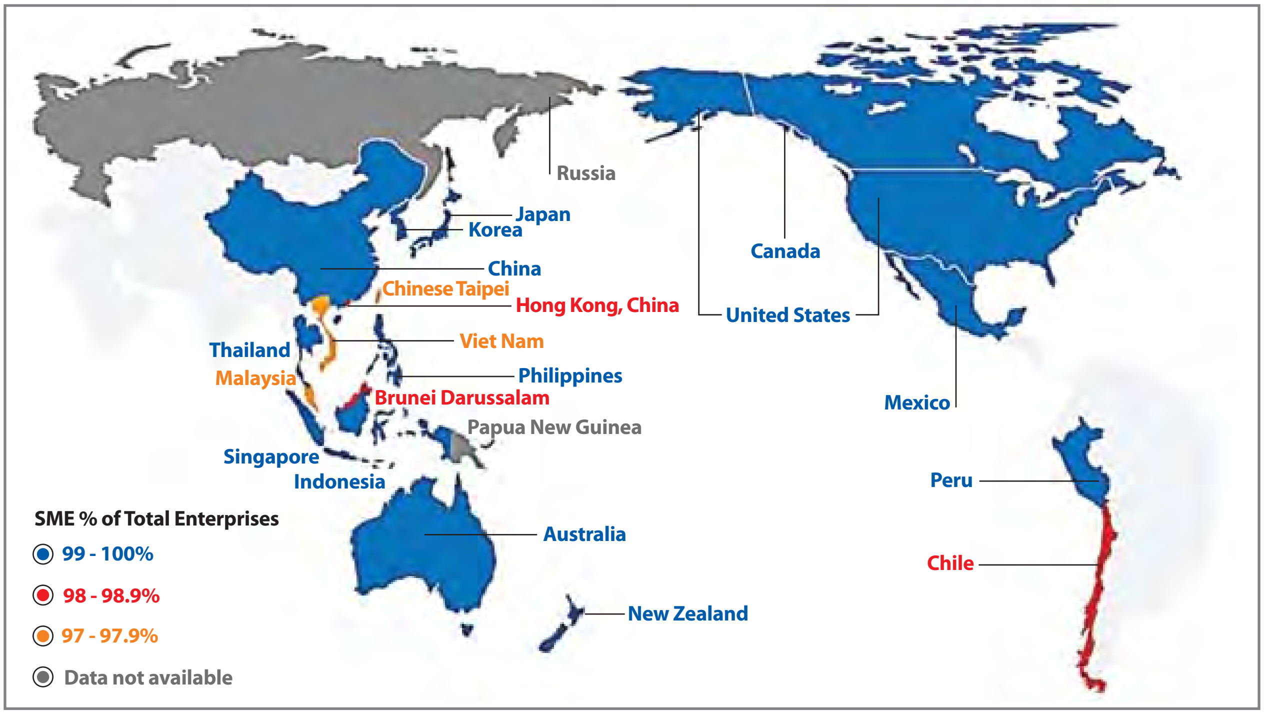
INTERNATIONAL COOPERATION INITIATIVES

ASEAN SME Working Group (ASEAN SMEWG)
In ASEAN, SMEs constitute a large number of establishments in all member states and contribute significantly to the labour force. SMEs account for 88.8 per cent to 99.9 per cent of total establishments in ASEAN members states and 51.7 per cent to 97.2 per cent of total employment. Contribution of these enterprises to each ASEAN Member States' GDP is between 30.0 per cent and 53.0 per cent and the contribution of SMEs to exports is between 10.0 per cent and 29.9 per cent.

Workshop on SME Development for CLMV Countries
SME Corporation Malaysia with the support of ASEAN SME Working Group and Japan ASEAN Integration Fund (JAIF) organised the workshop with the objective of providing a support programme to strengthen the capacity and capability of SMEs. The focus was mainly on access to financing and market development, to technology and innovation, as well as to information.

APEC SME Working Group (APEC SMEWG)
SMEs account for over 97.0 per cent of all enterprises and employ over half of the workforce across APEC economies.

SME Population Across APEC Economies



Source: APEC Policy Support Unit

SMEs contribute significantly to economic growth, with its share of GDP ranging from 20.0 per cent to 50.0 per cent in the majority of APEC economies. However, SMEs only account for 35.0 per cent or less of direct exports.

SME Corporation Malaysia is Malaysia's focal point for the APEC SME Working Group (SMEWG). Among the APEC projects relevant to SME development that Malaysia benefitted from are:

- o APEC Industry Forum on Addressing Barriers to Trade in Health Care Products Helping SMEs Participate in Global Value Chain (CTI) (8 June 2015)
- o APEC SME Business Matching and Internship Consortium for Global Value Chain Integration (8 - 9 June 2015)
- o Supply Chain Capacity Building for Small & Medium Size Enterprises (SME): Supply Chain Management, Cold Chain Storage and Technical Regulations (8 - 9 June 2015)
- o Facilitating Small & Medium Size Enterprises (SME) Trade through Better Understanding of Non-Tariff Measures in the Asia Pacific Region (1st Workshop) (8 - 9 June 2015)
- o SME Finance Forum (22 September 2015)
- o APEC Workshop on Facilitating SME Trade through Better Understanding of Non-Tariff Measures (NTMs) in the Asia Pacific Region (21 - 22 September 2015)
- o APEC Summit and Training Workshop on Promoting SME Business Continuity Planning, Chinese Taipei (27 - 28 July 2015)
- o 2015 APEC Business Ethics Forum, Manila Philippines (19 - 20 August 2015)
- o APEC Harmonisation of Standards Project Workshop, Sydney, Australia (4 - 5 November 2015)
- o APEC E-Commerce Forum, Jeju, Korea, (26 - 28 November 2015)

ASEAN STRATEGIC ACTION PLAN FOR SME DEVELOPMENT (SAP SMED) (2016 - 2025)

One of the deliverables under the Malaysia Chairmanship of ASEAN in 2015 was the launching of the ASEAN Strategic Action Plan for Small and Medium Enterprises Development

2016 – 2025 (SAP SMED 2025). SAP SMED 2025 was developed with the aim of promoting SMEs in the region to realise the vision of creating globally competitive and innovative SMEs.

ASEAN Market Place (aMP)

ASEAN Market Place (aMP) was established as a one stop portal to provide ASEAN SMEs with information related to AEC. It is a platform for ASEAN SMEs to do online business, market their products and services and complete their business transaction through a secure online payment gateway.

Third Country Training Programme:

SME Development for African Countries

SME Corporation Malaysia, together with support from JICA Malaysia Office and Malaysian Technical Cooperation Programme (MTCP) Secretariats, Ministry of Foreign Affairs Malaysia, organised this training programme from 12 - 24 August 2015, in Kuala Lumpur. This programme was to help the participants understand the importance of implementing sound policies and strategies in SME development. This comprehension is required to promote SME growth, strengthen the role of various government ministries/agencies which provide support programmes to SMEs, improve the capacity and capability of SMEs and the collaborative sharing of knowledge and experience between Japan and Malaysia in managing SMEs. Since 2006, a total of 82 participants from 15 African countries have attended the course.

MoU between SME Corporation Malaysia and National Institute of Entrepreneur (INADEM), Mexico

The MoU which was signed on September 2015 is to exchange information on key issues, as well as to establish technical and business collaboration between Malaysia and Mexico. Areas of interest include the development of SMEs in halal, automotive and auto parts, oil and gas, aerospace, ICT / E&E , and creative industries.

Memorandum of Understanding (MoU) between SME Corporation Malaysia and Agency for Regional Industry Development (ARID), Viet Nam

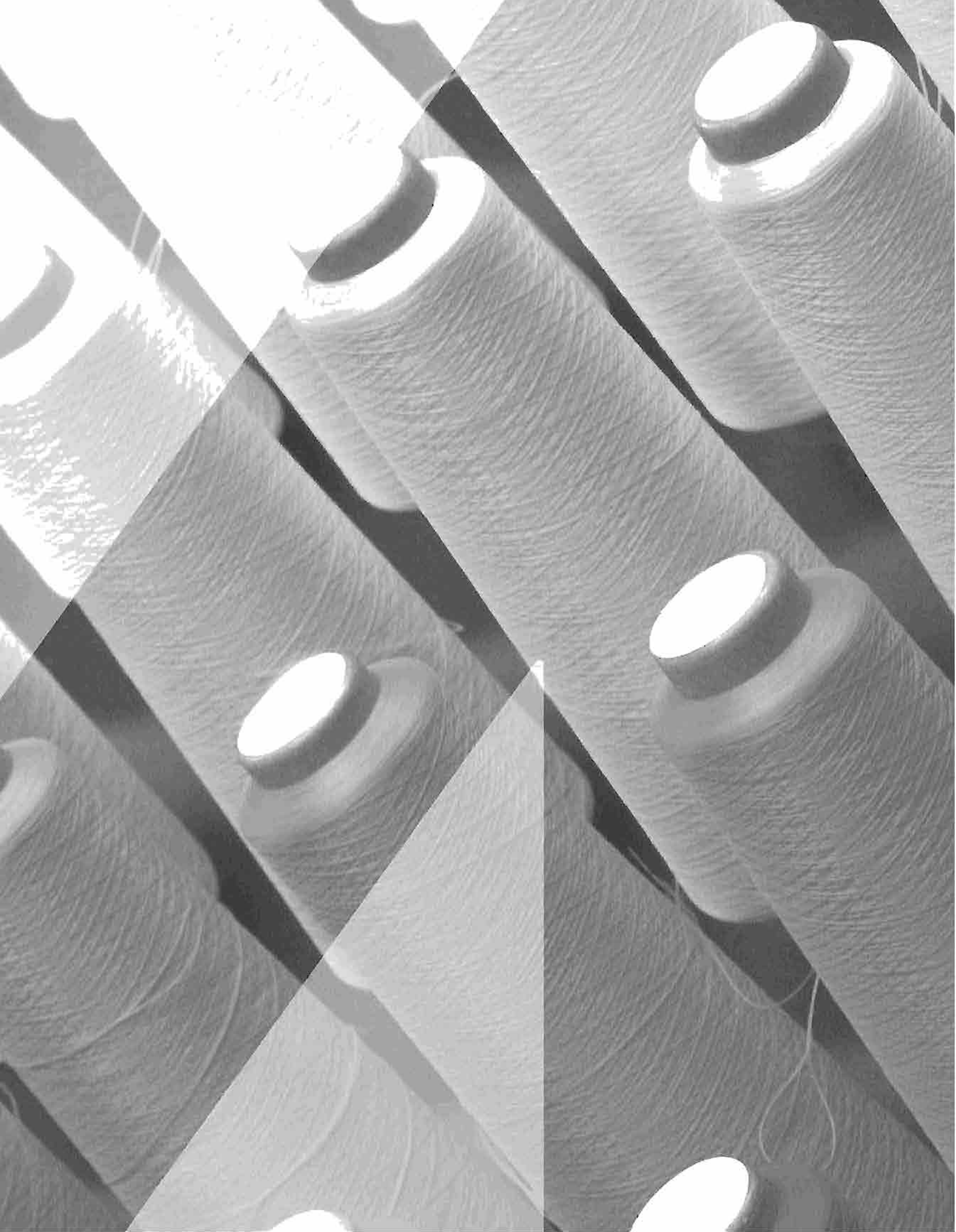
Greater cooperation on technical collaboration, support programmes, innovation, joint research and development, business incubation, SME policies and expertise were the uppermost objectives of the MoU which was signed in April 2015 between Malaysia and Viet Nam.

