MALAYSIA
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2009

Ministry of International Trade and Industry Malaysia

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FOREWORD

MINISTER OF INTERNATIONAL TRADE AND INDUSTRY MALAYSIA

The Malaysian economy faced its toughest challenge in a decade in 2009. The global economic crisis tested the strength and resilience of our economy, particularly the manufacturing and services sectors. As the Malaysian economy is highly dependent on trade, many sectors of the economy had to contend with shrinking global demand.

However, Malaysia persevered through this difficult period. The Government was steadfast in fulfilling our international trade commitments. Malaysia did not retreat into protectionism to shield our economy. Instead, we embarked on a series of bold measures to liberalise the economy, implementing wide-ranging reforms to raise efficiency levels and boost investor confidence.

In March, the Government unveiled the New Economic Model to focus efforts on raising income levels and productivity. A far-reaching Government Transformation Programme was also introduced to upgrade public sector delivery. The improvements we made in terms of Government and business efficiency were recently recognised by the IMD World Competitiveness Yearbook 2010 which ranked Malaysia among the top 10 most competitive nations in the world for the first time. We aim to further introduce additional measures to ensure that we remain among the most competitive countries in the world.

At the international level, we strengthened economic ties with our traditional trade partners and forged new relationships with emerging economies. With the implementation of the ASEAN-India Trade in Goods Agreement, the ASEAN-Australia-New Zealand FTA and the Malaysia-New Zealand FTA in 2010, market access for Malaysian products and services will be further enhanced.

There remains a lot of work for us to do. The year 2009 ended with Malaysia recording total trade of RM988.2 billion, a decrease of 16.6% from RM1.2 trillion in 2008. For the first quarter of 2010, trade volume recovered strongly, rising 32.6% from the corresponding period the previous year. Our challenge now is to ensure sustainability of this growth trend.

Meanwhile, Malaysia approved RM32.6 billion of investments in the manufacturing sector in 2009. This exceeded our annual investment target of RM27.5 billion set in Malaysia's Third Industrial Plan. We must continue to increase the level of private investment if we are to achieve our target growth rate of 6% this year.

The Ministry of International Trade and Industry will continue to work on measures to expand trade and to raise the level of private investment in the country. To further accelerate growth and enhance competitiveness, we will continue to improve the domestic business climate and promote development of dynamic and innovative SMEs and entrepreneurs.

We urge the private sector to complement the Government's efforts by putting resources into enhancing the quality of products and services. The Government will do its part to further improve the country's physical and soft infrastructure. In turn, businesses must invest in R&D, undertake effective marketing and branding strategies and adopt industry best practices. Ultimately, we want the private sector to lead economic growth in the country. At MITI, we look forward to closer public-private collaboration to achieve our national goals.

DATO' SRI MUSTAPA MOHAMED
Minister of International Trade and Industry
Malaysia

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CHAPTER 1

WORLD ECONOMIC, TRADE AND INVESTMENT DEVELOPMENTS

OVERVIEW

The world economy in 2009 underwent a financial crisis that impacted negatively on the real economy. Market liquidity tightened considerably, interest rates plunged and housing slumps occurred in major developed economies. The financial crisis clearly indicated the inter-connectedness of the global economic environment, debunking the decoupling theory. The economies of the United States of America (USA) and the European Union (EU) slipped into recession and even major emerging economies like the People's Republic of China (PRC) suffered a substantial drop in economic growth for the year.

Initial signs of recovery emerged in the last quarter of the year particularly as market liquidity eased, driven by massive stimulus spending programmes and bank rescue packages by affected governments. Asia, particularly the PRC, India, and Indonesia being less affected by the global financial crisis, were looked upon as the lead engines of growth to pull the global economy out of recession. The world economy contracted 0.6% in 2009 compared with a growth of 3% a year earlier. This was the lowest ever recorded since 1980. Developed economies registered a contraction of 3.2% compared with a 0.5% growth in 2008. Emerging and developing economies recorded a mere growth of 2.4% compared with 6.1% a year earlier. Developing Asia, comprising the PRC, India, Indonesia, Malaysia, the Philippines, Thailand and Viet Nam registered a growth of 6.6% in 2009 compared with 7.9% in 2008.

Emerging and developing economies proved to be more resilient in the world economy. India and Brazil which are less export dependent were less affected by the sharp reduction in global trade. As for the PRC, it cushioned its economy from the effects of the crisis with large monetary and fiscal stimuli that focused on boosting its domestic consumption. The PRC's resilience in turn helped to fuel the slow recovery in Japan and Europe, which are among its major trading partners.

The economies which were hit hardest by the world recession were the USA, Europe and Japan. The USA, being the epicentre of the financial crisis which started at the end of 2008, plunged into its worst recession since the Great Depression in 1929.

GLOBAL TRADE (MERCHANDISE AND SERVICES)

The value of total world trade of goods and services declined steeply in 2009 by 23%. This was due to falling prices of oil and other primary commodities. World total merchandise trade in dollar value terms amounted to US$25.1 trillion in 2009, a 23% decline from US$32.6 trillion in 2008. The value of world merchandise exports decreased by 22.6% to US$12.5 trillion in 2009, from US$16.1 trillion in 2008 while the value of merchandise imports declined 23.3% to US$12.6 trillion in 2009 from US$16.5 trillion in 2008. The sharp contraction in global demand was identified as the primary cause of the global recession which was triggered by the sub-prime mortgage crisis in the USA.

Decline was also registered in trade of world commercial services with total exports registering a decline of 12.9% to US$3.3 trillion in 2009 from US$3.8 trillion in 2008. Total imports of world commercial services recorded a decline of 11.9% to US$3.1 trillion in 2009 from US$3.5 trillion in 2008.

Table 1.1: Leading Exporters and Importers in Merchandise Trade (2009)

Rank	Exporters	Value (US$bil.)	Share (%)	Rank	Importers	Value (US$bil.)	Share (%)
1	People's Republic of China	1,202	9.6	1	United States of America	1,604	12.7
2	Germany	1,121	9.0	2	People's Republic of China	1,006	8.0
3	United States of America	1,057	8.5	3	Germany	931	7.4
4	Japan	581	4.7	4	France	551	4.4
5	Netherlands	499	4.0	5	Japan	551	4.4
6	France	475	3.8	6	United Kingdom	480	3.8
7	Italy	405	3.2	7	Netherlands	446	3.5
8	Belgium	370	3.0	8	Italy	410	3.2
9	Republic of Korea	364	2.9	9	Hong Kong SAR	353	2.8
10	United Kingdom	351	2.8	10	Belgium	351	2.8
11	Hong Kong SAR	330	2.6	11	Canada	330	2.6
12	Canada	316	2.5	12	Republic of Korea	323	2.6
13	Russian Federation	304	2.4	13	Spain	290	2.3
14	Singapore	270	2.2	14	Singapore	246	1.9
15	Mexico	230	1.8	15	India	244	1.9
16	Spain	218	1.7	16	Mexico	241	1.9
17	Chinese Taipei	204	1.6	17	Russian Federation	192	1.5
18	Saudi Arabia	189	1.5	18	Chinese Taipei	175	1.4
19	United Arab Emirates	175	1.4	19	Australia	165	1.3
20	Switzerland	173	1.4	20	Switzerland	156	1.2
21	Malaysia	157	1.3	21	Poland	147	1.2
22	India	155	1.2	22	Austria	143	1.1
23	Australia	154	1.2	23	Turkey	141	1.1
24	Brazil	153	1.2	24	United Arab Emirates	140	1.1
25	Thailand	152	1.2	25	Thailand	134	1.1
26	Austria	137	1.1	26	Brazil	134	1.1
27	Poland	134	1.1	27	Malaysia	124	1.0
28	Sweden	131	1.0	28	Sweden	119	0.9
29	Norway	121	1.0	29	Czech Republic	105	0.8
30	Indonesia	120	1.0	30	Saudi Arabia	92	0.7

Source: World Trade Organisation

REGIONAL AND COUNTRY PERFORMANCE

The Association of South East Asian Nations

Table 1.2: GDP Growth of ASEAN-6 Economies

Country	2008	2009
Indonesia	6.1	4.5
Philippines	3.6	0.9
Brunei Darussalam	-1.9	0.2
Malaysia	**4.6**	**-1.7**
Singapore	1.1	-2.0
Thailand	2.6	-2.3

Source: ASEAN Secretariat

The Association of South East Asian Nations (ASEAN), comprising 10 Member States, registered a GDP growth of 1.3% in 2009 as compared with a 4.4% growth in 2008. GDP per capita was registered at US$2,520 in 2009 compared with US$2,581 in 2008, recording a decline of 2.4%. Among the ASEAN-6 Member States only Indonesia, the Philippines and Brunei Darussalam did not experience a contraction in their GDP. Export-oriented economies like Thailand, Singapore and Malaysia however experienced contraction in growth in 2009.

The decrease in demand from their main markets in the USA and Europe had impacted the region's trade in 2009. The collective merchandise trade of ASEAN Member States decreased 10.4% to US$1,521.3 billion in 2009 from US$1,698.1 billion in 2008. Global merchandise exports amounted to US$793.1 billion in 2009, a decline of 8.1% from US$873.5 billion in 2008. Global merchandise imports declined 12.9% to US$718.6 billion, from US$824.6 billion in 2008.

The largest trading economy in ASEAN was Singapore with a total merchandise trade of US$514.4 billion, accounting for 33.8% of ASEAN's total trade. Thailand was next at US$285.5 billion (18.8% share) followed by Malaysia at US$279.9 billion (18.4% share).

ASEAN's share of global trade in commercial services shrank by 6.3% to US$34.3 billion in 2009 compared with US$36.6 billion in 2008. Singapore retained its position as the largest trader of global commercial services among ASEAN Member States with total trade amounting to US$148 billion. Thailand was next at US$72 billion followed by Malaysia at US$55 billion.

Table 1.3: Foreign Direct Investment Flows to ASEAN Countries

Country	2007 (US$ milllion)	2008 (US$ million)
Singapore	31,550.3	22,801.8
Thailand	11,238.1	9,834.5
Viet Nam	6,739.0	8,050.0
Indonesia	6,928.3	7,918.5
Malaysia	**8,401.2**	**7,318.4**
Philippines	2,916.0	1,520.0
Myanmar	257.7	975.6
Cambodia	867.3	815.2
Brunei	260.2	239.2
Lao PDR	323.5	227.8

Source: ASEAN Secretariat

The reduction in greenfield investments as well as merger and acquisition activities from developed economies were the main causes for the decline in Foreign Direct Investments (FDI) flows to ASEAN from US$69.5 billion in 2007 to US$59.7 billion in 2008. Viet Nam, Indonesia and Myanmar were the only Member States registering an increase in FDI inflows in 2008. Singapore accounted for the highest percentage share (38.2%, US$22.8 billion) of FDI inflows into the region.

The economic growth forecast for ASEAN is 5.4% and 5.6% for 2010 and 2011 respectively. Indonesia is expected to resume its growth trend near 6% while a more gradual recovery is expected in other ASEAN countries.

The People's Republic of China

The PRC strengthened its position as an economic power not only in Asia but globally in 2009. The PRC was one of the earliest countries in the world to recover from the global financial crisis. Its economy grew 8.4% in 2009, exceeding the government's target of 8% growth while its GDP in 2009 totaled US$4,924.4 billion with an income per capita of US$3,677.9. Inflation rate was registered at 8.5% while unemployment rate was at 4.2%.

Industrial production rebounded in May 2009 and recorded an overall growth of 11% in 2009. The PRC overtook Germany to be the leading exporter globally in 2009. The PRC's export value was US$1.2 trillion while that of Germany was US$1.1 trillion.

Table 1.4: Merchandise Trade of the People's Republic of China in 2009

	Value (US$ billion)	% Change (y-o-y)
Total Trade	**2,207.20**	**-13.9**
Export	1,201.53	-16.0
Import	1,005.67	-11.2
Trade Balance	195.86	-34.3

Source: World Trade Organisation

Realised FDI in the PRC in 2009 decreased 2.6% to US$90 billion. Major FDI sources in 2009 include Hong Kong SAR (US$53.9 billion), Chinese Taipei (US$6.6 billion) and Japan (US$4.1 billion).

FTAs signed and implemented by the PRC were with ASEAN, Pakistan, Chile, New Zealand, Peru, Singapore, Hong Kong SAR and Macau. FTAs under negotiation are with the Gulf Cooperation Council (GCC), Southern Africa Customs Union (SACU), Australia, Costa Rica, Iceland and Norway. Free Trade

Agreements are also being considered by the PRC with India and the Republic of Korea (ROK).

The PRC is expected to maintain an overall trend of rapid and stable growth in 2010, with a GDP growth forecast of 10% in 2010 and 9.9% in 2011. Effects of the USD$586 billion stimulus package, steady growth in domestic consumption and recovery in exports are among the factors expected to support and sustain the PRC's growth. Domestic consumption is expected to contribute 4% of the PRC's GDP growth rate in 2010. Retail sales of consumer goods are expected to increase by 17%. The PRC's trade surplus is expected to rise based on the growth of domestic demand as well as prices of imported goods. Given the emerging recovery of the global economy in 2010, external demand is likely to increase in tandem. Industrial output is forecast to grow 14.5% in 2010 with industries such as textiles and communications which were affected by export contraction in 2009 expected to achieve positive growth in 2010.

Singapore

Singapore's economy contracted 2% in 2009 with real GDP of US$183.5 billion. Industrial Production Index (IPI) contracted 4.1%, unemployment rate registered 3.0 % while inflation was at 0.2%. Singapore's total trade (merchandise and services) declined by 19.4% in 2009 to reach US$532.6 billion from US$661.1 billion in 2008.

Singapore's total exports of merchandise decreased 20.2% to US$269.8 billion in 2009 from US$338.2 billion in 2008. Singapore's imports of merchandise decreased 23.1% to US$245.8 billion in 2009 from US$319.8 billion in the previous year. Singapore's total exports of services rose 12.2% to US$98.3 billion in 2008, from US$87.6 billion in 2007. Total services imports also grew by 9.6% to reach US$87.6 billion in 2008 from US$79.9 billion in 2007. Transportation, royalties, travel and trade-related services accounted for the bulk of the increase in total services trade in 2008. This reflected the growing importance of international trade in services to Singapore's domestic economy over the past few years. The EU, the USA, ASEAN, Japan, the PRC and Hong Kong SAR were Singapore's top services trading partners in 2008. Together they accounted for 64.6% of total services exports and 72.7% of imports for the year.

The main investor in Singapore in 2008 was the EU27 with total investments amounting to US$96.5 billion. Bilateral FTAs that Singapore has concluded and implemented are with New Zealand, Japan, Australia, the USA, Jordan, India, the ROK, Panama, Peru, the PRC and Costa Rica. Regional FTAs concluded and implemented are AFTA, Singapore-European Free Trade Association (EFTA comprising Switzerland, Liechtenstein, Norway, Iceland) ASEAN-China, Trans-Pacific Strategic Economic Partnership Agreement (with Brunei Darussalam, Chile and New Zealand), ASEAN-Korea, ASEAN-Japan Comprehensive Economic Partnership (AJCEP), ASEAN-Australia & New Zealand FTA and ASEAN-India FTA. Singapore is currently negotiating FTAs with Mexico, Canada, Pakistan, Ukraine and the EU. Singapore is also considering FTAs with Iran, Morocco, SACU, Egypt, Sri Lanka and Saudi Arabia.

Singapore announced a US$13.6 billion "Resilience" stimulus package in January 2009 in response to the global financial crisis. The growth projection for the year 2010 is 5.7%. The services industry rather than the manufacturing sector is expected to continue to drive Singapore's economy forward in 2010. Resilient sectors include activities that rely on regional demand such as transport-hub, tourism and financial services.

The European Union

The EU economy continued to contract in 2009 due to the weak labour market, retrenchment by companies and lower consumer spending. The increasing budget deficits experienced by many EU Member States, especially Greece had further slowed down economic recovery in 2009. Overall, the EU economy contracted by 4.1% in 2009 against a growth of 0.9% in 2008. Despite stimulus packages amounting to 200 billion Euro (US$259 billion, equivalent to 1.5% of EU GDP) announced in late 2008, all the major EU economies recorded negative growths in 2009 indicating the continuous impact of the global financial crisis. The GDP of Germany, the largest European economy, contracted by 5% in 2009 compared with a growth of 1.2% in 2008. France registered a contraction of 2.2% compared with a growth of 0.3% in 2008 while the UK a contraction of 4.9% compared with growth of 0.5% in 2008.

Reflecting the fall in the world trade, the EU continued to experience a deficit in merchandise trade in 2009. The EU's exports of merchandise goods decreased by 16.3% to US$1.5 trillion from US$1.7 trillion in 2008. Merchandise imports declined by 23.4% to US$1.6 trillion from US$2.1 trillion a year earlier. Although Germany remained the EU's largest merchandise exporter and importer in 2009, its exports fell by 17.1% to US$397.6 billion from US$479.4 billion the previous year and imports decreased by 19.8% to US$312.2 billion compared with US$389.5 billion in 2008. Germany's position as the world's leading exporter of goods was overtaken by the PRC in 2009.

The EU as a region remained the largest recipient of FDI in 2009 attracting investments totaling US$356.7 billion or 34.3% of total world FDI (2008: US$503.5 billion). The largest recipients of FDI in the EU were France (US$65 billion), the Netherlands (US$37.8 billion), Germany and Belgium (US$35.1 billion each).

The EU has concluded FTAs with Chile, Mexico and South Africa. FTAs that are under negotiations include EU-ASEAN, EU-Canada, EU-GCC, EU-India, EU-Korea, EU-Singapore and EU-Ukraine.

The economic climate of the EU remains uncertain given the huge budget deficits experienced by Eurozone countries of Greece, Portugal, Italy and Spain. The deterioration in fiscal positions since the crisis has been most marked in Ireland and Greece. In Greece, this deterioration is also the result of the reported misreporting of the economy's 2008 fiscal and public debt data. The International Monetary Fund (IMF) and the EU have provided funds totaling nearly US$1 trillion to help stabilise the Greek economy and the weaker economies in the eurozone. IMF predicts that support rendered to Greece will bring stability to the Europe and secure recovery in the global economy. The EU economy is expected to grow 1% in 2010 and 1.5% in 2011.

The United States of America

The USA's real GDP contracted by 2.4% in 2009. Inflation was -0.3% (deflation) and unemployment rate was 9.3%. The global financial crisis caused a widespread shortage of loans or financing needed to support trade.

US global trade experienced a steep decline as result of the recession which began in November 2007 and the deep financial crisis which directly impacted the demand for US goods and services as well as for imports. The USA's total trade (goods and services) declined by 22.4% in 2009 from US$3.6 trillion in 2008 to US$ 2.8 trillion in 2009. Exports of goods in 2009 totaled US$1.1 trillion registering a decline of 18% from US$1.3 trillion in 2008. Imports of goods declined to US$1.6 trillion in 2009 from US$2.2 trillion the previous year resulting in a merchandise trade deficit of US$0.5 trillion. Exports of services totaled US$470.2 billion while imports amounted to US$330.8 billion. Trade in services registered a surplus of US$139.5 billion in 2009, compared with US$153.4 billion in 2008.

FDI inflows in 2009 saw a decline of 52.4% to US$152.1 billion in 2009, from US$319.7 billion in 2008. Main sources of FDI flows into the USA include Canada (US$29.1 billion), Germany (US$24.6 billion) and France (US$23.4 billion) and the major investment sectors were in finance, manufacturing (transportation equipment, chemicals, electrical equipment and appliances) and information technology.

The USA has concluded bilateral FTAs with Peru, Morocco, Oman, Australia, Singapore, Bahrain, Chile and Jordan. Regional FTAs have been concluded with Canada and Mexico (NAFTA) and with the Central American Free Trade Agreement (Costa Rica, El Salvador, Guatemala, Honduras, Dominican Republic and Nicaragua). The USA is currently negotiating FTAs with the UAE, Thailand, Panama, SACU, Colombia and Malaysia. FTA negotiations with ROK have been concluded and pending US Congressional approval. The USA in early 2010 also decided to participate in the Trans Pacific Partnership (TPP) negotiations, which it sees as the best vehicle for advancing the USA economic interests in the critical Asia Pacific region. The TPP currently has eight members – Australia, New Zealand, Singapore, Viet Nam, Brunei Darussalam, Peru, Chile and the USA.

The USA Government implemented in 2009 an economic stimulus package amounting to US$787 billion that includes US$282 billion worth in tax cuts and US$505 billion in government spending for key infrastructure investments. This stimulus package, known officially as the 'American Recovery and Reinvestment Act 2009' was signed into law on 17 February 2009 by President Barrack Obama. The fiscal stimulus package is expected to continue to boost deficit in 2010. The federal budget deficit was at US$1.4 trillion, or 9.9% of GDP in fiscal year 2008/2009 (October-September), up from US$455 billion in 2007/2008.

The stimulus was intended to create jobs and promote investment and consumer spending during the recession. However, the Act contains a controversial 'buy American' provision that has caused outrage in the international business community. Section 1605 of the Act specifies that in any project funded by the stimulus package for the construction, alteration, maintenance or repair of a public building or public work, all iron, steel and manufactured goods used in the project must be produced in the USA. This provision has led to accusations of trade protectionism as well as threats of retaliation.

The USA's economic recovery in 2010 will not be strong enough to improve the unemployment rate in the near term which is expected to hover around a rate of 9 to 10%. This may lead to a lower demand for consumer goods which in turn may impact on the USA's import of goods from developing countries. Economic growth in 2010 is expected to be gradual with a growth forecast at 3.1% in 2010 and moderating to 2.6% in 2011 when the effects of the stimulus subside.

Japan

Japan's real GDP decreased from US$5.9 trillion in 2008 to US$5.6 trillion in 2009 as a result of the effect of the global economic crisis. Japan's real GDP's growth in 2009 was -5.2% compared with -1.2% in 2008. Japan's disinflationary situation continued as consumer prices declined from 1.4% in 2008 to - 1.4% in 2009. Japan's unemployment rate also increased to 5.1% in 2009 from 4% in 2008. IPI in the country declined by 22.4% to 80.5 in 2009 from 103.8 in 2008.

Japan's total merchandise trade for 2009 totaled US$1.1 trillion, reflecting a decrease of 26.7% from US$1.5 trillion in 2008. Overall, merchandise exports reduced by 25.7% from US$782 billion in 2008 to US$580.8 billion in 2009 while merchandise imports declined by 27.8% from US$762.5 billion in 2008 to US$550.7 billion in 2009.

Japan's commercial services trade decreased by 12.9% to US$270 billion in 2009 from US$309.8 billion in 2008. Exports of commercial services in 2009 amounted to US$124.3 billion, declining 15.2% from US$146.5 billion in 2008. Imports of commercial services also decreased by 10.8% to reach US$145.7 billion from US$163.3 billion in the previous year.

FDI flows into Japan declined by 54% in 2009 to US$36.9 billion from US$81.1 billion in 2008. The UK was the top foreign investor in Japan in 2009 with US$5.7 billion worth of net investment flow followed by the Netherlands (US$2.6 billion) and the USA (US$1.9 billion). Malaysia invested US$206.4 million in Japan's economy last year. Japan announced a total of five stimulus packages totaling US$1.5 trillion to spur growth in the country's weak economy.

Japan has signed and implemented 11 Free Trade Agreements or Economic Partnership Agreements with Malaysia, Singapore, Mexico, Chile, Thailand, Indonesia, Brunei Darussalam, ASEAN, the Philippines, Switzerland and Viet Nam. In addition, Japan is currently engaged in Free Trade Agreements or Economic Partnership Agreements negotiations with five other parties namely Australia, India, the ROK, Peru and the GCC. Japan is also considering Free Trade Agreements or Economic Partnership Agreements with the PRC, Hong Kong SAR, Chinese Taipei, Mercado Común del Sur (MERCUSOR), Russia, the USA and the EU. Japan is also studying the possibility of ASEAN+6, ASEAN+3 and Japan-China-South Korea trilateral arrangements.

Japan came out of recession in the second quarter of 2009 and is expected to continue on its economic recovery with a growth forecast of 1.9% in 2010 and 2% in 2011. However domestic-oriented sectors are expected to continue experiencing difficulties as domestic demand remains weak and unemployment and deflation rates will continue to be high.

Australia

Australia's GDP totaled US$1.1 trillion in 2009 registering a growth of 1.3%. Inflation was low at 1.9% while unemployment reached 5.6%. Total trade was US$319.5 billion with exports and imports at US$154 billion and US$165.5 billion respectively. Australia's exports were US$187.3 billion and imports were US$200.3 billion in 2008. Australia has engaged in FTAs with ASEAN, Chile, the USA, Thailand, Singapore and New Zealand and is currently negotiating such agreements with the PRC, the GCC, Japan, the ROK and Malaysia.

The Australian Federal Government on 3 February 2009 unveiled a massive US$38.8 billion nation building and employment plan aimed at retaining 90,000 jobs over the next two years and insulating Australia against the worst of the global economic recession. Australia's economic recovery is dependent on recoveries in other world economies especially the PRC, Japan and the ROK who are major buyers of Australia's resources. The Australian economy is expected to grow by 3% in 2010 and 3.5% in 2011.

Republic of India

India's fiscal year from April 2008 to March 2009 saw a moderation in the growth of the Indian economy. The steep increase in prices of international crude oil and commodity prices at the beginning of the year followed by the global recession resulted in a decrease of real GDP to 5.7% in 2008/2009 as against a growth rate of 7.3% in the last fiscal year.

Nevertheless, India's foreign trade in 2008/2009 increased by 10% to US$456.5 billion compared with US$414.8 billion in the previous year. Exports amounted to US$168.7 billion compared with US$163.1 billion in the previous year. Exports grew by 30.9% in the first half (April-September), but contracted in the second half (October-March) due to a slump in demand as a result of the global economic slowdown. Imports increased to US$287.8 billion from US$251.7 billion in 2007/2008.

FDI into India in 2009 declined 19% to US$33.6 billion from US$41.6 billion in 2008. The origins of major investments were Mauritius, Singapore and the USA. India has concluded bilateral FTAs with Thailand, Sri Lanka, the ROK, Chile and Singapore. Regional FTAs concluded are the ASEAN-India FTA and SAFTA (South Asia FTA). FTAs that are currently being negotiated are with Malaysia, the EU and the GCC. India is also considering entering into an FTA with Japan, Australia, the PRC, New Zealand and Indonesia.

India announced three stimulus packages amounting to US$12.5 billion to strengthen its economy due to the global crisis. The Indian economy has shown signs of recovery from the global meltdown with GDP growth in the current Financial Year 2009/2010 expected at 8.8% as against 5.7% in 2008-2009. The economy is predicted to regain a growth level of 8.4% within the next two years.

The Gulf Cooperation Council

The Supreme Council of the Gulf Cooperation Council (GCC) comprising the countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE in 2007 decided to negotiate FTA collectively rather than individually, with the exception of a bilateral FTA with the USA.

The GCC in June 2009 signed an FTA with the European Free Trade Association. Negotiations are on-going with several economies including the EU, the PRC, Japan, the ROK, New Zealand, Australia, Singapore, and India. In addition, Oman and Bahrain have already concluded separate bilateral FTAs with the USA.

The United Arab Emirates

The United Arab Emirates' real GDP contracted 0.7% in 2009 from a growth of 7.4% recorded in 2008, mainly due to the collapse in oil prices and reduction in worker remittances and foreign direct investments. Inflation in 2009 was at 1% compared with 11.3% in 2008. The overall unemployment rate in 2009 remained consistent at 4.2% since 2008.

The UAE's total non-oil foreign trade reached US$180.7 billion in 2009 compared with US$214.7 billion in 2008, a decline of 15.8% as a result of the global economic crisis. UAE's total imports in 2009 amounted to US$122.4 billion compared with US$154.1 billion in 2008, a decline of 29% owing to reduced demand for products mainly related to the construction sector. India, the PRC, the USA, Germany, Japan, the UK, the ROK, Italy, France, and Saudi Arabia were the top 10 import sources accounting for 64% of UAE's total imports.

The value of exports from the UAE increased by 9% from US$16.3 billion in 2008 to US$18 billion in 2009. India, Switzerland, Qatar, Saudi Arabia, Iran, Oman, Pakistan, Jebel Ali Free Zone, Nigeria and Iraq were the top 10 export destinations for UAE accounting for 74% of the UAE's total exports valued at US$13.2 billion. The UAE's re-exports declined by 9% from US$44.4 billion in 2008 to US$ 40.3 billion in 2009. Iran, India, Iraq, Saudi Arabia, Qatar, Switzerland, Bahrain, Afghanistan, and Hong Kong SAR were the top re-export destinations of the UAE during the same period.

Several measures were implemented by the UAE Government to address the impact of the global financial crisis. A total of US$32.6 billion was injected into the banking system to boost liquidity and bank deposits were guaranteed by the federal government. Repurchase agreement (Repo) rate was reduced by 50 basis points to 1% in January 2009 to further reduce the cost of the liquidity supporting facilities implemented by the Central Bank. A total of US$20 billion long-term bond programme was launched in February 2009 in an effort to cover loans that financed its aggressive development strategy. The money raised through the bond was used to meet the financial commitments of government-owned entities, including debt repayment and debt servicing. The Government of Dubai also announced that it will run a budget deficit of US$1.2 billion in 2009 to boost government spending and spur economic growth.

Dubai's economy which accounts for around a third of the UAE's total GDP will be impacted heavily by the announcement of the restructuring of Dubai World on 25 March 2010. It is expected that Dubai will focus on its core businesses which is trading, tourism and financial services. Dubai is still the regional hub for these activities and has the natural advantage over the other emirates. Over 5,000 multinational companies operate in Dubai's Jebel Ali Free Zone alone. It is also the centre for the region's largest trade exhibitions and conferences.

GDP growth forecast for UAE in 2010 and 2011 is 2.5% and 4.2% respectively, spurred by oil prices which is expected to rise to US$78/barrel in 2010 from US$62/barrel in 2009 on the back of rising demand especially in Asia. Weakening demand in 2011 in the USA may result in a fall in oil prices down to US$73/barrel. Inflation, which has fallen in 2009 to an average of just 1.5% on the back of a steep contraction in demand, is expected to rise again to 4% in 2010 owing to a rise in imported inflation before dropping to 3.2% in 2011.

The current-account surplus is expected to widen in 2010-2011 after narrowing sharply in 2009. Rising oil output and higher non-oil export earnings will boost the trade surplus despite an increase in imports as domestic demand picks up.

Saudi Arabia

Saudi Arabia's GDP contracted by 0.1% in 2009 due to lower oil prices and the global economic downturn as against a 4.3% growth in 2008. The petroleum sector accounts for approximately 75% of budget revenues, 45% of GDP and 90% of export earnings. Saudi Arabia's GDP in 2010 is expected to increase between 3.0 to 3.5% as a result of an aggressive fiscal policy that emphasises capital expenditure and indirect fiscal stimulus to the non-oil sector.

Saudi Arabia's total merchandise trade in 2009 amounted to US$280.7 billion an estimated decline of 34.5% from US$428.6 billion in 2008. Saudi Arabia's merchandise exports declined by 39.9% to US$188.5 billion in 2009 from US$313.5 billion in 2008. Similarly, total merchandise imports for Saudi Arabia recorded a decrease of 19.9% to US$92.2 billion from US$115.1 billion in the previous year.

Saudi Arabia concluded an FTA with the USA on 4 September 2005. The objective of the is to increase commercial opportunities between Washington and Riyadh and further strengthen long-standing relations between the two countries.

Saudi Arabia did not introduce any specific stimulus to strengthen its economy in 2009 and 2010. Much of the growth in the economy was from the massive expenditure undertaken by the government over the past years. A budget of US$144 billion budget was approved for the year 2010 marking an increase of 14% from year 2009.

Real growth is forecast to average 3.4% a year in 2010-2011. The government is planning a US$400 billion public investment programme between 2009 and 2013. The central government budget is forecast to record a surplus of 1.7% of GDP in 2010, which will turn into a deficit of 0.9% of GDP in 2011 as oil prices dip.

OUTLOOK

World merchandise trade is projected to resume its normal upward trajectory in 2010. Exports in volume terms are estimated to grow by 9.5%, while developed economies' exports will expand 7.5% and the rest of the world will advance by 11%. FDI flows are expected to be modest as the recovery in economic growth across the world remains fragile.

The global economy is anticipated to bounce back to a forecast 4.2% growth in 2010. Recovery in general is expected however to be at different speeds led by Asia as the growth centre. Developed economies are expected to record modest growth given the uncertainties in financial reforms. Advanced economies whose fiscal stimulus may start wearing off may face challenges sustaining their recovery. The global community is also monitoring closely developments in the EU, particularly in economies facing financial turmoil like Greece and Ireland. There is a concern on contagion and the possibility of a double-dip in global recession.

Table 1.5: Overview of The World Economic Outlook Projections (Percent Change, unless otherwise noted)

	Year			
			Projections	
	2008	2009	2010	2011
World output[1]	3.0	-0.6	4.2	4.3
Advanced economies	0.5	-3.2	2.3	2.4
United States of America	0.4	-2.4	3.1	2.6
Europe	0.6	-4.1	1.0	1.5
Germany	1.2	-5.0	1.2	1.7
France	0.3	-2.2	1.5	1.8
Italy	-1.3	-5.0	0.8	1.2
Spain	0.9	-3.6	-0.4	0.9
Japan	-1.2	-5.2	1.9	2.0
United Kingdom	0.5	-4.9	1.3	2.5
Canada	0.4	-2.6	3.1	3.2
Other advanced economies	1.7	-1.1	3.7	3.9
Newly industrialized Asian economies	1.8	-0.9	5.2	4.9
Emerging and developing economies[2]	6.1	2.4	6.3	6.5
Sub-Sahara Africa	5.1	2.4	4.5	4.8
Central and Eastern Europe	3.0	-3.7	2.8	3.4
Commonwealth of Independent States	5.5	-6.6	4.0	3.6
Russia	5.6	-7.9	4.0	3.3
Exluding Russia	5.3	-3.5	3.9	4.5
Developing Asia	7.9	6.6	8.7	8.7
People's Republic of China	9.6	8.7	10.0	9.9
India	7.3	5.7	8.8	8.4
ASEAN-5[3]	4.7	1.7	5.4	5.6
Middle East and North Africa	5.1	2.4	4.5	4.8
Western Hemisphere	4.3	-1.8	4.0	4.0
Brazil	5.1	-0.2	5.5	4.1
Mexico	1.5	-6.5	4.2	4.5

Source : IMF Projections as at April 2010

[1]The quarterly estimates and projections account for 90% of the world purchasing-power-parity weights.
[2]The quarterly estimates and projections account for approximately 77% of the emerging and developing economies.
[3]Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.

Box Article 1.1 – *Stimulus Package Projects Implemented by the Ministry of International Trade and Industry (MITI)*

BACKGROUND

The global economic slowdown in 2008 dealt indiscriminate blows to economies worldwide and Malaysia was no exception. Malaysia's GDP in 4Q 2008 registered a worrying 0.1% growth and exports contracted 40.1%. There was an 8.8% decline in the manufacturing sector particularly in the export-oriented industries. Overall exports and industrial production contracted steeply while private investment activities slowed down as businesses scaled back spending.

Signs of economic recovery however emerged in the 2Q 2009 with a slower pace of contraction in GDP at 3.9% year-on-year compared with 6.2% in 1Q 2009. This is mainly attributed to appropriate and timely interventions by the Government to cushion the impact of the crisis. The unveiling of two fiscal stimulus packages in November 2008 and March 2009 totalling RM67 billion or approximately 9% of GDP improved consumer and business confidence. Businesses were assured of sufficient access to financing, including initiatives to provide financing for SMEs. Mechanisms to provide guarantees to support private sector financing were also established and debt resolution mechanisms reactivated.

The First Stimulus Package of RM7 billion focused on construction projects, addressing welfare issues and attracting investments.

The Second Stimulus Package of RM60 billion had four major thrusts as its objectives:

- *reduce unemployment and increase employment opportunities (RM2 billion);*
- *ease the burden of the people, in particular the vulnerable groups (RM10 billion);*
- *assist the private sector in facing the crisis (RM29 billion); and*
- *build capacity for the future (RM19 billion).*

PROGRAMMES UNDER THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

A total budget of RM792.4 million was allocated to MITI under both Stimulus Packages with RM142.4 million for the First Stimulus Package and RM650 million for the Mini Budget/Second Stimulus Package:

First Stimulus Package

- *Services Sector Capacity Development Fund (SSCDF) – RM100 million*
- *Cluster-based Human Resource Skills Training for Bumiputera Private Skills Training Institutes – RM42.4 million*

Second Stimulus Package

- *Automotive Development Fund (ADF) – RM200 million*
- *High Impact Project Fund – RM450 million*

Services Sector Capacity Development Fund

The Services Sector Capacity Development Fund (SSCDF) was introduced to boost the competitiveness of Malaysia's services sector. The RM100 million fund was divided into two RM50 million programmes for grants and soft loans. The scope of the SSCDF covers four activities of training/outreach, recognition and certification, mergers and acquisitions, as well as modernisation and upgrading.

A total of 317 companies and associations benefited from the programmes. They received grants and soft loans with an interest rate of 2% for small and medium enterprises (SMEs) and 3% for non-SMEs.

Cluster-based Human Resource Skills Training for Bumiputera Private Skills Training Institutes

The scheme has two main objectives. The first to boost the capacity of Bumiputera private skills training institutes and the second to complement the overall Government objective of enhancing human *resource capacity and capabilities. A total of 3,328 participants had undergone training in five selected Bumiputera private skills training institutes as at 31 December 2009.*

Automotive Development Fund

The Automotive Development Fund (ADF) with an allocation of RM200 million under the Second Stimulus Package was an extension programme under the Ninth Malaysia Plan (9MP) to further strengthen Malaysia's automotive industry. Key programmes under the ADF include:

- *strengthening production capacity and production management systems – RM6.75 million of grants and RM125 million of soft loans;*
- *international marketing promotion activities for automotive industry players – RM8.25 million; and*
- *PROTON's vendor rationalisation and distributor consolidation project to enhance competitiveness of the domestic automotive industry – RM60 million.*

A total of 395 automotive industry players benefited from the ADF. Benefits include improvements in productivity and reduction in operation costs ranging between RM15,000 to RM320,000. In addition, RM16.93 million of actual sales were generated from the 22 export promotion activities organised by MATRADE.

High Impact Project Fund

The High Impact Project Fund is also an extension programme from the 9MP. An amount of RM450 million was allocated under this programme for the development of the solar panel technology industry

OVERALL OUTCOME OF STIMULUS PACKAGES TO THE ECONOMY

The introduction of the stimulus packages has cushioned the impact of the global financial crisis. It has improved both consumer and business confidence. These measures contributed to the 4.5% growth of the Malaysian economy in Q4 2009, after three consecutive quarters of contraction during that year. The Malaysian economy further strengthened in the first quarter of 2010 with an impressive 10.1% growth.

The country also registered growth in the manufacturing sector which accelerated to 5.3% in Q4 2009 and 16.9% in Q1 2010 (year-on-year). The industrial production index (comprising manufacturing, mining and electricity) continues to register positive growth every month since July 2009 and the index surged from 105.9 in December 2009 to 110.7 in March 2010.

CHAPTER 2

MALAYSIA'S EXTERNAL TRADE

OVERVIEW

Malaysia recorded a trade surplus of RM118.4 billion in 2009 for the 12th consecutive year. The year 2009 ended with Malaysia recording a total trade of RM988.2 billion, a decrease of 16.6% from RM1.2 trillion in 2008. The decrease was attributed mainly to the global economic slowdown.

Malaysia's exports in 2009 declined by 16.6% to RM553.3 billion, compared with RM663.5 billion in 2008. Imports were lower by 16.6% to RM434.9 billion in 2009, from RM521.6 billion in 2008. The decline was due to lower demand from Malaysia's major trading partners arising from the global economic slowdown.

The People's Republic of China (PRC), Singapore, the United States of America (USA), Japan and Thailand remained Malaysia's top five trading partners in 2009. These countries collectively accounted for 53.4% or RM527.3 billion of Malaysia's total trade.

The PRC accounted for 12.9% of Malaysia's total trade and surpassed Singapore in 2009 as Malaysia's largest trading partner.

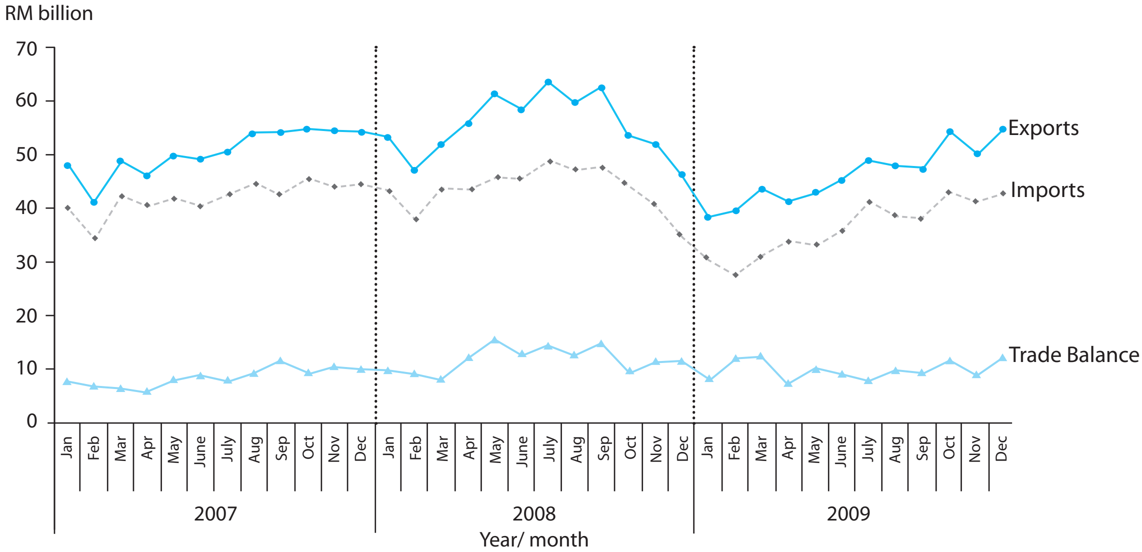
Malaysia's top three major trading partners, from the regional perspective, in 2009 were North-East Asia, the Association of South East Asian Nations (ASEAN) region and North America. Malaysia's total trade with North-East Asia decreased by 12.5% to RM350.6 billion in 2009, compared with

Table 2.1: Malaysia's Trade Performance, 2008-2009

Description	2008	2009	
	RM billion	RM billion	Change (%)
Total Trade	**1,185.1**	**988.2**	**-16.6**
Exports	663.5	553.3	-16.6
Imports	521.6	434.9	-16.6
Trade Balance	141.9	118.4	-16.6

Compiled by MATRADE

Chart 2.1 Malaysia's Trade Performance Trend, 2007-2009



Compiled by MATRADE

RM400.7 billion in 2008. Trade with ASEAN in 2009 decreased by 15.4% to RM251.9 billion, compared with RM297.6 billion in 2008. Malaysia's total trade with North America declined by 21.6% to RM114.3 billion, from RM145.7 billion in 2008.

Malaysia's trade with North America in 2009 contracted by 21.6% to RM114.3 billion. Exports to the USA which accounted for 95.7% of Malaysia's exports to North America declined by 26.8% to RM60.6 billion. The main reason for the decline was attributed to lower exports of electrical and electronics (E&E) products which decreased by 29.5% (RM17.2 billion) to RM41.1 billion.

EXPORTS

Total exports in 2009 recorded a decline of 16.6% to RM553.3 billion, from RM663.5 billion in 2008. The manufacturing sector continued to be the leading sector for Malaysia's exports with a share of 74.4%. Exports of mining goods accounted for 14.7% while agriculture exports was 10%.

Exports of all sectors registered a decline in 2009. Exports of manufactured goods which accounted for RM411.4 billion decreased by 11.4% from RM464.5 billion in 2008. Agriculture exports fell by 22.7% to RM55.5 billion, while mining exports declined by 32.5% to RM81.5 billion.

Exports of E&E products decreased by 10.8% to RM227.8 billion in 2009 from RM255.4 billion in 2008. Chemicals and chemical products decreased by 18.6% to RM33 billion, machinery, appliances and parts decreased by 12.8% to RM19.1 billion, manufactures of metal decreased by 26% to RM14.5 billion while wood and wood products decreased by 14.9% to RM14.2 billion.

Manufactures exports continued to be the major contributor to Malaysia's total exports in 2009, with a share of 74.4%. The E&E products remained the largest export item in 2009, accounting for 41.2% of Malaysia's manufactures exports. Exports of E&E products in 2009 declined by 10.9% to RM227.8 billion from RM255.6 billion in 2008 as a result of the USA financial crisis and the overall global economic slowdown.

Electrical machinery, apparatus, appliances and parts which constituted the largest export category under E&E products recorded a decline of 1.3% to RM118.5 billion in 2009. Office and automatic data processing (ADP) machines and parts decreased by 16.2% to RM73.7 billion.

Table 2.2: Top 10 Trading Partners

Country	2008			2009			
	Rank	RM million	Share (%)	Rank	RM million	Share (%)	Change (%)
TOTAL TRADE		**1,185,104.8**	**100.0**		**988,235.6**	**100.0**	**-16.6**
People's Republic of China	4	130,288.7	11.0	1	127,901.3	12.9	-1.7
Singapore	1	154,075.0	13.1	2	125,310.2	12.7	-19.2
United States of America	2	138,835.1	11.7	3	109,219.3	11.1	-21.5
Japan	3	135,565.7	11.6	4	108,711.3	11.0	-20.6
Thailand	5	60,777.4	5.1	5	56,160.6	5.7	-7.9
Republic of Korea	6	51,182.7	4.2	6	41,225.2	4.2	-17.7
Indonesia	7	44,879.8	3.8	7	40,324.2	4.1	-10.2
Hong Kong SAR	8	41,739.2	3.5	8	39,657.0	4.0	-5.5
Germany	10	37,800.7	3.2	9	33,247.0	3.4	-12.1
Chinese Taipei	9	41,961.3	3.5	10	32,898.2	3.3	-20.4

Compiled by MATRADE

Table 2.3: Exports by Sector

Description	2008		2009		
	RM million	Share (%)	RM million	Share (%)	Change (%)
Total Exports	**663,494.0**	**100.0**	**553,295.3**	**100.0**	**-16.6**
Manufactured Exports	**464,469.0**	**69.9**	**411,404.5**	**74.4**	**-11.3**
Electrical & Electronics Products	255,561.4	38.5	227,778.3	41.2	-10.9
Chemicals & Chemical Products	40,326.8	6.1	32,981.4	6.0	-18.2
Machinery, Appliances & Parts	21,361.2	3.2	19,118.3	3.5	-10.5
Manufactures of Metal	19,635.4	2.9	14,532.0	2.6	-25.3
Wood Products	16,628.2	2.5	14,152.0	2.6	-14.7
Optical & Scientific Equipment	14,943.7	2.3	13,094.7	2.4	-12.9
Rubber Products	12,806.1	1.9	12,478.8	2.3	-2.6
Processed Food	12,131.8	1.8	10,739.0	1.9	-11.6
Transport Equipment	9,530.9	1.4	10,352.7	1.9	12.8
Textiles & Apparel	10,497.2	1.6	8,933.7	1.6	-14.9
Iron & Steel Products	10,465.8	1.6	8,814.8	1.6	-15.8
Manufactures of Plastics	9,339.7	1.4	8,260.7	1.5	-11.6
Jewellery	5,345.1	0.8	5,550.3	1.0	3.8
Non-Metallic Mineral Products	5,304.7	0.8	5,245.4	0.9	–1.1
Paper & Pulp Products	2,862.6	0.4	2,821.1	0.5	-1.5
Petroleum Products	3,868.0	0.6	2,786.9	0.5	-27.9
Beverages & Tobacco	2,409.0	0.4	2,423.4	0.4	0.6
Other Manufactures	11,192.0	1.7	11,341.1	2.0	1.3
Mining Exports	**121,297.3**	**18.3**	**81,503.0**	**14.7**	**-32.5**
LNG	41,475.3	6.3	31,195.0	5.6	-23.4
Crude Petroleum	43,972.6	6.6	25,572.3	4.6	-42.0
Refined Petroleum Products	32,186.1	4.9	22,059.6	4.0	-31.5
Tin	1,976.6	0.3	1,226.3	0.2	-38.0
Crude Fertilizers & Crude Minerals	813.6	0.1	911.5	0.2	12.1
Metalliferous Ores and Metal Scrap	826.7	0.1	502.4	0.1	-39.4
Other Mining	46.4	neg	35.7	neg	-23.0
Agricultural Exports	**71,653.1**	**10.8**	**55,459.2**	**10.0**	**-22.6**
Palm Oil	49,690.6	7.5	38,475.5	7.0	-22.6
Saw Logs & Sawn Timber	5,885.1	0.9	5,140.7	0.9	-12.6
Crude Rubber	8,111.7	1.2	4,459.8	0.8	-45.0
Other Vegetable Oil	2,734.9	0.4	2,086.3	0.4	-23.7
Seafood, Fresh, Chilled or Frozen	1,975.4	0.3	1,686.9	0.3	-14.6
Live Animals & Meat	634.6	0.1	604.2	0.1	-4.8
Vegetables, Roots, Tubers	466.9	0.1	430.5	0.1	-7.8
Hides, Skins and Furskins, Raw	27.1	0.0	21.4	0.0	-21.0
Cereal	7.7	0.0	7.8	0.0	-21.0
Other Agricultures	2,119.0	0.3	2,546.3	0.5	20.2

Compiled by MATRADE

Chemicals and chemical products were the second largest contributor to Malaysia's manufactures exports in 2009. Exports of chemicals and chemical products declined by 18.2% to RM33 billion due to lower demand in major markets.

Major exports under chemicals and chemical products in 2009 were organic chemicals and plastics in primary form which decreased by 25.1% and 15.7% respectively. Exports of medicinal and pharmaceutical products, however, increased by 43.6% to RM814.5 million in 2009 from RM567.1 million in 2008. The increase was due to rising demand for medication following the outbreak of the influenza A (H1N1). Worldwide recognition of Malaysia's standards and technology and adherence to the Good Manufacturing Practice as stipulated under the European Pharmaceutical Inspection Convention Code helped to raise exports of medicinal and pharmaceutical products.

Transport equipment recorded a positive growth of 12.6% in 2009 with total exports of RM10.4 billion compared with RM9.2 billion in 2008. Exports of aircraft and associated equipment and parts, which were the major exports for transport equipment in 2009, registered an increase of 23.7% and contributed 32.6% to Malaysia's exports of transport equipment. Exports to Singapore, the main market for transport equipment, were valued at RM2.3 billion. Singapore absorbed 22.2% of Malaysia's total exports of transport equipment in 2009.

Exports of jewellery in 2009 increased by 3.8% to RM5.6 billion compared with RM5.3 billion in 2008. Jewellery of gold, silver and platinum was the main export item in 2009, valued at RM4.8 billion. The second largest export item was articles of precious metals, which expanded significantly by 288.2% to RM753.9 million with 13.6% share of exports of jewellery. The United Arab Emirates (UAE) remained the largest export market for jewellery, registering a growth of 3.7%. Exports of jewellery to the UAE amounted to RM3.6 billion, accounting for 65.2% share of Malaysia's total global exports of jewellery. Singapore was Malaysia's second largest export market for jewellery, accounting for 15.5% with a total value of RM857.7 million. Exports of jewellery to Singapore increased by 6.7% in 2009.

Malaysia's exports in the mining sub-sector in 2009 declined by 32.5% to RM81.5 billion compared with RM121.3 billion in 2008. Export earnings for liquefied natural gas (LNG), crude petroleum and refined petroleum products, which were the top three products in the mining sector, decreased in 2009 due to lower prices of petroleum products. The average price of petroleum products decreased by 36.3% to US$61.7 per barrel in 2009 from US$96.9 per barrel in 2008.

Total export earnings of palm oil in the agriculture sector in 2009 registered a decline of 22.6% to RM38.5 billion from RM49.7 billion in 2008, due to lower export prices. The average price of palm oil in 2009 decreased by 19.2% to RM2,244.5 per tonne compared with RM2,777.5 per tonne in 2008.

Malaysia's top five major exports markets were Singapore, the PRC, the USA, Japan and Thailand accounting for 52.3% of Malaysia's total exports. Singapore with RM77.2 billion was the largest market in 2009 for Malaysia's exports followed by the PRC with RM67.2 billion. Exports to Hong Kong SAR and the PRC combined amounted to RM96.1 billion or 17.4% share of total exports, representing the largest contiguous markets for Malaysia's exports in 2009.

Exports to the PRC increased by 6.4% to RM67.2 billion while Singapore recorded a decline of 21.1% in 2009. Malaysia's major export to the PRC was E&E products. Countries that recorded growth in 2009 were Hong Kong SAR (1.9% to RM28.9 billion) mainly for E&E products, Viet Nam (1.6% to RM8.2 billion) mainly for chemicals and chemical products, Pakistan (0.2% to RM5.8 billion) mainly for palm oil, Bangladesh (23.8% to RM2.8 billion) mainly for refined petroleum products and Egypt (19.4% to RM2.8 billion) mainly for palm oil.

IMPORTS

Malaysia's total imports in 2009 registered a decline. Total imports decreased by 16.6% to RM434.9 billion, compared with RM521.6 billion in 2008. Imports of intermediate goods which accounted for 68.4% share of total imports amounted to RM297.3 billion, a decrease of 21.6% from RM379.1 billion

Table 2.4: Top 10 Export Destinations

Country	2008 Rank	2008 RM billion	2008 Share (%)	2009 Rank	2009 RM billion	2009 Share (%)	2009 Change (%)
Total Exports		**663.5**	**100.0**		**553.3**	**100.0**	**-16.6**
Singapore	1	97.0	14.6	1	77.2	14.0	-20.4
People's Republic of China	4	63.4	9.6	2	67.2	12.1	6.0
United States of America	2	82.7	12.5	3	60.7	11.0	-26.7
Japan	3	70.7	10.7	4	54.4	9.8	-23.0
Thailand	5	31.6	4.8	5	29.9	5.4	-5.6
Hong Kong SAR	6	28.2	4.3	6	28.8	5.2	2.3
Republic of Korea	7	27.0	4.1	7	21.1	3.8	-21.7
Australia	8	24.4	3.7	8	20.0	3.6	-17.9
Netherlands	9	23.4	3.5	9	18.4	3.3	-21.4
Indonesia	10	20.7	3.1	10	17.3	3.1	-16.5

Compiled by MATRADE

in the previous year. There was also a decrease in imports of capital goods by 5.9% to RM65.8 billion from RM69.9 billion in 2008. Imports of intermediate and capital goods accounted for 83.5% of Malaysia's total imports.

The largest import source in 2009 was the PRC, accounting for 14% share of Malaysia's total imports, valued at RM60.7 billion. Japan was the second largest source of imports (12.5% share, RM54.3 billion) followed by the USA (11.2%, RM48.6 billion), Singapore (11.1%, RM48.1 billion) and Thailand (6%, RM26.3 billion).

Major imports from the PRC in 2009 were E&E products, machinery, appliances and parts, chemicals and chemical products, manufactures of metal as well as optical and scientific equipment. The top five imports from Japan comprised E&E products, transport equipment, machinery, appliances and parts, iron and steel products, as well as manufactures of metal.

TRADE IN SERVICES

The services sector (excluding government transactions) registered a stronger trade surplus of RM3.2 billion in 2009 (2008: RM0.7 billion). Exports decreased by 1.8% to RM99.1 billion in 2009 (2008: RM101 billion) while imports declined by 5% to RM95.9 billion (2008: RM100.9 billion). The surplus was largely due to a 11% increase in the exports of services in the travel sub-sector with net receipts of RM31.6 billion in 2009 (2008: RM28.5 billion). The better performance of the travel sub-sector was mainly attributed due to the tourist and excursions segment, which registered a growth of 9.8% in net receipts to RM36.7 billion (2008: RM33.4 billion).

DIRECTION OF TRADE

Malaysia anticipates its exports to grow by more than 3.5% to RM572.7 billion in 2010. The projection is based on the stronger economic recovery in Asia and improving market sentiments in Malaysia's other major trading partners.

For the year 2009, North East Asia continued to be Malaysia's largest regional trading partner, accounting for 35.5% share of Malaysia's total trade. The ASEAN region was next (25.7% share), followed by North America (11.6% share).

Malaysia's exports to Asia in 2009 increased at a faster pace despite the downturn in the global economy compared with exports to the traditional

Table 2.5: Imports by End-Use

Descriptions	2008		2009		
	RM million	Share (%)	RM million	Share (%)	Change (%)
Gross Imports	**521,610.8**	**100.0**	**434,940.4**	**100.0**	**-16.6**
Intermediate Goods	**379,135.6**	**72.7**	**297,339.4**	**68.4**	**-21.6**
Parts and accessories	**164,119.7**	**31.5**	**132,961.7**	**30.6**	**-19.0**
Semiconductors, printed circuits and parts	96,896.1	18.6	72,727.6	16.7	-24.9
Parts for office machines	21,872.0	4.2	19,700.4	4.5	-9.9
Electrical apparatus and resistors	16,257.7	3.1	13,355.4	3.1	-17.9
Parts for checking instruments	670.6	0.1	574.7	0.1	-14.3
Processed industrial supplies	**120,229.7**	**23.0**	**94,002.0**	**21.6**	**-21.8**
Iron and steel	22,184.6	4.3	12,455.3	2.9	-43.9
Organic chemicals	9,540.8	1.8	8,170.4	1.9	-14.4
Plastics in primary forms (exclude scrap)	9,928.3	1.9	7,720.4	1.8	-22.2
Copper products	8,876.8	1.7	6,261.6	1.4	-29.5
Paper and paperboard	4,605.6	0.9	4,182.3	1.0	-9.2
Fertiliser, except crude fertilisers	6,784.2	1.3	3,827.8	0.9	-43.6
Manufactures of base metals	4,395.0	0.8	3,534.0	0.8	-19.6
Inorganic chemicals (exclude spent fuel element of nuclear reactors)	3,524.7	0.7	2,536.8	0.6	-28.0
Plastics in non-primary forms	2,470.5	0.5	2,476.7	0.6	0.3
Ferrous waste and scrap	4,539.2	0.9	2,085.6	0.5	-54.1
Dying, tanning and colouring materials (exclude artists' colours)	2,081.8	0.4	2,035.5	0.5	-2.2
Primary fuels and lubricants	**29,092.1**	**5.6**	**19,135.4**	**4.4**	**-34.2**
Primary industrial supplies	**17,536.4**	**3.4**	**13,731.8**	**3.2**	**-21.7**
Parts and accessories for transport equipment	**14,293.2**	**2.7**	**13,223.8**	**3.0**	**-7.5**
Other processed fuels and lubricants	**17,464.1**	**3.3**	**10,646.3**	**2.4**	**-39.0**
Processed food and beverages, mainly for industry	**9,006.9**	**1.7**	**8,389.5**	**1.9**	**-6.9**
Primary food and beverages, mainly for industry	**7,393.6**	**1.4**	**5,250.1**	**1.2**	**-29.0**
Capital Goods	**69,912.7**	**13.4**	**65,769.1**	**15.1**	**-5.9**
Capital goods (except transport equipment)	**61,377.0**	**11.8**	**56,336.1**	**13.0**	**-8.2**
Telecommunication equipments (exclude parts)	7,295.1	1.4	8,576.3	2.0	17.6
Electrical machinery and apparatus (exclude parts)	8,200.8	1.6	7,003.7	1.6	-14.6
Automatic data processing machines	8,200.3	1.6	6,796.6	1.6	-17.1
Other machinery specialised for particular industry	3,376.5	0.6	3,150.4	0.7	-6.7
Transformer and other electric power machines	2,815.0	0.5	2,562.4	0.6	-9.0
Rotating electric plants & parts	2,832.1	0.5	2,531.4	0.6	-10.6
Medical, dental, surgical instrument	1,316.1	0.3	1,334.0	0.3	1.4
Measuring, checking and analysing equipment	1,470.0	0.3	1,147.9	0.3	-21.9
Transport equipment for industries	**8,535.7**	**1.6**	**9,433.0**	**2.2**	**10.5**

cont. Table 2.5

Consumption Goods	**32,304.5**	**6.2**	**31,426.8**	**7.2**	**-2.7**
Processed food and beverages for household consumption	**8,960.1**	**1.7**	**8,941.0**	**2.1**	**-0.2**
Non-durable consumer goods	**8,807.0**	**1.7**	**8,764.3**	**2.0**	**-0.5**
Semi-durable consumer goods	**5,894.0**	**1.1**	**4,955.9**	**1.1**	**-15.9**
Primary food and beverages for household consumption	**3,641.0**	**0.7**	**4,643.9**	**1.1**	**27.5**
Durable consumer goods	**4,443.8**	**0.9**	**3,674.0**	**0.8**	**-17.3**
Transport equipment for non-industries	**558.6**	**0.1**	**447.8**	**0.1**	**-19.8**
Dual Purpose Goods	**14,121.3**	**2.7**	**10,166.4**	**2.3**	**-28.0**
Processed motor spirit	**8,973.3**	**1.7**	**4,650.8**	**1.1**	**-48.2**
Passenger motor cars	**5,148.0**	**1.0**	**5,515.6**	**1.3**	**7.1**
Others	**4,306.6**	**0.8**	**3,178.7**	**0.7**	**-26.2**
Retained imports	**499,780.7**	**95.8**	**407,880.5**	**93.8**	**-18.4**
Re-exports	**21,830.2**	**4.2**	**27,059.9**	**6.2**	**24.0**

Compiled by MATRADE

Table 2.6: Top 10 Import Sources

Country	2008			2009			
	Rank	RM billion	Share (%)	Rank	RM billion	Share (%)	Change (%)
Total Imports		**521.6**	**100.0**		**434.9**	**100.0**	**-16.6**
People's Republic of China	1	66.9	12.8	1	60.7	14.0	-9.3
Japan	2	64.9	12.4	2	54.3	12.5	-16.3
United States of America	4	56.5	10.8	3	48.6	11.2	-13.4
Singapore	3	57.3	11.0	4	48.1	11.1	-15.7
Thailand	5	29.3	5.6	5	26.3	6.0	-9.8
Indonesia	8	24.2	4.6	6	23.0	5.3	-4.7
Republic of Korea	7	24.2	4.6	7	20.1	4.6	-16.9
Chinese Taipei	6	25.1	4.8	8	18.5	4.2	-26.4
Germany	9	22.5	4.3	9	18.4	4.2	-18.0
Hong Kong SAR	10	13.5	2.6	10	10.8	2.5	-20.1

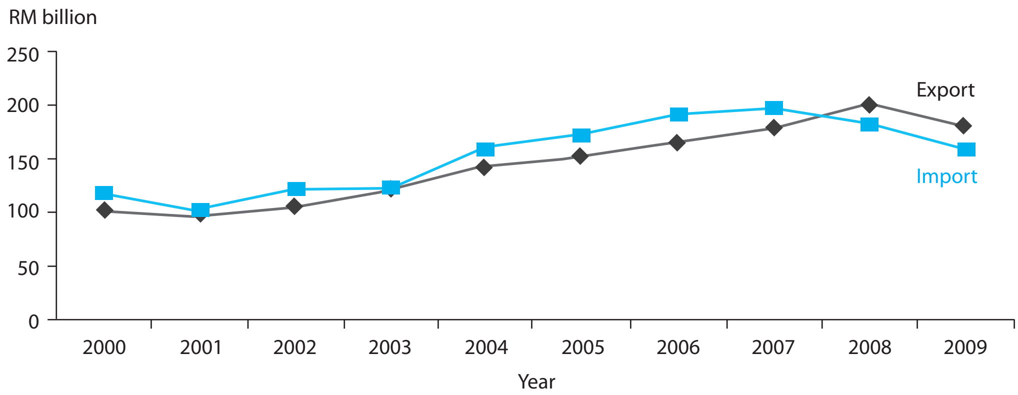
Compiled by MATRADE

markets of the European Union (EU) and North America. Exports to Asia amounted to RM378.7 billion or 68.5% of Malaysia's total exports in 2009. North East Asia continued to be Malaysia's largest export destination, accounting for RM186.2 billion or 33.6% share of Malaysia's total exports, followed by ASEAN RM142.3 billion (25.7%) and North America RM63.3 billion (11.4%).

North East Asia

Malaysia's trade with North East Asia for the period of 2000-2009 recorded an upward trend with

Chart 2.2 Malaysia's Trade with North East Asia, 2000-2009



Compiled by MATRADE

an average growth in trade of 7.7%. Total trade decreased by 12.5% to RM350.6 billion in 2009, compared with RM400.7 billion in 2008. Malaysia's exports to North East Asia in 2009 accounted for 33.6% share of Malaysia's total exports. Exports to the region declined by 9.4% to RM186.2 billion, compared with RM205.6 billion in 2008. Major exports to North East Asia in 2009 were E&E products, LNG, palm oil, chemicals and chemical products as well as wood products. The share of these products to Malaysia's total exports to the region was 77.6%.

The PRC was Malaysia's leading import source within North East Asia in 2009 with total imports of RM60.7 billion, with 36.9% share of Malaysia's imports from the region. Japan was next with RM54.3 billion, followed by the Republic of Korea (ROK) RM20.1 billion, Chinese Taipei RM18.5 billion and Hong Kong SAR RM10.8 billion.

Malaysia's major imports from North East Asia were E&E products, valued at RM80.7 billion or 49.1% share of Malaysia's imports from the region. Machinery, appliances and parts was second (RM15.7 billion, 9.6% share), followed by chemicals and chemical products (RM11.0 billion, 6.7% share), iron and steel products (RM10.1 billion, 6.2% share) and transport equipment (RM9.3 billion, 5.7% share).

The People's Republic of China

Malaysia's total trade with the PRC in 2009 amounted to RM127.9 billion or 12.9% of Malaysia's total trade from RM130.3 billion in 2008, a decline of 1.8%. Malaysia was the PRC's eight largest trading partner in 2009, and its largest trading partner among the ASEAN Member States.

Malaysia's exports to the PRC maintained its record of positive growth over the past 10 years, with an annual average growth of 22.9%. Malaysia's exports to the PRC in 2009 amounted to RM67.2 billion, an increase of 6% from RM63.4 billion in 2008. Malaysia's main exports to the PRC in 2009 were E&E products, which accounted for 6.6% of Malaysia's total exports. Exports of E&E products to the PRC increased by 22.8% to RM36.6 billion. The rapid growth of information and communication technology (ICT) and household electronics industries in the PRC has led to greater demand for Malaysia's E&E products.

Exports of palm oil, which was Malaysia's second largest export to the PRC, declined by 21.6% to RM9.7 billion in 2009. The export volume of palm oil to the PRC increased by 6.3% to 4 million tonnes in 2009 due mainly to economic growth and rising household income in the PRC which contributed to greater demand for palm oil.

Major exports other than palm oil to the PRC were chemicals and chemical products, which increased by 4.4% to RM5.5 billion, rubber products (11% to RM2.8 billion) and crude petroleum (4.5% to RM2.2 billion).

The PRC maintained its position as Malaysia's largest source of imports in 2009. Imports from the PRC decreased by 9.3% to RM60.7 billion accounting for 13.9% of Malaysia's total imports in 2009. Malaysia's imports from the PRC comprised E&E products, which declined by 6.2% to RM33.3 billion, machinery, appliances and parts (1.5% to RM6.1 billion), chemicals and chemical products (19.6% to RM3.8 billion), manufactures of metal (12.8% to RM2.5 billion) as well as optical and scientific equipment (18.6% to RM1.8 billion). These products accounted for 78.5% of Malaysia's total imports from the PRC.

A total of 23,424 preferential Certificates of Origin (COs) were issued in 2009 under the ASEAN-China Free Trade Agreement (ACFTA). Exports under this Agreement increased by 32.3% to RM8.4 billion, from RM6.3 billion in 2008. Major products exported under ACFTA in 2009 were compound rubber, crude palm kernel oil, stearic acid, paraxylene and rubber threads.

Japan

Total trade between Malaysia and Japan in 2009 declined by 19.8% to RM108.7 billion, from RM135.6 billion in 2008. Malaysia's trade with Japan in the last ten years recorded an average annual growth of 2.9%. The growth in trade was contributed mainly by higher exports, which grew by an average 5% annually.

Malaysia's total exports to Japan in 2009 amounted to RM54.4 billion, a decrease of 23%, compared with RM70.7 billion in 2008. Exports to Japan accounted for 9.8% share of Malaysia's total exports in 2009.

Malaysia in 2009 was the ninth largest exporter to Japan, accounting for 3.1% share of Japan's total imports. Malaysia was the second largest exporter to Japan among the ASEAN Member States after Indonesia.

Malaysia's largest export to Japan was LNG products with exports amounting to RM19.9 billion, a decrease of 27.6% compared with RM27.5 billion in 2008 while exports of E&E products decreased by 4.8% to RM15.8 billion. The decrease in E&E exports was mainly due to weaker demand especially for telecommunications and sound equipment, office machines, and ADP machines and parts. Other major exports include wood and wood products, which decreased by 20.5% to RM3.2 billion, optical and scientific equipment (–11.1% to RM2 billion) as well as chemicals and chemical products (28.4% to RM1.7 billion).

Malaysia's imports from Japan in 2009 declined by 16.3% to RM54.3 billion, from RM64.9 billion in 2008. Japan was the second largest source of imports for Malaysia, with a share of 12.5% of Malaysia's total imports.

Major imports from Japan were E&E products, which decreased by 20.7% to RM18.6 billion in 2009. Other major imports were transport equipment, which increased by 19.7% to RM7.4 billion, followed by machinery, appliances and parts (–24% to RM6.7 billion), iron and steel products (–32.2% to RM4.5 billion) and manufactures of metal (–31.2% to RM3.9 billion). These products accounted for 75.5% of Malaysia's total imports from Japan in 2009.

Export using preferential COs issued under the Malaysia-Japan Economic Partnership Agreement (MJEPA) in 2009 were valued at RM6.7 billion, a decrease of 19.5% compared with RM8.4 billion in 2008. Major exports under this Agreement were refined, bleached, and deodorised palm oil (RBDDPL) and crude palm oil.

ASEAN

The implementation of the ASEAN Free Trade Area (AFTA) has contributed to the increase in Malaysia's exports to ASEAN Member States. Malaysia's overall export performance to ASEAN under the FTA preferential scheme in 2009 has recorded improvements in terms of the total number of COs issued and the Free on Board value of exports. Total value of Malaysia's exports under AFTA were valued at RM18.3 billion, an increase of 12% compared with RM16.1 billion in 2008.

Table 2.7: Malaysia's Trade with ASEAN

Country	2008			2009						
	Total Trade (RM mil.)	Exports (RM mil.)	Imports (RM mil.)	Total Trade (RM mil.)	Exports (RM mil.)	Share (%)	Change (%)	Imports (RM mil.)	Share (%)	Change (%)
ASEAN	**296,227.2**	**170,221.6**	**126,005.7**	**251,858.7**	**142,339.9**	**100.0**	**-16.4**	**109,518.8**	**100.0**	**-13.1**
Singapore	154,075.0	97,018.5	57,056.4	125,310.2	77,195.1	54.2	-20.4	48,115.1	43.9	-15.7
Thailand	60,777.4	31,625.2	29,152.3	56,160.6	29,852.7	21.0	-5.6	26,307.9	24.0	-9.8
Indonesia	44,879.8	20,702.6	24,177.2	40,324.2	17,294.1	12.1	-16.5	23,030.1	21.0	-4.7
Viet Nam	15,744.1	8,040.0	7,704.1	15,425.5	8,165.1	5.7	1.6	7,260.5	6.6	-5.8
Philippines	16,655.7	9,712.3	6,943.4	10,970.2	6,961.8	4.9	-28.3	4,008.4	3.7	-42.3
Brunei Darussalam	1,829.2	1,498.4	330.9	1,797.4	1,560.8	1.1	4.2	236.6	0.2	-28.5
Myanmar	1,625.5	1,041.9	583.7	1,251.4	744.4	0.5	-28.6	507.0	0.5	-13.1
Cambodia	601.8	553.9	48.0	594.8	541.9	0.4	-2.3	52.9	0.05	10.3
Lao PDR	38.7	28.9	9.8	24.5	24.1	0.02	-16.4	0.4	0.0004	-96.0

Compiled by MATRADE

Trade with ASEAN in 2009 accounted for 25.5% of Malaysia's total trade, a decrease of 15.4% to RM251.9 billion, from RM297.6 billion in 2008. ASEAN remained Malaysia's second largest regional trading partner in 2009 and Singapore continued to be Malaysia's largest trading partner within ASEAN, with a value of RM125.3 billion representing 12.7% share of Malaysia's global trade. Thailand was next with 5.7%, followed by Indonesia (4.1%), Viet Nam (1.6%) and the Philippines (1.1%).