OUTLOOK FOR SMEs IN 2016

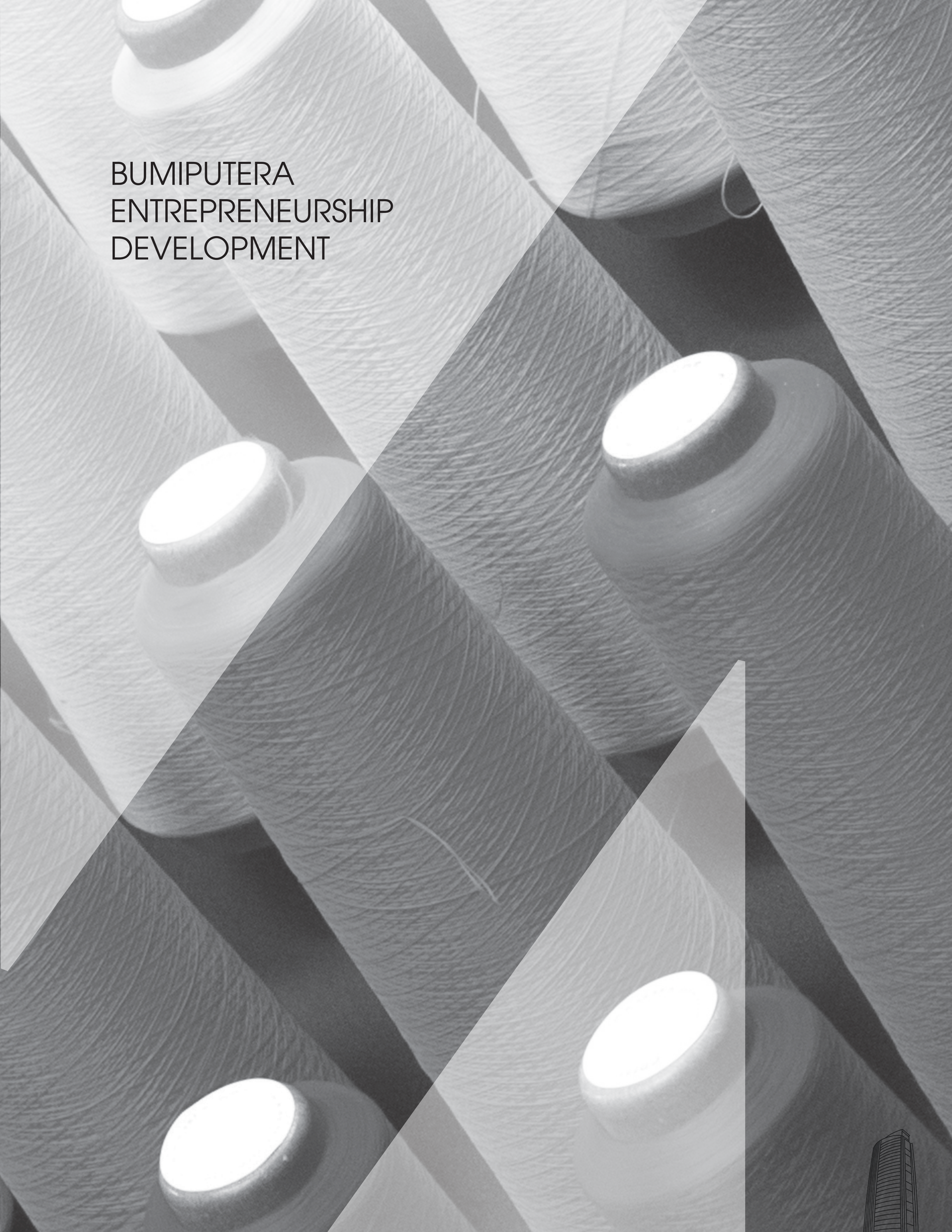
In 2016, Malaysia's economic growth is expected to remain challenging, fuelled by uncertainties in the global economic and financial landscape. GDP growth of SMEs is projected to expand at a moderate pace in 2016 by 5.0 - 5.5 per cent (2015: 5.0 - 6.0 per cent), in line with the slowdown in the global economy. Growth is expected to be supported by modest domestic demand, but tempered by the rising cost of doing business due to domestic reforms such as subsidy rationalisation, implementation of Minimum Wage and GST.

Recommendations to drive SME growth and expansion under the 11th Malaysia Plan include enhancing the export eco-system and to move SMEs up the value chain through strategic partnerships with the support of industry experts. Efforts to expedite reform formulation and accelerate the implementation of SME Masterplan programmes, should help to increase productivity and exports of SMEs.

Programmes in the 11th Malaysia Plan to enhance local tourism activities, and to involve SMEs in government procurement initiatives would also go a long way to boost SME output. SMEs need the continued strategic support from the Government in order to grow sustainably in strength and competitiveness, and continue contributing to the nation.



BUMIPUTERA ENTREPRENEURSHIP DEVELOPMENT



BUMIPUTERA ENTREPRENEURSHIP DEVELOPMENT

POLICIES ON BUMIPUTERA ENTREPRENEURSHIP DEVELOPMENT

The Bumiputera Economic Empowerment Agenda (BEEA) focusses on these five key strategies:

i. Enabling Bumiputera Human Capital
ii. Strengthening Bumiputera Equity Ownership in the Corporate Sector
iii. Strengthening Bumiputera Non-Financial Assets
iv. Intensifying Bumiputera Entrepreneurship and Business
v. Strengthening Services Delivery Ecosystem

The Bumiputera Economic Community (BEC), chaired by the Prime Minister was established in September 2013 to monitor closely the implementation of initiatives under the BEEA across various ministries and Government-linked investment companies (GLIC) / Government-linked companies (GLC).

PERFORMANCE OF BUMIPUTERA ECONOMIC EMPOWERMENT AGENDA (BEEA)

In 2015, there were 23 projects implemented by MITI and its agencies with participation from 2,254 companies. These programmes include:

No	Sub-programme	Companies/Individuals Involved /Business Matching Sessions
1.	*Satu Daerah Satu Industri* (SDSI) programme	471 companies Cash sales of RM1.7 million Contract sales of RM6.37 million
2.	Bumiputera Exporters' Development Programme (BEDP)	42 companies
3.	Smart Partnership Business Matching	1,185 business matching sessions
4.	Bumiputera SMEs' Product and Services Promotion to International Markets	29 companies with sales of RM5.2 million including potential sales. Trade mission to Jakarta from 13 - 17 December 2015.
5.	Bumiputera Enterprise Enhancement Programme (BEEP)	RM7.85 million 59 companies
6.	*Tunas Usahawan Belia* (TUBE) 2.0	495 participants
7.	Vendor Development Programme (VDP)	8 anchor companies 112 new vendor companies
8.	Groom Big Programme	20 companies 12 cooperatives
9.	Dealers Entrepreneurship Enhancement Programme (DEEP)	12 dealer companies
10.	Bumiputera Workshop Transformation Programme (BWTP)	252 workshop owners
11.	Halal Business Transformation (HBT) programme	286 companies
12.	Funding Programme for Business Expansion	SME Bank: - RM2.2 billion - 1,327 companies MIDF: - RM319.4 million - 123 companies

ACHIEVEMENTS OF FLAGSHIP PROGRAMMES AND INITIATIVES

ACCESS TO MARKET

Satu Daerah Satu Industri Programme (SDSI)

The year 2015 marked the 10th year of SDSI programme and a new element called 'Meet Buyers Programme' was added. Through this programme, MITI together with MATRADE invited 21 buyers from Hong Kong SAR, the PRC, Myanmar, the Philippines, Indonesia, Saudi Arabia, Thailand and South Africa to meet local Malaysian entrepreneurs which included SDSI entrepreneurs. The 'Meet Buyers Programme' recorded RM110.0 million in contract sales for the said year.

SDSI 2015 also introduced a new format for showcasing SDSI products by four main clusters namely Food and Beverages (F&B), Homestay, Health & Beauty, and Handicrafts.

At the same event, MITI provided a platform for micro enterprises under the SDSI programme to participate in business matching sessions with several hypermarkets. In 2015, a total of RM6.37 million in contract sales and another RM1.70 million in cash sales were recorded. The event also attracted a total of 184,000 visitors.

Bumiputera Exporters Development Programme (BEDP)

The BEDP, started in 2004, is aimed at creating a competitive and sustainable population of exporters. This programme is underpinned by a philosophy that emphasised the development of entrepreneurs' intrinsic values such as ethics, attitude, knowledge and competencies.

A total of 155 companies have benefitted under this programme of which 122 companies have already 'graduated'. For 2015, forty-two Bumiputera companies were selected and are currently undergoing the programme which will run for the next three years.

Participation in this programme is based on the companies' profile submitted to MITI through MATRADE. Companies with high potential are identified through various avenues including trade events, SME directories and data from government agencies.

Short-listed companies are then subject to factory audit visits and assessments by MATRADE and other relevant government agencies. MATRADE uses the Exporters' Readiness and Capability Assessment (ERCA) model to assess the companies for selection into the programme.

Incentives

Bumiputera-owned companies selected for BEDP are entitled to receive:

- customised business coaching;
- skills enhancement training, conducted on a quarterly basis by way of participation in seminars and workshops organised by MATRADE;
- exposure to international business three times a year through participation in international trade fairs, trade and investment missions and/or specialised marketing missions;
- opportunities to showcase their products or services at MATRADE's Malaysia Export Exhibition Centre (MEEC), free for a year;
- networking and mentoring sessions to broaden business outreach and sharing of experiences; and
- leadership and entrepreneurial development sessions.

CAPACITY BUILDING

Bumiputera Enterprise Enhancement Programme (BEEP)

The BEEP is a specialised one aimed at creating and developing competitive, resilient and dynamic Bumiputera SMEs through comprehensive integrated assistance, with a hand-holding approach.

BEEP focusses on strengthening core businesses, building capacity and capability, increasing productivity, and facilitating access to financing. BEEP also includes exposure to packaging and labelling; certification and quality management systems; product and process improvement; and advertising, promotion and branding.

Implemented initially at the state level offices of SME Corporation in collaboration with 11 State Governments, the programme was expanded in July 2013 to include Selangor and Kuala Lumpur.

Financial assistance is provided in the form of matching grants. SMEs must meet qualifying criteria to be eligible for this assistance. Detailed information is available at www.smecorp.gov.my

As at end 2015, a total of 512 Bumiputera companies have received financial assistance amounting to RM61.29 million. In 2015 alone, 59 Bumiputera companies received financial assistance amounting to RM7.85 million.

Penang and Melaka recorded the highest approvals with 87 (RM10.05 million) and 113 (RM7.04 million), respectively. Majority of those approvals were for product and process improvements, product packaging and certification, and quality management systems.

Tunas Usahawan Belia Bumiputera 2.0 (TUBE 2.0)

TUBE is an initiative to encourage Bumiputera youths to venture into business. TUBE which was announced by the Prime Minister with an initial allocation of RM10.0 million, is designed to inculcate and develop Bumiputera youths aged between 18 and 40 to be involved in entrepreneurship.

TUBE 1.0 started in 2014 and since then, 443 participants have successfully completed the programme out of which 98.0 per cent subsequently registered their businesses. These businesses generated a cumulative sales turnover of RM17.8 million in 2015, and created a total of 848 job opportunities.

In 2015, MITI was given RM10.0 million and the TUBE programme was continued through SME Corporation Malaysia. *Unit Peneraju Agenda* Bumiputera *(TERAJU)* Executive Committee also agreed to enrol 500 youths under the TUBE 2.0 programme, including 100 graduates from *Skim Latihan 1Malaysia* (SL1M). SME Corporation Malaysia collaborated with new strategic partners across ministries, agencies, banks and associations to implement TUBE 2.0 including Telekom Malaysia Berhad, SME Bank, Maybank Berhad and Credit Guarantee Corporation (CGC).

TUBE 2.0 includes both mental and physical endurance, and exposure to the landscape and challenges of the business world. This was done in three phases:

- Phase 1: Testing mental perseverance and physical endurance.
- Phase 2: Increasing business knowledge and effective business operations, and
- Phase 3: Guidance on effective business practices (Buddy System).

After the successful completion of Phases 1 and 2 of the programme, each participant received financial assistance in the form of a RM15,000 grant. The grant serves to help start their businesses. Phase 3 is a continuation of training and support for participants through the Buddy System, undertaken by Business Counsellors at SME Corporation Malaysia. This is to ensure the sustainability of the business in the first 12 months of operation.

MITI through SME Corporation Malaysia received 7,442 applications through the TUBE 2.0 online application system. Out of this, 5,486 applications fulfilled the eligibility criteria of being a Bumiputera Youth between 18 - 40 years; holding a Skills Certificate and having a passion for business.

SME Corporation Malaysia collaborated with Media Prima Berhad in the production of a reality TV show '*The Entrepreneur*' to enhance the visibility of TUBE 2.0. Top 10 participants of TUBE 2.0 programme were chosen from each camp, to compete against each other for a duration of eight weeks in the televised reality show.

Vendor Development Programme (VDP)

The VDP aims to grow Malaysian SMEs as manufacturers and suppliers of components and services as required by large local companies, MNCs and GLCs in the domestic and global market. MITI ensures that the Fourth Strategy as outlined under the BEEA for enhancing Bumiputera Entrepreneurship and Commerce achieves its objective. VDP provides support in the form of training, capacity building, product development and enhancement, as well as market promotion for Bumiputera vendors.

This programme has made an impact in developing and enhancing local manufacturers and suppliers as can be seen in the increased participation of companies. This growth is further fuelled by expansion in the manufacturing and services sectors, namely O&G, engineering, automotive, E&E and telecommunication sub-sectors. As at December 2015, a total of 18 anchor companies with 2,670 vendors, including 112 new vendors have been registered under this programme.

In line with the Government's aspiration on BEEA, various capacity building programmes were conducted in collaboration with Malaysia Productivity Corporation (MPC), SIRIM Berhad, Technology Park Malaysia (TPM) and 11 anchor companies under the VDP, namely Celcom Axiata Berhad, Keretapi Tanah Melayu Berhad, Boustead Naval Shipyard, CCM Chemicals Sdn Bhd, Pharmaniaga Berhad, PERODUA, Telekom Malaysia, UMW Holdings, CIMB, UEM Group and PETRONAS. A total of 367 vendors benefitted from the programmes.