Exports to ASEAN declined by 16.4% to RM142.3 billion in 2009, accounting for 25.7% of Malaysia's total exports. The three major export markets in ASEAN for Malaysia in 2009 were Singapore, Thailand and Indonesia, which collectively accounted for 87.4% of Malaysia's total exports to the region.

Malaysia's exports to ASEAN during the global economic downturn experienced a decline with the exception of Brunei Darussalam and Viet Nam. Exports to Brunei Darussalam and Viet Nam in 2009 recorded an increase of 4.2% and 1.6% respectively.

The most significant decline among ASEAN Member States in 2009 was with the Philippines, recording a decline in exports of 28.3% followed by Myanmar (28.6%), Singapore (20.4%) and Indonesia (16.5%).

Exports to Brunei Darussalam increased by 4.2% to RM1.6 billion, while exports to Viet Nam increased marginally by 1.6% to RM8.2 billion. The increase in exports to Brunei Darussalam in 2009 was primarily driven by exports of manufactured goods, which increased by 14% to RM1.3 billion from the year before. The increase in exports was largely contributed by iron and steel products, machinery, appliances and parts, chemicals and chemical products, transport equipment and processed food which collectively accounted for 38.6% share of total exports. The increase in exports to Viet Nam was mainly due to increased exports of manufactured goods, an increase of 6.3% compared with 2008.

Malaysia's major export to ASEAN was E&E products, accounting for 33.1% of the total exports to the region. Exports of these products however decreased by 16.2% to RM47.1 billion, compared with RM56.2 billion in 2008.

Other major exports to ASEAN, other than E&E, were refined petroleum products valued at RM15.1 billion, chemicals and chemical products (RM11.3 billion), crude petroleum (RM10.8 billion), and machinery, appliances and parts (RM8.3 billion).

Table 2.8: Malaysia's Exports to ASEAN under the CEPT Scheme, 2009

Export Destination	2008		2009		
	RM million	Share (%)	RM million	Share (%)	Change (%)
Total	**16,063.5**	**100.0**	**22,896.5**	**100.0**	**42.5**
Viet Nam	3,383.8	21.1	8,715.3	38.1	157.6
Thailand	4,715.9	29.4	6,887.8	30.1	46.1
Indonesia	4,270.0	26.6	4,324.6	18.9	1.3
Philippines	2,622.3	16.3	2,170.8	9.5	-17.2
Singapore	850.0	5.3	660.2	2.9	-22.3
Myanmar	169.8	1.1	75.0	0.3	-55.8
Brunei Darussalam	36.9	0.2	46.9	0.2	27.1
Cambodia	13.6	0.1	15.2	0.1	11.7
Lao PDR	1.2	0.007	0.9	0.004	-25.3

Source: Ministry of International Trade and Industry

Table 2.9: Malaysia's Major Exports under the CEPT Scheme, 2009

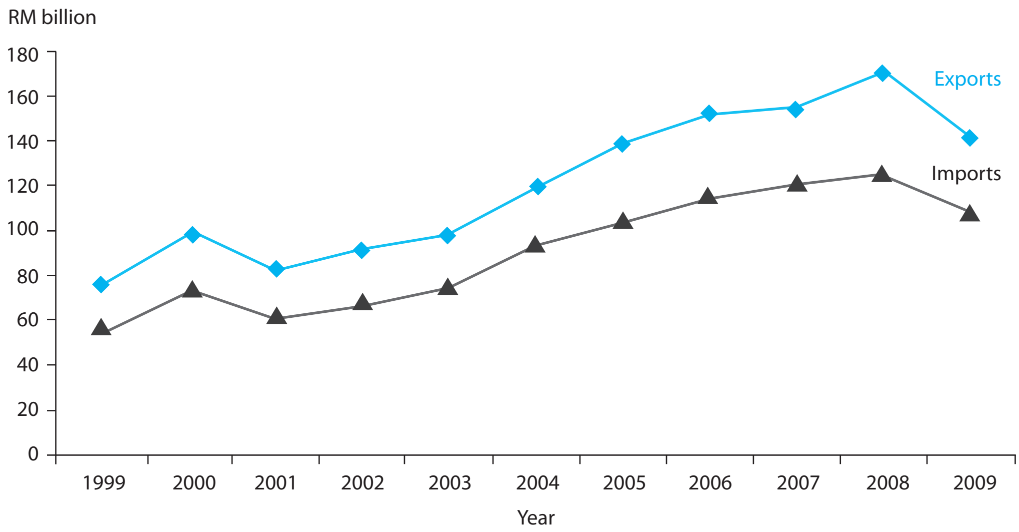
Product	RM million	Share (%)
Total Export under CEPT Scheme	**16,063.0**	**100.0**
Palm Oil (Not Chemically Modified)	780.9	18.8
Semi Finished Products of Iron or Non-Steel (Others)	532.7	12.8
Perfumed Bath Salts and other Bath Preparations	524.1	12.6
Bars and Rods, Hot-Rolled in Irregular Wound Coils	521.2	12.5
Window or Wall Types, Self Contained or Split System	491.6	11.8
Thermionic, Cold Cathode or Photo Cathode Valves and Tubes	281.8	6.8
Polyethylene	261.5	6.3
Petroleum Bitumen	258.9	6.2
Urea, Whether or Not in Aqueous Solution	249.6	6.0
Other	257.9	6.2

Source: Ministry of International Trade and Industry

The highest utilisation of exports under the Common Effective Preferential Tariff (CEPT) Scheme in 2009 was recorded with Viet Nam, which amounted to RM8.7 billion or 38.1% of total exports under the scheme. Thailand was second (RM6.9 billion or 30.1%), followed by Indonesia (RM4.3 billion or 18.9%) and the Philippines (RM2.2 billion or 9.5%). Malaysia's major exports under the CEPT Scheme in 2009 were palm oil valued at RM780.9 million, contributing 18.8% of Malaysia's total exports under the CEPT Scheme. Semi-finished products of iron or non-steel was next (RM532.7 million, 12.8%), followed by perfumed bath salts and other bath preparations (RM524.1 million, 12.6%) and hot-rolled bars and rods (RM521.2 million, 12.5%).

Malaysia's imports from ASEAN decreased by 13.4% to RM109.5 billion from RM126.4 billion in 2008. ASEAN remained Malaysia's second largest source of imports with 25.2% share of Malaysia's total

Chart 2.3 Malaysia's Trade with ASEAN, 1999-2009



Compiled by MATRADE

imports. Major import sources were Singapore with imports valued at RM48.1 billion, Thailand (RM26.3 billion), Indonesia (RM23 billion), Viet Nam (RM7.3 billion) and the Philippines (RM4 billion). The five countries collectively accounted for 99.2% of Malaysia's imports from the region. The largest imports were E&E products accounting for 26.4% of Malaysia's total imports from the region, valued at RM28.9 billion. Other major imports from the region were refined petroleum products, valued at RM12.6 billion, followed by chemicals and chemical products (RM9.7 billion), transport equipment (RM6.3 billion) as well as machinery, appliances and parts (RM6.2 billion).

North America

Malaysia's total trade in 2009 with North America (the USA and Canada), declined by 21.6% to RM114.3 billion, from RM145.7 billion in 2008. North America was Malaysia's third largest regional trading partner after North East Asia and ASEAN. Exports to the USA and Canada decreased by 26.3% due to the decline in exports of E&E, palm oil, optical and scientific equipment, as well as textiles and apparel, while imports fell by 14.7% due to lower imports of E&E products, iron and steel products, as well as chemicals and chemical products.

North America was also Malaysia's third largest regional export destination. Total exports amounted to RM63.3 billion in 2009. The USA and Canada accounted for 95.7% and 4.3% of Malaysia's exports to North America respectively. E&E products continued to be the leading exports to North America, accounting for 64.9% of total exports to the region. Exports of E&E products decreased by 29.5% to RM41.1 billion, compared with RM58.3 billion in 2008. The decline in exports was mainly due to excessive supplies and continued fall in prices in certain information technology related products.

Major exports other than E&E were rubber products, valued at RM3 billion, optical and scientific equipment (RM2.6 billion), wood products (RM2.6 billion) and palm oil (RM2.4 billion). Malaysia's imports from the region declined by 14.7% to RM50.9 billion from RM59.7 billion in 2008. Imports from the USA amounted to RM48.6 billion, while imports from Canada was RM2.3 billion.

The main imports from North America in 2009 were E&E products, which accounted for 50.3% of Malaysia's total imports from the region. Machinery appliances and parts was next (11.5%), followed by chemicals and chemical products (8.6%), transport equipment (6%) as well as optical and scientific equipment (5.8%).

The United States of America

The USA was Malaysia's third largest trading partner in 2009, accounting for 11.1% of Malaysia's global trade. Malaysia's trade with the USA declined by 21.3% to RM109.2 billion, compared with RM138.8 billion in 2008. Malaysia ranked as the USA's second largest trading partner among ASEAN Member States, after Singapore.

The USA was Malaysia's third largest export destination with 11% share of Malaysia's total exports. Exports to the USA however decreased by 26.7% to RM60.6 billion, compared with RM82.7 billion in 2008. The decline was attributed to the slowdown in the US economy and the shift in outsourcing activities to lower cost countries by the USA. Malaysia's major exports to the USA were E&E products, representing 65.5% share of Malaysia's total exports to the country.

Exports of processed food recorded an increase of 1.2% to RM1 billion in 2009. Exports of E&E products to the USA in 2009 however declined by 30.1% to RM39.7 billion from RM56.8 billion in 2008. Major exports, other than E&E, to the USA that recorded a decrease were rubber products (–5.1% to RM2.8 billion), optical and scientific equipment (–24.7% to RM2.5 billion), palm oil (–40.6% to RM2.3 billion) and wood products (–7.4% to RM2.3 billion).

The USA continued to be the largest source of imports for Malaysia. Imports from the USA declined 13.4% in 2009 to RM48.6 billion, compared with RM56.1 billion in 2008. The USA was Malaysia's third largest source of imports after the PRC and Japan, with a share of 11.2% of Malaysia's total imports. Imports from the USA comprised mainly E&E products, accounting for 52.1% of Malaysia's imports. Machinery, appliances and parts was next with 11.4% share with a value of RM5.6 billion followed by chemicals and chemical products (7.6%, RM3.7 billion), transport equipment (6.1%, RM3 billion), as well as optical and scientific equipment (5.9%, RM2.9 billion).

The European Union

Malaysia's total trade with the EU, which was Malaysia's fourth largest regional trading partner, amounted to RM110.7 billion in 2009, a decrease of 18.8% from RM136.4 billion in 2008. The region accounted for 11.2% of Malaysia's total trade in 2009. Malaysia's top five trading partners within the EU were Germany, accounting for 30%, followed by the Netherlands (19.8%), the United Kingdom (UK) (11.8%), France (11.3%) and Italy (6.5%).

Exports to the EU in 2009 decreased by 19.8% to RM60 billion from RM74.8 billion in 2008. Malaysia's exports to most EU Member Countries decreased except to the Czech Republic, Luxembourg and Slovakia. These countries recorded an increase in imports from Malaysia of 26.1%, 93.9% and 24.5% respectively.

Malaysia's exports to major economies within the EU in 2009 recorded a decline. Exports to the Netherlands, Malaysia's largest export destination in the EU, declined by 21.4% to RM18.4 billion. Other major export destinations within the EU that registered a decrease were Germany (–3.4% to RM14.8 billion), the UK (–25.1% to RM7.1 billion), France (–14.3% to RM5.4 billion) and Italy (–9.4% to RM2.8 billion).

The lower exports to the EU in 2009 were primarily attributed to the decline in exports of manufactured goods which decreased by 17.3% to RM52.3 billion. The five major components of manufactured goods which contributed to Malaysia's total exports to the EU were E&E, chemicals and chemical products, rubber products, optical and scientific equipment, as well as machinery, appliances and parts. Collectively these products accounted for 70.5% of Malaysia's total exports to the EU in 2009.

Malaysia's total imports from the EU declined by 17.6% to RM50.8 billion from RM61.7 billion in 2008. Malaysia's top five major import sources from the EU were Germany, with imports valued at RM18.4 billion, France (RM7.1 billion), the UK (RM6 billion), Italy (RM4.4 billion) and Netherlands (RM3.5 billion).

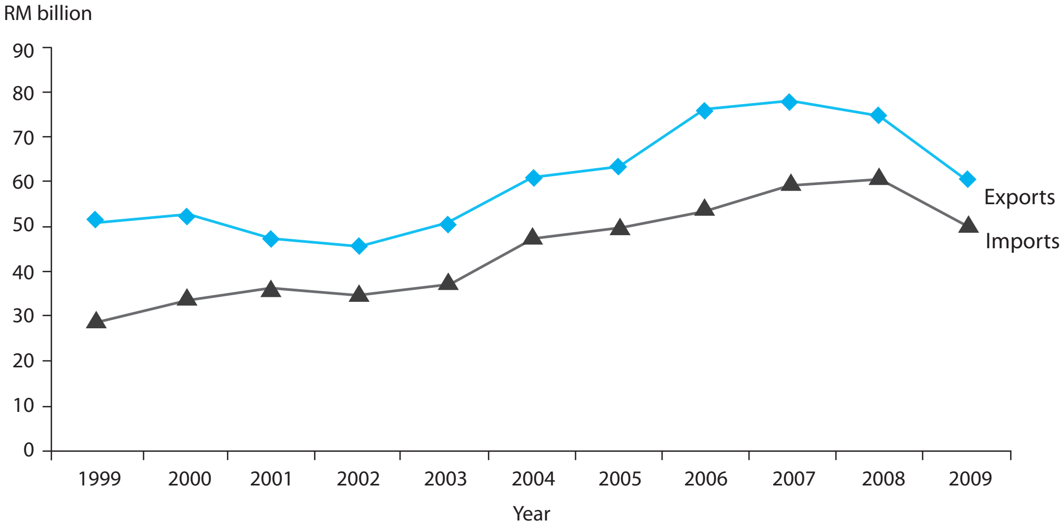
Malaysia's leading import from the EU was E&E products, valued at RM17.6 billion and accounting for 34.7% of the country's total imports from the region. Second in importance in terms of value was machinery, appliances and parts, RM8.6 billion or 17% of total imports, followed by chemicals and chemical products (RM6.5 billion or 12.9%), transport equipment (RM5.3 billion or 10.4%) as well as iron and steel products (RM2.3 billion or 4.6%).

Table 2.10: Malaysia's Trade with the European Union

Country	2008			2009						
	Total Trade	Exports	Imports	Total Trade	Exports			Imports		
	RM million	RM million	RM million	RM million	RM million	Share (%)	Change (%)	RM million	Share (%)	Change (%)
EU 27	**136,416.1**	**74,804.7**	**61,611.4**	**110,728.8**	**59,968.0**	**100.0**	**-19.8**	**50,760.8**	**100.0**	**-17.6**
Germany	37,800.7	15,346.8	24,453.9	33,247.1	14,830.1	24.7	-3.4	18,416.9	36.3	-18.0
Netherlands	27,121.4	23,439.1	3,682.3	21,940.6	18,420.6	30.7	-21.4	3,520.0	6.9	-4.4
United Kingdom	17,078.6	9,455.1	7,623.5	13,080.9	7,082.4	11.8	-25.1	5,998.5	11.8	-21.3
France	13,910.4	6,360.2	7,550.2	12,508.5	5,449.9	9.1	-14.3	7,058.7	13.9	-6.5
Italy	7,898.5	3,115.3	4,783.2	7,229.0	2,821.4	4.7	-9.5	4,407.6	8.7	-7.9
Ireland	6,368.6	1,373.4	4,995.2	4,368.9	914.7	1.5	-33.4	3,454.2	6.8	-30.9
Belgium	4,187.9	2,338.5	1,849.3	3,169.9	1,606.5	2.7	-31.3	1,563.4	3.1	-15.5
Sweden	3,564.5	1,315.7	2,248.9	2,664.8	819.7	1.4	-37.7	1,845.1	3.6	-18.0
Spain	4,370.3	3,143.6	1,226.7	2,439.4	1,571.7	2.6	-50.0	867.6	1.7	-29.3
Finland	2,557.9	1,628.8	929.1	2,164.6	1,571.1	2.6	-3.5	593.5	1.2	-36.1
Austria	1,990.7	422.1	1,568.7	1,480.1	247.2	0.4	-41.5	1,233.0	2.4	-21.4
Denmark	1,452.6	892.8	559.8	1,133.6	566.9	1.0	-36.5	566.7	1.1	1.2
Poland	1,392.8	1,183.9	208.9	1,015.5	807.7	1.4	-31.8	207.8	0.4	-1.0
Hungary	1,816.1	1,593.7	222.4	818.6	635.8	1.1	-60.1	182.8	0.4	-17.8
Czech Republic	712.9	493.7	219.2	808.5	622.6	1.0	26.1	186.0	0.4	-15.2
Greece	670.9	634.2	36.8	492.2	450.0	0.8	-29.0	42.3	0.1	14.9
Portugal	1,387.4	571.0	816.4	485.7	412.9	0.7	-27.7	72.8	0.1	-91.1
Slovakia	359.8	322.6	37.1	461.1	401.8	0.7	24.5	59.3	0.1	9.8
Malta	412.8	152.8	260.0	317.9	92.5	0.2	-39.5	225.4	0.4	-13.3
Romania	288.5	210.9	77.6	219.5	175.8	0.3	-16.6	43.7	0.1	-43.7
Bulgaria	245.9	189.9	56.0	144.9	98.0	0.2	-48.4	46.8	0.1	-16.4
Lithuania	170.9	87.1	83.7	107.6	42.3	0.1	-51.5	65.3	0.1	-22.0
Latvia	117.6	112.0	5.5	97.5	90.9	0.2	-18.9	6.6	0.0	18.6
Slovenia	126.3	83.4	42.9	92.6	54.8	0.1	-34.3	37.9	0.1	-11.9
Luxembourg	66.1	33.7	32.3	88.7	65.4	0.1	93.9	23.3	0.1	-27.8
Cyprus	109.8	96.6	13.2	77.5	59.3	0.1	-38.7	18.3	0.0	38.3
Estonia	236.5	207.8	28.4	73.6	56.2	0.1	-73.0	17.4	0.0	-38.8

Compiled by MATRADE

Chart 2.4 Malaysia's Trade with European Union (EU27), 1999-2009



Compiled by MATRADE

TRADE MEASURES INTRODUCED BY MALAYSIA'S TRADING PARTNERS

The United States of America

The US Food and Drug Administration Taking a New Approach to Safety of Imported Foods and Drugs

The US Food and Drug Administration (FDA) has implemented a new approach to ensure the safety of food and drug products imported into the USA. The FDA is now placing emphasis on greater checking along the production chain instead of relying on product inspection at entry point. The Agency needs comprehensive information on the producer of foods and drugs as well as location, production facilities and other vital information. Manufacturers will be made accountable for product content and standards.

The FDA acknowledges that it is impossible to ensure safety of food and drug products through inspection at the border, considering that an estimated 20 million shipments of FDA-regulated imports will enter the USA in 2010, but less than 1% is likely to be examined by FDA inspectors, due to the lack of resources. The Agency will conduct inspections at foreign manufacturing facilities in collaboration with the foreign trading partners. The new approach seeks to address product safety by preventing problems at every point along the global supply chain. The FDA in this regard has identified three main measures.

The first measure is to implement better controls at the point of production whereby FDA will work closely with foreign regulators, manufacturers and suppliers. The Agency currently has offices in Chile, Costa Rica, India, Mexico, Jordan and the PRC. FDA offices in these countries will help the producing country to establish the necessary regulations to support safe products, not only for export to the USA, but also for their own domestic markets as well as exports to other countries. The FDA also has more than 30 agreements with foreign counterparts to share inspection reports and other non-public information.

The second measure is holding importers responsible for the supply chains. The Agency will work with U.S. importers to ensure that safety, quality and compliance with international and U.S. standards are built into every component of the supply chain. The FDA will work with industry leaders to set standards that can be adopted by all industries.

The third measure is the commencement of Predictive Risk-Based Evaluation for Dynamic Import Compliance Targeting (PREDICT) System that replaces its current Operational and

Administrative System for Import Support (OASIS). The new web-based risk assessment tool will enable FDA to target higher-risk shipments for examination and expedite the clearance of lower-risk cargo.

Malaysian food and drug manufacturers must be aware that there are increasingly stringent import regulations being imposed by the FDA. The importers in the USA are held responsible for what they import and they expect manufacturers to work in partnership with them throughout the product supply chain. There are basic rules that many manufacturers still do not comply with, such as food labelling regulations that require products to have nutrition facts, weight measurement and language that are acceptable to the USFDA.

Indonesia

Indonesia to Allow More Foreign Equity Ownership in Five Services Sub-sectors

The government of Indonesia has announced liberalisation of five services sub-sectors to foreign investments namely education, telecommunications, courier services and logistics, creative industries and health care.

The Indonesian Investment Coordinating Board (BKPM) is now finalising the details to allow foreign investors to have more equity ownership of their businesses. The BKPM under this liberalisation will permit foreign investors to take increased ownership stakes in their company. The changes in foreign equity ownership include:

- foreign companies are allowed to take a maximum of 67% stake in hospitals and other healthcare facilities throughout Indonesia, which was previously only allowed in Medan and Surabaya;
- foreign investors will be allowed to operate private schools and offer educational services;
- foreign owners will be allowed to hold up to a 49% stake in film and logistics industries; and
- BKPM is to consider whether foreigners should be allowed to buy cellular telecommunication towers and other infrastructure related to telecommunication.

The education and telecommunication sub-sectors have been identified as among the most lucrative businesses in Indonesia. Investment potentials are seen as high in areas such as setting up of private schools and tertiary education or as a mobile service provider. The demand for services in these sub-sectors is growing due to the increasing number of middle-income families looking for good education for their children as well as the rapidly expanding mobile telephone market.

Italy

Made in Italy Labelling - Protection against Counterfeiting of Fashion Goods

Italy's Parliament, in 10 December 2009, approved the Law Reguzzoni-Versace-Calearo which sets the rules for anti-counterfeit protection for shoes, clothes and bags made in Italy.

The rule makes it mandatory for labelling of finished and intermediate products in the textile, leather and footwear sectors, including the location for each stage of processing in order to ensure traceability of the products. The use of the "Made in Italy" labelling will be allowed only for finished goods for which at least two processing phases have taken place within Italy.

The Law states that labelling of finished and intermediate products must provide clear and concise information on the compliance of specific processes with the relevant rules relating to:

- employment, certification of hygiene and product safety;
- non-involvement of children in the production process;
- enforcement of European legislation; and
- compliance with international environmental agreements.

The rule aims to protect small and medium enterprises and consumers and is in line with the principle of product traceability. The rule however is not applicable to large Italian fashion houses that produce their products abroad.

Italian Customs will carefully monitor entry of imported goods. Improper use of labelling may cause the seizure of cargoes. Malaysian manufacturers producing for Italian companies should take heed of the new rules and compliance with use of the "Made in Italy" label in collaboration with their partners.

OUTLOOK

Global Economy

Malaysia's external trade in 2010 is expected to sustain its momentum in line with the recovery of the global economy. Exports are expected to grow between 6% and 7%, double the earlier forecast, as demand improves in tandem with the global economic recovery. Growth rates in major economies such as the USA, Europe and Japan are expected to recover at moderate levels. Global trade, according to the World Trade Organisation (WTO), is expected to grow by 4.5% in 2010.

The high GDP growth rates projected for the PRC and India in 2010 by WTO, at 9% and 6.4% respectively, are expected to contribute towards the continued recovery of Malaysia's exports as these two destinations are major markets for the country's products. Emerging markets such as Iran, Mexico, Pakistan, Russia and the UAE are also expected to contribute to Malaysia's exports in 2010. Emerging regional export markets comprising South Asia, West Asia and Africa are expected to increase their demand for Malaysia's exports of E&E products, chemicals and chemical products, jewellery and processed foods in 2010.

ASEAN accounts for more than one quarter of Malaysia's exports. The ability of ASEAN to sustain a GDP growth of 4% in 2010 would be a significant factor for the expansion of Malaysia's exports.

The outlook for the Middle East has improved recently in line with improvement in global financial conditions, and a rebound of oil prices has restored the pace of economic activities. Opportunities in the Gulf Cooperation Council (GCC) markets such as the UAE, Kuwait, Qatar and Saudi Arabia will help to sustain the recovery of Malaysia's exports in 2010.

The largest contributor to manufactured exports in 2010 will continue to be E&E products. The demand for semiconductor devices and integrated circuits (ICs) among E&E exports will continue to be on an upward trend based on the Semiconductor Industry Association (SIA) forecast that global semiconductors sales will grow by 10.2%. A semiconductor market research company, IC Insights, predicts that the ICs industry is expected to grow and, as such, will push up average selling price by 9% to 10% in 2010. The Malaysian American Electronics Industry (MAEI) expects turnaround in the global E&E industry by 2010 with demand picking up in personal computers, disc storage systems and mobile phones. The growth in demand for E&E products augurs well for Malaysia's exports as this sub-sector accounts for more than 40% of our total exports.

Malaysia is expected to retain its position as a leading supplier of oils and fats. Malaysia's export earnings from palm oil are forecast to remain buoyant due to continued rise in global prices for the product.

Box Article 2.1 – *The Rising Importance of Emerging Markets*

The global downturn in 2009 had impacted on the economies of the developed countries such as the USA and Europe. Developing countries including Malaysia were not spared from the impact. Imports from the emerging markets such as the BRIC countries (Brazil, Russia, India and the PRC), several Southeast Asian countries, Eastern Europe, and parts of Africa and Latin America however remained generally positive. Malaysia's export performance in the last decade indicated that exports to emerging markets expanded to RM203 billion in 2009 from RM67.5 billion in 2000. Their share in Malaysia's total exports during this period increased from 18.1% to 36.7% in 2009.

Emerging economies constitute about 80% of the world's population and contribute more than 20% to the global economy. The emerging markets with strong economic growth and rising disposable income are seen to have increased their demand for goods and services from Malaysia. Many of these markets are themselves opening up their economies through trade liberalisation and are undergoing rapid industrialisation in an effort to increase the competitiveness of their manufacturing sector. There are opportunities for Malaysia not only to supply finished goods but also intermediate goods and inputs to sustain these efforts in the respective countries. Most of the emerging markets moreover are also beneficiaries of sizeable inflows of foreign investments in the manufacturing or services sectors. Investments in infrastructural facilities are also seen to increase opportunities for Malaysia's fast growing services industry.

The People's Republic of China

The PRC in the last decade continued to open up its economy to Malaysia's exports. Total trade between the two countries increased at a compounded average annual rate of 21.7%. The PRC moved up to become Malaysia's second largest export destination in 2009 compared with 10th position in 2000. Exports to the PRC accounted for 12.2 % of Malaysia's total exports in 2009 compared with 3.1% in 2000.

The PRC has evolved to become a major global manufacturing hub assisted by large inflows of foreign capital and intense industrialisation. Malaysia has, as a result of this development, become an important import source for the PRC particularly for intermediate goods and primary commodities. Malaysia has emerged as the PRC's largest import source among the ASEAN Member States.

The strong linkages between multinational corporations (MNCs) investing in the PRC and in Malaysia have also partly contributed to the strong two-way flow of trade in E&E products. E&E products to the PRC in 2009 constituted 54.8% and 54.4% respectively of Malaysia's total imports from and exports to the PRC in 2009.

Higher income levels and changing lifestyle in the PRC have in addition contributed to rising demand for consumer goods. There is currently strong demand for imported products and foreign brands, and for consumer goods such as fashion goods jewellery and furniture.

The PRC is not only seen as a market for Malaysia's products but it is also a potential market for Malaysia's services. Malaysian companies such as Parkson, England Optical and Nelson have made inroads into the PRC. Education, port construction and management, infrastructure development and water treatment are other services that Malaysian companies have supplied to the PRC.

The implementation of the ACFTA (Trade in Goods) on 1 January 2010 will mark a significant chapter in the bilateral trade relations between Malaysia and the PRC, as 9,000 products will enjoy duty free treatment while the tariffs on other products are being reviewed to be in this category. The Early Harvest Programme implemented since 2004 has facilitated market access for Malaysia's major exports to the PRC, particularly for E&E products, palm oil, chemicals and chemical products as well as crude rubber and rubber products.

India

India has emerged as one of the world's fastest growing economies over the past decade. The success has been attributed to the Government of India's liberalisation of the economy, increased market competition and improvement in the socio-economic environment.

India's growth, according to the Asian Development Bank Outlook 2009, averaged 6% to 7% over the past decade. Growth rate during the period of 2008-09 was around 6.7% despite the global economic downturn.

Foreign direct investments (FDI) to India has been growing at a very rapid rate over the years. According to a recent study by the United Nations Conference on Trade & Development (UNCTAD), this rate is the highest across countries. The equity market in India has emerged as the third biggest after the PRC and Hong Kong SAR in the emerging Asian region, with a market capitalisation of nearly RM1.9 trillion.

The availability of skilled workforce and low cost of production have made India attractive for investment in sub-sectors such as information technology, business process outsourcing, telecommunications, pharmaceuticals and biotechnology. The rapid economic development of India has also opened up opportunities in infrastructure development, real estate, transport and logistics.

Malaysia's exports to India over the past decade have been growing at a steady pace, expanding to RM17 billion in 2009 from RM7.3 billion in 2000. The composition of Malaysia's exports over these ten years has shifted from mainly commodity-driven to a mixture of manufactured exports and commodities. Crude petroleum was Malaysia's largest export item to India in 2009 with a value of RM4.3 billion, contributing 25.1% of total exports, followed by E&E products (16.9% or RM2.9 billion) and palm oil products (15.3% or RM2.6 billion). The shift in the profile of exports from commodity dominant to a mixed composition was in part due to the fast industrialisation in India. The growing middle income population of 300 million people with a household income of over RM19,980 in 2010 also contributed to rising consumerism.

Malaysian companies have gained a strong foothold in the services sector especially in infrastructure and construction, telecommunications and property development. The strong bond between the two countries has resulted in Malaysian companies being engaged in other sectors such as airport management, transportation and power generation. Malaysian companies in the construction sector have completed 52 projects worth RM7.8 billion.

The ASEAN-India Trade in Goods Agreement which came into force on 1 January 2010 had opened up new trade opportunities in goods for both countries as tariffs on products that account for more than 70% of goods traded will be gradually eliminated.

The Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) will place Malaysia and India on a new level of trade relations. The MICECA negotiations are expected to be concluded towards the end of 2010.

West Asia

The West Asian region comprises fifteen countries including the UAE, Saudi Arabia, Iran, Iraq, Qatar, Bahrain, Kuwait and Jordan.

The September 11 incident in 2001 as well as the unexpected rise of crude oil prices in recent years have dramatically changed the economic landscape of the West Asian region. The aftermath of September 11 has gradually shifted the sourcing and investment trend in West Asia. Repatriation of capital from the major financial centres has resulted in ample liquidity for possible investments in the region.

Rising crude oil prices which started in 2004 have further accelerated the economic boom in the region. The large surpluses of revenue from the increase in oil prices have provided the oil producing countries resources to take a more active role in the economic development. The six Gulf Cooperation Council (GCC) countries and Iran especially benefitted from this development. Several major economic development projects were implemented within the region in recent years in areas such as infrastructure, real estate, finance, tourism, energy and industry.

Investments in the projects were from both the public and private sectors.

Rapid economic growth in the Gulf countries pushed up demand and provided opportunities for Malaysian exporters of goods and services to supply to these countries. Finished goods ranging from building materials, furniture and home electrical products to processed foods were highly sought by Gulf importers. Malaysia's exports to the region rose to RM23.1 billion in 2009 from RM7.3 billion in 2000. Malaysian service providers were also given the opportunity to undertake various construction projects in the region involving also architectural services, project management, structural work and facilities management.

The UAE for the past ten years has assumed a leading role in the economic development of the region. The UAE is Malaysia's primary trading partner in West Asia. Total trade with the UAE grew to RM16.1 billion in 2009 from RM4.4 billion in 2000. Despite being a small country with a population of less than 5 million, the UAE accounted for more than 40% of Malaysia's exports to the region. The large percentage share was mainly due to the role of Dubai being the regional trade and distribution hub not only for West Asia but also for Northern Africa and Central Asia.

Malaysia's total exports to Saudi Arabia has increased to RM2.9 billion in 2009. Saudi Arabia, taking into consideration the economic growth in the region, has also embarked on multiple economic development projects with a double-pronged approach to develop its non-oil sector and at the same time to improve the living standard of its citizens. Large surpluses from the increase in oil prices have resulted in higher public spending by the government, which has increased demand for foreign products and services that could not be met by domestic suppliers.

Russia

Malaysia's bilateral trade with Russia reached RM2.8 billion in 2009. Russia remained Malaysia's largest trading partner within the Eastern Europe region, accounting for 51.9% of Malaysia's total trade in the region in 2009.

Russia is the 33rd largest export destination for Malaysia, improving from the rank of 48 in 2000. Malaysia's exports to Russia in the last 10 years increased to RM1.9 billion in 2009 from RM282 million in 2000 which is almost a five-fold increase. Major exports to Russia included palm oil, E&E products, processed food, plastic and rubber products which collectively accounted for 82% of Malaysia's total exports to Russia in 2009.

Latin America

Countries in Latin America have undertaken reforms to liberalise their economies in recent years, and this has provided enhanced market access for Malaysian exports to this region. Mexico for example has reduced its average Most Favoured Nation (MFN) tariffs from 16.5% to around 11% over the past decade. Brazil similarly has also undertaken liberalisation measures, including reducing its highest duty rates from 55% to 35%.

Malaysia's exports to Latin America over the past decade grew at a faster rate than Malaysia's overall exports globally, reflecting the growing importance of this region. Malaysia's exports to Latin America grew to RM9.1 billion in 2009 from RM5.6 billion in 2000.

Manufactured products comprised 89.2% of Malaysia's exports to Latin America. The top three products exported to Latin America were E&E products, rubber products, textiles and clothing.

Mexico is Malaysia's largest export market in Latin America accounting for 47.1% of total exports in 2009, followed by Brazil with 24.4%. Malaysia's other significant export markets in Latin America in 2009 were Argentina, Panama, Colombia, Chile and Peru.

Latin American countries were also affected by the global economic crisis, with many experiencing negative growth rates in 2009. Most of the major Latin American economies are expected to recover with projected 2010 growth rates of between 3 to 5%.

CHAPTER 3 INVESTMENTS

OVERVIEW

Malaysia continued to attract investments in the manufacturing and services sectors in 2009 despite the global economic crisis. A total of 766 projects were approved in the manufacturing sector with investments amounting to RM32.6 billion while a total of 2,730 projects were approved in the services sector valued at RM38.7 billion. The approved investments in the manufacturing sector exceeded the annual target of RM27.5 billion under the Third Industrial Master Plan (IMP3).

There were several new measures and initiatives that were introduced in 2009 to improve the business environment and mitigate the effects of the global economic crisis. These measures include the Second Stimulus Package amounting to RM60 billion, incentives under the Budget, liberalisation of the services sector, deregulation of the Foreign Investment Committee (FIC) guidelines, initiatives to facilitate business by a Special Government and Private Sector Task Force to Facilitate Business (PEMUDAH), a review of the Investment Guarantee Agreements (IGAs) policy and hosting of international events for the promotion of business.

POLICY INITIATIVES TO ENHANCE INVESTMENTS

The Government introduced various measures throughout 2009 in its efforts to encourage investments, reduce cost of doing business and promote economic growth through:

Second Stimulus Package

The Second Stimulus Package was announced in March 2009 amounting to RM60 billion. The Stimulus Package aims to cushion the impact of the global economic crisis and to promote investments and business. There were six measures among others announced and these were:

- setting up of an Industry Restructuring Guarantee Fund Scheme totalling RM5 billion for loans to increase productivity, value-added activities and the application of green technology;
- establishment of a RM2 billion Facilitation Fund to assist the implementation of projects through private finance initiative and public-private partnerships;
- an allocation of RM700 million to provide training opportunities and job placements for 100,000 workers to be undertaken in collaboration with the private sector to enhance skills to meet industry requirements and employability;
- allocation of RM200 million for grants, soft loans and promotion activities under the Automotive Development Fund (ADF);
- exemption of levy payments to the Human Resource Development Fund (HRDF) for a period of six months for the textiles as well as electrical and electronics (E&E) industries with effect from 1 February 2009; and
- reduction in the rate of levy payments to the HRDF for all industries from 1% to 0.5% for a period of two years effective 1 April 2009.

2010 Budget

The 2010 Budget, announced in August 2009 introduced several new incentives including:

- tax exemption for a period of five years for the construction of new hospitals or for expansion, modernisation or refurbishment of existing hospitals; and
- double deduction of tax exemption for expenses incurred by private hospitals to obtain domestic

or internationally recognised accreditation and single deduction for expenses incurred in registration for patents and trademarks.

Several other incentives were also introduced to promote human capital development, enhance infrastructure and to promote research & development (R&D) and green technology.

Policy Announcements

The Government announced several policies in 2009 to enhance the competitive environment of conducting business in Malaysia and to attract more investors into the country. The policy announcements include:

- liberalisation of 27 services sub-sectors in April 2009, in the areas related to health and social services, tourism, business, sporting activities, Class C freight transportation rental of ships and leasing of vessels without operators, vessel salvage and refloating, and computer related services.
- deregulation of FIC guidelines in June 2009, where the following transactions no longer require the approval of the FIC:
  - acquisition of interests, mergers, and takeovers by local/foreign interests;
  - direct acquisition of properties by local/foreign interests except acquisition of properties which result in dilution (transfer) of Bumiputera interests (equity) and/or Government agency, valued at more than RM20 million; and
  - acquisition of properties indirectly by non-*Bumiputera* interests through acquisition of shares which does not change control of *Bumiputera* interests and/or the Government agency.

PEMUDAH

PEMUDAH was established in 2007 as a private-public sector partnership. There were several initiatives undertaken by PEMUDAH in 2009. These include:

- implementation of the first phase of the Business Licensing Electronic Services System (BLESS) in June 2009, a virtual one-stop service centre that enables companies to obtain business licences efficiently and in an organised manner. The implementation of this phase is confined to the Klang Valley and caters to the needs of the manufacturing, construction and hotel services sub-sectors, involving 77 approvals, 63 permits and 27 licences respectively. Nationwide roll-out for the implementation of these services is targeted for 2012;
- introduction of a single corporate identity number (MyCoID) in July 2009, which is a standard identification number for a business entity to be used in its interaction with Government agencies from July 2009 onwards;
- establishment of a task force to deliberate on foreign workers issues in July 2009, which provides input to the Cabinet Committee chaired by the Deputy Prime Minister;
- launching of the New Commercial Courts (NCC) in Kuala Lumpur in September 2009, which would decide on commercial cases except for those involved in intellectual property and *Muamalat* issues, in 270 days from an average resolution time of 600 days previously; and
- publication of the second edition of the Guidebook on Registering Property in November 2009 to facilitate the registration process for strata titles and leasehold properties.

Approval of High Impact Projects

The approval of high impact projects which was previously undertaken by the Cabinet Committee on Investments (CCI) have now come under the purview of the National Economic Council (NEC) chaired by the Prime Minister effective April 2009. Since the establishment of CCI, a total of 34 projects were approved with investments totalling RM152.9 billion as of December 2009. The highest number of approved investments were in the logistics sector (10 projects), petrochemicals sector (five) and basic metal products sector (five) with total investments amounting to RM121 billion. There were 13 projects approved for R&D and training grants totalling RM1.5 billion.

INVESTMENT AGREEMENTS

A policy review on Investment Guarantee Agreements (IGAs) was undertaken in 2009. The objectives of the review include:

- adopting an approach in protecting, promoting and facilitating investments;
- having higher quality international investment agreements with the enhancement of the protection elements in the IGA;
- increasing potential foreign direct investments (FDIs) due to the enhancement of protection elements in the IGA; and
- enhancing transparency on rights and obligations of the Contracting Parties and investors .

Malaysia concluded and signed the IGA with Syria in January 2009 and also reviewed several IGAs with Finland, France, the Czech Republic, Russia and Ukraine. Malaysia was also a party to the ASEAN Comprehensive Investment Agreement, signed on 26 February 2009.

Several Free Trade Agreements with obligation on investments were concluded and signed in 2009:

- ASEAN – Australia – New Zealand Free Trade Agreement, signed on 27 February 2009; and
- ASEAN – Korea Free Trade Agreement, signed on 2 June 2009;
- ASEAN – China Free Trade Agreement, signed on 15 August 2009; and
- Malaysia – New Zealand Free Trade Agreement, signed on 26 October 2009.

INVESTMENTS IN THE MANUFACTURING SECTOR

A total of 766 manufacturing projects were approved involving investments of RM32.6 billion in 2009, compared with 919 projects with investments of RM62.8 billion in 2008. Foreign investments accounted for 67.8% (RM22.1 billion) of total investments while domestic investments were 32.2% (RM10.5 billion).

New Projects

A total of 471 new projects with investments of RM22.1 billion were approved in 2009. This accounted for 67.8% of the total investments approved. Investments in new projects were concentrated in chemicals and chemical products (RM7.4 billion), non-metallic mineral products (RM5.6 billion), E&E products (RM1.6 billion), petroleum products including petrochemicals (RM1.2 billion) and fabricated metal products (RM996 million).

Expansion/Diversification Projects

Existing companies continued to expand and diversify their operations. A total of 295 projects approved (38.5%) were for expansion/diversification, involving investments of RM10.6 billion or 32.5% of total investments. Foreign investments accounted for RM5.7 billion (54.3%), while domestic investments totalled RM4.8 billion (45.7%).

Table 3.1: Approved Manufacturing Projects

Description	Total		New		Expansion/Diversification	
	2008	2009	2008	2009	2008	2009
Number of Projects	919	766	548	471	371	295
Potential Employment (persons)	101,173	64,330	58,518	39,706	42,655	24,624
	RM million					
Total Proposed Capital Investment	62,785.0	32,636.8	41,992.0	22,051.4	20,793.0	10,585.4
- Domestic	16,686.2	10,492.1	7,769.4	5,654.9	8,916.8	4,837.2
- Foreign	46,098.8	22,144.7	34,222.6	16,396.5	11,876.2	5,748.2

Source: Malaysian Industrial Development Authority

Table 3.2: Approved New and Expansion/Diversification Manufacturing Projects by Industry, 2008 and 2009

Industry	2008						2009					
	Total		New		Exp./Div.		Total		New		Exp./Div.	
	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)
TOTAL	**919**	**62,785.0**	**548**	**41,992.0**	**371**	**20,793.0**	**766**	**32,636.8**	**471**	**22,051.4**	**295**	**10,585.4**
Chemicals & Chemical Products	70	2,656.5	35	1,302.4	35	1,354.1	77	8,379.6	41	7,391.5	36	988.1
Non-Metallic Mineral Products	28	1,268.5	13	189.3	15	1,079.2	27	6,415.0	19	5,607.7	8	807.3
Electrical & Electronics Products	132	17,772.9	47	10,445.4	85	7,327.5	115	4,745.9	57	1,629.3	58	3,116.6
Basic Metal Products	53	25,768.2	31	21,000.6	22	4,767.6	30	2,587.1	18	595.8	12	1,991.3
Food Manufacturing	87	2,781.5	45	1,327.7	42	1,453.8	69	1,971.8	48	891.9	21	1,079.9
Transport Equipment	73	2,890.0	48	1,554.5	25	1,335.5	54	1,405.9	25	551.9	29	854.0
Fabricated Metal Products	105	1,073.4	82	889.0	23	184.4	99	1,370.0	66	995.6	33	374.4
Machinery & Equipment	93	1,257.6	68	919.5	25	338.1	95	1,239.9	72	902.0	23	337.9
Petroleum Products (including Petrochemicals)	16	2,749.5	8	1,326.2	8	1,423.3	8	1,179.2	4	1,165.9	4	13.3
Plastic Products	60	635.8	37	460.0	23	175.8	42	770.8	22	624.0	20	146.8
Scientific & Measuring Equipment	18	520.1	11	377.9	7	142.2	19	515.0	10	304.0	9	211.0
Paper, Printing & Publishing	26	910.5	20	872.2	6	38.3	20	502.4	12	201.1	8	301.3
Beverages & Tobacco	3	87.8	1	3.4	2	84.4	3	393.2	2	389.2	1	4.0
Textiles & Textile Products	18	408.3	8	171.0	10	237.3	9	333.6	9	333.6	-	-
Wood & Wood Products	37	930.2	21	541.6	16	388.6	31	318.7	22	158.1	9	160.6
Rubber Products	37	721.9	23	307.4	14	414.5	22	220.3	9	107.1	13	113.2
Furniture & Fixtures	45	215.7	37	199.0	8	16.7	31	174.6	26	122.5	5	52.1
Leather & Leather Products	nil	nil	nil	nil	nil	nil	nil	13.3	nil	nil	2	13.3
Miscellaneous	18	136.6	13	104.9	5	31.7	13	100.5	9	80.2	4	20.3

Source: Malaysian Industrial Development Authority

Table 3.3: Approved Manufacturing Projects by Industry, 2008 and 2009

Industry	2008					2009				
	Total Capital Investment (RM million)	Foreign Investment (RM million)	Domestic Investment (RM million)	Number of Projects	Employment	Total Capital Investment (RM million)	Foreign Investment (RM million)	Domestic Investment (RM million)	Number of Projects	Employment
TOTAL	**62,785.0**	**46,098.8**	**16,686.2**	**919**	**101,173**	**32,636.8**	**22,144.7**	**10,492.1**	**766**	**64,330**
Chemical & Chemical Products	2,656.5	1,221.1	1,435.4	70	2,864	8,379.6	7,037.7	1,341.9	77	3,981
Non-Metallic Mineral Products	1,268.5	521.7	746.8	28	1,150	6,415.0	5,316.0	1,099.0	27	2,860
Electrical & Electronics Products	17,772.9	17,332.1	440.8	132	34,196	4,745.9	3,975.9	770.0	115	16,757
Basic Metal Products	25,768.1	20,446.6	5,321.5	53	8,289	2,587.1	435.3	2,151.8	30	3,784
Food Manufacturing	2,781.4	1,070.2	1,711.2	87	6,029	1,971.8	934.2	1,037.6	69	5,512
Transport Equipment	2,890.0	853.1	2,036.9	73	7,732	1,405.9	541.0	864.9	54	4,563
Fabricated Metal Products	1,073.4	554.6	518.8	105	5,397	1,370.0	775.0	595.0	99	5,873
Machinery & Equipment	1,257.5	519.3	738.2	93	5,377	1,239.9	637.2	602.7	95	5,613
Petroleum Products (incl. Petrochemicals)	2,749.6	1,246.6	1,503.0	16	487	1,179.2	460.1	719.1	8	174
Plastic Products	635.8	211.4	424.4	60	5,687	770.8	549.8	221.0	42	2,190
Scientific & Measuring Equipment	520.0	378.9	141.1	18	2,056	515.0	312.9	202.1	19	1,541
Paper, Printing & Publishing	910.5	480.3	430.2	26	2,237	502.3	315.9	186.4	20	1,253
Beverages & Tobacco	87.8	60.2	27.6	3	164	393.2	315.0	78.2	3	847
Textiles & Textile Products	408.4	303.0	105.4	18	3,090	333.6	225.3	108.3	9	1,345
Wood & Wood Products	930.2	496.6	433.6	37	5,052	318.7	96.8	221.9	31	2,375
Rubber Products	722.0	314.6	407.4	37	5,790	220.3	127.9	92.4	22	2,064
Furniture & Fixtures	215.7	17.8	197.9	45	4,605	174.6	42.1	132.5	31	2,696
Leather & Leather Products	nil	nil	nil	nil	nil	13.3	nil	13.3	2	130
Miscellaneous	136.7	70.7	66.0	18	971	100.6	46.6	54.0	13	772

Source: Malaysian Industrial Development Authority

Projects Approved by Industry

The chemicals and chemical products industry recorded the highest level of approved investments, amounting to RM8.4 billion (77 projects) in 2009. The single largest project involved an investment of RM5.5 billion to produce polycrystalline silicon, mixed acid, hydrogen, fumed silica, trichlor-silane, silicon tetrachloride and hydrofluoric acid.

The non-metallic mineral products industry registered the second largest investment, with a total of 27 projects amounting to RM6.4 billion. The approval of a new project for the manufacture of solar glass and solar mirror accounted for 81.3% (RM5.2 billion) of the investments in the non-metallic mineral products industry.

The E&E products industry ranked third with investments amounting to RM4.7 billion (115 projects). Other industries which attracted significant investments were basic metal products (RM2.6 billion or 30 projects) and food manufacturing (RM2 billion or 69 projects). The five industries accounted for RM24.1 billion or 73.9% of total investments approved in 2009.

Export-Oriented Projects

Malaysia continued to attract new or expansion/ diversification export-oriented industries into the country. The projects are expected to further increase the export earnings of the manufacturing sector. A total of 251 projects involving investments of RM8.6 billion were approved in 2009. At least 80% of products will be exported. Approved domestic investments amounted to RM1.8 billion (20.9%), while foreign investments totalled RM6.8 billion (79.1%).

The export-oriented projects were mainly in E&E products (RM3.5 billion or 57 projects), fabricated metal products (RM764.3 million or 28 projects), food manufacturing (RM693.1 million or 16 projects), machinery and equipment (RM671 million or 35 projects) and chemicals and chemical products (RM662 million or 12 projects) industries.

Capital-Intensive Projects

The capital-intensity, as measured by the Capital Investment Per Employee (CIPE) ratio of projects in 2009 reached RM507,335 compared with RM620,571 in 2008. The industries with the highest CIPE ratio were petroleum; non-metallic minerals and chemicals and chemical products. The higher CIPE ratio in the three preceding years (2006-2008) was partly due to several capital intensive projects. A total of 12 projects (RM38.3 billion) in 2008 were approved with investments of at least RM1 billion each, when compared with five projects (RM14.5 billion) in 2009.

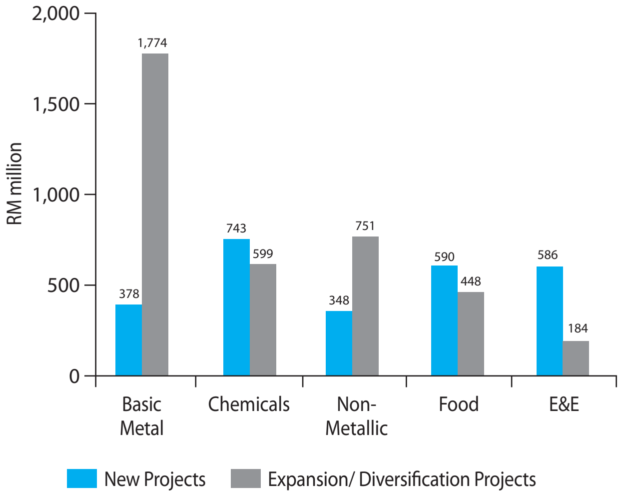
There were 50 projects approved with investments of at least RM100 million each, in 2009. Investments in these projects amounted to RM23.8 billion (73%) of total investments. The capital-intensive projects were mainly in chemicals and chemical products (RM7.3 billion) and non-metallic mineral products (RM6.1 billion), E&E (RM3.3 billion), basic metal (RM2 billion) products, petroleum including petrochemicals (RM1.1 billion) and transport equipment (RM923.4 million).

Employment Opportunities

Projects approved in 2009 were expected to create 64,330 employment opportunities, of which 21.2% will be in the managerial, technical and supervisory (MTS) categories while 43.7% was in the skilled workers category. The increase in MTS employment in 2009, compared with 18.7% in 2008, is in-line with the focus on high value-added, high technology and knowledge-intensive industries. Industries which are expected to create the largest number of employment opportunities are E&E (16,757), fabricated metal (5,873) and M&E (5,613).

The Government continued to grant approvals for expatriate posts, particularly managerial and technical posts to facilitate technology transfer and to supplement the local pool of managerial and technical skills. A total of 1,852 expatriate posts were approved in 2009, of which 356 were key posts which could be permanently filled by foreigners. The remaining 1,496 were term posts generally granted for a period of three to five years.

Chart 3.1 Domestic Investments in Projects Approved by Major Industry, 2009



Source: Malaysian Industrial Development Authority

PROJECTS APPROVED BY OWNERSHIP

Domestic Investments

The Government will continue to actively promote domestic investments. Approved domestic investments amounted to RM10.5 billion (32.2%) of the total investments in 2009, compared with RM16.7 billion in 2008. There was a decrease in domestic investments during the period, although several industries such as non-metallic minerals, E&E, fabricated metals, and scientific and measuring equipment recorded increases.

Foreign Investments

Malaysia continued to attract encouraging levels of foreign investments in the manufacturing sector, despite the slowdown in the global economic environment. Foreign investments amounted

Table 3.4: Manufacturing Projects Approved with Foreign Participation by Major Source

Country	2008		2009	
	Foreign Investment (RM million)	Number of Projects	Foreign Investment (RM million)	Number of Projects
TOTAL	**40,463.3**	**391**	**21,618.3**	**358**
Japan	5,594.9	63	7,041.4	54
Hong Kong SAR	83.6	7	5,315.7	7
USA	8,669.0	22	2,345.0	19
Singapore	2,004.3	112	1,992.5	92
Chinese Taipei	911.6	32	716.1	32
Netherlands	1,795.7	19	479.7	21
Republic of Korea	197.6	9	455.5	11
Germany	4,438.2	19	425.0	14
Luxembourg	220.7	2	396.9	3
British Virgin Islands	1,230.4	6	375.3	11
Sweden	62.9	8	352.3	12
United Kingdom	850.4	23	325.8	24
Australia	13,105.8	20	323.1	13
Norway	0.9	2	170.8	2
People's Republic of China	35.7	17	162.2	17
Iran	2.9	1	151.5	3
Denmark	123.3	7	137.6	3
Finland	-	-	123.8	1
Switzerland	873.2	8	85.9	8
Canada	0.3	1	85.9	2
India	171.0	8	82.8	8
United Arab Emirates	90.9	5	73.5	1

Source: Malaysian Industrial Development Authority

to RM22.1 billion, which accounted for 67.8% of total investments approved in 2009. New projects amounted to RM16.4 billion (74.2%) while RM5.7 billion (25.8%) investments were in expansion/diversification projects.

Foreign investments were mainly in chemicals and chemical products (RM7 billion), non-metallic minerals (RM5.3 billion), E&E (RM4 billion), food manufacturing (RM934.2 million), fabricated metal (RM775 million), machinery and equipment (M&E) (RM637.2 million) and plastic products (RM549.8 million).

Major Sources of Foreign Investments

The top five sources of foreign investments in 2009 were Japan (RM7 billion), Hong Kong SAR (RM5.3 billion), the United States of America (USA) (RM2.3 billion), Singapore (RM2 billion) and Chinese Taipei (RM716.1 million). The five countries accounted for RM17.3 billion (77%) of the total foreign investments in approved projects.

Japan

Japan was the largest source of foreign investments in 2009, with 54 approved projects involving investments of RM7 billion. Investments in new projects amounted to RM5.7 billion (12 projects), while 42 were expansion/diversification projects with investments of RM1.3 billion. The largest investment from Japan was in a new project with RM5.5 billion for the manufacture of polycrystalline silicon, mixed acid, hydrogen, fumed silica, trichlor-silane, silicon tetrachloride and hydrofluoric acid.

Hong Kong SAR

Hong Kong SAR was the second largest source of foreign investments (RM5.3 billion) with seven approved projects. Six projects with total investments of RM5.3 billion were new, while one was an expansion/diversification project. The large investment figure from Hong Kong SAR was primarily contributed by a major new project with investments amounting to RM5.2 billion for the manufacture of solar glass and solar mirror.

United States of America

The USA was the third largest source of foreign investments (RM2.3 billion) in 2009. A total of 19 projects were approved, of which 10 were expansion/diversification projects (RM2 billion), accounting for 87% of approved investments. The other nine were new projects (RM306.3 million). The high level of investments from the USA was contributed by an expansion project valued at RM1 billion for the manufacture of integrated circuits.

Singapore

Singapore was the fourth largest source of foreign investments in 2009 with investments amounting to RM2 billion (92 projects). Singapore continued to account for the highest number of approved projects, of which 42 were new (RM1.3 billion) and 50 were expansion/diversification projects (RM690 million). Investments from Singapore were mainly in E&E (RM619.1 million), petroleum products (RM454.9 million) and fabricated metal products (RM259.9 million).

Chinese Taipei

Chinese Taipei was the fifth largest source of foreign investments in 2009, with 32 approved projects, involving investments of RM716.1 million. Eleven were new projects (RM521.7 million), while 21 were expansion/diversification projects (RM194.4 million). Investments were mainly in chemicals and chemical products (RM419.6 million), scientific and measuring equipment (RM103 million), E&E (RM58.8 million), transport equipment (RM44.3 million) and food manufacturing (RM42.5 million) industries.

PROJECTS APPROVED BY LOCATION

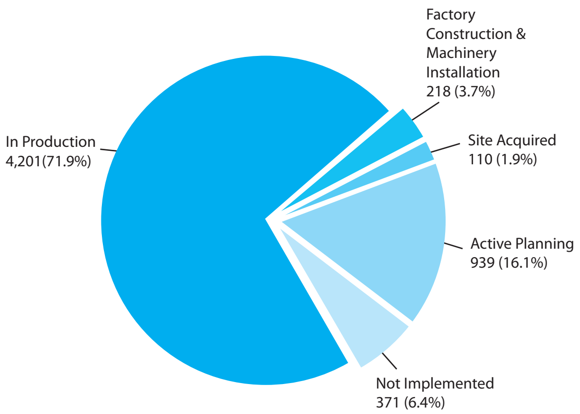
The majority of projects approved in 2009 are to be located in the states of Selangor (278), Johor (150), Pulau Pinang (104), Perak (47) and Kedah (40). The five states accounted for 80.8% of the total number of projects approved. The state of Sarawak registered the highest level of investments (RM8.5 billion), followed by Selangor (RM6.8 billion), Sabah (RM5.7 billion), Johor (RM4.1 billion) and Pulau Pinang (RM2.2 billion). The high level of investments in Sarawak was attributed to a single project with investments of RM5.5 billion for the manufacture of polycrystalline silicon, mixed acid, hydrogen, fumed silica, trichlor-silane, silicon tetrachloride and hydrofluoric acid.

Table 3.5: Manufacturing Projects Approved by State, 2008 and 2009

State	2008						2009					
	Total		New		Exp./Div.		Total		New		Exp./Div.	
	Number	Total Capital Investment (RM million)	Number	Total Capital Investment (RM million)	Number	Total Capital Investment (RM million)	Number	Total Capital Investment (RM million)	Number	Total Capital Investment (RM million)	Number	Total Capital Investment (RM million)
TOTAL	**919**	**62,785.0**	**548**	**41,992.0**	**371**	**20,793.0**	**766**	**32,636.8**	**471**	**22,051.4**	**295**	**10,585.4**
Sarawak	39	15,168.9	22	13,718.9	17	1,450.0	25	8,450.8	15	5,894.4	10	2,556.4
Selangor	301	11,840.9	201	6,323.3	100	5,517.6	278	6,759.6	182	3,181.7	96	3,577.9
Sabah	40	964.4	29	609.8	11	354.6	25	5,664.3	16	5,463.7	9	200.6
Johor	173	11,711.7	93	10,100.1	80	1,611.6	150	4,063.5	82	2,992.2	68	1,071.3
Pulau Pinang	151	10,156.3	84	3,425.7	67	6,730.6	104	2,165.2	61	1,368.3	43	796.9
Kedah	46	2,567.4	26	352.5	20	2,214.9	40	1,496.0	26	701.1	14	794.9
Perak	50	3,130.0	26	2,135.3	24	994.7	47	893.9	29	321.5	18	572.4
Melaka	41	3,634.5	28	3,554.4	13	80.1	23	892.7	14	458.5	9	434.2
Negeri Sembilan	27	1,145.7	13	380.6	14	765.1	30	857.6	15	685.1	15	172.5
Pahang	23	1,080.8	11	867.3	12	213.5	17	604.8	12	491.0	5	113.8
Terengganu	9	992.3	4	313.2	5	679.1	9	505.8	6	338.5	3	167.3
W.P. Kuala Lumpur	12	117.8	8	104.0	4	13.8	14	155.7	10	139.2	4	16.5
Kelantan	3	83.6	1	17.6	2	66.0	4	126.9	3	16.2	1	110.7
Perlis	2	170.2	1	79.0	1	91.2	-	-	-	-	-	-
W.P. Labuan	2	20.5	1	10.3	1	10.2	-	-	-	-	-	-

Source: Malaysian Industrial Development Authority

Chart 3.2 Status of Implementation of Approved Manufacturing Projects from 2004-2009, as at 31 December 2009



Investments in Projects Implemented : RM145.5 billion

Source: Malaysian Industrial Development Authority

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS

A total of 5,839 manufacturing projects were approved for the period 2004-2009, with investments totalling RM145.5 billion projects under implementation of which 4,201 projects (71.9%) have commenced production, while 218 projects (3.7%) were at the stage of factory construction and machinery installation (RM145.5 billion). Implemented projects are those that have commenced production or at the stage of factory construction and machinery installation. Projects implemented were mostly located in Selangor (total investment of RM37 billion or 1,389 projects), followed by Johor (RM34.7 billion or 966 projects), Pulau Pinang (RM19.6 billion or 629 projects), Perak (RM6 billion or 266 projects), Kedah (RM16.1 billion or 243 projects) and Melaka (RM7.2 billion or 226 projects).

INVESTMENTS IN THE SERVICES SECTOR

The services sector comprises regional establishments, support services, Multimedia Super Corridor (MSC) status companies, real estate (housing), transport, energy, telecommunications, distributive trade, hotels and tourism, financial, health, and educational institutions. A total of 2,730 projects with investments of RM38.7 billion was approved in the services sector in 2009. Domestic sources accounted for 91.5% (RM35.4 billion) of investments in the services sector while foreign investments totaled RM3.3 billion (8.5%). The projects are expected to provide 37,469 employment opportunities.

Regional Establishments

Regional establishments comprise Operational Headquarters (OHQs), Regional Distribution Centres (RDCs), International Procurement Centres (IPCs), Regional Offices (ROs) and Representative Offices (REs). A total of 161 new regional establishments was approved with investments of RM325.9 million in 2009. The regional establishments approved were 18 OHQs, three IPCs, three RDCs, 53 ROs and 84 REs. The regional establishments are involved mainly in E&E, oil and gas, food, petrochemicals and automotive industries.

Support Services

Support services cover R&D, renewable energy and energy conservation/efficiency, engineering design, integrated logistics, integrated market support, cold chain facilities, sterilisation, central utilities facilities and bonded warehouses services. The Government is currently promoting these activities to further enhance the value-add of the manufacturing sector. A total of 354 support services projects amounting to RM3 billion was approved with incentives in 2009. Domestic investments contributed 86.7% (RM2.6 billion) of total investments while foreign investments amounted to RM452.8 million.

Renewable Energy

The Government promotes new sources of energy, such as renewable energy to supplement the conventional energy supply. The fuel mix policy of oil, gas, hydro and coal has been extended to include renewable energy. The main renewable resources for generation of energy include biomass wastes from oil palm, wood, rice, sugarcane, municipal wastes and solar. Biomass resources and solar energy are widely used for generation of electricity in Malaysia. The Government under the Ninth Malaysia Plan has targeted about 350 MW of electricity to be generated from renewable resources by 2010.

Table 3.6: Approved Investments in the Services Sector, 2008 and 2009

Services Sub-Sector	2008		2009	
	Number	RM million	Number	RM million
TOTAL	**2,780**	**50,088.3**	**2,730**	**38,727.3**
Regional Establishments	161	219.1	161	325.9
Support Services	366	2,337.0	354	3,007.6
MSC Status Companies	242	1,778.4	284	2,160.4
Transport	19	1,422.9	29	7,945.1
Energy	106	4,407.2	2	6,764.8
Telecommunications (including Post)	22	4,954.0	20	5,839.0
Financial Services	79	4,771.0	68	4,315.1
Real Estate (Housing)	749	25,921.0	901	4,588.9
Distributive Trade	813	2,040.9	666	2,049.3
Hotels and Tourism	44	1,929.6	27	1,666.5
Education Services	160	184.9	213	51.6
Health Services	19	122.3	5	13.1

Source: Malaysian Industrial Development Authority

A total of 18 renewable energy projects was approved in 2009 and accorded tax incentives of which 17 were new projects and one a diversification project. Total investments in these projects amounted to RM376.6 million, of which domestic investments amounted to RM193.3 million and foreign investments RM183.3 million. A total of 3,449 employment opportunities would be created by these projects which will generate energy in the form of electricity, steam or heat using biomass, solar and hydro power. The energy generated from solar power projects is for the company's own consumption, while more than 85% of the energy generated the biomass and hydro power will be sold.

A total of 90 projects as at end December 2009 has been approved Pioneer Status (PS) or Investment Tax Allowance (ITA) incentives for renewable energy, involving investments of RM2.8 billion. The renewable energy projects would be able to generate 498.9 MW of electricity, 683,714.4 tonnes of steam, 399.9 giga joules (GJ) of heat and 1,030 refrigerant tonnes (RT) of chilled water, utilising 12.3 million tonnes of biomass per annum. A total of 42 approved projects is in operation with 27 projects in Peninsular Malaysia and 15 projects in Sabah.

Energy Efficiency/Conservation

The increasing demand for energy as a result of economic growth would pose challenges for energy security in the long run. The Government in this regard will continue to encourage investments in energy efficiency activities through the provision of fiscal and non-fiscal incentives.

A total of 19 energy conservation/efficiency projects as at end December 2009 has been approved with PS or ITA incentives. Investments in these projects amounted to RM4.7 billion in 2009. There were nine projects approved (RM19.2 million) involving service providers for energy conservation/efficiency activities while 10 projects (RM4.7 billion) were approved for energy conservation/efficiency, activities for companies' own consumption. The projects approved would be able to conserve about 685 MW of electricity per annum. There were five energy conservation/efficiency projects approved with tax incentives, involving investments of RM375 million in 2009. Domestic investments amounted to RM198.4 million (52.9%) of the total investments in these activities.

Research and Development

R&D services comprise industrial design (product and process development including designing and prototyping) and research services provided by design houses, contract R&D companies, R&D companies, and approved R&D institutes/ research companies.

There were four R&D projects with investments amounting to RM25.6 million that were approved with PS or ITA incentives in 2009, comprising two contract R&D and two in-house R&D projects. Domestic investments were RM19.1 million (74.6%) while foreign investments were RM6.5 million (25.4%).

The Government also provides grants to further encourage industries to undertake R&D activities and commercialise their R&D findings. A total of 229 R&D projects with investments of RM549.1 million were approved under the following financial assistance schemes:

- 173 projects with investments amounting to RM308.5 million under the Demonstrator Applications/Techno/Science Grant;
- 27 projects with total investments of RM213.2 million under the Commercialisation of R&D Fund (CRDF)/Technology Acquisition Fund (TAF); and
- 29 projects with total investments amounting to RM27.4 million under the MSC R&D Grant.

A total of 105 R&D projects involving investments of RM1.4 billion had been approved with PS or ITA incentives as at end December 2009. Foreign investments in the projects amounted to RM934.9 million (67.4%) while domestic investments totaled RM451.2 million (32.6%). Investments in R&D were mainly in E&E, chemicals and chemical products, M&E and transport equipment industries, creating a total of 3,107 employment opportunities.

Transport

The transport sub-sector covers maritime transport, aviation and highway construction and maintenance. A total of 29 projects were approved with investments amounting to RM7.9 billion in 2009, the highest level of investments recorded in the services sector. Domestic investments amounted to RM7.9 billion and foreign investments totalled RM54.1 million.

Energy

The energy sub-sector covers independent power producers (IPPs), and generation, transmission and distribution of electricity by Tenaga Nasional Bhd. (TNB), Syarikat SESCO Bhd. (SESCO) and Sabah Electricity Sdn. Bhd. (SESB). There were two projects with investments of RM6.8 billion (100% domestic investments) approved in this sub-sector in 2009. The energy sub-sector remained as one of the major contributors to investments in the services sector.

Financial Services

Investments in financial services cover banking, insurance and capital markets (venture capital, fund management, investment advisory and brokerage). A total of 68 projects was approved in the financial services sub-sector, with investments of RM4.3 billion in 2009. Domestic investments amounted to RM3.6 billion while foreign investments totalled RM689.3 million. The largest amount of investments in the financial services sub-sector was banking with RM4 billion (92.9%), followed by insurance (RM189.7 million) and capital markets (RM116.1 million).

Telecommunications

Investments in the telecommunications sub-sector for the year 2009 amounted to RM5.8 billion, all of which were domestic investments. A new project by a leading Malaysian telecommunications service provider with investments of RM2.5 billion will provide Next Generation Mobile Internet and Web 3.0 applications via its Mobile WiMAX deployment throughout the nation. The company will be developing the nation's first ever Interoperability Testing Lab (IOT Lab) which will encourage the development and growth of mobile WiMAX-enabled devices through its partnership with international service providers. The company expects to roll out its services nationwide by July 2010.

Real Estate

Real estate covers the housing industry (excluding commercial buildings) in Peninsular Malaysia. Real estate was among the largest services sub-sector in terms of investments approved in 2009. A total of 901 projects was approved with total investments amounting to RM4.6 billion. Domestic investments accounted for 97.8% (RM4.5 billion) of the total investments in this sub-sector.

Distributive Trade

The distributive trade sub-sector covers wholesale and retail trade, hypermarkets/supermarkets, departmental stores and direct selling, franchising, and projects approved under the Petroleum Development Act, 1974. A total of 666 projects was approved with investments of RM2 billion in 2009. Foreign investments totalled RM1.2 billion, while domestic investments amounted to RM869.9 million.

Investments in the distributive trade in 2009 were mainly in:

- hypermarkets and supermarkets (20 projects) with investments of RM925 million;
- wholesale and retail trade (272 projects) with investments of RM692.3 million;
- 187 projects approved under the Petroleum Development Act, 1974 amounting to RM230.9 million;
- departmental stores (4 projects) with investments of RM80 million;
- direct selling (33 projects) with investments of RM71.6 million; and
- franchising (150 projects) with investments of RM49.4 million.

Hotels and Tourism

A total of 27 projects was approved in the hotels and tourism sub-sector in 2009, with investments of RM1.7 billion, all of which were domestic investments. Investments in the 19 hotel projects accounted for 51.8% (RM881.1 million) of the total investments approved in the sub-sector during the year.

Health Services

Health services projects cover approvals for private healthcare institutions. There were five projects approved for private healthcare institutions with investments of RM13.1 million in 2009, which were all domestic investments.

Special incentives and facilitation measures for the healthcare travel industry were announced in 2009 to further promote and develop the industry in the country, and encourage private hospitals to provide more export-driven services. The special incentives and measures were:

- 100% exemption on increased exports, subject to 70% of the statutory income for each year of assessment for healthcare service providers offering services to foreign clients in Malaysia;
- Investment Tax Allowance of 100% on qualifying capital expenditure incurred on the construction of new private hospitals and expansion/refurbishment of existing private hospitals. The allowance can be offset against 100% of statutory income for a period of five years. The incentive would be applicable for applications received from 1 January 2010 to 31 December 2014;
- double deduction for expenses incurred by private hospitals to obtain domestic/ internationally recognised accreditation;
- issuance of permits for the transportation of patients from airport to hospital, the conversion of “visit-on-arrival” status to a social visit pass for foreigners seeking medical treatment and expediting the approval to stay, for medical tourists at the state level;
- automatic issuance of employment/professional pass for foreign spouses of Malaysian or non-Malaysian medical specialists who qualify as professionals under the Malaysian Classification of Occupation; and
- review of advertising regulations and guidelines to accommodate the changing role of private hospitals in promoting healthcare travel;

Education Services

Education services cover private colleges/ universities, private education institutions and skills centres. A total of 213 projects was approved for the establishment of educational institutions, involving investments of RM51.6 million in 2009. Investments in skills centres and private education institutions were RM40 million (68 projects) and RM11.6 million (145 projects) respectively. Domestic investments accounted for 87.8% (RM45.3 million) of total investments in this sub-sector.

MSC Status Companies

A total of 2,520 companies was granted MSC status by the Multimedia Development Corporation Sdn. Bhd. as of end December 2009. A total of 1,879 companies (74.5%) was majority Malaysian-owned, 566 companies were majority foreign-owned (22.4%), while another 75 companies (3.1%) were of equal ownership. The companies are grouped into four main technologies - creative multimedia, shared services and outsourcing, information technology, and institutions of higher learning and incubators. A total of 1,956 (78%) companies approved are in operation.

A total of 284 companies was granted MSC status with approved investments amounting to RM2.2 billion in 2009, of which 221 were wholly Malaysian-owned, 56 wholly foreign-owned, while the remaining seven were equal ownership projects. Domestic investments amounted to RM1.6 billion while foreign investments totalled RM583.7 million. A total of 13,587 employment opportunities are expected to be created by the MSC status companies.

Integrated Market Support Services

Integrated Market Support Services comprise the activities of branding, market research and customer relationship management. There were seven companies approved with PS as at end December 2009 to undertake integrated market support activities, involving investments of RM34.2 million.

A wholly foreign-owned market research company with investments of RM20.5 million was approved with PS in 2009 to undertake branding and research services for the food industry. The company is a subsidiary of a public-listed company based in the United Kingdom, with operations in 60 countries. Branding services provided include brand design and development, brand promotion and packaging design while research services cover feasibility studies, consumer research, market research and research on product development.

Integrated Logistics Services

The main activities in the integrated logistics services (ILS) industry cover freight forwarding, warehousing, transportation and other related value-added services. The objective of granting ILS incentives is to create an efficient and competitive logistics industry to encourage the integration and consolidation of the various transport intermediaries along the logistics supply chain. Malaysian companies in this regard, are encouraged to expand and venture into higher value-added services to enable them to compete globally.

A total of 24 companies with investments of RM2.1 billion has been granted ILS incentives as at end December 2009, of which five were new projects and 19 were expansion projects. Three Malaysian-owned companies were given approval for expansion projects with total investments of RM142.3 million in 2009. The projects will involve activities such as the upgrading of warehouses and information and communication technology (ICT) equipment, and increasing more value-added activities that involve distribution, packing, re-packing, grading and sampling.

International Integrated Logistics Services

The International Integrated Logistics Services (IILS) scheme was introduced by the Government to allow logistic providers to acquire Customs Agent Licence to expedite custom clearance. Companies which provide integrated and seamless logistics services (door-to-door) along the logistics value chain as a single entity on a regional or global scale are eligible to apply for the Licence. The IILS status companies are exempted from any equity conditions.

A local company located in Selangor with investments of RM208 million was approved IILS status in 2009. The company plans to undertake freight forwarding, warehousing, transportation and value-added services, including vendor managed inventories on-site logistics management, cross border transportation and management of the transport services that has been outsourced. The company has good networking relationship with logistics service providers in Hong Kong SAR, the People's Republic of China (PRC), Singapore, the Philippines, the United Arab Emirates (UAE) and the British Virgin Islands.

OUTLOOK

The Government will continue to improve the business environment in the country to enhance Malaysia's competitiveness as a preferred investments destination. Greater emphasis will be given on enhancing domestic direct investments as well as attracting foreign direct investments.

The Government has undertaken several measures, among others to create a more dynamic business environment which include:

- introduction of the New Economic Model to move the nation towards a high-income economy with knowledge-driven and high technology industrial base;
- better coordination and expediting approval process to facilitate implementation of projects by the private sector; and
- improving infrastructure facilities including increasing broadband coverage to attract knowledge-intensive investments.

The Ministry of International Trade and Industry (MITI) will work towards achieving its IMP3 investment targets for 2010 of:

- approved investments in the manufacturing sector amounting to RM27.5 billion; and
- approved investments in the services sector amounting to RM45.8 billion.

The Government will ensure that the investment environment remains conducive and competitive particularly in terms of the delivery system, cost of doing business, provision of tax incentives, improving the infrastructure as well as the availability of skilled and knowledgeable workforce. Efforts will also be intensified to target and promote investments in industries with strong competitive advantage as well as in new growth areas such as aerospace, biotechnology, pharmaceuticals and medical equipment.

The Malaysian Industrial Development Authority (MIDA), an agency under MITI that is responsible for the promotion and facilitation of investments in the manufacturing and services sectors will be designated as the central investment promotion agency. MIDA will be corporatised and renamed as the Malaysian Investment Development Authority. MIDA will also be empowered with the necessary authority to negotiate directly with investors for targeted projects and approve incentives in the real time, as well as engage investors more effectively.

Box Article 3.1 – *Strategies To Enhance Domestic Investments*

Introduction

The global economic crisis in 2008 was felt by many countries, including Malaysia with one of the effects, being decreased global foreign direct investment (FDI) flows. The Global Investment Trends Monitor No. 2: Global and Regional FDI Trends in 2009 Report released by UNCTAD on 19 January 2010 reported that global inflows of FDI declined by 39% to US$1 trillion in 2009 from US$1.7 trillion in 2008. Malaysia's FDI inflows decreased by 66.6% to US$2.7 billion in 2009 from US$8.1 billion in 2008, including other ASEAN member countries which recorded decreased were Thailand (54.3%), Indonesia (36%) and Singapore (19.5%).

The Third Industrial Master Plan (IMP3) has targeted an average annual investment of RM27.5 billion for the manufacturing sector and RM45.8 billion for the services sector with a ratio of FDI to domestic investment (DI) at 40:60 for the 2006-2020 period.

Domestic Investments

A total of 4,738 manufacturing projects were approved for a period 2005-2009, with total investments of RM232.3 billion, with DI contributing RM92.6 billion (39.9%). The average annual investment in the manufacturing sector amounted to RM46.5 billion, with the average DI totaling RM18.5 billion. The ratio of FDI to DI was 61:39.

FDI was higher than DI during this period, except for 2006 when DI accounted for 56.1% of total investments. Domestic investments increased to 32.2% of total investments in 2009, compared with 26.6% in 2008.

Total approved investments in 2009 in the manufacturing and manufacturing-related services sectors amounted to RM32.6 billion in 766 projects. The amount of investments exceeded the IMP3 annual target of RM27.5 billion by RM5.1 billion or 18.5%. Approved DI amounted to RM10.5 billion or 32.2% of the total approved investments. Domestic investments declined to RM10.5 billion in 2009 from RM16.7 billion in 2008.

Domestic investments were mainly in:

- *basic metal products (RM2.2 billion);*
- *chemicals and chemical products (RM1.3 billion);*
- *non-metallic mineral products (RM1 billion);*
- *food manufacturing (RM1 billion); and*
- *transport equipment (RM864.9 million).*

Table 3.7: Investments in the Manufacturing Sector, 2005 – 2009

Year	FDI (RM billion)	DDI (RM billion)	Total (RM billion)	No. of Projects	Total Employment Created
Total	**139.7**	**92.6**	**232.3**	**4,738**	**467,084**
2005	17.9 (57.7%)	13.1 (42.3%)	31.0	1,027	114,956
2006	20.2 (43.9%)	25.8 (56.1%)	46.0	1,077	88,952
2007	33.4 (55.8%)	26.5 (44.2%)	59.9	949	97,673
2008	46.1 (73.4%)	16.7 (26.6%)	62.8	919	101,173
2009	22.1 (67.8%)	10.5 (32.2%)	32.6	766	64,330

Source : Malaysian Industrial Development Authority

Strategies to Attract Domestic Investments

The Government has undertaken various initiatives to attract more domestic investments (DI) in the manufacturing and services sectors, including:

- *ensuring greater transparency of policies, rules and regulations, as well as administrative procedures and decisions, affecting business operations;*
- *ensuring the efficiency and effectiveness of the delivery system, including the quality of services rendered, through measures such as simplification of rules and procedures, and timely decision-making process;*
- *providing competitive fiscal and non-fiscal incentives to promote quality investments into high technology, capital intensive, knowledge-based industries, R&D activities and manufacturing-related services sector;*
- *provision of customised incentives to local companies with the potential to develop into MNCs;*
- *strengthening the institutional support, through inter-ministry/agency coordination, in the planning, implementation and monitoring of policies;*
- *identifying sectors/industries that have vast business potential in which Malaysian companies can participate;*
- *regular meetings with domestic investors to obtain views on ways to attract and retain domestic investments in Malaysia. A meeting chaired by the Prime Minister was held in December 2009 with prominent domestic businessmen and entrepreneurs and regular follow-up meetings will be held in 2010;*
- *development of a DI database to record statistics of Malaysian companies' investments in all economic sectors;*
- *intensifying outreach programmes and establishing direct networking through domestic investment seminars and industrial linkage programmes; and*
- *'turun padang' (going to the ground) activities by MITI and its agencies by visiting local companies to hand-hold and facilitate the delivery of services to companies and to ensure that proposed investments are realised. Hand-holding activities are also actively carried out by MIDA Special Project Officers (SPOs) at the Federal and State levels to facilitate implementation of approved projects.*

The various strategies introduced and undertaken by the Government is expected to increase DI in 2010.

Box Article 3.2 – *Forbes Global CEO Conference*

The 9th Forbes Global CEO Conference (FGCC) 2009 was held in Shangri-La Hotel, Kuala Lumpur from 28–30 September 2009. The FGCC is an annual Conference organised by Forbes.

The Conference, with the theme 'Game Change', was co-hosted by the Government of Malaysia, with the main aim to enhance Malaysia's image as an attractive business and investment destination through networking amongst the Chief Executive Officers (CEOs) and business personalities. A total of 470 delegates comprising successful CEOs, industrialists, academicians and prominent business people attended the Conference.

The Conference focused on the future direction of business and markets after the economic crisis, and provided opportunities for discussions on whether measures and policies undertaken have helped to improve the global economy.

A total of 57 international and five Malaysian speakers participated in FGCC 2009. The Prime Minister and Deputy Prime Minister of Malaysia were interviewed by Steve Forbes, the Chairman and CEO of FORBES magazine in the 'Meeting of Minds' sessions. The Government of Malaysia hosted several meetings in conjunction with the FGCC, which include:

- *session between Ministers and Senior Government Officials with the international Speakers;*
- *networking session between the delegates with MIDA and MATRADE; and*
- *gala dinner on 29 September 2009 at Kuala Lumpur Convention Centre attended by the Prime Minister.*

The Conference brought benefits which include:

- *enhanced Malaysia's position as an ideal business location for conducting international and regional businesses;*
- *the opportunity for networking and building business relationships for Malaysian corporate leaders with influential and affluent business leaders; and*
- *extensive coverage by local and international media in promoting Malaysia as an attractive investment destination. Advertisements on Malaysia have been published in 28 issues of Forbes magazine since 2008.*

CHAPTER 4

PERFORMANCE OF THE MANUFACTURING SECTOR

OVERVIEW

The manufacturing sector is an important component in the Malaysian economy, contributing 26.6% to the country's real gross domestic product (GDP) in 2009. The sector, despite its weak performance in the first three quarters of 2009, began to show signs of growth in the last quarter. The sector's production index declined by 9.8% as domestic and external demands for manufactured goods contracted due to the global economic downturn. Sales value decreased by 19% to RM469.5 billion in 2009 from RM579.3 billion in 2008. The share of manufactured products in Malaysia's total exports however increased to 74.4% in 2009, compared with 69.9% in 2008.

Production

A number of industries registered growth in 2009 despite the weaker economic conditions. Export-oriented industries such as the professional and scientific equipment sub-sector recorded a growth of 47.2% as demand grew due to higher hospitals and healthcare infrastructure projects in 2009. The medical devices sub-sector recorded a growth of 7.8% following increased demand for examination and surgical gloves as a result of the outbreak of influenza A (H1N1). Domestic-oriented industries that recorded growth were the animal feeds (10.7%), and processed foods and beverages (1.4%) sub-sectors.

Table 4.1: Manufacturing Sector Performance, 2009

Indicator	2008	2009
Share of Real GDP (%)	298.9	26.6
Production Index (2005=100)	112.1	101.1
Value Added Growth (%)	1.3	-9.4
Total Sales (RM billion)	579.3	469.5
Share of Total Employment (%)	29.0	28.4
Share of Total Exports (%)	69.9	74.4

Sources: The Department of Statistics, Malaysia, Economic Planning Unit, Malaysian External Trade Development Corporation and Ministry of Finance, Malaysia

Sales

The sales value of the manufacturing sector recorded a decrease of 19% to RM469.5 billion in 2009 from RM579.3 billion in 2008. The sales value of export-oriented industries was RM355.7 billion accounting for 75.8% of total sales, while the domestic-oriented industries totaled RM103.6 billion. The overall decline in sales was attributed to a decrease in external demand and easing of domestic consumption as a result of the global recession and tighter cash flow situation.

The global downturn had a significant impact on Malaysia's industries given the export orientation of the economy. The medical devices industry however registered an increase in sales value by 20% due to the stable demand for healthcare products.

Employment

Employment in the manufacturing sector registered a decrease of 4.9% to 943,586 workers in 2009 from 991,775 in 2008 due to the weaker performance of the sector. A number of industries began to cut back on production as external and domestic demand contracted due to tighter liquidity. The electrical and electronics (E&E) industry continued to employ the highest number of workers (306,828), followed by the chemicals and chemical products (116,696) and wood and wood products industries (103,470).

Exports

The E&E industry continued to be the largest contributor to exports of manufactured goods, registering exports of RM227.8 billion or 41.2% of

Table 4.2: Production Indices of Selected Manufacturing Industries, 2008-2009

Industry	2008	2009	Change (%)
Overall manufacturing	**112.1**	**101.1**	**-9.8**
Export-oriented industries	**109.5**	**97.9**	**-10.6**
Medical devices	156.0	168.1	7.8
Chemicals and chemical products	112.3	110.9	-1.2
Rubber products	128.2	124.3	-3.0
Palm oil	117.3	116.5	- 0.7
Electrical and electronics	106.8	82.3	-22.9
Wood products	91.2	76.0	-16.7
Professional and scientific equipment	74.3	109.4	47.2
Machinery and equipment	124.1	97.7	-21.3
Rubber remilling and latex processing	97.8	88.9	-9.1
Textiles and apparel	102.6	81.6	-20.5
Footwear	65.1	62.4	-4.1
Domestic-oriented industries	**123.2**	**112.7**	**-8.5**
Metals	133.7	119.9	-10.3
Paper products	124.2	101.9	-18.0
Processed foods & beverages	125.3	127.1	1.4
Transport equipment	116.4	102.0	-12.4
Non-metallic mineral products	114.9	99.3	-13.6
Animal feeds	122.0	135.0	10.7
Tobacco manufactures	93.5	87.5	6.4

Source: Department of Statistics, Malaysia
Note: Base Year 2005=100

Table 4.3: Sales of Selected Manufacturing Industries, 2008-2009

Industry	2008 (RM billion)	2009 (RM billion)	Change (%)
Total Sales	**569.3**	**469.5**	**-19.0**
Export-oriented industries	**443.5**	**355.7**	**-19.8**
Chemicals and chemical products	198.8	144.0	-27.6
Electrical and electronics	184.2	160.0	-13.1
Wood products	14.8	12.6	-14.9
Rubber products	12,2	11.7	-4.1
Textiles and apparel	7.6	7.0	-7.9
Machinery and equipment	8.2	6.8	-17.1
Rubber remilling and latex processing	9.5	6.6	-30.5
Professional and scientific equipment	6.8	5.4	-20.6
Medical devices	1.0	1.2	20.0
Footwear	0.5	0.5	0.0
Domestic-oriented industries	**126.3**	**103.6**	**-17.9**
Metals	49.8	32.8	-34.1
Transport equipment	28.7	25.9	-12.0
Processed foods and beverages	22.4	21.6	-3.9
Non-metallic mineral products	13.3	12.8	-3.8
Paper products	6.7	5.9	-11.9
Animal feeds	4.0	3.8	-5.2
Tobacco manufacturing	1.3	1.4	7.7

Source: Department of Statistics, Malaysia

total exports. The chemicals and chemical products industry remained the second largest export earner, contributing RM33 billion or 6% to total exports, followed by the machinery, appliances and parts (RM19.1 billion), metal products (RM14.5 billion) and wood products (RM14.2 billion) industries. The People's Republic of China (PRC) and Singapore were the main export destinations of manufactured products as traditional export markets such as the United States of America (USA) and the European Union (EU) were experiencing weak economic conditions in 2008 and 2009.

Imports

Manufactured goods accounted for 82.6% of Malaysia's total imports, valued at RM359.2 billion in 2009. The main imports were E&E products valued at RM159.3 billion, followed by machinery, appliances and parts (RM38.2 billion), chemicals and chemical products (RM37 billion), transport equipment (RM25 billion), metal (RM21.8 billion), and iron and steel products (RM17.9 billion).

ELECTRICAL AND ELECTRONICS INDUSTRY

The E&E industry is the largest contributor (7.7%) to Malaysia's GDP and employs the largest workforce (32.5%) in the manufacturing sector. The sector also remained the country's major exporter accounting for 41.2% of Malaysia's total exports.

Production

The production index for the E&E industry in 2009 decreased by 22.9% to 82.3 compared with 106.8 in 2008. The production index of all segments declined, although the output volume started to recover in the second quarter of 2009

Table 4.4: Exports of Manufactured Goods, 2008-2009

Product Group	2008			2009	
	Value (RM billion)	Share (%)	Change (%)	Value (RM billion)	Share (%)
Total Exports of Manufactured Goods	**464.5**	**69.9**	**-11.3**	**411.4**	**74.4**
Electrical and Electronics Products	255.6	38.5	-10.9	227.8	41.2
Chemicals and Chemical Products	40.3	6.1	-18.2	33.0	6
Machinery, Appliances and Parts	21.4	3.2	-10.5	19.1	3.5
Manufactures Of Metal	19.4	2.9	-25.3	14.5	2.6
Wood Products	16.6	2.5	-14.7	14.2	2.6
Optical and Scientific Equipment	13.1	2.3	-12.9	13.1	2.4
Rubber Products	12.8	1.9	-2.6	12.5	2.3
Processed Food	12.1	1.8	-11.6	10.7	1.9
Transport Equipment	9.2	1.4	12.8	10.4	1.9
Textiles and Apparel	10.5	1.6	-15.2	8.9	1.6
Iron and Steel Products	10.5	1.6	-16.2	8.8	1.6
Manufactures Of Plastics	9.3	1.4	-11.6	8.3	1.5
Jewellery	5.3	0.8	3.8	5.6	1
Non-metallic Mineral Products	5.3	0.8	-1.1	5.2	0.9
Paper and Pulp Products	2.9	0.4	-3.5	2.8	0.5
Petroleum Products	3.9	0.6	-28.0	2.8	0.5
Beverages and Tobacco	2.4	0.4	0	2.4	0.4
Other Manufactures	11.2	1.7	1.3	11.3	2

Source: Malaysian External Trade Development Corporation

Table 4.5: Imports of Manufactured Goods, 2008-2009

Product Group	2008			2009	
	Value (RM billion)	Share (%)	Change (%)	Value (RM billion)	Share (%)
Total Imports of Manufactured Goods	**418.1**	**80.4**	**-14.4**	**359.2**	**82.6**
Electrical and Electronics Products	189.6	36.5	-16	159.3	36.6
Machinery, Appliances and Parts	42.9	8.3	-10.9	38.2	8.8
Chemicals and Chemical Products	43.3	8.4	-14.4	37.0	8.5
Transport Equipment	21.8	4.2	14.9	25.0	5.8
Manufactures Of Metal	27.4	5.3	-20.6	21.8	5
Iron and Steel Products	28.7	5.5	-37.7	17.9	4.1
Optical and Scientific Equipment	15.9	3.1	-12.8	14.0	3.2
Processed Food	8.9	1.7	0.5	9.0	2.1
Paper and Pulp Products	6.2	1.2	-10.2	5.5	1.3
Manufactures Of Plastics	5.5	1.1	-9.3	5.0	1.2
Textiles and Apparel	5.5	1	-18.3	4.5	1
Non-metallic Mineral Products	3.7	0.7	5.9	4.0	0.9
Rubber Products	3.6	0.7	-9.0	3.3	0.8
Petroleum Products	2.1	0.4	-22.2	1.7	0.4
Beverages and Tobacco	1.5	0.3	-6.4	1.4	0.3
Jewellery	0.6	0.1	88.3	1.2	0.3
Wood Products	1.3	0.2	-12.2	1.1	0.3
Other Manufactures	9.5	1.9	-1.0	9.4	2.2

Source: Malaysian External Trade Development Corporation

Table 4.6: Production Indices of Selected E&E Industry Sub-Sectors, 2008-2009

Sub-Sector	2008	2009	Change (%)
E&E Industry	**106.8**	**82.3**	**-22.9**
Computers and computer peripherals	125.5	85.1	-32.2
Semiconductors and electronic components	105.6	85.7	-18.8
Wires and cables	114.1	85.2	-25.6
Audio and audio visual products	81.6	70.0	-14.2

Source: Department of Statistics, Malaysia
Note: Base Year 2005 = 100

due to improved external demand, particularly from the PRC. The output volume continued to grow in the third (22.8%) and fourth (9.1%) quarter of 2009, particularly for semiconductors and electronics components.

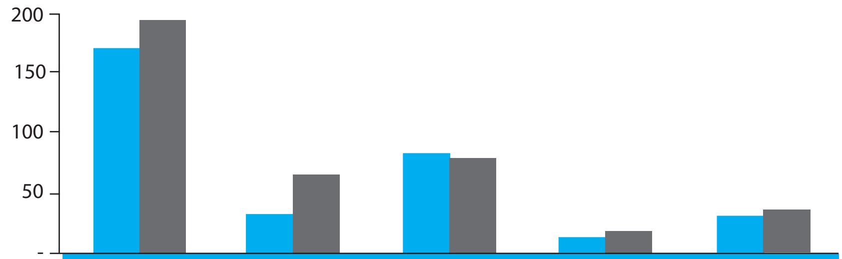
Sales

Sales for semiconductors and electronics components decreased by 0.5% in 2009, to RM70.2 billion from RM70.3 billion in 2008, although the cumulative sales of the major E&E products decreased by 13.1% to RM160 billion, compared with RM184.2 billion in 2008. The decrease in the overall sales was attributed to the decline in the sales of computers and computer peripherals, telecommunication cables and wires and television and radio transmitters.

Employment

The largest employer in the E&E industry in 2009 was the semiconductors and electronics components sub-sector where employment increased by 1.2% to 142,866 persons, compared with 141,136 persons in 2008. Employment in this sub-sector represented 46.6% of total E&E employment. Employment decreased however in the other E&E sub-sectors.

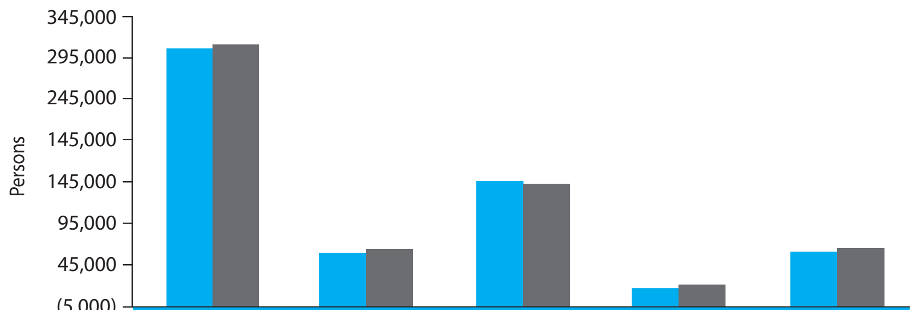
Chart 4.1 Sales of Selected E&E Products, 2008-2009



	E & E Industry	Computers and computer peripherals	Semi conductors and electronic components	Wires and cables	Audio and audio visual products
Sales Value (RM billion) 2009	160.3	38.1	70.9	8.6	34.8
Change (%)	-12.9	-34.1	0.8	-6.5	-8.9
Sales Value (RM billion) 2008	184.2	57.8	70.3	9.2	38.2

Source: Department of Statistics, Malaysia

Chart 4.2 Employment in Selected E&E Industry, 2008-2009



	E & E Industry	Computers and computer peripherals	Semi conductors and electronic components	Wires and cables	Audio and audio visual products
Persons 2009	305,494	56,066	142,720	12,265	59,730
Change (%)	-1.1	-0.6	1.1	-7.9	-3.2
Persons 2008	308,921	56,399	141,136	13,321	61,728

Source: Department of Statistics, Malaysia

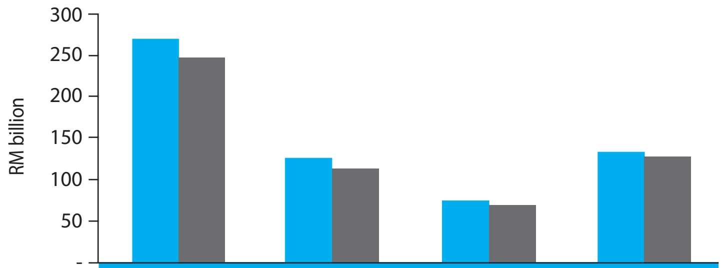
Employment in the computers and computer peripherals segment decreased by 0.9% to 56,956 workers from 56,399 workers in 2008. The segment managed to retain most of their employees despite the reduction in production volume.

Exports

Exports of selected E&E products in 2009 was RM227.8 billion representing 41.2% of Malaysia's total exports. Exports showed an upward trend on a month-to-month basis in 2009 due to improved external demand for E&E products in major markets such as the PRC, the USA, Europe and Japan, despite the weak performance compared with 2008.

A number of products in the E&E industry registered positive export performance in 2009. Office machine products, under the office machines and automatic data processing machines and parts sub-sector, recorded an increase of 40.8% (RM7.2

Chart 4.3 Exports of Selected E&E Products, 2008-2009



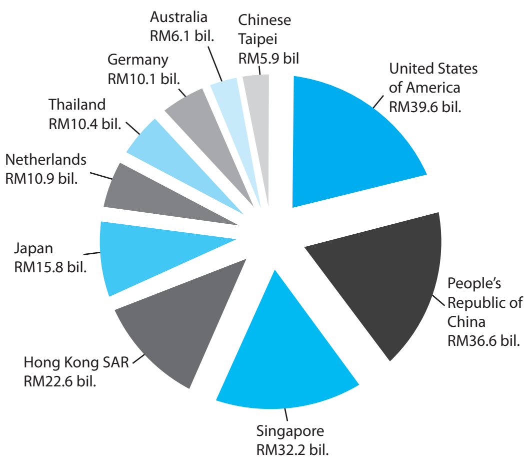
	Total	Office machines and automatic data processing machines and parts	Telecom-munications and sound recording and reproducing equipment	Electrical machinery, appratus and appliances and parts including semiconductor devices
Exports Value (RM billion) 2008	255.4	87.7	47.6	120.1
Change (%)	-10.8	-16	-25.1	-14
Exports Value (RM billion) 2009	227.8	73.7	35.6	118.5

Compiled by: Ministry of International Trade and Industry

billion) compared with 2008. Television reception apparatus under telecommunications and sound recording and reproducing equipment sub-sectors increased by 24.6% to RM10.3 billion. Exports of semiconductors devices, integrated circuits, transistors and valves products under the electrical machinery, apparatus and appliances and parts sub-sector increased by 3.4% to RM93 billion in 2009 compared with 2008.

The USA remained the largest export market for E&E products in 2009, with exports of RM39.7

Chart 4.4 Top Ten Export Destinations (Value), 2009



Compiled by Ministry of International Trade and Industry

billion or 17.4% of total E&E exports. The other major export markets were the PRC, Singapore, Hong Kong SAR and Japan. Exports to the PRC increased by 23.2% to RM36.6 billion in 2009 from RM29.7 billion in 2008 while exports to Hong Kong SAR grew by 11.5% to RM22.6 billion from RM20.3 billion in 2008.

Imports

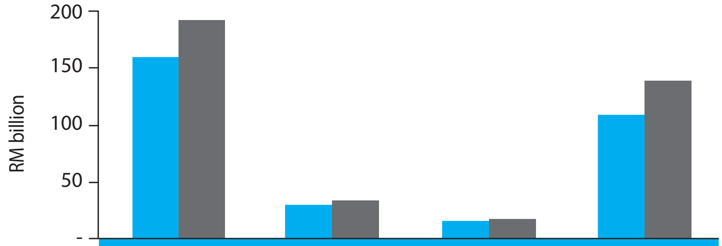
Imports of E&E products decreased by 16% to RM159.3 billion, from RM189.6 billion in 2008. The PRC remained as the main source of imports valued at RM33.3 billion (20.9%), followed by the USA RM25.3 billion (15.9%), and Japan RM18.6 billion (11.7%).

Electrical machinery, apparatus and appliances and parts category represent 68.9% of the total imports, with semiconductor devices and integrated circuits amounting to RM78.4 billion being the major products imported.

Salient Developments in the Industry

The E&E industry was given exemption from the Human Resource Development Fund (HRDF) levy payments for its employees for a period of 6 months with effect from 1 February 2009. A reduction in the levy payment rate from 1% to 0.5% was also

Chart 4.5 Imports of Selected E&E Products, 2008-2009



	Total	Office machines and automatic data processing machines and parts	Telecom-munications and sound recording and reproducing equipment	Electrical machinery, appratus and appliances and parts
Imports Value (RM billion) 2009	159.3	31.7	17.9	109.7
Change (%)	-16	-16	-5.6	-20.8
Imports Value (RM billion) 2008	189.6	32.2	18.9	138.5

Compiled by: Ministry of International Trade and Industry

given to employers for two years with effect from 1 April 2009.

Import duties for 79 E&E products were abolished under the 2009 Budget in line with the Government's liberalisation policy. Import duties were also reduced by 10-20% under the Budget on 21 products including microwave ovens, food grinders and mixers.

TRANSPORT EQUIPMENT INDUSTRY

The transport equipment industry comprises of three sectors, namely automotive, marine transport and aerospace as well as their related equipment and parts.

Automotive Sector

Overview

Performance of the automotive sector in 2009 was affected by the global economic crisis. The situation however improved in the last quarter of 2009. Performance of the industry was higher than the corresponding period in 2008 due to the introduction of stimulus packages by the Government which had helped to increase consumption and economic revival.

Motor Vehicles Sub-Sector

Production

Total production of passenger cars and commercial vehicles in 2009 declined by 7.8% to 489,269 units from 530,810 units in 2008. Production of passenger cars which constitutes 91.3% of total vehicle production decreased by 7.7% to 447,002 units from 484,512 units in 2008. Production of commercial vehicles declined by 8.7% to 42,267 units from 46,298 units in 2008.

Production of passenger car by national manufacturers totaled 316,348 units, a decrease of 4.9% from 332,490 units in 2008. Production by assemblers declined by 14.1% to 130,654 units from 152,022 units in 2008.

Production of the commercial vehicles decreased by 11.8% to 5,000 units from 5,669 units in 2008. Production by assemblers decreased by 8.3% to 37,267 units from 40,629 units in previous year.

The decrease in production was mainly due to low demand as a result of the economic slowdown in the first three quarters of 2009. Production was influenced by among others fluctuation in foreign exchange rates, unfavourable consumer sentiments

Table 4.7: Production of Motor Vehicles, 2008-2009

Segment	2008 (Units)	2009 (Units)	Change (%)
Total	**530,810**	**489,269**	**-7.8**
Passenger cars[1]	**484,512**	**447,002**	**-7.7**
Manufacturers	332,490	316,348	-4.8
Assemblers	152,022	130,654	-14.1
Commercial vehicles	**46,298**	**42,267**	**-8.7**
Manufacturers	5,669	5,000	-11.8
Assemblers	40,629	37,267	-8.3

Source: *Reclassified, based on data from the Malaysian Automotive Association*
Note: [1]*Include vans, multi-purpose vehicles, sports utility vehicles and four-wheel drive vehicles*

Table 4.8: Capacity Utilisation in the Motor Vehicles, 2008-2009

Description	2008	2009	Change (%)
Total installed capacity (units)	963,300	963,300	-
Actual production (units)	530,810	489,269	-7.8
Capacity utilisation (%)	55.1	50.8	-7.8

Source: Malaysian Automotive Association

Table 4.9: ASEAN Motor Vehicles Production, 2008-2009

Motor Vehicles	Production 2008	Production 2009	Change (%)
TOTAL	**2,704,342**	**2,123,746**	**-21.5**
Malaysia	530,810	489,269	-7.8
Thailand	1,394,029	999,378	-28.3
Indonesia	600,844	464,816	-22.6
Viet Nam	115,038	107,760	-6.3
Philippines	63,621	62,523	-1.7
Singapore	-	-	-
Brunei Darussalam	-	-	-

Source: ASEAN Automotive Federation

due to uncertainty in employment market, and the poor economy.

Total installed capacity for the production of motor vehicles remained at 963,300 units in 2009. The capacity utilisation rate decreased to 50.8% in 2009, compared with 55.1% in 2008.

The reduced production in Malaysia was consistent with the regional trend. Production of motor vehicles in ASEAN decreased by 21.5% to 2,123,746 units in 2009 from 2,704,342 units in 2008. The reduction in output was significantly due to a decrease in production of motor vehicles in Thailand and Indonesia, in response to weak demand in the export market.

Sales

The sales of motor vehicles in 2009 saw a 12% decline in value to RM13.8 billion from RM15.7 billion in 2008. The total number of motor vehicles sold were 536,905 units of which 486,342 and 50,563 units were passenger car and commercial vehicles respectively. The sales of passenger vehicles and commercial vehicles declined by 1.8% and 0.2% respectively from 497,459 and 50,656 units in 2008.

Sales of passenger cars contributed 90.6% of total motor vehicle sales. Sales of national cars increased by 2.2% to 316,051 units from 310,532 units in 2008. Sales of non-national cars were 170,291 units, a reduction of 8.9% from 186,927 units in 2008.

Sales of motor vehicles recorded an increase in the last quarter of 2009. The 17.6% increase in the period minimised the expected decline in Total Industry Volume (TIV). Sales of motor vehicles during the period reached 138,955 units, compared with 118,202 units for the corresponding period in 2008. The Government's stimulus packages, particularly the Automotive Development Fund and auto scrapping scheme, contributed to the increase in motor vehicles sales.

Malaysia was the second largest passenger vehicles market (536,905 units) in ASEAN after Thailand. Sales of motor vehicles in ASEAN decreased by 10.1% to 1,913,098 units in 2009 from 2,127,048 units in 2008.

Table 4.10: Sales of Motor Vehicles, 2008-2009

Segment	2008 (Units)	2009 (Units)	Change (%)
Total	**548,115**	**536,905**	**-2.0**
Passenger cars	**497,459**	**486,342**	**-2.2**
Manufacturers	310,532	316,051	1.8
Assemblers	186,927	170,291	-8.9
Commercial vehicles	**50,656**	**50,563**	**-0.2**
Manufacturers	5,270	4,446	-15.6
Assemblers	45,386	46,117	1.6

Source: Reclassified, based on data from the Malaysian Automotive Association

Table 4.11: ASEAN Motor Vehicles Sales, 2008-2009

Country	Sales		% Change
	2008	2009	
TOTAL	**2,127,048**	**1,913,098**	**-10.1**
Malaysia	548,115	536,905	-2.0
Thailand	615,271	548,871	-10.8
Indonesia	603,774	483,550	-19.9
Viet Nam	110,186	119,460	8.4
Philippines	124,449	132,444	6.4
Singapore	110,574	79,503	-28.1
Brunei Darussalam	14,680	12,365	-15.8

Source: ASEAN Automotive Federation

Employment

Employment in the motor vehicles industry decreased by 5.8% to 23,580 persons in 2009 from 25,038 the previous year. The decrease was in tandem with overall reduction in production and sales of motor vehicles in 2009.

Exports

Export of passenger vehicles decreased by 9.7% to RM488.8 million from RM541.2 million in 2008. Export of commercial vehicles decreased by 25.1% to RM173.2 million from RM231.2 million in 2008. The main export destinations of passenger vehicles were the PRC (RM100.8 million), Australia (RM52.1 million) and Indonesia (RM51.5 million). The main export destinations for commercial vehicles were Thailand (RM46.1 million), Brunei Darussalam (RM21.2 million) and Hong Kong SAR (RM15 million).

Imports of passenger cars increased by 53.8% to RM5.5 billion in 2009 from RM3.4 billion a year earlier. Imports of commercial vehicles decreased 0.3% to RM2.3 billion from RM2.4 billion in 2008. The main import sources for passenger vehicles were Japan (RM3.3 billion), Germany (RM908.3 million) and Indonesia (RM115.8 million). Major import sources of commercial vehicles were Japan (RM1.1 billion), Thailand (RM725.4 million) and the PRC (RM134.9 million).

Motorcycle Sub-Sector

The motorcycle sub-sector is classified into mopeds, scooters, street bikes and cruisers. There are currently one local manufacturer and nine assemblers in Malaysia.

Production

Production of motorcycles in 2009 was 436,430 units, marking a decrease of 18.7% from 536,567 units in 2008. The economic downturn led to a slowdown of demand for motorcycles, as manufacturers and assemblers were more cautious to avoid over production.

The total installed capacity for the production of motorcycles in 2009 was 689,000 units. Capacity utilisation decreased to 63.3% from 77.9% in 2008.

Production of motorcycles in ASEAN declined by 7.1% to 8,588,596 units in 2009 from 9,244,044 units in 2008.

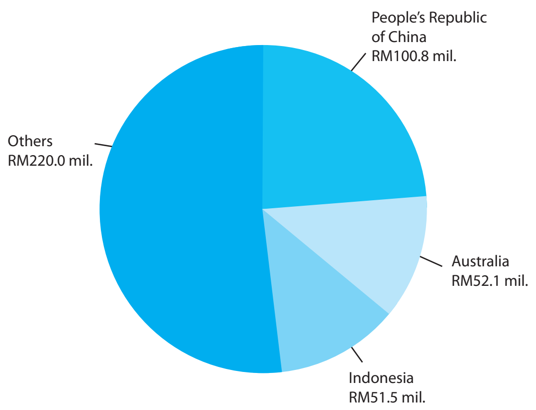
Sales

Sales of motorcycles decreased 18.8% to 432,681 units from 532,697 units in 2008. The global market downturn did not directly affect the local manufacturer and assemblers as sales are mainly in the domestic market. Reduction in sales was mainly due to reduction in purchasing power and cautious in spending by domestic customers.

In line with the reduction in production, sales of motorcycles in ASEAN decreased by 6.9% to 8,495,693 units in 2009 from 9,122,220 units the previous year.

Chart 4.6 Export Destinations of Passenger Vehicles, 2009

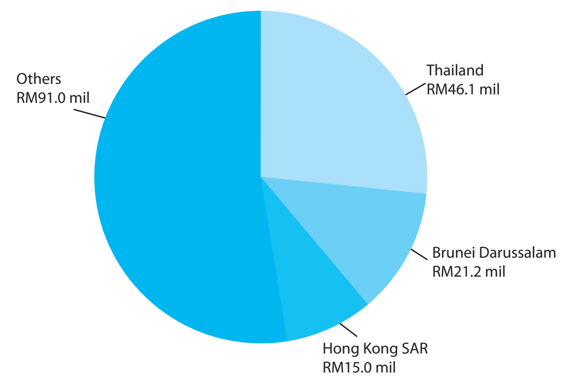
PASSENGER VEHICLES



Source: Department of Statistics, Malaysia

Chart 4.7 Export Destinations of Commercial Vehicles, 2009

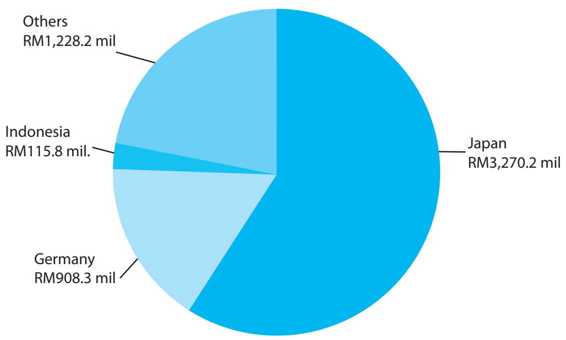
COMMERCIAL VEHICLES



Source: Department of Statistics, Malaysia

Chart 4.8 Import Sources of Passenger Vehicles, 2009

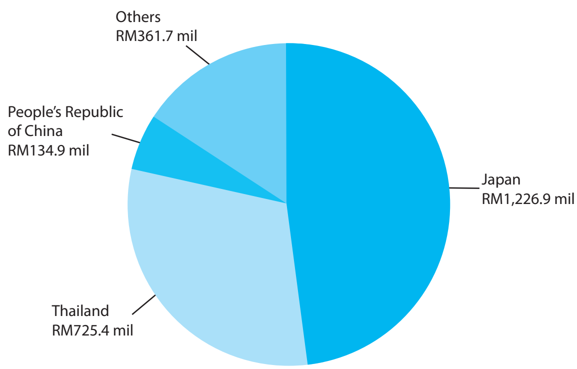
PASSENGER VEHICLES



Source: Department of Statistics, Malaysia

Chart 4.9 Import Sources of Commercial Vehicles, 2009

COMMERCIAL VEHICLES



Source: Department of Statistics, Malaysia

Employment

Employment in the motorcycle sub-sector decreased by 0.4% to 5,927 in 2009 from 5,948 in 2008.

Exports

Exports of motorcycles declined by 80.7% to RM20.2 million in 2009 from RM104.8 million in 2008. The exports were mainly to Greece (RM7.1 million), Singapore (RM6.4 million) and Iran (RM2.4 million). The decrease in exports was due to the weak demand as a result of the global economic downturn.

Imports

Imports of motorcycles in 2009 amounted to RM267.9 million, a decrease of 22.1% from RM343.7 million in 2008. Major sources of imports were Japan (RM74.9 million), Thailand (RM65 million), Indonesia (RM36.5 million) and the PRC (RM34.5 million).

Automotive Parts and Components Sub-Sector

There were more than 800 automotive and motorcycle/scooter component manufacturers producing more than 5,000 components in Malaysia.

Table 4.12: Exports and Imports of Motor Vehicles, 2008-2009

Description		2009 (RM million)	2008 (RM million)	Change (%)
Total	**Exports**	**662.2**	**772.4**	**-14.3**
	Imports	**7,871.6**	**5,948.5**	**32.3**
Passenger cars	Exports	488.8	541.2	-23.0
	Imports	5,522.5	3,591.4	53.8
Commercial vehicles	Exports	173.2	231.2	-25.1
	Imports	2,349.1	2,357.1	-0.3

Source: Department of Statistics, Malaysia

Table 4.13: Motorcycle Production in ASEAN, 2008-2009

Counrty	Production 2008	Production 2009	Change (%)
Total	**9,244,044**	**8,588,596**	**-7.1**
Malaysia	536,567	436,430	-18.7
Thailand	1,907,424	1,634,113	-14.3
Indonesia	6,264,265	5,884,021	-6.1
Viet Nam	-	-	-
Philippines	535,788	634,032	18.3
Singapore	-	-	-

Source: ASEAN Automotive Federation

Production

The production index of automotive components and parts decreased by 6.9% to 134.3 in 2009 from 143.3 in 2008, in tandem with reduction in the production of motor vehicles and motorcycles.

Sales

The sales performance of motor vehicles and motorcycles were impacted by the global economic downturn. The sales of automotive components and parts decreased 9.9% in 2009 to RM5.7 billion from RM6.4 billion in 2008.

Employment

A total of 22,921 workers were employed in the components and parts industry in 2009 registering an increase of 5.6% from 21,713 in 2008. The increase was to meet the higher demand for parts and components from manufacturers/assemblers which introduced several new models.

Exports

Exports of automotive components and parts in 2009 totaled RM3 billion, a decrease of 31.8% from RM4.3 billion in 2008. Major exports comprised steering wheels and steering columns, rims, bumpers, brakes, radiators, shock absorbers and clutches. The main export destinations were Indonesia (RM371.8 million), Thailand (RM274.1 million and Singapore (RM222.7 million).

Imports

Imports of automotive components and parts in 2009 increased 19.5% to RM4.9 billion from RM4.1 billion in 2008. Thailand was the major source of imports of parts and components accounting for 48.8% or RM1.7 billion. Next was Japan (RM968.6 million), followed by Indonesia (RM459.1 million), Germany (RM396.9 million) and the PRC (RM192.7 million).

Salient Developments in the Industry

The Government announced a review of the National Automotive Policy on 28 October 2009. The review was undertaken in the context of ensuring long-term viability and competitiveness of the domestic automotive industry. The new measures were introduced after a series of consultations with industry, relevant ministries and Government agencies, as well as non-governmental organisations, taking into consideration developments in the domestic, regional and global automotive industry.

A total of RM200 million was allocated to the Automotive Development Fund (ADF) under the Second Stimulus Package. The fund was established to enhance the competitiveness of the local automotive-related companies. Grants as well as soft loans were given out to increase the working capital and further assist the

Table 4.14: Sales of Motorcycles, 2008-2009

Segment	2008 (Units)	2009 (Units)	Change (%)
Total	**532,697**	**432,681**	**-18.8**
Manufacturer	62,439	42,429	-32.0
Assemblers	470,258	390,252	-17.0

Source: Motorcycle and Scooter Association of Malaysia

Table 4.15: Motorcycle Sales in ASEAN, 2008-2009

Country	Sales		Change (%)
	2008	2009	
TOTAL	**9,122,220**	**8,495,693**	**-6.9**
Malaysia	532,697	432,683	-18.8
Thailand	1,703,376	1,535,461	-9.8
Indonesia	6,280,799	5,881,777	-6.3
Viet Nam	-	-	-
Philippines	594,989	636,889	7.0
Singapore	10,359	8,883	-14.2

Source: ASEAN Automotive Federation

development of vendors. Programmes developed to utilise the fund were:

- development of tier-1/primary vendors;
- vendor consolidation and rationalisation;
- tooling acquisition, development and production;
- automotive human capital development; and
- automotive exports development programmes.

AEROSPACE SUB-SECTOR

The main focus of the aerospace segment is on aviation. Two companies are involved in the assembly of light aircraft, 12 manufacturers in aircraft parts and components manufacture and 30 companies in Maintenance, Repairs and Overhaul (MRO) activities.

Exports

Exports of parts and components for aircraft were valued at RM3.4 billion in 2009, an increase

Table 4.16: Exports of Motorcycles, 2008-2009

Category	2008 (RM million)	2009 (RM million)	Change (%)
Complete Build-up Unit	78.9	17.2	-78.2
Complete Knock Down	25.8	3.0	-88.4

Source: Department of Statistics, Malaysia

Table 4.17: Imports of Motorcycles, 2008-2009

Category	2008 (RM million)	2009 (RM million)	Change (%)
Complete Build-up Unit	236.8	124.8	-47.3
Complete Knock Down	106.9	143.1	33.9

Source: Department of Statistics, Malaysia

of 68% from RM2 billion in 2008. Major export destinations were Singapore (RM1.1 billion), the USA (RM510.2 million) and the United Kingdom (UK) (RM411 million). Main products exported were parts for aeroplane and helicopters, parts for telecommunication satellites as well as aeroplanes and other aircraft of unladen weight exceeding 15,000 kg.

Imports

Imports of aircraft equipment and parts increased to RM5.7 billion in 2009 from RM4.2 billion in 2008. Major sources of imports were France (RM2.5 billion), the USA (RM1.9 billion) and Singapore (RM272.1 million). The main products imported were aeroplanes and other aircraft of an unladen weight exceeding 15,000 kg, parts for aeroplanes and helicopters as well as spacecraft (including satellites).

Salient Developments in the Industry

The Langkawi International Maritime and Aerospace (LIMA) Exhibition 2009 was held from 1-5 December 2009. LIMA 09' attracted 325 exhibitors from 25 countries, including international companies such as Eurocopter, BAE Systems, Thales and the DCNS Group. A number of defense-related contracts and memoranda of understanding (MoUs) were signed during LIMA 09', involving both Government agencies and the private sector.

The Government announced a comprehensive tax incentive package for the aerospace industry on 24 December 2009 in line with efforts to make Malaysia a global centre for the industry in the Asia Pacific region. The package, effective from 1 January 2010 to 31 December 2014, would focus on four main sectors namely design, manufacturing and assembling, operator group, and support and monitoring group.

Incentives offered among others were income tax exemption for a period of five to 15 years depending on the value of investments, value added, technology and other criteria to the design, manufacturing and assembling groups. The operators in the industry (public flight activities) are entitled to an investment tax allowance of 100% on qualifying capital expenditure for a period of 10 years subject to the total value of investments in fixed assets being more than RM150 million in five years. Support group companies which offer MRO services and services related to the production of finished products are entitled to income tax exemption of 100% from statutory income for a period of up to 10 years.

MRO companies undertaking expansion, modernisation or business automation or diversifying their businesses in the same industry within five years are entitled to an investment tax allowance of 60% of their qualifying capital expenditure. Double tax deduction would be given for expenses incurred by employers providing pilot conversion and pilot instructor training.

MARINE SUB-SECTOR

The marine segment comprises two sub-segments namely shipbuilding and ship repairing. The shipbuilding segment includes the building of cargo vessels, ferries, tug boats, leisure craft and yachts and the fabrication of offshore and floating structures such as fire-floats, dredgers and floating cranes. The industry has the capability to produce vessels of up to 30,000 dead weight tonnes (DWT). The ship repairing sub-segment includes MRO of ships, boats and leisure craft. The ship repairing industry has facilities to repair vessels of up to 400,000 DWT.

There are 70 shipyards in Malaysia engaged in the following activities:

- construction of ocean-going vessels, tug boats, patrol vessels, supply vessels, fishing vessels, landing crafts, passenger ferries and boats, small tankers and leisure crafts;
- construction of offshore structures for the oil and gas industries;
- ship repairing, maintenance, upgrading, overhauling and refurbishing of vessels;
- conversion of ships;
- heavy engineering; and
- fabrication of offshore structures, steel structures and cranes.

Exports

Exports of the segment increased by 159.3% to RM2.6 billion in 2009 from RM1 billion in 2008. Major export destinations were Qatar with exports amounting to RM1.1 billion followed by Singapore (RM648.5 million) and the United Arab Emirates (RM152.8 million). The main products exported were light-vessels, fire-floats, dredgers, floating cranes, as well as tugs and pusher craft of more than 4,000 gross tonnes.

Imports

Imports increased by 133.7% to RM4.7 billion from RM2 billion in 2008. Major sources of imports were Japan with imports of RM1.6 billion, the USA (RM976.6 million) and Singapore (RM525.3 million). The main products imported were refrigerated vessels below 4,000 gross tonnes and other vessels for the transport of both people and goods.

Salient Developments in the Industry

The Malaysian shipbuilding industry has limited capacity and is mainly focused on producing small vessels with limited capacity for the oil and gas sector, which is experiencing good growth due to the discovery of new oil wells and gas fields in waters off Sabah and Sarawak.

The expanding oil and gas industry will result in increased demand for nonlinear shipping services sector such as offshore supply vessels (OSVs) and anchor handling tugs (AHTs) to service the oil, gas platforms and tankers along the supply chain from refineries to market.

The shipbuilding industry has secured overseas orders despite its limited capacity. About 40% of the vessels currently ordered from Malaysian shipyards are from foreign clients.

The Langkawi International Maritime and Aerospace (LIMA) Exhibition 2009 attracted the participation of 99 vessels including warships. The participation in LIMA 2009 received the biggest response so far in the history of the maritime exhibition industry.

PETROCHEMICAL AND CHEMICAL INDUSTRY

The petrochemical and chemical industry retained its position as the second largest contributor to total exports of manufactured goods in 2009, with a share of 6.5% or totaling RM35.8 billion.

Petrochemical and plastic products

The petroleum industry including petrochemicals, and plastics products sectors were faced with weaker export prospects in 2009 as the major markets such as the USA, Europe and Japan were experiencing poor economic conditions. The rise in the price of crude oil influenced the performance of the industry in 2009.

The performance of the petrochemical and chemicals industry in 2009 was influenced by the economic slowdown, declining sales and orders, increase in the cost of production, tight cash flow and lower external and internal demand. The industry however remained resilient and recorded growth in the third quarter of 2009, partly due to lower crude oil price (US$35-US$50 per barrel) and the impact of the Government's fiscal stimulus package.

Production

The production indices of petroleum products including petrochemicals and plastic products contracted by 1.2% to 116.3 in 2009 compared with 117.7 in 2008. The overall decline was attributed to reduced demand for raw materials and intermediate products from the supporting industries, as manufacturers were reluctant to increase production due to the economic slowdown.

Sales

The industry, in terms of sales, recorded a decline of 29.9% to RM108.4 billion in 2009 from RM154.7 billion in 2008. The lower sales was partly attributed to the price of crude oil which ranged between US$35-US$50 for most of 2009. The lower turnover

Table 4.18: Production Indices of Selected Petroleum Products including Petrochemicals and Plastic Products Sub-Sector, 2008-2009

Sub-Sector	2008	2009	Change (%)
Total	**11.7**	**116.3**	**-1.2**
Petroleum products	**115.0**	**114.7**	**-0.3**
Refined petroleum products	117.4	116.5	-0.8
Plastics in primary forms and of synthetic rubber	86.5	93.4	-7.9
Plastic products	**131.4**	**124.8**	**-5.1**
Plastic blow moulded products	131.0	133.9	2.3
Plastic extruded products	108.6	126.8	16.7
Plastic bags and films	100.0	92.6	-7.4
Plastic foam products	107.0	75.3	-29.6
Plastic injection moulded components	161.8	152.2	-6.0

Source: Department of Statistics, Malaysia

in the plastic products industry was due to a decrease in demand from developed countries for films and bags as well as from the domestic E&E industry which was facing a downturn.

Employment

Employment opportunities in the refined petroleum products sub-sector recorded an increase of 34.5%, although employment in the petrochemical industry overall recorded a decrease of 4.8% to 84,485 persons in 2009 from 88,820 in 2008. The decline was primarily due to the reduced employment in the plastic blow moulded products sub-sector where 40% of the workers exited in 2009. The high turnover of workers in the industry can be attributed to cost-cutting measures undertaken by manufacturers due to a decline in demand.

Exports

Exports of the petroleum industry including petrochemicals and plastic products amounted to RM72.5 billion in 2009 from RM96.1 billion in 2008. Exports of petroleum and petroleum related products including liquefied natural gas (LNG) and

Table 4.19: Sales of Selected Petroleum Products including Petrochemicals and Plastic Products Sub-Sector, 2008-2009

Sub-Sector	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**154.7**	**108.4**	**-29.9**
Petroleum products	**138.5**	**93.7**	**-32.3**
Refined petroleum product	124.3	84.7	-31.9
Plastics in primary forms and of synthetic rubber	14.2	9.1	-35.9
Plastic products	**16.2**	**14.6**	**-9.8**
Plastic blow moulded products	0.4	0.8	95.8
Plastic extruded products	0. 7	0.5	-27.5
Plastic bags and films	5.4	5.0	-7.0
Plastic foam products	0.5	0.4	-8.9
Plastic injection moulded components	7.6	6.3	-16.9

Source: Department of Statistics, Malaysia

Table 4.20: Employment in Selected Petroleum Products including Petrochemicals and Plastic Products Sub-Sector, 2008-2009

Sub-Sector	2008 (persons)	2009 (persons)	Change (%)
Total	**88,820**	**84,485**	**-4.9**
Petroleum products	**11,394**	**12,546**	**10.1**
Refined petroleum product	5,260	7,025	34.5
Plastics in primary forms and of synthetic rubber	6,134	5,471	-10.8
Plastic products	**77,426**	**71,939**	**-7.1**
Plastic blow moulded products	3,530	2,136	-39.5
Plastic extruded products	2,430	1,986	-18.3
Plastic bags and films	15,911	14,892	-6.4
Plastic foam products	3,070	2,812	-8.4
Plastic injection moulded components	41,715	41,985	0.6

Source: Department of Statistics, Malaysia

refined petroleum declined by 27% amounting to RM56 billion in 2009 from RM76.8 billion in 2008. Their major export destinations were the Republic of Korea (ROK) (RM735 million), followed by India (RM486.9 million), Japan (RM435.8 million) and Singapore (RM261.5 million).

Exports of plastics in primary form (synthetic resins) comprising polymer of ethylene and styrene, polyacetals and polycarbonates and waste, parings and scrap declined by 15.7% to RM8.2 billion in 2009 from RM9.9 billion in 2008. Major destinations were the PRC with exports valued at RM2 billion, followed by Indonesia (RM894.8 million), Thailand (RM544.8 million) and Singapore (RM476.4 million).

The demand for plastic products especially in the food-packing sub-sector registered an increase in the second quarter of 2009. The overall exports however declined by 10.8%, decreasing to RM8.3 billion in 2009 from RM9.3 billion in 2008 as a result of lower demand in the major markets of the European Union (EU) and Japan. Exports from the plastics industry comprised of plastic bags, bottles and containers, films and sheets. Major export markets were Singapore with exports valued at RM1.6 billion, followed by Japan (RM997.1 million) and the UK (RM570 million). Exports of LNG were mainly to Japan with a value of RM19.9 billion, followed by the ROK (RM7.3 billion) and Chinese Taipei (RM3.2 billion).

Imports

Malaysia remains a net importer of petrochemicals. Petrochemicals that are imported are used as raw materials in the manufacture of various products by different industries, which are subsequently exported as intermediates or consumer goods. Imports of petroleum products declined to RM30.3 billion in 2009 from RM44 billion in 2008.

Imports of refined petroleum products declined by 40.8% to RM15.3 billion in 2009 from RM25.8 billion in 2008. Major sources of imports were Singapore with imports valued at RM11.5 billion,

Table 4.21: Exports of Petroleum Products including Petrochemicals and Plastic Products, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**96.1**	**72.5**	**-24.6**
Petroleum and petroleum related products:	**76.8**	**56.0**	**-27.0**
Petroleum products	3.9	2.8	-28.0
LNG	40.7	31.2	-23.4
Refined petroleum products	32.2	22.1	-31.5
Plastics in Primary Form	**10.0**	**8.2**	**-15.7**
Plastic products	9.3	8.3	-10.8

Compiled by Ministry of International Trade and Industry

Table 4.22: Imports of Petroleum Products including Petrochemicals and Plastic Products, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**44.0**	**30.3**	**-31.0**
Petroleum and petroleum related products:	**28.0**	**17.0**	**-39.3**
Petroleum products	2.1	1.7	-22.2
LNG	neg.	neg.	-
Refined petroleum products	25.8	15.3	-40.8
Plastics in Primary Form	**10.1**	**8.3**	**-17.6**
Plastic products	5.6	5.0	-10.7

Compiled by Ministry of International Trade and Industry

accounting for 75.1% of total imports, followed by Indonesia (RM756.8 million) and Saudi Arabia (RM746.9 million).

Imports of plastic in primary forms (synthetic resins) totaled RM8.3 billion in 2009, registering a decline of 17.6% from RM10.4 billion in 2008. Malaysia's major sources of imports were Singapore with RM2.4 billion, followed by Japan (RM1.2 billion) and Thailand (RM715.3 million).

Imports of plastic products amounted to RM5 billion in 2009 compared with RM5.6 billion in 2008, a reduction of 10.7%. Major sources of imports were Japan with imports valued at RM1 billion, followed by the PRC (RM747.9 million), Singapore (RM731 million) and the USA (RM612.7 million). The main products imported were containers, plates, sheets, films and articles of plastic.

Salient Developments in the Industry

There were 42 companies in operation producing petrochemicals with a combined capacity of 1.2 million tonnes per annum (mtpa) and 20 companies producing various types of lubricating oils in 2009. Three major suppliers of petrochemicals in Malaysia are PETRONAS, Shell and British Petroleum, which together supply 70% of domestic demand.

Methanol produced by PETRONAS Methanol (Labuan) at its methanol complex completed in the third quarter of 2008 contributed the major share in the market for methanol in 2009. Titan Chemicals in the same year increased its polypropylene (PP) capacity by 100,000 tonnes per annum (tpa) at its factory site in Pasir Gudang, Johor.

The development of these sub-sectors are in line with the strategic thrusts of the Third Industrial Master Plan (IMP3) namely at ensuring the availability of feedstock at competitive prices, expanding and enhancing value added, broadening the range of products and diversification into petrochemical related services. Support industries such as storage facilities, tank farms, central utility facilities (CUF), logistics and transportation services, engineering and maintenance services and enhancing linkages with downstream industries, in particular, plastics and oleo chemicals are also targeted for development.

Notable industry developments in 2009 include:

- project to produce petrochemical feed stocks through the condensate splitter process;
- on-going study by PETRONAS to develop a downstream petrochemical project in Sabah;
- re-branding of Kertih Plastics Park as the Kertih Polymer Park (KPP);
- collaboration between PETRONAS and KPP to set up the Polymer Technology Centre for Research and Development
- project for the production of epichlorohydrin using glucerin-based technology with a capacity of 50,000 medium thermal (MT)/year;
- new Sabah Oil and Gas Terminal (SOGT) is being developed in Kimanis, Sabah by PETRONAS
- two projects to produce perochemical feed stocks from crude oil; and
- special training programmes were designed and conducted by Malaysian Plastics Manufacturers Association (MPMA) to create a pool of skilled human resources. A total of 600 participants were trained in various fields of plastic technology, including injection moulding, plastic extrusion and plastic recycling.

Basic Industrial Chemicals and Chemical Products Sub-Sector

The basic industrial chemicals and chemical products sub-sector comprises the manufacture of basic industrial chemicals, industrial gases, fertilisers, pesticides and other agrochemical products, paints, varnishes, soaps, cleaning and polishing preparations, perfumes and toiletries and other chemical products.

The demand for basic industrial chemicals, which were supplied as intermediate products and inputs to industries such as electronics, automotive, construction-related industry, personal care and agriculture, contracted in 2009 in tandem with the slower growth of supporting industries.

Production

The output of pesticides and other agrochemicals and the paints and varnishes sub-sectors expanded by between 4-10%. The increase was attributed to a higher demand for pesticides in the plantation and agricultural sectors. The output for the other sub-sectors contracted between 1-11% in 2009 as demand for raw materials from supporting industries decreased.

Sales

Sales of the sector registered a decrease of 19.4% to RM34.4 billion in 2009 from RM42.7 billion in 2008. The products that recorded double digit contraction in sales were fertiliser and other nitrogen compounds (30.6%), industrial gases (27.7%), and soaps, cleaning preparations and toiletries (17.8%). The decline was attributed to lower consumption of industrial gases as many manufacturing concerns were operating at between 20-60% capacity, due to the economic slowdown.

Employment

Employment in the segment decreased by 1.6% to 26,509 in 2009 from 26,929 in 2008. Overall employment in industrial gases factories recorded the highest decline of 53.8%.

Retrenchment and voluntary separation schemes by manufacturers contributed to the decline in employment, coupled with measures taken by employers to reduce the number of foreign workers following the economic downturn.

Exports

Exports of the basic industrial chemicals and chemical products segment contracted by 20.3% to RM23.9 billion in 2009 from RM30 billion in 2008.

Table 4.23: Production Indices of Basic Industrial Chemicals and Chemical Products Sub-Sector, 2008-2009

Sub-Sector	2008	2009	Change (%)
Total	**102.7**	**101.5**	**-1.1**
Basic Industrial Chemicals	**104.1**	**102.6**	**-1.4**
Industrial gases	92.3	86.7	-6.1
Other basic industrial chemicals	112.9	114.6	1.5
Other Chemical Products	**98.9**	**98.6**	**-0.3**
Fertilisers and nitrogen compounds	102.6	90.7	-11.0
Pesticides and other agrochemical products	137.1	142.2	3.7
Paints, varnishes and similar products	94.3	104.4	10.7
Soap, cleaning preparations and toiletries	145.7	141.6	-2.8

Source: Department of Statistics, Malaysia
Note: Base Year 2000 = 100

Table 4.24: Sales of Basic Industrial Chemicals and Chemical Product Sub-Sector, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**42.7**	**34.4**	**-19.4**
Basic Industrial Chemicals	**30.5**	**23.8**	**-20.0**
Industrial gases	4.5	3.3	-27.7
Other basic industrial chemicals	26.0	20.5	-21.0
Other Chemical Products	**12.1**	**10.6**	**-12.8**
Fertiliser and nitrogen compounds	3.5	2.4	-30.6
Pesticides and other agrochemical products	0.8	0.8	-0.8
Paints, varnishes and similar products	2.2	2.2	-0.7
Soap, cleaning preparations and toiletries	2.0	1.7	-17.8

Source: Department of Statistics, Malaysia

Table 4.25: Employment in Basic Industrial Chemicals and Chemical Products Sub-Sector, 2008-2009

Sub-Sector	2008 (persons)	2009 (persons)	Change (%)
Total	**26,929**	**26,509**	**-1.6**
Basic Industrial Chemicals	**11,181**	**10,481**	**-6.3**
Industrial gases	2,181	1,008	-53.8
Other basic industrial chemicals	9,000	9,473	5.3
Other Chemical Products	**15,748**	**16,028**	**1.8**
Fertiliser and nitrogen compounds	1,592	1,836	15.3
Pesticides and other agrochemical products	1,461	1,389	-4.9
Paints, varnishes and similar products	4,244	4,003	-5.7
Soap, cleaning preparations & toiletries	3,447	3,597	4.4

Source: Department of Statistics, Malaysia

Table 4.26: Imports of Basic Industrial Chemicals and Chemical Products Sub-Sector, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**30.0**	**24.8**	**-17.3**
Organic chemicals	9.8	8.4	-14.3
Chemical materials and products	4.4	4.5	2.3
Inorganic chemicals	3.6	2.6	-27.3
Fertilisers	6.9	4.0	-41.7
Soap, cleansing preparations and toiletries	3.3	3.3	1.3
Dyeing, tanning and coloring materials	2.1	2.1	-2.1

Compiled by Ministry of International Trade and Industry

Major exports were organic chemicals valued at RM12.3 billion, followed by chemical materials and products (RM4.5 billion), and soap, cleansing preparations and toiletries (RM2.8 billion). Major export destinations in 2009 were the PRC with exports valued at RM5.5 billion, followed by Singapore (RM3 billion), Indonesia (RM2.9 billion) and Thailand (RM2.6 billion).

Imports

Imports of the basic industrial chemicals and chemical products sub-sector contracted by 17% to RM24.9 billion in 2009 from RM30 billion in 2008. Imports comprised mainly of organic chemicals of RM8.4 billion and fertilisers amounting to RM4 billion. Major import sources were Singapore with imports amounting to RM5.2 billion, followed by the PRC (RM3.8 billion), the USA (RM3.7 billion) and Japan (RM3.5 billion).

Salient Developments in the Industry

There were several cost-cutting measures undertaken by the sub-sector to reduce operation costs to mitigate the impact of the contraction in demand. Such measures include reduced production or working hours, employee retrenchment and improving productivity.

PHARMACEUTICAL INDUSTRY

The pharmaceutical industry is an important component of the healthcare sector. The increasing awareness for a healthy lifestyle, an ageing population and the growth in demand for medication following the outbreak of the influenza A (H1N1) had provided the impetus for the expansion of the industry in 2009.

Table 4.27: Exports of Basic Industrial Chemicals and Chemical Products Sub-Sector, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**30.0**	**23.9**	**-20.3**
Organic chemicals	16.5	12.3	-25.1
Chemical materials and products	5.2	4.5	-14.8
Soap, cleansing preparations and toiletries	3.0	2.9	-4.6
Dyeing, tanning and coloring materials	1.4	1.4	1.8
Inorganic chemicals	1.8	1.1	-36.7
Fertilisers	2.0	1.7	-17.7

Compiled by Ministry of International Trade and Industry

Production

The production index based on the factory output of the pharmaceutical industry contracted by 8.6% to 116.5 in 2009 from 127.4 in 2008. The decrease was largely attributed to anticipation in the reduction in demand for generic drugs, health and food supplements.

Sales

Sales of pharmaceutical products contracted by 14.3% to RM1.2 billion in 2009 from RM1.4 billion in 2008. The decline can be attributed to cut-back on non-essential spending by consumers due to the uncertain economic conditions.

Employment

There were 249 pharmaceutical companies employing more than 5,702 workers as of end December 2009. The industry is technology and research-intensive, requiring highly qualified professionals such as pharmacists, chemists, biotechnologists, microbiologists, biologists and chemical engineers. The expertise of these professionals are required especially at the supervisory level, in production, quality assurance and R&D activities.

Exports

Exports of pharmaceutical products of RM814.5 million in 2009 was an increase of 43.7% from RM567 million in the previous year. Exports of medicaments made up 50.5% of total pharmaceutical exports. Exports to ASEAN countries of Singapore, Viet Nam, Brunei Darussalam and Thailand accounted for 50% of the total exports of pharmaceutical products. Other major export destinations include the USA, Germany, Hong Kong SAR and Chinese Taipei. The acceptance of Malaysia into the Pharmaceutical Inspection Co-operation (PIC) Scheme has given Malaysian companies opportunities for exporting products to countries in Europe, as well as Canada and Australia.

Imports

Imports of pharmaceutical products totaled RM3.9 billion in 2009, an increase of 25.8% from RM3.1 billion in 2008. Imports accounted for about 80% of the Malaysian market and the major sources were India (15.9%), Germany (13.8%), the PRC (11.9%) and the USA (8.2%).

Major types of drugs imported were lifestyle drugs such as for reducing cholesterol and hypertension, newer generation of antibiotics, cardiovascular and oncology drugs. The drugs are mainly branded and patented drugs which are not produced in the country.

Salient Developments in the industry

A total of 249 pharmaceutical companies were licensed by the Drug Control Authority, Ministry of Health as at end December 2009. There were 175 companies involved in the production of traditional medicines and 74 companies in the manufacture of modern medicines.

Domestic pharmaceutical companies continued to intensify their effort to increase exports and explore

Table 4.28: Production Index of Pharmaceutical Industry, 2008-2009

Industry	2008	2009	Change (%)
Pharmaceuticals, medicinal, chemical and botanical products	127.4	116.5	-8.6

Source: Department of Statistics, Malaysia
Note: Base Year 2000 = 100

Table 4.29: Sales in Pharmaceutical Industry, 2008-2009

Industry	2008 (RM billion)	2009 (RM billion)	Change (%)
Pharmaceuticals	1.4	1.2	-14.3

Source: Department of Statistics, Malaysia

Table 4.30: Employment in Pharmaceutical Products, 2008-2009

Product	2008 (persons)	2009 (persons)	Change (%)
Pharmaceuticals	6,072	5,696	-6.2

Source: Department of Statistics, Malaysia

Table 4.31: Exports of Pharmaceutical Products, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**567.0**	**814.5**	**43.7**
Medicaments	375.6	411.2	9.5
Medicinal and pharmaceutical products, other medicines	191.5	403.4	110.7

Compiled by Ministry of International Trade and Industry

Table 4.32: Imports of Pharmaceutical Products, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**3.1**	**3.9**	**25.8**
Medicaments	2.4	2.9	20.8
Medicinal and pharmaceutical products, other medicines	0.7	1.0	44.9

Compiled by Ministry of International Trade and Industry

new markets and to comply with the stringent Good Manufacturing Practices (GMP) guidelines. The Government healthcare sector was the major consumer of pharmaceuticals in 2009 as a result of increased spending.

A total of 13 local companies participated in the Arab Health 2009 Trade Fair, Dubai, United Arab Emirates (UAE) to enhance exports and diversify their markets. Actual sales of RM1.6 million and potential sales of RM5.5 million were recorded at the Trade Fair.