Besides capacity building, MITI also organised GLC-SME ExplorAce 2015 in collaboration with SME Bank, Boustead Naval Shipyard Sdn Bhd and Pharmaniaga Berhad. Here, GLCs, stakeholders, banks and vendors were gathered under one roof (one stop centre) to exchange information and explore new areas offered by all parties involved, especially information on loans and financial assistance. The event attracted 1,935 visitors, consisting of vendors and companies from various industries. Out of this total, 1,185 vendors participated in the business matching sessions. The event also provided a good platform for vendors, GLCs, MNCs, large Malaysian companies as well as MITI and its agencies to network, explore businesses and other collaborative opportunities.

Under the 11th Malaysia Plan, the Government has allocated RM61.0 million to carry out two new programmes namely the Research & Commercialisation Grant (R&C Grant) and the Capacity Development Programme for Vendors (PPKV). R&C Grant with a total allocation of RM30.0 million, aims to stimulate growth and innovation among Bumiputera vendors through research and development. This grant provides funding for development of technology, from the pre-commercialisation to the commercialisation stage, with a potential to create new business products, create efficiency in daily operations and generate national wealth.

The Government has also allocated a RM31.0 million training grant under PPKV through collaboration with technical agencies such as SIRIM Berhad, MPC, TPM, Construction Industrial Development Board (CIDB), UiTM-Malaysian Institute of Transportation (MITRANS) and SME Bank-Centre of Entrepreneurial Development and Research (CEDAR) and other agencies, which will be appointed by the Government based on current needs.

Groom Big Programme

The Products and Services Quality Enhancement Programme or better known as Groom Big Programme was initiated in 2005, with the aim of nurturing, grooming and developing entrepreneurs to be competitive, resilient and sustainable SMEs in the domestic and global markets. Year 2015 marked the 10th year of implementation of the Groom Big Programme.

Groom Big offers Bumiputera entrepreneurs training, consultation, monitoring and coaching for product development, capacity building as well as marketing and promotion activities.

SME Competitiveness Rating for Enhancement (SCORE) continues to be used as a tool to identify suitable small/medium-sized Bumiputera companies for enrolment into Groom Big improvement programmes. For 2015, twenty Bumiputera companies involved in the F&B industry with a 3-star SCORE rating were identified. The main objective of this programme was to improve SCORE ratings from 3-star to 4-star, through several structured intervention programmes and consultancies. Selected Bumiputera companies were also expected to upgrade their overall performance in management, financial, technical, innovation as well as quality systems capabilities. To realise this, MITI collaborated with CEDAR and SIRIM to provide targeted consultancy and coaching to these companies.

Quality improvement and promotional aspects of these programmes have increased demand for products under the Groom Big Programme. Apart from existing training programmes, the Groom Big Programme provides business matching opportunities and promotional activities including export market collaboration with foreign companies identified by MATRADE. In 2015, twenty Groom Big companies were given the opportunity to exhibit their products at the China-ASEAN Expo (CAEXPO) 2015, held in Nanning from 18 to 21 September. At the expo, Groom Big companies were able to meet with international buyers directly and network with other industry players.

Another facet of the Groom Big Programme is its focus on strengthening the establishment of 'Groom Big Cooperatives'. These cooperatives help address issues of raw material supply, production capacity and the marketing strategies of Groom Big products. Currently, two outlets of Groom Big Cooperatives are operating: one at the Senai Airport, Johor (managed by Koperasi Usahawan Groom Big Johor Berhad) and the other at Wisma Tun Fuad, Kota Kinabalu, Sabah (managed by Koperasi Pengusaha Industri Kecil Sederhana Berhad).

Groom Big Programme is being recognised by the Government as one of the high impact programmes, and will be continued under the 11th Malaysia Plan to ensure the creation of innovative products and services among Bumiputera SMEs in Malaysia.

Dealers Entrepreneurship Enhancement Programme (DEEP)

The DEEP implemented by the Malaysia Automotive Institute (MAI) is aimed at enhancing the competency and capabilities of current automotive dealers in business. DEEP is involved in coaching and training, conducting technical assessment and ensuring owner dealers/entrepreneurs are successful in increasing business revenue.

DEEP's targets include increasing number of entrepreneurs in the services sector of automotive maintenance and repair, as well as modernising and transforming the industry into a more competitive sector. In 2015, a total of 12 owner dealers' companies benefitted from DEEP.

Bumiputera Workshop Transformation Programme (BWTP)

The BWTP was developed to enhance the capabilities and competencies of Bumiputera workshop owners and entrepreneurs in the automotive sector. It is targeted at modernising and upgrading competency and technical capability levels of Bumiputera workshop owners as well as increasing their participation in the automotive aftermarket sector, particularly in the repair and maintenance services activities.

Under BWTP, 252 workshop owners have been selected to participate in the capacity building activities conducted by MAI.

Halal Business Transformation (HBT) Programme

The HBT programme is a capacity-building initiative introduced by HDC to facilitate development of Malaysian companies especially SMEs, in becoming global players in the halal industry.

HBT's objective is to enhance the business performance and growth of halal companies by helping to produce high quality and innovative halal products and services for the world. It envisages that a targeted company will grow from a small enterprise equipped with capabilities to comply with halal requirements in the halal incubation stage, and will subsequently transform into an international exporter upon completion of the programme.

In 2015, the HBT programme focussed on the development of export-ready small and medium enterprises, by strengthening their production capabilities and brands in the domestic market. Participation in the HBT programme has increased from 149 companies in 2011 to a total of 2,480 companies in 2015, of which 73.3 per cent (1,817 companies) are Bumiputera. In the year 2015, a total of 286 Bumiputera companies have been assisted under this programme.

ACCESS TO FUNDING

Malaysian Industrial Development Finance Berhad (MIDF)

MIDF provides financial assistance to SMEs and large corporations in the manufacturing and services sectors. MIDF also supports Bumiputera empowerment by providing financial assistance to Bumiputera businesses.

MIDF funding facilities include soft loan schemes such as the Soft Loan Scheme for Bumiputera Automotive Entrepreneurs (SLBAE), the Soft Loan

Scheme for Automation and Modernisation (SLSAM), the Soft Loan Scheme for SMEs (SLSME),the Soft Loan Scheme for Capacity Development (SLSCD) and the Soft Loan Scheme for Services Sector (SLSSS). These soft loan schemes assist SMEs in establishing or expanding their businesses, including the acquisition of fixed assets such as land for the construction of industrial and commercial buildings, ready-built industrial or commercial buildings, plant, machinery and equipment as well as the provision of working capital. In 2015, a total of 123 applications were approved with loans amounting to RM319.4 million.

SLBAE was implemented by MIDF specifically for Bumiputera entrepreneurs since 2012, to facilitate and assist open Approved Permit (AP) holders to expand, broaden and diversify their business activities associated with the automotive business which include manufacturing and services-related automotive business and/or business activities other than the automotive sector. As at 31 December 2015, MIDF has approved applications for financing totalling RM83.6 million to 26 Bumiputera companies under the SLBAE.

Status of the Soft Loan Scheme Approvals for Bumiputera Companies for 2015

Scheme	Applications Approved	
	No	Value (RM mil)
Soft Loan Scheme For Small and Medium Enterprises (**SLSME**)	72	85.4
Soft Loan Scheme For Automation And Modernisation (**SLSAM**)	27	180.8
Soft Loan Scheme For Services Sector (**SLSSS**)	6	7.7
Soft Loan Scheme For Services Capacity Development (**SLSCD**)	5	6.1
Soft Loan Scheme For Bumiputera Automotive Entrepreneurs (**SLBAE**)	13	39.4
Total	123	319.4

Source : MIDF

As at end 2015, MIDF has approved applications for financing with a cumulative total of RM4.0 billion to 1,003 Bumiputera companies, against a total allocation of RM1.9 billion received under these various soft loan scheme funds.

SME Bank

In 2015, SME Bank celebrated its 10th anniversary and for the first time, delivered its flagship Entrepreneur Award to its customers who have shown outstanding performance in their respective areas of business. Award recipients were selected based on entrepreneurship, innovation and contribution to both the local and global communities.

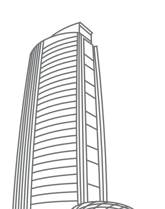
Five award categories were presented including SME Bank Perdana Award; SME Bank Most Outstanding Entrepreneur Award; SME Bank Most Promising Entrepreneur Award; SME Bank Women Entrepreneur Award; and SME Bank Innovative Entrepreneur Award.

Entrepreneur Award Winners

No.	Category	Winner	Prize
1.	SME Bank Perdana Award	1. En Shamsulbahrin Bin Ludin – Advance Pact Sdn Bhd	• Plaque • Additional pre-approved financing • Award trophy, certificate and gold coin worth RM3,000 • Feature spread in any promotional media by SME Bank (Official portal, newspaper, coffee table book) • Professional training by CEDAR
2.	SME Bank Most Outstanding Entrepreneur Award	1. En Shamsulbahrin Bin Ludin – Advance Pact Sdn Bhd 2. Dato' Haji Ramly Bin Mokni – Ramly Food Processing Sdn Bhd	• Additional pre-approved financing • Award trophy, certificate and gold coin worth RM3,000 (1st place) or RM2,000 (2nd place) • Feature spread in any promotional media by SME Bank (Official portal, newspaper, coffee table book) • Professional training by CEDAR
3.	SME Bank Most Promising Entrepreneur Award	1. En Mohd Pozi Bin Hassan – Pozi Food Services 2. Puan Siti Sulaida Binti Hamzah – Road Asphalt Sdn Bhd	
4.	SME Bank Women Entrepreneur Award	1. Puan Norsharina Binti Mohd Shahar – Gaia Plas Sdn Bhd 2. Puan Noor Azimah Binti Mustafa – Era Lab Sdn Bhd	
5.	SME Bank Innovative Entrepreneur Award	1. Dato' Ir Muhammad Guntor Mansor Tobeng Bin Mansor Tobeng – Gading Kencana Sdn Bhd 2. Dato' Goh Hwan Hua – I-Serve Technology Sdn Bhd	

Additionally SME Bank approved a total financing of RM2.2 billion which benefited 1,327 SME customers in 2015. As at end 2015 , nearly 60.0 per cent of the Bank's customers had migrated upwards within the five market indicators in its intervention programmes. This is a significant achievement in producing SMEs which can sustain their businesses. SME Bank's intervention programme is a special programme designed to support pre-identified customers of the Bank with high growth potential in the form of financial and non-financial assistance, used to uplift their business to the next level. The three market indicators used to measure their business transformation are improvement in risk rating, improvement in SCORE rating and expansion of market from domestic to exports. SME Bank's Bumiputera share of total financing portfolio has gradually increased over the years and in 2015, approximately 74.7 per cent of the Bank's total financing pay-out consisted of financing to Bumiputera SMEs.

Details of financing facilities for Bumiputera can be found at www.smebank.com.my




MEDICAL
MEDICAL
Health Care
Doctor
Hospital
Pharmacist
Nurse
Dentist
First Aid
Surgeon
Emergency

SERVICES AND HALAL

SERVICES AND HALAL

SERVICES SECTOR

The services sector is Malaysia's major economic driver, with a contribution of 53.6 per cent (RM569.1 billion) to the country's total GDP in 2015. It attracted the largest amount of investment totalling RM108.2 billion or 57.9 per cent of overall approved investments. A total of 4,150 projects were secured through both FDI and DDI in services.

For 2015, exports of services decreased slightly by 1.2 per cent to RM135.7 billion from RM137.3 billion recorded in 2014. Among the main contributors to Malaysia's services exports for 2015 were travel, valued at RM 68.7 billion (50.7 per cent of total services exports), transport at RM15.8 billion (11.7 per cent) and telecommunication, computer and information services at RM10.4 billion (7.7 per cent).

INVESTMENTS IN SERVICES

In 2015, it was recorded that 54.0 per cent of total investments approved was in the services sector. A total of 3,170 projects were approved amounting to RM82.7 billion. Domestic investments contributed RM73.0 billion and another RM9.7 billion was from FDI. Among the major approvals in 2015 included:

APPROVED PROJECTS	INVESTMENT AMOUNT	SPIN-OFF
a) 4 Global Operation Hubs	RM2.6 billion	1,655 employment opportunities
b) 17 Operational Headquarters (OHQ)	RM2.7 billion	1,251 employment opportunities
c) 9 International Procurement Centres (IPC)	RM1.01 billion	Annual sales turnover of RM2.3 billion
d) 2 Regional Distribution Centres (RDC)	RM238.9 million	47 employment opportunities
e) 2 Treasury Management Centres (TMC)	RM114.7 million	-
f) 116 Regional/Representative Offices	RM146.5 million	229 employment opportunities for locals
g) 12 Integrated Logistics Services (ILS) providers	RM724.5 million	791 employment opportunities
h) 128 renewable energy projects	RM1.4 billion (98.3 % were domestic investments)	918 employment opportunities
i) 31 energy efficiency projects	RM406.5 million (79.9 % were domestic investments)	-
j) One Premium Outlet	RM222.0 million	Over 900 Malaysians in the retail industry.

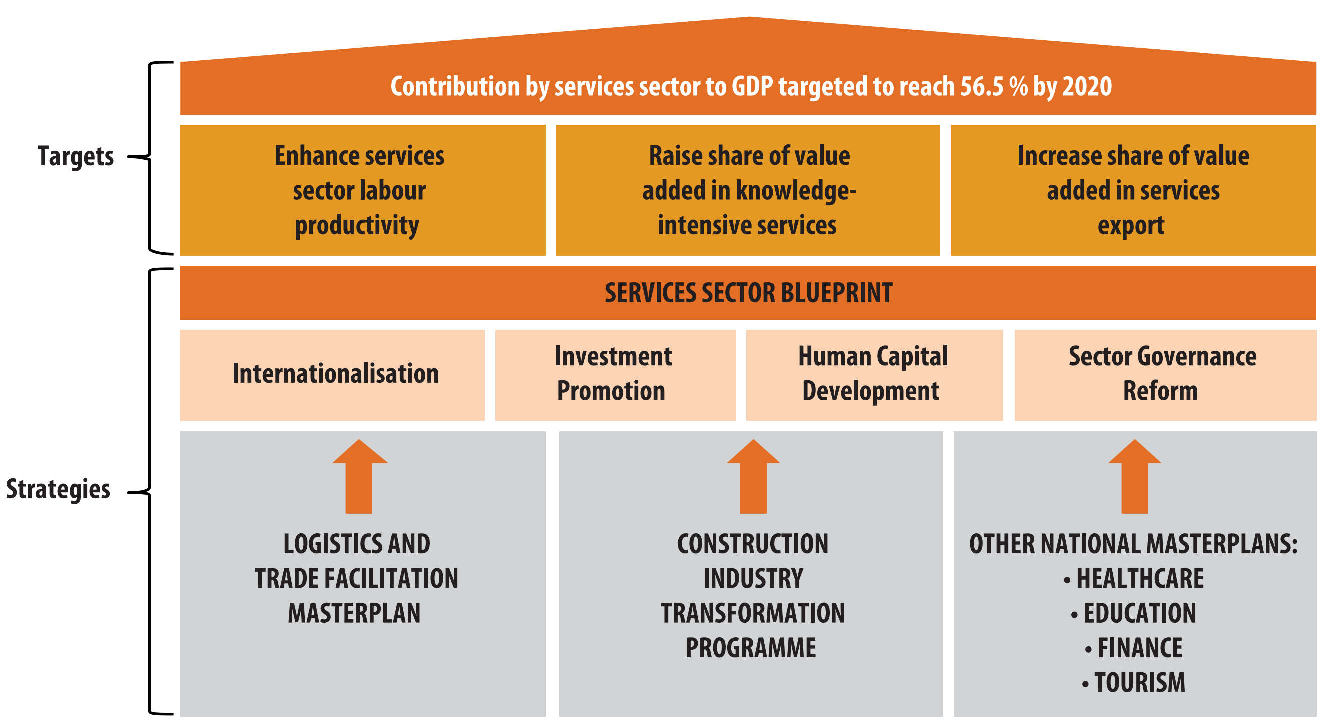
SERVICES SECTOR BLUEPRINT

In its effort to transform Malaysia into a knowledge-intensive, services-driven economy, the Government has formulated the Services Sector Blueprint (SSB). It is a set of holistic strategies and practices to address primary obstacles which potentially hinder further growth of the services sector. SSB was launched by the Prime Minister in March 2015.

The SSB focusses on four policy levers aimed at overcoming key barriers to development in the services sector:

i. **Internationalisation** – to significantly increase the number of service providers in Malaysia as well as broaden their reach for exports.
ii. **Investment Incentives** – effectiveness of incentive mechanisms will be enhanced by increasing transparency, eliminating duplication and linking this to performance.
iii. **Human Capital Development** – producing, attracting and retaining skilled talents in the country.
iv. **Sector Governance Reform** – to adopt an efficient, facilitative policy approach that would provide a thriving and competitive environment for the services sector to develop positively.

Targets and Strategies for the Services Sector



Services Sector Blueprint-Summary of Overall Recommendation

Policy lever	Enhancements	New ideas / programmes
Internationalisation Strategy	1.4 "Embed ICT" programme	1.1 Large Corp-SME partnership programme
	1.7 Enhanced franchise development programme	1.2 Consortium promotion programme
	1.8 Opening up and harmonisation of markets through G2G negotiations	1.3 Subcontracting & Partnership Exchange
	1.10 Enhanced Services Export Fund	1.5 New exporters training programme
	1.11 Enhancement of training delivery	1.6 Account management system
		1.9 Services Sector credit guarantee scheme
Investment Incentives	1.22 Instill quality and performance-based KPIs	2.1 Incentive Coordinating & Collaboration Office (ICCO)
Human Capital Development	3.2 Greater industry-HEI collaboration	3.1 Improve delivery of 'general' employability skills
	3.3 Improve impact of bridging programmes	3.6 Adopt integrated planning approach
	3.4 Raise the profile of TEVT pathway	3.10 Encourage SMEs to provide training to their employees
	3.5 Enhance existing components of manpower planning	3.11 Co-funded scholarships
	3.7 Further facilitate access to foreign talent immigration	3.12 Research Incentive Scheme
	3.8 Invest in development / training across all employees	
	3.9 Provide suitable living environment	
	3.11a Expand STAR Programme	
Sector Governance Reform	4.1 Accelerate sectoral governance reforms	4.3 Portal to increase regulation transparency
	4.2 Expand and accelerate adoption of NPDIR* – for new regulations	

* National Policy for Development and Implementation of Regulations

Source: Services Sector Blueprint

In 2015, implementation of the 29 Action Plan Items (APIs) in the SSB were regularly monitored by the Malaysia Services Development Council (MSDC) and were found to be on track. Among the six High Impact Programmes (HIPs) rolled out were:

i. **Large Corporation – SME Partnership (MATRADE)**
This programme facilitates knowledge transfer between large corporations and SMEs through access to large scale projects undertaken overseas. In 2015, MATRADE assisted eight SMEs on two partnership programmes through construction projects abroad. (http://www.matrade.gov.my)

ii. **Incentive Coordinating and Collaboration Office (ICCO) (MIDA)**
A one-stop centre to advise and coordinate businesses on incentives offered and provide cross-agency visibility. Once completed, it also advises the Government on incentive design plus assists in monitoring and evaluation. For 2015, MIDA has set up a web portal called i-Incentives to provide information on incentives offered by all MITI agencies. (http://incentives.mida.gov.my)

iii. **Enhanced Services Export Fund (MATRADE)**
Provides assistance to Malaysian service providers to venture into the international market by increasing their competitiveness, expanding their accessibility to export and supporting promotion activities to gain market access abroad. A total of 27 applications were received in 2015. (http://www.matrade.gov.my)

iv. **Services Credit Guarantee Scheme Syarikat Jaminan Pembiayaan Perniagaan (SJPP)**
The scheme was rolled out in April 2015 to assist SMEs in obtaining working capital financing. A total of 122 SMEs were assisted with financing amount of almost RM250.0 million. (http://www.treasury.gov.my)

v. **Research Incentive Scheme by Multimedia Development Corporation (MDeC)**
Initiated by MDeC to assist both foreign and locally-owned technology leaders to operate R&D centres or Centres of Excellence (COE) to promote development of high value-added ICT products and services, by attracting and supporting R&D efforts as well as increasing creation of high-value

R&D work in identified technology areas. Almost RM5.0 million worth of grant was awarded in 2015. (http://www.mdec.com.my)

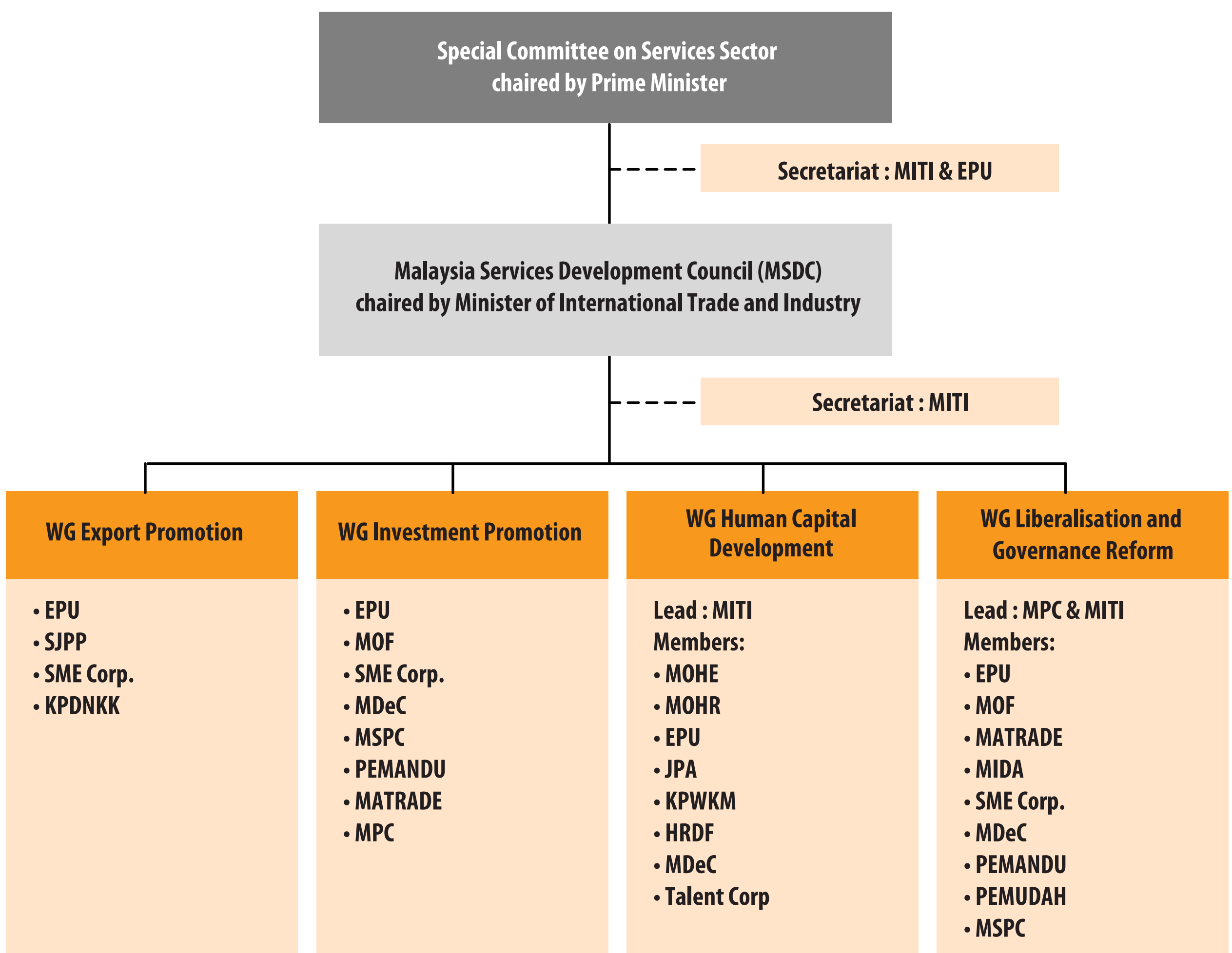
vi. **Accelerating Sector Governance Reform by Malaysia Productivity Corporation**
Some regulations by government agencies are deemed as highly restrictive and burdensome. Sector governance reform initiatives undertaken by the Malaysia Productivity Corporation (MPC) focus on reducing such unnecessary regulatory burdens across all agencies. This corresponds to various services sub-sectors through a detailed mapping and solution recommendation. The focus in 2015 was on three sub-sectors namely, healthcare services, technical services and O&G services. (http://www.mpc.gov.my)

SERVICES SECTOR DEVELOPMENT GOVERNANCE

A Special Committee on Services chaired by the Prime Minister had its inaugural meeting on 16 March 2015, with MITI and EPU as co-secretariat.

Two MSDC meetings were held in 2015. It was agreed that this new focus which pivoted on the SSB, will give MSDC a more strategic direction for the services sector. Inclusion of more private sector representatives in the MSDC will also add value to discussions, and further enhance targets for the services sector.

Governance Structure for Services



REGULATIONS TO ENHANCE COMPETITIVENESS OF THE SERVICES SECTOR

A major development which affects SMEs would be the on-going liberalisation of the services sector that would enhance productivity, foster competition and create greater linkages with large firms. SMEs must expect to be confronted with challenges but with liberalisation comes new opportunities for SMEs. It necessitates rationalisation of certain services sub-sectors where SMEs are fragmented. This requires capacity building to strengthen SMEs' position to benefit from economies of scale, greater efficiency and product differentiation.

The introduction of Minimum Wages policy will encourage SMEs, particularly in the services sector to move up the value chain by investing in higher technology, raising labour productivity as well as reducing dependence on foreign workers.

Development of SMEs will be further coordinated and strengthened across all sectors, with the proposed National Small and Medium Enterprises Bill to be introduced soon.