METAL INDUSTRY

The metal industry consists of two major sub-sectors namely ferrous and non-ferrous metals.

Ferrous Metals

The ferrous metals sub-sector, which is commonly referred to as 'iron and steel' sub-sector provides basic raw materials and intermediate inputs to other sectors such as construction, agriculture, machinery and civil engineering. The iron and steel sub-sector consists of two major product groups namely the long and flat products. Long products comprise billets, steel bars, wire products, angles and sections which are mainly used in the construction and civil engineering industry. Flat products include hot rolled coils (HRC), cold rolled coils (CRC), pipes and tubes and coated coils. The products are used as intermediate raw materials for downstream applications, such as in E&E, automotive parts and components, oil and gas, furniture, machinery and equipment and fabricated products.

Non-Ferrous Metals

The non-ferrous metals sub-sector provides materials such as aluminum, copper and zinc products for the construction, E&E, automotive and food and packaging industries. The main products of the non-ferrous metal segment are copper and aluminium products. Copper is mostly used in electrical wiring for the automotive, telecommunications and E&E industries while aluminium is the key material in the building and construction, packaging, consumer products, machinery and engineering industries.

Fabricated Metals

Fabricated metal products (except machinery and equipment) such as structural metal products, tanks and household equipments are the major finished products from both the ferrous and non-ferrous materials sub-sectors.

Production

The iron and steel sub-sector was severely affected by the economic downturn in 2009 due to contraction in the activities of the construction industry. The decline has led to a decrease in iron and steel production by 19% to 9 million metric tonnes (mt) in 2009 from 11.1 million mt in 2008. Majority of the products registered declines in production except for wire rods which increased by 4.4%. The increase was due to the rising demand for these products by selected downstream and construction of low-cost housing projects.

Sales

The metal industry as a whole registered sales value of RM32.8 billion in 2009 which was 34.1% lower than RM49.8 billion in 2008. The decrease in sales of metal products was due to the lower demand from the construction and fabricated metal sectors.

Employment

Employment in the metal industry decreased by 11.3% to 69,730 workers in 2009, compared with 78,625 in 2008 due mainly to reduced dependence on foreign labour.

Exports

Export of products under the metal industry totaled RM23.3 billion in 2009. Export items such as tubes and pipes and wire rods recorded increases of 63.1% (RM3.8 billion) and 7.7% (RM1.2 billion) respectively. Exports of iron and steel products

Table 4.33: Production of Selected Iron and Steel Products, 2008-2009

Product	Production		
	2008 ('000 mt)	2009 ('000 mt)	Change (%)
Overall	**11,074**	**8,974**	**-19.0**
Long products	**7,880**	**7,129**	**-9.5**
Billets	4,662	4,005	-14.1
Steel bars	1,903	1,783	-6.3
Wire rods	1,115	1,164	4.4
Sections	200	177	-11.5
Flat Products	**3,194**	**1,845**	**-42.2**
HRC	1,826	1,200	-34.3
CRC	744	645	-13.3
Galvanised iron (GI)	421	310	-26.4
Plates	203	187	-7.9

Source: Malaysian Iron and Steel Industry Federation

Table 4.34: Sales Value of Metal Industry, 2008-2009

Sub-Sector	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**49.8**	**32.8**	**-34.1**
Ferrous (Iron & Steel)	28.4	16.4	-42.3
Non-Ferrous	7.6	4.2	-44.2
Fabricated Metal	13.8	12.2	-11.8

Source: Department of Statistic, Malaysia

Table 4.35: Employment in Metal Products Industry, 2008-2009

Sub-Sector	2008 (persons)	2009 (persons)	Change (%)
Total	**78,625**	**69,730**	**- 11.3**
Ferrous (Iron & Steel)	19,622	17,541	- 10.6
Non-Ferrous	8,742	5,898	- 33.0
Fabricated Metal	50,261	46,331	- 7.8

Source: Department of Statistic, Malaysia

Table 4.36: Export Value of Metal Industry, 2008-2009

Sub-Sectors	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**30.0**	**23.3**	**-22.3**
Ferrous (Iron & Steel)	10.5	8.8	-16.2
Non-Ferrous	8.1	5.7	-29.6
Fabricated Metal	11.4	8.8	-22.8

Sources: Malaysia External Trade Development Corporation and Department of Statistics, Malaysia

Table 4.37: Exports of Selected Iron and Steel Products, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Overall	**9.3**	**8.4**	**-9.7**
Long Products	**4.0**	**2.9**	**-27.5**
Billets	1.5	1.0	-33.3
Steel Bars	0.8	0.4	-50.0
Wire Rods	1.1	1.2	9.1
Angle, Sections & Shapes	0.3	0.2	-33.3
Others	0.1	0.1	nil
Flat Products	**5.3**	**5.6**	**5.7**
HRC	1.0	0.5	-50.0
CRC	0.1	0.1	nil
EGI and GI	0.8	0.5	-37.5
Pipes and Tubes	2.4	3.8	58.3
Others	1.0	0.6	-40.0

Sources: Malaysia External Trade Development Corporation and Department of Statistics, Malaysia

Table 4.38: Imports of the Metal Industry, 2008-2009

Sub-Sector	2008 (RM billion)	2009 (RM billion)	Change (%)
Total	**56.0**	**39.7**	**-29.1**
Ferrous (Iron & Steel)	28.7	17.9	-37.6
Non-Ferrous	17.7	13.0	-26.6
Fabricated Metal	9.6	8.8	-8.3

Sources: Malaysia External Trade Development Corporation and Department of Statistics, Malaysia

Table 4.39: Imports of Selected Iron and Steel Products, 2008-2009

Product	2008 (RM billion)	2009 (RM billion)	Change (%)
Overall	**20.7**	**15.2**	**-26.6**
Long Products	**4.7**	**2.7**	**-42.6**
Billets	0.7	0.2	-71.4
Steel Bars	0.9	0.5	-44.4
Wire Rods	1.0	0.9	-10.0
Angle, Sections & Shapes	1.3	0.8	-38.5
Other	0.5	0.2	-60.0
Flat Products	**16.3**	**12.5**	**-23.3**
HRC	3.2	2.3	-28.1
CRC	2.3	1.7	-26.1
EGI and GI	2.4	1.8	25.0
Pipes and Tubes	5.4	4.8	-11.1
Other	3.1	2.0	-35.5

Sources: Malaysia External Trade Development Corporation and Department of Statistics, Malaysia

however decreased by 16.2% to RM8.8 billion in 2009 from RM10.5 billion in 2008. The decline was attributed to lower demand from the international market as well as increased competition from major producing countries such as the PRC. Exports were mainly to Australia totaling RM1.8 billion, Singapore (RM1.3 billion) and Viet Nam (RM1.3 billion).

The export value of the non-ferrous metal products declined to RM5.7 billion in 2009 from RM8.1 billion in 2008. Major exports were copper valued at RM2.8 billion and aluminium RM1.9 billion. Exports of fabricated metal products decreased by 22.8% to RM8.8 billion in 2009 from RM11.4 billion in 2008. Major export destinations of both non-ferrous and fabricated metals products were Singapore with RM3.5 billion exports, the PRC (RM1.4 billion), Thailand (RM1.2 billion) and Japan (RM1 billion).

Imports

Malaysia is a net importer of raw materials and intermediate inputs of iron and steel products.

Total imports of the metal industry decreased by 30% to RM39.7 billion in 2009 from RM55.9 billion in 2008. The decrease was due to a contraction in demand from local manufacturers, attributed to the high stocks of raw materials and lower production. Imports of iron and steel products in 2009 totaled RM17.9 billion, a decrease of 37.6% from RM28.7 billion in 2008. Major imports of iron and steel comprised flat products (HRC, CRC and EGI) valued at RM5.7 billion and pipes and tubes (RM5 billion). Major sources of imports for iron and steel were Japan, with imports valued at RM4.5 billion, the ROK (RM2.2 billion), Chinese Taipei (RM1.7 billion) and the PRC (RM1.6 billion).

Imports of non-ferrous metal products decreased by 26.6% to RM13 billion in 2009 from RM17.7 billion in 2008. Major imports were copper valued at RM6.4 billion and aluminium (RM4.1 billion). Imports of fabricated metal products totaled RM8.8 billion in 2009, a decrease of 8.3% from RM9.6 billion in 2008. Imports of non-ferrous and fabricated metal products were sourced mainly from Japan with imports totaling RM3.9 billion followed by Indonesia (RM2.6 billion), the PRC (RM2.5 billion) and Australia (RM2.1 billion).

Salient Developments in the Industry

The iron and steel segment, whose output was previously focused for the construction sector, is now moving into higher value-added applications for the E&E, automotive, oil and gas sub-sectors.

The Government has reviewed the policy on the iron and steel sub-sector with the objective of enhancing competitiveness of the local industry, as well as to encourage the manufacture of more competitive products for the international market. Effective from 1 August 2009, the policy changes implemented under the review include:

- free issuance of manufacturing licenses to meet domestic and overseas demand for long and flat products;
- free issuance of import licenses;
- gradual reduction of import duties from 50 to 25% with further reduction to 0-10% beginning 1 January 2018;
- duty exemption on import of flat products not produced locally; and
- implementation of mandatory standards on 187 iron and steel products tariff lines effective 13 October 2009. The products include intermediate raw materials such as HRC, CRC, steel bars, billets, sections, wire rods, pipes and tubes, scaffolding, sheet piles, rails and manhole covers. The mandatory standards are to ensure that only acceptable quality iron and steel products are produced and allowed to be imported into the country.

Malaysia participated in the Organisation for Economic Co-operation and Development (OECD) Steel Committee Meeting as an observer at the 67th OECD Meeting in Paris on 10-11 December 2009. The Committee discussed issues such as the current situation of the steel industry and government responses to changing trends, and the impact of trade-related measures and environmental issues on the industry.

MACHINERY AND EQUIPMENT INDUSTRY

The machinery and equipment (M&E) industry is vital for the continuous development of Malaysia's manufacturing sector in view of its contribution and extensive linkages to major economic sectors such as manufacturing, construction, transportation and agriculture. The industry comprises of four segment namely specialised segment, power generating, metal working machinery and general industrial machinery and equipment.

Production

The overall production index covering four product categories under the M&E industry namely industrial air conditioning, refrigerating and ventilating machinery, manufacture of pumps, compressors, taps and valves, machine tools and other special purpose machinery recorded a decline mainly due to the lower demand for M&E products in 2009. The economic slowdown has also prompted M&E manufacturers to reduce cost to ensure sustainability through prudent production planning based on current demand. Production declined in 2009 due to increased costs

Table 4.40: Production Indices of Selected Product Categories in the Machinery and Equipment Industry, 2008-2009

Product	2008	2009	Change (%)
M&E Industry	124.1	97.7	-21.3
Industrial air conditioning, refrigerating and ventilating machinery	139.5	115.0	-17.6
Pumps, compressors, taps and valves	69.9	58.1	-16.9
Machine tools	134.6	96.7	-28.2
Special purpose machinery	86.2	45.9	-46.8

Source: Department of Statistics, Malaysia
Note: base year 2005 = 100

Table 4.41: Sales of Selected Product Categories in the Machinery and Equipment Industry, 2008-2009

Product	2008	2009	Change (%)
M&E Industry	8.2	6.8	-17.1
Industrial air conditioning, refrigerating and ventilating machinery	4.0	3.4	-15.3
Pumps, compressors, taps and valves	2.0	1.6	-21.6
Machine tools	2.0	1.7	-17.3
Special purpose machinery	0.1	0.1	3.1

Source: Department of Statistics, Malaysia

Table 4.42: Employment in Selected Product Categoris in the Machinery and Equipment Industry, 2008-2009

Product	2008	2009	Change (%)
M&E Industry	16,250	14,252	-12.3
Industrial air conditioning, refrigerating and ventilating machinery	6,087	5,080	-16.5
Pumps, compressors, taps and valves	3,531	3,166	-10.3
Machine tools	5,749	5,270	-8.3
Special purpose machinery	883	736	-16.6

Source: Department of Statistics, Malaysia

in obtaining parts, especially from international suppliers. Production stabilised since June 2009. The index rose by 8.4% to 113.4 in December 2009 from 104.6 in January 2009.

Sales

The decrease in sales for the M&E industry was mainly due to the global economic downturn as users were more cautious in placing new orders.

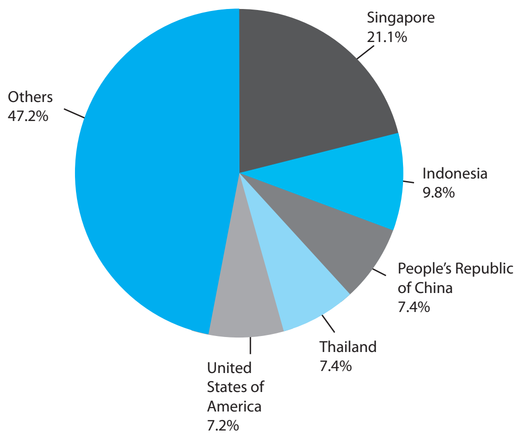
Employment

The industry employed 14,252 workers in 2009. M&E companies had opted to minimise production cost by laying off workers, besides minimising working hours for long-term sustainability. The measure however was targeted mainly at low-skilled workers. The skilled workers were mostly retained in anticipation of economic recovery.

Exports

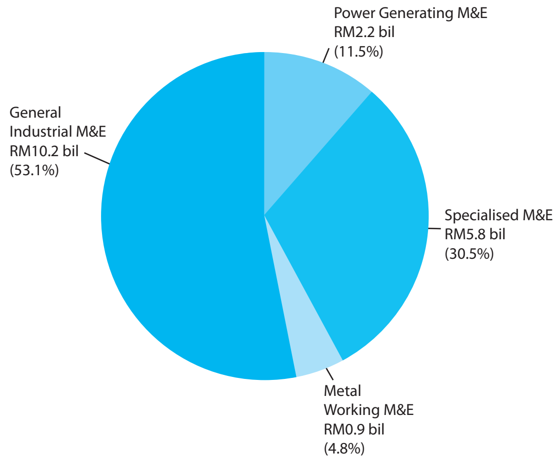
The M&E industry continued to be the third largest contributor to exports of manufactured goods, contributing RM19.1 billion or 3.5% share of total exports in 2009. The specialised machinery segment registered an increase of 1.8% in exports to RM5.8 billion in 2009 from RM5.7 billion in 2008. The increase in exports in this segment indicates that Malaysian exporters are shifting away from mass produced labour intensive M&E to specialised, high technology machinery.

Chart 4.10 Major Export Destinations of Machinery and Equipment Products, 2009



Compiled by Ministry of International Trade and Industry

Chart 4.11 Exports of Machinery and Equipment Products, 2009



Compiled by Ministry of International Trade and Industry

Major export destinations in 2009 were Singapore (RM4 billion), Indonesia (RM1.9 billion) and the PRC (RM1.4 billion). There was a marginal increase in exports to two top trading partners namely the PRC and Indonesia, although overall exports had declined in 2009.

Companies in Malaysia are exploring new export markets. Diversification in the current export destinations was due to the emerging trend of foreign companies, particularly from Japan and the USA, to outsource overseas in order to minimise cost.

Imports

Imports of M&E were mainly from Japan amounting to RM6.7 billion, followed by the PRC (RM6.1 billion) and the USA (RM5.6 billion). The PRC was an important import source due to its low cost of raw materials and labour which translated into lower prices offered for finished goods. Japan and the USA still maintained their position as the two major sources of imports due to existing customer preference and reliability. Thailand overtook Singapore as the largest source of imports from ASEAN countries for the M&E industry in 2009 (Thailand - RM2.8 billion, Singapore - RM2.5 billion).

Salient Developments in the Industry

The global economic slowdown in 2009 had largely affected the M&E industry, and has resulted in the decrease in the value of exports and imports. The low demand for M&E products had affected sustainability of the industry, in addition to the strong competition especially from the PRC, due to its mass production of M&E products.

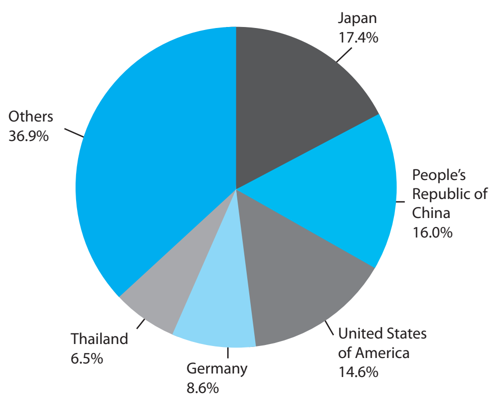
M&E companies in Malaysia, in order to remain globally competitive, are gearing towards high technology, high value-added and specialised machineries. The companies are also consistently enhancing their know-how through investing in technological advancement, innovation capabilities and skilled workforce.

The Government is currently reviewing the import duty for heavy machineries to further spur growth in the M&E industry. The market access for M&E products was further enhanced with full liberalisation of import duty on these products in January 2010 under ASEAN Free Trade Agreements (AFTA).

TEXTILES AND APPAREL INDUSTRY

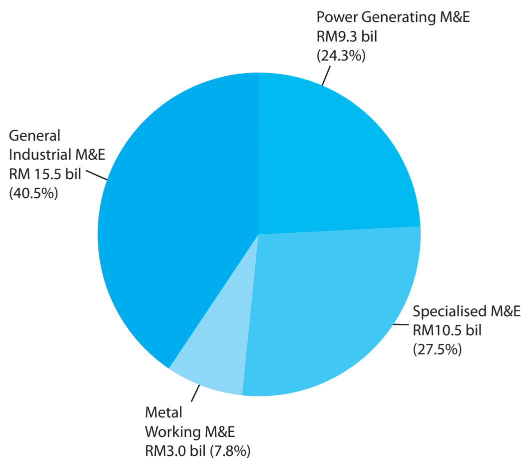
The textiles and apparel industry consists of upstream and downstream activities. The upstream activities comprise the production of fibre yarn and yarn (natural synthetic), fabrics (woven, knitted and non-woven), as well as activities of bleaching, dyeing, finishing and painting. The downstream activities involve the manufacture of made-up garments (shirts, pants and skirts), home textiles

Chart 4.12 Major Sources of Imports for Machinery and Equipment Products, 2009



Compiled by Ministry of International Trade and Industry

Chart 4.13 Imports of Machinery and Equipment Products, 2009



Compiled by Ministry of International Trade and Industry

products (bed linens, table linens and towels), industrial textile products (ropes, cords) and textiles accessories (zips, fasteners, sewing threads and drawstrings). The industry is focused on producing medium to high-end apparels mainly for export.

The performance of the textiles and apparel industry in Malaysia was affected by the global economic crisis. The overall decline in production, sales and exports were mainly due to the decrease in consumption in major export destinations such the USA, the EU and Japan. The industry is expected to recover in 2010 in line with the overall increase in the confidence of retailers to replenish their stock in anticipation of increased consumption due to the economic recovery.

Production

The textiles and apparel industry recorded negative growth in production in 2009. The textiles segment recorded a greater decline (-22.6%), compared with the apparel segment (-18.0%). The major decline was in the manufacture of knitted and crocheted fabrics and articles which had decreased by 29%.

The factors which had contributed to the overall decrease in production were:

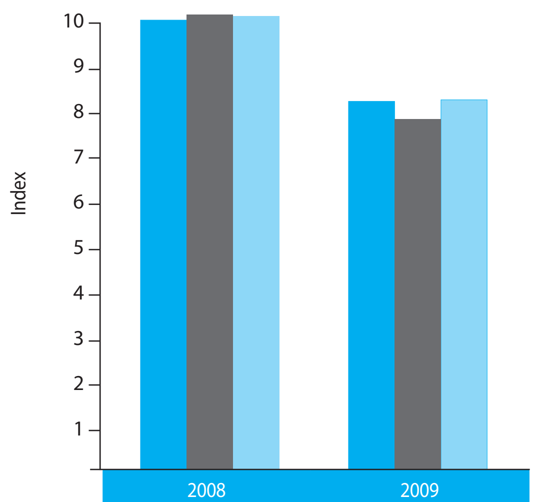
- weaker consumer spending in the USA, Japan and Europe; and

Table 4.43: Production Indices of the Textiles and Apparel Industry, 2008-2009

Industry	2008	2009	Change (%)
Textiles and Apparel	**102.6**	**81.6**	**-20.5**
Textiles	102.8	79.6	-22.6
Apparel	102.5	84.0	-18.0

Source: Department of Statistics, Malaysia

Chart 4.14 Production Index of the Textiles and Apparel Industry, 2008-2009



	2008	2009
Textiles and Apparel	102.6	81.6
Textiles	102.8	79.6
Apparel	102.5	84.0

Source: Department of Statistics, Malaysia

- increased global competition from countries such as the PRC, India, Bangladesh, Cambodia, Indonesia and Viet Nam.

Sales

Sales of the textiles and apparel industry amounted to RM7 billion in 2009, compared with RM7.6 billion in 2008. The reduction in overall sales was mainly due to decrease in orders and cancellations during the second half of 2008 and in early 2009.

Employment

Employment in the textiles and apparel industry declined by 10.7% to 47,390 workers in 2009 from 53,071 workers in 2008 due to declining orders. Skilled workers nevertheless were retained to maintain the quality of products as many of the manufacturers were supplying OEM high-end products.

The cost of labour in Malaysia is much higher than its regional competitors such as Viet Nam, Indonesia and the PRC which had resulted in higher prices for the country's products.

Exports

Total exports of textiles and apparel in 2009 were valued at RM8.9 billion, compared with RM10.5 billion the previous year. A total of RM5.1 billion or 56.8% of Malaysia's exports in 2009 were textiles. The top three export items of textiles and apparel were textile yarns (RM2.5 billion), woven and other textiles apparel (RM1.3 billion) and men's apparel, not knitted/crocheted (RM643.5 million).

The USA was the largest export market for textiles and apparel in 2009, with exports amounting to RM1.8 billion and accounting for 20% of Malaysia's total exports for textiles and apparel. The second largest market was Japan (RM720.1 million), followed by Singapore (RM486.4 million), Mexico (RM460.4 million) and the PRC (RM408.4 million).

Quotas imposed on exports of textiles and apparel products from the PRC to the USA was lifted in the beginning of 2009 as one of the conditions for the PRC's entry into the World Trade Organization (WTO). The lifting of the quota enabled the PRC to increase its market share, thus affecting Malaysia's exports to the USA.

Table 4.44: Sales of Textiles and Apparel Products, 2008-2009

Segment	2008 (RM billion)	2009 (RM billion)	Change (%)
Textiles and Apparel	**7.6**	**7.0**	**-7.7**
Textiles	4.8	4.3	-9.0
Apparel	2.8	2.7	-5.5

Source: Department of Statistics, Malaysia

Table 4.45: Employment in the Textiles and Apparel Industry, 2008-2009

Segment	2008 (Persons)	2009 (Persons)	Change (%)
Textiles and Apparel	**53,071**	**47,390**	**-10.7**
Textiles	18,479	16,605	-10.1
Apparel	34,592	30,785	-11.0

Source: Department of Statistics, Malaysia

Table 4.46: Exports of Textiles and Apparel Products, 2008-2009

Segment	2008 (RM billion)	2009 (RM billion)	Change (%)
Textiles and Apparel	**10.5**	**8.9**	**-15.2**
Textiles	5.4	5.1	-5.6
Apparel	5.1	3.9	-23.5

Compiled by the Ministry of International Trade and Industry

Table 4.47: Imports of Textiles and Apparel Products, 2008-2009

Segment	2008 (RM billion)	2009 (RM billion)	Change (%)
Textiles and Apparel	**5.5**	**4.5**	**-18.3**
Textiles	4.0	3.4	-13.9
Apparel	1.5	1.0	-30.4

Compiled by the Ministry of International Trade and Industry

Imports

Imports of textiles and apparel decreased by 18.3% to RM4.5 billion in 2009 from RM5.5 billion in 2008. The reduction was due to the decline in consumption, especially for expensive foreign items.

Major sources of imports for textiles and apparel products were the PRC of RM1.6 billion or 35.6% of total imports. Chinese Taipei was next with RM427.8 million followed by Thailand (RM378.3 million), Indonesia (RM314.3 million) and Japan (RM288.2 million).

Salient Developments in the Industry

The 2009 Budget had exempted employers from paying the human resource development levy for six months effective 1 February 2009 to 1 July 2009. A total of 329 employers in the textiles and apparel sector enjoyed the exemption amounting to RM2.7 million. The exemption was given due to the declining demand and sales of textiles and apparel products which had affected the competitiveness of the industry. The Government further announced a reduction in the 1% levy to 0.5% for a period of two years effective 1 April 2009.

The ASEAN Federation of Textiles Industry (AFTEX) started the Source ASEAN Full Service Alliance (SAFSA) programme in 2009. SAFSA is a three-year programme designed to enhance, advance and promote the ASEAN region as a full service supplier of quality textiles and apparel. The programme is based on the premise that greater integration of ASEAN's textile and apparel industry will lead to faster lead time, better quality and more competitive prices. The Virtual Vertical Factories (VVF) concept was also introduced to offer global buyers a one-stop centre for a full range of fabrics and garment. Textile mills and garment factories under the SAFSA programme are forming partnerships to become VVFs. The VVFs will establish long-term partnerships with international fashion retailers and buyers who own international brand names.

MEDICAL DEVICES INDUSTRY

The medical devices industry comprises a broad range of products and equipment used in healthcare services for diagnosis, prevention, monitoring, treatment or alleviation of diseases.

The industry consists of 180 medical device manufacturers. The products manufactured include medical disposable products such as examination and surgical gloves, aids for disabled persons, implantable devices, heart valves, stents, anaesthetic and respiratory equipment. The other medical device products manufactured in Malaysia include syringes, surgical equipment, blood transfusion sets, blood pressure transducers, dialysis solutions, medical gases, hypodermic/spinal/AV fistula needles, medical tubes and bags, diagnostic radiographic equipment, orthopaedic products and procedural kits.

The industry remained resilient despite the global economic crisis with major indicators such as production indices, sales, employment and imports indicating growth ranging from 4% to 20% in 2009. The future of this industry in Malaysia remains bright with immense opportunities for growth.

Production

The medical devices industry remained stable in 2009 with little impact from the previous year's economic crisis. The industry registered an increase in production index, posting overall index growth of 7.8% to reach 168.1 from 156 in 2008.

The growth was driven by the:

- demand for medical devices which remained strong, supported by the expansion of hospitals, particularly by the private sector, as well as healthcare infrastructure projects undertaken by the Government;
- global economic slowdown, which presented opportunities for the local medical devices industry to expand as requests for small orders to local companies increased; and
- surge in global demand for medical gloves.

Sales

Sales in the medical devices industry increased by 19.4% to RM1.2 billion in 2009 from RM1 billion in 2008. The industry enjoyed growth in sales due to increase demand especially in the domestic market, despite the increase in energy and raw material prices and extremely volatile currency markets.

Employment

Employment in the industry increased by 6.7% to 6,803 persons in 2009 from 6,375 in 2008 in tandem with the increase in production.

Table 4.48: Production Index of Medical Devices Products, 2008-2009

Industry	2008	2009	Change (%)
Manufacture of medical and surgical equipment, orthopaedic appliances	156.0	168.1	7.8

Source: Department of Statistics, Malaysia

Table 4.49: Sales of Medical Devices Products, 2008-2009

Industry	2008 (RM billion)	2008 (RM billion)	Change (%)
Manufacture of medical and surgical equipment, orthopaedic appliances	1.0	1.2	19.4

Source: Department of Statistics, Malaysia.

Table 4.50: Employment in the Medical Devices Industry, 2008-2009

Industry	2008 (Persons)	2009 (Persons)	Change (%)
Manufacture of medical and surgical equipment, orthopaedic appliances	6,375	6,803	6.7

Source: Department of Statistics, Malaysia.

Exports

Surgical and examination gloves exports recorded an increase of 1.6% to RM7.1 billion in 2009 from RM7 billion in 2008. Sheath contraceptives exports increased by 2.6% to RM233.7 million from RM227.8 million in 2008. Exports of medical devices products however decreased by 2.6% to RM9 billion in 2009 from RM9.3 billion in 2008.

Imports

Imports of medical devices products increased 4.3% to RM2,399.1 million in 2009 from RM2,299.7 million in 2008. Major products imported were dental and ophthalmic instruments and appliances with imports, valued at RM778.6 million, an increase of 4.8% from RM743.1 million in 2008. Major export destinations were the USA (RM3 billion), followed by Germany (RM716.6 million), Japan (RM698.1 million), the UK (RM434.2 million) and Singapore (RM416 million).

Major import sources were the USA, with imports of RM502 million, followed by Germany (RM315.2 million), Japan (RM224.2 million), Singapore (RM115.2 million) and the UK (RM53.7 million).

Salient Developments in the Industry

A directory comprising 100 manufacturers of medical devices and its supporting industries is being compiled by MIDA and is expected to be

Table 4.51: Exports of Selected Medical Devices Products, 2008-2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total	**9,268.6**	**9,023.3**	**-2.6**
Surgical and examination gloves	7,030.8	7,142.7	1.6
Catheters, syringes, needles and sutures	231.4	50.7	-78.1
Medical and surgical x-ray apparatus	275.3	219.1	-20.4
Sheath contraceptives	227.8	233.7	2.6
Electromedical equipment	228.2	152.2	-33.3
Opthalmic lenses, including contact lenses	399.6	421.7	5.5
Dental and ophthalmic instruments and appliances	636.0	632.0	-0.6
Medical furniture	0.0	27.4	-
Other medical instruments, apparatus and appliances	239.5	143.7	-40.0

Compiled by Ministry of International Trade and Industry

produced by the first half of 2010. The directory will serve as a guide for potential investors to assess the domestic capacity of the industry and to identify opportunities for the manufacture of medical devices.

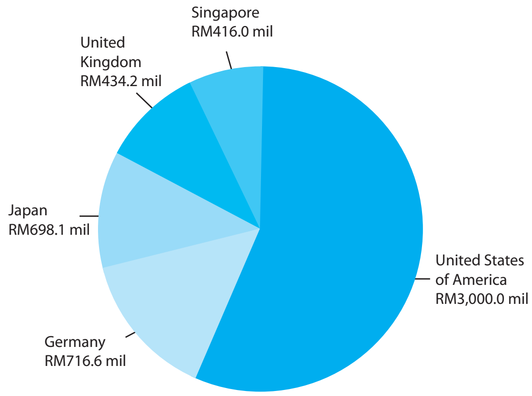
The Malaysia Healthcare Travel Council was established on 3 July 2009 to develop and promote the healthcare travel industry and to position Malaysia as the favoured healthcare destination. The development of this sector will have a direct impact on the development of the medical devices industry.

A total of 207 Malaysian Standards for medical devices had been developed and 70 Draft Malaysian Standards (DMS) for the medical devices industry are still being developed. The establishment of these standards is to ensure that products produced by the medical devices manufacturers comply with international standards and regulations.

The development of a harmonised ASEAN Medical Device Directive (AMDD) by the ASEAN Consultative Committee on Standards and Quality Medical Device Product Working Group (ACCSQ-MDPWG) is ongoing and will be translated into national legislations of ASEAN Member States by the end of 2014.

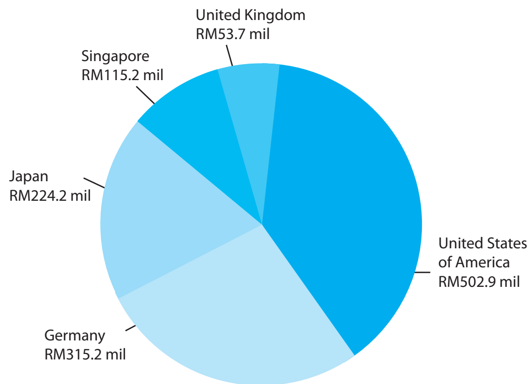
The mandatory registration and enforcement of the Medical Devices Regulation has been revised.

Chart 4.15 Major Export Destinations for Medical Devices Products, 2009



Compiled by Ministry of International Trade and Industry

Chart 4.16 Major Sources of Imports for Medical Devices Products, 2009



Compiled by Ministry of International Trade and Industry

Table 4.52: Imports of Selected Medical Devices Products, 2008-2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total	**2,299.7**	**2,399.1**	**4.3**
Surgical and examination gloves	172.8	212.3	22.9
Catheters, syringes, needles and sutures	127.7	88.7	-30.5
Medical and surgical x-ray apparatus	207.6	236.4	13.9
Sheath contraceptives	24.9	26.4	6.0
Electromedical equipment	261.4	238.4	-8.8
Opthalmic lenses, including contact lenses	241.9	260.7	7.8
Dental and ophthalmic instruments and appliances	743.1	778.6	4.8
Medical furniture	0	38.6	-
Other medical instruments, apparatus and appliances	520.3	519.0	-0.2

Compiled by Ministry of International Trade and Industry

The revision will be undertaken in various phases and a transition plan has been drafted. The industry has been informed of the transition plan through a seminar on Mandatory Implementation of Medical Devices Regulation in Kuala Lumpur, Malaysia on 16-17 December 2009.

WOOD AND WOOD PRODUCTS INDUSTRY

The Malaysian wood and wood products industry is one of the major revenue contributors to the country's economy. The wood and wood products industry comprises of wood and wood products, as well as paper products. The wood products consist of sawn timber, veneer sheets and plywood, builders' carpentry and joinery, laminated boards, particle boards, other panels and boards and wooden furniture and fixtures. The paper products sub-sector comprises pulp, paper and paperboards, corrugated paper and containers of paper and paperboards.

Production

The production index recorded a decline of 16.7% to 81.7 in 2009 from 98.4 in 2008 as millers were operating at below capacity in order to avoid high inventory and to reduce operating costs. The production index of paper products also declined due to increased competition among ASEAN Member States particularly from Indonesia.

Sales

Overall sales of wood and wood products, as well as paper products in 2009 amounted to RM18.5 billion. The reduction in sales was due to the effects of the economic slowdown. Sales growth was registered however by products such as toilet papers (24.4%), envelopes and plain postcards (7.6%), adhesive paper in rolls (5.1%) and builders carpentry and joinery (4.4%).

Employment

The wood and wood products industry employs a total of 103,470 workers or 8.9% of the manufacturing sector in 2009. There was a decrease in total employment, compared with 2008 as more companies invest in automation and capital intensive modern machinery.

Exports

The overall exports of wood and wood products totaled RM14.2 billion in 2009, a decrease of 14.7% from RM16.6 billion in 2008. Exports to the ROK registered an increase of 1.7% to RM977.2 million in 2009 from RM961.2 million in 2008. Two products recorded increases in exports however, namely wood chips (4.4%) and paper and paper boards (2.7%).

Imports

Imports of veneer and plywood from the PRC increased by 1.6% as the local industry opted for

Table 4.53: Production Indices of Selected Wood and Wood Products Industry, 2008-2009

Product	2008	2009	Change (%)
Total	**98.3**	**81.7**	**-16.9**
Wood Products	**91.2**	**76.0**	**-16.7**
Laminated boards, particle boards and other panels and boards	94.4	120.2	27.3
Veneer sheets and plywood	99.0	80.3	-18.9
Sawmilling and planing of wood	95.0	70.2	-26.1
Wooden furniture	77.1	58.1	-24.6
Paper Products	**124.2**	**101.9**	**-17.8**
Toilet papers and cleansing tissues	111.3	112.5	1.1
Pulp, paper and paperboards	125.3	102.9	-17.9
Corrugated paper, paperboard and paper containers	126.6	98.3	-22.3

Source: Department of Statistics, Malaysia
Note: Base Year 2005 =100

Table 4.54: Sales of Wood-based Products, 2008-2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total	**21,505.7**	**18,504.5**	**-13.8**
Wood products	**14,831.2**	**12,598.2**	**-15.1**
Veneer sheets and plywood	7,159.3	6,200.7	-13.4
Wooden furniture	4,868.0	3,821.0	-21.5
Laminated boards	1,831.0	1,561.2	-14.7
Builders carpentry and joinery	972.8	1,015.3	4.4
Paper products	**6,674.6**	**5,942.3**	**-11.0**
Corrugated paper	3,442.1	2,227.4	-17.6
Pulp and paperboards	2,047.6	1,771.7	-13.5
Toilet papers	472.5	587.7	24.4
Adhesive paper in rolls	429.9	451.6	5.1
Envelopes and plain postcards	282.5	303.9	7.6

Source: Department of Statistics, Malaysia

Table 4.55: Employment in the Wood and Wood Products Industry, 2008-2009

Sub-Sector	2008 (RM million)	2009 (RM million)	Change (%)
Total	**21,505.7**	**103,470**	**-12.8**
Wood products	**14,831.2**	**84,106**	**-12.6**
Veneer sheets and plywood	7,159.3	40,785	-12.3
Wooden furniture	4,868.0	31,779	-12.3
Laminated boards	1,831.0	6,606	-14.0
Builders carpentry and joinery	972.8	4,936	-10.1
Paper products	**6,674.6**	**19,364**	**-13.4**
Corrugated paper	3,442.1	10,311	-16.0
Pulp and paperboards	2,047.6	4,085	-8.2
Toilet papers	472.5	2,543	-9.4
Adhesive paper in rolls	429.9	1,282	-11.7
Envelopes and plain postcards	282.5	1,143	-17.3

Source: Department of Statistics, Malaysia

cheaper materials used in the construction industry. Imports of wood in paper products however declined by 10.4% to RM6.7 billion from RM7.5 billion in 2008.

Salient Developments in the Industry

There were several strategies undertaken in 2009 by local producers to enhance competitiveness of the domestic wood and wood products industry. The strategies include diversifying from traditional to emerging markets, namely Eastern Europe and the Middle East, focusing more on branding and design as well as disseminating information to domestic manufacturers on the latest developments on woodworking technologies.

The National Timber Policy (NATIP) provides the direction for the timber industry in Malaysia. The rapid growth of the timber industry has brought new challenges related to its future competitiveness

Table 4.56: Exports of Wood and Wood Products, 2008-2009

Product	2008 Value (RM million)	2009 Value (RM million)	Change (%)
Total Exports of Wood and Paper Products	**19,447.4**	**16,973.1**	**-12.7**
Total Exports of Wood Products	**16,584.8**	**14,152.0**	**-14.7**
Veneer and plywood	8,341.5	6,612.3	-20.7
Wooden furniture	6,892.0	6,244.6	-9.4
Wood manufactures	1,349.7	1,294.3	-4.1
Cork manufactures	1.6	0.8	-51.5
Total Exports of Paper and Pulp Products	**2,862.6**	**2,821.1**	**-1.5**
Paper and paperboards (cut to size)	1,682.9	1,625.3	-3.4
Paper and paperboards	1,009.5	1,036.3	2.7
Wood in chips	132.0	140.1	6.2
Pulp and waste paper	38.2	19.4	-49.4

Compiled by Ministry of International Trade and Industry

Table 4.57: Imports of Wood and Wood Products, 2008-2009

Product	2008 Value (RM million)	2009 Value (RM million)	Change (%)
Total Imports of Wood and Paper Products	**7,485.8**	**6,694.4**	**-10.6**
Total Imports of Wood Products	**1,304.4**	**1,145.6**	**-12.2**
Veneer and plywood	616.3	604.5	2.0
Wooden furniture	536.0	380.7	-29.0
Wood manufactures	146.7	146.7	-1.5
Cork manufactures	4.6	1.8	-60.1
Total Imports of Paper and Pulp Products	**6,181.4**	**5,548.8**	**-10.2**
Paper and paperboards	4,612.5	4,208.9	-8.7
Paper and paperboards (cut to size)	870.6	816.4	-6.3
Pulp and waste paper	695.9	522.0	-25.0
Wood in chips	2.7	1.5	-44.9

Compiled by Ministry of International Trade and Industry

and sustainability. NATIP has set a target growth of achieving RM53 billion exports by 2020.

RUBBER PRODUCTS INDUSTRY

The major sub-sectors of the rubber products industry are latex products, tyres and tyre-related products and industrial and general rubber products. Latex products include rubber gloves, catheters, latex thread, condoms and foam products. Malaysia is the world's largest exporter of rubber gloves with an average annual GDP of RM6 billion. The rubber gloves industry has been generally recession-proof and has recorded increases in exports since 2000.

Production

There were two segments that recorded increases in production namely retreading and rebuilding of rubber tyres by 8.9% and rubber gloves by 3.1%.

Overall production however decreased by 3% in 2009 mainly due to declining areas for planting for the production of latex and lower global demand for rubber products in the motor vehicles industry.

Sales

The retreading and rebuilding of rubber tyres and rubber gloves segments recorded increase in sales by 32.4% and 6.9% respectively. The overall sales of the rubber products industry however declined due to a decreased demand in domestic and overseas markets.

Employment

The rubber products industry employed 56,476 workers in 2009, a decline of 4.9% from 59,402 workers in 2008. The decrease was due to companies reducing their dependency on foreign workers and increased investments in factory automation equipment.

Exports

The rubber gloves and industrial rubber goods segments recorded growth of 1.6% and 0.7% respectively, as a result of the increase in exports to traditional markets. Overall exports of the rubber products industry however declined by 2.6% to RM12.5 billion in 2009 from RM12.8 billion in 2008.

The five major export destinations in 2009 were the PRC, the USA, Germany, Japan and Brazil which together constituted 58% of the total exports of rubber products.

Imports

Total imports of the rubber products industry registered a decline of 9% in 2009 due mainly to reduction in the import of non-traditional products such as articles of rubber (-6.2%), industrial rubber goods (-7.6%) and tyre-related products (-6.3%). The decline can be attributed to increase sourcing of raw material locally by the domestic industry.

The five major import sources of Thailand, Japan, Chinese Taipei, the USA and Indonesia accounted for 63.9% of total imports of rubber products in 2009.

Salient Developments in the Industry

The world's top three rubber-producing countries namely Thailand, Indonesia and Malaysia stopped

Table 4.58: Production Indices of the Rubber Products, 2008-2009

Segment	2008	2009	Change (%)
Total	**128.2**	**124.3**	**-3.0**
Latex-based and general rubber products	152.0	144.3	-5.0
Rubber gloves	122.4	126.2	3.1
Rubber tyres and tubes	105.2	86.7	-17.5
Retreading and rebuilding of rubber tyres	76.8	83.6	8.9

Source: Department of Statistics, Malaysia

Table 4.59: Sales of Rubber Products, 2008-2009

Segment	2008 (RM million)	2009 (RM million)	Change (%)
Total Sales	**12,162.2**	**11,672.3**	**-4.0**
Rubber gloves	6,011.2	6,427.5	6.9
Latex-based and general rubber products	4,147.3	3,464.3	-16.5
Tyre and tube industries	1,920.0	1,670.0	-13.0
Retreading and rebuilding of rubber tyres	83.7	110.8	32.4

Source: Department of Statistics, Malaysia

Table 4.60: Employment in the Rubber Products Industry, 2008–2009

Segment	2008 (RM million)	2009 (RM million)	Change (%)
Total employment	**59,402**	**56,476**	**-4.9**
Rubber gloves	31,661	31,814	0.5
Latex-based rubber products	21,843	18,945	-13.3
Tyre and tube	5,417	5,080	-6.2
Retreading of rubber tyres	481	637	32.4

Source: Department of Statistics, Malaysia

Table 4.61: Exports of Rubber Products, 2008–2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total exports of rubber products	**12,806.1**	**12,478.8**	**-2.6**
Rubber gloves	7,030.8	7,142.7	1.6
Industrial rubber goods	3,734.2	3,759.7	0.7
Articles of rubber	810.9	743.2	-8.3
Tyres and tyres related products	849.8	479.6	-43.6
Synthetic rubber	380.3	353.5	-7.0

Source: Malaysia External Trade Development Corporation

Table 4.62: Imports of Rubber Products, 2008–2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total imports of rubber products	**3,598.9**	**3,2270.0**	**-8.9**
Synthetic rubber	1,521.3	1,281.9	-15.7
Tyres and tyre related products	950.6	890.7	-6.3
Articles of rubber	728.7	683.7	-6.2
Rubber gloves	172.8	212.3	22.9
Industrial rubber goods	225.5	208.3	-7.6

Source: Malaysia External Trade Development Corporation

setting export limit quotas following a rise in prices in the second half of 2009.

The worldwide spread of the influenza A (H1N1) has resulted in increased demand especially for examination rubber gloves from overseas buyers. Local rubber glove producers have increased production to their maximum capacity to meet the demand from international markets.

The imposition of mandatory standards of new tyres and approved permits on selected used tyres had increased the standard of manufactured tyres in the market. The standards have been imposed to reduce the number of tyre-related road accidents in the country.

PALM OIL INDUSTRY

Malaysia remained the world's largest producer and exporter of palm oil products in 2009. The palm oil industry produces palm oil, palm kernel oil, palm kernel cake, oleo-chemicals and finished products.

Production

The palm oil industry was affected by the global economic crisis and recorded a decline of 1.1% in total production to 26.5 million tonnes in 2009 from 26.8 million tonnes in 2008.

Exports

Total export volume of palm oil increased by 3.2% to 22.3 million tonnes in 2009 from 21.6 million tonnes in 2008. Higher demand from Pakistan, India, Egypt and the ROK contributed to the increase in the export volume of palm oil. A decline in the price of oil palm products however has resulted in reduced exports value by 23.9% to RM49.65 billion from RM65.1 billion in 2008.

The PRC remains the largest export market for Malaysian palm oil in 2009, maintaining the same position for the last eight years. The increase in exports can be attributed to the country's factors of continued strong economic growth, rising household incomes, local capacity expansion and the import tariff reduction on palm stearin to 4% from 8% in 2008.

Palm oil exports to the USA and the EU however declined in 2009. Exports to the USA decreased by 18% due to strong competition from soybean oil from Canada. Exports to the EU also declined by 7.7% due to an increase in the production of domestic vegetable oils, especially rapeseed oil.

Imports

Total volume of imported palm oil products increased by 58.5% to 1.3 million tonnes in 2009, from 0.8 million tonnes in 2008 due to the lower output of domestic palm oil products. Main sources of imports were Indonesia, Thailand and Papua New Guinea.

Table 4.63: Production of the Palm Oil Industry, 2008 - 2009

Product	2008 (mil tonnes)	2009 (mil tonnes)	Change (%)
Total	**26.8**	**26.5**	**-1.1**
Crude palm oil	17.7	17.5	-1.1
Palm kernel	4.6	4.5	-2.2
Crude palm kernel oil	2.1	2.1	-
Palm kernel cake	2.4	2.3	-4.2

Source: Malaysian Palm Oil Board

Table 4.64: Exports of Palm Oil Products, 2008–2009

Product	2008		2009		Change %	
	Quantity (tonnes)	RM million	Quantity (tonnes)	RM million	Quantity (tonnes)	RM million
Total	**21,649,815**	**65,050.4**	**22,337,141**	**49,499.1**	**3.2**	**-23.9**
Palm oil	15,412,512	47,925.9	15,865,529	36,906.3	2.9	-23.0
Palm kernel oil	1,047,418	4,159.8	1,117,468	3,021.0	6.7	-27.4
Palm kernel cake	2,261,268	990.9	2,379,232	495.7	5.2	-50.0
Oleochemicals	2,075,897	8,706.4	2,167,741	6559.2	4.4	-24.7
Finished products	670,612	2,656.6	579,714	1,911.1	-13.4	-28.1
Biodiesel	182,108	610.7	22,7457	605.8	24.9	-0.8

Source: Malaysian Palm Oil Board

Table 4.65: Imports of Palm Oil Products, 2008–2009

Product	2008 (tonnes)	2009 (tonnes)	Change (%)
Total	**814,000**	**1,290,000**	**58.5**
Palm oil	561,000	930,200	65.8
Palm kernel oil	225,100	338,800	50.5
Palm kernel	28,500	21,200	-25.6

Source: Malaysian Palm Oil Board

Salient Developments in the Industry

The Government undertook several Ministerial palm oil promotion missions to selected countries in 2009. The objectives of these missions were to seek greater market access and to clarify Malaysia's commitment for sustainable palm oil production. The countries visited were Japan (May 2009), Turkey (August 2009), Morocco (August 2009), the USA (October 2009), Bangladesh and India (December 2009).

The Malaysian Palm Oil Board (MPOB) undertakes research and development (R&D) on product diversification to develop a wider range of higher value-added palm oil products. A major achievement arising from R&D in 2009 was the production of palm-based cheese, chocolate spread and palm tocotrienols products which have high value-added and potential for commercialisation for the domestic and international markets.

Programmes such as the Palm Oil Trade Fair and Seminar (POTS), Palm Oil Familiarisation Programme (POFP) and Palm Oil Trade Awareness Programme (POTAP) are being conducted to enhance greater market access for the Malaysian palm oil industry. The programmes are also conducted to create greater awareness on Malaysian palm oil as a healthy option for consumers. The MPOB, through its overseas regional offices, has also conducted seminars and provided technical assistance to oils and fats product manufacturers in Pakistan, the UAE, Turkey, Syria and Saudi Arabia.

The Government is also taking the initiative to create a Malaysian identity for palm oil and its products through certification of Malaysian palm oil, as well as promotion of Malaysian brands in the international market. This effort is currently being undertaken by the Malaysia Palm Oil Council (MPOC), focusing on product development and differentiation.

PROCESSED FOOD AND BEVERAGES INDUSTRY

The processed food and beverages industry accounts for one-tenth of the domestic manufacturing output. The industry comprises a wide range of food and beverages products, produced mainly by small and medium enterprises (SMEs).

Production

The production index of the processed food segment recorded an increase of 2.8% to 132.2 in 2009 from 128.6 in 2008. The manufacture of condensed, powdered and evaporated milk recorded growth due to high demand for milk products by consumers. Chocolate products and sugar confectionary however declined by 35.9% following the melamine-tainted milk issue in 2009.

Sales

The beverages segment under the processed food and beverages industry registered increased sales of 27% to RM1.4 billion in 2009 from RM1.1 billion in 2008. In the processed food segment, the highest sales value were recorded in the cocoa products segment with RM3.4 billion, followed by condensed, powdered and evaporated milk (RM3.2 billion), sugar (RM2.3 billion) and vegetables, animal oils and fats (RM1.9 billion).

Table 4.66: Production Indices of Selected Processed Food and Beverages Products, 2008–2009

Segment	2008	2009	Change (%)
Total	**125.3**	**127.1**	**1.4**
Processed food	**128.6**	**132.2**	**2.8**
Other food products	163.3	156.6	-4.1
Cocoa products	162.3	143.3	-11.7
Snack	93.7	92.9	-0.8
Chocolate products and sugar confectionery	134.4	86.1	-35.9
Processing and preserving fish and fish products	102.1	104.6	2.4
Flour milling	110.4	107.5	-2.7
Biscuits and cookies	100.5	97.9	-2.5
Rice milling	142.1	147.9	4.1
Sugar	106.5	104.7	-1.7
Condensed, powdered and evaporated milk	121.4	158.3	30.4
Beverages	**117.2**	**114.5**	**-2.3**
Soft drinks	229.2	205.6	-10.3
Malt liquors and malt	93.6	95.2	1.8

Source: Department of Statistics, Malaysia
Note: Base Year 2005 = 100

Table 4.67: Sales of Selected Processed Food and Beverages Products, 2008-2009

Segment	2008 (RM million)	2009 (RM million)	Change (%)
Total	**22,022,511**	**21,022,797**	**-3.9**
Processed food	**20,443,742**	**20,121,288**	**-5.5**
Condensed, powdered and evaporated milk	4,054,995	3,182,578	-21.5
Cocoa products	3,758,837	3,382,702	-10.0
Vegetable and animal oils and fats (excluding palm oil)	2,773,684	1,925,230	-30.6
Sugar	2,082,004	2,262,747	8.7
Flour mills	2,050,441	1,844,407	-10.0
Food products, not elsewhere classified	1,439,840	1,412,882	-1.9
Preserved fish and fish products	1,055,932	1,045,220	-1.0
Rice	1,005,087	1,694,208	68.6
Biscuits and cookies	875,724	1,033,808	18.1
Chocolate products and sugar confectionery	569,701	526,953	-7.5
Snacks	585,595	574,349	-1.9
Sauces	502,923	651,480	29.5
Coconut oil	65,573	62,707	-4.4
Pineapple canning	56,980	57,340	0.6
Beverages	**1,145,195**	**1,454,546**	**27.0**
Soft drinks	1,021,452	1,250,802	22.5
Mineral waters	123,743	203,744	64.6

Source: Department of Statistics, Malaysia

Employment

Employment in the processed food and beverages industry decreased by 5.1% to 43,080 workers in 2009 from 45,418 in 2008. The main reason for the decrease in employment was reduced dependence on foreign labour.

Exports

Exports of sugar and sugar confectionery products, processed meat and beverages registered growth of 14.1%, 11.4% and 4.3%, respectively in 2009.

The overall exports of processed food and beverages decreased by 10% in 2009 to RM12.2 billion from RM13.5 billion in 2008. The main exports, in terms of value, were cocoa and cocoa preparations (RM3.1 billion), prepared cereals (RM1.3 billion) and other processed foods combined (RM4 billion). The major export destinations for processed food were Singapore, the USA, Indonesia, Japan and Thailand.

Imports

Overall imports of processed food and beverages increased by 0.7% in 2009 to RM10 billion from RM9.9 billion the previous year. Processed food and beverage products that registered growth in imports were sugar and sugar confectionary (42.5%), tea and mate (24.4%) and non processed meat (18.6%). Malaysia was a net importer of food products in 2009.

Major imported products were sugar and sugar confectionery (RM2.5 billion), dairy products (RM1.6 billion) and other processed foods (RM2.5 billion). Australia was Malaysia's largest import source for processed food (RM1.5 billion) in 2009 followed by Brazil (RM1.2 billion), New Zealand (RM1.1 billion), Thailand (RM817.2 million) and the USA (RM753.6 million).

Salient Developments in the Industry

The establishment of the Malaysia Agricultural Quarantine Inspection Services (MAQIS) in March 2006 under the Ministry of Agriculture and Agro-based Industry (MOA) is to facilitate compliance on food safety and quality for agricultural produce entering the country. The import of all agriculture products, beginning July 2009 under a Special Act (Akta 3P – *pemeriksaan pembungkusan, penggredan*

Table 4.68: Employment in Processed Food and Beverages Industry, 2008-2009

Segment	2008 (RM million)	2009 (RM million)	Change (%)
Total	**45,418**	**43,080**	**-5.1**
Processed food	**42,656**	**39,959**	**-6.3**
Preserving fish and fish products	7,938	7,290	-8.2
Biscuits and cookies	5,043	4,641	-8.0
Condensed, powdered and evaporated milk	3,967	2,797	-29.5
Chocolate products and sugar confectionery	3,219	3,209	-0.3
Snacks	3,242	2,832	-12.6
Other food products	2,578	2,470	-4.2
Sauces	2,261	2,495	10.3
Cocoa products	1,975	1,680	-14.9
Sugar	1,930	2,058	6.6
Vegetable and animal oils and fats	1,463	1,750	19.6
Flour mills	1,554	1,577	1.5
Rice milling	1,802	2,019	12.0
Pineapple canning	548	397	-27.6
Coconut oil	187	190	1.6
Beverages	**2,762**	**3,121**	**13.0**
Soft drinks	1,953	2,008	2.8
Mineral waters	809	1,113	37.6

Source: Department of Statistics, Malaysia

Table 4.69: Exports of Selected Processed Food and Beverage Products, 2008- 2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total	**13,526.8**	**12,168.6**	**-10.0**
Processed food	**12,154.6**	**10,689.60**	**-11.6**
Other processed food	4,837.0	3,997.7	-17.4
Cocoa and cocoa preparations	3,281.8	3,097.0	-5.6
Prepared cereals	1,289.1	1,315.3	2.0
Dairy products	1,084.6	587.3	-45.8
Processed seafood	561.6	545.7	-2.8
Sugar and sugar confectionery	481.7	549.6	14.1
Prepared vegetables and fruits	421.9	430.4	2.0
Processed meat	149.50	166.6	11.4
Beverages	**1,372.2**	**1,429.6**	**4.2**
Alcoholic beverages	913.7	942.9	3.2
Non-alcoholic beverages	458.4	486.8	6.2

Source: Department of Statistics, Malaysia

Table 4.70: Imports of Selected Processed Food and Beverage Products, 2008- 2009

Product	2008 (RM million)	2009 (RM million)	Change (%)
Total	**9,913.4**	**9,986.2**	**0.7**
Processed food	**8,938.3**	**8,985.3**	**0.5**
Dairy products	2,566.5	1,556.8	-39.3
Other processed food	2,362.5	2,500.3	5.8
Sugar and sugar confectionery	1,733.8	2,470.5	42.5
Prepared cereals and flour	758.0	755.3	-0.4
Prepared vegetables and fruits	673.5	761.1	13.0
Processed seafood	388.4	422.9	8.9
Cocoa and cocoa preparations	320.7	352.6	10.0
Tea and mate	99.2	123.4	24.4
Processed meat	35.8	42.4	18.6
Beverages	**975.1**	**1,000.9**	**2.6**
Alcoholic beverages	884.6	883.3	-0.2
Non-alcoholic beverages	90.3	117.6	30.3

Source: Department of Statistics, Malaysia

dan pelabelan), were required to be graded, packed and labelled with the purpose of regulating imported agriculture products and prevent imports that do not meet the specified regulations.

Seafood processing plants in Malaysia are required to obtain Hazard Analysis Critical Control Point (HACCP) certifications before exporting their seafood products to Europe and the USA. Livestock processing plants are also required to obtain Veterinary Health Mark (VHM) which approved by the Department of Veterinary Services.

The Government has offered attractive incentives to encourage the poultry industry to convert existing farms to the closed house system of rearing poultry which is more environmental-friendly. The modern farm approach has contributed to higher productivity and lowered the risk of diseases.

OUTLOOK – THE MANUFACTURING SECTOR

The manufacturing sector recorded growth in the third quarter of 2009, after a year of contraction in production, sales and employment, as well as a decline in its exports and imports performance and growth is expected to follow through in 2010. The growth was contributed by the Government's Stimulus Package and improvements in the economic recovery worldwide, especially in the main export markets of the EU and the USA. Consumer and business confidence have started to improve in the fourth quarter of 2009 and with the stabilisation of external and domestic economic conditions, the manufacturing sector is expected to continue its growth momentum:

- E&E sector is forecast to sustain growth in 2010 as the demand for semiconductors in Asia (particularly from the PRC) and the USA, the EU and Japan is expected to increase;
- the petroleum products, petrochemicals and plastics industry is expected to register growth in tandem with the economic recovery in the Asian region in 2010. The plastic products segment in particular is expected to register higher growth in 2010 due to increased demand, especially for food-packaging segment in the domestic market;
- prospects for the pharmaceutical industry remains positive, due to growing healthcare needs, an ageing population and the continuing influenza A (H1N1) epidemic. The healthcare industry is anticipated to continue to grow in 2010 due to the Government's efforts to promote Malaysia as an attractive healthcare destination;
- the medical devices industry is expected to attract investments due to improvements in the healthcare industry and expansion in health-related infrastructure;
- demand for machinery and equipment is expected to increase as postponed projects put on hold due to the economic downturn would be revived. The demand for cement and concrete products is also expected to rebound in 2010 due to the increase in demand from the construction industry, partly due to postponed projects being revived;
- the automotive industry is expected to perform well in 2010 as consumer demand is expected to increase due to the improvement in incomes and purchasing power arising from the spill-over effects of the Government's Stimulus Package; and
- the iron and steel sector is expected to return to full capacity in 2010 as a result of the price increase of iron and steel. The demand for iron and steel product however will depend on the construction industry which uses more than 70% of the sub-sector's products.

The overall prospects for the manufacturing sector in the near future remain positive. The expected economic recovery in the main markets for Malaysian exports especially the USA, the EU and the Asian region will increase the demand for the country's manufacturing products.

DEVELOPMENT OF STANDARDS

Mandatory standards

Mandatory standards are important to safeguard product quality in order to meet health, safety and environment requirements. The imposition of such standards will ensure the production of high quality products that are accepted by overseas buyers and provides greater access to the international market.

A total of 5,792 Malaysian Standards (MS) have been developed as of 31 December 2009, and include:

- 3,481 standards aligned with international standards; and
- 225 standards made mandatory.

The mandatory standards according to sectors are:

- 97 for power generation, transmission and distribution of electrical energy;
- 37 for building, construction and civil engineering;
- 38 for food and food products including agriculture;

Table 4.71: Malaysian Standards of Industries as of 31 December 2009

Sector	No. of MS Developed	No. of Mandatory Standards	No. of Standards Aligned Internationally
Total	**5,792**	**225**	**3,481**
Agriculture, and food and food products	639	38	164
Chemicals	697	10	411
Tourism, exhibition and hospitality services	6	nil	6
Organisational management	2	nil	2
Civil engineering and construction	280	37	68
Power generation, transmission and distribution of electrical energy	831	97	647
Mechanical engineering	311	3	148
IT, telecommunication and multimedia	688	5	641
Petroleum and gas	223	3	122
Halal standards	6	nil	nil
Plastics and plastic products	363	nil	194
Packaging	104	nil	55
Road vehicles	191	8	119
Fire safety and fire protection	91	6	36
Rubber and rubber products	189	nil	125
Iron and steel	162	18	101
Textiles	260	nil	67
Medical devices	207	nil	183
Electrical equipment and accessories	118	nil	50
Occupational health and safety	158	nil	142
Quality management and quality assurance	124	nil	116
Environment management	71	nil	52
Consumer products and safety	71	nil	32

Source: Department of Standards, Malaysia

- 18 for iron and steel;
- 10 for chemicals;
- eight for road vehicles components;
- six for fire safety and fire protection;
- five for ICT, telecommunication and multimedia; and
- three each for petroleum and gas, and for mechanical engineering.

The Committee on Mandatory Industrial Standards (CMIS) chaired by MITI determines the products to be imposed mandatory standards. There are four task forces under the CMIS for machinery and equipment, building materials, automotive parts and components as well as wire and cable.

The CMIS taskforces comprise members from both the public and private sectors, whose main function is to identify and recommend potential products to be imposed mandatory standards. The activities undertaken by the task forces in 2009 were:

Task force on building materials

Products under 187 tariff lines for iron and steel were imposed with mandatory standards effective 13 October 2009. The implementation of mandatory standards for construction-related products is subject to the amendment of the Construction Industry Development Board (CIDB) Act, 1994.

Task force on machinery and equipment

The Department of Occupational Safety and Health (DOSH) is finalising guidelines for the implementation of mandatory standards on tower cranes, pertaining to testing facilities and certification bodies.

Task force on automotive parts and components

There were 13 United Nations Economic Commission for Europe (UNECE) regulations and six MS were gazetted in 2009:

- R15 - Exhaust Emission;
- R16 - Seatbelts;
- R30 - Pneumatic Tyres (Passenger Vehicle);
- R36 - Construction of Public Service Vehicles;
- R48 - Installation of Lights;
- R52 - Construction of Small Capacity Public Service Vehicle;
- R54 - Pneumatic Tyres (Commercial Vehicles);
- R66 - Strength of Superstructure (Large Passenger Vehicle);
- R80 - Seat (Large Passenger Vehicle);
- R98 - Gas Discharge Headlamps;
- R99 - Gas Discharge Light Sources;
- R108 - Retreaded Pneumatic Tyres (Motor Vehicle);
- R109 - Retreaded Pneumatic Tyres (Commercial Vehicle);
- MS 1 - Specification Protective Helmets for Vehicle Users;
- MS 1394 - Specification for New Pneumatic Tyres for Highway Passenger Cars;
- MS 149 - Specification for New Pneumatic Passenger Cars Tyres;
- MS 224 - Specification for Retreading of Pneumatic Rubber Tyres for Passenger Car and Commercial Vehicle;
- MS ISO 303 - Installation of Lighting and Light Signaling
- Devices for Motor Vehicles and Trailers; and
- MS 1175 - Specification for Seat Belts for Motor Vehicles.

Task force on wire and cable

The Malaysia Cable Manufactures Association (MCMA) has proposed 20 MS to be made mandatory and to be legislated under the Malaysia Electricity Regulation, 1994. The Energy Commission (EC) has been proposed to be the regulatory body to supervise the implementation of these standards. A number of measures have been developed to improve the implementation of MS on industrial products and to overcome issues pertaining to enforcement of the MS. The proposed measures would expedite the formulation or amendment of Acts and Regulations by the respective Government agencies, in order to enforce the mandatory standards.

The CMIS will continue to enhance the development of MS in Malaysia, including expediting the amendments to the CIDB Act, 1994 and the publication of guidelines for the implementation of MS (scheduled to be completed in 2010) on tower cranes. The CMIS will also ensure that progress of the implementation of MS on automotive parts and components, and wires and cables will be monitored through task forces and implementing programmes for upgrading the testing facilities.

Standards Committee

MITI is a member of various committees on standards, which include:

- Malaysia Standards and Accreditation Council;
- Malaysia National Accreditation Committee;
- Malaysia National Standard Committee;
- Malaysia Electro-technical National Committee;
- Malaysia National Medical Testing Committee;
- National Council on Measurement;
- National Mirror Committee on Social Responsibility; and
- Industrial Standards Committee (ISC).

Accreditation

Accreditation bodies facilitate trade by promoting global acceptance of conformity assessment results of Conformity Assessment Bodies (CABs) through mutual recognition arrangements. Standards Malaysia has in 2009 accredited certification bodies for the following:

- 12 for Quality Management;
- eight for Environmental Management;
- four for Product Certification;
- three for Occupational Safety and Health Management;
- three for Hazard Analysis and Critical Control Point (HACCP);
- two for Food Safety Management; and
- two for the Forest Management Certification.

Social Responsibility (ISO 26000)

The guidance on Social Responsibility (ISO 26000) is at the Draft International Standards (DIS) stage. A five-month period (from 14 September 2009 to 14 February 2010) has been provided for the national member bodies of ISO to vote and comment on the text. The comments have been scheduled to be discussed at the meeting of the ISO Working Group on Social Responsibility in May 2010. The finalised ISO 26000 will then be published in late 2010 as an International Standard if the vote by DIS is successful.

INITIATIVES TO PROMOTE INFORMATION AND COMMUNICATION TECHNOLOGY FOR TRADE FACILITATION

Malaysia Trustmark

The Malaysia Trustmark (MT) is an initiative by the Government to promote e-Commerce and e-Payment. The scheme aims to increase the trust and confidence of consumers in e-Commerce in Malaysia.

The MT incorporates a logo that will be awarded to companies that distinguish themselves by meeting high standards and codes of conduct in terms of:

- disclosure of information - ensuring that accurate and accessible information is made available to customers through e-Commerce websites;
- business practices - communicating and fulfilling the needs of customers, including cancellation and refund policies;
- security - ICT security infrastructure and hardware as well as security practices for maintaining and storing confidential and private information of their customers; and
- alternative dispute resolution - having the means of resolving disputes with customers such as refunds or return of goods.

The application and certification of MT involves four major stakeholders:

- Merchants (companies) - apply for the Trustmark from the Operator;
- Operator - process applications and address issues related to the Trustmark;
- Certifier - audit the merchants who apply for the Trustmark and report to the Operator; and
- Consumers - users and customers of the Merchant's website.

The Malaysia Trustmark certification scheme will enable consumers to have the confidence and trust to use online transactions for e-Payment and e-Commerce facilities.

The role of the Lead Agency has been assigned to MITI to implement the Trustmark scheme, and MITI has undertaken the following activities:

- established a Trustmark Steering Committee to monitor implementation. Two sub-committees have also been established namely the Technical Sub-Committee to study related issues pertaining to Malaysia Trustmark and the Legal Sub-Committee to study the legal requirements for the implementation of MT;
- hosting a competition to develop the MT Logo; and
- consulting the industry on the implementation of the MT.

MITI is in the process of identifying the appropriate agencies and organisations that can serve as the Operator and Certifier respectively for the MT. The charges to be imposed for the application and certification of the MT will be discussed with the industry in order to establish the appropriate rates that will be acceptable to the business community.

MyTradeLink - Malaysia's National Single Window for Trade Facilitation

MyTradelink or the National Single Window (NSW) for Trade Facilitation is an electronics system that enables a secure, safe and efficient exchange of trade-related documents through a single point of entry to expedite the smooth flow of information of goods either for export, import or transit.

There were five core services of NSW operationalised since 19 November 2009 and available through the MyTradelink online portal (http://www.mytradelink.gov.my). These services are:

- e-Declare - electronics submission of customs declarations;
- e-Permit - electronics submission and processing of export/import permits by 24 Permit Issuing Agencies (PIAs);
- e-Payment - for electronics customs duty payment;
- e-Preferential Certificate of Origin (e-PCO) - for electronics submission of Preferential Certificate of Origin applications; and
- e-Manifest - electronics submission of Manifest document.

The lead agency responsible for the NSW is the Ministry of Finance (MOF) while the major implementing agency is the Royal Malaysian Customs. MITI is the coordinating and monitoring agency for the implementation of NSW with respect to trade facilitation. MITI also reports on the status of NSW at meetings of regional and international level organisations such as ASEAN and APEC.

The total number of users as at end December 2009 is 17,778 for all five NSW Services. The users comprise importers, exporters, shipping agents, forwarding agents and manufacturers. The utilisation of the NSW services varies depending on the service provided, as a few services such as e-PCO, e-Permit and e-Manifest have not been fully implemented nationwide. The utilisation for e-Declare is 100% for all ports in Malaysia, whereas utilisation of e-PCO is only 15% as it is only available in the Klang Valley.

There are several challenges that need to be overcome to ensure successful implementation of NSW and they include:

- e-Payment – need to migrate more users to the internet-based payment systems;
- e-Permit - begin rollout to state-level PIAs;
- e-PCO - begin rollout to MITI state branches; and
- e-Manifest - to obtain cooperation of port operators to participate in e-Manifest, and standardising the procedures, processes and data requirements of ports in Malaysia to support implementation of NSW.

There will be several awareness programmes on NSW services to be held nationwide in 2010 to overcome these challenges. The rollout of NSW services to all states in Malaysia is also in the pipeline. General issues such as complaints on charges and inadequate infrastructure are being addressed under the Trade Facilitation Action Council (TFAC) meetings.

ASEAN Single Window

The ASEAN Single Window (ASW) is an initiative to further facilitate trade among ASEAN Member States. The ASW will serve as a hub wherein the National Single Windows (NSWs) of ASEAN Member States will operate and integrate electronicsally using a set of standardised information parameters, procedures, formalities and international best practices to facilitate the clearance and release of cargo. The ASW will also serve to integrate processing and decision-making by the Customs authorities and relevant Ministries of ASEAN Member States.

The ASEAN Member States have established the ASW Steering Committee to facilitate implementation of the ASW. The Steering Committee is being assisted by two working groups namely ASW Working Group on Technical Matters (ASW TWG) and ASW Working Group on Legal and Regulatory Matters (ASW LWG).

The ASW TWG was established with the objective of bridging technical gaps in the implementation of ASW and is currently chaired by Malaysia. The ASW TWG held three meetings in 2009 to discuss various technical issues related to the implementation of the ASW.

The ASW LWG was formed to identify and harmonise existing legislation and regulations to allow for successful ASW operations and is currently chaired by the Philippines. The ASW LWG as at end December 2009 has discussed the Legal Framework for electronic exchange of data through the ASW and finalised the Memorandum of Understanding (MOU) of the ASW Pilot Project.

ASEAN Member States need to operationalise their respective NSWs in order to successfully implement the ASW. Malaysia, Indonesia and Singapore have fully operationalised their NSW while Brunei Darussalam, the Philippines and Thailand are at the initial stages of implementation. The CLMV Member States will operationalise their NSWs by 2012.

The two documents to be exchanged electronically under the ASW are:

- Common Effective Preferential Tariff (CEPT) Form D - Preferential Certificate of Origin; and
- ASEAN Customs Declaration Document (ACDD) – document containing common Customs data elements for ASEAN Member States.

The ASW Steering Committee at the ASEAN-level has agreed to the implement the ASW Pilot Project in three components:

- Component 1 – conduct a study on the most feasible network architecture and approach for the ASW;
- Component 2 – establish the network infrastructure including software and hardware agreed by AMS to implement the ASW Pilot Project; and
- Component 3 – evaluate the outcomes of the Pilot Project and formulate recommendations for the actual ASW.

A consultant will be engaged to carry out Component 1, which is expected to be completed in July 2010. The findings and recommendations of the study from Component 1 will provide the ASW Steering Committee with the most feasible way forward for the implementation of the ASW.

Technical Feasibility Initiative for Electronics Exchange of Preferential Certificate of Origin

Malaysia, Indonesia and the Philippines have implemented a Technical Feasibility Initiative for the electronics exchange of Preferential Certificate of Origin (CEPT Form D). The objective of this initiative is to test the technical feasibility as well as the viability of long-term exchange of large amounts of data between the NSW Systems of ASEAN Member States.

The scope of this Technical Feasibility Initiative would involve:

- CEPT Form D will be electronicsally exchanged between the NSWs of Malaysia, Indonesia and the Philippines;
- Malaysian exporters will submit the Certificate of Origin (CO) application electronicsally through Malaysia's NSW using the e-PCO application. Upon approval, the CEPT Form D data will then be transmitted to Indonesia NSW or the Philippines NSW. The respective NSWs will then transmit the data to the Indonesian or the Philippines Customs for validation; and
- exporters from Indonesia or the Philippines will submit the CO application electronicsally through the Indonesia NSW or the Philippines NSW, which will then transmit the data to Malaysia NSW and be passed to the Malaysian Customs for validation.

Malaysia and Indonesia began the exchange of live data on 1 July 2009. The Philippines agreed to participate in the Technical Feasibility Initiative and has begun exchanging live data with Malaysia and Indonesia since October 2009.

Malaysia as at end December 2009 had successfully transmitted 4,185 CEPT Form D to Indonesia and 889 CEPT Form D to the Philippines.

The next step of this Technical Feasibility Initiative will be to invite other ASEAN Member States such as Brunei Darussalam, Thailand and Viet Nam to join the initiative.

Trade Facilitation Action Council

The Trade Facilitation Action Council (TFAC) is a forum that consists of representatives from Government agencies and the private sector to discuss and address issues related to electronics initiatives for trade facilitation, in particular:

- policy directions and strategies for trade facilitation;
- monitor and resolve issues in the implementation of trade facilitation; and
- identify and discuss other trade facilitation opportunities to enhance Malaysia's competitiveness.

Industry associations are able to raise through TFAC, issues related to the implementation of trade facilitation, both policy and operational, directly with the relevant Government authorities.

Several TFAC preparatory and follow-up meetings were held in 2009 to carry out the decisions of the TFAC Meetings. The TFAC Meetings resolved more than 15 policy and operational-related issues.

The most critical challenge for TFAC in carrying out its function is to have one common understanding between government authorities and industry associations. The TFAC is the best channel to discuss and resolve issues raised by both parties.

Business Process Re-engineering for Trade Facilitation

MITI is leading efforts related to Business Process Re-engineering for Trade Facilitation. MITI is chairing the NSW Business Process Working Group that comprises various stakeholders from both Government agencies and the private sector that are involved in import/export processes which include:

- industry associations;
- forwarding agents;
- port operators;
- port authorities;
- customs;
- banks; and
- hauliers.

The objectives of the NSW Business Process Working Group are to:

- study business processes of stakeholders involved in NSW to develop an overall process flow for the whole value chain;
- formulate and recommend re-engineering of processes appropriate for both the NSW and the electronics paperless environment; and
- work with relevant stakeholders to implement the necessary re-engineering of processes.

The NSW Business Process Working Group as at end December 2009 has studied and developed process flows for:

- export and import of full container load;
- export and import of less container load, and
- trans-shipment.

The next steps for the Business Process Re-engineering exercise are to:

- standardise the process flows for export and import of all major ports, as necessary; and
- identify the areas and processes that can be reengineered or streamlined to improve time taken, eliminate unnecessary documents as well as reduce the cost of doing business.

DEVELOPMENTS IN THE HALAL INDUSTRY

The Ninth Malaysia Plan (9MP) and the Third Industrial Malaysia Plan (IMP3) have identified the *halal* industry as the new growth area which will significantly contribute towards the country's economic development. The estimated global *halal* trade exceeds US$2.1 trillion, and this emerging global market offers vast opportunities for Malaysian *halal* producers and service providers. The Halal Industry Development Corporation (HDC) is the world's first Government-backed, *halal*-focused development corporation entrusted to coordinate the growth of a national *halal* industry in an integrated and comprehensive manner.

The Prime Minister during Budget 2010 presentation announced that HDC will be reporting to MITI. HDC's initiatives and activities has been re-aligned to avoid duplication of functions and to further accelerate the development of the halal industry.

HDC's roles and responsibilities are divided into three strategic thrusts:

(i) *halal* integrity - to protect the integrity of halal through the development of a global *halal* reference centre, facilitate *halal* R&D, innovation and halal training programmes;

(ii) industry development - to facilitate the growth and participation of Malaysian *halal* companies in the global *halal* market and to lead in the development of *Halal* Parks through direct foreign and domestic investments; and

(iii) branding and promotions - to lead in the branding, marketing and promotional campaigns for *halal* products locally and abroad.

HDC's Business Plan and Halal Industry Master Plan are the two key documents used as a guide in formulating the strategic direction and addressing the challenges faced by the industry. Major programmes and initiatives implemented in 2009 include:

- The World Halal Forum (WHF) 2009, Kuala Lumpur - The Halal Week (4 - 9 May 2009) began with the World Halal Forum (WHF) on 4 - 5 May 2009. There were more than 900 participants from over 47 countries including 52 local and international media personnel attending the event, to deliberate on challenges and seek an update of the latest developments in the global *halal* industry. The WHF 2009 generated in excess of RM9.7 million in public relations (PR) value.

- World Halal Research Summit (WHRS) 2009 - The World Halal Research Summit (WHRS) was held during the Halal Week from 7 - 8 May 2009. There were more than 500 participants from 165 organisations in 22 countries attending the Conference. Genetically Modified Food (GMF), biotechnology applications in halal products and alternative *halal* ingredients were among issues discussed at the Conference.

- To further promote investments, HDC also conducted *halal*-focused seminars in several countries, including:
  - HDC-Japan External Trade Organisation (JETRO)-Malaysian Industrial Development Authority (MIDA) Halal Awareness Seminar, Tokyo and Osaka (27 - 31 July 2009).
  - Japan-Malaysia Joint Investment Drive in collaboration with JETRO in Cairo, Jeddah, Riyadh, Dammam and Istanbul (28 October - 10 November 2009).

- Halal Anchor Company Programme - An elite group of home-grown *halal* companies has been identified in 2009 as models to inspire other *halal* companies. A total of 18 applications were received for evaluation by the selection committee. The four *halal* Anchor Companies identified will be officially announced in the second quarter of 2010.

- Halal Companies Nurturing Programme - The HDC-Nestle-National SMEs Council (NASMEC) programme provides knowledge and expertise for business growth, new export market opportunities and nurture the development of high potential *halal* industry players to become export-ready companies. Four mentoring programmes involving 403 participants from 135 companies were completed related to Halal Requirements and Certification, Food Labeling and Legislation, Good Manufacturing Practice (GMP), HACCP and International Organisation for Standardisation (ISO) 22000. The programme will further cover the criteria required to become suppliers to leading hypermarkets.

- Financial Advisory Service - The Financial Advisory Service programme aims to assist *halal* industry entrepreneurs gain access to working capital financing from financial institutions, conducted in partnership with CIMB Islamic Bank Berhad (Kuala Lumpur,16 November 2009), HSBC Amanah Malaysia Berhad (Pulau Pinang, 4 November 2009), Maybank Islamic Berhad (Johor Bahru, 10 November 2009) and Bank Kerjasama Rakyat Malaysia Berhad (Kota Bharu, 23 January 2010).

- Halal Park Development - The HDC Designated Halal Park Development Guidelines has been published to provide the necessary prerequisites and compliance measures for Halal Parks. A total of 147 applications 2009 were received from various companies to operate within the Halal Parks as at 31 December 2009, out of which 38 companies are already in operation. The Selangor Halal Hub and the Melaka state have been accredited with Halal Malaysia Status (HALMAS).

- Halal Standards Development - The drafting of the *halal* logistics standard has been completed and submitted to Standards Malaysia for gazetting. The framework of the Halal Standard Development for OIC Standardisation Experts Group (SEG) is also being drafted and will include the manual and procedures of standards development. The HDC participated in the Organisation of Islamic Countries (OIC) SEG *halal* standards meeting on 28-30 April 2009 in Ankara, Turkey to discuss three draft *halal* standards covering *halal* food, certification system and accreditation system. The draft for *halal* pharmaceutical standard is currently being developed.

- Halal Certification Programme - HDC was mandated by the Cabinet to undertake the issuance of *halal* certificates and related matters from Jabatan Kemajuan Islam Malaysia (JAKIM) on 2 April 2008. The Cabinet on 8 July 2009 decided to transfer the issuance of the *halal* certification to JAKIM to allow HDC to focus on its role as a developmental organisation. The *halal* certification process improvement project was completed in February 2009 to reduce the delivery time for the auditing and issuance of the halal certificates from 247 to within 30 working days. The overall operations of the *halal* certification and its improved certification system were transferred to JAKIM on 31 July 2009. The HDC issued a total of 1,434 approvals from July 2008 to July 2009 for *halal* certification which included six international companies.

- Halal Training - The Halal Training Programme is aimed at bridging the gap between the current level of awareness and expertise needed to support the growing halal industry. Three Halal Training Modules with nine courses were developed to meet the needs of the industry in maintaining the integrity of the halal certification along the food and non-food products value-chain. These were two new modules developed in 2009 for *halal* slaughtering and *halal* food services/catering. The HDC trained 9,933 participants from the industry, entrepreneurs, government agencies, private agencies and the public through 210 training sessions in 2009. The training included public awareness programmes, collaboration (on-site) training and as speakers in seminars and conferences. Five International Halal Training programmes were conducted during the year in the PRC, Chinese Taipei and Japan. A total of 312 participants benefited from the training which covered *halal*-related topics such as International Halal Certification for the Global Airline Catering Industry.

- Malaysia Halal Promotion Programme - The Malaysia Halal Promotion Programme aims to increase the awareness level among industry entrepreneurs and consumers of *halal* products and services, by promoting knowledge on *halal* and related services. The HDC coordinated the Halal Week 2009 as well as participated in three major events in May 2009 namely The Malaysia International Halal Showcase (MIHAS), World Halal Forum and the SME Innovation Showcase (SMIDEX). The HDC also successfully organised the World Halal Research Summit which provides an international stage for intellectuals and researchers to introduce, explore and discuss latest updates on research findings, emerging technologies, trends, issues and challenges within the *halal* industry.

- The other HDC promotional initiatives include:
  - two billboards located along the Elite and Sprint Highways to reach out to 1.4 to 2 million road users per month; and
  - two TV campaigns promoting the *halal* value proposition during the month of Ramadhan from 20 August 2009 to 20 September 2009 and Hari Raya Greetings from 5 September 2009 to 6 October 2009.
- Global Halal Support Centre (GHSC) - The Global Halal Support Centre (GHSC) at HDC provides a one-stop support for companies and service providers in *halal*-related sectors including *fatwa* know-how, information on *halal* certification, capability building, business opportunities and incentives. The services are currently offered worldwide through two delivery channels, namely the Halal Industry Web Portal and Halal Industry Call Centre. The HDC Web Portal will be the main delivery channel, while the call and walk-in centres will address the immediate needs of clients who require more detailed support. The services of the GHSC are channelled through the Halal Knowledge Centre (HKC), Halal Thought Leadership (HTL) and the Call Centre. The HDC has introduced its inaugural *halal* application on iPhone platform in its effort to help consumers locate *halal* food premises or restaurants. The application is the world's first Government *halal*-certified premise locator, that was developed to assist users to accurately locate *halal* food premises using the Global Positioning System (GPS) technology and Google Maps. The premise locator will allow users the opportunity to locate *halal* food premises and restaurants certified by JAKIM within 15 kilometres (km) radius from their current location. Users will be able to also obtain immediate mobile access on the *halal* directory, e-codes and *halal* related *fatwa*, *halal* industry news and knowledge, which is expected be rolled out by the end of 2010.

The objective of placing HDC as an agency under MITI is to have better coordination of *halal*-related development programmes. The HDC under MITI will be able to organise extensive outreach in collaboration with other ministries and agencies which can ensure optimum utilisation of resources. The concerted effort by all the relevant government agencies can accelerate the development of the *halal* industry in an integrated and comprehensive manner.

HUMAN RESOURCE AND SKILLS DEVELOPMENT

Employment Opportunities Derived from Approved Investments in the Manufacturing Sector

Approved investments in the manufacturing sector in 2009 totaled RM32.6 billion (766 projects) and are expected to create 64,330 potential employment opportunities in the various manufacturing sub-sectors.

Training Institutes

The Ministry of Human Resources (MOHR) has continuously conducted training courses on skills development to ensure sufficient supply of skilled manpower in the employment market. The MOHR's training institutes - Advanced Technology Centre (ADTEC), Institut Latihan Perindustrian (ILP) and Japan-Malaysia Technical Institute (JMTI) trained a total of 4,915 participants in 2009 in various skills compared with 7,984 in 2008.

A total of 85,505 trainees from MOHR's training institutions and private training providers were awarded Sijil Kemahiran Malaysia (Malaysian Skills Certificate) by the Department of Skills Development in 2009, compared with 97,247 in 2008. A total of 33,485 trainees (39.2%) who were awarded the Sijil Kemahiran Malaysia were trained in courses related to the manufacturing sector.

Training institutes under Majlis Amanah Rakyat (MARA) also provided skills training. The 15 Institut Kemahiran MARA (IKM) and Kolej Kemahiran Tinggi MARA (KKTM) training institutions produced 5,788 trained workers in 2009 compared with 6,554 in 2008. GIATMARA produced 14,952 trained workers in 2009, compared with 15,824 in 2008.

Table 4.72: Employment Opportunities by Job Category, 2008-2009

Job Category	2008		2009	
	No.	Share (%)	No.	Share (%)
Managerial	7,598	7.4	5,245	8.2
Technical & Supervisory	11,284	11.2	8,391	13.0
Skilled	53,174	52.6	28,091	43.7
Sales, Clerical & Others	22,118	21.9	18,327	28.5
Unskilled	6,999	6.9	4,276	6.6

Source: Malaysia Industrial Development Authority

Table 4.73: Number of Trainees Trained by MOHR's Training Institutes, 2008-2009

Training Institutions	Institutions (No.)		Trainees Trained (No.)	
	2008	2009	2008	2009
Total	**27**	**27**	**7,984**	**4,915**
ADTEC	4	4	1,153	728
ILP	22	22	6,629	4,062
JMTI	1	1	202	125

Source: Ministry of Human Resources

Table 4.74: Number of Trainees Awarded with *Sijil Kemahiran Malaysia*, 2008-2009

SKM	2008		2009	
	All Sectors (No.)	Manufacturing Sector (No.)	All Sectors (No.)	Manufacturing Sector (No.)
Total	**97,247**	**40,455**	**85,505**	**33,485**
Level 1	46,935	20,032	40,571	16,949
Level 2	38,696	16,070	33,033	13,012
Level 3	9,719	3,506	10,519	2,935
Level 4	1,873	847	1,325	540
Level 5	24	0	57	49

Source: Department of Skills Development

Table 4.75: Number of Trainees Trained by MARA's Training Institutes, 2008-2009

Training Institutions	Institutions (No.)		Trainees Trained (No.)	
	2008	2009	2008	2009
Total	**219**	**224**	**22,378**	**20,740**
IKM/KKTM	15	15	6,554	5,788
GIATMARA	204	209	12,824	14,952

Source: Majlis Amanah Rakyat

Table 4.76: Human Resource Development Fund, 1993-2009

Year	Trainees	Employers	Total Training Providers	Grant Reimbursed (RM million)
1993-2009	7,625,934	12,045	763	2,365
2009	685,394	497	273	301

Source: Pembangunan Sumber Manusia Berhad

Table 4.77: NDTS Participation by Trainees and Companies, 2005-2009

Year	Trainees	Companies
Total	**20,463**	**996**
2005	71	45
2006	132	155
2007	2,089	325
2008	5,423	392
2009	12,748	79

Source: Ministry of Human Resources

Human Resource Development Fund

A total of RM301 million was disbursed in 2009 through the Human Resource Development Fund (HRDF), recording an increase of 4.5% from 2008. A total of 685,394 trainees underwent various training programmes in 2009 compared with 736,410 in 2008.

National Dual Training System

The National Dual Training System (NDTS) was introduced for the purpose of providing sufficient skilled manpower to the country through a comprehensive training approach and using the latest available technology that meets the requirements of the industry. The NDTS works towards minimising the production of skilled manpower that do not meet industry needs. A total of 251 government-linked companies, 151 multinational companies and 594 SMEs have participated in the NDTS from 2005 to 2009. A total of 79 companies and 12,748 trainees participated in the NDTS in 2009.

Measures to Address Retrenchment

A total of 32,318 workers were retrenched in 2009 in various sectors and 70.4% (22,751) were from the manufacturing sector.

The Government has undertaken various measures to address retrenchment issues, including:

- the establishment of the Job Retrenchment Monitoring Committee under MOHR to assist retrenched workers and unemployed graduates obtain re-employment, re-training and job placement;
- allocation of RM650 million to MOHR under the first and second Stimulus Packages to implement various programmes to assist retrenched workers to obtain re-employment as well as to prepare the Malaysian workforce with the necessary skills to enhance their employability;
- training and job placement opportunities as a joint collaboration between the Government and private sector;
- double tax deduction as incentives for employers who employ retrenched workers;
- refund of levy to foreign workers whose services are prematurely terminated on a pro-rata basis, including employer's bank guarantees;
- post-graduate education opportunities to delay entry into the job market; and
- freeze on licenses on foreign labour recruitment agencies and tightening the conditions for the recruitment of foreign workers by existing agencies.

RESEARCH AND DEVELOPMENT (R&D)

The Gross Expenditure on R&D (GERD) is a measure of a country's R&D intensity. The International Institute for Management Development (IMD) World Competitiveness Yearbook 2009 indicated that Malaysia's GERD in 2007 was at RM3.6 billion or 0.6% of the GDP. Malaysia's GERD is low, compared with the three top countries - Israel (4.7%), Sweden (3.7%) and Finland (3.5%).

The IMD World Competitiveness Yearbook 2009 stated that Malaysia ranked 39 out of 56 countries in 2007 as compared with 39 out of 53 countries in 2006. Malaysia's GERD during this period remained the same at 0.6%.

The National Survey of R&D 2008 indicated that Malaysia's R&D expenditure is 0.6% of GDP with a ratio of 18 per 10,000 competent workforces of researchers, scientists and engineers (RSE) in 2006. The target of achieving 1.5% of GERD/GDP in 2010 may be difficult, given the low level of R&D. Malaysia will have to increase its GERD to RM8.6 billion in 2010 in order to achieve this target.

The Survey also indicated that both the public and private sectors spent a total of RM3.7 billion of GERD with the private sector contributing RM3.1 billion (84.9%) and the public sector RM0.6 billion (15.1%) in 2006.

A total of 18 grants and incentives were offered by the Ministry of Science, Technology and Innovation (MOSTI), MIDA, SME Corporation Malaysia (SME Corp. Malaysia), Malaysian Technology Development Malaysia (MTDC),

Table 4.78: Employment Retrenchment in 2009

Segment	Retrenchment	%
Radio, Television and Communication	10,254	31.7
Equipment and Apparatus	2,827	8.7
Electrical Machinery and Apparatus n.e.c.	1,992	6.2
Furniture, Manufacturing n.e.c.	1,662	5.1
Wearing Apparel: Dressing and Dyeing of Fur	835	2.6

Source: Ministry of Human Resources
Note: n.e.c – not elsewhere classified

Table 4.79: Malaysia's R&D Spending, 2002-2007

Year	Ranking for GERD	R&D Expenditure	
		in US$ billion (RM billion)	% of GERD/GDP
2002	42 out of 59	0.7 (2.3)	0.7
2003	44 out of 60	0.7 (2.2)	0.7
2004	44 out of 61	0.8 (2.5)	0.6
2005	40 out of 55	0.8 (2.5)	0.6
2006	39 out of 53	1.0 (3.3)	0.6
2007	39 out of 56	1.1 (3.6)	0.6

Source: IMD World Competitiveness Yearbook 2009

Multimedia Development Corporation (MDeC), Inland Revenue Board of Malaysia (IRB) and Malaysian Biotechnology Corporation (Biotech Corp.) to R&D companies to undertake R&D activities in the country. A total of RM2.3 billion has been allocated by the Government under the 9MP in the form of R&D grants. A total of RM2.19 billion (95.2%) of this allocation has been utilised as at 31 July 2009.

The 2010 Budget contained several measures to strengthen research, development and commercialisation (R&D&C) activities which include:

- rationalisation of all research funds and grants by MOSTI for more effective monitoring and to achieve the set targets;
- establishing a National Innovation Centre supported by a network of innovation excellence centres under MOSTI and in collaboration with the Ministry of Higher Education;
- integrating R&D activities with patents, copyrights and trademarks registration to ensure R&D&C processes are implemented more effectively; and
- providing SMEs with tax deduction on expenses incurred for registration of patents and trademarks.

A total of RM99.9 million were approved under the pre-packaged incentives to 12 projects in 2009. The pre-packaged incentives are structured according to the requirement of investors. The criteria for the incentives are:

- high value-added;
- readiness to transfer technology;
- skills development enhancement;
- export enhancement;
- greater inflow of foreign exchange;
- strengthening industrial chain;
- greater utilisation of local inputs;
- undertaking more local R&D development; and
- greater involvement of local equity.

Table 4.80: Percentage of Projects Based on Sectors, 2009

Sector	Percentage (%)
Electronics	67.9
ICT and Electrical	14.3
Heavy Machinery	10.7
Petrochemical	7.1

Compiled by: Ministry of International Trade and Industry

A Third Phase Impact Study on R&D Grants under the Pre-packaged Incentives was undertaken in 2009. The Study indicated that the grants approved focused more on the electronics sector.

The Study indicated that the utilisation of the R&D grants has:

- met with the Government's objective to attract and maintain foreign direct investment in strategic sectors;
- increased R&D activities in Malaysia;
- increased production and sales in companies implementing R&D activities;
- developed more skilled and technical expertise and knowledge-based workers;
- created new job opportunities for local employees in various R&D and technical positions; and
- provided opportunities for support industry in industrial linkages development, such as:
    - transfer of knowledge to produce parts and components that fulfilled customers' needs and specifications;
    - increase in local productivity;
    - increase in innovation and local R&D product;
    - increase in supply chain in E&E support industry;
    - increase in manufacturing of parts and components and services that involved maintenance, construction and transportation; and
    - increase in value-added products to ensure quality that fulfills international standards.

BRANDING

The National Mark of Malaysian Brand which was launched during the Brand Entrepreneur Conference 2009 on 2 March 2009 is a mark of quality, excellence and distinction of Malaysian products. The objective of the National Mark (NM) is to change public perception that SME products are of a lower quality, less reliable and have low packaging standards compared with major brand names.

The companies awarded with the NM of Malaysian Brand must achieve a minimum of 3-stars under SME Corp. Malaysia's SME Competitiveness Rating for Enhancement (SCORE). The rating programme will evaluate the companies using stringent standards before they can be certified and granted the use of the NM.

Application for the Malaysian Brand Certification Scheme

A total of 16 applications were received since the launch of the NM of Malaysia Brand, of which two companies have been certified with the Malaysian Brand and six companies are undergoing the evaluation and audit process.

Promotion of the Malaysian Brand Certification Scheme – "The Passport to Worldwide Recognition"

A series of seminars on "Malaysian Brand Certification – The Passport to Global Recognition" were organised at the regional level in Kuala Lumpur, Johor Bahru, Pulau Pinang and Sarawak involving the participation of 219 companies.

Brand Promotion Grant

Companies can apply for reimbursable grants of up to RM2 million for undertaking brand promotion activities overseas. A total of 20 companies were approved grants amounting to RM33.8 million in 2009of which 15 companies were SMEs and five were non-SMEs. A total of 224 applications were received during the period 2004 to 2009 of which 89 companies have been approved grants amounting to RM151.8 million, 48 brands were from SMEs with 38 brands from the manufacturing sector and 10 brands from the services sector.

A total of 29 companies have graduated from the Brand Promotion Grant (BPG) programme during the period 2006 to 2009, and have recorded increases in their annual sales turnover. The beneficiaries cover a wide range of products and services. The two industries that led the BPG recipient list are processed food and E&E products with brands such as Royal Selangor, Habib, Mamee, Lewre, Mayflower, Pensonic, Appeton, Jobstreet.com and Ekowood.

The BPG recipients are encouraged to register their trade mark in the international markets to protect their brands. A total of 21 companies have opened sales office, factories and branch offices in the overseas markets.

Branding has a positive impact on businesses, especially in terms of global perception and increased customer loyalty. The recognition will be translated into increased sales and market share, hence projecting Malaysia as a producer of high quality and competitively priced products and services in the international market.

AUTOMATION

The Soft Loan Scheme for Automation and Modernisation (SLSAM), introduced in 2007 to promote automation and modernisation in the manufacturing sector, continued to be actively promoted in 2009. MITI and the Malaysian Productivity Corporation (MPC) undertook an impact study of SLSAM in late 2008 and early 2009. The findings indicated that the benefits that the industries gained from the soft-loan include:

- increase in productivity largely due to the reduction in cycle time and the production rate;
- increase in sales attributed to higher value-added products produced by the new machinery;
- growth in exports;
- improvement in product quality; and
- reduction in production cost.

In view of the findings of the study, that subsequent loan approvals will only be given for the acquisition of machinery and equipment that will lead to a reduction in the employment of foreign labour.

Table 4.81: Approvals under SLSAM as at 31 December 2009

Sub-sectors	No. of Applications Approved	Amount Approved (RM million)
Total	**78**	**162.5**
Electrical and electronicss	11	21.3
Wood products and furniture	8	17.1
Plastics and chemical products	15	22.2
Iron and steel	9	20.4
Textiles and apparel	7	10.0
Automotive	9	40.0
Food	8	7.7
Metal	9	14.3
Rubber	2	9.5

Source: Malaysian Industrial Development Finance Berhad

A total of 78 loans valued at RM162.5 million have been approved under SLSAM as at 31 December 2009 and RM49.8 million have been disbursed. The sub-sectors benefiting from SLSAM are the plastic and chemical products, iron and steel, automotive and metal sub-sectors. A total of 63 applications were received for SLSAM and 39 were approved loans amounting to RM47.3 million.

MITI and the Malaysian Industrial Development Finance (MIDF) conducted a second study to evaluate the effectiveness and impact of SLSAM on industries in 2009. The Study indicated that participating companies had succeeded in improving their overall performance after participating in SLSAM. The improvements recorded were:

- increase in production capacity;
- increase in production rate;
- increase in product range;
- improvement in cost reduction;
- improvement on quality of products;
- increase in sales;
- increase in profits; and
- reduction in labour dependency.

UTILITIES

Natural Gas

A total of 2,143 million standard cubic feet per day (mmsfcd) of natural gas was supplied in Malaysia as at end December 2009. Local sources supplied 1,615 mmscfd of natural gas while the balance of 528 mmscfd was imported. The non-power sector received a total of 815 mmscfd of which PETRONAS supplied 533 mmscfd to its clients (usage over 2 mmscfd). The balance of 282 mmscfd was supplied by Gas Malaysia Sdn. Bhd. to its customers (usage less than 2 mmscfd).

The natural gas price in Malaysia is capped based on the Medium Fuel Oil (MFO) price. The MFO is based on the crude oil price in the global market.

The Government on 11 February 2009 decided on the new gas price structure for the industrial sector which took effect from 1 March 2009. The price review is applicable only for the industrial sector based in Peninsular Malaysia.

The natural gas price structure will be reviewed every six months based on the MFO price of the previous three months in a given time period. The price discount was capped at 50% effective from 1 March 2009 and will be discounted at 5% yearly beginning 1 July 2009. The Government however postponed any new review since 1 July 2009 due to the economic recession.

The Government has decided on several measures to increase the supply of gas to industries:

- channeling 100 mmscfd from the electrical sector to the industrial sector until 2011;

Table 4.82: New Natural Gas Price Structure, 2008-2009

Industrial Sector	Price as at 1 August 2008	Price as at 1 March 2009
Less than 2 mmscfd usage	RM22.06/mmBtu	RM15.00/mmBtu
More than 2 mmscfd usage	RM23.88/mmBtu	RM15.35/mmBtu

Source: PETRONAS
Note: mmBTU is million British ThermalUnit

- increasing the import of gas to 65 mmscfd under the Malaysia-Thailand Joint Development Area (MTJDA) starting 2012;
- PETRONAS will import LNG from Australia starting 2014; and
- imports of natural gas are allowed from 2015 onwards after the completion of liquefied natural gas (LNG) terminal in Peninsular Malaysia.

The Government has encouraged the industry to acquire alternate energy sources and to practice energy efficiency in their operations in order to address the shortage of natural gas. The Government provides various incentives to encourage energy efficiency and consumption of renewable energy such as providing tax exemption, Investment Tax Allowance and exemption of import duty.

Electricity Tariff for Industrial Users

The Government announced a 5% reduction of electricity tariff rates on 1 March 2009. The new tariff is based on the reduction of gas price (from RM14.3 per mmBTU to RM10.7 per mmBTU) for the power sector while taking into account the increase in coal price (from US$75 per tonne to US$85 per tonne). The average electricity tariff to be charged to end users as a result was reduced from 32.5 sen/kilowatt-hour (kWh) to 31.3 sen/ kilowatt-hour (kWh). The average reduction for the industrial sector is 5% (ranging from 4.8 to 5.2%).

The industry has been encouraged to implement energy efficiency in its operation in order to increase competitiveness. Co-generation technology is one way for industries to increase energy efficiency. The production of electricity and heat energy through this technology is mobilised from a single fuel source, thus improving thermal efficiency up to 90%, compared to 40% in conventional thermal generation.

The use of co-generation technology allows for:

- energy savings ranging between 15 to 40% when compared with the supply of electricity and heat from conventional power stations and boilers; and
- two-third reduction of energy cost and emissions of carbon dioxide, the main greenhouse gas, and local air quality benefits can be achieved through the replacement of older coal-fired boilers.

The sectors which can benefit from co-generation include hotels, food and beverage processors, chemicals and plastics producers, metals processors and textile producers.

The Government is giving incentives to encourage the use of co-generation technology in any industrial business operation through the reduction of standby charge from RM28/kWj to RM25/kWj and the reduction of penalty charge for the metered demand that exceeds allowable demands.

ENVIRONMENT

Climate Change

The Climate Change Conference that was held in Copenhagen, Denmark from 7-19 December 2009 agreed to continue its work at the Conference of the Parties (COP), including a review of the adaptation fund, financial mechanisms, framework for capacity building in developing countries and the new international framework for controlling greenhouse gas (GHG) emissions.

Malaysia emphasised at the Conference that:

- developed countries should not take trade-related measures such as imposing carbon tariffs and border adjustment measures against products, services and investments of developing countries;

- Malaysia is adopting a voluntary reduction of up to 40% in terms of emissions intensity as a percentage of GDP by the year 2020 compared with the 2005 levels. The commitment is conditional upon receiving adequate financing and transfer of technology from developed countries;
- developing countries require long-term financing and guarantees from developed countries for purposes of adaptation and mitigation of climate change;
- it is estimated that developing countries require funding of US$1.5 trillion annually to achieve the control of temperature rise target of 1.5 degrees centigrade;
- developed countries need to have negative emissions so that the developing countries will still have some carbon space; and
- Malaysia will remain committed to ensure that at least 50% of its land area remains under forests, as pledged in the Rio Summit in Brazil from 3-14 June 1992.

Clean Development Mechanism

A total of 53 energy efficiency projects in Malaysia were registered with Clean Development Mechanism (CDM) Executive Board and five projects were issued with certified emission reduction units (CERs). A total of 673,857 tonnes of carbon dioxide were issued through these projects, which reduced green house gases.

Green Technology

The National Green Technology Policy, which was announced by the Prime Minister on 24 July 2009 covers economic, environment and social policies. The goals of the policy include:

- increase in foreign and domestic direct investments in green technology manufacturing and services sectors;
- increase in the production of local green technology products;
- expansion of SMEs businesses that use green technology;
- expansion of green technology applications to most economic sectors; and
- to promote Malaysia as a major producer of green technology in the global market.

The Government under 2010 Budget has established the Green Technology Financing Scheme (GTFS) amounting to RM1.5 billion to promote the development of green technology. The GTFS provides soft loans with maximum financing of RM50 million for suppliers and RM10 million for consumer companies. The Government will bear 2% of the total interest rate and provide a guarantee of 60% on the financing amount, with the remaining 40% covered by banking institutions. The loan applications can be made through the Malaysia Green Technology Corporation.

International participation in Green Industry

The International Conference on Green Industry in Asia: Managing the Transition to Resource-Efficient and Low Carbon Industries was held from 9-11 September 2009 in Manila, the Philippines. The Conference finalised the Manila Declaration and discussed appropriate measures for Asian countries to achieve a smooth transition to resource-efficient and low-carbon emission industries. The Declaration emphasised capacity building, increased awareness, financial assistance and steps needed to develop the green industry. The Conference accepted Malaysia's proposals to establish a regional forum and undertake capacity building programmes to exchange information on the legal and regulatory framework on green technology.

Malaysia also participated in the regional round table on "Is Green Industry the Next Engine of Growth for Asia and the Pacific?" that was held on 8 December 2009 in Vienna, Austria. The round table was a platform to exchange views on the opportunities and challenges in creating green businesses and green jobs and its implications on the economic recovery in the Asia Pacific region.

The round table highlighted emerging new areas for investment and growth, focusing on the greening of existing industries and developing new sustainable green industries. The round table also focused on the financial crisis and its impact on the manufacturing sector and global trade.

Box Article 4.1 – *The Halal Industry Master Plan (HIMP)*

The Halal Industry Master Plan (HIMP) was developed by the Halal Industry Development Corporation (HDC) to steer the development of the halal industry. The Master Plan outlines strategies and action plans to establish Malaysia as the Global Reference Centre for halal integrity know-how and the Global Leader in the production, trade and innovation in halal-related sectors.

The HIMP is an economic development blue-print to increase the contribution of the halal industry to the country's Gross Domestic Product (GDP). The HIMP focuses on enhancing the economic contribution from halal-related industries through export-led growth and increasing national self-sufficiency.

The areas of focus are:

- *Global Halal Reference Centre - developing Malaysia as the hub for halal integrity know-how;*
- *premium/speciality halal processed food - strengthening the ability of Malaysian companies to penetrate the export market, especially in the high-margin segment;*
- *halal ingredients - developing Malaysia as the centre for production, trade and R&D in halal and natural consumer goods ingredients used in functional food, cosmetics, personal care and nutraceutical products;*
- *cosmetics, personal care products and pharmaceuticals - strengthening the ability of halal companies to increase their share of export market for these products; and*
- *livestock - uplifting the standards of Malaysia's livestock and poultry farming industry to reduce dependency on meat imports and protect consumer health and safety.*

The HIMP focuses on establishing Malaysia as the global hub for halal know-how and aims to increase Malaysia's GDP by spurring growth in halal-related industries. This growth will be private sector-led with the focus on providing an enabling environment that will in the long term achieve the objective of building a sustainable competitive advantage anchored on innovation.

The HIMP will steer the development of Malaysia's halal industry from 2008 to 2020. The development of the halal industry under the HIMP is divided into three phases:

Phase I: 2008-2010

The programmes implemented will focus on establishing Malaysia as the global leader in halal integrity and to prepare the halal industry for greater growth. The effort will require promoting and improving training and consultancy services for the international market. The HDC will embark on industry-led initiatives to develop anchor companies, undertake industry consolidation, promote halal parks and facilitate investments in the halal-related sectors.

Phase II: 2010-2015

Malaysia would have already established itself as the global expert on halal-related matters, complemented with the establishment of the global halal knowledge centre. The promotion of the Malaysian halal brand will be intensified to achieve global prominence.

The HDC will focus on industry clusters which include halal ingredients, processed food and personal care. The HDC in addition, will promote specific industry clusters, and will develop strong competencies in quality, market access and innovation.

Phase III: 2015-2020

The third phase will see the transformation of home-grown Malaysian halal companies into world-class corporations and global leaders in various fields including the establishment of Malaysia as the R&D centre on halal.

The HDC since its establishment has embarked on various strategic initiatives including industry development, halal integrity, support functions, branding and corporate capabilities. The initiatives are undertaken to expedite the achievement of the HIMP objectives.

Box Article 4.2 – *Reach Implementation - Malaysia's Perspective*

The European Union (EU) chemicals regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) came into force on 1 June 2007, which requires all chemical substances, manufactured or imported into the EU in quantities of one tonne or more per year, to be registered. The pre-registration exercise which began from 1 June 2008, ended on 1 December 2008.

The European Chemicals Agency (ECHA) at the end of the pre-registration period, received about 2.9 million pre-registrations for about 150,000 substances. Companies that have pre-registered their substances will benefit from the staggered registration deadlines of 2010, 2013 and 2018.

The Malaysian government and the chemical industry have collaborated on various awareness raising activities and capacity building programmes since 2007 including:

- *meetings with industries/ministries/agencies to seek feedback and issues on REACH implementation in Malaysia;*
- *REACH seminars/workshops on the introduction of the regulation to the industry and regulators; and*
- *dissemination of REACH guidance documents to related industry associations.*

There were several developments in 2008 and 2009 related to the implementation of REACH in Malaysia, including:

- *formation of the Resource Group/Technical Working Group for REACH under MITI;*
- *setting up of the National Steering Committee on REACH implementation (government-industry initiative) with MITI as the Chair and Chemical Industries Council Of Malaysia (CICM) as the secretary, representing the private sector;*
- *joint inter-agency posting on websites to alert exporters to the EU on their obligations to REACH;*
- *government-industry collaboration on a series of workshops and seminars on 'Complying with REACH Pre-Registration and Registration, What Industries Should Know';*
- *workshops in the ASEAN Oleo-chemical Manufacturers Group (AOMG) REACH Series;*
- *organisation of a rubber industry seminar on REACH "Its implications to Rubber Processing and Manufacturing Industries";*
- *joint industry-government public announcements on 'Industry's Compliance to REACH-New European Union Chemical Regulation';*
- *negotiations with "Only Representative" (OR) to assist companies in pre-registration and registration at a discounted rate;*
- *proposed establishment of the Non-EU REACH National HELPDESK in CICM;*
- *media release on 'REACHing out to the Malaysian Chemical Industry' in February 2009';*
- *sector-specific workshops;*
- *dialogue with the chemical industry on 'REACH-The Next Step'; and*
- *seminar on REACH - "What's Next After Pre-Registration" on Chemical Safety Assessment (CSA) and Chemical Safety Report (CSR) by REACH expert from the UK.*

The Government and CICM collaborated in several other initiatives related to REACH, including:

- *survey on the awareness and impact of REACH on industries;*
- *printing and distribution of fliers and pamphlets on obligations and requirement under REACH for Malaysian exporters and users of chemicals;*
- *assisting industries to prepare for REACH compliance through technical workshops jointly sponsored by the Government and private sector; and*
- *communicating with EU and ECHA on exemptions for palm oil related products from the obligations to register.*

Box Article 4.3 – *Policy Review Of Iron And Steel Industry And The Implementation Of Mandatory Standards On Iron And Steel Products*

Background

The Government, with the objectives of enhancing competitiveness of the local iron and steel industry as well as to encourage the manufacture of more competitive products for the international market, has agreed to implement the policy review on the iron and steel industry effective 1 August 2009. The policy changes include:

- *Manufacturing Licences*
  - *Manufacturing licences will be granted without any conditions to meet the domestic and overseas demand for long and flat products.*
- *Import and Export Licences*
  - *Exemption from import and export licences of long products.*
  - *Free issuance of import licences on flat products for monitoring and data collection purposes and with no export licences required.*
- *Import Duty Reduction*
  - *Import duty for long products has been reduced to 10% on 1 August 2009 and has been further reduced to 5% from 1 January 2010 and for subsequent years.*
  - *The duty on flat products, of 50% has been reduced to 25% effective from 1 August 2009, and the rates will be further reduced to zero to 10% from 1 January 2018 onwards.*
- *Import Duty Exemption*
  - *Import duty exemption for flat products which are not produced locally.*
  - *Import duty exemption to Steel Service Centres for products for which grades and specifications are not produced locally.*
  - *Import duty exemption for seven selected sectors such as industries that are export-oriented, aerospace, automotive and components, oil and gas, E&E, shipping and furniture has been abolished, since it is no longer relevant as the policy review on tariff reduction structure has taken into consideration the requirement for these sectors. Any sectors therefore are eligible for import duty exemption.*
  - *iImport and export duty exemption on 57 tariff lines of long products which have been imposed since November 2008 is maintained.*
  - *Granted import duty exemption on 155 tariff lines of iron and steel products effective 1 August 2009 to mitigate the impact of the global economic crisis.*

Implementation of Mandatory Standards for Imported and Locally Produced Products

The Government has agreed to enforce the mandatory standards on 187 tariff lines for iron and steel products effective 13 October 2009 after a series of extensive consultation with the industry including associations, manufacturers, traders, freight forwarders and foreign associations in Malaysia. The products include intermediate raw materials such as hot rolled coils (HRC), cold rolled coils (CRC), steel bars, billets, sections, wire rods, pipes and tubes, scaffolding, sheet piles, rails and manhole covers.

The import of products categorised under the 187 tariff lines must obtain Certificate of Approval (COA) from the Construction Industry Development Board (CIDB) for construction products and SIRIM QAS International Sdn. Bhd. for non-construction or manufacturing products.

Automatic exemption from the COA requirement will be given:

- *for imports of steel products that are below 500kg; or*
- *to manufacturers under Licensed Manufacturing Warehouse (LMW) and companies operating in Free Industrial Zone (FIZ).*

Exemption will be given on application basis:

- *to manufacturers who are directly involved with oil and gas, automotive, maritime or shipbuilding, aerospace and E&E sub-sectors; or*
- *for the Steel Service Centres, exemption will be considered only for products imported for the consumption of oil and gas, automotive, maritime or shipbuilding, aerospace and E&E sub-sectors.*

Box Article 4.4 – *Review Of National Automotive Policy*

A total of 17 new policies and measures covering licensing, duties, incentives, technology and environment, safety and standards, and Approved Permits (APs) were introduced under the review of NAP which comes into effect on 1 January 2010. The main measures include:

Licensing

The current freeze on issuance of new manufacturing licenses (ML) will be lifted for several industry segments which are considered strategic and have a great impact on Malaysia's economy, namely:

- *luxury passenger vehicles with engine capacity of 1,800 c.c. and above and on-the-road prices of not less than RM150,000;*
- *pick-up trucks and commercial vehicles;*
- *hybrid and electric vehicles; and*
- *motorcycles with engine capacity of 200 c.c. and above.*

**There will be no equity conditions imposed on ML for the particular segments.*

The current policy on the freeze of ML for reconditioning and reassembling (rebuilt) activities is maintained.

Incentives

Tax exemption on statutory income is offered for manufacturers in the automotive industry based on the value of increased exports of vehicles and parts/ components as follows:

- *30% of the value of increased exports, provided that the goods attain at least 30% value-added; and*
- *50% of the value of increased exports provided that the goods attain at least 50% value-added.*

Promoting high value and green technology companies:

- *manufacturing transmission systems, brake systems, airbag systems and steering systems are eligible for better fiscal incentives, for example, Pioneer Status (PS) of 100% fiscal deduction for 10 years or Investment Tax Allowance (ITA) of 100% for five years; and*
- *investments for the assembly or manufacture of hybrid and electric vehicles will be granted:*
  - *ITA or PS for a period of 10 years;*
  - *customised training and R&D grants in addition to the existing grants;*
  - *50% exemption on excise duty for locally assembled/manufactured vehicles or provision of grant under the Industrial Adjustment Fund (IAF);*
- *PS of 100% for 10 years or ITA of 100% for five years for manufacture of selected critical components supporting hybrid and electric vehicles, such as:*
  - *electric motors;*
  - *electric batteries;*
  - *battery management system;*
  - *inverters;*
  - *electric air conditioning; and*
  - *air compressors;*
- *other additional, customised incentives will be considered based on proposed activities.*

Standards And Prohibition Of Imports

The imposition of standards and prohibitions of imports under the review requires:

- *MOSTI to coordinate and formulate a roadmap for the introduction and enforcement of mandatory standards for automotive products; and*
- *development of a mechanism to prohibit imports of used parts and components, effective from June 2011.*

Imports of used commercial vehicles will be prohibited, in line with the objective to establish Malaysia as a regional hub for luxury car segment effective 1 January 2016.

The Approved Permit System

The Government will terminate the Open AP system by 31 December 2015 in line with Malaysia's international commitments, while Franchise AP will be phased out by 31 December 2020.

A charge of RM10,000 for each unit of Open AP issued effective 1 January 2010 will be imposed and the collection will be used to establish a fund to assist Bumiputera companies venturing into the automotive and other related businesses.

Box Article 4.5 – *Progress on The Implementation of The Third Industrial Master Plan*

The Third Industrial Master Plan (IMP3), 2006-2020, is a long term planning instrument to guide Malaysia's further industrialisation drive. The plan emphasises industrial transformation through various initiatives, including attracting and generating quality investments in higher value-added products and activities, integrating Malaysian industries and services into the regional and global networks and supply chains, developing innovative and creative human capital and technological enhancement. A total of 12 manufacturing and eight services sub-sectors has been targeted for further development and promotion.

The implementation mechanism of the IMP3 comprises the IMP3 Steering Committee and 28 committees and workgroups, including the Malaysian Services Development Council, Malaysian Logistics Council, National Branding Task Force and Technical Resource Group on Human Resource Requirements. The implementation of the IMP3 is monitored through:

- *evaluation of half yearly and annual progress reports in relation to the Action Plans prepared by the respective councils, committees and work groups;*
- *high impact key performance indicators to track the implementation progress of the IMP3 strategies; and*
- *IMP3 Community Module on Enterprise Knowledge Portal to encourage communication and information sharing among IMP3 committee members - the IMP3 Community Module is expected to be operational by mid 2010.*

IMP3 Targets and Performance in 2009

The overall performance of the manufacturing and non-Government services sectors was below the targets set. The sectoral targets, other than that for approved investments for the manufacturing sector, as well as those on merchandise exports and total trade, were not achieved. The negative growth of the manufacturing sector by 9.3% was the worst performance for the last decade, reflecting the severe impact of the global crisis on the Malaysian economy in general, and the manufacturing sector, in particular.

Assessment of Implementation of IMP3 Strategies in 2009

The IMP3 contains 664 strategies for implementation. The target set for the overall implementation of the strategies for 2009 was 50% covering completed and advanced stages of implementation. The percentage reached was 55%.

Highlights of the IMP3 Implementation on:

INTEGRATING MALAYSIAN COMPANIES IN THE REGIONAL AND GLOBAL NETWORKS

Trade Promotion Activities

MATRADE organised/participated in 28 trade fairs, two visits involving the Prime Minister, seven trade and investment missions, three incoming buying missions, 27 specialised and general marketing missions, two incoming buying missions and 30 promotion booths. A total of 596 foreign buyers from 46 countries

Table 4.83: IMP3 Targets and Performance, 2008-2009

Indicator	IMP3 Target (2020)	Performance		
		2008	2009	Change (%)
Trade				
Merchandise Trade (RM billion)	2,792.4 *(1,459.7 in 2010)*	1,185.1	988.2	-16.6
Exports (RM billion)	1,444.3 *(803.9 in 2010)*	663.5	553.3	-16.6
Manufacturing				
Annual Growth (%)	5.6	1.3	-9.3	-
Contribution to GDP (%)	28.5	29.1	26.9	-
Annual Approved Investments (RM billion)	27.5	62.8	32.6	-48.0
Non-Government Services				
Annual Growth (%)	7.5	6.7	2.5	-
Contribution to GDP (%)	59.7	47.6	49.7	-
Annual Approved Investments (RM billion)	45.8	50.1	36.3	-27.5

Source: Ministry of International Trade and Industry

Table 4.84: Assessment of Implementation of IMP3 Strategies, 2009

Status	2009	
	Strategies (No.)	Implementation %
Total	**664**	**100**
Completed	159	24
Advanced	208	31
Subtotal	367	55
Substantive	209	32
Initial	66	10
Not Started	22	3

Source: Ministry of International Trade and Industry

participated in 6,951 business meetings with 660 Malaysian suppliers, during the incoming buying mission, in conjunction with Malaysia International Halal Showcase (MIHAS) from 6–10 May 2009. The incoming buying mission resulted in immediate sales of RM200.3 million and sales under negotiation RM1.9 billion. The participation of 609 buyers from 61 countries in International Trade (INTRADE) Malaysia 2009 (10–12 November) generated sales amounting to RM436.1 million.

Investment Promotion Activities

The Malaysian Industrial Development Authority (MIDA) undertook six trade and investment missions, five specific project missions, one cross-border mission and four cross-border investment seminars. The approved investments in the manufacturing sector amounted to RM32.6 billion and the services sector RM36.3 billion. Investments amounting to RM3.2 billion were approved for Regional Establishments and support services under manufacturing related services.

Bilateral and Regional Economic Agreements

Bilateral and regional economic agreements were initiated or reviewed to enhance trade and investment flows, resulting in the signing of the following agreements:

- *ASEAN Comprehensive Investment Agreement (ACIA) on 26 February 2009;*
- *ASEAN Trade in Goods Agreement (ATIGA) on 26 February 2009;*
- *ASEAN-Australia-New Zealand FTA (AANZFTA) Agreement on 27 February 2009;*
- *ASEAN-Korea Investment Agreement on 2 June 2009;*

- *ASEAN-China Investment Agreement on 15 August 2009; and*
- *Bilateral FTA with New Zealand on 26 October 2009.*

Taste of Malaysia

The Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC) organised the Taste of Malaysia (TOM) in Dubai, the UAE in December 2009 in collaboration with foreign hypermarkets and supermarkets abroad to promote and market Malaysian Small and Medium Enterprises (SMEs) products. A total of 26 SME companies participated and 142 products were promoted.

Malaysia Kitchen

The Malaysia Kitchen programme was reviewed by Malaysia External Trade Development Corporation (MATRADE) to ensure high impact and sustainability. MATRADE is responsible for the implementation of the programme effective 20 July 2009.

Enterprise Connect

MIDA approved 709 companies (62% domestic and 38% foreign) in Enterprise Connect (E-Connect) Module which provides on-line services to both local and foreign companies seeking partners in business in and outside Malaysia.

Database of Malaysian trade and industry associations overseas

MATRADE had created a database of Malaysian trade and industry associations overseas, with registration of 52 trade and industry associations in countries such as China, Japan, Canada, Australia and the Netherlands.

INTENSIFYING THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

Central Coordination Agency

Transformation of Small and Medium Industries Development Corporation (SMIDEC) into an SME central coordination agency, known as SME Corporation Malaysia, on 2 October 2009, with the following roles:

- *coordinating the SME policy and programme implementation;*
- *serving as a 'one stop referral centre' for information and advisory services on SME;*
- *formulating policy, conducting SME research and benchmarking against international and local best practices; and*
- *Secretariat to the National SME Development Council (NSDC).*

Business Matching Sessions

Business matching sessions were organised in conjunction with SMIDEX 2009 (2 – 5 June 2009) to enhance linkages between SMEs and multinational corporations (MNCs) or large companies in both the manufacturing and services sectors. A total of 16 MNCs and large companies, 81 SMEs and three foreign companies participated, with potential sales of RM150 million.

SME Competitiveness Rating for Enhancement

SME Competitiveness Rating for Enhancement (SCORE) continued to be implemented to assess the capacity and capability of SMEs. A total of 1,693 SMEs had been rated, of which 543 SMEs (32%) were graded with three stars and above. These companies are deemed to be export ready and recommended to MATRADE to participate in trade missions abroad or linked to MNCs and large companies.

Showcase Satu Daerah Satu Industri

MITI organised Showcase Satu Daerah Satu Industri (SDSI) 2009, a platform for micro/small enterprise entrepreneurs to exhibit and sell their products, resulting in 705 business matching sessions, with potential sales of RM21.8 million.

ENHANCING THE PRODUCTION AND MARKETING CAPABILITIES OF DOMESTIC COMPANIES

National Mark of Malaysian Brand

The National Mark of Malaysian Brand was launched on 2 March 2009, depicting quality, excellence and distinction for Malaysian products and services. A total of 20 applications to date has been received for the Malaysian Brand Certification Scheme, of which two companies were certified, while the rest are in the process of being audited.

University-SME Internship Programme

University-SME Internship Programme was implemented to encourage entrepreneurship among university students and to prepare them as potential entrepreneurs. A total of 100 students from three universities (Universiti Utara Malaysia, Universiti Kebangsaan Malaysia and Universiti Malaysia Kelantan) and 25 SMEs participated in this programme as at end December 2009.

Best Business and Management Practices

Malaysian-owned companies were encouraged to adopt best business and management practices to benchmark against their competitors and to improve the quality of their products and services. Initiatives undertaken by the Malaysia Productivity Corporation (MPC) included organising benchmarking and best practices management programmes:

- establishing a Community of Innovation (participated by 442 companies);
- developing Key Performance Indicators (66 KPIs for the manufacturing sector and 52 KPIs for the services sector); and
- developing Malaysian Benchmarking Index (involving 817 companies).

Home-Grown Technology

There were four commercial home-grown technology platforms that were developed by Malaysia Institute of Microelectronic Systems (MIMOS) and transferred to five local recipients. A MIMOS Technology Preview was held at KLCC on 21 July 2009. A total of 82 technology recipients were identified as of 3 August 2009.

STRENGTHENING OF INSTITUTIONAL CAPACITY AND SUPPORT SERVICES AND FACILITIES, INCLUDING INCENTIVES, FUNDS AND SKILLS TRAINING

National Dual Training System

The National Dual Training System was strengthened to equip the workforce with the required competencies/skills. A total of 15,203 apprentices undertook training in 1,332 companies in various fields of specialisation.

Skills Training

A total of 19,874 students enrolled at the 27 skills training institutes under MOHR (ITI, ADTEC and JMTI), while the Ministry of Higher Education recorded a total enrolment of 86,471 students at its 27 polytechnics, and 17,279 students at its 63 community colleges.

Productivity Linked Wage System

The Productivity Linked Wage System (PLWS) in 2008 stated that 71.9 % of Collective Agreements deposited with the Industrial Court were performance based. A total of 1,011 companies had embarked on productivity/performance initiatives based on PLWS.

Human Resource Development Fund

Financial assistance approved under the Human Resource Development Fund in 2009 amounted to RM332 million for 685,394 training places. A total of RM2.3 million was provided for 1,452 training places under the internship programme.

Intellectual Property (IP)

IP Commercialisation Policy for R&D was launched on 22 June 2009, which provides a common framework to regulate the ownership and management of IP from the creation, protection, innovation, exploitation and technology transfer activities carried out by the relevant body. The Policy also provides due recognition to the generation of creative ideas and innovative research through the provision of financial incentives for the inventor:

- upon disclosure of invention: RM500;
- upon filing of patent: RM5,000; and
- upon grant of patent: RM10,000.

Broadband

The rollout of the broadband project/ initiatives was undertaken under the Malaysian Information,Communications and Multimedia Services (MyICMS) 886 Strategy by Malaysian Communication and Multimedia Commission (MCMC) to extend broadband coverage progressively to major industrial areas and increasing the broadband penetration rate to 50% by 2010. A total of 2,083 projects (new and existing) have been rolled out. The household broadband penetration rate as of end December 2009 was 31.7%, with a total of 1,971,800 subscriptions. The 3G High-Speed Downlink Packet Access (HSDPA) services recorded 927,800 subscriptions and 127,700 subscriptions for WiMAX services.

Financial Guarantee Institution

Malaysia's first financial guarantee institution, Danajamin Nasional Berhad (Danajamin), was established on 15 May 2009. Danajamin with the capacity to guarantee up to RM15 billion of bonds, will provide credit enhancements to facilitate local corporations with viable business and investment grade ratings to enhance their access to the Malaysian bond market. Danajamin had received three applications seeking to raise RM750 million.

BALANCED REGIONAL PLANNING AND INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT IN THE LESSER DEVELOPED STATES

East Coast Economic Region

Approved investments amounted to RM28.3 billion. Projects implemented included the Kertih Industrial Plastic Cluster, Automotive Industrial Park at Pekan Peramu, cattle-breeding centre in Muadzam, beef-related cluster in Lipis, Food Production Centre Lanchang, Pineapple Integrated Development Project Rompin, Integrated Chicken Rearing Cluster Gua Musang, and Coastal Tourism Pantai Sepat and Cherating.

Northern Corridor Economic Region

Approved investments amounted to RM11.2 billion. Projects implemented included programme to increase paddy yield (SawahKU Maju) in MADA granary covering Perlis, Perak and Pulau Pinang, Centre of Excellence for Industrial Technologies at Bayan Lepas, Bukit Minyak and Kulim High Tech Park, the National Boer Breeding Centre at Pondok Tanjung Selama, Perak, Kulim HAZMAT (Hazardous Material) in Kulim, Kedah, cITaKU Labs in collaboration with Universiti Sains Malaysia, Pulau Pinang and Biotechnology Incubation Project.

Sarawak Corridor of Renewable Energy

Approved investments amounted to RM107.9 billion. Projects undertaken included development of Samalaju Industrial Park, construction of access roads to Murum Dam in Kapit, and Baleh Dam in Kapit and Miri.

Sabah Development Corridor

Approved investments amounted to RM30 billion. Projects implemented includes Kinabalu Harbour Front and Gold Coast Enclave, Agro-marine Belt, and Oil Gas Industrial Cluster and promoting new sources of growth via the application of pioneering technology in SDC, such as ICT, biotechnology and nanotechnology.

DEVELOPMENT OF THE SERVICES SECTOR

Services Setor Capacity Development Fund

The guidelines for the application of the Services Sector Capacity Development Fund (SSCDF) (RM50 million grant and RM50 million soft loan) were approved in February 2009. The SSCDF as at December 2009 was fully committed, with disbursement of grants amounting to RM21.7 million and soft loan RM10.9 million.

Services Export Fund

The guidelines on the Services Export Fund (SEF) were revised in June 2009. The areas covered included eligibility to apply for reimbursable grants for identified expenses, provision of an additional 30% grant over approved claims for participation in international projects and two additional activities (follow-up business meetings) eligible under export promotion.

Liberalisation of Services Sub-Sectors

There were twenty seven services sub-sectors that were liberalised on 22 April 2009, with no equity condition imposed. The sub-sectors included health and social services, tourism services, transport services, business services and computer and related services.

Foreign Investment Committee Guidelines

The Foreign Investment Committee (FIC) Guidelines were deregulated, effective 30 June 2009, including repeal of guidelines on the acquisition of interests, mergers and takeovers; and non-imposition of equity conditions on sectors not deemed strategic.

Cabotage Regulation

The exemption of non-Malaysian ships from Cabotage Regulation in respect of the transport of containerised transhipment cargo, effective 3 June 2009 for selected routes between ports in Sabah dan Sarawak (Ports of Sepangar, Bintulu and Kuching) and Peninsular Malaysia (Ports of Klang and Tanjung Pelepas).

ENHANCING BUSINESS OPERATING ENVIRONMENT

Manufacturing Licence

Automatic issuance of manufacturing licenses was granted for the establishment of new manufacturing projects or expansion and/or diversification of projects by existing licensed manufacturers or non-licensed manufacturers, except for certain activities. A total of 188 manufacturing licenses had been issued in 2009.

Corporate Income Tax

Corporate income tax was reduced to 25% in year 2009 from 26% in 2008.

Government Delivery System

Initiatives were undertaken by the Government to enhance the delivery system through expediting approval processes:

- *implementation of the Business Licensing Electronic Support System (BLESS) to facilitate on-line application for business licences. The first phase (July 2007 – June 2009) included the manufacturing, construction and hotel industries in the Klang Valley, while the second phase is expected to be fully operational by June 2010, covering other sectors, such as distributive trade (hypermarkets) and education and training, in the Klang Valley, and the final phase (mid 2010 – 2012) involving nationwide roll-out;*
- *creation of a One-Stop Centre (OSC) for building and planning approvals at all local authorities. A total of 103 OSCs as at the end of December 2009 had been established at local authorities in Peninsular Malaysia. The OSCs received 91,163 applications for planning and building approvals as at end of December 2009. A total of 1,325 Certificates of Completion and Compliance was issued;*
- *standardising of administrative procedures by applying e-Tanah in land offices. The e-Tanah, web-based system located in all land offices in a state will reduce the property registration process to not more than 30 days. Land offices in Pulau Pinang, Negeri Sembilan, Melaka and Johor are currently participating in the e-Tanah pilot run;*
- *reduction of time taken for approval of halal certification by JAKIM from 60 days to 30 days;*
- *extension of the Expatriate i-Card facility nationwide. Processing of expatriate post applications had been reduced from 14 to 7 days and 96% of the application were processed within 7 days;*
- *implementation of on-line payment for 278 services by 118 Government agencies as at end Decmber of 2009;*
- *establishment of New Commercial Courts on 1 September 2009 to expedite disposal of commercial cases;*
- *implementation of a single corporate identity number (MyCoID) since 1 July 2009. The five agencies involved Employees Provident Fund Social Security Organisation, Internal Revenue Board (IRB), HRDF and SME Corp) need to use SSM registration number for new companies as common reference number in the transactions;*
- *issuance of guidelines on 3 August 2009 to allow the establishment of special purpose acquisition company (SPAC), which is a corporation which has no operations or income generating business at the point of initial public offering and has yet to compete a qualifying acquisition with the proceeds of such offering. SPAC provides for the listing of private equity and venture capital; and*
- *launch of the new fund-raising framework and board structure by the Securities Commission and Bursa Malaysia for more efficient access to capital and investments. The framework entails the merging of Bursa Malaysia's Main Board and Second Board into a single board for established corporations. It involves also transforming the current MESDAQ Market into an alternative market open to companies of all sizes and from all economic sectors. The merged Main Board and Second Board are now known as the 'Main Market', while the MESDAQ Market as the 'ACE Market'. The two new Markets came on-stream on 3 August 2009.*

CHAPTER 5

PERFORMANCE OF THE SERVICES SECTOR

OVERVIEW

The Third Industrial Master Plan (IMP3) has identified the services sector as the next engine of growth for the Malaysian economy. The sector (excluding government services) is targeted to contribute 59.7% to the Gross Domestic Product (GDP) by 2020.

The Government undertook several measures in 2009 to further develop this sector to increase its contribution to the country's GDP which include the establishment of the Cabinet Committee on Services Liberalisation (CCSL) and the Services Sector Capacity Development Fund (SSCDF), and the unilateral liberalisation of selected services sub-sectors. The services sector continued to grow in 2009 but at a slower pace. Trade in services remained strong with the largest surplus recorded in the year.

POLICY INITIATIVES AND MEASURES IN THE SERVICES SECTOR

The CCSL on 22 April 2009 agreed to unilaterally liberalise 27 sub-sectors to accelerate liberalisation in the services sector. The 27 sub-sectors include computer and computer-related, health and social, business, transport, tourism as well as sporting and recreational services. The liberalisation of these sub-sectors demonstrates the willingness and commitment of the Government to undertake necessary measures to promote Malaysia as an attractive investment destination. The move is also expected to attract more foreign experts and encourage investments in higher-end technology to strengthen the competitiveness of the services sector.

The SSCDF, in line with this liberalisation initiative, was launched in 2009 with a funding amount of RM100 million to assist Malaysian service providers build capacity and enhance their competitiveness in the face of greater competition from foreign service suppliers. The fund was divided into two financial packages, RM50 million in the form of grants managed by the Malaysian Industrial Development Authority (MIDA) and the remaining RM50 million in the form of soft loans managed by the Malaysian Industrial Development Finance Berhad (MIDF). Beneficiaries of the fund include services providers covering business and professional services, information and communication technology (ICT), healthcare, education, tourism, distributive trade and logistics. A total of 244 applications for grants amounting to RM50 million and 73 applications for soft loans totalling RM50 million were approved by the end of December 2009.

The CCSL also agreed to establish a focal point to coordinate investment approvals in the services sector. The National Committee on Investments in the Services Sector (NCIS) was established in MIDA to consider investment applications except for investments in financial, utility and distributive trade services sub-sectors. Investments in the Multimedia Super Corridor (MSC), the economic development corridors and Bionexus status for biotechnology companies are also excluded.

The Government on 27 April 2009 announced liberalisation measures of selected services in the financial sector which comprise the conventional and Islamic sector. Bank Negara Malaysia under the liberalisation package, offered two new licenses each for Islamic banking and family *takaful*, and five new licences for commercial banking business to qualified foreign investors. The Government, in order to further promote growth of the financial services sector, also raised the foreign equity limits up to 70% in domestic Islamic banks that have paid-up capital of US$1 billion, investment banks, insurance companies and *takaful* operators. A higher foreign equity limit beyond 70% for insurance companies will be considered on a case-by-case basis for players who can facilitate consolidation of the insurance industry. In addition, greater operational flexibilities in addition were also accorded to foreign institutions to enhance their presence in the domestic market.

A comprehensive deregulation of investment guidelines administered by the Foreign Investment Committee (FIC) was announced by the Government on 30 June 2009 to further enhance liberalisation. The initiative was aimed at stimulating growth and encouraging foreign direct investments and covers liberalisation of the policy in relation to equity stakes, mergers and acquisitions and *Bumiputera* listing requirements for initial public offerings (IPOs).

OVERALL PERFORMANCE

The services sector remained the largest contributor to GDP in 2009 with its share increasing to 57.6%, compared with 55.2% in 2008. Non-government services contributed 50% to GDP (2008: 47.9%) while government services contributed 7.6% (2008: 7.3%). Value-added in the services sector increased by 2.6% to RM300.2 billion in 2009, from RM292.6 billion in 2008.

The wholesale and retail trade was the largest contributor to GDP under the services sector in 2009 with a share of 13.3%, followed by finance and insurance (11.7%), government services (7.6%) and other services (6.1%). The communication sub-sector recorded the highest value-added increase of 6%, followed by finance and insurance (5.1%) and other services (4.3%).

Trade in services (excluding government transactions) recorded a higher surplus of RM3.8 billion in 2009, compared with RM738.5 million in 2008. The stronger surplus was attributed to the higher net receipts recorded in the travel sub-sector. Exports of services amounted to RM98.9 billion during the year (2008: RM100.9 billion) while imports were RM95.1 billion (2008: RM100.2 billion).

Investments in the services sector in 2009 totaled RM36.3 billion in 2,720 approved projects, compared with RM50.1 billion in 2,779 approved projects in 2008. Domestic investments in 2009

Table 5.1: Services Sector Performance

	Share to GDP* (%)		Annual Change (%)	
	2008	2009	2008	2009
Services	**55.2**	**57.6**	**7.4**	**2.6**
Wholesale and Retail Trade	13.0	13.3	9.8	1.2
Finance and Insurance	11.0	11.7	8.3	5.1
Government Services	7.3	7.6	10.8	2.0
Real Estate and Business Services	5.2	5.5	2.1	2.4
Communication	3.8	4.1	7.3	6.0
Transport and Storage	3.8	3.8	6.1	-2.8
Utilities	2.9	3.0	2.1	0.4
Accommodation and Restaurant	2.4	2.5	7.3	2.8
Other Services	5.8	6.1	5.3	4.3

*Note: * GDP in constant prices*
Source: Department of Statistics, Malaysia

accounted for 90.6% (RM32.9 billion) while foreign investments were 9.4% (RM3.4 billion). Transport (21.9%), energy (18.6%), financial (11.9%), real estate (11.7%) and telecommunications (10.4%) sub-sectors accounted for the major investments in the services sector.

The services sector as of end December 2009 provided employment to 6.3 million people, or 57.3% of the 11 million employed in the country. Employment in the services sector was highest in distributive trade (29.3%), followed by government services (13.2%), hotels and restaurants (13%) and education (11.5%).

PERFORMANCE OF SELECTED SERVICES SUB-SECTORS

The IMP3 has identified a number of strategic sub-sectors for further development to intensify growth in the services sector. The sub-sectors include distributive trade, construction, education and training, healthcare, tourism, ICT and logistics.

DISTRIBUTIVE TRADE

Distributive trade comprises activities that channel goods and services down the supply chain to intermediaries for resale or to final buyers. The activities include wholesale and retail trade, franchise, direct sales, catering, international trading activities and distribution of motor vehicles and durable goods.

The distributive trade sub-sector recorded a total of 666 approved projects valued at RM2.1 billion in 2009, compared with 813 projects with investments amounting to RM2 billion in 2008. Domestic investments were RM870 million (42.4%) while foreign investments totaled RM1.2 billion (57.6%). There were 11,659 jobs created in this sub-sector in 2009 (2008 : 10,378 jobs).

A total of 91 hypermarkets were in operation as at 31 December 2009 with 80 of them controlled by foreign companies. There were also 101 superstores (31 were foreign-controlled) and 134 departmental stores (25 were foreign-controlled) in operation. A hypermarket is a self-service distribution store with sales floor area of at least 5,000 square meters while a superstore represents a self-service distribution store with sales floor area of between 2,000 to 4,500 square meters. A departmental store is classified as a distribution store with varying size of sales floor area and may include a supermarket not exceeding 2,000 square meters.

A total of 391 franchisors and 6,083 franchisees were registered as of end December 2009. *Bumiputera* entrepreneurs controlled 113 franchisors and 854 franchisees in 2009. The franchising service businesses were in food, apparel and accessories, convenience stores, service and maintenance, information technology, telecommunication and electrical, education centers and early childhood education, as well as healthcare and beauty treatment.

CONSTRUCTION SERVICES

Construction services comprise general construction such as building and civil engineering works. The sub-sector also includes specialist works in mechanical and electrical, decoration, plumbing, painting as well as glass works.

Exports of construction services declined by 22% in 2009 to RM3.2 billion, from RM4.1 billion in 2008. Imports decreased by 21.3% to RM3.7 billion from RM4.7 billion in the previous year. The decrease in exports was largely due to the slowdown in construction activities in overseas markets.

Malaysian contractors secured 614 projects in 49 countries valued at RM85.2 billion as at 31 December 2009, of which 489 projects (RM32.7 billion) were completed while 125 projects (RM52.5 billion) were ongoing. Projects secured include the construction of buildings, roads and highways, railways and bridges, oil and gas, water treatment and power plants, mechanical and electrical works, ports and airports, residential and mixed development projects including hotels.

Table 5.2: Construction Projects Secured by Malaysian Companies (Top Ten Countries) 1986 – 2009

Country	Value (RM billion)	No. of Projects
TOTAL	**65.7**	**324**
India	14.5	77
Saudi Arabia	11.9	10
United Arab Emirates	10.7	71
Qatar	7.3	22
Libya	5.2	4
People's Republic of China	4.4	65
Sudan	3.5	24
Bahrain	2.8	14
Viet Nam	2.6	22
Indonesia	2.6	15

Source: Construction Industrial Development Board

EDUCATION AND TRAINING SERVICES

Education services cover private higher education that includes colleges and universities. The category also includes commercial, vocational and technical institutions providing post-secondary education and skills training.

A total of 213 projects involving investments of RM51.6 million were approved in 2009 for the establishment of educational institutions, compared with 160 with investments of RM184.9 million in 2008. There were 1,618 jobs created in 2009 compared with 1,484 in 2008.

Exports in the education services sub-sector declined by 4.8% to RM733.3 million in 2009 from RM770.6 million in 2008. Imports however increased by 3.6% to RM5.8 billion from RM5.6 billion in 2008.

There were 58,294 foreign students from 159 countries studying in local private higher educational institutions as at 31 December 2009. The top 10 sources were the People's Republic of China (PRC) with 7,078 students, Iran (6,930), Indonesia (6,099), Nigeria (5,398), Yemen (3,382), Libya (2,831), Botswana (1,938), Sudan (1,867), Saudi Arabia (1,675) and Bangladesh (1,521).