SERVICES EXPORT FUND

The Services Export Fund (SEF) is a scheme to provide assistance to Malaysian Service Providers (MSPs) to undertake activities to expand and venture into the international market. The objectives of SEF include:

i. increasing competitiveness of MSPs abroad;
ii. increasing accessibility and expanding export of MSPs in the global market; and
iii. expanding the scope for export promotion to gain market access and export opportunities of services.

The SEF is an initiative announced under the 2015 Budget and the SSB with an implementation period from 2015 - 2020, and MATRADE is the implementing agency tasked to manage the fund.

All services sectors are eligible to apply except tourism and financial sectors. The assistance is extended in the form of reimbursable grants and soft loans. The grants and soft loans disbursed are according to the maximum amount of each activity, and up to a total of RM5.0 million per company for the six-year duration.

ELIGIBLE ACTIVITIES

i. Reimbursable Grants

Activity1:
a) promoting Malaysian expertise in services at international events overseas, as speakers in conferences, forums and participating in services industry-related competitions;
b) travelling expenses for bidding of tenders;and
c) procuring commercial intelligence/market reports for assessing business opportunity or projects overseas.

Activity2:
a) rendering services for projects undertaken overseas;
b) presenting to potential clients for assessing business and projects overseas.
c) preparation of prototype, system customisation and localisation to meet project requirements.

Activity 3:
Initial cost of setting up office overseas.

Activity 4:
Logistic cost of sending Malaysian products, equipment or merchandising for projects abroad undertaken by Malaysian services companies.

Activity 5:
Grant for conducting feasibility studies for specific international projects overseas.

ii. Soft Loan Scheme for Services Sector (SLSSS)

Activity 6:
Financing to assist MSPs in proposing and planning for overseas project negotiations.

Activity 7:
Expenses related to raising bank guarantees or performance bonds to execute overseas projects.

Detailed information on SEF applications is available at www.matrade.gov.my and www.midf.com.my

Total allocation for the Services Export Fund in 2015 was RM27.0 million with RM10.0 million placed under MATRADE, and the balance RM17.0 million under MIDF.

OUTLOOK FOR THE SERVICES SECTOR

The services sector is projected to remain as the largest contributor to growth in 2016, albeit at a more moderate rate. The majority (90.1 per cent) of local SMEs are in the services sector, mainly in the distributive trade sub-sector (wholesale & retail trade services).

Consumption-related activities such as retail trade, F&B and accommodation will be supported by household spending but will grow at a more measured rate. Growth will be supported by the information and communications sub-sector as demand for data communication services remains strong.

In addition, SME GDP growth prospects in 2016 are expected to be broad-based with contribution from all sectors in the economy; with the services sector still as the major contributor to GDP. In line with growth of the overall services sector, development of SMEs is expected to grow at a slower pace due to the slowdown in the global economy, accompanied by moderate domestic demand and rising cost of doing business brought about by domestic reforms.

The importance of the services sector as the key driver of economic growth was also indicated under the 11^{th} Malaysia Plan. For the same period (2016 - 2020), development in the services sector will be guided by the SSB. It is aimed at unlocking potentials of the sector, and transforming it into a more knowledge-intensive and innovation-led field.

SSB together with other national masterplans such as the Logistics and Trade Facilitation Masterplan and Construction Industry Transformation Programme, would ensure a well-planned and integrated approach to accelerate growth in the services sector. The sector is expected to grow at 6.9 per cent per annum during the 11^{th} Malaysia Plan period; contributing 56.5 per cent to GDP by the year 2020 and providing 9.6 million job opportunities.

HALAL A VALUE PROPOSITION

The halal industry is a value proposition which actually exists within key elements of the supply chain of various intersecting industry sectors. Halal*an Toyyiban* is the term that describes goods or services that are permissible and wholesome according to *Syariah* laws and Islamic principles, which also confirms that they are safe and not harmful. While this definition relates to all Muslims, to other consumers, it offers a safe, clean and wholesome alternative choice of products and services in their daily lives.

The halal market is set to grow much further; beyond those countries with a Muslim majority. It is also noted that the halal agenda has been placed at a much higher level of priority in recent years in many parts of the world, including non-Muslim countries. Many nations now view the halal industry as an emerging market force with an important value proposition, capable of contributing towards growth in their respective national economies. Japan, Brazil, ROK, Australia and New Zealand are some examples of countries placing a higher priority on the promotion of the halal agenda.

Sizeable and growing halal consumer markets across the globe will continue to drive the growth of the halal industry; creating opportunities in the market for halal products and services. Additionally, the global Muslim population is expected to reach 2.6 billion (30.0 per cent of total world population) by the year 2050.

Malaysia is aggressively promoting the halal industry through various incentives, set to entice investors to the industry. Kellogg, a major food manufacturer from the US is planning to build a halal facility in Malaysia following Nestle and Hershey; two major international manufacturers who have recently expanded their businesses in Malaysia. The Malaysian Government remains committed towards ensuring that components within the halal ecosystem will continue to evolve, providing opportunities for businesses to further expand and excel, while addressing areas of concern confronting the industry.

HALAL INDUSTRY LANDSCAPE IN MALAYSIA

In 2008, the Malaysian Government announced its plan to make this country a global halal hub, as a platform to increase economic growth and elevate income levels of Malaysian companies, particularly food manufacturers, which would include SMEs and those remote or scattered cottage industry players. To achieve these economic objectives, Malaysia needed to address two crucial aspects affecting the industry: halal integrity issues and accelerating growth of niche sectors or specialised anchor industries. It is expected that related efforts in the halal industry would thereby create a multiplier effect and subsequently provide more opportunities for investments and also employment to the local Malaysian workforce.

A number of strategic initiatives has since been identified and put in motion to accelerate growth and development of the halal industry in the country. These initiatives would be supported by several key enablers, thereby further enhancing and creating a conducive halal ecosystem development that would attract investments and thereafter, sustain trade for halal-related industries.

Malaysia has remained at the forefront in developing the halal industry and continually working towards building and strengthening the halal ecosystem in Malaysia. The strategic importance of developments in the halal ecosystem is to facilitate the existence of other complementary systems where players along the value chain will work together in ensuring consistency in the supply of halal products to the market, and ensuring that the integrity of halal products is preserved at all times. The Halal Industry Development Corporation (HDC) will continue to work with other relevant Government agencies and industry players to develop this halal ecosystem.

Halal Ecosystem in Malaysia

INVESTMENTS IN THE HALAL INDUSTRY

Halal Park Facilitation Programme

A Halal Park is, in essence, an industrial estate with a clearly identified halal ecosystem which is preserved throughout the entire value chain. It is developed by independent park operators, with plots of land which are either sold or leased to individual tenant companies. These tenants form a community of manufacturing and service businesses with a mutual goal of achieving economic benefits while preserving the halal integrity.

HALMAS or Halal Malaysia is a special status reserved for Halal Park operators which have complied with the requirements and guidelines stipulated in the HDC-designated Halal Park Development. It is also a mark of excellence for parks with noteworthy qualities; namely production of halal products with the highest quality, integrity and safety standards. With the HALMAS mark, all parties involved commencing with the operator of the designated Halal Parks and right through to the logistic operators, may apply for the incentives provided by HDC. Both HDC and Halal Park operators work in unison to create interest in the incentive packages, and in promoting Malaysia as the preferred location to produce halal-certified products and offer halal services.

Currently, there are 14 HALMAS Halal Parks throughout Malaysia. Total investments made within HALMAS Halal Parks as at end 2015 amounted to RM10.6 billion. Other major achievements in 2015 include:

- committed investments of at least RM500 million by AJ Research & Pharma;
- establishment of a research-driven manufacturing company producing high quality pharmaceuticals, nutraceuticals and consumer health products by AJ Research & Pharma;
- an investment of approximately RM129.0 million by Adeka Food; and
- the awarding of HALMAS status to Kota Kinabalu Industrial Park.

INITIATIVES AND PROGRAMMES IN THE HALAL SUB-SECTORS

Halal Ingredients Sub-Sector

Halal Ingredients Asia (HLIA) 2015 was the first global halal ingredients event that brought together halal ingredients professionals and industry players from around the world in an effort to accelerate and enhance development of the halal ingredients industry. It also caters to the growing demand for production of halal end-products.

HLIA 2015 was organised in September 2015 and was the first international event with special focus on halal ingredients in F&B, cosmetics and personal care products. It attracted a participation of 2,170 conference delegates and trade visitors from 19 countries.

Halal Healthcare Sub-Sector

Halal initiative in the healthcare industry is reflected in the programme which highlights the halal ecosystem established within the Malaysian healthcare sector. It was launched on 27 October 2015 in Kuala Lumpur.

Organised by HDC, the programme featured halal in a healthcare industry forum, with topics on the regulator's experience in developing an equitable halal pharmaceutical industry, as well as the ever-controversial issue of mismatch in expectations between the industry and the general public for halal vaccines.

Through the event, HDC and AJ Pharma's subsidiary, AJ Biologics inked a Memorandum of Understanding (MoU) which brought to fruition the long-awaited halal vaccine project. AJ Biologics which is a flagship investment of AJ Pharma, was established to address issues with regard to developing halal vaccines in Malaysia and Asia. Its manufacturing facility is complete with formulation, fill and finish, plus packaging capabilities.

OUTLOOK IN THE HALAL INDUSTRY

The 11th Malaysia Plan aspires to reinforce Malaysia's current position as the global hub for halal know-how and aims to increase Malaysia's economic growth by spurring development and activities in halal-related industries. It is to be achieved through expansion of Halal Malaysia footprints to cover halal demand from markets and regions with a sizeable Muslim population plus a relatively high purchasing power.

Additionally, Malaysia targets to become the Global Reference Centre for Halal Integrity, and Centre for Innovation, Product and Trade. The 'Halal Malaysia' logo and worldwide acceptance of Malaysia's halal standards will be leveraged to develop more export ready companies.

The Bumiputera development agenda remains a critical component to achieve the vision of becoming an advanced and inclusive nation by the year 2020. The following strategies are outlined in efforts to empower Bumiputera SMEs involved in the halal industry:

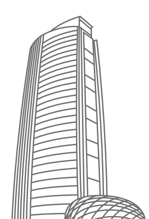
It is targeted that Bumiputera participation in the halal industry would increase from 39.5 per cent in 2015 to 50.0 per cent by the year 2020.

	Bumiputera Companies	**Bumiputera Manpower**
Strategies at Implementation Level	• Waqaf Fund and Islamic Finance o Assist Bumiputera companies in strategic industries such as halal • Expanding development-oriented programmes o improve Vendor Development Programme (VDP) o R&D priority for Bumiputera companies o In cooperation with the Chambers of Commerce to establish entrepreneurs which participate in the halal supply chain o Participate in the International Halal Distribution Centre (IDC) project in order to obtain market access	• Industry-based training system o In cooperation with relevant agencies to conduct systematic training for the halal industry (eg. industry immersion and entrepreneur development) • Expand skills training and professional certification o In cooperation with other relevant programmes such as Skills Development Programme under the *Yayasan Peneraju Pendidikan Bumiputera* (YPPB)

Recognising that both the potential and size of the global halal market can be enormous, some countries have made halal industry part of their nations' development agenda. Hence, it presents an opportunity for Malaysia to strengthen its stewardship in the halal industry through strategic thrusts in Halal Integrity, Industry Development and Branding.

Malaysia's internationalisation agenda is seen as a right step in the effort to highlight the nation's leadership in the global halal industry. Malaysia's leadership in the halal industry has attracted a number of countries such as the PRC, Japan, ROK, India, Indonesia and Bangladesh to cooperate in exploring potentials in the world halal market. Given the relatively low participation of Bumiputera SMEs in the halal industry, the Bumiputera agenda empowerment programme is vital to ensure inclusivity in assisting these companies penetrate the halal markets in other countries.

Moving forward, development of the Malaysian halal industry will adopt strategic approaches which include further developing the industry as a source of competitive advantage and catalyst for growth, plus encouraging innovation and creativity anchored on halal principles and values. In achieving growth targets of the halal industry, initiatives to be undertaken include improving sectoral governance; fortifying 'Halal Malaysia' integrity; enhancing exports; connecting Malaysia to the regional halal supply chain; and increasing the number of competent halal experts.



The World Halal Summit 2015

A collaborative effort with MITI, the World Halal Summit (WHS) 2015 was a testament to Malaysia's commitment and dedication towards sustainable development of the global halal market. WHS 2015 included features of a world-renowned halal trade fair, the 12th Malaysia International Halal Showcase (MIHAS 2015) organised by MATRADE, the 8th World Halal Conference organised by HDC, and also the 6th International Halal Certification Bodies Convention, by the Department of Islamic Development Malaysia (JAKIM). The summit was held at the Kuala Lumpur Convention Centre from 30 March - 4 April 2015.