A total of 20 private universities, 394 private higher educational institutions (non-university status) and five foreign branch campuses were in operation at the end of 2009.

HEALTHCARE SERVICES

Healthcare services cover hospital, medical and dental services. A total of five private healthcare institutions were granted approvals in 2009 by the Ministry of Health involving investments of RM13.1 million compared with 19 private healthcare institutions with investments amounting to RM122.4 million in 2008.

Exports of healthcare services in 2009 increased by 21.2% to RM22.9 million compared with RM18.9 million in 2008. Imports registered an increase of 4.9% to RM73.4 million from RM70 million in 2008. The higher exports was attributed to affordable hospitalisation cost, highly-trained medical specialists and staff, state-of-the-art medical technology equipment and high level of compliance to international standards on quality and safety.

The Ministry of Health undertook several initiatives in 2009 to promote the healthcare sub-sector and to position Malaysia as a preferred destination for world class healthcare services. The Minister of Health launched the Malaysia Health Tourism logo and website on 9 June 2009. The logo which is a part of the collaborative effort between the Government and the private sector depicts the brand name "MALAYSIA HEALTHCARE" with a tagline "Quality care for your peace of mind".

The Malaysia Healthcare Travel Council (MHTC) was launched in December 2009 by the Prime Minister of Malaysia. The MHTC was established to promote, facilitate and develop Malaysia's healthcare travel industry.

TOURISM SERVICES

Tourism services remained the largest services export earner, contributing 54% of total services exports in 2009. The sub-sector comprises services provided by hotels, resorts, lodgings, tour and travel agencies and transport companies.

A total of 27 projects were approved in the tourism sub-sector in 2009, with investments valued at RM1.7 billion, compared with 44 projects (RM1.9 billion) in 2008. There were 2,088 employment opportunities created in this sub-sector in 2009 compared with 3,687 in 2008.

The tourism sub-sector recorded an increase of 6.6% in exports to RM53.5 billion in 2009 (2008: RM50.2 billion), while imports were RM16.8 billion (2008: RM16.8 billion). The increase in exports was mainly attributed to the 7.2% increase in tourist arrivals to 23.6 million tourists in 2009 (2008: 22.1 million tourists).

The highest tourist arrivals were from Singapore with 12.7 million tourists, Indonesia (2.4 million), Thailand (1.4 million) and Brunei Darussalam (1.1 million). The PRC and India came next with 1 million and 0.6 million tourists respectively. The highest increases in tourists arrivals in 2009 were recorded from France (27.9%), Australia (24.9%), Viet Nam (21.8%), the UK (17.4%) and Italy (19%).

A total of 1,832 hotels have been issued licenses by the Ministry of Tourism as of end December 2009, of which 197 (12.8%) are rated four to five stars, 550 (35.8%) one to three stars while the rest are unrated (orchid category). There are more than 100,000 rooms being offered by these hotels.

INFORMATION AND COMMUNICATION TECHNOLOGY

The ICT sub-sector covers telecommunications, shared services and outsourcing, digital content development, bioinformatics, e-commerce services and ICT applications including software development.

A total of 11 telecommunications projects with investments of RM3.8 billion were approved in 2009 compared with 22 projects of RM5 billion investments in 2008. Exports of the telecommunications sub-sector decreased by 1.1% to RM1.9 billion in 2009 from RM2 billion in 2008. Imports increased by 1.4% to RM2.8 billion in 2009 from RM2.7 billion last year.

There were 2,520 companies granted MSC-status by the Multimedia Development Corporation Sdn. Bhd. (MDeC) as of end December 2009. Malaysian-owned companies totaled 1,879 while 566 were foreign-owned and 75 were equal partnerships.

A total of 284 projects have been approved with MSC status in 2009 involving investments of RM2.2 billion, compared with 242 projects with RM1.8 billion investments in 2008. Domestic investments amounted to RM1.7 billion and foreign sources contributed RM583.7 million.

TRANSPORT SERVICES

The main component of the logistics value chain is transportation, which includes maritime, aviation and land transport.

Investments in the transport services sub-sector in 2009 amounted to RM7.9 billion involving 29 approved projects compared with 19 approved projects valued at RM1.4 billion in 2008. Domestic investments contributed 99.3% of the approved investments in 2009. The approved projects were for the expansion of airport infrastructure, purchase of new aircrafts and development of the maritime sub-sector.

Exports of transport services declined by 33.8% to RM14.9 billion in 2009 (2008: RM22.5 billion). Imports of transport services decreased by 15.6% to RM32 billion in 2009 (2008: RM37.9 billion). The decline in exports and imports of transport services was largely due to the slowdown in global trade.

Air Transport

Movement of air cargo declined by 13.7% to 809 million tonnes in 2009 (2008: 937.5 million tonnes). The decrease was attributed to the decline of 14.6% in international air cargo movements as a result of the slowdown in global trade. Air passenger traffic however rose by 8.7% to 52.6 million people in 2009 (2008: 48.4 million) with international passenger movements increasing by 9.1% to 22.9 million, from 21 million in 2008. Domestic passenger movements increased by 6.7% to 29.2 million in 2009 (2008: 27.4 million). The rise in passenger traffic was due to affordable airfares, various promotional efforts and attractive holiday packages offered by airlines and tour operators.

Sea Transport

Total cargo throughput by the five major ports (Klang Port, Pulau Pinang Port, Kuantan Port, Bintulu Port and Tanjung Pelepas Port) declined by 4.8% to 301 million freight weight tonnes in 2009 from 316 million freight weight tonnes in 2008. Total container throughput in terms of volume (based on twenty footer equivalent unit or TEU) handled by the major ports registered a decline of 23.8% totaling 10.6 million TEUs in 2009 from 13.9 million TEUs in 2008.

Land Transport

Land transport comprises road and rail transport. A total of 5,454 prime movers were registered in 2009 compared with 7,256 in 2008. The number of prime movers registered decreased by 24.8% due to a decline in revenue and container volume since end December 2008 in tandem with the decline in cargo movements experienced by the local ports.

Keretapi Tanah Melayu Berhad (KTMB), the only rail operator handling containers, transported 266,722 TEU containers in 2009, an increase of 30.8% from 203,939 TEU containers in 2008.

OUTLOOK

The services sector will continue to spearhead the growth of the Malaysian economy in 2010. Value-added of the services sector is anticipated to increase by 4.9% during the year and thereby raise the sector's contribution to the GDP to 57.5%. The stronger performance is expected from the better growth projection of the Malaysian economy and global trade in 2010.

The services trade is expected to record a surplus in 2010, continuing the past 3-year surplus trend which began in 2007. The gradual recovery in the world economic environment is expected to contribute towards a better performance of the tourism, transportation as well as storage and utilities services sub-sectors. Tourism, the biggest export earner for the country, is envisaged to register a stronger performance in 2010, supported by better promotional activities, attractive holiday packages as well as continued socio-political stability in the country.

Domestic investments will continue to contribute significantly to investments in the services sector in 2010. There is anticipation of greater interest from foreign investors in this sector due to the various liberalisation initiatives undertaken by the Government including the implementation of Free Trade Agreements (FTAs) and improved market access provided through the ASEAN Framework Agreement in Services (AFAS). The transport, utilities, financial services and the telecommunications sub-sectors are expected to be the major beneficiaries of investments in the services sector in 2010.

Box Article 5.1 – *Services Sector Capacity Development Fund*

The Services Sector Capacity Development Fund (SSCDF) was set up by the Government with an initial allocation of RM100 million to assist local service providers build capacity and capability in an increasingly competitive environment.

The objectives of the SSCDF are to:

- *enhance capacity building of local companies facing competition as a result of the liberalisation;*
- *enhance competitiveness of local companies especially sectors that have been prioritised for liberalisation;*
- *encourage local companies to compete globally through mergers and acquisitions as well as participate in overseas projects; and*
- *improve the productivity of the services sector.*

The SSCDF provides financial assistance to undertake capacity building programmes which include training and outreach, accreditation, mergers and acquisitions, as well as upgrading and modernisation. The Fund is made available to services sector associations, professional bodies and service providers. There are two forms of assistance provided under the SSCDF, the RM50 million allocated to the Malaysian Industrial Development Auhority (MIDA) to provide grants and RM50 million to the Malaysian Industrial Development Finance (MIDF) Berhad which provides assistance in the form of soft loans.

Grants

A total of 244 applications for grants by MIDA were approved in 2009, of which 113 applications (RM45.1 million) were to services associations and professional bodies and 131 approvals (RM4.9 million) disbursed to domestic service providers. The grants disbursed were:

- *60% for training and outreach programmes;*
- *23.2% for upgrading and modernisation;*
- *15.4% for accreditation; and*
- *1.4% for mergers and acquisitions.*

Soft Loans

A total of 73 applications for loans amounting to RM50 million were approved by MIDF in 2009 to service providers for modernisation and upgrading programmes. The loans disbursed were to:

- *service providers in the distributive trade sub-sector (32%);*
- *business and professional services, logistics as well as healthcare sub-sectors (19%);*
- *the education sub-sector (5.5%); and*
- *the ICT and tourism sub-sectors (5.5%).*

Impact of SSCDF

The assistance provided by the Government through the SSCDF is aimed at enhancing the competitiveness of the Malaysian services industry. The Fund is expected to have the following impact on the services sector:

- *enhancement of capacity and capability of domestic service providers through the transfer of knowledge and technology;*
- *improvement of the internal process on sales, management and marketing;*
- *increase in productivity through skills and knowledge enhancement;*
- *more comprehensive data collection through better compilation and management of membership profile by services associations;*
- *higher adoption of ICT and development of e-commerce among domestic service providers; and*
- *increase exposure of local service providers to developments in the international market by adopting international standards and accreditations.*

The recipients of the SSCDF will be regularly monitored on the implementation of the approved programmes and to assess the effectiveness and outcomes of the disbursed grants and loans.

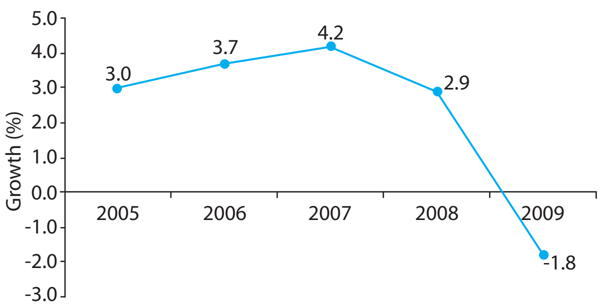
CHAPTER 6 PRODUCTIVITY AND COMPETITIVENESS

OVERVIEW

The productivity of the Malaysian economy expanded by 2.3% during the fourth quarter of 2009 driven by the growth in productivity of the manufacturing and services sectors which grew by 4.6% and 3.1% respectively, despite the negative economic growth in the first three quarters of 2009. The introduction of fiscal and monetary measures by the Government was successful in mitigating the impact of the economic crisis. The measures had improved the productivity of the construction, services and agriculture sectors which grew by 5%, 1.7% and 0.4% respectively in 2009. The productivity of the manufacturing and mining sectors however contracted by 8.6% and 3.2% respectively, resulting in a decline of the country's productivity by 1.8% to RM48,614 in 2009.

The productivity of the services sector expanded by 1.7% to RM57,090 in 2009 supported by better growth performance of sub-sectors such as finance (3.2%), other services (2.4%), transport (1.3%), trade (0.8%) and utilities (0.6%). The finance sub-sector's productivity improved by 3.2% to RM128,281 due mainly to increased activities in the banking sector.

Chart 6.1 Malaysia's Productivity Growth, 2005 – 2009



Compiled by: Malaysia Productivity Corporation
Computed from:
i. Economic Reports (various issues), Ministry of Finance, Malaysia
ii. Labour Force Survey, Department of Statistics, Malaysia
iii. Economic Planning Unit, Prime Minister's Department

The productivity of the transport sub-sector grew by 1.3% to RM71,513 supported by an increase in air transport as well as higher utilisation of broadband and third generation (3G) telecommunication services. The productivity of the trade sub-sector grew by 0.8% to RM40,359 attributed to the increase in the activities related to retail trade.

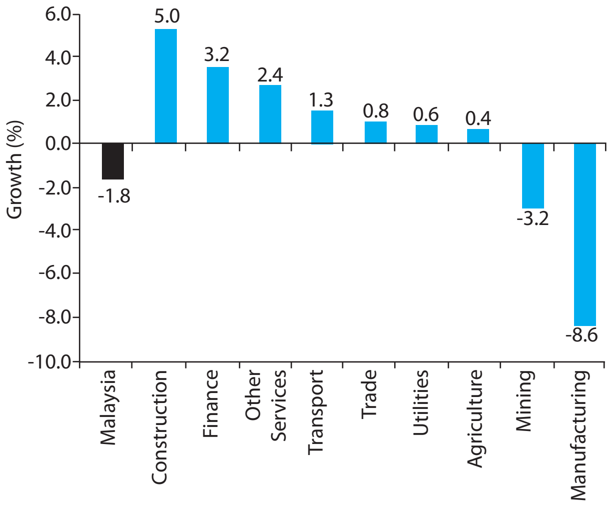
The sub-sectors that recorded positive growth in 2009 were medical devices, textiles and apparel and wood and wood-products at 12.4%, 2.6% and 2.9% respectively. The decline in the productivity of sub-sectors such as chemicals (20.2%), food and beverages (5.5%) and rubber products (3.9%) as well as in the transport equipment (9.3%), fabricated metal products (8%), machinery and equipment (5.7%) and electrical and electronics (E&E) (3.1%) affected the overall productivity of the manufacturing sector. The productivity of the manufacturing sector contracted by 8.6% to RM51,793 in 2009.

Productivity of the construction sector increased in 2009 growing by 5% compared with 1.5% the previous year. The sector benefited from infrastructure projects implemented under Malaysia's two economic stimulus packages particularly in the civil engineering sub-sector which involves the construction of public infrastructure facilities and amenities.

The agriculture sector recorded a productivity growth of 0.4% to RM26,466 in 2009 (2008: 3% to RM26,372). The lower growth in productivity as compared with the previous year was due to lower yield caused by adverse weather conditions in 2009.

The objective of the New Economic Model (NEM) is to transform the country's economy from high middle income to high income by 2020. Emphasis

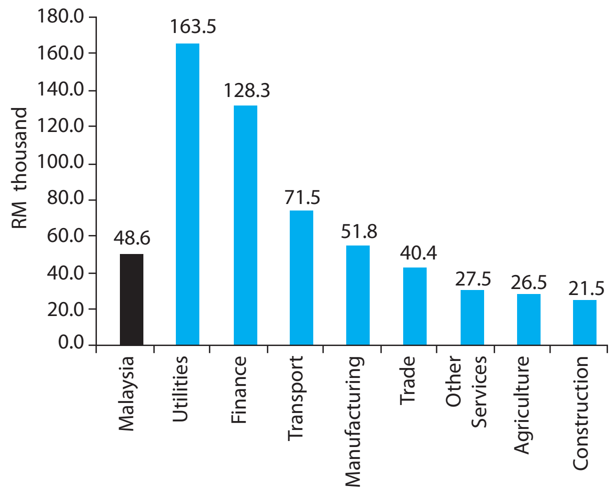
Chart 6.2 Productivity Growth of the Economic Sectors, 2009



Compiled by: Malaysia Productivity Corporation
Computed from:
i. Economic Reports (various issues), Ministry of Finance, Malaysia
ii. Labour Force Survey, Department of Statistics, Malaysia
iii. Economic Planning Unit, Prime Minister's Department

Note: **Other services include community, social and personal services, private non-profit services to households and domestic services of households. Among the activities included in this sub-sector are sewage and refuse disposal; activities of organisations, whose members' interests centre on the development and prosperity of a particular line or business or trade; and provision of personal services.*

Chart 6.3 Productivity Level of the Economic Sectors, 2009



Compiled by: Malaysia Productivity Corporation
Computed from:
i. Economic Reports (various issues), Ministry of Finance, Malaysia
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iii. Economic Planning Unit, Prime Minister's Department

will be given to innovation, creativity and high value-added activities. Total Factor Productivity (TFP) of the country, which measures the efficiency and effectiveness of all factors of production is expected to improve with the implementation of the NEM. The increase in TFP is derived from factors namely human capital development, demand intensity, capital structure, technical progress and economic restructuring. The TFP under the Ninth Malaysia Plan (9MP) is targeted to grow by 2.2% and contribute 35.8% to Gross Domestic Product (GDP) growth and is further expected to contribute 41.4% to GDP, growing at an annual rate of 2.6% under the Third Industrial Master Plan (IMP3) period 2006-2020.

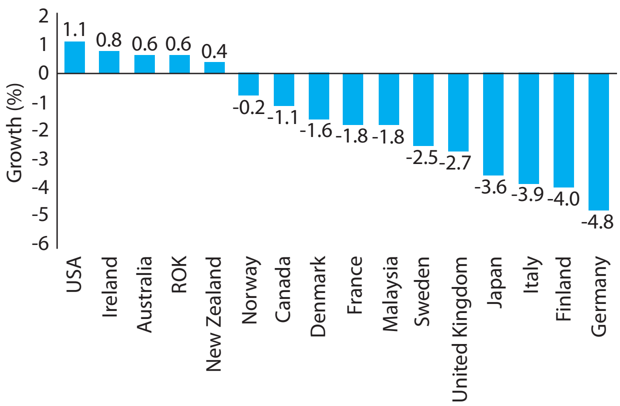
The Malaysian economy recorded an annual average TFP growth of 1.4% over the five-year period 2005-2009 and contributed 31.4% to GDP growth. The TFP growth was supported by human capital development (40.4%), capital structure (22.7%), demand intensity (15%), technical progress (14.2%) and economic restructuring (7.8%). Investment in human capital, technology, ICT, research, development and commercialisation (R&D&C) are among the measures currently being undertaken to enhance the contribution of TFP to economic growth. The implementation of productivity improvement initiatives and creativity and innovation management systems will further enhance TFP growth.

INTERNATIONAL PRODUCTIVITY COMPARISON

Productivity growth in 2009 contracted due mainly to the global economic and financial slowdown. The majority of the Organisation for Economic Cooperation and Development (OECD)[1] countries registered negative productivity growth in 2009, led by Germany (-4.8%) and followed by Finland (-4%), Italy (-3.9%), Japan (-3.6%), the United Kingdom (UK) (-2.7%) and Sweden (-2.5%). The OECD countries that recorded positive growth were the USA (1.1%),

[1] OECD Member Countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, the Republic of Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.

Chart 6.4 Productivity Growth – Malaysia and Selected OECD Countries, 2009



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i. Economic Report, Ministry of Finance, Malaysia, various issues
ii. OECD Economic Outlook, Vol. 86 Database
iii. Country Data, The Economist Intelligence Unit
iv. Market Indicator and forecast, The Economist Intelligence Unit

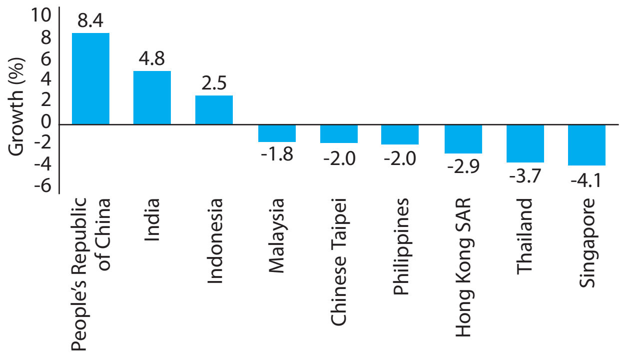
Ireland (0.8%), the Republic of Korea (ROK) (0.6%), Australia (0.6%) and New Zealand (0.4%).

Countries with a high productivity level include the USA (US$77,828), Japan (US$77,640), Norway (US$76,656), Ireland (US$65,767), Sweden (US$63,582), Denmark (US$59,777) and the UK (US$58,733). The seven countries are at the innovation-driven stage of development where companies compete through innovation, producing new value-added and different goods using the most sophisticated production processes.

Malaysia's productivity level (US$12,793) was among the highest in the Asian region as compared with the productivity level of Thailand (US$4,596), the PRC (US$3,734), the Philippines (US$3,192), Indonesia (US$2,471) and India (US$2,051). The PRC, India and Indonesia however registered higher productivity growth of 8.4%, 4.8% and 2.5% respectively due to the huge domestic sector of these economies, which helped cushion the impact of the global economic slowdown.

The effects of the economic slowdown on productivity in the world economies differ widely depending on each country's exposure to international trade, the level of dependence on natural resources, the dynamics of the domestic consumption sector and the exposure of the

Chart 6.5 Productivity Growth – Malaysia and Selected Asian Countries, 2009



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iv. Market Indicator and forecast, The Economist Intelligence Unit

Table 6.1: Productivity Levels and Growth for Selected Countries, 2009

Country	Productivity (at 2000 constant prices in US$)	Productivity Growth (%)
United States of America	77,828	1.1
Japan	77,640	-3.6
Norway	76,656	-0.8
Ireland	65,767	0.8
Sweden	63,582	-2.5
Denmark	59,777	-1.6
United Kingdom	58,733	-2.7
Finland	57,682	-4.0
France	57,567	-1.8
Hong Kong SAR	50,174	-2.9
Germany	49,517	-4.8
Canada	49,438	-1.1
Australia	48,357	0.6
Singapore	45,275	-4.1
Italy	44,724	-3.9
Chinese Taipei	39,218	-2.0
Republic of Korea	32,059	0.6
New Zealand	30,739	0.4
Malaysia	**12,793**	**-1.8**
Thailand	4,596	-3.7
People's Republic of China	3,734	8.4
Philippines	3,192	-2.0
Indonesia	2,471	2.5
India	2,051	4.8

Compiled by: Malaysia Productivity Corporation
Computed from:
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iii. Country Data, The Economist Intelligence Unit
iv. Market Indicator and forecast, The Economist Intelligence Unit

banking system to global finance. Malaysia being an open economy with exports that is 1.2 times more than GDP was quite significantly affected by the global crisis. Malaysia however was able to reduce the effects given a positive productivity growth of 2.3% in the fourth quarter of 2009.

PRODUCTIVITY PERFORMANCE OF THE SERVICES SECTOR

The services sector (excluding government services) is the major contributor to the economy, contributing 49.7% to GDP in 2009. The major contributors to the services sector's output among others are finance, trade and transport which contributed of 17%, 15.7% and 8% respectively.

The productivity of the services sector expanded by 1.7% to RM57,090 in 2009 from RM56,166 in 2008. The finance sub-sector registered the highest productivity growth of 3.2%, followed by other services (2.4%), transport (1.3%) and trade (0.8%).

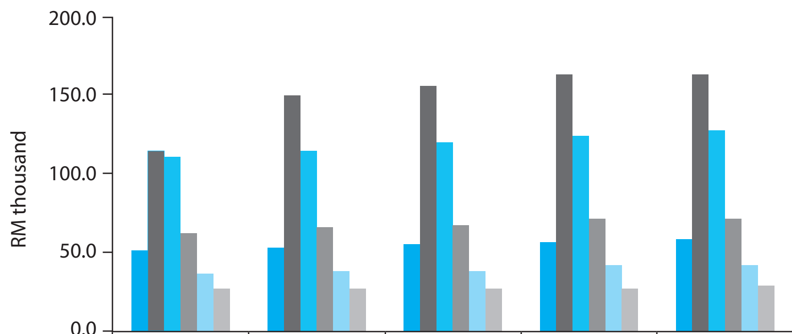
Productivity of the finance sub-sector improved by 3.2% to RM128,281 in 2009 from RM124,262 in 2008 driven mainly by the expansion of consumer credit activities and wider application of e-banking services. Efficiency measures and creative financial products moreover contributed to the sector's positive growth.

The 1.3% productivity increase in the transport sub-sector to RM71,513 in 2009 from RM70,607 in 2008 was the result of increased passenger traffic especially in the budget and short-haul travel segment. The increase in air travel was due to the attractive packages offered by airlines. The improved productivity performance was also due to higher efficiency in terminal operations by port authorities and those involved in the travel industry. The performance of the transport sub-sector was further enhanced with improvements in information and communication technology (ICT) such as cellular, broadband and 3G services. Productivity growth of 0.8% to RM40,359 in 2009 in the trade sub-sector was attributed to the good performance in the accommodation and restaurant business segment as a result of the increased number in tourist arrivals.

TOTAL FACTOR PRODUCTIVITY OF THE SERVICES SECTOR, 2005-2009

The services sector, during the period 2005-2009, registered a TFP growth of 2.2% and accounted for 32.5% of output growth with labour and

Chart 6.6 Productivity Level of the Services Sector



	2005	2006	2007	2008	2009
Overall Services	50.5	51.8	54.4	56.2	57.1
Utilities	114.1	150.6	156.4	162.6	163.5
Finance	109.3	113.7	119.2	124.3	128.3
Transport	61.4	63.9	67.6	70.6	71.5
Trade	35.6	36.4	38.4	40.0	40.4
Other Services	25.5	25.9	26.4	26.9	27.5

Compiled by: Malaysia Productivity Corporation
Computed from:
i. Economic Reports (various issues), Ministry of Finance Malaysia
ii. Labour Force Survey, Department of Statistics Malaysia
iii. Economic Planning Unit, Prime Minister's Department

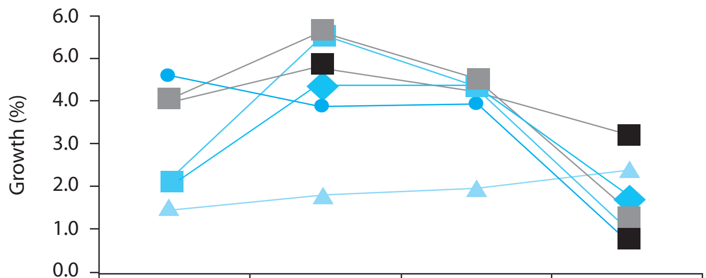
capital contributing 26.5% and 41% respectively. The trade sub-sector recorded the highest TFP growth among the services sub-sectors with 4.5% contributing 59.1% to overall output growth. The high TFP growth was attributed to factors such as innovative marketing strategies, upgrading business transactions based on real-time information and also a better business performance as a result of foreign investment in local trading activities.

The finance sub-sector recorded TFP growth of 3.9% which contributed 49.7% to the output growth. The contribution from labour and capital were 11.2% and 39.1% respectively. The expansion in TFP growth was due to the increase in the activities in financing for consumer credit, new range of products and services as well as the intensification of Islamic financing facilities.

The transport sub-sector recorded TFP growth of 2.9% and contributed 48.9% to output growth. Labour and capital contributed 20.7% and 30.5% respectively. The TFP growth was attributed to the new competitive and value-added services offered by the sub-sector as well as modernisation of the transport equipment and facilities segment.

The utilities sub-sector registered TFP growth of 1%, contributing 30% to utilities output growth, with labour and capital contributing 27.7% and 42.3% respectively. The improvement in TFP growth was attributed to initiatives undertaken by industries

Chart 6.7 Productivity Growth of the Services Sector



	2006	2007	2008	2009
Overall Services	3.1	5.1	3.2	1.7
Finance	4.1	4.9	4.0	3.2
Other Services	1.5	1.8	1.9	2.4
Transport	4.1	5.7	4.5	1.3
Trade	2.2	5.5	4.3	0.8
Utilities	4.5	3.9	4.0	0.6

Compiled by: Malaysia Productivity Corporation
Computed from:
i. Economic Reports (various issues), Ministry of Finance, Malaysia
ii. Labour Force Survey, Department of Statistics, Malaysia
iii. Economic Planning Unit, Prime Minister's Department

Table 6.2: TFP Growth and Contribution to Output Growth, Services Sub-sectors, 2005-2009

Services Sub-sector	TFP Growth (%)	Output Growth (%)	Capital Growth (%)	Labour Growth (%)	Contribution to Output Growth		
					TFP (%)	Capital (%)	Labour (%)
Services	**2.2**	**6.8**	**2.8**	**1.8**	**32.5**	**41.0**	**26.5**
Trade	4.5	7.7	1.1	2.1	59.1	14.0	26.9
Finance	3.9	7.8	3.1	0.9	49.7	39.1	11.2
Transport	2.9	6.0	1.8	1.2	48.9	30.5	20.7
Utilities	1.0	3.4	1.5	1.0	30.0	42.3	27.7

Source: The Malaysia Productivity Corporation such as efficient management of energy resources, restructuring programme for water supply and continuous investment in human capital.

PRODUCTIVITY PERFORMANCE OF THE MANUFACTURING SECTOR

The manufacturing sector is the second largest contributor to Malaysia's GDP with 26.9% in 2009, and recorded an added-value of RM110.2 billion. The largest contributor to manufacturing sector's added-value was E&E, which amounted to 41.1%, followed by chemicals (12%) and food and beverages (8.1%).

The productivity of the manufacturing sector, in tandem with the recovery of the external sectors, improved by 4.6% in the fourth quarter of 2009. The sub-sectors which registered productivity growth in 2009 were medical devices (12.4%), wood and wood products (2.9%) and textiles and apparel (2.6%).

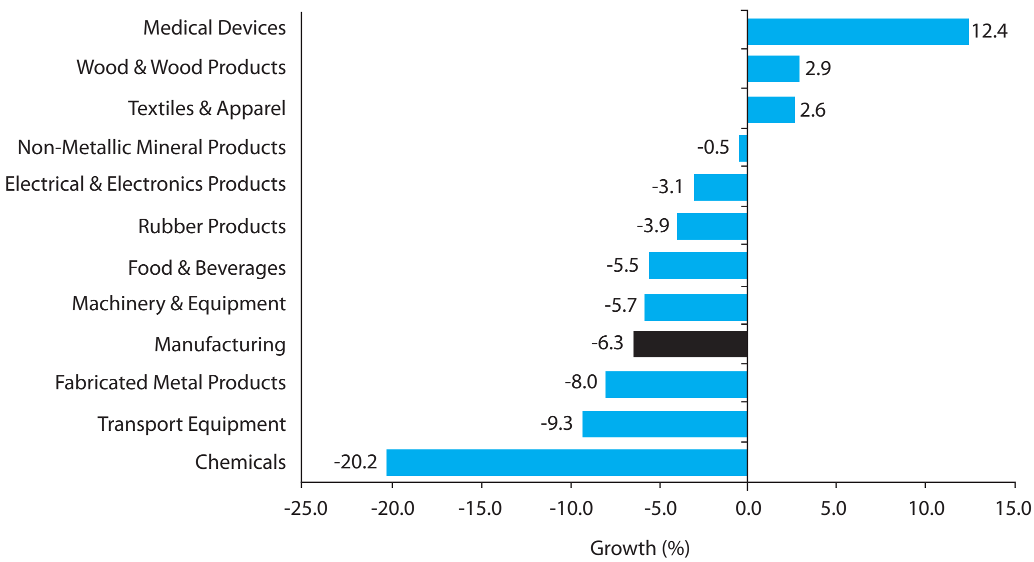
The medical devices sub-sector registered a growth of 12.4% in 2009, compared with a contraction of 4.6% in 2008. The increase in demand in the healthcare segment contributed to the better performance of the sub-sector. The improved performance in the domestic-oriented industries such as wood and wood products was due to increased activities in the domestic construction sector.

The sub-sectors which registered a decline in productivity growth were chemicals, transport equipment and fabricated metal products. The chemicals sub-sector contracted by 20.2% with transport equipment and fabricated metal products declining by 9.3% and 8% respectively. The decline in these sub-sectors had resulted in the sector's overall productivity decrease by 6.3% in 2009.

Labour cost per employee of the manufacturing sector increased by 1.8% to RM26,429 in 2009. The sub-sectors that recorded high growth in the labour cost per employee measurement were rubber products (3.3%) and chemicals (2.9%). The high compensation to the skilled workers in 2009 contributed to this outcome.

The manufacturing sector was not able to sustain its labour cost competitiveness due to the 0.3% increase in unit labour cost. The increase of 1.8% labour cost per employee in addition was not commensurate with the decline in productivity of 6.3%. The sub-sectors that were able to sustain labour cost competitiveness were medical devices, textiles and apparel, and wood and wood products. The sub-sectors were able to reduce its labour cost by generating a higher output through productivity improvement initiatives.

Chart 6.8 Productivity Growth of the Manufacturing Sub-sectors, 2009

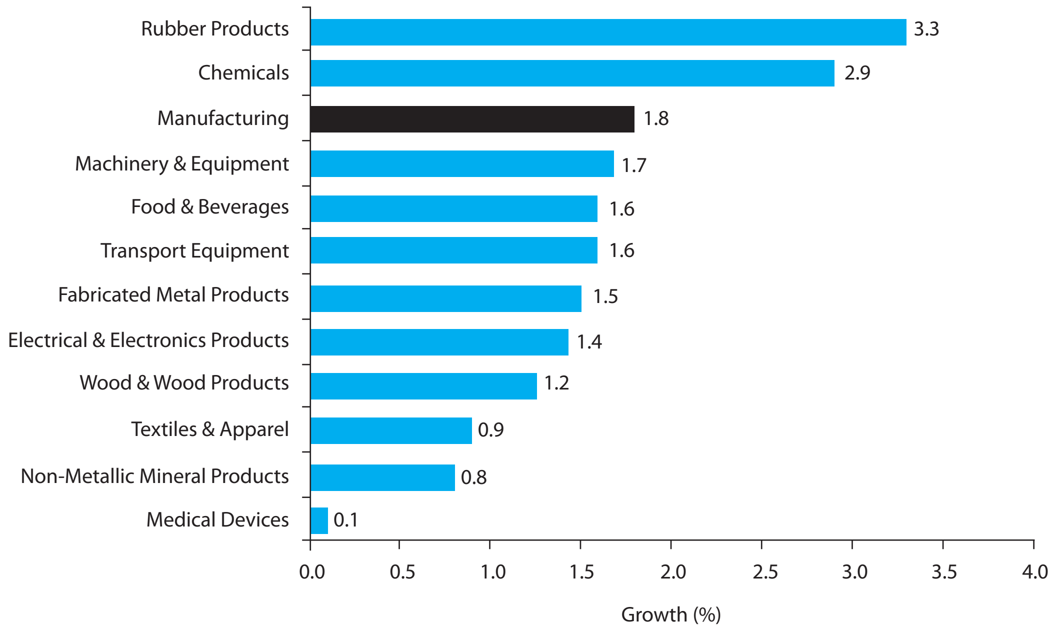


Compiled by : Malaysia Productivity Corporation
Computed from Annual Survey of Manufacturing Industries, Department of Statistics, Malaysia

TOTAL FACTOR PRODUCTIVITY OF SELECTED MANUFACTURING SUB-SECTORS, 2005-2009

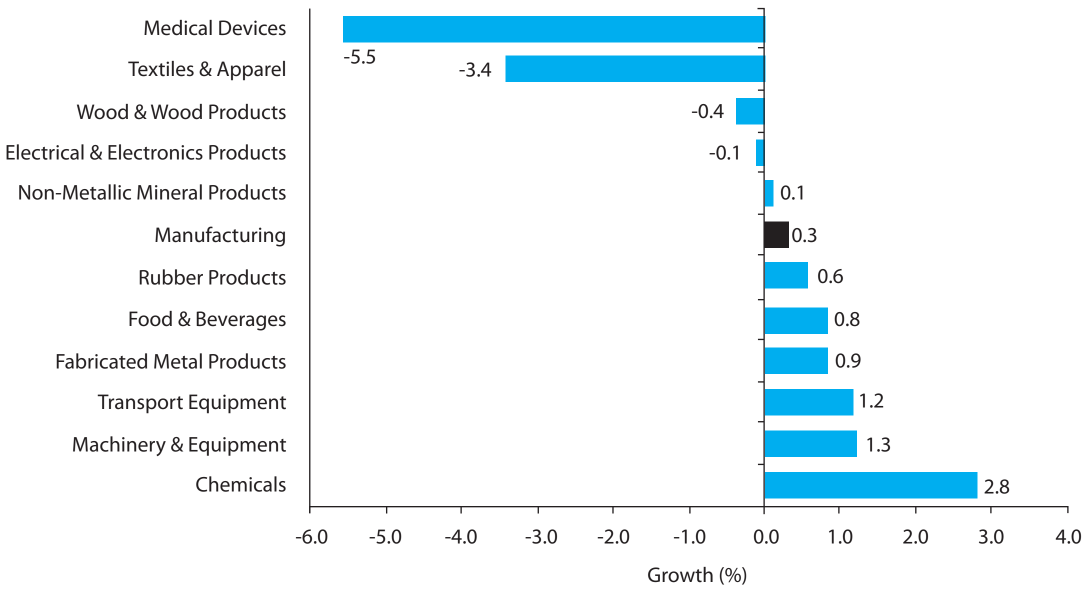
The manufacturing sector recorded TFP growth of 0.5% for the period 2005-2009. The sub-sectors which had been registering TFP growth were chemicals, wood and wood products, medical devices, textiles and apparel, and non-metallic mineral products. The sub-sectors were successful in mitigating the impact of the global economic slowdown through continuous investment in human capital, technology as well as improvement in the management systems.

Chart 6.9 Labour Cost per Employee Growth of the Manufacturing Sub-sectors, 2009



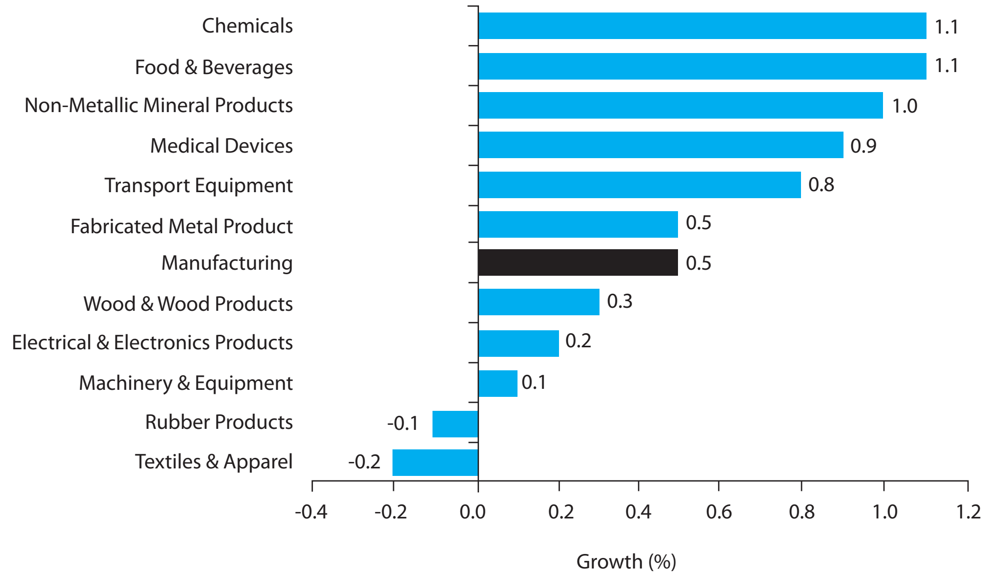
Compiled by: Malaysia Productivity Corporation
Computed from Annual Survey of Manufacturing Industries, Department of Statistics, Malaysia

Chart 6.10 Unit Labour Cost Growth of the Manufacturing Sub-sectors, 2009



Compiled by: Malaysia Productivity Corporation
Computed from Annual Survey of Manufacturing Industries, Department of Statistics, Malaysia

Chart 6.11 TFP Growth of the Manufacturing Sub-sectors, 2005-2009



Source: The Malaysia Productivity Corporation

OUTLOOK

The economy is expected to achieve a productivity growth of more than 3.4% in 2010, facilitated by the new economic model that is based on innovation, creativity and value creation. Productivity initiatives that need to be intensified are integrated work processes, utilisation of higher technology, improvement in management systems, strengthening human capital capabilities and nurturing creativity and innovation at every strata of society.

The services sector is expected to register productivity growth of more than 4.1% in 2010 led by the trade, transport and finance sub-sectors which are expected to grow by 4.9%, 4.8% and 4.5% respectively. The trade sub-sector is expected to register a higher growth in productivity as a result of the increase in retail activities related to the tourism industry. The growth for the transport sub-sector will be contributed by capacity expansion in air transport infrastructure and improvements in the integrated land transport system. The increase in financial activities and higher interest income due to the country's economic recovery will contribute positively to the productivity of the finance sub-sector.

Productivity in the manufacturing sector is expected to improve by more than 2.3% in 2010 with higher domestic consumption as well as recovery of the export market in particular for E&E products and chemicals. Higher construction activities are expected to improve the productivity performance of the domestic-oriented industries.

Table 6.3: Productivity Growth of the Economic Sectors, 2010

Economic Sector	Productivity Growth%)
Malaysia	**3.4 – 4.0**
Agriculture	2.9 – 3.5
Mining	2.9 – 3.5
Manufacturing	2.3 – 3.0
Construction	1.8 – 2.5
Utilities	3.9 – 4.5
Transport	4.8 – 5.5
Trade	4.9 – 5.5
Finance	4.5 – 5.5
Other Services	2.6 – 3.0
Aggregated Services	4.1 – 5.0

Compiled by: Malaysia Productivity Corporation

Box Article 6.1 – *Total Factor Productivity For A High Income Economy*

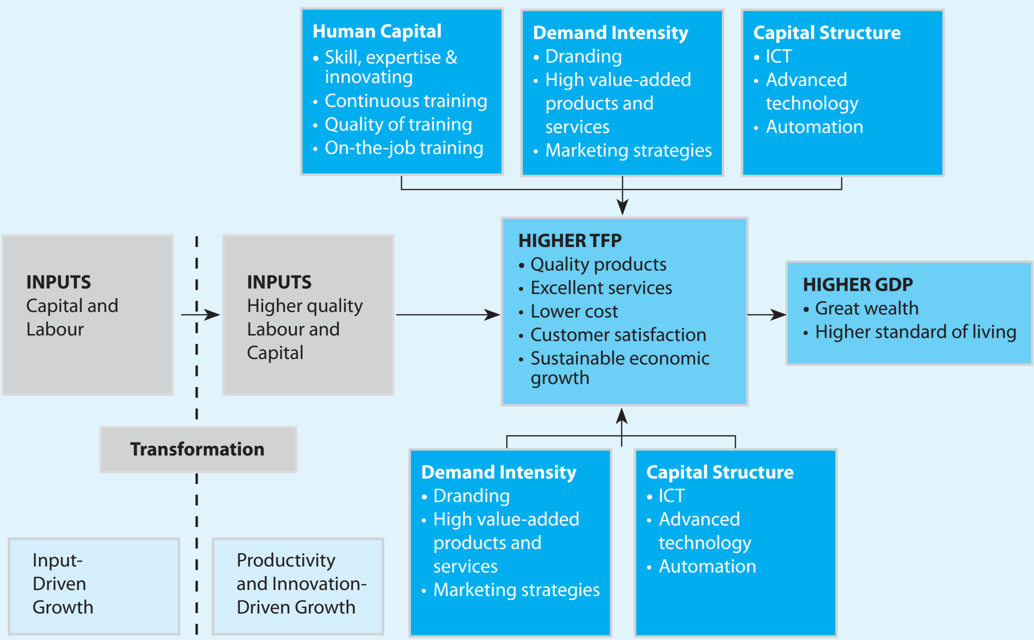
Malaysia was successful in transforming the economy from agriculture to industrial-based. The growth strategy in the past was largely input-driven especially in the accumulation of foreign direct investments. The input-driven growth strategy was particularly appropriate in the early stages of the country's economic development, where there was abundance and relatively cheaper supply of input factors. The current economic development strategy however is facing many challenges and a new growth approach had to be based on TFP to sustain further growth and move the country from high middle income to high income economy by 2020. The new growth strategy must be based on innovation, creativity and high value-added activities. The strategy must leverage on productivity-driven in particular TFP as a driver for a sustainable economic growth.

TFP is a measure of efficiency in the utilisation of both capital and labour. Better quality inputs generate more outputs when these inputs are utilised effectively and efficiently. Initiatives to enhance TFP include business process innovations such as supply-chain management techniques, effective retail store layouts or advancements in technology to improve the efficiency of a firm's operations. The high contribution of TFP to economic growth is a prerequisite for improving the standard of living of a country.

Sources of Total Factor Productivity Growth

The growth in TFP is derived mainly from human capital development, capital structure, demand intensity, economic restructuring and technical progress. Investment in human capital increases the capacity and capabilities of the workforce in producing more quality products and services that are important in enhancing TFP growth. Capital structure that represents the productive capital investments in the economy will further improve economic efficiency. Demand intensity is improved through an increase in internal and external demand for products and services which lead to higher capacity utilisation.

Economic restructuring involves the allocation of resources among economic sectors and industries. Productive industries or sectors that ultimately contribute to higher TFP growth will be allocated more resources. Technical progress involves activities such as innovation, R&D, positive work attitudes, good management and organisational system, supply chain management and best practices.



CHAPTER 7

DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

OVERVIEW

The year 2009 charted an important milestone in the history of small and medium enterprises (SME) development in Malaysia, with the rebranding of the Small and Medium Industries Development Corporation (SMIDEC) as the Small and Medium Enterprises Corporation Malaysia (SME Corp. Malaysia). More than just a process of rebranding, SME Corp. Malaysia assumes the role of Central Coordinating Agency for SME development. With this, SME Corp. Malaysia has expanded its functions beyond business support to include formulating overall SME policy, coordinating SME development programmes, providing comprehensive business advisory services under the "One Referral Centre", as well as acting as the Secretariat for the National SME Development Council (NSDC).

During the year, SME Corp. Malaysia continued to implement SME development programmes, as well as financial assistance schemes. A significant increase was registered in the number of applications for matching grants and soft loans, attributed to the relaxation of grant application criteria in 2008. In the international arena, SME Corp. Malaysia continued its strong presence in the Association of Southeast Asian Nations (ASEAN) and Asia Pacific Economic Cooperation (APEC) fora, in addition to embarking on bilateral relationships through formalising a Memoranda of Understanding (MOU) with foreign partners.

The year 2009 proved to be very challenging for the business community as many businesses were affected by the economic and financial crisis. Various measures introduced by the Government through its stimulus packages assisted SMEs to revive and sustain their operations during this period.

The crisis, however, has also brought about opportunities for many SMEs to focus their efforts on human resource development, secure more business deals as a result of outsourcing by large enterprises, as well as focus on Research and Development (R&D) and innovation activities in order to diversify their businesses.

POLICY INITIATIVES IN 2009

Apart from the rebranding of SMIDEC to SME Corp. Malaysia, 2009 also saw definition of K-SMEs as well as initiatives under the stimulus packages. Two key initiatives were announced to ensure effective implementation of Government funds as well as to strengthen the access to financing for SMEs. These initiatives were the Rationalisation of Government Funds and SME Development Initiatives under the 2010 Budget. Rationalisation refers to the effective implementation of Government funds while the budget highlights the availability of new financing facilities.

Rationalisation of Government Funds

The 9th National SME Development Council (NSDC) Meeting endorsed the proposal by the Economic Planning Unit (EPU) to rationalise the existing 114 SME funds to 33, out of which 19 are for loan schemes and 14 for grants. The objective of the rationalisation is to optimise the effective utilisation of Government financial resources and its implementation is scheduled for early 2010.

The Ministry of International Trade and Industry (MITI) has been assigned to monitor funds for the activities under the manufacturing and services sectors, as well as under the export initiatives. The funds under MITI were rationalised and are as follows:

- all soft loan schemes for SMEs under SME Corp. Malaysia and implemented by MIDF to be consolidated into one scheme, namely the Soft Loan for SMEs (SLSME);

- Skills Upgrading Programme and Enhancing Marketing Skills of SMEs implemented by SME Corp. Malaysia will be consolidated into a single scheme, the Grant for Upgrading of Skills for SMEs;
- other existing matching grant schemes managed by SME Corp. Malaysia will be consolidated into one fund, known as the Grant for Enhancing Capability of SMEs;
- the Services Export Fund, the Brand Promotion Grant and the Market Development Grant managed by MATRADE will be consolidated into one fund, under the Marketing Promotion Fund; and
- fifteen financing schemes under SME Bank will be consolidated into one fund - the Loan for SME Entrepreneurs.

SME Development Initiatives under the 2010 Budget

The Budget announcement in October 2009 comprised various measures to encourage private investment by SMEs. These measures include financing schemes, tax incentives, skill enhancement programmes and infrastructure development and will be implemented by the relevant Ministries and Government agencies.

The objective of these measures is to encourage investment in developing new areas of growth, particularly in the agriculture and services sectors. SME Corp. Malaysia had been allocated RM350 million for capacity building and financing programmes. Other key measures for SME development include:

- provision of RM2 billion in support programmes, incentives and assistance to farmers and fishermen;
- provision of RM1.1 billion incentives and support programmes for paddy farmers;
- establishment of a RM200 million Creative Industry Fund to finance films, animation and local content development under Bank Simpanan Nasional (BSN);
- provision of additional allocation of RM200 million under the TEKUN National Financing Scheme (including RM20 million for Malaysian Indian entrepreneurs);
- establishment of micro insurance and takaful coverage for small businesses, with a minimum premium of RM20 per month for coverage ranging from RM10,000 to RM20,000;
- approval time for micro financing schemes by financial institutions which will be shorten to an average of six days and disbursement of funds to an average of four days;
- provision of RM57 million to establish business premises for SMEs;
- provision of RM30 million fund to establish 300 units of Kedai Desa nationwide under the Urban Development Authority (UDA);
- provision of tax deduction on expenses incurred by SMEs in the registration of patents and trademarks in the country;
- allocation of RM548 million for skills upgrading under Majlis Amanah Rakyat (MARA) and state skills development centres for industrial training programmes (technical, hospitality, culinary and furniture); and
- provision of skills training (including an entrepreneurship programme for more than 3,000 women) and micro credit facilities (Skim Pembangunan Kesejahteraan Rakyat).

PERFORMANCE OF FINANCIAL ASSISTANCE SCHEMES

SME Corp. Malaysia in 2009 received a total of 12,618 applications for various projects under the grant and soft loan schemes, an increase of 187.5%, compared with 4,389 applications received in 2008. From the total applications received, 12,442 were for the grant schemes, while another 186 were for the soft loan schemes. The big increase in the number of applications was to a large extent the result of aggressive promotional activities as well as the facilitative measures undertaken by SME Corp. Malaysia.

Grant Schemes

A total of 4,270 projects with grants amounting to RM143.3 million was approved in 2009, registering an increase of 6.2%, compared with 4,019 approvals in 2008.

The Financial Assistance Scheme for SMEs in the Services Sector recorded the highest approvals totalling RM46.2 million for 1,682 projects. These approvals were mainly for SMEs in the distributive trade, including wholesale and retail, representing 84.5% of total approvals. The majority of the projects approved were for SMEs to start their businesses as well as undertake advertising and promotional activies.

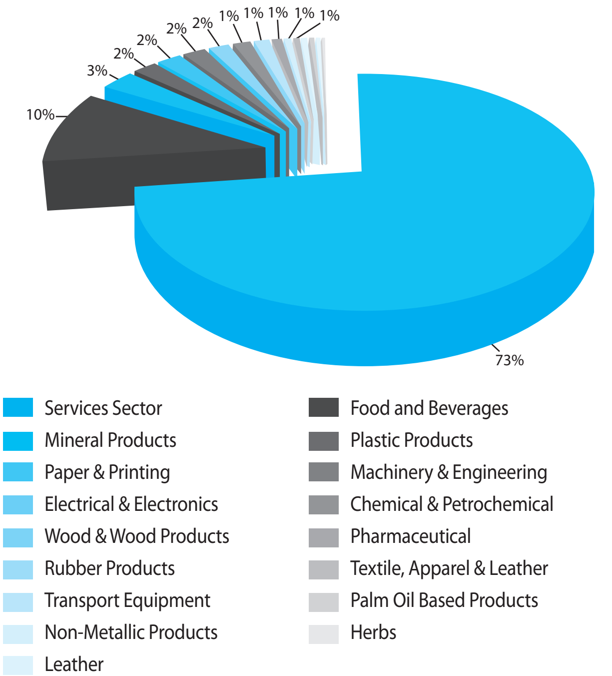
This was followed by the Market Development Grant Scheme with approvals amounting to RM12.9 million for 1,363 projects, representing 32% of the total approvals. The main beneficiaries of this scheme were the furniture, food and beverages, and the building materials sub-sectors.

In terms of approvals by States, Selangor recorded the highest uptake in 2009, with 1,674 projects (RM52.4 million), followed by Wilayah Persekutuan Kuala Lumpur, 698 projects (RM23.8 million) and Johor, 478 projects (RM13.9 million).

Soft Loan Schemes

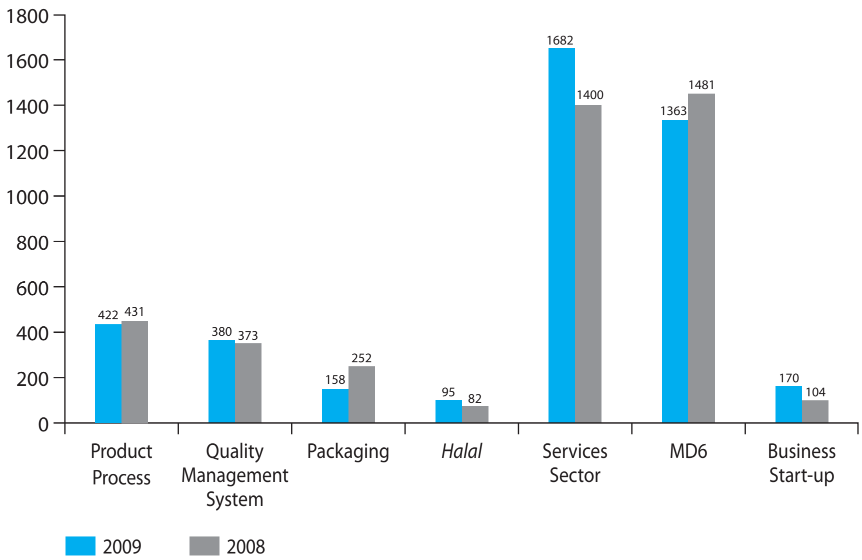
Three soft loan schemes, namely the Soft Loan for SMEs (SLSME), Soft Loan for Factory Relocation (SLFR) and Soft Loan for ICT Adoption (SLICT) that were implemented by the Malaysian Industrial Development Finance (MIDF), recorded 138

Chart 7.1 Approval of Grant Schemes, 2009 and 2008



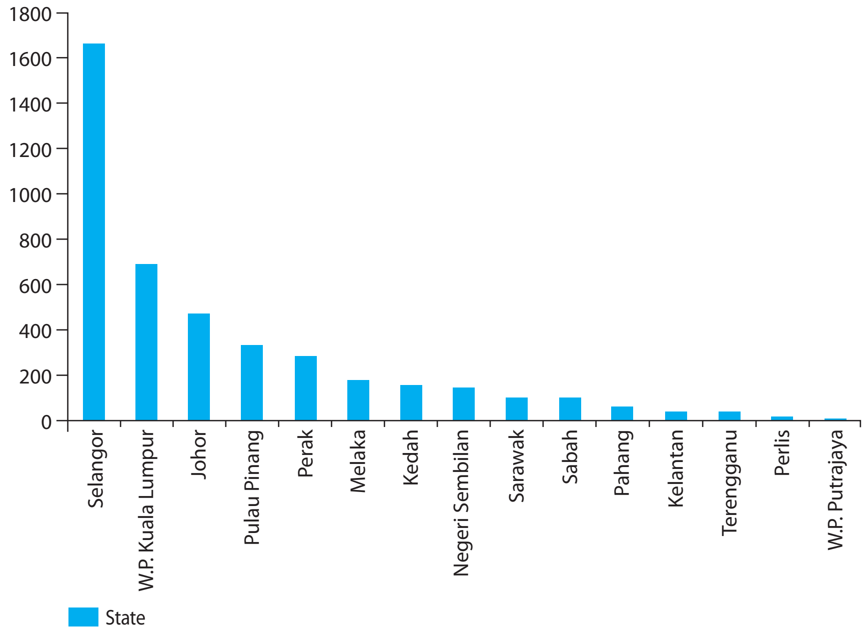
Source: SME Corp. Malaysia

Chart 7.2 Approval of Grant Schemes by Sector, 2009



Source: SME Corp. Malaysia

Chart 7.3 Approval of Grant Schemes by States, 2009



Source: SME Corp. Malaysia

approvals in 2009 with loans amounting to RM101.9 million, compared with 268 approvals valued at RM222.9 million in 2008. The SLSME recorded the highest approvals (132 approvals) amounting to RM98.7 million, followed by the SLFR (4 approvals) amounting to RM2.7 million and SLICT (2 approvals) amounting to RM0.5 million.

The highest loan approvals were for SMEs in Selangor with 42 approvals (RM33.3 million), followed by Sarawak and Wilayah Persekutuan Kuala Lumpur with 17 and 16 approvals, valued at RM15 million and RM13.3 million respectively.

The highest number of approvals was recorded by the services sector with 41 projects with loans totalling RM25.7 million, followed by the food and beverages sub-sectors as well as chemicals and chemical products sub-sectors, with 17 and 14 approvals valued at RM9.8 million and RM11.6 million respectively.

In July 2009, the National SME Development Council (NSDC) instructed relevant Ministries and agencies to rationalise all SME funds effective from 2010. The objective of the rationalisation was to optimise the utilisation of Government financial resources, by ensuring that financial assistance was provided to the right target groups. SME Corp. Malaysia will implement the new schemes in 2010.

SME DEVELOPMENT PROGRAMMES

The ability of Malaysian SMEs to compete and succeed in both the domestic and global market is dependent on their willingness to continuously upgrade their capability as well as the ability to access markets. SME Corp. Malaysia's programmes emphasise capacity building of SMEs and facilitating market access. This is because continuous benchmarking against best business practices, harnessing human capital, adherence to globally-accepted standards and adopting new technologies as well as exploring new markets are essential for SME development.

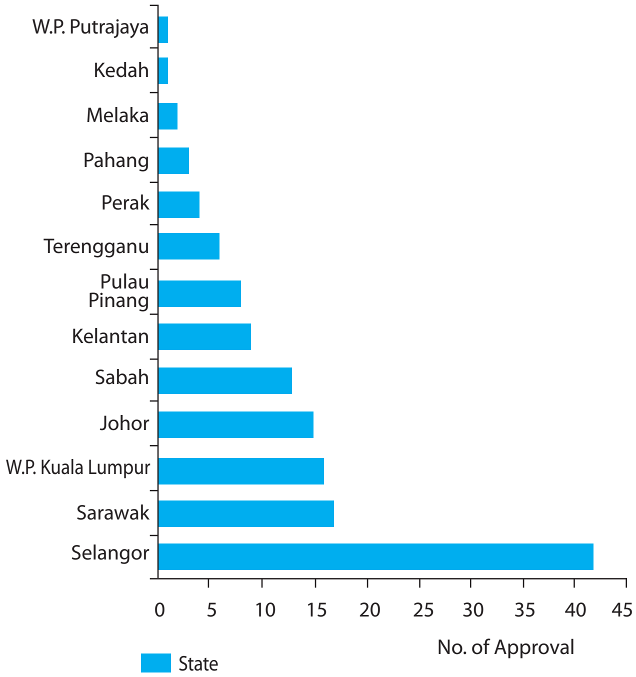
Access to Markets

The programmes undertaken in 2009 to facilitate market access for SMEs include:

Industrial Linkage Programme

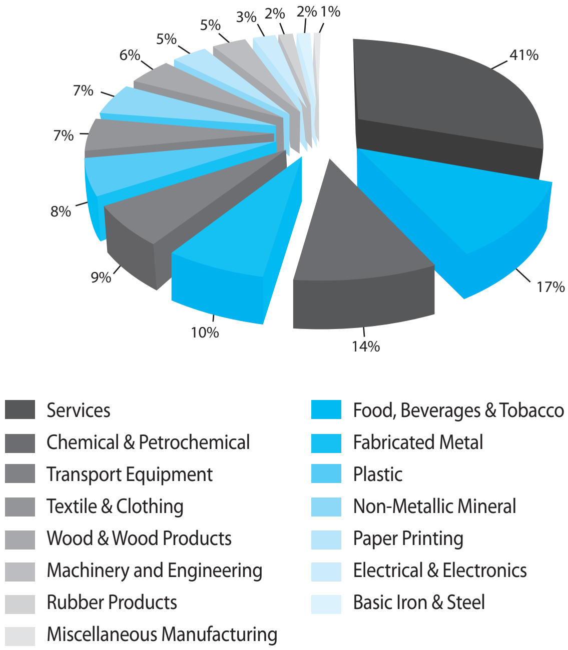
Industrial Linkage Programme (ILP) aims to develop competitive and innovative SMEs as they form an integral part of the industrial network in the country

Chart 7.4 Labour Cost per Employee Growth of the Manufacturing Sub-sectors, 2009



Source: MIDF

Chart 7.5 Approval of Soft Loan Schemes by Sub-sector, 2009



Source: SME Corp. Malaysia

as suppliers of products and services to large companies and multinational corporations (MNCs) since the introduction of the programme in 1999. A total of 974 SMEs as at the end of 2009 were linked with MNCs, Government Linked Companies (GLCs) or large companies. Under this Programme, SMEs supplied products and services and generated total sales valued at RM1.1 billion. A total of 115 SMEs in 2009 were developed under this programme with potential sales of RM230.3 million. This was an increase of 90.5%, compared with the 2008 potential sales amounting to RM120.9 million.

Global Supplier Programme

The Global Supplier Programme (GSP) which complements the implementation of ILP is aimed at enhancing the capabilities of SMEs to supply products and services to large companies/ MNCs/GLCs including hypermarkets and their worldwide operations.

Collaborative efforts in 2009 between SME Corp. Malaysia, hypermarkets, a Malaysian low cost carrier and GLCs were initiated to facilitate linkages, enhance capabilities of SMEs to meet the requirement of large companies/MNCs/GLCs, and consequently facilitate their access to the export market.

A total of 30 SMEs were appointed as new suppliers. Among the existing suppliers, 65 were given assistance to improve their capabilities in terms of product packaging, compliance to standards and certification, as well as to undertake promotional activities. Five SMEs were selected to supply products to a hypermarket in the United Kingdom, with delivery scheduled to be made by the first quarter of 2010.

SME Corp. Malaysia-Nestlé-Halal Industry Development Corporation Collaboration

A joint effort between SME Corp. Malaysia, Nestlé and Halal Industry Development Corporation (HDC) was initiated to promote the development of business opportunities for SMEs involved in the *halal* food and beverage industry. This collaboration was formalised through a Memorandum of Agreement (MoA) in August 2009. Among the initiatives to be undertaken under this collaboration are identifying and implementing capacity building programmes for potential and existing suppliers to Nestlé and the implementation of SME Mentoring Programme. The SME Mentoring Programme aims to impart knowledge and skills acquired by Nestlé to their existing and new suppliers, through a series of training programmes. The capabilities of the SMEs will be further enhanced to enable them to supply to Nestlé and other MNCs in the domestic and global markets. This programme will be fully implemented in early 2010.

Small and Medium Industries Development Exhibition 2009

The annual SME showcase, Small and Medium Industries Development Exhibition (SMIDEX) 2009 was held on June 2009 with the objective of promoting products and services of SMEs to potential buyers, especially large companies and MNCs. A total of 333 companies participated in the event, representing various sub-sectors from the manufacturing, manufacturing-related services sub-sectors and services sector. The SMIDEX 2009 theme, "Innovation & Technology: Sustaining Power for SMEs" created an awareness of the technologies available in the market. The three-day event recorded a total of 9,032 trade visitors, including foreign visitors from Australia, Bahrain, Canada, France, Iran, Italy, Japan, Singapore, Chinese Taipei and the USA. The Business Matching Sessions organised during the event involving 16 MNCs, seven large companies and 81 SMEs locally together with three foreign companies generated potential sales of RM150 million.

SME Brand Development Programme

The SME Brand Development Programme was developed to improve the visibility of SME products and services, in both the local and international markets through the implementation of various branding initiatives.

National Mark of Malaysian Brand

The National Mark of Malaysian Brand was formulated to increase awareness on the importance of branding. In 2009, SME Corp. Malaysia in collaboration with SIRIM Berhad developed the criteria for the Malaysian Brand Certification Scheme. Companies that comply with the certification criteria will be awarded the National Mark logo launched in March 2009. As of December 2009, a total of 20 applications have been received from the industry to participate in the Scheme. Out of these, two companies have been certified with the Malaysian Brand, while the rest were being evaluated.

The Brand Entrepreneur Conference

In an effort to increase awareness about best practices on branding as well as to educate companies on the importance of a strong brand, SME Corp. Malaysia in collaboration with the Branding Association of Malaysia (BAM) organised the Brand Entrepreneur Conference on 2 March 2009. In conjunction with the event, a soft launch of the National Mark was officiated by Y.B. Tan Sri Dato' Muhyiddin bin Mohd. Yassin, Minister of International Trade and Industry in the presence of H.R.H. Raja Nazrin Shah, Regent of Perak. A total of 500 participants attended the event.

Creating Awareness on the Importance of Branding

A series of seminars were organised to enhance knowledge on branding for products and services as well as the importance of building, developing and promoting own brands. Seminars on "Malaysian Brand Certification – The Passport to Global Recognition" were organised in Kuala Lumpur, Johor, Pulau Pinang and Sarawak, in collaboration with SIRIM QAS International Sdn. Bhd. A total of 219 companies attended the Seminars.

SME Corp. Malaysia-LimKokWing University of Creative Technology "Branding and Packaging Academy"

SME Corp. Malaysia collaborated with LimKokWing University of Creative Technology (LUCT) to establish the Centre of Excellence for Branding, Packaging, Innovation and Technology. The Centre aims to assist SMEs in enhancing their knowledge on branding and packaging. One of the initiatives under this collaboration is the Branding and Packaging Mobile Gallery, to disseminate information on branding and packaging to rural SMEs across the country. This programme commenced in the first quarter of 2010.

Capacity Building

Technical Assistance

(a) The Automotive Technical Experts Assistance Programme under the Malaysia-Japan Automotive Industry Cooperation

SME Corp. Malaysia was given the responsibility of handling the A-1 Project, the Automotive Technical Experts Assistance Programme under the initiative of the Malaysia-Japan Economic Partnership Agreement (MJEPA). This programme, introduced in 2006, aims at upgrading the manufacturing processes of domestic automotive parts and components manufacturers. The capacity building programme uses the Lean Production System (LPS), a methodology developed originally by Toyota for the manufacture of its automobiles. It is also known as the Toyota Production System. The aim of the LPS is described as "to get the right things to the right place at the right time, the first time, while minimising waste and being open to change". Instead of devoting resources to planning what would be required for future automotive parts and components manufacturers, LPS focuses on reducing system response time so that the production system is capable of immediately changing and adapting to market demands. In effect, the production of automotive parts and components by SMEs became made-to-order (Just-in-Time). The principles of the LPS enabled the companies to deliver on demand, minimise inventory, maximise the use of multi-skilled employees, flatten the management structure, and focus resources on where they are most needed.

A total of 69 companies to date have participated in this programme. The companies were guided and monitored by 68 Japanese industrial experts with vast experience in the automotive industry. Together they have completed 133 improvement projects. The MAJAICO A-1 Project is scheduled to be completed by June 2011, with 150 projects expected to undergo an improvement in the production line efficiencies. Essentially, every improvement process will be continually evaluated and improved in terms of time required, resources used, resultant quality, and other aspects relevant to the production line efficiencies. LPS, when applied to the workplace, promotes continuous improvement involving all levels of staff. Successful companies that have participated in the programme will learn to improve productivity and efficiency thus contributing to higher profit margins.

Under the LPS project, various measurable improvements and bottom-line impact were undertaken through the weekly KAIZEN activities. Among the achievements were:

Impact Area	Achievement
Inventory (working capital) reduction	75%
Cycle time reduction	50% to 90%
Delivery lead-time reduction	62%
Productivity and quality improvement	65% to 85%
Defect reduction	81%
Die setup time reduction	61%
Manpower reduction	20%
Work in progress (WIP) stock reduction	57%
Space savings	50%
Loading efficiency	87%

(b) Funding Assistance under the Stimulus Package

Under the first stimulus package three types of funding were made available for MAJAICO A-1 to assist participating companies in sustaining the implementation of LPS, even after the MAJAICO A-1 project ends in 2011. The funds were approved by MITI under the Automotive Development Fund (ADF) amounting to RM6.8 million. These funds are aimed at assisting participating companies to develop in-house LPS department, acquire technical advice from independent consultants, and experience actual shop floor experience of LPS in other countries such as Thailand and Japan.

- **Creating Local LPS Experts**
  This project aims to get Japanese experts to work with domestic automotive parts and components manufacturing companies to develop expertise of local experts. The appointed local experts will perform site visits to collate information, and subsequently guide

and advice companies on improvements needed to comply with LPS. SME Corp. Malaysia has appointed two local experts to monitor the performance of the LPS system of the 12 Model Line Companies under the MAJAICO-A1.

- **Development of LPS Kaizen Department**
  This developmental project is aimed at setting up an in-house LPS Department in every participating company, with a dedicated LPS-KAIZEN team. The companies will receive assistance from the appointed local LPS experts to adopt and incorporate LPS within their respective companies. The LPS Department will conduct training on several LPS tools.

- **LPS Mission to Toyota, Thailand**
  Two LPS visits to Toyota, Thailand and its related companies were organised to learn best business practices and experiences. The two LPS missions were organised in June and October 2009, involving 59 participants from Model Line Companies, LPS-trained local and Japanese experts, SME Corp. Malaysia, and national car manufacturers.

Skills Upgrading Programme

The Skills Upgrading Programme implemented by SME Corp. Malaysia provides training to enhance the skills and capabilities of SME employees. The training programmes offered by the 40 appointed Skills Development Centres (SDCs) and the Professional Training Providers (PTPs), comprise both technical and managerial courses such as marketing, financing, communications and business coaching.

A total of 8,364 employees from 4,835 SMEs attended training programmes of the training institutions under this programme.

SME-University Internship Programme

The "SME-University Internship Programme" is an initiative to link SMEs with universities as part of the Government's effort to forge synergies between industries and universities in order to upgrade the capacity and capability of SMEs. This Programme follows the Consulting Based Learning for ASEAN SMEs (CoBLAS) model, whose members are from Cambodia, Indonesia, Japan, Lao PDR, Malaysia and Thailand.

Under this Programme, final year university students guided by their lecturers, SME Business Counsellors from SME Corp. Malaysia as well as experts from the SME Expert Advisory Panel (SEAP) will diagnose problems faced by the SMEs, and recommend possible solutions for improvements in the areas of management, production, marketing, accounting and information and communication technology (ICT). The programme would enable SMEs to benefit from recommendations on the latest developments in the respective areas including business best practices as well as technological applications.

This programme also provides university students with industry exposure on the actual day-to-day operations of SMEs and practical application of their field of studies. It can also serve to germinate seeds of entrepreneurship among the students.

A pilot project for this Programme was carried out in collaboration with Universiti Kebangsaan Malaysia (UKM) in 2008. The attachment of 20 students at five SMEs registered positive outcome where the SMEs showed improvement in their businesses, in areas such as accounts management, premises layout, and ICT utilisation for marketing purposes.

A Memorandum of Understanding (MoU) was signed between the Ministry of Higher Education (MOHE) and SME Corp. Malaysia on 1 December 2008 to roll out this Programme to public universities. SME Corp. Malaysia collaborated with three Universities, namely UKM, Universiti Utara Malaysia (UUM) and Universiti Malaysia Kelantan (UMK) in 2009 to undertake this programme.

Supporting Innovation for SMEs

(a) 1-Innovation Certification for Enterprise Rating and Transformation (1-InnoCERT)

The National Innovation Council (NIC) under the Ministry of Science, Technology and Innovation (MOSTI), chaired by the Prime Minister, formulated the National Innovation Agenda (NIA) in November 2007. Its objective is to achieve a national innovation-led economy by developing market and technology-driven innovation for the purpose of wealth creation and the well-being of the community. The Council had also established the *Jawatankuasa Tindakan Penyelarasan Inovasi Negara* (JTPIN), a committee to steer the decisions on NIA.