The 8th World Halal Conference

The Government in its mission to make Malaysia the global halal hub, continued to provide support towards the organisation of the World Halal Conference (WHC). The Conference earned its reputation as a much sought after event which provides an international platform that converges government leaders, prominent speakers, business leaders and Halal stakeholders. WHC offers an opportunity to discuss and share insights on opportunities, trends and challenges in the global halal industry. It was encouraging for the Malaysian Government to see the overwhelming response from both local and foreign participants at this event. The number of participants increased significantly from 153 participants in 2007 when it was first held, to 1,341 participants in 2015.

The Conference proved to be a significant reference for other halal conferences in it direction and themes; covering a broader spectrum of the global halal economy. In view of this, Malaysia has now become an important destination annually, as the venue for intellectual discourse on halal related matters for various halal stakeholders from across the globe. Malaysia has positioned itself as the trusted authority on both halal knowledge and halal integrity processes.

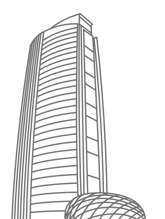
Malaysia International Halal Showcase (MIHAS) 2015

Malaysia International Halal Showcase (MIHAS) has grown from strength to strength over the years. Since its inauguration, MIHAS has congregated approximately 170,000 visitors from 70 nations, 4,000 companies from 48 countries and generated more than USD3.0 billion in sales. This premier halal trade fair has consistently attracted trade visitors, buyers and delegates from all over the world; winning the recognition for the Malaysian Government as a home-grown initiative that has successfully attracted worldwide attention. MIHAS 2015 was the 12th edition with the theme *'The Next Steps',* and was held from 1 - 4 April 2015 in Kuala Lumpur.

MIHAS 2015 brought together the largest gathering of halal industry players and entrepreneurs from all around the world to trade, network, deliberate issues and share advancements in halal R&D. The exhibition highlighted 528 companies from 20 countries worldwide; occupying 585 booths. Number of participating companies increased by 7.9 per cent from 489 companies in 2014. Out of the total number of participating companies, 43.9 per cent were foreign with Malaysian companies accounting for the remaining 56.1 per cent. Sectors promoted included halal consumables, non-food products and services, food packaging, machinery and catering equipment. Additionally, government agencies, relevant associations and Islamic investment, banking and *Takaful* entities promoted their services at the event.

Besides WHC and MIHAS events, the WHS concept also incorporated the organisation of premier integrated forums such as the 6th JAKIM International Halal Certification Bodies Convention, and four other related forums: Certifiers Forum, Scholars Forum, Academics Forum and Business Forum.

MANAGEMENT TEAM



MANAGEMENT TEAM

AS AT 31 DECEMBER 2015

Dato' Sri Mustapa Mohamed
Minister

Dato' Seri Ong Ka Chuan
Minister II

Datuk Ir. Hj. Hamim Samuri
Deputy Minister (Industry)
(until 28 July 2015)

Datuk Hj. Ahmad Hj. Maslan
Deputy Minister (Industry)
(from 29 July 2015)

Dato' Lee Chee Leong
Deputy Minister (Trade)

Tan Sri Dr. Rebecca Fatima Sta Maria
Secretary General

Dato' Nik Rahmat Nik Taib
Deputy Secretary General (Industry)

Datuk Jayasiri Jayasena
Deputy Secretary General
(Strategy and Monitoring)

Datuk Hiswani Harun
Deputy Secretary General (Trade)

APPENDICES

Annual Trade, 2005-2015[P]

Period	Total Trade	Exports	Imports	Balance of Trade
	(RM million)			
2005	969,104.5	536,233.7	432,870.8	103,362.9
2006	1,067,388.3	589,240.3	478,147.9	111,092.4
2007	1,106,344.3	604,299.6	502,044.6	102,255.0
2008	1,182,817.8	663,013.5	519,804.3	143,209.2
2009	987,187.9	552,518.1	434,669.8	117,848.3
2010	1,167,650.7	638,822.5	528,828.2	109,994.3
2011	1,271,488.3	697,861.9	573,626.3	124,235.6
2012	1,309,318.2	702,641.2	606,676.9	95,964.3
2013	1,368,687.3	719,992.4	648,694.9	71,297.5
2014	1,448,354.0	765,416.9	682,937.1	82,479.7
2015[P]	1,465,337.3	779,946.6	685,390.7	94,555.9

Source : Department of Statistics, Malaysia
Notes: 2014 and before are final data
P - Provisional data

Trade with the Association of Southeast Asian Nations (ASEAN), 2014-2015[P]

Country	Exports					Imports					Balance of Trade	
	2015[P]			2014		2015[P]			2014		2015[P]	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
ASEAN	219,293.4	28.1	2.8	213,400.9	27.9	182,033.1	26.6	3.6	175,637.7	25.7	37,260.3	37,763.2
Singapore	108,465.7	49.5	-0.2	108,727.8	51.0	82,096.5	45.1	-4.4	85,887.0	48.9	26,369.2	22,840.8
Thailand	44,423.3	20.3	10.5	40,205.4	18.8	41,747.2	22.9	5.4	39,612.0	22.6	2,676.1	593.4
Indonesia	29,098.8	13.3	-8.4	31,757.5	14.9	30,971.8	17.0	11.7	27,728.2	15.8	-1,873.0	4,029.3
Viet Nam	17,396.5	7.9	21.3	14,343.9	6.7	18,849.6	10.4	23.5	15,261.8	8.7	-1,453.0	-917.9
Philippines	13,182.3	6.0	9.4	12,045.7	5.6	6,529.9	3.6	26.6	5,159.8	2.9	6,652.3	6,885.9
Myanmar	3,064.8	1.4	16.4	2,634.0	1.2	686.5	0.4	25.6	546.7	0.3	2,378.2	2,087.3
Brunei Darussalam	2,686.7	1.2	-4.4	2,810.3	1.3	546.4	0.3	-34.8	837.7	0.5	2,140.3	1,972.6
Cambodia	917.2	0.4	15.4	794.9	0.4	594.0	0.3	-1.1	600.5	0.3	323.3	194.4
Lao PDR	58.1	0.03	-28.7	81.4	0.04	11.2	0.01	169.6	4.1	0.002	46.9	77.3

Source : Department of Statistics, Malaysia
P - Provisional data

Top Ten Trade Partners in the European Union (EU), 2014-2015P

Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
EU	78,923.9	10.1	8.4	72,838.3	9.5	69,594.2	10.2	-2.2	71,156.0	10.4	9,329.7	1,682.3
Germany	19,638.8	24.9	10.0	17,859.5	24.5	23,387.6	33.6	1.0	23,162.5	32.6	-3,748.8	-5,303.0
Netherlands	23,395.0	29.6	-0.2	23,437.8	32.2	9,107.8	13.1	10.9	8,213.0	11.5	14,287.2	15,224.8
United Kingdom	9,318.0	11.8	17.6	7,921.8	10.9	7,131.7	10.2	0.3	7,113.5	10.0	2,186.2	808.4
France	5,738.5	7.3	11.0	5,169.7	7.1	8,594.8	12.3	-31.0	12,464.3	17.5	-2,856.3	-7,294.7
Italy	3,636.1	4.6	23.1	2,952.8	4.1	5,194.3	7.5	-10.9	5,827.4	8.2	-1,558.2	-2,874.7
Belgium	3,746.8	4.7	15.3	3,250.4	4.5	2,587.6	3.7	9.8	2,356.1	3.3	1,159.1	894.3
Spain	2,321.1	2.9	30.4	1,780.6	2.4	1,907.8	2.7	-18.9	2,351.6	3.3	413.4	-571.0
Sweden	1,470.0	1.9	24.7	1,178.5	1.6	1,795.4	2.6	-7.8	1,947.2	2.7	-325.4	-768.7
Austria	636.4	0.8	-4.8	668.1	0.9	2,468.3	3.5	34.3	1,837.6	2.6	-1,831.9	-1,169.4
Poland	1,505.4	1.9	-6.9	1,617.8	2.2	731.6	1.1	-6.1	779.2	1.1	773.8	838.5

Source : Department of Statistics, Malaysia
P - Provisional data

Top Ten Trade Partners in the Asia-Pacific Economic Cooperation (APEC), 2014-2015P

Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
APEC	596,442.7	76.5	1.2	589,525.1	77.0	527,076.8	76.9	3.5	509,243.9	74.6	69,365.9	80,281.2
China	101,531.4	17.0	10.0	92,286.5	15.7	129,360.0	24.5	12.0	115,513.1	22.7	-27,828.7	-23,226.6
Singapore	108,465.7	18.2	-0.2	108,727.8	18.4	82,096.5	15.6	-4.4	85,887.0	16.9	26,369.2	22,840.8
United States of America	73,669.4	12.4	14.4	64,404.8	10.9	55,331.8	10.5	5.6	52,374.5	10.3	18,337.7	12,030.2
Japan	73,811.5	12.4	-10.7	82,617.1	14.0	53,588.3	10.2	-2.1	54,711.8	10.7	20,223.2	27,905.3
Thailand	44,423.3	7.4	10.5	40,205.4	6.8	41,747.2	7.9	5.4	39,612.0	7.8	2,676.1	593.4
Chinese Taipei	23,752.8	4.0	-3.5	24,609.0	4.2	36,505.3	6.9	6.2	34,362.5	6.7	-12,752.5	-9,753.5
Indonesia	29,098.8	4.9	-8.4	31,757.5	5.4	30,971.8	5.9	11.7	27,728.2	5.4	-1,873.0	4,029.3
Republic of Korea	25,229.8	4.2	-9.7	27,941.1	4.7	31,053.2	5.9	-2.0	31,699.8	6.2	-5,823.5	-3,758.7
Hong Kong SAR	36,851.9	6.2	-0.5	37,023.3	6.3	11,530.9	2.2	7.1	10,768.4	2.1	25,321.0	26,255.0
Australia	28,082.5	4.7	-14.8	32,966.6	5.6	17,461.3	3.3	-13.7	20,232.9	4.0	10,621.3	12,733.7

Source : Department of Statistics, Malaysia
P - Provisional data

Trade with the North American Free Trade Agreement (NAFTA), 2014-2015P

Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
NAFTA	82,973.9	10.6	14.8	72,259.2	9.4	59,537.1	8.7	4.9	56,779.0	8.3	23,436.8	15,480.3
United States of America	73,669.4	88.8	14.4	64,404.8	89.1	55,331.8	92.9	5.6	52,374.5	92.2	18,337.7	12,030.2
Mexico	6,257.3	7.5	20.1	5,212.0	7.2	1,499.5	2.5	7.7	1,391.7	2.5	4,757.9	3,820.3
Canada	3,047.1	3.7	15.3	2,642.5	3.7	2,705.9	4.5	-10.2	3,012.7	5.3	341.2	-370.2

Source : Department of Statistics, Malaysia
P - Provisional data

Trade with European Free Trade Association (EFTA), 2014-2015P

Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
EFTA	2,295.4	0.3	-6.3	2,450.5	0.3	10,279.0	1.5	15.9	8,870.4	1.3	-7,983.6	-6,419.9
Switzerland	1,545.0	67.3	66.6	927.6	37.9	8,238.6	80.2	11.3	7,398.9	83.4	-6,693.7	-6,471.3
Norway	746.8	32.5	-50.8	1,518.1	61.9	2,038.8	19.8	38.9	1,467.9	16.5	-1,292.0	50.1
Iceland	2.5	0.1	-40.0	4.1	0.2	1.2	0.0	-65.2	3.6	0.0	1.2	0.5
Liechtenstein	1.2	0.1	53.0	0.8	0.0	0.3	0.0	1,701.9	0.0	0.0	0.9	0.7

Source : Department of Statistics, Malaysia
P - Provisional data

Top Ten Trade Partners in the Organization of Islamic Cooperation (OIC), 2014-2015P

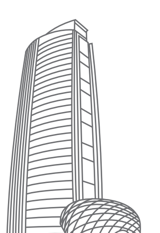
Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
OIC	78,127.6	10.0	-0.7	78,697.6	10.3	66,767.1	9.7	-6.1	71,093.4	10.4	11,360.6	7,604.3
Indonesia	29,098.8	37.2	-8.4	31,757.5	40.4	30,971.8	46.4	11.7	27,728.2	39.0	-1,873.0	4,029.3
UAE	11,837.2	15.2	0.8	11,742.8	14.9	12,151.1	18.2	-21.9	15,550.2	21.9	-314.0	-3,807.4
Saudi Arabia	3,421.4	4.4	-10.8	3,837.4	4.9	7,525.2	11.3	-18.7	9,251.0	13.0	-4,103.7	-5,413.6
Turkey	3,799.0	4.9	54.5	2,459.3	3.1	1,846.0	2.8	159.8	710.7	1.0	1,953.0	1,748.6
Pakistan	4,121.8	5.3	3.6	3,977.5	5.1	891.3	1.3	19.9	743.6	1.0	3,230.6	3,233.9
Bangladesh	3,898.8	5.0	-3.1	4,022.5	5.1	565.5	0.8	50.4	375.9	0.5	3,333.3	3,646.7
Kuwait	842.2	1.1	-9.1	926.3	1.2	3,047.1	4.6	-37.7	4,894.1	6.9	-2,204.8	-3,967.8
Brunei Darussalam	2,686.7	3.4	-4.4	2,810.3	3.6	546.4	0.8	-34.8	837.7	1.2	2,140.3	1,972.6
Egypt	2,228.4	2.9	-6.3	2,379.3	3.0	959.1	1.4	46.7	653.8	0.9	1,269.3	1,725.6
Qatar	834.2	1.1	-29.8	1,189.2	1.5	2,346.5	3.5	-14.2	2,735.3	3.8	-1,512.3	-1,546.1