SME Corp. Malaysia has been entrusted by the JTPIN to lead the Innovation for SMEs Committee, to specifically drive and support the development of innovative SMEs. The Committee has developed the 1-Innovation Certification for Enterprise Rating & Transformation (1-InnoCERT) Programme to identify and certify innovative SMEs, with the objective of fostering innovative enterprises through harnessing and intensifying home-grown R&D and innovation. Qualified SMEs will be further assisted under the Fast Track Programme (FTP) to shorten the time-to-market by providing ready access to capital including for technology acquisition.

SME Corp. Malaysia in 2009 in collaboration with the Malaysian Industry-Government Group for High Technology (MIGHT) developed the criteria for 1-InnoCERT Certification that will be used to certify companies that are innovative, and comply with the innovation standard. This programme will be implemented in 2010.

(b) Technology Market

Technology Market (TECHMART), an internet portal was developed in collaboration with the Malaysian Science and Technology Information Centre (MASTIC) as a platform to assist companies which are in the process of identifying suitable research findings for commercialisation. A total of 1,234 research findings and 18,413 researchers' profiles are available in this database. The research findings are pre-matched with suitable financial assistance to assist commercialisation of these findings by SMEs. TECHMART can be accessed through SME Corp. Malaysia portal at www.smecorp.gov.my.

(c) Access to Trade and Industry Knowledge

It is imperative for SMEs to be equipped and updated with the current industry knowledge to support their business growth, and prepare them for changes in the business environment. A total of 25 workshops and seminars were conducted for this purpose in 2009 throughout the country, covering various topics including best business practices, *halal* compliance, legal matters, trade and industrial regulations, technology insights as well as update on support programmes for SMEs. These sessions attracted 4,499 participants and provided a platform to exchange business knowledge and experiences among the participants.

In order to strengthen the knowledge of SMEs on forecast technologies in various industries, Technology Roadmap studies undertaken by various Government agencies were consolidated to identify the gaps in technology information. The Technology Roadmap findings were disseminated to SMEs to provide them with the latest information on the best and most appropriate technologies, including Technology Mapping for the various industry sub-sectors. Five Technology Roadmaps for industries as of December 2009 have been completed and shared with the SMEs covering:

- electrical and electronics (E&E) sector by the Penang Skills Development Centre;
- information and communication technologies (ICT) by the Ministry of Science and Technology (MOSTI);
- biotechnology by the Malaysian Biotechnology Corporation (Biotechcorp);
- rubber industry by the Malaysian Rubber Board (MRB); and
- plastics industry by the Malaysian Plastics Manufacturers Association (MPMA).

SME Experts Advisory Panel Programme

The SME Experts Advisory Panel Programme (SEAP) comprising industry experts was developed to provide technical and business advisory services to SMEs in improving business operations and practices. An additional 13 industry experts were appointed in 2009 from various backgrounds bringing the total number of SEAP experts to 75. Through this Panel, 17 SMEs were assisted by the experts in areas such as production, product packaging and quality.

Bumiputera Enterprise Enhancement Programme

SME Corp. Malaysia collaborated with State Government agencies and other agencies such as SIRIM, MATRADE, SME Bank, MARDI and MARA to further enhance the development of *Bumiputera* SMEs. Under the Programme, *Bumiputera* SMEs benefitted from integrated assistance programmes comprising technical advice and financial assistance schemes. As at end of 2009, a total of 311 companies had benefited from the Programme in which 402 improvement projects were approved with grants amounting to RM 33.3 million.

Bumiputera Enterprise Enhancement Programme (BEEP) is being implemented in Terengganu, Melaka and Pulau Pinang. In 2009, BEEP was extended to Johor and Kelantan. Under the programme, participating SMEs are evaluated through the SME Competitiveness Rating for Enhancement (SCORE) where their current performance is rated, areas for improvement identified, and action plan developed. This then facilitates the designing of improvement initiatives as well as assistance needed by the company. SMEs are then guided, assisted and monitored for a duration of three years. Out of 311 companies that participated under BEEP, 40 received assistance for a period of more than two years.

Based on the SCORE auditing system, 78% of the participating companies showed improvements on the rating, which indicated enhancement in some areas including upgrading of product packaging and increase in sales, production capacity and capability.

SME Competitiveness Rating for Enhancement

The SME Competitiveness Rating for Enhancement (SCORE) was developed as a tool to diagnose and rate performance and capabilities of SMEs through a mechanism to track and evaluate a company's performance. The capabilities and performance of each company is measured based on six to seven parameters which varies according to sectors. The parameters include management capability, operation management, technology adoption, certification initiatives, technical capability, financial capability and marketing capability.

SMEs will be categorised from '0 Star' to a maximum of '5 Stars' after the score evaluation. Based on the rating of 0 to 5 Stars, it will be used as an indicator of the state of their capabilities. General characteristics of companies based on star ratings are as follows:

Rating	Characteristics of SMEs
0	Very basic operation, manual process and negative average growth;
1	Manual process, minimal quality management system in place, negative average growth;
2	Semi-automated process, basic certification/compliance, minimal activities in product and process improvement, minimal average growth;
3	Extensive automation, quality management system in place, product and process improvement carried, Intellectual Property Rights (IPR) registered, moderately ready for export compliance certification;
4	Fully automated, high potential for export, high investment in product and process improvement, with certification for export. e.g. CE Marking, GMP, HACCP; and
5	Have good branding, packaging, already exporting to other countries, complying with exporting countries' certification requirements.

SME Corp. Malaysia in 2009 in collaboration with the Multimedia Development Corporation (MDeC), Ministry of Defence (MINDEF) and the Professional Services Development Corporation (PSDC) developed the SCORE models for the Maintenance, Repair and Overhaul (MRO) sub-sector as well as professional services related to construction sector. Six SCORE models have been developed as of December 2009 to rate the performance and capabilities of SMEs.

SCORE enables SME Corp. Malaysia to assess the strengths and weaknesses of a company. Through this assessment, recommendations for improvements could be either in the form of targeted assistance or export facilitation. Companies in the 3 Stars category and above are ready for the export market and are therefore recommended to MATRADE. Those in the 2 Stars category and below will be hand-held and provided with an integrated assistance package to facilitate their growth in business.

A total of 2,878 SMEs in 2009 are grant recipients and participants in SME Corp. Malaysia's development programmes, including SMEs under Perbadanan

Usahawan Nasional Berhad (PUNB) - 89 companies, Construction Industry Development Board (CIDB) - 42 companies, MDeC - 714 companies, MINDEF - 35 companies and PSDC - 13 companies) were assessed and their ratings were:

Rating	No. of SMEs	Percentage (%)
TOTAL	**2878**	**100.0**
0 Star	169	5.9
1 Star	678	23.6
2 Stars	1227	42.6
3 Stars	711	24.7
4 Stars	93	3.2
5 Stars	None	None

The six SCORE models developed have been used to monitor and chart the progress of respective SMEs that have benefited from the financial assistance schemes.

INTERNATIONAL COOPERATION

Association of South-East Asian Nations

The 24th Meeting of the ASEAN Small and Medium Enterprises Working Group (SMEWG) was hosted by Malaysia from 20-22 May 2009 in Wilayah Persekutuan Putrajaya. Discussions focused on deliverables under the ASEAN Policy Blueprint for SME Development (APBSD) 2001-2014 and funding difficulties for project implementation. A total of 14 projects are currently implemented under APBSD. Four projects are spearheaded by Malaysia:

- "ASEAN Franchise Training Programme" – project proponent Malaysia Franchise Association;
- "Development of Multi-Media Self-Reliant Toolkit Package" – project proponent SIRIM Berhad;
- "Technology Transfer for ASEAN SMEs" – project proponent SIRIM Berhad; and
- "Establishment of SME Financial Facility in each ASEAN Member State" - joint collaboration between Brunei Darussalam and Malaysia.

The Philippines hosted the 25th Meeting of the ASEAN SMEWG and the 6th Joint Consultation between the ASEAN SMEWG and SME Agencies of the Plus Three Countries (the People's Republic of China, Japan, the Republic of Korea), from 17-18 November 2009.

The 25th ASEAN SMEWG drafted the terms of reference (TOR) for the proposed establishment of an ASEAN SME Council (ASC). Primary function of the proposed ASC is to establish direct collaboration between the public and private sectors on issues related to SME development. The draft TOR will be tabled at the Senior Economic Officials' Meeting (SEOM) in January 2010 for consideration.

ASEAN Benchmarking Index Workshop

The ASEAN Benchmarking Index Workshop for the Textile Industry, a project funded by Japan Overseas Development Corporation (JODC) and implemented by the Malaysia Productivity Corporation (MPC) was held on 23-24 November 2009. The objectives of the training programme were to identify regional benchmarks and best practices among ASEAN SMEs, provide ASEAN SMEs with a platform for discussion on inter-company and regional best practices, analyse SME performance in a comprehensive and objective manner using key performance ratios, as well as compare their performance worldwide. Participants from Brunei Darussalam, Indonesia, Lao PDR, Myanmar, Thailand and Viet Nam attended the workshop.

Asia Pacific Economic Cooperation

The 29th Meeting of the APEC Small and Medium Enterprises Working Group (SMEWG) and the 16th APEC Small and Medium Enterprises Ministerial Meeting (SMEMM) were held from 5-9 October 2009 in Singapore. Themed "Helping SMEs Access Global Markets and Overcome Trade Barriers", the meetings discussed ways of assisting SMEs to position themselves for growth after the financial crisis, developing market research and market access capabilities as well as supporting the implementation of the APEC SME Strategic Plan.

The Ministers endorsed the list of Key Performance Indicators (KPIs) developed, and supported their adaptation to track the progress of the Strategic Plan. The Ministers also supported the proposal of having Champion Economies in each priority area to drive implementation of the initiatives undertaken by various economies. Malaysia volunteered to lead the KPI under the Business Environment category.

APEC SME Technology Entrepreneur Seminar

Malaysia hosted the APEC SME Technology Entrepreneur Seminar from 3-5 June 2009 in Kuala Lumpur. Themed "Innovation & Technology – The Sustaining Power of SMEs in the Global Economic Crisis", the Seminar was a joint collaboration between SME Corp. Malaysia and the United States Department of Commerce under the purview of the APEC SMEWG.

The speakers addressed ICT skills and certifications, introduction to innovation/entrepreneurship and standards, organisational issues, public policies that promote entrepreneurship to foster innovation, and government programmes that support SMEs and entrepreneurship.

Memorandum of Understanding

Two Memoranda of Understanding were signed by SME Corp. Malaysia with the Syrian Enterprise and Business Centre (SEBC) and the Directorate General for the Development of Small and Medium Enterprises (DGDSME) of Oman on 7 January and 4 June 2009 respectively.

Parties to the MoUs will cooperate in the following areas on mutually agreed terms:

- exchange information on policy and support programmes in relation to the development of SMEs;
- provide assistance to SMEs of both countries in establishing business contacts, linkages and networking through trade portals and business matching between both countries;
- co-organise meetings, seminars, workshops and trade exhibitions in both countries or in a third country to promote investment, joint-ventures and sharing of information;
- exchange of visits for study, training and sharing of expertise related to assistance programmes for SMEs in both countries;
- facilitate cooperation in areas of R&D and technologies in food processing, electrical and electronics, resource-based and other sub-sectors;
- encourage strategic alliances among SMEs in both countries to support trade between the two countries and to leverage on each other's strength; and
- inform each other on fairs and exhibitions organised in both countries and support the participation of SMEs within the framework of their respective incentives and relevant legislations.

Malaysian Technical Cooperation Programme

SME Corp. Malaysia organised the Malaysian Technical Cooperation Programme (MTCP) for officials from agencies responsible for SME development in Organisation of Islamic Conference (OIC)/D8 Member Countries from 7-17 December 2009 in Kuala Lumpur. A total of 25 participants from 15 OIC/D8 Member Countries namely Azerbaijan, Bangladesh, Brunei Darussalam, Egypt, Indonesia, Iran, Jordan, Kyrgyzstan, Nigeria, Oman, Palestine, Sudan, Turkey, Uganda and Yemen participated in the programme.

In recognition of the usefulness of the programme, the participants recommended that regional cooperation programmes on SME development across OIC/D8 member countries be discussed at OIC meetings and that a research to have a common definition of SMEs among Member Countries be undertaken.

Fourth East Asia SME Round Table Meeting

The 4th East Asia SME Round Table Meeting themed "From Innovation to Practice: New Avenues in Linking Regional SME Organisations" was held on 27 August 2009 in Seoul, the Republic of Korea (ROK). The Meeting was attended by Heads of SME Agencies and delegates from the Organisation for Small and Medium Enterprises and Regional Innovation, Japan; Office of SMEs Promotion, Thailand; SME Corp. Malaysia; Enterprise Development Agency, Ministry of Planning and Investment, Viet Nam as well as Small and Medium Business Corporation, the ROK.

The Meeting identified six key factors which contributed to the global economic crisis:

- global imbalances;
- inadequate national and international policy infrastructure;
- lax risk management at the level of individual, firms, rating agencies and self-regulatory agencies;
- excessive production and consumption of innovation (with 'disruptive' characteristics);
- inevitable market accidents; and
- the inherent risk of policy mistakes.

OUTREACH PROGRAMMES

A total of 449 outreach programmes were conducted throughout the country in 2009 attracting 92,119 participants (an increase of 55% from the year 2008). The programmes organised were conventions, seminars, workshops, exhibitions and technical briefings. At the state level, SME Corp. Malaysia collaborated with industry associations and the related chambers of commerce in organising programmes.

Enterprise 50 Award

The Enterprise 50 Award (E50) Award Programme continues to serve as a platform to highlight the achievements of Malaysia's enterprising home-grown companies. The Award Programme is an avenue for promoting and showcasing the best of Malaysia's SMEs by recognising and acknowledging their financial capabilities, operations and management skills. The previous years' E50 Award winners had also been automatically nominated for other awards organised by MITI and its agencies, such as the Industry Excellence Award and National Productivity Award. A total of 35 companies out of the 455 winners as of 2009 have been listed on the Malaysian Stock Exchange, and 11 on the ACE market (formerly known as Malaysian Exchange of Securities Dealing & Automated Quotation-MESDAQ).

The National Women Entrepreneurs Award 2009

The National Women Entrepreneurs Award (NWEA) 2009 presented by Her Majesty Tuanku Nur Sahirah, Raja Permaisuri Agong, Malaysia was organised on 24 November 2009 in collaboration with the Ministry of Women, Family and Community Development, the Association of Bumiputera Women in Business and Professions Malaysia (PENIAGAWATI) and Deloitte Consulting (M) Sdn Bhd. The event celebrated and acknowledged the achievements of outstanding women entrepreneurs who have built successful businesses through their hard work, commitment and courage. Dr. Wang Kim Ha, Group Executive Director and founder of Smart Reader Worldwide Sdn. Bhd. emerged as the winner of the National Women Entrepreneurs Award. The Platinum Award was won by Datin Dr. Clara Chee, the founder and Chairman of Clara International Beauty Group, while Ar. Nafisah Radin, Principal of NR Architect & NR Interior Design won the Entrepreneur Extraordinairè Award.

Development Programmes for Women Entrepreneurs

SME Corp. Malaysia in collaboration with the Ministry of Women, Family and Community Development and women entrepreneur associations continued with various initiatives and programmes to enhance women entrepreneur

Table 7.1: Top 10 Winners of the E50 Award 2009

Multi-B Sdn. Bhd.	Symbiotica Speciality Ingredients Sdn. Bhd.
Kewpump (M) Sdn. Bhd.	Skybus Ventures Sdn. Bhd.
Device Semiconductor Sdn. Bhd.	Pestech Sdn. Bhd.
Focal Manufacturing Sdn. Bhd.	MM Vitaoils Sdn. Bhd.
Chek Hup Sdn. Bhd.	Kingoya Enterprise Sdn. Bhd.

Source: SME Corp. Malaysia

development such as the Regional Workshops for Women Entrepreneurs and the National Women Convention.

Regional Workshops for Women Entrepreneurs

Three workshops were organised in Sabah, Kelantan and Sarawak for the year 2009, with the objectives of equipping women entrepreneurs with pertinent knowledge on entrepreneurship, as well as sharing of best business practices. These workshops attracted a total of 1,200 women entrepreneurs, an increase of 33% in participation compared with the previous year.

The National Women Convention 2009

The National Women Convention (NWC) 2009, themed "Innovative Women Entrepreneurs: The Future of a Nation" provided an effective platform for participants to share experiences and information with successful women entrepreneurs on best business practices, as well as on challenges in business management, especially in innovation and branding. The Convention was held on 13 October 2009 with the participation of 400 women entrepreneurs. The participants gained valuable knowledge and insights from the seven speakers of various backgrounds and experiences.

OUTLOOK

SMEs, representing 99.2% of total business establishments in Malaysia, continue to assume an important role in the economic development of Malaysia. The Government has envisioned SMEs as an important economic agent that will contribute towards job creation and income generation, in tandem with the country's aspiration to become a high income nation. To achieve this, SME development programmes under the 10th Malaysia Plan will focus on developing innovative, competitive and resilient SMEs that are able to contribute more significantly to the economy.

Programmes undertaken by SME Corp. Malaysia will focus on enhancing the enabling infrastructure, building the capacity and capability of SMEs, as well as enhancing their access to financing. These include strengthening technical assistance provided to SMEs and enhancing their capacity and capability in key areas, including branding, skills upgrading, technology enhancement and advisory services. Efforts to enhance dissemination of information and advisory services will also be intensified using a holistic approach across the country.

The way forward in enhancing SME access to financing will be to promote financial inclusion for SMEs in various sectors. In this regard, efforts will be geared towards enhancing SME accessibility to obtain financing for new growth areas, at a reasonable cost. Government funds will be continuously rationalised to enhance their effectiveness, and more will be channelled as soft loans or hybrid grants-soft loans. The existing grant schemes will be gradually reduced to streamline their effectiveness. All these initiatives are in line with the Government's vision to integrate SMEs into the New Economic Model that will primarily be based on innovation, creativity and high value-added services, as well as human capital development.

Box Article 7.1 – *The Establishment of SME Corp. Malaysia*

SMEs accounted for 99.2% of Malaysia's total business establishments, are not only significant in terms of numbers, but more importantly, have contributed significantly to the country's economy in terms of employment, Gross Domestic Product (GDP) and exports. Recognising the importance of SMEs, the Government through the National SME Development Council (NSDC), agreed to establish a Central Coordinating Agency (CCA) to ensure that the development of SMEs in the country is carried out in an integrated manner. The Small and Medium Industries Development Corporation (SMIDEC) was selected to assume the new role and function as the CCA and subsequently rebranded as SME Corporation Malaysia (SME Corp. Malaysia), effective 2 October 2009.

The CCA has been tasked with an expanded scope of responsibilities to coordinate, monitor and evaluate the implementation of policies, strategies and programmes related to SME development involving 14 Ministries and more than 60 agencies.

SME Corp. Malaysia functions as the "One Referral Centre" for SMEs to obtain information on development programmes and assistance provided by the various Ministries and agencies, as well as to undertake R&D on SMEs across all economic sectors.

SME Corp. Malaysia also assumes the role of Secretariat to the NSDC, chaired by the Prime Minister. The NSDC is the highest policy making body to chart the direction and future of SMEs in Malaysia through the formulation of policies and the implementation of SME development programmes.

SME Corp. Malaysia is now geared towards driving SME development by delivering an effective and quality service, and pioneering the transformation of businesses across all economic sectors including manufacturing, services and agriculture.

Financial Incentives

The Government aims to provide an enabling environment for the growth and development of globally competitive and resilient SMEs. This will be achieved through the introduction of a comprehensive financial landscape for SMEs in Malaysia with diversified sources of financing providers comprising banking institutions, development financial institutions, venture capital companies, leasing and factoring companies. The Government has introduced and implemented various financing schemes and funds to assist SMEs.

SME Corp. Malaysia coordinates and evaluates the effectiveness of the various financial assistance schemes implemented by the relevant Ministries and agencies to avoid duplication and maximise utilisation of resources. These financial incentives and programmes are directed towards addressing constraints and enhancing capabilities of SMEs in the areas of entrepreneurship, human capital development, financial accessibility, advisory services, marketing and promotion, technology and ICT.

The Government has undertaken the rationalisation of the various Government funds, with the 114 funds consolidated to 33 funds to allow for better coordination and more efficient financing process for SMEs.

Support Programmes

Recognising the importance of SMEs to the economy, as well as in support of the competitiveness of the manufacturing and services sectors, SMEs development are supported through various programmes aimed at improving their capacity and capabilities and enabling them to venture into the international markets. These development programmes are based on three main strategic thrusts:

i. Strengthening the Enabling Infrastructure
This involves developing and strengthening physical infrastructure and information management, and creating supportive regulations and operating requirements for SMEs.

ii. ***Building the Capacity and Capability of Domestic SMEs***
The building of the capacity and capability of domestic SMEs comprises entrepreneurship development, human capital development, advisory services, awareness and outreach, marketing and promotion, technology enhancement and product development.

iii. ***Enhancing Access to Financing by SMEs***
This encompasses the development and strengthening of institutional arrangements to support SMEs' access to finance. The Annual SME Integrated Plan of Action (SMEIPA) was introduced at the 9th NSDC meeting on July 2009 to ensure effective planning, coordination and delivery of all SME development programmes. An annual review of the Plan since 2005 has enabled SME development programmes to be streamlined, prioritised and fine-tuned in accordance with current needs and requirements of the rapidly evolving business climate.

The implementation of the SME development programmes will be tracked by SME Corp. Malaysia using an outcome-based approach called the Impact Analysis Framework of SME Programmes (IAFSP). The performance of the programmes is monitored to ascertain that these programmes are successful in steering SMEs to progress up the value chain.

The role of SME Corp. Malaysia, as the CCA, is vital to ensure a cohesive approach in the planning and implementation of SME development programmes and financial assistance schemes by all relevant Ministries and Government agencies across all economic sectors, and ultimately aligning the programmes to the same objective of creating more dynamic, resilient, competitive and innovative SMEs.

Box Article 7.2 – *The Annual SME Integrated Plan of Action*

The SME Blueprint Management Framework (now known as the Annual SME Integrated Plan of Action) provides a structured approach for the implementation of SME-related programmes. In the three years of its adoption, the planning and implementation have recorded positive trends which include:

- *Performance of SME development programmes have strengthened, where 98% of programmes planned were implemented with 50 programmes completed; and 72% of the programmes had met or exceeded targets, benefitting more than 286,000 SMEs.*
- *Collaboration and coordination of programmes have improved, resulting in less duplication and better implementation resulting from the streamlining of programmes. During the three years of this Plan, 48% of the programmes were implemented through collaboration among Ministries, improving inter as well as intra-Ministry planning process by increasing the number of programmes for the services and agricultural sectors, in line with the Ninth Malaysia Plan (9MP) and Third Industrial Master Plan (IMP3). In addition, input and feedback from SMEs are taken into consideration to ensure programmes are implemented effectively.*
- *A greater commitment through discipline in monitoring the programmes have improved, so as to ensure that programmes are implemented on schedule and are able to meet set targets.*

The SMEIPA provides insights to the Government's strategic direction and focus for SME development. SMEIPA is guided by the policies and strategies outlined in the 9MP and the IMP3 focusing on:

- *Economic Objectives*
  - *enhancing the viability of SMEs across all sectors; and*
  - *promoting the development of SMEs in knowledge-based industries.*
- *Socio-economic Objective*
  - *promoting Bumiputera participation in the SME sector.*

The main SME development programmes as listed in the Annual Plan are provided under the following three main strategic thrusts:

- *Strengthening the enabling infrastructure*
  - *To create conducive regulations and operating requirements for SMEs through development and enhancement of physical infrastructure and information management.*
  - *A total of 26 programmes under this strategic thrust was implemented by eight Ministries and agencies with a financial commitment of RM150.8 million. The physical infrastructure programmes include development of business premises, factory lots, incubation centres and halal parks constitute 58% of activities under the programmes.*
- *Building the capacity and capability of domestic SMEs*
  - *This thrust covers the areas of entrepreneur development, human capital development, advisory services, awareness and outreach initiatives, technology enhancement and product development.*
  - *Programmes designed to build capacity and capability of SMEs mainly focused on inculcating entrepreneurship as well as developing human capital.*
- *Enhancing access to financing by SMEs*
  - *This involves the development and strengthening of institutional arrangements to support SME financing needs.*
  - *Under the second Stimulus Package announced on 10 March 2009, a total of 17 new programmes with financial commitment of RM11.9 billion was introduced for SME development.*

Impact Analysis Framework on SME Programmes

SME Corp. Malaysia works closely with all related Ministries and agencies in coordinating and further streamlining SME development programmes to enhance inter and intra-Ministry and agency collaboration to minimise duplication of programmes and promote efficient allocation of resources. Regular focus group reviews with industry players were conducted to gather feedback from SMEs on areas that require improvement to enhance effective SME development programmes.

The Impact Analysis Framework on SME Programmes (IAFSP) is a structured programme assessment framework, focusing on optimisation of resources and outcome of planned and implemented SME programmes. The Framework measures the relationship among four core common elements such as input, process, output and outcome which are essential in the introduction and development of Key Performance Indicators by all Ministries and agencies involved in SME development. All Ministries and agencies involved are required to submit all relevant information to assist SME Corp. Malaysia in ensuring that a more cohesive approach is taken in the planning and implementation of SME development programmes.

Support Programmes

Various support programmes are available for SMEs including entrepreneurship development, human capital development as well as marketing and promotion.

These programmes are formulated to encourage and assist SMEs with potential but are hindered from growth and development due to their lack of experience to move forward.

The impact of the global economic and financial crisis on the Malaysian economy was two-fold. One in the first half of 2008 - the economy was hit by the sharp increase in fuel and commodity prices and, secondly, in the second half of 2008 - the intensification and spread of financial market turmoil and the spill-over effects on global growth including Malaysia. Unlike the affected financial markets in industrialised countries, the credit situation in Malaysia however remained ample and supportive.

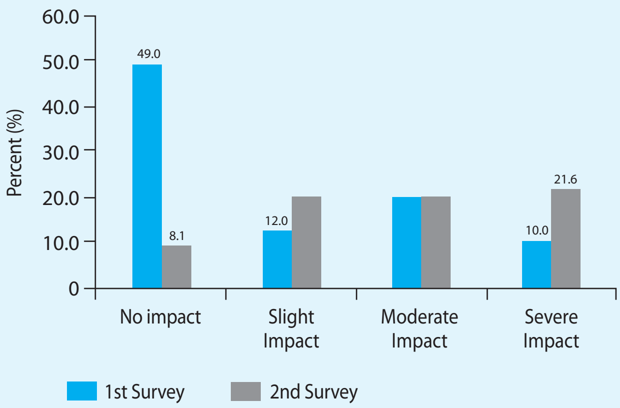
SME Corp. Malaysia conducted three surveys to assess the impact of the global crisis on Malaysian SMEs. The first survey, jointly conducted with the Federation of Malaysian Manufacturers (FMM) in November 2008, showed that most were uncertain on the effect of the crisis at that stage. Only 10% of the 1,143 respondents reported of being "severely affected" by the crisis. This clearly indicated the lag effect of the crisis on domestic SMEs.

The second survey that was conducted in April/May 2009 covering all States in Malaysia including Sabah and Sarawak showed that 77% of 1,248 respondents had been affected by the global crisis since the fourth quarter of 2008. The impact was further intensified in the first quarter of 2009. The survey also highlighted that SMEs in the manufacturing sector (83%) particularly in the export-oriented industries were more affected than those in the services sector (73%).

The impact of the crisis was "slight to moderate", with about 22% of the respondents being "severely" affected by the crisis. These were mainly SMEs from the export-oriented sub-sectors such as E&E, machinery and equipment, resource-based industries, as well as food and beverages. In the services sector, the construction and tourism-related, transport and distributive trade sub-sectors were the most affected.

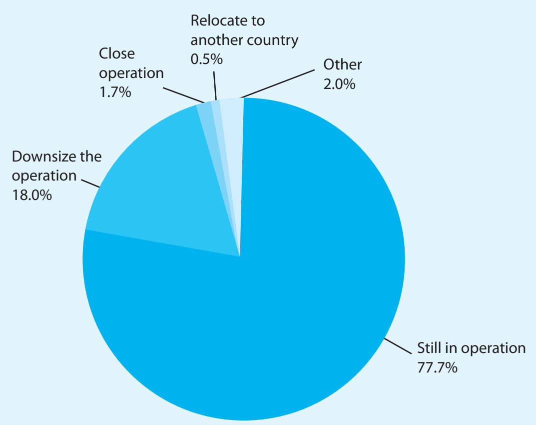
Majority of the SMEs indicated that the key issues impacting them during the first quarter of 2009 were reduced demand for products and services, delays in collection of payments due, financing issues and rising cost of raw materials. Measures taken to mitigate the effects of the crisis include venturing into new markets, improving productivity and efficiency, cutting back production costs, looking for additional sources of financing, and down-sizing the workforce. The survey also showed that SMEs were experiencing lower receipt of new orders and the companies operated with minimum employees during the quarter, with inventory levels at "below normal" or "normal" levels. The respondents' view was that the situation is expected to worsen within the next six months and 78% of the respondents indicated they are able to continue the operations while another 20% contemplated downsizing and ceasing operations or relocating to another country.

Chart 7.6: Intensity of the Impact



Source: SME Corp. Malaysia

Chart 7.7: Action taken by SMEs



Source: SME Corp. Malaysia

In order to cushion the impact on SMEs, the Government in July 2008 took pre-emptive and comprehensive policy measures costing RM15.6 billion or about 2% of GDP to address key areas such as facilitating access to financing for SMEs, reducing the cost of doing business and assisting vulnerable groups, including micro enterprises. The measures were also aimed at enhancing the long-term competitiveness of SMEs through capacity building programmes to prepare them to take advantage of opportunities arising from global economic recovery.

The effect of the two Government stimulus packages was gradual as the economy (GDP growth) contracted at a slower pace in the second and third quarters of 2009. The third survey conducted in July/August 2009 in collaboration with Bank Negara Malaysia indicated some signs of bottoming out of the impact on SMEs. Slightly more than 50% of 2,981 respondents indicated of being less affected in the second quarter of 2009 compared with the first quarter. The results were similar across the three main sectors namely manufacturing, services and agriculture.

CHAPTER 8

ENTREPRENEUR DEVELOPMENT

OVERVIEW

The development of entrepreneurs especially *Bumiputera* entrepreneurs was one of the priorities under the National Development Policy 1991. The task of developing entrepreneurs was placed under the purview of the Ministry of Entrepreneur and Cooperative Development (MECD). The Ministry of International Trade and Industry (MITI) was one of the ministries tasked with the responsibility of continuing the functions of developing entrepreneurship following the dissolution of MECD in April 2009.

The Government had established under the MECD the National Entrepreneurship Institute (INSKEN) to undertake training programmes for entrepreneurs. A policy initiative to develop a Master Plan for *Bumiputera* Development in the Manufacturing Sector was undertaken in 2009.

The Ministry also established a specific laboratory on *Bumiputera* Entrepreneur Enhancement Programmes. Various programmes were introduced by the Government to promote entrepreneurial development which includes training, business development, promotion and marketing, allocation of special shares to *Bumiputera* and outreach initiatives.

POLICY INITIATIVES ON ENTREPRENEURIAL DEVELOPMENT

The Government decided to shift three divisions of MECD following the dissolution of the Ministry in April 2009 to MITI to ensure the continuity of the entrepreneur development programmes. The functions that came under MITI include:

- assuming the major role of providing acculturation programmes and entrepreneurial training to the general public especially *Bumiputera;*
- implementing programmes in a comprehensive and strategic manner, covering product and services development, promotion and marketing to expand market share and strengthen business networking among entrepreneurs;
- ensuring effective *Bumiputera* participation in the manufacturing and services sectors and in international trade;
- coordinating and monitoring programmes and projects related to entrepreneurial development; and
- conducting impact studies on entrepreneurial development programmes with a view to promulgating training programmes that meet the current business environment.

National Entrepreneurship Institute

The National Entrepreneurship Institute (INSKEN) was established in 2005 to provide training to prospective and existing entrepreneurs. The Institute's current focus is to increase the number of competitive entrepreneurs in the manufacturing and services sectors, emphasising on micro, small and medium sized companies. The integrated functions of INSKEN are as follows:

- organising entrepreneurial capacity building programmes;
- cultivating entrepreneurship culture continuously through integrated training and networking;
- carrying out market intelligence on entrepreneurial development programmes;
- providing guidance and advisory services;
- developing entrepreneurial curriculum and modules;

- monitor the performance of entrepreneurs; and
- undertake impact studies and provide improvement measures.

INSKEN conducts programmes including acculturation for primary and secondary school students, university undergraduates as well as the general public. A total of 68,674 participants benefited from these training programmes in 2009. Other training programmes conducted include Introductory, Advanced Entrepreneurial and Expansion and Networking courses. There were 87 training courses conducted by INSKEN in 2009 with the participation of 84,565 trainees.

A Master Plan for *Bumiputera* Development in the Manufacturing Sector (2010 - 2015) is currently being developed by MITI to increase *Bumiputera* participation in the manufacturing sector. The five-year plan is expected to provide strategic directions for *Bumiputera* entrepreneurs to take advantage of opportunities available in the domestic and global markets. The major sub-sectors identified to be promoted include food and beverages processing, palm oil, metal, wood-based and rubber-based products, pharmaceuticals, medical instruments, machinery and equipment, petrochemical, electrical and electronics as well as transportation equipment.

The Ministry established a specific laboratory on *Bumiputera* Entrepreneur Development to enhance *Bumiputera* participation in the economy. The members of the laboratory comprised representatives from MITI and other government agencies as well as from the private sector. The Laboratory has created among others, the establishment of the Business Advisory Centre (BAC) which functions as a referral and advisory centre for potential and existing entrepreneurs.

ENTREPRENEURSHIP TRAINING PROGRAMMES

INSKEN is responsible for conducting training programmes and providing entrepreneurship guidance to potential and existing entrepreneurs. The Institute formulates and implements programmes to enable entrepreneurs to become more knowledgeable, skilled, progressive, resilient and competitive. Training programmes developed by INSKEN are according to different needs of entrepreneurs, starting from acculturation and basic business knowledge to advanced entrepreneurship and networking courses. INSKEN also acts as an entrepreneurship referral centre providing advisory and guidance services.

TRAINING PROGRAMMES AND SERVICES

There are four types of training programmes conducted as well as three types of services offered by INSKEN namely:

- Acculturation Programme;
- Introductory Programme;
- Advanced Entrepreneurial Programme;
- Expansion and Networking Programme;
- Advisory Services;
- Module and Curriculum Development; and
- Research and Development.

Acculturation Programme

Acculturation programmes conducted by INSKEN include training for primary and secondary school students, university undergraduates and the general public. The objectives of this programme are to create awareness on entrepreneurship in the community and develop interest as well as to promote entrepreneurship as a career.

There are three main programmes on acculturation namely:

- Pioneer Entrepreneurs;
- Young Entrepreneurs; and
- Undergraduates Entrepreneurship.

The Pioneer Entrepreneurs Programme aims to foster and instil the culture of entrepreneurship among primary school students from year four to six. A total of 6,242 pupils from 173 schools participated in the acculturation programmes

Table 8.1: Achievements of INSKEN programmes, 2008 - 2009

PROGRAMMES	2008	2009
TOTAL	**69,459 participants**	**84,565 participants**
ACCULTURATION PROGRAMMES		
1. Pioneer Entrepreneurs Programme (P.E.P)	3,740	6,242
2. Young Entrepreneurs Programme (Y.E.P)	19,068	13,967
3. Undergraduate Entrepreneurship Programme (S.E.P)	**23,710**	**48,465**
a. Undergraduate Development Programme	21,443	28,054
b. Basic Entrepreneurship Course for Undergraduates	1,742	19,292
c. Student Mall	1 university	3 universities
d. Undergraduate Entrepreneurial Convention and Carnival	0	550
e. Students in Free Entreprise (SIFE)	525	569
INTRODUCTORY PROGRAMME		
4. Basic Business Training	3,125	7,513
5. Business Encouragement Scheme	153	80
6. Graduate Entrepreneur Scheme (G.E.S)	482	145
7. Entrepreneur Development Training	26	27
ADVANCED ENTREPRENEURIAL PROGRAMME		
8. Soft Skills Entrepreneurial Course	404	192
9. Hands-On Entrepreneurial Training	453	0
10. State Level Entrepreneurial Course	0	1,256
11. One District One Industry Entrepreneurial Course	132	0
EXPANSION AND NETWORKING PROGRAMME		
12. Women hands-on programmes	2,318	1,982
13. Entrepreneurship joint-programmes	1,155	570
14. Entrepreneurship seminar/workshop and entrepreneurs networking session	6,055	710
ADVISORY SERVICE		
15. Entrepreneur Guidance and Advisory	2,600	1,249
16. Entrepreneur Guidance Training	38	704
17. District Council Entrepreneurial Training Programme	6,000	1,463
MODULE AND CURRICULUM DEVELOPMENT		
18. Module for basic business course	0	1 module
RESEARCH AND DEVELOPMENT		
19. Impact Study	2 studies	1 study
20. Training Needs Analysis	0	1 analysis

Source : National Entrepreneurship Institute such as quizzes, business games, conventions and entrepreneurship day in 2009 compared with 3,740 pupils in 2008.

The Young Entrepreneurs Programme provides exposure and experience to secondary school students in Forms Two and Four on processes relating to the establishment, operation and dissolution of a company based on the cooperative model. Students will participate in hands-on training for nine months, after which at the end of the training period they will make a presentation on the company's year-end profit and loss account. The programme which consists of activities such as conventions, entrepreneur camps, expositions and study trips attracted the participation of 13,967 students in 2009. The programme involved 658 schools with the construction of 27 kiosks to serve as premises for the students to conduct their businesses.

The Undergraduates Entrepreneurship Programme is implemented at all local universities to expose students to basic business and entrepreneurial skills. A total of 48,465 students from 20 universities participated in the programme in 2009 compared with 23,710 students in 2008.

There are five sub-programmes under this category:

- Undergraduate Development Programme
  Activities organised under this programme include conferences, workshops, conventions, symposiums, business games, study trips and acculturation camps. A total of 28,054 students participated in this programme in 2009.
- Basic Entrepreneurship Course for Undergraduates
  The five-day training programme's objective is to expose students to basic business and entrepreneurial skills. The programme attracted the participation of 19,292 students in 2009, compared with 1,742 students in 2008.
- Student Malls
  There were three Student Malls established in three universities namely Universiti Utara Malaysia, Universiti Sains Malaysia and Universiti Darul Iman, to provide business premises for students to market their products and services.
- Undergraduate Entrepreneurial Convention and Carnival
  The event is organised annually to encourage and motivate participants to be more actively involved in entrepreneurial activities. The 2009 event was held from 7–10 January in Universiti Utara Malaysia and was attended by 550 participants.
- Students In Free Enterprise
  The programme is jointly organised by INSKEN and Students in Free Enterprise (SIFE) Malaysia with the aim to inculcate and instil entrepreneurship culture and values in public and private universities. A total of 569 students from 18 universities participated actively in SIFE projects in 2009, an increase of 8.4% from 2008. Malaysia will be hosting the annual SIFE World Cup event in 2011, which promotes entrepreneurship among students in universities.

Introductory Programme

The overall programme is aimed at providing basic exposure to potential entrepreneurs through courses, seminars and workshops. It comprises three programmes:

- Basic Business Training
  The programme provides introductory aspects on entrepreneurship and business to the general public, civil servants and the disabled. The programme attracted 7,513 participants in 2009;
- Business Encouragement Scheme
  The scheme provides training prior to retirement for Government support personnel planning to venture into business. A total of 80 Government support personnel participated in the scheme in 2009;
- Graduate Entrepreneur Scheme
  The programme is developed to encourage university graduates' involvement in entrepreneurship and business. The programme acts as a prerequisite condition to apply for the Graduate Entrepreneur Fund under SME Bank. There were 7,613 participants from 2001 – 2006. A success rate of 49% was

achieved based on an impact study in 2009 on participants who started their business after undergoing the programme;

- Entrepreneur Development Training
  The programme provides training prior to retirement to Government officers in the Professional and Managerial category planning to venture into business. A total of 27 Government Professional and Managerial level officers participated in the programme in 2009.

Advanced Entrepreneurial Programme

The programme focuses on entrepreneurs with the potential to further develop their businesses, and comprises soft skills and hands-on courses in various entrepreneurship fields and industrial sectors. Training courses conducted under the programme include:

- Soft Skills Entrepreneurial Course
  The course provides entrepreneurs with management tools for operating a business such as financing, marketing, visual merchandising, packaging and branding. A total of 192 participants attended this course in 2009.
- Hands-On Entrepreneurial Training
  The modules offered under this programme are management training, management of businesses related to cake-making and pastries, catering and restaurants, health and beauty spas, as well as hair salons.
- State Level Entrepreneurial Course
  The course is specifically offered to entrepreneurs in particular hawkers and petty traders at the state level. The modules include soft skills courses such as marketing, finance, communication as well as packaging, labelling and branding. A total of 1,256 entrepreneurs participated in this programme in 2009.
- One District One Industry Entrepreneurial Course
  INSKEN is responsible for conducting soft skills entrepreneur courses to selected participants under other ministries and Government agencies involved in the One District One Industry Programme. The participants of the courses include homestay entrepreneurs from the Ministry of Tourism, Ministry of Agriculture and Agro-based Industry, Ministry of Rural and Regional Development, and Ministry of Information, Communication and Culture as well as from the Federal Land Development Authority (FELDA). The modules offered are communication skills and customer service, finance, marketing as well as packaging, labelling and branding.

Expansion and Networking Programme

The expansion and networking programme aims at establishing business networking between local entrepreneurs, reputable companies and industry. The programme, attended by 3,262 participants, is conducted in collaboration with various chambers of commerce, trade and industry associations, including non-governmental organisations (NGOs), government-linked companies (GLCs) and successful corporate leaders. The programmes organised include luncheon and dinner talks and seminars on business opportunities.

Advisory Services

Advisory and guidance services provided by INSKEN to entrepreneurs include:

- Entrepreneur Advisory Service Centre
  The centre provides consultation and advisory services to facilitate entrepreneurs in business expansion and product development. Seminars and workshops were organised to encourage the public to participate in entrepreneurship activities. The programmes also serve as a platform for the public to raise issues through consultations with INSKEN. A total of 1,249 entrepreneurs utilised the facilities at the Entrepreneur Guidance Centre in 2009. Most of the enquiries were on financial assistance (80%), potential businesses (15%) and others such as training and business advisory services (5%).
- Entrepreneur Guidance Training
  The Entrepreneur Guidance Centre also initiated mentoring and business coaching programmes relating to marketing, finance and human resource development to assist entrepreneurs in enhancing their business. A total of 704 entrepreneurs participated in the business coaching programmes in 2009, compared with 38 in 2008.

- District Entrepreneurial Training
  The programme provides exposure to entrepreneurs at the district level on business opportunities, securing premises and licences as well as financial assistance. The programme held in 2009 attracted 1,463 entrepreneurs at the district level.

Module and Curriculum Development

The training curriculum for entrepreneurship development programmes are formulated by INSKEN and are used by trainers in all of their training programmes. The curriculum development programme aims to create quality entrepreneurship modules that are appropriate and relevant to current needs.

The Basic Business Training (BBT) Module was refined in 2009 in consultation with academicians, training providers, corporate leaders, NGOs and relevant Government ministries and agencies. The objective of the exercise was make improvements to the modules to suit various target groups with different backgrounds, knowledge, expertise and experience. The BBT is a comprehensive training course which covers finance, marketing and human resource.

Research and Development

Impact studies on the Effectiveness and Direction of the Skills Development Centre (*Kajian Keberkesanan dan Hala Tuju Pusat Pembangunan Kemahiran*) and the Entrepreneurial Training Needs Analysis (TNA) were conducted by INSKEN in 2009, with the objective to further improve the training modules. Efforts will be continuously undertaken to monitor the effectiveness of the training programmes provided by INSKEN, as well as to continue the improvement of the training modules.

PROMOTION AND MARKETING

The Government had implemented several promotion and marketing programmes to create qualified, resilient and globally competitive *Bumiputera* entrepreneurs including:

- expanding the market for products and services of *Bumiputera* entrepreneurs through promotion and marketing activities in the domestic and international markets; and
- improving the quality of products and services through Product Quality Enhancement Programme under the Groom Big programme.

A total of 2,532 *Bumiputera* entrepreneurs participated in activities under the Promotion and Marketing Programme. The programme provides SME entrepreneurs opportunities to expand their markets as well as to create and strengthen business networking. Entrepreneurs involved in these promotion and marketing activities were SMEs from several sub-sectors such as food and beverages, cosmetics, craft, herbal products and furniture.

MAJOR PROMOTION AND MARKETING PROGRAMMES

Major initiatives undertaken in 2009 to increase the participation of *Bumiputera* entrepreneurs in the various business sectors were the *Gerak Usahawan Nasional* (National Entrepreneurs Initiative) and *Showcase Satu Daerah Satu Industri* – SDSI (One District One Industry). Other initiatives include participation in domestic and international trade fairs, Product Quality Development Programme Product Collection and Marketing Centres (4PUs) and collaboration with GLCs.

Gerak Usahawan Nasional

Gerak Usahawan Nasional is organised as a one-stop centre event for entrepreneurs and prospective entrepreneurs to obtain business advisory services, entrepreneurship information, and to undertake business networking. It also serves as a platform for sales and marketing. *Gerak Usahawan Nasional* 2009 was held from 6-8 February 2009 with the objective of providing business opportunities for *Bumiputera* entrepreneurs. Several activities were organised throughout the three-day event including exhibitions and sales, business seminars, workshops, consultations and business matching sessions. Members of the public also participated in this event.

Satu Daerah Satu Industri Showcase

The SDSI Showcase was introduced in 2006 and is the largest annual exhibition showcasing SDSI products and services from all over Malaysia. The exhibition aims to market and promote SDSI products and

Table 8.2: Outcomes of Gerak Usahawan Nasional 2009

Item	2009
Exhibitors (Entrepreneurs/ Agencies)	439
Visitors (Public and trade visitors)	86,321
Seminar Participants	6,817
No. of Business Opportunities/ New Entrepreneurs Created	6,117
No. of Consultations (through Clinic & Consultation Sessions)	1,433
Contract Sales (RM million)	30.5
Cash Sales (RM million)	1.0
No. of Business Matching Sessions	316

Source : Ministry of International Trade and Industry
** Gerak Usahawan Nasional was not organised in 2008*

Table 8.3: Outcome of SDSI Showcase 2008 and 2009

Item	2008	2009
Total	**961,929**	**1,021,173**
Exhibitors (entrepreneur/agency)	538	565
Visitors (persons)	63,319	98,533
Seminar Participants (persons)	654	424
Business Matching (sessions)	350	705
Contract Sales (RM million)	47.5	21.9
Cash Sales (RM)		
▪Exhibition	865,324	914,060
▪Menu Malaysia	96,605	107,113

Source : Ministry of International Trade and Industry

services to both domestic and international visitors. The National Level SDSI marketing and promotion committee is chaired by MITI.

The SDSI Showcase in 2009 was held from 11-13 December 2009 at the Melaka International Trade Centre. The activities held during the event include seminars, business matching sessions as well as exhibition and sale of products and services from 134 districts across Malaysia. The products and services include food and beverages, handicraft, healthcare products and homestay programmes. The number of visitors to the showcase increased to 98,533 in 2009 compared with 63,319 in 2008, an increase of 55.6%. A total of 705 business matching sessions were conducted in 2009, compared with 350 in 2008, an increase of 101.4%. The number of exhibitors increased to 565 in 2009 compared with 538 in 2008 and comprised of private entrepreneurs, Government agencies and supporting industries.

The *Menu Malaysia* programme which offered an array of local 'signature' food dishes, products and services promotion and cultural shows from the 13 states of Malaysia was a major attraction at the showcase.

Domestic Trade Fairs

The Government provided a subsidy of RM5.1 million for the rental of booths to entrepreneurs participating in domestic trade fairs organised by the public and private sectors. The assistance to entrepreneurs from the various industries provided them the opportunity to promote and market their products and services as well as to expand their existing market. A total of 16 domestic trade

Table 8.4: Outcome of Domestic Trade Fairs organised and participated by MITI in 2008 and 2009

Item	2008	2009
Entrepreneurs	1,842	1,400
New Entrepreneurs Developed	1,556	7,061
Cash Sales (RM million)	8.4	2.7
Contract Sales (RM million)	58.4	54.2

Source : Ministry of International Trade and Industry

Table 8.5: Outcome of International Trade Fairs in 2008 and 2009

Item	2008	2009
Entrepreneurs	163	34
Cash Sales (RM million)	0.65	0.02
Contract Sales (RM million)	28.5	3.2

Source : Ministry of International Trade and Industry

fairs were organised in 2009, of which three were organised by the Government and 13 by the private sector. A total of 1,400 entrepreneurs participated in these domestic trade fairs. However, total overall sales were marginally lower at RM54.2 million compared with RM58.4 million in 2008.

International Trade Fairs

The Government provides the platform for entrepreneurs to expand market access by organising and subsidising their participation in trade fairs overseas. The activities in the trade fairs include product display and demonstration, business matching sessions, business advice, and meetings with government authorities related to trade and industry in the potential export market.

Product Quality Improvement Programme

The Product Quality Improvement Programme or better known as the Groom Big programme is aimed at enhancing the ability of *Bumiputera* SMEs to compete in the domestic and international markets. Under the programme SMEs are prodded to think big so that they can be groomed into larger entities. There are eight development modules in the Groom Big programme which focuses on basic quality improvement and labelling, quality systems, certification such as hazard analysis and critical control point (HACCP) and Good Manufacturing Practices (GMP), value engineering, packaging and branding, productivity improvement and process optimisation, product development and *halal* promotion. SMEs are considered to be ready to compete in the global market upon completion of the modules. The product categories developed under the Groom Big programme are food and beverages, cosmetics and herbal products, ceramics and glasswares.

Food and Beverages

The Food and Beverages programme received the biggest response from entrepreneurs. A total of RM18 million was allocated for the Groom Big programme under the Ninth Malaysia Plan (9MP). A total of and RM3 million was provided for the food and beverages sub-sector in 2009. This programme received 1,400 applications as at December 2009. A total of 647 entrepreneurs participated in the programme in 2009 compared with 445 in 2008, an increase of 45.4%. The Fast Track Production Quality Improvement and Labelling (FT APKP&P) module registered an increase of 25% to reach 186 participants in 2009, compared with 149 in 2008. The Packaging Module attracted 40 entrepreneurs in 2009 compared with 59 in 2008. The programme nurtures and groom entrepreneurs from exposure to

Table 8.6: Development of Entrepreneurs in the Groom Big programme in 2008 and 2009

Level		Programme	2008	2009
Total number of entrepreneurs groomed			**445**	**647**
1	Basic Quality Improvement & Labelling (APK&P)		31	18
2	Fast Track Production Quality Improvement and Labelling (FT APKP&P)		149	186
3	Fast Track Halal (JAIN)		121	311
4	Packaging		59	40
5	5a	Product Development	40	0
	5b	Value Engineering	0	0
	5c	KAIZEN	3	3
	5d	Quality Improvement Practice Scheme	1	2
6	6a	MS1500	23	51
	6b	HACCP	3	5
	6c	GMP	19	21
	6d	MS ISO 9001	3	4

Source : Ministry of International Trade and Industry

basic quality improvement, production and process optimisation, packaging, branding, and certification until they are ready for the export market.

Cosmetics and Herbal Products

The Cosmetics and Herbal Products programme provides the platform for entrepreneurs in the cosmetic and herbal industry to develop their products through assistance from Research and Technology Transfer Division, SIRIM Berhad. A total of RM3.7 million was allocated in 2009 for this programme under 9MP. Assistance is in the form of grants for research and development, training and certification of products. A total of 45 companies have benefitted from this programme. Four companies have penetrated the international market, as well as having obtained the *halal* certification for their cosmetics and herbal products from *Jabatan Kemajuan Islam Malaysia* (JAKIM). In addition, 10 companies had also undergone the Product Quality and Enhancement programme as well as intensive R&D which enabled them to penetrate the domestic market. A total of 220 product lines have been developed since the programme was launched in 2006.

Herbal-related products are also developed through the Herbal Product Quality Improvement Programme in collaboration with the Forest Research Institute of Malaysia. High value herbal products for use in the pharmaceutical industry are developed through research on the formulation for these products, as well as improving their effectiveness for them to be marketable in the domestic and international markets. A total of 10 entrepreneurs were developed in this second phase with emphasis on herbal-based products like *Misai Kucing*, *Mas Cotek* and other herbs that can be commercialised.

Ceramic and Glasswares

A total of 14 companies participated in the Ceramic and Glasswares Groom Big Programme in 2009, of which 10 companies were in ceramics while four were involved in crystal glass production. The scope of the programme encompassed factory audit and promotion, quality and product improvement, packaging and rebranding and also foreign technical assistance. The Government in addition provided incentives in the form of grant which covers 80% of the total project cost.

Table 8.7: Companies involved in Ceramics and Glasswares Groom Big Programme according to States, 2009

Type of enterprise	State	Number of companies
Total number of companies		**14**
Ceramic Technology	Selangor	2
	Kedah	1
	Perak	4
	Sarawak	3
Glassware Technology	Kedah	2
	Negeri Sembilan	1
	Sarawak	1

Source : Ministry of International Trade and Industry

Table 8.8: Performance of 4PU or Trading House in 2008 and 2009

No.	Category	Operators	Location	2008 Number of Entrepreneurs	2008 Sales (RM)	2009 Number of Entrepreneurs	2009 Sales (RM)
			TOTAL	306	5,307,327	328	5,824,121
1.	Domestic	Koperasi Cemerlang Temiang Jaya Bhd (KOTEJA)	Seremban, Negeri Sembilan	21	104,202	21	88,213
2.		Malaysia Herbal Corporation (MHC)	Wilayah Persekutuan Kuala Lumpur	150	270,000	150	530,000
3.		Noor Arfa Batek Sdn Bhd *	Kuala Terengganu, Terengganu	-	-	31	507,904
4.	International	Persatuan Pengilang & Industri Perkhidmatan Bumiputra *	Dubai, United Arab Emirates	-	-	20	600,000
5.		MOFAZ Dagang Sdn Bhd *	Towcester, United Kingdom	-	-	3	440,504
6.		Kumpulan Rahman Brothers Sdn. Bhd.	Shanghai, People's Republic of China	20	500,000	15	600,000
7.			Jeddah, Saudi Arabia	15	3,143,625	5	1,200,000
8.		ManMa Corporation	Dublin, Ireland	25	375,000	25	600,000
9.		MHPC Corporation	Manila, Philippines	3	700,000	3	857,000
10.		Asia Platforms Sdn. Bhd.	Phnom Penh, Cambodia	12	14,500	15	100,500
11.		Komita Malaysia	London, United Kingdom	60	200,000	40	300,000

Source : Ministry of International Trade and Industry
** Appointed in 2009*

Product Collection and Marketing Centres

The Entrepreneur Product Collection and Marketing Centre (4PU) also known as Trading House assumes the role of collecting and marketing entrepreneurs' products. The Centre performs important business functions such as packaging, certification and value-added services. The programme provides opportunities for entrepreneurs to market their products in the domestic and international markets. There are currently 10 4PUs operating in eleven locations (Table 8.8). Products collected will be repackaged and exported through the 4PUs located overseas.

Total sales of the 4PUs increased to RM5.8 million in 2009 from RM5.3 million in 2008. The total number of entrepreneurs supplying products to 4PUs increased to 328 entrepreneurs in 2009, compared with 306 in 2008. The Government established three new 4PUs in Terengganu, the UAE and the UK in 2009 and plans to establish more overseas.

COOPERATION PROGRAMMES WITH MALAYSIA AIRPORT HOLDINGS BERHAD AT LCCT AND KLIA

Two cooperation programmes between the Government and Malaysia Airport Holdings Berhad (MAHB) were organised to enhance market penetration for local SMEs in 2009. The strategic cooperation provides opportunities for SME entities namely Food Garden, Sky Travel Mart and Jonker Walk Kopitiam to operate their businesses in the Low Cost Carrier Terminal (LCCT) and the Kuala Lumpur International Airport (KLIA) premises.

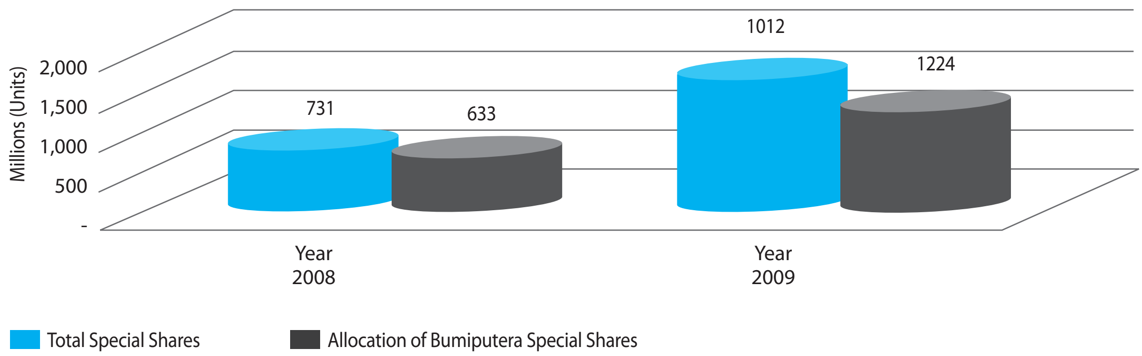
- Food Garden at LCCT
  This programme provides opportunities for entrepreneurs to expand their businesses by opening kiosks at the Food Garden in LCCT. *Bumiputera* entrepreneurs receive an opportunity to introduce Malaysian food to foreign tourists under this programme. Currently, there are four SMEs operating under this programme. The overall sales in 2009 increased by 66.7% to RM3.5 million from RM2.1 million in 2008.
- Sky Travel Mart and Jonker Walk Kopitiam KLIA
  These new cooperation programmes with MAHB was introduced in 2009. The objective of this programme is to promote products by *Bumiputera* entrepreneurs including food and beverages, herbal, beauty and healthcare products. Assistance is given to entrepreneurs in terms of providing business premises at strategic locations with special rental rates. Sky Travel Mart has recorded sales of up to RM150,000 per month since the start of its operation in Novermber 2009. Jonker Walk Kopitiam has recorded a sales of up to RM60,000 per month since it started operating in August 2009.

Table 8.9: Results of Cooperation Programme with MAHB (LCCT) in 2008 and 2009

NO.	ENTERPRENEURS	PRODUCT	SALES 2008 (RM million)	SALES 2009 (RM million)
	TOTAL		**2.1**	**3.5**
1	PPUB Ventures Sdn. Bhd.	Noodle	0.5	0.7
2	Al Ikhlas Corner	Nasi Campur	1.1	1.6
3	Fatimah Food Centre	Nasi Padang	0.04	0.4
4	Little Cash (M) Sdn. Bhd.	Chicken Rice	0.5	0.8

Source : Entrepreneur Development Division

Chart 8.1: Alocation of Bumiputera Special Shares in 2008 and 2009



Source : Entrepreneur Development Division

ALLOCATION OF BUMIPUTERA SPECIAL SHARES

The Government announced on 30 June 2009 the liberalisation of the 30% *Bumiputera* equity requirement and that no *Bumiputera* equity conditions will be imposed on capital expansion. The Securities Commission issued new policy guidelines in line with the liberalisation of the equity conditions. The guidelines provide for half of the 25% public spread requirement to be allocated to *Bumiputera* investors recognised by MITI. The *Bumiputera* public will be offered the balance if the shares are not fully subscribed as part of the Initial Public Offering balloting process.

The changes in *Bumiputera* equity requirement followed the liberalisation of the 27 services sub-sectors which require the removal of 30% *Bumiputera* equity requirement. The changes were also introduced to ensure that Malaysia remained competitive as a listing destination for both domestic and foreign companies so as to attract more issuers and investors to participate in the country's stock market. It also provides more flexibility and certainty on capital structure for companies seeking listing.

A total of 1.2 billion shares valued at RM4.5 billion were distributed to *Bumiputera* investors out of 1.6 billion shares available for allocation, representing 75.9% while the percentage of shares distributed decreased in 2009, the value of shares allocated increased by 53%. A total of 655 million shares (87.2%) out of 751 million with a value of RM716.6 million were allocated to *Bumiputeras* in 2008. The allocation of *Bumiputera* special shares received lukewarm response from *Bumiputera* investors in 2009, compared with 2008, due to:

- the impact of the global economic slowdown on the share market;
- expectation of low prices of shares upon listing; and
- offer price being higher than the market price for the special *Bumiputera* share issue.

The highest number of subscribers were in the telecommunication, plantation and properties sectors.

ENTREPRENEURS OUTREACH PROGRAMME

The Government continues to organise outreach programmes in the form of seminars, business clinics, entrepreneur carnivals and briefings to target groups of *Bumiputera* entrepreneurs and associations. The objectives of the outreach programmes are to:

- disseminate information on the scope and functions of the *Bumiputera* Entrepreneurship Programme;
- provide information on services, training and programmes offered by MITI and its agencies;

Table 8.10: Outreach Programmes in 2009

PROGRAMME	VENUE	NUMBER OF PARTICIPANTS	AGENCIES INVOLVED
TOTAL		**1,438**	
Bumiputera Entrepreneur Seminar	Johor Bahru, Johor	300	SMIDEC, MPC, MIDA
Bumiputera Entrepreneur Seminar	Seremban, Negeri Sembilan	200	SMIDEC, SME BANK MIDA, MPC, MIDF, DPMM(NS)
Bumiputera Entrepreneur Seminar	Pulau Pinang	150	SME BANK, SMIDEC, MIDA. MATRADE
Seminar Penjaja dan Peniaga Kecil Negeri Melaka	Ayer Keroh, Melaka	400	INSKEN
Entepreneur Carnival	Jeli, Kelantan	213	MITI AND AGENCIES INCLUDING MOA INC. MDTCC, STATE AGENCIES
Entrepreneur Carnival	Jelebu, Negeri Sembilan	175	MITI AND AGENCIES, SEDC AND STATE AGENCIES

Source : Ministry of International Trade and Industry

- advise entrepreneurs on business opportunities, financial assistance, incentives and available facilities; and
- provide business advisory services.

There were six seminars organised by MITI and agencies in 2009 to provide information on various incentives and assistance such as financial facilities, business opportunities, packaging, labelling and branding, and communication skills. The seminars were targeted at existing and potential entrepreneurs.

There were two Entrepreneur Carnivals organised in Jeli, Kelantan and Jelebu, Negeri Sembilan in October and December 2009 respectively. The carnivals involved the participation of several ministries and agencies such as the Ministry of Agriculture and Agro-based Industry, Ministry of Domestic Trade, Cooperatives and Consumerism, Ministry of Rural and Regional Development and the Kemubu Agricultural Development Authority. Activities at the carnivals include exhibition of products and services, business clinics and seminars.

A total of 155 local entrepreneurs participated in the exhibition to promote and market their products. The cash and contract sales generated from the carnivals amounted to RM2.4 million.

OUTLOOK

The Master Plan for *Bumiputera* Development in the Manufacturing Sector to be launched in 2010 will provide the strategic direction for entrepreneurs to capitalise on the opportunities available in the domestic and global markets. The Master Plan targets to increase by 2015:

- the number of *Bumiputera* exporters in the manufacturing sector to 1,000;
- *Bumiputera* companies' cumulative investment of RM25 billion in the manufacturing sector;
- 3,000 *Bumiputera* companies' integration into the domestic supply chain; and
- the number of *Bumiputera* companies taking advantage of the supply and product marketing technology to 1,500.

The Government recognises the potential of the *halal* industry and the opportunities for local entrepreneurs in the fast growing *halal* global market. Entrepreneurial development programmes in the production of *halal* products and related services will be emphasised in a coordinated approach with the placement of the Halal Industry Development Corporation (HDC) under MITI. The measure is in line with the objective to develop local companies into global *halal* exporters and to develop Malaysia as a Global *Halal* Hub.

The Government will continue the current collaboration programmes with other GLCs and multinational corporations. *Bumiputera* entrepreneurs will benefit from these strategic collaboration programmes. The Government will consolidate existing programmes to ensure its relevance to the *Bumiputera* entrepreneurs.

The marketing and promotion of *Bumiputera* entrepreneurs' products and services will be given special focus, to take advantage of the business opportunities available in the domestic and international markets. The Government, particularly MITI and its agencies, will create business opportunities for entrepreneurs through participation in the various programmes organised for *Bumiputera* entrepreneurs. The development of information communication technology-based entrepreneurship programmes will assume a major role in enhancing *Bumiputera* participation in business especially by conducting business transactions through the internet. The programmes will enable the entrepreneurs to be more resilient, sustainable and competitive in acquiring and retaining market share in the domestic and global markets.

The re-branding and re-orientation of the focus of work of INSKEN is imperative in order to meet the expectations of stakeholders and the public to produce competitive and world-class entrepreneurs.

The Government is planning to formulate a Master Plan for Entrepreneurship Development to provide policy and strategic direction for entrepreneur development in Malaysia.

CHAPTER 9

ENGAGEMENT IN BILATERAL FREE TRADE AGREEMENTS

OVERVIEW

Malaysia's economy experienced increased growth throughout the last three decades, having benefitted substantially from international trade as well as foreign direct investment (FDI) inflows. One of the objectives of Malaysia's trade policy is to maximise these benefits by promoting and supporting efforts to create a more liberal and fair global trading environment. Malaysia's approach towards trade liberalisation is anchored on the rules-based multilateral trading system under the World Trade Organisation (WTO) and complemented by the country's regional and bilateral free trade agreements (FTAs).

Since the establishment of the Association of Southeast Asian Nations Free Trade Area (AFTA) in 1993, Malaysia has concluded bilateral FTAs with Japan, Pakistan and New Zealand. Bilateral negotiations are on-going with the USA, Chile, India and Australia. Malaysia concluded regional FTAs through ASEAN with the People's Republic of China (PRC), the Republic of Korea (ROK), Japan, India as well as Australia and New Zealand.

The year 2009 was significant for Malaysia as the Government successfully concluded bilateral FTA negotiations with New Zealand and regional FTAs (ASEAN) with India as well as Australia and New Zealand.

Malaysia's FTAs cover liberalisation, facilitation and economic cooperation in areas such as:

- trade in goods and services;
- investments;
- customs cooperation;
- standards and technical regulations;
- small and medium enterprises (SMEs) development; and
- intellectual property rights.

The benefits derived by Malaysia from the FTAs include:

- improving market access for Malaysian goods through preferential tariff and other trade facilitation measures;
- creating market access opportunities for Malaysian service suppliers through liberalisation and facilitation measures;
- enhancing Malaysia's attractiveness as an investment destination and production hub to serve the regional and global markets;
- opening-up investment opportunities in the partner countries for Malaysian businesses;
- providing a platform to address health, sanitary and technical restrictions; and
- building domestic capacity through economic and technical cooperation and collaboration.

PROGRESS IN IMPLEMENTATION

Malaysia-Japan Economic Partnership Agreement

Background

The Malaysia-Japan Economic Partnership Agreement (MJEPA) was signed on 13 December 2005 and entered into force on 13 July 2006. The Agreement covers liberalisation, facilitation, promotion and cooperation aspects in the areas of trade in goods and services, investment, tariff and non-tariff measures. The commitments on tariff liberalisation will be fully realised by 2021.

The implementation of MJEPA is monitored by a Joint Committee (JC) consisting of representatives from both countries. The JC is assisted by 10 sub-committees which have been tasked to monitor the implementation of specific areas under the Agreement:

- Trade in Goods;
- Trade in Services;
- Rules of Origin (RoO);
- Investment;
- Improvement of Business Environment (IBE);
- Technical Regulations, Standards and Conformity Assessment Procedures;
- Sanitary and Phytosanitary (SPS) Measures;
- Intellectual Property Rights (IPRs);
- Customs Procedures; and
- Economic and Technical Cooperation.

The Malaysia-Japan Automotive Industry Cooperation (MAJAICO) programme established under MJEPA aims to develop and enhance the capabilities and competitiveness of the Malaysian automotive industry through capacity building programmes with Japan. The implementation of the programme is monitored by a special committee comprising representatives from both the Government and private sector. Bilateral consultations are held annually to review the progress of the 10 capacity building programmes under MAJAICO, including:

- automotive skills training in Japan and Malaysia;
- production improvement courses in Lean Production System (LPS);
- exchange of information on the conditions of the automotive market;
- institutional capacity building initiatives such as the enhancement of SIRIM's Automotive Components Centre and Mould and Die Design Centre;
- business development programmes through trade missions; and
- participation in automotive trade exhibitions.

Status of Implementation

The MJEPA has made significant progress over the resolution of issues raised in previous sub-committee meetings. The issues among others resolved in 2009 include:

- amendment to the product specific rules of yarn products – the amended product specific rules (PSR) for yarn products entered into force on 1 April 2009. The amendment allows the import of carded/combed wool from outside Japan, Malaysia and ASEAN to be included as originating, as most carded/combed wool is currently obtained from Australia;
- export of Malaysian agriculture products to Japan – the cooperation and working relationship between the relevant authorities in Malaysia and Japan established since the First Meeting of the Sub-Committee on SPS on 23 October 2008 has helped resolve market access problems for Malaysian exports of agriculture products to Japan;
- significant progress has been made especially for Malaysia's heat-treated poultry products and eggs and Harumanis mangoes. Two heat-processed poultry meat facilities and heat-processed liquid egg facilities in Malaysia are in the final stages of improvements to meet Japan's standards on animal health requirements. Malaysia is also in the process of completing the Vapour Heat Treatment facility for quarantine treatment of Harumanis mangoes. The first trial shipment of Harumanis mangoes to Japan is scheduled for April 2010; and
- six seminars were conducted in the area of IPR cooperation by the Intellectual Property Corporation of Malaysia in collaboration with the Japan International Cooperation Agency in 2009. The objective of these seminars is to raise the level of awareness on issues of IP and counterfeit goods among Malaysian businesses and consumers, as well as strengthen Malaysia's attractiveness as an investment and production hub.

Bilateral meetings were also held in 2009 to discuss implementation issues relating to:

- liberalisation of Foreign Investment Committee (FIC) guidelines and the current situation of the services sector in Malaysia – Japan welcomed Malaysia's liberalisation of the FIC guidelines in June 2009 and looked forward to further liberalisation in the services sector; and

- proposals on priority areas for bilateral cooperation – specific areas of mutual benefit were discussed by the Sub-committee on Cooperation including:
  - o undertaking further capacity building programmes related to trade and investment liberalisation – these include enhanced outreach activities on the benefits of the liberalisation to stakeholders, exchange of information and experiences on policy and regulatory matters and exchange of data collection or analysis;
  - o cooperation on Energy Efficient Society with green technology – proposals in the energy efficient areas include technology for efficient co-generation system optimisation of urban transport system and promotion of utilisation of high technology renewable energy sources; and
  - o science and technology – participation in the Science and Technology Research Partnership for Sustainable Development programme for international joint research cooperation between Japan and the developing countries in resolving global issues such as the prevention of natural disaster and infectious diseases control. Malaysia participated in the programmes organised by the Japan Society for the Promotion of Science in 2009 which include:
    - – Environmental Science Project between Kyoto University and Universiti Malaya;
    - – Creation and Development of Palm Biomass Initiative between Kyushu Institute of Technology and Universiti Putra Malaysia; and
    - – International Training Programme for Young Researchers regarding Primate Origins of Human Evolution between Kyoto University and Universiti Malaysia Sabah.

Projects under the economic cooperation that have been implemented were human resource training for the following sectors:

(a) agriculture, forestry, fisheries and plantation;

(b) education, and science and technology;

(c) SMEs; and

(d) tourism.

Malaysia and Japan in the effort to maximise benefits that can be derived from MJEPA agreed to encourage their private sectors to participate in the cooperation programmes under agreement.

Progress in the Area of Trade

Trade between Malaysia and Japan in 2009 contracted 20.6%, a direct impact of the global economic crisis. Total trade amounted to RM108.7 billion with exports to Japan valued at RM54.4 billion (24.2% decrease) and imports from Japan worth RM54.3 billion (16.6% decrease), compared with 2008.