Source : Department of Statistics, Malaysia
P - Provisional data

Top Ten Trade Partners in the Organisation for Economic Co-operation and Development (OECD), 2014-2015P

Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
OECD	297,327.0	38.1	0.1	297,067.1	38.8	244,396.7	35.7	-0.8	246,264.2	36.1	52,930.2	50,802.9
United States of America	73,669.4	24.8	14.4	64,404.8	21.7	55,331.8	22.6	5.6	52,374.5	21.3	18,337.7	12,030.2
Japan	73,811.5	24.8	-10.7	82,617.1	27.8	53,588.3	21.9	-2.1	54,711.8	22.2	20,223.2	27,905.3
Republic of Korea	25,229.8	8.5	-9.7	27,941.1	9.4	31,053.2	12.7	-2.0	31,699.8	12.9	-5,823.5	-3,758.7
Australia	28,082.5	9.4	-14.8	32,966.6	11.1	17,461.3	7.1	-13.7	20,232.9	8.2	10,621.3	12,733.7
Germany	19,638.8	6.6	10.0	17,859.5	6.0	23,387.6	9.6	1.0	23,162.5	9.4	-3,748.8	-5,303.0
Netherlands	23,395.0	7.9	-0.2	23,437.8	7.9	9,107.8	3.7	10.9	8,213.0	3.3	14,287.2	15,224.8
United Kingdom	9,318.0	3.1	17.6	7,921.8	2.7	7,131.7	2.9	0.3	7,113.5	2.9	2,186.2	808.4
France	5,738.5	1.9	11.0	5,169.7	1.7	8,594.8	3.5	-31.0	12,464.3	5.1	-2,856.3	-7,294.7
Switzerland	1,545.0	0.5	66.6	927.6	0.3	8,238.6	3.4	11.3	7,398.9	3.0	-6,693.7	-6,471.3
Italy	3,636.1	1.2	23.1	2,952.8	1.0	5,194.3	2.1	-10.9	5,827.4	2.4	-1,558.2	-2,874.7

Source : Department of Statistics, Malaysia
P - Provisional data



Major Exports of Manufactured Goods to Top Five Destinations, 2014-2015[P]

Products	Country	2015[p]		2014	
		RM million	Share (%)	RM million	Share (%)
Total		779,946.6	100.0	765,416.9	100.0
Manufactured Goods		625,475.1	80.2	587,175.2	76.7
Electrical and Electronic Products	Total	277,923.3	35.6	256,144.6	33.5
	China	43,219.0	5.5	43,077.0	5.6
	Singapore	42,497.3	5.4	36,527.2	4.8
	United States of America	42,190.5	5.4	36,446.4	4.8
	Hong Kong SAR	29,339.4	3.8	30,335.3	4.0
	Japan	18,383.4	2.4	16,925.6	2.2
Chemicals & Chemical Products	Total	55,142.5	7.1	51,446.9	6.7
	China	10,575.5	1.4	9,560.0	1.2
	Indonesia	5,879.5	0.8	5,480.8	0.7
	Thailand	4,456.8	0.6	4,029.2	0.5
	Singapore	4,364.2	0.6	4,224.5	0.6
	Viet Nam	3,069.8	0.4	2,479.9	0.3
Petroleum Products	Total	54,552.1	7.0	70,356.0	9.2
	Singapore	19,095.7	2.4	29,376.6	3.8
	China	10,343.7	1.3	6,551.8	0.9
	Indonesia	7,103.1	0.9	11,424.7	1.5
	Australia	2,462.5	0.3	3,397.1	0.4
	Viet Nam	1,759.2	0.2	1,081.6	0.1
Machinery, appliances & parts	Total	36,140.3	4.6	29,998.4	3.9
	Singapore	6,754.9	0.9	5,645.2	0.7
	Indonesia	3,097.2	0.4	2,754.6	0.4
	Thailand	2,682.1	0.3	2,324.5	0.3
	United States of America	2,575.6	0.3	2,008.1	0.3
	China	2,401.1	0.3	2,060.8	0.3
Manufactures of Metal	Total	34,909.1	4.5	26,443.6	3.5
	China	4,619.7	0.6	3,267.9	0.4
	Singapore	4,306.2	0.6	4,417.7	0.6
	Chinese Taipei	3,689.3	0.5	1,003.4	0.1
	Australia	3,119.1	0.4	1,311.2	0.2
	India	3,027.1	0.4	2,512.0	0.3

Products	Country	2015p		2014	
		RM million	Share (%)	RM million	Share (%)
Optical & Scientific Equipment	Total	26,111.3	3.3	23,661.1	3.1
	United States of America	4,270.3	0.5	3,747.3	0.5
	Singapore	4,206.3	0.5	3,385.1	0.4
	Japan	2,766.0	0.4	2,437.9	0.3
	China	2,403.5	0.3	1,808.6	0.2
	Thailand	1,979.4	0.3	2,112.4	0.3
Rubber Products	Total	20,183.4	2.6	18,003.1	2.4
	United States of America	5,097.6	0.7	4,054.9	0.5
	China	3,246.0	0.4	3,743.3	0.5
	Germany	1,116.9	0.1	997.3	0.1
	Japan	1,005.8	0.1	784.6	0.1
	United Kingdom	721.5	0.1	570.8	0.1
Processed Food	Total	18,010.6	2.3	16,559.8	2.2
	Singapore	2,342.5	0.3	2,151.8	0.3
	China	1,510.1	0.2	1,147.5	0.1
	Indonesia	1,345.8	0.2	1,339.2	0.2
	Australia	1,148.2	0.1	1,189.5	0.2
	Thailand	1,026.6	0.1	894.6	0.1
Wood Products	Total	15,452.8	2.0	14,716.2	1.9
	Japan	3,405.7	0.4	3,600.9	0.5
	United States of America	2,920.4	0.4	2,321.9	0.3
	Australia	869.4	0.1	736.4	0.1
	Singapore	865.0	0.1	792.2	0.1
	Republic of Korea	787.1	0.1	733.0	0.1
Textiles, Clothings & Footwear	Total	13,213.1	1.7	12,114.9	1.6
	United States of America	2,415.7	0.3	2,215.0	0.3
	Japan	1,022.0	0.1	905.7	0.1
	China	792.4	0.1	673.3	0.1
	Singapore	788.9	0.1	696.0	0.1
	Turkey	740.9	0.1	703.9	0.1

Source : Department of Statistics, Malaysia
P - Provisional data

Major Imports of Manufactured Goods to Top Five Import Sources, 2014-2015[P]

Products	Country	2015[P]		2014	
		RM million	Share (%)	RM million	Share (%)
Total		685,390.7	100.0	682,937.1	100.0
Manufactured Goods		600,548.5	87.6	589,650.4	86.3
Electrical and Electronic Products	Total	201,330.4	29.4	190,736.2	27.9
	China	48,744.1	7.1	48,035.9	7.0
	Singapore	25,702.8	3.8	19,829.4	2.9
	United States of America	25,499.0	3.7	22,879.8	3.4
	Chinese Taipei	20,821.0	3.0	18,665.8	2.7
	Japan	15,529.6	2.3	15,428.1	2.3
Chemicals & Chemical Products	Total	64,834.4	9.5	62,127.0	9.1
	China	9,544.3	1.4	8,683.7	1.3
	Singapore	7,616.3	1.1	8,314.6	1.2
	United States of America	5,689.0	0.8	4,687.5	0.7
	Japan	4,681.9	0.7	4,619.5	0.7
	Saudi Arabia	4,476.1	0.7	3,073.2	0.5
Petroleum Products	Total	63,470.9	9.3	80,055.6	11.7
	Singapore	27,404.3	4.0	38,948.4	5.7
	UAE	4,630.0	0.7	4,907.6	0.7
	Republic of Korea	4,456.8	0.7	6,677.5	1.0
	Indonesia	3,233.8	0.5	3,840.6	0.6
	Netherlands	3,160.6	0.5	2,404.8	0.4
Machinery, appliances & parts	Total	59,359.6	8.7	57,047.7	8.4
	China	14,138.5	2.1	12,844.0	1.9
	Japan	8,035.1	1.2	7,799.5	1.1
	United States of America	5,625.7	0.8	5,537.1	0.8
	Singapore	4,865.2	0.7	4,428.0	0.6
	Thailand	4,839.8	0.7	4,328.3	0.6
Manufactures of Metal	Total	44,092.2	6.4	41,723.9	6.1
	China	10,527.1	1.5	10,628.2	1.6
	Australia	5,488.1	0.8	7,540.3	1.1
	Japan	4,550.6	0.7	4,780.4	0.7
	Singapore	3,214.2	0.5	2,133.2	0.3
	India	3,094.3	0.5	652.1	0.1

Products	Country	2015^P		2014	
		RM million	Share (%)	RM million	Share (%)
Transport Equipment	Total	36,374.2	5.3	37,763.7	5.5
	Thailand	7,031.8	1.0	5,881.5	0.9
	Japan	6,739.6	1.0	6,423.7	0.9
	China	4,268.4	0.6	3,104.0	0.5
	United States of America	3,947.4	0.6	5,245.6	0.8
	Germany	3,918.8	0.6	3,131.8	0.5
Iron & Steel Products	Total	21,754.2	3.2	25,318.6	3.7
	China	7,320.7	1.1	6,670.1	1.0
	Japan	4,170.4	0.6	5,977.5	0.9
	Republic of Korea	2,549.7	0.4	3,042.9	0.4
	Chinese Taipei	2,306.3	0.3	2,386.3	0.3
	Viet Nam	580.1	0.1	726.4	0.1
Optical & Scientific Equipment	Total	21,650.1	3.2	20,990.0	3.1
	China	4,087.4	0.6	4,674.0	0.7
	United States of America	3,897.2	0.6	3,172.7	0.5
	Singapore	2,846.6	0.4	2,708.3	0.4
	Japan	2,021.2	0.3	2,076.5	0.3
	Germany	1,551.3	0.2	1,381.4	0.2
Processed Food	Total	17,777.6	2.6	16,979.6	2.5
	Thailand	2,036.2	0.3	2,127.4	0.3
	New Zealand	1,966.4	0.3	1,981.3	0.3
	China	1,733.0	0.3	1,339.2	0.2
	Indonesia	1,730.9	0.3	1,453.2	0.2
	Brazil	1,532.1	0.2	1,872.3	0.3
Textiles, Clothings & Footwear	Total	15,978.5	2.3	9,344.4	1.4
	China	8,266.2	1.2	3,432.4	0.5
	Viet Nam	1,137.8	0.2	756.5	0.1
	Indonesia	1,002.3	0.1	758.2	0.1
	Chinese Taipei	605.0	0.1	536.3	0.1
	India	596.7	0.1	363.7	0.1

Source : Department of Statistics, Malaysia
P - Provisional data

Top Ten Trade Partners in Africa, 2014-2015P

Country	Exports					Imports					Balance of Trade	
	2015P			2014		2015P			2014		2015P	2014
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	779,946.6	100.0	1.9	765,416.9	100.0	685,390.7	100.0	0.4	682,937.1	100.0	94,555.9	82,479.7
Africa	20,609.1	2.6	5.9	19,468.9	2.5	9,486.1	1.4	-4.0	9,884.8	1.4	11,123.0	9,584.1
South Africa	2,980.8	14.5	9.2	2,730.3	14.0	2,225.0	23.5	-4.6	2,331.6	23.6	755.9	398.6
Egypt	2,228.4	10.8	-6.3	2,379.3	12.2	959.1	10.1	46.7	653.8	6.6	1,269.3	1,725.6
Nigeria	2,762.2	13.4	117.2	1,271.9	6.5	346.5	3.7	-61.8	907.3	9.2	2,415.7	364.5
Angola	1,837.0	8.9	-4.1	1,915.8	9.8	6.9	0.1	9.1	6.3	0.1	1,830.1	1,909.5
Ghana	681.3	3.3	52.4	447.0	2.3	1,100.9	11.6	-2.2	1,125.5	11.4	-419.5	-678.5
Kenya	1,431.1	6.9	-40.9	2,420.2	12.4	28.0	0.3	54.3	18.1	0.2	1,403.1	2,402.1
Benin	1,321.3	6.4	-18.7	1,625.6	8.3	4.4	0.0	-14.5	5.2	0.1	1,316.9	1,620.5
Tanzania	799.6	3.9	-25.7	1,076.3	5.5	522.0	5.5	170.2	193.2	2.0	277.5	883.1
Cote D'Ivoire	339.5	1.6	100.4	169.4	0.9	935.8	9.9	-19.5	1,162.6	11.8	-596.3	-993.2
Algeria	450.9	2.2	-5.1	475.3	2.4	742.7	7.8	-26.9	1,015.8	10.3	-291.8	-540.5

Source : Department of Statistics, Malaysia
P - Provisional data

Manufacturing Projects Approved with Foreign Participation by Top Ten Countries, 2014-2015

Country	2015			2014		
	Number	Investment (RM)	Investment (USD)	Number	Investment (RM)	Investment (USD)
USA	19	4,150,211,956	967,415,374	23	1,350,097,675	385,742,193
Japan	60	4,009,336,753	934,577,332	55	10,869,920,159	3,105,691,474
Hong Kong SAR	9	3,180,851,671	741,457,266	5	70,438,560	20,125,303
China	17	1,872,018,445	436,367,936	24	4,751,711,821	1,357,631,949
Singapore	87	1,394,761,009	325,119,116	121	7,821,658,762	2,234,759,646
Republic of Korea	22	1,353,410,002	315,480,187	11	1,549,014,689	442,575,625
Chinese Taipei	24	1,275,497,216	297,318,698	30	692,086,158	197,738,902
Germany	22	1,160,767,934	270,575,276	13	4,416,824,011	1,261,949,717
Netherlands	9	976,508,500	227,624,359	11	816,442,476	233,269,279
Sweden	2	630,835,360	147,047,869	.	.	.

Source : MIDA

Import Licensing

No.	Product	Issuing Authority
1	(1) Motor vehicles for the transport of ten or more persons, including the driver (2) Motor vehicles for the transport of persons less than ten persons (excluding go-karts and ambulance) (3) Motor vehicles for the transport of goods	MITI
2	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane (excluding palfinger fully hydraulic compact, hydraulic loading crane, gantry cranes and crawler cranes)	MITI
3	Arsenic trichloride	Pharmaceutical Services Division, Ministry of Health
4	(1) Acetic anhydride (2) Acetyl bromide (3) Acetyl chloride	Pharmaceutical Services Division, Ministry of Health
5	(1) Ephedrine and its salts (2) Pseudoephedrine (INN) and its salts (3) Norephedrine and its salts (4) Potassium permanganate (5) Phenylacetone (phenylpropan-2-one) (1-phenyl-2-propanone) (6) N-acetylanthranilic acid (7) Isosafrole (8) 1-(1,3-Benzodioxol-5-yl) propan-2-one (3, 4-methylenedioxyphenyl-2-propanone) (9) Piperonal (10) Safrole (11) Ergometrine (INN) and its salts (12) Ergotamine (INN) and its salts (13) Lysergic acid and its salts (14) Phenylacetic acid and its salts	Pharmaceutical Services Division, Ministry of Health
6	Caffeine and its salts	Pharmaceutical Services Division, Ministry of Health
7	Medicaments containing ephedrine or pseudoephedrine	Pharmaceutical Services Division, Ministry of Health
8	Medicine making machine	Pharmaceutical Services Division, Ministry of Health
9	Sugar (including cane and beet sugar, chemically pure sucrose, fructose and glucose)	Ministry of Domestic Trade, Co-Operative and Consumerism-
10	Rice machinery for milling, grading, sorting, cleaning and parts thereof	Ministry of Agriculture and Agro-Based Industry
11	(1) Radar apparatus, radio navigational aid apparatus, parabolic antenna including other parts and accessories (2) Parabolic antenna including other parts and accessories	SIRIM Berhad
12	Motorcyclists' safety helmets (except as worn by motor-cyclists or motor-cycle pillion riders)	Will be abolished w.e.f. 1 July 2016, subject to RTD compliance
13	Chassis fitted with engines, for the motor vehicles of heading 87.02, 87.03, 87.04 or 87.05: (1) For motor cars (including station wagons, SUVs and sports cars, but not including vans) CBU, new and old (2) For motor vehicles for the transport of ten or more persons, CBU, new or old (3) For ambulance (4) For special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units)	MITI

No.	Product	Issuing Authority
	(5) For vehicles specially designed for travelling on snow; golf cars and similar vehicles or four-wheel drive vehicles or motor- homes or motor vehicles for the transport of goods (CBU, new or old)	
14	Chassis, not fitted with engines, for the motor vehicles of heading 87.02, 87.03, 87.04 or 87.05	MITI
15	Bodies (including cabs) for the motor vehicles falling within headings 87.02, 87.03, 87.04 or 87.05	MITI
16	Motor-cycles, auto-cycles (including mopeds), electric powered motorcycles, motorized bicycles and cycles fitted with an auxilliary motor (excluding side cars)	MITI
17	Road tractors for semi-trailers (including prime mover), completely built-up, old	MITI
18	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example breakdown lorries, crane lorries, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units) excluding fire fighting vehicles	MITI
19	(1) Used brakes and servo-brakes including used brake pad, calipers and brake lining, for motor vehicles of headings 87.01, 87.02, 87.03, 87.04, 87.05, 87.09 and 87.11 (2) All kinds of reusable batteries (accumulators) for motor vehicles of headings 87.01, 87.02, 87.03, 87.04, 87.05, 87.09 and 87.11	MITI
20	Used pneumatic tyres and used retreaded pneumatic tyres, of rubber for – (1) Motorcars and other motor vehicles principally designed for the transport of persons of heading 87.03 (excluding golf cars and similar vehicles): (a) motor cars (including station wagon and sports cars but excluding racing cars and go-carts) (b) ambulance (c) van, MPV and other vehicles of heading 87.03 (2) Motor vehicles for the transport of ten or more persons, including the driver of heading 87.02 (3) Motor vehicles for the transport of goods under heading 87.04 (excluding dumpers designed for off highway use under subheading 8704.10) (4) Prime movers of subheading 8701.20 (5) Trailers and semi-trailers of heading 87.16: (a) trailers and semi-trailers of the caravan type, for housing or camping (b) self loading or self-unloading trailers and semi-trailers for agricultural purposes (c) other trailers and semi-trailers for the transport of goods of subheadings 8716.31 000 and 8716.39 000 (d) other trailers and semi-trailers (6) Special purpose motor vehicles, other than those principally designed for the transport of persons or goods of heading 87.05	MITI
21	Unmanufactured tobacco; tobacco refuse	National Kenaf and Tobacco Board
22	1, 1, 1,- Trichloroethane (methyl chloroform)	MITI
23	Optical disc mastering and replicating machines and parts thereof	Ministry of Domestic Trade, Co-operatives and Consumerism
24	Toxic chemicals and their precursors covered under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction 1993 (CWC), as listed below:	MITI
	Schedule I A. Toxic chemicals: (1) O-Alkyl (C10), including cycloalkyl) alkyl (Me, Et, n-Pr or i-Pr)-phosphono fluoridates e.g. Sarin: O-Isopropyl fluoridate Soman: O-Pinacolyl fluoridate (2) O-Alkyl (≤C10, including cycloalkyl) N, N-dialkyl (Me, Et, n-Pr or i-Pr)- phosphoramidocyanidates e.g. Tabun: O-Ethyl N, N-dimenthyl phosphoramidocyanidate	

No.	Product	Issuing Authority
	(3) O-Alkyl (H or ≤C10, including cycloalkyl) S-2-dialkyl (Me,Et,n-Pr or i-Pr)-aminoethyl alkyl (Me,Et,n-Pr or i-Pr) phosphonothiolates and corresponding alkylated or protonated salts e.g. VX: O-Ethyl S-2-methydiisopropylaminoethyl phosphonothiolate	
	(4) Sulfur mustards: 2-chloroethylchloroethylsulfide Mustard gas: Bis (2-chloroethyl) sulfide Bis (2-chloroethylthio) methane Sesquimustard: 1, 2-Bis (2-chloroethylthio)ethane 1, 3-Bis (2-chloroethylthio)-n-propane 1, 4-Bis (2-chloroethylthio)-n- butane 1, 5-Bis (2-chloroethylthio)-n- pentane Bis (2-chloroethylthiomethyl) ether O-Mustard: Bis (2-chloroethylthioethyl) ether	
	(5) Lewisites: Lewisite 1: 2-Chlorovinyldichloroarsine Lewisite 2: Bis (2-chlorovinyl) chloroarsine Lewisite 3: Tris (2-chlorovinyl) arsine	
	(6) Nitrogen mustards: HN 1: Bis (2-chloroethyl) ehtylamine HN 2: Bis (2-chloroethyl) Methylamine HN 3: Tris (2-chloroethyl) amine	
	(7) Saxitoxin	
	(8) Ricin	
	B. Precursors:	
	(1) Alkyl (Me, Et, n-Pr or i-Pr) phosphonyldi- fluorides e.g. DF: Methylphosphonyldifluoride	
	(2) O-Alkyl (H or ≤C10), including cycloalkyl) 0-2-dialkyl (Me, Et, n-Pr or i-Pr)-aminoethyl alkyl (Me, Et, n-Pr or i-Pr)-phosphonites and corresponding alkylated or protonated salts e.g. QL: O-Ethyl 0-2-dissopropylaminoethyl methylphosphonite	
	(3) Chlorosarin: O-Isopropyl Methylphosphonochl oridate	
	(4) Chlorosoman: O-Pinacolyl Methylphosphonochloridate	
	Schedule 2:	
	A. Toxic chemicals:	
	(1) PFIB: 1, 1, 3, 3, 3-Pentafluoro-2- (trifluoromethyl)-l-propene	
	(2) BZ: 3-Quinuclidinyl benzilate (*)	
	B. Precursors:	
	(1) Chemicals, except for those listed in Schedule 1, containing a phosphorus atom which is bonded one methyl, ethyl or propyl (normal or iso) group but not further carbon atoms e.g. Methylphosphonyl dichloride Dimethyl methylphosphonate Exemption: Fonofos: O-Ethyl S-phenyl ethylphosphono- thiolothionate	

No.	Product	Issuing Authority
	(2) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) phosphoramidic dihalides	
	(3) Dialkyl (Me, Et, n-Pr or i-Pr)N, N-dialkyl (Me, Et, n-Pr or i-Pr)- phosphoramidates	
	(4) 2, 2-Diphenyl-2-hydroxyacetic acid	
	(5) Quinuclidine-3-ol	
	(6) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) aminoethyl-2-chlorides and corresponding protonated salts	
	(7) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) aminoethane-2-ols and corresponding protonated salts Exemptions: N, N-Dimethylaminoethanol and corresponding protonated salts N, N-Diethylaminoethanol and corresponding protonated salts	
	(8) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) aminoethane-2-thiols and corresponding protonated salts	
	(9) Thiodiglycol: Bis (2-hydroxyethyl) sulfide	
	(10) Pinacolyl alcohol: 3, 3-Dimethylbutane -2-ol	
	Schedule 3	
	A. Toxic chemicals:	
	(1) Phosgene: Carbonyl dichloride	
	(2) Cyanogen chloride	
	B. Precursors:	
	(1) Phosphorus oxychloride	
	(2) Phosphorus trichloride	
	(3) Phosphorus pentachloride	
	(4) Trimethyl phosphite	
	(5) Triethyl phosphite	
	(6) Dimethyl phosphite	
	(7) Diethyl phosphite	
	(8) Sulfur monochloride	
	(9) Sulfur dichloride	
	(10) Thionyl chloride	
	(11) Ethyldiethanolamine	
	(12) Methyldiethanolamine	
	(13) Triethanolamine	
25	The following substances structurally derived from Phenethylamine and their salts: (1) Clenbuterol (2) Salbutamol (3) Salmeterol (4) Terbutaline (5) Formoterol	Pharmaceutical Services Division, Ministry of Health
26	Waste, paring and scrap of plastics	National Solid Waste Management Department
27	Hydrochlorofluorocarbons gas (HCFCs) covered under Montreal Protocol, Annex C – Group 1	Department of Environment
28	Flat-rolled products of other alloy steel, of a width of 600 mm or more	MITI
29	Wheat or meslin flours (including atta flour)	SIRIM
30	Kain sarong batik (by traditional batik process)	MITI
31	Semi-finished products of iron and steel, including slab, bloom and billets	MITI
32	(1) Bars and rods, hot-rolled, in wound coil, of stainless or heat resisting steel, circular cross-section (2) Bars and rods, hot-rolled, in straight length of stainless or heat resisting steel, circular cross-section	MITI

No.	Product	Issuing Authority
33	Stranded wire, cables, cordage, ropes, plaited bands and the like, of aluminium wire, but excluding insulated electric wires and cables: (1) of stainless reinforced aluminium (2) of aluminium alloys or not alloyed	MITI
34	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	MITI
35	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated	MITI
36	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm not clad, plated or coated	MITI
37	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated	MITI
38	Flat-rolled products of iron or non-alloy steel, of a width less than 600 mm clad, plated or coated	MITI
39	Tubes, pipes and hollow profiles, cast iron	MITI
40	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	MITI
41	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel	MITI
42	Other tubes and pipes hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	MITI