A total of 42,497 Certificates of Origin (COs) were issued in 2009 for exports to Japan, valued at RM6.7 billion. Major exports enjoying preferential treatment included:

- palm oil;
- plastics;
- chemicals;
- wood;
- cocoa butter, fat and oil;
- frozen shrimps; and
- work gloves made of fabric.

Imports from Japan receiving preferential treatment for the period July 2006 - December 2009 totalled RM6.4 billion. Imports from Japan in 2009 under the MJEPA totaled RM3.1 billion. Major imports included:

- motor vehicles other than railway and tramway rolling stocks and parts and accessories;
- boilers, machinery and mechanical appliances and parts;
- iron and steel;

- articles of iron and steel;
- putty and other mastics;
- textiles and apparel; and
- pens, markers, pencils and parts.

Malaysia-Pakistan Closer Economic Partnership Agreement

Background

The year 2009 was the second year of implementation of the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA). The Agreement covers market access for trade in goods and services, investment and economic cooperation. The commitments on tariff liberalisation will be fully realised by 2014.

The Early Harvest Programme (EHP) for trade in goods was implemented by Malaysia and Pakistan prior to the signing of the MPCEPA in January 2006 aimed at accelerating the trade liberalisation process. The EHP provides for an early tariff reduction and elimination for selected mutually agreed products.

The MPCEPA also provides for the establishment of a JC to monitor the overall implementation of the MPCEPA as well as four other sub-committees covering:

- Trade in Goods;
- Trade in Services;
- Customs Procedures; and
- Investment.

Status of Implementation

The implementation of MPCEPA has made significant progress since the Agreement entered into force on 1 January 2008. Pakistan, as of end December 2009, eliminated or reduced import duties on 32.6% of its tariff lines. Malaysia similarly eliminated or reduced import duties on 65% of its tariff lines under MPCEPA. A substantial share of both parties' tariffs will be eliminated or reduced by 2014. Tariff reduction and elimination undertaken by both parties have improved market access for their products. Trade with Pakistan recorded a growth of 1.9% in 2009 despite a contraction in global trade.

Pakistan in 2009 eliminated duties on more than 1,600 products including parts and accessories for machineries, digital processing units, natural rubber, sawn wood, industrial chemical products, fruits and nuts, insecticides, as well as butter and other fats and oil. The preferential treatment under the MPCEPA, has provided Malaysian exporters the advantage over their competitors who will be paying duties ranging from 5–35% for these same products.

Malaysia will similarly further reduce or eliminate tariffs on more than 400 products including iron and steel products, textiles, wool, yarn, cotton, knitted and crocheted fabrics, wood products, fruits and nuts, flour, animal/vegetable fats and oils, cocoa products, ceramic products, jewellery, machinery and mechanical appliances, E&E products, automotive vehicles, parts and components and hand tools.

There will be further reduction on duties by Pakistan in 2010 on more agricultural and industrial products including palm oil, margarine, fruits and nuts, food preparations, coffee, tea, maté and spices, sugar and sugar confectionery, poultry products, E&E products, wooden boards and panels, plastic and rubber products, paper and paperboard, coal products, chemicals, as well as machinery and mechanical appliances and parts. Malaysia will also further reduce import duties on products such as processed dairy products, food preparations, palm oil, gelatine, plastic products, cotton, cotton yarn and textiles.

Trade Performance

Trade with Pakistan grew by more than 20% in the three-year period from 2007-2009 since the EHP and MPCEPA came into force as compared with less than 10% in the three preceding years (2004-2006).

Trade with Pakistan in 2009 amounted to RM6.3 billion, an increase of 1.9% compared with 2008. Exports to Pakistan totaled RM5.7 billion (0.2% increase) and imports were valued at RM526 million (24.6% increase).

A total of 5,441 COs, an increase of 79.8% amounting to RM4.1 billion were issued in 2009 compared with 3,026 COs worth RM4 billion of exports in 2008. Major exports included:

- palm oil;
- butyl acrylate;
- refined, bleached, and deodorised palm stearin;
- compressor for refrigerators;
- food products; and
- chemicals.

Imports from Pakistan under the preferential trade were valued at RM15 million for January 2007 - December 2009. Imports in 2009, utilising COs from Pakistan totaled RM4.7 million. Major imports included yarn, cotton and other textile articles.

CONCLUDED AND ON-GOING FTA NEGOTIATIONS

Malaysia–New Zealand FTA

The Malaysia-New Zealand Free Trade Agreement (MNZFTA) was signed on 26 October 2009 in Kuala Lumpur after ten rounds of negotiations which began in May 2005 with a two-year hiatus from April 2006. The MNZFTA covers liberalisation in trade in goods and services, facilitation of investments, as well as the enhancement of bilateral economic cooperation.

Malaysia-Australia Free Trade Agreement

The Malaysia-Australia FTA (MAFTA) negotiations, which started in May 2005, resumed in 2009 after a hiatus of two years pending conclusion of the negotiations on the regional ASEAN-Australia-New Zealand Free Trade Agreement.

Three rounds of negotiations were held in August and December 2009 and 19-23 April 2010. Discussions at the four working groups, trade in goods, services, investment and other issues, centred on stock-taking and exploring the way forward on outstanding issues.

Malaysia-Chile FTA

Negotiations between Malaysia and Chile focused on the trade in goods and are close to being concluded. The parties are confident that an agreement can be reached before the end of 2010. The successful completion of this Agreement would bring mutual benefits to both countries.

Chile offers potential market access opportunities for Malaysia not only in the area of trade in goods but also in services, including construction, finance and banking. Services and investment negotiations will only commence after the conclusion of the trade in goods agreement.

Malaysia-India Comprehensive Economic Cooperation Agreement

Malaysia and India have been involved in negotiations on the Malaysia-India Comprehensive Economic Cooperation Agreement (CECA) since early 2008. Talks had slowed down in 2009 as both parties wanted to focus their attention on concluding the ASEAN-India Free Trade Agreement (AIFTA) which was signed in August 2009.

The parties with the conclusion of AIFTA are now focused on concluding negotiations on the bilateral agreement.The Working Groups on trade in goods, trade in services, investment, legal issues and economic cooperation will continue discussions on the modalities and elements to be covered under the respective areas of the Agreement.

India has become one of Malaysia's major export markets over the last decade. The preferential market access through the CECA will allow Malaysia to enhance exports of goods and services to India. The CECA will also enable Malaysia to expand and strengthen cooperation and collaboration activities in areas such as biotechnology, software development, science and education.The CECA would also enable Malaysian service providers to tap the huge potential in the Indian market for construction-related activities and infrastructure development.

Malaysia-United States FTA

Negotiations on the Malaysia-United States FTA (MUSFTA) which commenced in June 2006 were put on hold in 2009 pending a review by the new US Administration of its overall trade policy. The USA subsequently has indicated that it is more inclined towards a regional rather than a bilateral FTA.

The USA during the Asia Pacific Economic Cooperation (APEC) Meeting in Singapore in November 2009 announced its intention to participate in the Trans-Pacific Strategic Economic Partnership (TPP) and this development was confirmed on 14 December 2009.

The USA remains one of Malaysia's largest trading partners and a significant market for Malaysian exports, as well as an important source of investments. Malaysia will consult domestic stakeholders on the possible impact and benefits of the TPP.

OUTREACH PROGRAMMES

A total of 30 outreach programmes (briefings, seminars and workshops) were organised in 2009 in an effort to ensure that the FTAs that have been concluded bring the desired benefits to the business community by the Ministry of International Trade and Industry (MITI) and its agencies-Malaysian Industrial Development Authority (MIDA), Malaysia External Trade Development Corporation (MATRADE) and Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia), involving government departments and agencies as well as the private sector. The outreach programmes were organised to create greater awareness and educate the public, particularly the business community, on the opportunities available as well as to prepare them for competition in a more liberalised business environment under the FTAs.

The FTA Service Units were established in MIDA, MATRADE and SMIDEC in mid-2008 to provide information and assistance to the business community on FTA developments. The Service Units are manned by experienced resource persons to answer queries relating to FTAs. The public will be provided updates continually either through the mass media or on MITI's website to inform them of the latest developments on the respective FTAs.

OUTLOOK

Malaysia expects that 2010 will bring new challenges in the form of increased competition in the global market that will have an impact on the country's trade and industry. The Government will endeavour to find innovative ways to stay ahead in order to remain competitive. The Government will undertake efforts to conclude the on-going FTA negotiations at the bilateral and regional levels. Proactive efforts will also be undertaken to expand market access and boost business opportunities for exporters and businesses. Malaysia will expand investment and trade opportunities by engaging new FTA partners, particularly regions including West Asia and other emerging markets.

Box Article 9.1 – *Malaysia-New Zealand FTA*

Malaysia and New Zealand signed the Malaysia-New Zealand Free Trade Agreement (MNZFTA) on 26 October 2009 in Kuala Lumpur. The FTA was concluded at the end of the round of bilateral negotiations in May 2009, after ten rounds of MNZFTA negotiations which began in May 2005. There was a two-year hiatus of the negotiations beginning April 2006 as both countries focused attention to concluding the ASEAN-Australia-New Zealand FTA.

MNZFTA is Malaysia's third bilateral free trade agreement after Malaysia-Japan in 2005 and Malaysia-Pakistan in 2007. The FTA covers liberalisation in trade in goods and services, facilitation of investment as well as enhancement of bilateral technical and economic cooperation.

Trade in Goods

Under the FTA, both countries agreed to progressively reduce or eliminate tariffs by 2016. Malaysia's commitments of tariff reduction and elimination cover import duties of 10,293 tariff lines or 98.9% of overall tariff lines. The modalities of Malaysia's offers include:

- *Normal Track 1, in which the import duties on 9,070 tariff lines with duties of 20% and below, will be fully eliminated by 2012. These cover products such as paper, plastics and automotive components; and*
- *Normal Track 2, in which import duties on 1,223 tariff lines with duties of more than 20% will be fully eliminated by 2016. These cover products such as veneer, chemical products, paper and steel products.*

Malaysia will also enhance market access through Tariff Rate Quota for 15 tariff lines of agricultural products including liquid milk, hen's eggs, live fowl and swine.

Malaysia has included 89 tariff lines under the Exclusion List. These products are excluded for health, safety and moral reasons. Among the products are firearms and ammunitions, rice, tobacco and liquor.

New Zealand has committed to eliminate duties on 7,238 tariff lines (or 100% of its tariff lines) by full elimination of import duties on:

- *7,191 tariff lines by 2015, covering products such as cocoa products, rubber and tyres; and*
- *the remaining 47 tariff lines by 2016, covering products sensitive to New Zealand including margarine, steel products and wooden furniture.*

For Malaysian and New Zealand importers to enjoy preferential treatment, the products need to fulfil the general Rules of Origin Qualifying Value Content of not less than 40% or Product Specific Rules (PSRs). The PSRs are available in Annex 2 of the Agreement which can be accessed at MITI's website.

Trade in Services

MNZFTA also provides for liberalisation of trade in services by both countries. Malaysia's offers to New Zealand include private education, environmental services and veterinary and tourism services. On the other hand, New Zealand's commitments include services incidental to mining, engineering services, and mailing list compilation and mailing services.

Both countries have also agreed on sectoral, automatic and reciprocal Most Favoured Nation (MFN) treatment for private education, engineering services, environmental services, services incidental to mining as well as computer and related services. If New Zealand extends better market access compared with what is offered under this Agreement to a third party, that preferential treatment must also be extended to Malaysia, and vice-versa.

Investment

MNZFTA also provides a framework to further facilitate cross-border investments between Malaysia and New Zealand through commitments on national treatment, MFN treatment as well as protection of investors and investments. While recognising each country's sensitivities and development needs, the Agreement allows for flexibilities in scheduling the commitments.

Economic Cooperation

MNZFTA also provides for economic cooperation by both Malaysia and New Zealand which include:

- education: cooperation to develop public and/or private ventures and partnerships, promote networking, mutual understanding and close working relationships;
- forestry: cooperation in training and research and development;
- health: undertake exchange of information, study tours, or in-country training on bench-marking organisational performance in the health sector, including assuring financial accountability and measuring effectiveness of service delivery;
- biotechnology: promote commercial networking and close working business relationships in the area of biotechnology and related industrial processes; and
- manufacturing industry: cooperation in the development of private ventures and commercial partnerships on engineering technology; design, repair and maintenance; airport development and ground control systems; and infrastructural, commercial and housing construction projects.

MNZFTA is expected to be implemented in 2010 after both countries completed their necessary domestic procedures. The text of MNZFTA, as well as schedules of goods and services offered is available on MITI's website at www.miti.gov.my.

Box Article 9.2 – *Malaysia-Japan Automotive Industry Cooperation (MAJAICO)*

Cooperation projects in the automotive industry under the MAJAICO programme have produced positive results since its commencement in 2006. One hundred and thirty-nine automotive companies and 839 personnel have participated and benefitted from the MAJAICO programme. Initial reviews and proposed improvements of the programme were made at the annual consultations between both parties.

During the Fifth MAJAICO Consultations on 19 March 2009, Malaysia highlighted several proposals for Japan's consideration:

- Japanese expertise in developing Lean Production System (LPS) standards and local LPS experts through the Malaysia Automotive Institute;
- The Ministry of Economy, Trade and Industry, Japan, to provide early information on a comprehensive plan for the MAJAICO B programme (Automotive Skills Training in Malaysia). Among useful information that could be provided include programme curriculum, equipment and facilities required to facilitate budget planning by the Advanced Technology Training Centre (ADTEC); and
- possibility of utilising/carrying forward the unutilised seats under the MAJAICO C programme (Automotive Skills Training in Japan) to the following years or to the MAJAICO A1 programme (Automotive Technical Assistance Programme).

Japan has agreed in principle to allow the unutilised places under the MAJAICO C programme to be used for the LPS cooperation under the MAJAICO A1 programme. However, details on the number of personnel and duration of the programme are yet to be finalised.

The next MAJAICO Consultation meeting has been scheduled to be held by April 2010. One of the outstanding issues to be discussed is the extension of MAJAICO programme's implementation as the five-year programme will end in 2011. The programmes undertaken so far have received positive feedback and have benefitted the local automotive industry. It is imperative to look into the possibility of continuing the projects under the MAJAICO programmes beyond 2011.

CHAPTER 10

ASEAN ECONOMIC COOPERATION

OVERVIEW

The Association of Southeast Asian Nations (ASEAN) remained steadfast in its commitment to achieve the vision of an ASEAN Economic Community (AEC) by 2015, even though faced with the global economic and financial crisis in 2008 and 2009. The impact of the crisis had adversely affected the economic growth of some of the ASEAN Member States in 2009.

Import duties continued to be eliminated in the region as ASEAN progresses towards full realisation of the ASEAN Free Trade Area (AFTA) on 1 January 2010. Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) have also brought down their tariffs to 0 – 5% in line with their commitments in AFTA.

ASEAN in February 2009 signed three enhanced regional agreements on goods, services and investments to ensure that it remained competitive in the current global economic scenario. The agreements are essential towards establishing ASEAN as a single market and production base by 2015. ASEAN also entered into a comprehensive economic agreement with two of its Dialogue Partners, Australia and New Zealand, with the signing of the ASEAN-Australia-New Zealand Free Trade Area on 27 February 2009. Several other agreements were signed with other Dialogue Partners in 2009, namely the ASEAN-China Investment Agreement, ASEAN-Korea Investment Agreement and ASEAN-India Free Trade Agreement on Goods. The ASEAN-India Trade in Goods Agreement and the ASEAN-Australia-New Zealand Free Trade Agreement (FTA) will be implemented on 1 January 2010.

The ASEAN Economic Community (AEC) Council, one of the three Community Councils formed under the ASEAN Charter, met for the first time on 27 February 2009. The AEC Council together with the twelve Sectoral Ministerial Bodies under its purview are working towards deepening and broadening economic integration and strengthening ASEAN's regional external economic linkages with its Dialogue Partners. The work of the AEC Council would support ASEAN's efforts to respond to various global economic challenges.

TRADE

ASEAN Free Trade Area

Common Effective Preferential Tariff

ASEAN Member States have made significant progress in reducing and eliminating intra-regional tariffs through the Common Effective Preferential Tariff (CEPT) Scheme for AFTA.

The six ASEAN Member States of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand became a complete free trade area on 1 January 2010. These countries eliminated duties on all products in the Inclusion List with the exception of a few products in the Sensitive and Highly Sensitive Lists. Malaysia under the CEPT Scheme has:

- eliminated import duties on 1,943 products;
- reduced import duties to 5% for tropical fruits, tobacco and tobacco products; and
- reduced import duties for rice to 20%.

The CEPT Scheme will be superceded by the ASEAN Trade in Goods Agreement (ATIGA) which is expected to enter into force by July 2010. The objectives of ATIGA are:

- to be on par with key principles of the Trade In Goods (TIG) Agreements with Dialogue Partners;
- set out disciplines on implementing commitments and obligations in ASEAN such as elimination and reduction of

Table 10.1: Number of Tariff Lines in the 2010 CEPT Package by Status

Country	Number of Tariff Lines						Percentage					
	IL	TEL	GEL	SL/HSL	Other *)	Total	IL	TEL	GEL	SL/HSL	Other	Total
Brunei Darussalam. (AHTN 2007)	8,223	-	77	-	-	8,300	99.1	-	0.9	-	-	100
Indonesia (AHTN 2007)	8,632	-	96	9	-	8,737	98.8	-	1.1	0.1	-	100
Malaysia (AHTN 2007)	12,239	-	96	-	-	12,335	99.2	-	0.8	-	-	100
Philippines (AHTN 2007)	8,934	-	27	19	-	8,980	99.5	-	0.3	0.2	-	100
Singapore (AHTN 2007)	8,300	-	-	-	-	8,300	100.0	-	-	-	-	100
Thailand (AHTN 2007)	8,300	-	-	-	-	8,300	100.0	-	-	-	-	100
ASEAN-6	**54,628**	-	**296**	**28**	**-**	**54,952**	**99.4**	-	**0.5**	**0.1**	**-**	**100**
Cambodia (AHTN 2002)	10,537	-	98	54	-	10,689	98.6	-	0.9	0.5	-	100
Lao PDR (AHTN 2007)	8,214	-	86	-	-	8,300	99.0	-	1.0	-	-	100
Myanmar (AHTN 2007)	8,240	-	49	11	-	8,300	99.3	-	0.6	0.1	-	100
Vietnam (AHTN 2007)	8,099	-	144	-	57	8,300	97.6	-	1.7	-	0.7	100
CLMV	**35,090**	**-**	**377**	**65**	**57**	**35,589**	**98.6**	**-**	**1.1**	**0.2**	**0.2**	**100**
ASEAN 10	**89,718**	**-**	**673**	**93**	**57**	**90,541**	**99.1**	**-**	**0.7**	**0.1**	**0.1**	**100**

Note: *) These 57 items of CKD products are not in Viet Nam's CEPT Legal Enactment. Import duties applied to these products are based on part by part.
IL - Inclusion List
TEL - Temporary Exclusion List
GEL - General Exception List
SL - Sensitive List
HSL - Highly Sensitive List

Source: ASEAN Secretariat

import duties, removal of Non-Tariff Barriers (NTBs) and enhanced transparency in the concessions granted;

- ensure consistency of the provisions that are currently stated in the various agreements, documents, decisions of the AFTA Council and the ASEAN Economic Ministers (AEM) Meeting; and
- provide a legal framework that will realise the free flow of goods in the region, with a view to establishing a single market and production base by 2015.

The ATIGA value-adds to the CEPT-AFTA Agreement of 1992 in terms of inclusion of disciplines on Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) Measures as well as Temporary Modification and Suspension of Concessions. The Article on Temporary Modification and Suspension of Concessions provides guidelines for compensation as a remedy for losses arising from any modification of existing commitments.

ASEAN Member States' Schedules of products for elimination and reduction of import duties will be annexed to the Agreement. The Agreement will provide greater transparency and predictability of the trade and investment regime in the region and enable better decision-making by the private sector.

A work plan by ASEAN has been drawn-up to implement self-certification by early 2012. Self-certification on the Rules of Origin (RoO) will simplify clearance of goods at-the-border and increase intra-ASEAN trade. The self-certification process is expected to expedite the movement of goods in the region. Similar trends were witnessed in developed countries, for example the European

Union (EU) and the North America Free Trade Agreement (NAFTA).

ASEAN plans to adopt the certified exporter methodology under this mechanism. The adoption of this mechanism involves the registration of exporters with designated competent authority, which will in turn authorise them to self-certify.

Rules of Origin

The CEPT RoO and its Operational Certification Procedures have been regularly revised and implemented since January 2004. The features of the current CEPT RoO and Operational Certification Procedures include:

- a standardised method of calculating local/ ASEAN content;
- a set of principles for determining the cost of ASEAN origin and the guidelines for costing methodologies;
- treatment of locally-procured materials; and
- improved verification process, including on-site verification.

ASEAN Member States implemented the Revised Product Specific Rules effective 1 August 2008 in tandem with current global business arrangements and to facilitate the expansion of intra-ASEAN trade. The Rules were gazetted in 2009 and apply retrospectively from the date of implementation. The Rules also include the adoption of a 'Change in Tariff Heading (CTH)' as an optional criterion in the General Rules of Origin besides 'Regional Value Content of 40% (RVC 40)'. ASEAN in 2009 also formulated a revised Product Specific Rule (PSR) to include refining rules for products under Chapter 15 (animal and vegetable oil and their related products) which provides for more liberal criteria, making it easier for companies to qualify for preferential import duties under the CEPT Scheme which will come into effect on 1 January 2010.

Total Trade

Total ASEAN trade in goods decreased by 10.5% to US$1,521.3 billion in 2009 from US$1,711.3 billion in 2008. Total ASEAN exports and imports decreased by 8.3% and 12.8% respectively in 2009. Exports decreased to US$802.7 billion in 2009 from US$880.8 billion in 2008, while imports decreased to US$718.6 billion in 2009 from US$830.6 billion in 2008. All ASEAN Member States recorded a decrease in their total trade in 2009 except Singapore which grew by 8.9%.

Table 10.2: Total ASEAN Trade, 2007-2009.

COUNTRY	Total Trade					
	Value in US$ million			Change in %		
	2007	2008	2009	2007	2008	2009
Total	**1,610,787.5**	**1,711,336.2**	**1,521,280.8**	**14.7**	**6.2**	**–10.5**
Brunei Darussalam	9,749.9	12,774.7	9,568.2	7.0	21.6	–25.1
Cambodia	7,580.6	8,775.6	n.a.	17.8	15.8	n.a.
Indonesia	188,574.3	266,217.7	213,338.0	16.5	41.2	–19.9
Lao PDR	1,093.0	2,630.9	n.a.	10.4	140.7	n.a.
Malaysia	323,116.0	338,794.7	279,888.1	13.2	4.9	–17.4
Myanmar	8,722.5	10,415.4	10,191.4	54.9	19.4	–2.2
Philippines	105,979.5	105,671.0	81,343.0	6.9	–0.3	–23.0
Singapore	562,452.4	472,165.0	514,417.6	10.3	–16.1	8.9
Thailand	293,536.8	352,534.2	285,489.3	18.0	20.1	–19.0
Viet Nam	109,982.5	141,357.0	127,045.2	42.3	28.5	–10.1

Source: ASEAN Trade Statistics Database (as of 15 April 2010)
Notes: 2009 data is preliminary; some figures may not add up to totals due to rounding off.
n.a. - data not available

Table 10.3: Total Intra ASEAN Trade, 2008-2009 (Value in US$ million; change/share in percent)

COUNTRY	Total Intra-ASEAN Trade			
	Value in US$ million		Change %	
	2008	2009	2008	2009
Total	**458,113.9**	**368,590.6**	**14.0**	**–20.1**
Brunei Darussalam	3,544.3	2,472.1	11.0	–30.3
Cambodia	1,909.9	n.a.	24.5	n.a.
Indonesia	68,162.5	52,345.9	47.9	–23.2
Lao PDR	2,215.3	n.a.	165.7	n.a.
Malaysia	85,076.7	71,979.6	3.0	–15.4
Myanmar	5,581.6	5,262.4	15.3	–5.7
Philippines	21,398.4	16,748.7	2.4	–21.7
Singapore	171,355.4	140,365.9	6.5	–18.1
Thailand	69,375.3	57,012.0	19.8	–17.8
Viet Nam	29,494.6	22,404.0	27.3	–24.0

Source: ASEAN Trade Statistics Database (as of 15 April 2010)
Note: 2009 data are preliminary data
n.a. - data not available

Table 10.4: Intra ASEAN Exports and Imports, 2008-2009 (Value in US$ million; change in percent)

COUNTRY	Intra-ASEAN Exports				Intra-ASEAN Imports			
	Value in US$ million		Change in percent		Value in US$ million		Change in percent	
	2008	2009	2008	2009	2008	2009	2008	2009
Total	**242,497.5**	**197,477.4**	**11.6**	**–18.6**	**215,579.8**	**171,113.1**	**16.8**	**–20.6**
Brunei Darussalam	1,972.9	1,229.3	–8.2	–37.7	1,562.7	1,242.8	50.6	–20.9
Cambodia	310.6	n.a.	23.5	n.a.	1,599.3	n.a.	24.7	n.a.
Indonesia	27,170.8	24,623.9	21.9	–9.4	40,991.7	27,722.0	72.3	–32.4
Lao PDR	724.4	n.a.	181.5	n.a.	1,490.9	n.a.	158.6	n.a.
Malaysia	50,401.4	40,317.1	11.3	–20.0	34,675.3	31,662.5	–7.1	–8.7
Myanmar	3,853.4	3,196.7	12.4	–17.0	1,728.2	2,065.7	22.3	19.5
Philippines	7,081.7	5,838.4	–11.8	–17.6	14,316.7	10,910.3	11.2	–23.8
Singapore	101,477.3	81,452.4	6.8	–19.7	69,878.1	58,913.5	6.1	–15.7
Thailand	39,487.0	32,227.6	20.0	–18.4	29,888.2	24,784.3	19.6	–17.1
Viet Nam	10,017.8	8,592.0	29.6	–14.2	19,476.8	13,812.0	26.1	–29.1

Source: ASEAN Trade Statistics Database (as of 3 March 2010)
Note: 2009 data are preliminary data
n.a. - data not available

Intra-ASEAN Trade

Intra-ASEAN trade decreased by 19.5% to US$368.6 billion in 2009 (not inclusive of Brunei Darussalam, Cambodia and Lao PDR) from US$458.1 billion in 2008. The 19.5% decline in total intra-ASEAN trade was mainly attributed to the global economic slowdown.

ELIMINATION OF NON-TARIFF BARRIERS

The ASEAN-5 (Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand) are committed to removing all NTBs by 2010, the Philippines by 2012 and CLMV by 2018 to facilitate the free flow of goods in ASEAN. Their commitments are reflected in the AEC Scorecard, a mechanism to track implementation of initiatives and activities outlined in the AEC Blueprint.

Malaysia in 2009 removed import licensing requirements for 16 products of iron and steel for the 3rd tranche commitment scheduled for 2010. Thailand is expected to eliminate Tariff Rate Quotas on coffee, tea and coconut in 2010 in line with their 3rd tranche of commitments.

INVESTMENT

Investment Flows into ASEAN

Foreign direct investment (FDI) flows to ASEAN in 2008 declined by 14.6% to US$59.7 billion from US$69.9 billion in 2007. The global economic and financial crisis triggered reduction in demand in the developed countries which translated into a slowdown in greenfield investments as well as mergers and acquisitions in ASEAN. Most ASEAN Member States except for Indonesia, Myanmar and Viet Nam experienced decline in FDI flows. Singapore was the main recipient of FDI inflows among ASEAN Member States with 38.2% share of total FDI into the region followed by Thailand 16.5%, Viet Nam 13.5%, Indonesia 13.3% and Malaysia 12.3%.

The major sources of investments in ASEAN in 2008 were Japan US$7.2 billion, the United Kingdom US$5.5 billion, the Netherlands US$3.7 billion and the United States of America US$3 billion. These countries together contributed almost 32.5% of total FDI inflows into ASEAN. Singapore was also a major contributor of FDI into ASEAN Member States, investing US$6.1 billion in the region in 2008. FDI inflows continued to be concentrated in the services sector which accounted for 51.1% of total inflows while the manufacturing sector accounted for 29.8%. Financial intermediation and related services sub-sectors were the main recipients accounting for more than 40% of total FDI in services.

ASEAN Outward Investments

Outward investments by ASEAN declined by 29.9% to US$32.1 billion in 2008 from US$45.8 billion in 2007. Outward investments were mainly from Malaysia and Singapore which accounted for 43.8% and 27.8% respectively of total ASEAN outward investments.

Malaysia's outward investments in 2008 increased to US$14 billion from US$11 billion in 2007. Major investment destinations were Indonesia, Singapore, Mauritius and Hong Kong SAR. Investments to ASEAN accounted for 21.4% of total outward investments.

Intra-ASEAN Investments

Intra-ASEAN investments, despite the decline in global FDI flows, grew by 14.5% to reach US$10.8 billion in 2008 from US$9.5 billion in 2007 indicating the positive impact of the ASEAN economic integration efforts. Intra-ASEAN investments accounted for 18.1% of total FDI flows to ASEAN. The leading source of outward intra-ASEAN investments was Singapore with a 57% share amounting to US$6.1 billion followed by Malaysia US$3 billion, Indonesia US$670.4 million and Thailand US$594.7 million. Malaysia's intra-ASEAN investment outflows in 2008 were mainly to Singapore, Thailand and Indonesia. Indonesia was the largest recipient of intra-ASEAN investments amounting to US$3 billion, followed by Thailand US$2.4 billion and Viet Nam US$2.3 billion.

ASEAN Investment Area

The ASEAN Comprehensive Investment Agreement (ACIA) signed on 26 February 2009 involved revision, merging and enhancement of the Framework Agreement on the ASEAN Investment Area (AIA-

Table 10.5: Intra-ASEAN Investment Flows, 2008

Source Member State	Host Member State (US$ million)										
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
Total	**0.9**	**240.9**	**2,955.0**	**47.7**	**1,607.6**	**0.0**	**47.6**	**1,108.2**	**2,446.3**	**2,273.2**	**10,727.5**
Singapore	0.4	2.0	2,121.2	0.3	1,251.2	-	46.1	-	2,399.1	313.5	6,133.8
Malaysia	0.5	135.6	753.6	0.4	-	-	0.9	485.6	22.4	1,612.2	3,011.3
Indonesia	-	-	-	-	51.5	-	0.4	587.5	7.9	23.1	670.5
Thailand	-	4.8	79.1	34.3	280.6	-	0.3	(54.7)	-	250.3	594.7
Viet Nam	-	98.5	0.2	12.5	2.9	-	(0.2)	30.5	(10.8)	-	133.7
Philippines	-	-	0.9	-	14.4	-	-	9.1	29.0	15.9	69.3
Brunei Darussalam	-	-	-	-	5.0	-	0.03	0.5	(3.6)	54.6	56.6
Myanmar	-	-	-	0.2	-	-	-	42.6	1.1	-	43.9
Cambodia	-	-	-	0.01	1.9	-	-	7.1	1.1	2.0	12.1
Lao PDR	-	-	-	-	-	-	-	-	0.1	1.5	1.6

Source: FDI Database, ASEAN Secretariat

Notes: (1) Data compiled from respective ASEAN Central Banks and National Statistical Offices. Unless otherwise indicated, the figures include equity, inter-company loans and reinvested earnings.

(2) Myanmar could only provide aggregate figures for 2008.

(3) Figures for Philippines include reinvested earnings and inter-company loans.

*(4) * Figures in parenthesis indicate net outflows which include disinvestments of equity and repayment of inter-company loans.*

1998) and the ASEAN Agreement for the Promotion and Protection of Investments (IGA-1987). The ACIA contains comprehensive investment liberalisation and protection provisions and will extend benefits to both ASEAN investors and foreign-owned ASEAN-based investors.

ASEAN Member States continued to finalise their reservation lists for inflow of investments. The exercise is expected to be completed before the 42nd ASEAN Economic Ministers (AEM) meeting on 23 – 27 August 2010. The operationalisation of ACIA, in particular the finalisation of the reservation lists, is expected to provide greater transparency of the investment regimes of ASEAN Member States.

The ASEAN Coordinating Committee on Investment (CCI), in addition to the work on finalisation of the reservation lists under ACIA, continued its work to implement the programmes under the AIA in 2009 in order to enhance the ASEAN investment environment. ASEAN participated in the promotional/facilitation activities under the 5th China-ASEAN Expo (CAEXPO), 22-25 October 2008, Nanning, the People's Republic of China (PRC). CAEXPO focused on facilitating and promoting investments between the PRC and ASEAN.

There were several publications produced to enhance transparency of Member States' investment regime and provide information on investment opportunities in ASEAN. They were:

- ASEAN Investment Report 2008;
- Statistics of FDI in ASEAN 2008;
- Brochure on Doing Business in ASEAN;
- ASEAN Investment Map;
- CD-ROM on Doing Business in ASEAN (Facts and Figures 2009); and
- Compendium on Investment Measures and Policies in ASEAN: ASEAN Investment Guidebook 2009.

All FTAs signed with the dialogue partners will include a chapter on investments to facilitate the creation of an attractive investment environment in ASEAN Member States. ASEAN signed the ASEAN-

Australia-New Zealand Free Trade Agreement (AANZFTA) on 27 February 2009 which entered into force on 1 January 2010. The ASEAN-Korea Investment Agreement signed on 2 June 2009 entered into force on 1 September 2009 and the ASEAN-China Investment Agreement was signed on 15 August 2009.

SERVICES

The services sector remains a significant component of the ASEAN economy. Its contribution to the respective ASEAN Member States' gross domestic product (GDP) ranged from 40% to 70%. ASEAN's trade in services expanded by 32% in 2009 despite the global economic slowdown.

ASEAN's efforts at liberalising the services sector commenced in 1995 with the signing of the ASEAN Framework Agreement of Services (AFAS). The Framework Agreement serves to facilitate the free flow of services within ASEAN by 2015. The process of progressive liberalisation of the 128 services sub-sectors is outlined in the AEC Blueprint which is implemented through the respective packages of liberalisation.

The Protocol to implement the 7th Package under AFAS signed on 26 February 2009 reflected the determination of ASEAN Member States to adhere to the AEC Blueprint targets despite the global financial crisis. The market access offered for Mode 3 (commercial presence) of the Priority Integration Sectors (PIS) now allows for majority equity shareholding of at least 51%.

ASEAN Member States have another four packages of commitments to be completed by 2015 following completion of the current AFAS 7th Package.

Malaysia has met her commitments under the 7th Package with the liberalisation of the required 65 sub-sectors. The equity ownership offered to ASEAN investors ranges from 30-100%. A total of 20 new sub-sectors were committed besides market access improvements to the existing 45 sub-sectors.

ASEAN Member States are pursuing initiatives under the Mutual Recognition Arrangement (MRA) on Services that complement the services liberalisation efforts under AFAS. The MRA will facilitate the movement of qualified ASEAN professionals within the region. Five MRAs and two Framework MRAs have been concluded to date namely:

- engineering services;
- nursing services;
- architectural services;
- medical practitioners;
- dental practitioners;
- Framework Agreement on Surveying Qualifications; and
- Framework Agreement on Accounting Services.

The Engineering MRA has established the ASEAN Chartered Professional Engineers Register (ACPER). Qualified engineers under the MRA are eligible to offer their services in participating ASEAN Member States. Six countries to date, namely Malaysia, Indonesia, Lao PDR, the Philippines, Singapore and Viet Nam have notified their participation in the MRA. There are 253 ACPER members from Indonesia, Malaysia and Singapore. The Coordinator and Chairperson of the MRA, Indonesia, has established the office of the ACPER Secretariat in Jakarta.

The ASEAN Chartered Professional Engineering Coordinating Committee (ACPE) website (www.acpecc.org) has been established to disseminate information relating to domestic regulations governing engineering services in each ASEAN Member State, guidelines for membership in ACPE as well as on activities carried out.

Malaysia will host the ASEAN Architect Council (AAC) Secretariat for the next two years and chairs the Architecture Experts Services Group under the ASEAN MRA on Architecture Services. Seven Member States, namely Malaysia, Indonesia, Lao PDR, the Philippines, Singapore, Thailand and Viet Nam have notified their participation in the MRA. The AAC has established a website (www.aseanarchitectcouncil.org) to promote the AAC. The ACC will start its membership drive in 2010 once the administrative rules have been completed.

Five Common Core Competencies under the MRA for Nursing Services have been agreed namely:

- ethics and legal practice;
- professional nursing practice;
- leadership management;
- education and research; and
- professional, personal and quality development.

Malaysia advocated adoption of these competencies during the International Nursing Conference in Kuala Lumpur from 12-13 October 2009. Malaysia is proposing to hold an ASEAN Nursing Workshop in 2010 to further promote the MRA.

The ASEAN MRA groups are undertaking efforts to promote their respective MRAs at both the national and regional levels. The necessary domestic procedures, including amendments to relevant domestic regulatory mechanisms are also being undertaken to facilitate participation of the Member States in the MRAs. Outreach programmes to promote the MRAs, including an ASEAN engineers networking event, are being planned by Malaysia.

SECTORAL COOPERATION

Finance

The roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin) continued to make progress in the areas of capital market development, liberalisation of trade in financial services, capital account liberalisation and currency cooperation.

The ASEAN Finance Ministers have endorsed the Implementation Plan to Promote the Development of Integrated Capital Market in ASEAN to achieve the objectives of the AEC Blueprint by 2015. The Plan provides a comprehensive approach at building an integrated regional capital market with strategic initiatives and milestones to strengthen financial intermediation, enhance capacity and manage risks to support national and regional growth.

Most ASEAN Member States have adopted Article VIII of the International Monetary Fund's (IMF) Articles of Agreement for capital account liberalisation. All Member States have also started to assess and identify FDI rules relating to transfer and will further liberalise restrictions to achieve the objectives of the AEC Blueprint.

ASEAN Finance Ministers, recognising the different levels of financial services development and readiness among ASEAN countries, agreed to undertake a 'Study on Assessing the Financial Landscape in ASEAN'. The study will:

- review and map the current financial sector regimes within ASEAN;
- identify gaps and constraints that inhibit financial integration; and
- develop a comprehensive framework with specific recommendations and timelines for achieving the progressive liberalisation of financial services.

ASEAN Member States remain committed to creating a facilitative environment for infrastructure financing to strengthen the medium and long-term growth prospects of the region. Engaging the private sector and multilateral institutions to facilitate fund raising and mitigate risks will be pivotal to support higher levels of infrastructure development.

During the 13th ASEAN Finance Ministers' Meeting on 9 April 2009 in Pattaya, Thailand, Ministers announced that the World Bank-ASEAN Partnership will establish the Infrastructure Finance Network (IFN). The IFN is an important regional knowledge exchange platform to strengthen policy dialogue with a view to broadening approaches in mobilising financing for infrastructure, building capacity and establishing a credit culture in public sector infrastructure operations.

Subsequently, the ASEAN Investment Day was held during the Asian Development Bank (ADB) Annual Meeting in Bali, Indonesia on 3 May 2009 as part of ASEAN's effort to promote ASEAN as an asset class. The event featured investors' seminars and regional-finance related seminars and exhibitions. The Malaysian Industrial Development Authority (MIDA) used this opportunity to promote Malaysia's investment opportunities.

Agriculture and Forestry

Progress has been made in enhancing ASEAN competitiveness through the improvement and alignment of ASEAN standards with internationally recognised standards in agriculture and forest products.

The 31st ASEAN Ministerial Meeting on Agriculture and Forestry on 10 November 2009 expressed satisfaction with progress made in the food, agriculture and forestry sectors. Ministers endorsed the following ASEAN standards and documents to further enhance ASEAN competitiveness and cooperation in agriculture and forestry sectors:

- List of seven ASEAN Maximum Residue Limits (MRLs) for five pesticides: carbendazim (grapes and oranges), chlorpyrifos (longans and lichi), phosalone (durian), ethion (pomelo) and deltamethrin (chilli pepper);
- ASEAN Standards for Young Coconut, Banana, Garlic, and Shallot;
- Accreditation of the Veterinary Biologics Assay Division (VBAD), Pakchong, Thailand;
- ASEAN Criteria for Accreditation of Milk Processing Establishment;
- ASEAN Criteria and Indicators for Legality of Timber; and
- ASEAN Guideline on Phased Approach to Forest Certification.

The ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (SPA-FS) were established to achieve Food Security in ASEAN Region. ASEAN Member States welcomed and urged closer collaboration and partnership among dialogue partners, development partners and international organisations to foster coordination and implementation of activities as well as monitoring and reporting of progress of the AIFS Framework and the SPA-FS.

Information and Communication Technology

ASEAN Telecommunications and Information Technology Ministers are developing a comprehensive Information and Communication Technology (ICT) work programme to accelerate communication infrastructure initiatives and to bridge the ICT development gap across the region.

The ASEAN ICT Master Plan sets a common direction and goals to drive ICT development for the region. The Master Plan's objectives and programmes inculcate an enabling environment which promotes and facilitates ASEAN's regional ICT integration. The Master Plan is targeted for signing during the 10th ASEAN Telecommunications and Information Technology Ministers Meeting (TELMIN) which Malaysia will host in the third quarter of 2010.

Tourism

Despite the global economic slowdown in 2009 the tourism sector continued to perform well, with the intra-ASEAN travel emerging as a major contributor and accounting for 49% of the 65 million total international visitor arrivals in 2009.

ASEAN Tourism Ministers have agreed to contribute to the development of the ASEAN Connectivity Master Plan. Key elements of the ASEAN Tourism Strategic Plan (ATSP) 2011-2015 being developed will be incorporated into The Connectivity Master Plan. The ASTP will include sustainable development and extensive stakeholder involvement. It will provide a framework to address the opportunities and challenges of the ASEAN tourism sector.

An interactive website, www.SoutheastAsia.org will be utilised as the main marketing platform highlighting multi-destination travel within ASEAN Member States. It will also showcase services of SMEs involved in the sector to a wider audience.

Transport

Transport connectivity covers both physical and software aspects encompassing road, rail, air and sea linkages within ASEAN as well as ICT linkages. The various forms of transport would facilitate greater economic cooperation, trade, tourism and cultural exchanges among ASEAN Member States.

The Protocol to implement the 6th Package of Air Services Commitments under AFAS was signed by the ASEAN Transport Ministers on 11 December 2009. Continued efforts are also being undertaken to finalise the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFPLAS) to further expand access for ASEAN airlines to other ASEAN cities. The Agreement is targeted for signing in 2010.

The ASEAN Strategic Transport Plan (ASTP) 2011-2015 is being developed with other ongoing initiatives such as the Master Plan of ASEAN Connectivity and Comprehensive Asian Development Plan.

Standards and Conformity Assessment

All Member States have ratified the ASEAN Framework Agreement on MRAs which is a framework agreement providing guidance for the development of MRAs. The Working Group of Accreditation and Conformity Assessment is looking into ways of ensuring that there is consistency in policies among the various Product Working Groups (PWGs) and committees in accreditation and conformity assessment.

The Prepared Foodstuff PWG (PFPWG) and the Automotive PWG (APWG) are in the process of drafting MRAs for their respective sectors and are targeting to finalise the drafts by the end of 2010.

The ASEAN Cosmetic Directive (ACD) had entered into force on 1 January 2008. All Member States, except Indonesia, have implemented the ACD.

Customs Cooperation

Customs Administrations of Member States are implementing the 2005-2010 Strategic Plan of Customs Development (SPCD) as well as review of the ASEAN Agreement on Customs (1997). The process is expected to be completed in 2010. Member States have also started preparations for the review of the AHTN (ASEAN Harmonised Tariff Nomenclature) 2007/1 to be aligned with the newly adopted Harmonised System 2012 by the World Customs Organization.

ASEAN Member States had also adopted the WCO Standardised Risk Assessments/Model Risk Indicators as the guide in customs control. Attention is focused on the role of Customs in the protection of society in particular in the control of environmental goods and hazardous wastes and enforcement measures against contravention of the Convention on International Trade in Endangered Species (CITES).

Energy

Progress was made in the implementation of the ASEAN Plan of Action for Energy Cooperation (APAEC) 2004-2009 as well as in adopting APAEC 2010-2015 which will guide ASEAN energy cooperation in:

- establishment of the ASCOPE Gas Centre to implement a five-year work programme for the Trans-ASEAN Gas Pipeline project;
- establishment of the ASEAN Power Grid Consultative Council to oversee the overall development as well as implementation of the ASEAN Power Grid project;
- establishment of the Regional Energy Policy and Planning Sub-sector Network to oversee the implementation of the APAEC; and
- policy reviews and recommendations to deepen regional energy cooperation.

The ASEAN Petroleum Security Agreement (APSA) signed on 1 March 2009 sets strategic options to enhance response capability and minimise exposure to energy emergency situations. ASEAN Energy Ministers on 29 July 2009 also agreed to pursue initiatives to reduce regional energy intensity by at least 8% by 2015 based on the 2005 levels. Energy efficiency is one of the most cost effective ways to enhance energy security and address climate change challenges in the region.

Minerals

ASEAN's cooperation in the minerals sector has focused on strengthening regional cooperation to boost investment and sustainable development as well as improve management capacity in the mining industry. In this regard, the ASEAN Minerals Ministers on 16 October 2008 endorsed the priority projects and implementation of agreed activities in 2009-2010 including on Mine Safety and Health, Reverse Logistics Management for Sustainable Minerals and Metals Circulation and Workshop on Harmonising Mining and Protection of Natural Heritages.

Ministers also adopted the Terms of Reference for the ASEAN Plus Three Consultations which provides the collective platform to advance their cooperation in mineral sector development.

REGIONAL LINKAGES WITH DIALOGUE PARTNERS

ASEAN Plus Three

The 12th Consultations between the ASEAN Economic Ministers and their counterparts from the People's Republic of China (PRC), Japan and the Republic of Korea (ROK) was held on 15 August 2009 in Bangkok, Thailand. The AEM Plus Three continues its cooperation in strengthening regional economic cooperation to ensure sustainability of economic growth.

The AEM Plus Three engagement encompasses 14 Ministerial processes and cooperation in 20 fields such as ICT, small and medium enterprises (SMEs), standards and conformance, environment, logistics, disaster management, food and energy security, finance, free trade arrangements, health and youth. The AEM Plus Three remains committed to promoting regional integration and addressing protectionism.

The AEM had commissioned the second phase of a study on the East Asia Free Trade Area (EAFTA) from November 2008 to August 2009 to assess the feasibility of taking the ASEAN Plus Three economic relationship further. The phase II study presented to the 12th AEM Plus Three Meeting on 15 August 2009 had proposed that the overall EAFTA negotiations be launched at the latest by 2012. ASEAN's Plus One FTAs with the relevant Dialogue Partners have mostly been concluded and are in various stages of implementation. The study indicated that the next logical step for ASEAN is to consolidate these FTAs into a single regional undertaking involving the East Asia Dialogue Partners. Consultations are on-going on the merit of the EAFTA.

Initiatives have also been undertaken at the private sector level to strengthen the East Asia Business Council (EABC). They include the establishment of eight working groups based on the ASEAN Plus Three Cooperation Work Plan. The work plans will:

- monitor regional developments in their respective areas;
- provide recommendations to governments; and
- organise activities that would benefit the business community.

East Asia Summit

The 4th East Asia Summit (EAS) held on 25 October 2009 supported ASEAN's efforts for an ASEAN Master Plan on Regional Connectivity and an infrastructure development fund. The projects under the Master Plan are seen as a catalyst for regional integration.

The Economic Research Institute of ASEAN (ERIA) and East Asia since its establishment in 2008 has contributed research and policy recommendations for regional cooperation. The ERIA is working with the Asian Development Bank (ADB) and the ASEAN Secretariat to accelerate the completion of a Comprehensive Asia Development Plan.

The study on the Comprehensive Economic Partnership of East Asia (CEPEA) involving ASEAN, the PRC, Japan, the ROK, India, Australia and New Zealand has been completed. Four ASEAN Working Groups have been established, namely Customs Cooperation, Rules of Origin, Tariff Harmonisation and Economic Cooperation, to consider the various recommendations made in both the CEPEA and EAFTA studies. ASEAN's FTA partners will be invited to participate in the process once initial consolidation at the ASEAN level is implemented.

ASEAN-China

The ASEAN-China FTA was implemented on 1 January 2010 as ASEAN-6 and the PRC eliminated duties on products classified in their Normal Track. The duties on the remaining products in the Sensitive and Highly Sensitive Track will be reduced beginning 2012 and 2015 respectively. The PRC, despite the economic slowdown continued to be a key market for Malaysia and the other ASEAN Member States in 2009. The ASEAN Member States' trade with the PRC recorded an average annual growth of 19.8% for the period 2004-2009, making the PRC the largest trading partner of ASEAN. Total trade between ASEAN and the PRC amounted to

US$176.7 billion in 2009 compared with US$192.7 billion in 2008. The PRC was Malaysia's largest trading partner followed by Singapore, the USA and Japan in 2009.

Negotiations for the 2nd package of commitments under the ASEAN-China Trade in Services Agreement have been finalised and a Protocol to incorporate this 2nd package of commitments will be signed ad-referendum. The ASEAN-China Investment Agreement was signed on 15 August 2009 to further facilitate trade and investment and provide investment protection. The ASEAN-China Investment Agreement has entered into force on 1 January 2010 for all ASEAN Member States (except Cambodia and Indonesia) and the PRC. The FDI inflows from the PRC into ASEAN for the period 2000-2008 amounted to US$5.1 billion.

The PRC hosted the 6th China–ASEAN Expo in Nanning from 20-24 October 2009 to enhance private sector linkages. A total of 119 Malaysian companies and Government agencies participated in this annual exhibition to expand the market for their products as well as to capitalise on the investment prospects in the PRC and on the ASEAN-China FTA.

ASEAN and the PRC are also working towards further strengthening cooperation between the two regions. Two Memoranda of Understanding (MoU) namely the MOU on Intellectual Property (IP) and MOU on Technical Barriers to Trade (TBT) were signed during the 12th ASEAN-China Summit on 27 October 2009. The objective of the ASEAN-China MoU on IP is to enhance strategic cooperation and coordination on issues related to:

- intellectual property rights protection including best practices relating to examinations;
- quality control;
- examiners' training; and
- other IP related issues.

The ASEAN-China MoU on TBT covers standards, technical regulation and conformity assessment. Areas of cooperation include:

- information exchange and communication;
- exchange visits;
- training courses, seminars and other similar activities; and
- collaborative research.

ASEAN-Japan

All ASEAN Member States except the Philippines have ratified the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) agreement. The AJCEP agreement entered into force for Malaysia on 1 February 2009. The notification of the AJCEP Agreement to the WTO was signed by the Permanent Representatives of Japan and Thailand on behalf of ASEAN and submitted on 23 November 2009 under Article XXIV 7(a) of the General Agreement on Tariffs and Trade (GATT) 1994.

The Second Joint Committee Meeting on AJCEP on 25-26 November 2009 decided to initiate discussions on the services and investment chapters of the Agreement. The decision was made on the basis that a comprehensive economic partnership agreement should also cover trade in services and investment.

ASEAN-Korea

The ASEAN-Korea FTA was implemented on 1 January 2010 as ASEAN-6 and the ROK eliminated duties on products classified in their Normal Track. The ASEAN-Korea Investment Agreement entered into force for the ROK and ASEAN Member States, except for Cambodia, Indonesia, Lao PDR and the Philippines. The ASEAN-Korea Free Trade Agreement (AKFTA) came into force in 1 June 2007. Import duties were being progressively reduced and eliminated under the FTA commencing 1 June 2007. The year 2010 marks an important year in ASEAN-Korea relations as duties for 100% of products in the Normal Track will be eliminated.

The ASEAN-Korea Trade in Services Agreement (TIS) was signed at the ASEAN-Korea Summit on 21 November 2007. The TIS Agreement entered into force on 1 May 2009 for the ROK and the six ASEAN Member States that have ratified the Agreement, namely Brunei Darussalam, Malaysia, Myanmar, the Philippines, Singapore and Viet Nam. The scope of offers was based on the proposed commitments under the World Trade Organisation (WTO), Doha Round and selected sectors under the Fourth Package of ASEAN Framework Agreement on Services (AFAS).

The ASEAN-Korea Investment Agreement was signed on 2 June 2009. The ratification process of the Investment Agreement is being undertaken by individual ASEAN Member States. Malaysia issued its instrument of ratification on 26 June 2009.

SME Corp. Malaysia chairs the Working Group on Economic Cooperation (WGEC). Several projects funded by the ASEAN-ROK Special Economic Cooperation Fund were implemented in 2009. These projects mainly focus on technical and technology exchange to enhance production efficiency of SMEs in the manufacturing and agriculture sector. Implemented projects in 2009 include:

- Training Programme on Upgrading Technical Capabilities of SMEs in the Agro-based Industry in the Post Harvest Management Operations;
- Improvement of Competitiveness of Enterprises through Technical-Support Production Efficiency;
- Training Course for the ASEAN Patent Examiners; and
- Training Program for Strengthening Cooperation in Standards and Technological Regulation between ASEAN and Korea.

The ASEAN-Korea Centre which was established in Seoul on 13 March 2009 will assume a vital role in enhancing economic cooperation between ASEAN and the ROK. The establishment of this centre is in line with the objective of the ASEAN-Korea FTA to facilitate promotional activities for trade and investment, including trade exhibitions, exchange of trade and investment missions and exchange of information on trade and investment.

ASEAN-India

Negotiations for the ASEAN and India Trade in Goods Agreement were concluded in 2009 and the Agreement entered into force for Malaysia on 1 January 2010. The AEM and the Minister of Commerce India signed the Protocols and Agreements for the implementation of the FTA on 13 August 2009 in Bangkok, Thailand. The Protocols and Agreements were:

- Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation (CEC) between ASEAN and India;
- Protocol to Amend the Framework Agreement on CEC between ASEAN and India;
- Agreement on Dispute Settlement Mechanism under the Framework Agreement; and
- Understanding on Article 4 of the Agreement on Trade in Goods under the Framework Agreement.

ASEAN Member States and India will progressively reduce and eliminate duties on a substantial number of products over a period of three to eight years beginning 1 January 2010. The Philippines, Cambodia, Lao PDR, Myanmar and Viet Nam are given an additional two to three years to reduce and eliminate their duties under this FTA.

Malaysia will eliminate import duties on 6,792 tariff lines by 31 December 2013, and 1,266 tariff lines by 31 December 2016. The import duties on 1,336 tariff lines will be reduced to 5% by 31 December 2016. Malaysia under this FTA excluded 898 tariff lines from tariff concessions. The products excluded are poultry products, tropical fruits and rice, iron and steel, automotive products, chemicals, alcoholic beverages, tobacco and tobacco products, and used tyres.

India will eliminate import duties on 7,767 tariff lines or products by 31 December 2013 and 1,260 tariff lines by 31 December 2016. The import duties on 1,810 tariff lines will be reduced to 5% by 31 December 2016. Negotiations on services and investment are currently on-going and expected to be concluded by the end of 2010.

ASEAN-Australia and New Zealand

The ASEAN-Australia New Zealand FTA, the first single undertaking economic agreement concluded by ASEAN with its Dialogue Partners, entered into force on 1 January 2010. The Agreement on the Establishment of the AANZFTA was signed in Thailand on 27 February 2009 and covers trade in goods, services, investment and economic cooperation. The AANZFTA covers a combined population of 600 million and a regional GDP estimated at US$2.7 trillion.

Australia and New Zealand will eliminate tariffs progressively within a period of three to 10 years. Malaysian exporters will enjoy full duty free access to both countries in 2020. Malaysia will also eliminate tariffs progressively on 99% of its tariff lines by 2020. Exporters must comply with the rules of origin to enjoy the tariff preference. The General Rule is that a product will be considered as an AANZFTA originating product if it has regional value content of not less than 40% of the FOB value and the final process of production is performed within a Party, or that all non-originating materials used in its production have undergone a Change in Tariff Classification (CTC) change at four digit level.

The commitments on trade in services include provisions on market access, national treatment, most-favoured-nation (MFN) treatment and safeguards. The AANZFTA facilitates the movement of business people engaged in trade and investment in both regions. An Economic Cooperation Work Programme (ECWP) that sets out objectives and indicative cooperation activities for supporting the implementation of the FTA was also developed.

ASEAN-European Union

The 7th Joint Committee Meeting of the ASEAN-EU FTA was held from 4 – 5 March 2009, in Kuala Lumpur. ASEAN Member States and the EU agreed at the Meeting that they will not pursue FTA negotiations due to divergent positions on a number of issues. The European Commission, has given mandate to its officials to begin bilateral FTA discussions with selected ASEAN countries given the difficulties of concluding a comprehensive FTA with ASEAN.

ASEAN-United States of America

ASEAN and the USA are working on enhancing the ASEAN-US Trade and Investment Framework Arrangement (TIFA) signed in 2006. Areas of collaboration identified include trade facilitation, trade and finance, government-business dialogue and an AEM Road Show to the USA in 2010.

The USA, notwithstanding progress under TIFA, has provided technical assistance to ASEAN under the United States Agency for International Development (USAID) facility. A total of 119 training activities were implemented in 2009 under USAID technical assistance programmes covering sector integration, investment, customs and trade facilitation, trade in services, trade negotiations and trade-related coordination and dialogue.

ASEAN-Gulf Cooperation Council and ASEAN-South American Common Market

The ASEAN Secretariat has commissioned an independent study on a step-by-step approach towards engaging the Gulf Cooperation Council (GCC) and Mercado Común del Sur (MERCOSUR) respectively on establishing free trade arrangements. The study has been completed and discussions are continuing at the officials' level to explore areas where ASEAN could undertake collaboration with GCC and MERCOSUR.

OUTLOOK

The systematic economic integration within ASEAN, combined with the region's enhanced engagements with its Dialogue Partners, is expected to lead the region on to the road to sustained economic recovery and growth in 2010. Intra-ASEAN trade and investment flows are expected to further expand with the realisation of AFTA and the coming into force of the ATIGA and the respective FTAs. The business community in the region in general, and Malaysia in particular, must take the initiative to understand the workings of AFTA and the other ASEAN FTAs. The private sector must operationalise these FTAs to truly benefit from them. Towards this end, MITI on its part will continue to undertake public awareness programmes to assist the Malaysian business community in gaining maximum benefits from intra-ASEAN and extra-ASEAN trade arrangements.

Box Article 10.1 – *7th Package of the ASEAN Framework Agreement on Services*

The ASEAN Framework Agreement on Services (AFAS) provides broad guidelines for ASEAN Member States to improve Market Access and ensure equal National Treatment for services suppliers among ASEAN Member States in all four modes of services supply. Commitments under AFAS are GATS-Plus which are more liberal and/or go beyond Member States' existing commitments under the WTO framework.

Malaysia has committed to date seven Packages of services commitments under AFAS from 1995 to 2009:

- *First Package (1997);*
- *Second Package (1998);*
- *Third Package (2001);*
- *Fourth Package (2004);*
- *Fifth Package (2006);*
- *Sixth Package (2007); and*
- *Seventh Package (2009).*

Under the AFAS 7th Package, at least 65 sub-sectors have met the set thresholds and parameters:

- *no restrictions for Mode 1 (cross border supply) and Mode 2 (consumption abroad) as these do not directly impact on domestic policies;*
- *not less than 51% foreign (ASEAN) equity for Mode 3 (commercial presence) for priority integration sectors (PIS); and*
- *not less than 49% foreign (ASEAN) equity for Mode 3 for other services sub-sectors.*

Under the 7th Package commitments, Malaysia committed 20 new sub-sectors for liberalisation, namely:

1. *Medical specialty and dental services;*
2. *Specialised nursing services;*
3. *Maintenance and repair services of computers;*
4. *Research and development services on natural sciences;*
5. *Interdisciplinary research and development services;*
6. *Leasing or rental services concerning other machinery and equipment without operator;*
7. *Leasing or rental services concerning personal and household goods;*
8. *Public opinion polling services;*
9. *Project management services other than for construction;*
10. *Disinfecting and exterminating services for building;*
11. *Specialty photography services (except aerial photography);*
12. *Packaging services;*
13. *Vocational rehabilitation services for the handicapped;*
14. *Maritime cargo handling services;*
15. *Classification societies (maritime);*
16. *Commission agents' services for textiles, clothing and footwear;*
17. *Franchising services;*
18. *Environmental services consisting of :*
    - *protection of ambient air climate;*
    - *noise abatement services; and*
    - *nature and landscape protection services covering only contaminated soil clean-up and remediation;*
19. *Storage and warehousing services for private bonded warehouses; and*
20. *Freight transportation covering private carriers for Class C Licenses*

In addition to the new sub-sectors, Malaysia has also made improvements in equity participation in the following sub-sectors:

1. *Veterinary services;*
2. *Research and development services in the fields of social sciences, humanities and economics;*
3. *Market research services;*
4. *Translation and interpretation services;*
5. *Voice telephone services;*
6. *Packet-switched data transmission services;*
7. *Circuit-switched data transmission services;*
8. *Telex services;*
9. *Telegraph services;*
10. *Facsimile services;*
11. *Private leased circuit services;*
12. *Electronic mail services;*
13. *Voice mail services;*
14. *On-line information and data base retrieval services;*
15. *Enhanced/ value added facsimile services;*
16. *Code and protocol conversion services ;*
17. *Motion picture, video tape and audio recording distribution services;*
18. *Private hospital services;*
19. *Hotel, tourist resort and restaurant services – 4 and 5 star hotels;*
20. *Travel agency and tour operator services;*
21. *Convention centre;*
22. *Theme park;*
23. *International maritime passenger transportation services (excluding cabotage);*
24. *International maritime freight transportation services (excluding cabotage);*
25. *Vessel salvage and refloating services;*
26. *Maritime agency services;*
27. *Maintenance and repair vessels;*
28. *Wastewater management; and*
29. *Other telecommunication services consisting of:*
    - *paging services;*
    - *domestic/international satellite services and satellite links/capacities (inclusive of mobile satellite;*
    - *satellite earth station;*
    - *international switching and other international gateway;*
    - *mobile services analogue/digital cellular;*
    - *trunked radio services;*
    - *video transport services;*
    - *mobile telephone services; and*
    - *mobile data services.*

Highlights of commitments made under the 7th Package by other ASEAN Member States:

	Sub-Sector/ Activity (Market Access for ASEAN Member States)
Indonesia	*Medical and Dental Services (PIS, 51%); Veterinary services (PIS, 51%); Hotels - 3, 4 and 5 star (PIS, 51%-100%); Hotels - 1 and 2 star (PIS, 51%); Tourism consultancy services (PIS, 51%); Spa Services (49%); Supporting services for road transport (49%).*
Thailand	*Residential property management on a fee or contract basis (49%); Oil and gas exploration (49%); Production services for radio and television programmes (49%); Wholesale trade services for sporting goods (49%).*
Singapore	*Franchising services (100%); Wholesale and retail sales of motor vehicles (100%); Biotechnology Services and industrial research (100%); Rental services of cars, buses and coaches with operators (100%).*
Philippines	*Hotels and restaurants (PIS, 51%); Production services of cartoons of any kind (49%); Services related to power generation; construction of power plants under BOT schemes (49%); Services related to the supply of energy : oil refinery, oil and gas terminal/depot, oil and gas and geothermal exploration and development (49%).*
Brunei Darussalam	*Construction (55%); Urban planning and landscape architectural services (50%); Healthcare services-medical and dental, nursing services, laboratory and X-ray services (PIS, 50%); Hotels and restaurants (PIS, 100%); Maritime agency services (49%).*
Viet Nam	*Professional services - legal, architecture, engineering, urban planning, accounting, taxation, bookkeeping (100%); Healthcare services -medical, dental, hospital, nursing and Para-medical (PIS, 100% - with minimum investment value); Courier services (PIS, 51%); Veterinary (49%).*
Cambodia	*Food and non-food retailing services in large supermarkets and department stores of floor space no less than 2000m2 (49%); Franchising services (49%); Placement and supply services of personnel (49%).*
Lao PDR	*Multi modal courier services (51%); Tourism consulting services (49%); Marketing management consulting services (49%); Sub-surface surveying services (49%); General management consulting services (49%).*
Myanmar	*Landscaping services (100%); Services incidental to energy manufacturing, including electricity (100%); Courier services (100%); Healthcare services-medical and dental, nursing, hospital and ambulance services, residential health facilities, human health services (PIS, 51%); Hotels and restaurants (PIS, 35-100%).*

CHAPTER 11

DEVELOPMENTS IN THE MULTILATERAL TRADING SYSTEM

OVERVIEW

The World Trade Organisation (WTO) is the key organisation responsible for the smooth functioning of the multilateral trading system. Consultations and discussions throughout 2009 both at the Ministerial and Senior Officials levels were held to move the trade negotiations forward for an early conclusion of the Doha Round.

There was a general consensus among Members that countries should not resort to protectionist measures to safeguard their economies to overcome the effects of the global financial crisis which began in the third quarter of 2008. A successful outcome of the Doha Round would boost confidence in the global economy and contribute to development and poverty alleviation.

The WTO in early 2009 further enhanced the work of its Trade Policy Review Body by issuing quarterly reports on trade measures implemented by Members as a direct response to the financial crisis. The reports served as a check and balance mechanism through monitoring protectionist tendencies that may have an impact on the multilateral trading system.

The WTO undertook to facilitate the availability of trade finance, especially for exporters from developing countries in collaboration with related international organisations, such as the International Monetary Fund (IMF) and United Nations Conference on Trade and Development (UNCTAD).

The Seventh WTO Ministerial Conference held in Geneva from 30 November – 2 December 2009 provided the platform for Trade Ministers to evaluate and reinforce the effectiveness of the WTO as the multilateral trade organisation in addressing current global economic challenges.

DEVELOPMENTS IN THE DOHA ROUND

The Doha Development Agenda (DDA), which was launched in 2001, continued to remain in 2009 the focus of the WTO work programme to liberalise market access in goods and services and further improve the rules governing the multilateral trading system. Despite active engagement among Members, as well as the political call to push for the conclusion of the Doha Round by 2010, there was limited progress in all areas being negotiated under the DDA.

Ministerial meetings and discussions were held in various fora to provide momentum to the DDA negotiations, including:

- Cairns Group Meeting, 7-9 June 2009, Bali, Indonesia;
- Informal Ministerial Meeting, 3–4 September 2009, New Delhi, India;
- G20 Leaders' Meeting, 24-25 September 2009, Pittsburgh, the United States of America (USA); and
- APEC Leaders' Meeting, 14-15 November 2009, Singapore.

The Ministers during their discussions also stressed the urgent need for a speedy conclusion of the Doha Round negotiations.

The Ministers, in addition, took advantage of the Seventh Ministerial Conference in December 2009 to discuss steps to narrow differences among Members and reiterated the importance of concluding the Doha Round negotiations as a means to stimulate global economic growth. The Ministers also agreed for a stock-taking exercise on the progress of DDA negotiations to be undertaken in the first quarter of 2010 and reaffirmed the need for continued engagement and leadership to bridge the gaps on the remaining issues in the negotiations.

AGRICULTURE

Agriculture negotiations in 2009 under the DDA focused on resolving key outstanding areas, either through formal and informal discussions or bilateral consultations on specific issues. Efforts were also undertaken to prepare templates for the scheduling of commitments based on the rules proposed in the December 2008 modalities text.

The December 2008 modalities text outlined agreements on key areas of agriculture negotiations relating to:

- reduction or elimination of tariffs;
- reduction of domestic subsidies, especially by developed Members; and
- elimination of export subsidies as well as improving disciplines relating to export financing support.

Malaysia participated actively in the agriculture negotiations to ensure greater market openings through the reduction of tariffs and non-tariff barriers for products of export interest to the country. The reduction of subsidies given to farmers, especially in the developed countries, will allow agriculture products from Malaysia to better compete in the global market.

Tariff Reduction

The proposed modalities text required developed countries to undertake overall tariff reduction, with a minimum average tariff cut of 54%, while developing countries will undertake a maximum average cut of 36%. Malaysia will continue to support higher tariff cuts to increase market access for agriculture products.

Flexibility in tariff reduction is also provided for sensitive products, through lesser tariff reduction than that required for overall tariff reduction. Developed countries can designate 4% of their total agriculture tariff lines as sensitive products. An additional 2% of tariff lines can be designated as sensitive products, if more than 30% of tariff lines are in the highest reduction band under the overall tariff reduction formula. However, for these additional sensitive products, further quota expansion is required.

Developing countries can designate one-third more tariff lines than developed countries as sensitive products. Developing Members in addition are allowed to designate up to 12% of total agriculture tariff lines as special products that are important for food security or rural development. The products are allowed an average overall cut of 11%; a maximum of 5% tariff lines out of the 12% special product lines are exempted from tariff cuts. Malaysia considers that designation of sensitive products and special products should be limited so as not to hinder market access for agriculture products under these categories.

Domestic Subsidies

Members under the proposed modalities text must reduce trade distorting subsides that have been notified to the WTO. The proposal would require the European Union (EU) to reduce trade distorting subsidies by 80%; Japan (75%); the USA (70%); and others (55%). Malaysia supports the higher reduction of trade distorting subsidies, especially by developed Members, as this will allow agriculture products from Malaysia and developing countries to compete on a level playing field.

Export Subsidies

Members have agreed at the Hong Kong Ministerial Conference in 2005, to eliminate all forms of export subsidies by the end of 2013. The proposed modalities text required elimination of all export subsidies by 2013 for developed countries and 2016 for developing countries. The re-introduction of export subsidies for dairy products by the EU and the USA in 2009 was seen as trade distortive and not in line with the proposed modalities text. The Cairns Group, representing key agriculture export Members including Malaysia, voiced objection to the reinstatement of export subsidies by the EU and the USA.

Key Outstanding Areas

Key outstanding areas which need resolution to progress negotiations in agriculture include:

- Special Safeguard Mechanism (SSM) for developing countries where Members need to agree on the criteria for invoking the mechanism. The SSM is a temporary measure to protect domestic markets against sudden import surges or price declines;
- preference erosion for tropical products where Members need to agree on the list and quantum of tariff reduction. Preference erosion refers to the erosion of benefits which is currently being enjoyed by the African, Caribbean and Pacific (ACP) group of countries, as a result of tariff liberalisation for tropical products under the DDA; and
- subsidies in cotton where a higher level of reduction is required to be undertaken by developed countries compared with the overall cut of other trade distorting subsides. The ACP group of countries has an interest in this area.

NON-AGRICULTURE MARKET ACCESS

The Non-Agriculture Market Access (NAMA) negotiations in 2009 focused on clarifying technical issues as well as narrowing differences in key areas, including:

- coefficients for tariff reduction formula;
- flexibilities in tariff reduction for developing countries;
- non-tariff barriers (NTBs); and
- sectoral liberalisation initiatives.

Coefficients for Tariff Reduction Formula

Tariff reduction in NAMA in line with the principle of "*less than full reciprocity*" is implemented based on a formula in which a lower coefficient will result in steeper tariff reduction, while a higher coefficient will result in smaller tariff reduction. Developed countries under this principle are required to undertake higher level of commitments compared with developing countries. Consensus among Members have emerged on the degree of tariff reduction to be undertaken by developed and developing countries. The proposed coefficient for developed Members is eight, while developing Members are given the flexibility to choose either coefficients of 20, 22 or 25.

Malaysia wants meaningful improvements in market access for its export of manufactured goods through reductions in the tariffs of other Members. Malaysia is supportive of the proposed coefficients for developed and developing Members.

Flexibilities in Tariff Reduction for Developing Countries

Discussions in 2009 on the degree of flexibility to be accorded to developing countries in implementing their tariff reduction has stabilised and developing countries are allowed flexibilities based on their chosen coefficients. Malaysia believes that the current proposed choice of coefficients and its corresponding flexibilities provide adequate protection for most developing countries.

The current proposed coefficients and its corresponding flexibilities allow Malaysia to address its concerns on the level of tariff binding commitments and to exclude sensitive products from binding commitments.

Non-tariff Barriers

Negotiations continued in 2009 with extensive technical discussions on non-tariff barriers (NTBs). Member countries submitted various questions and sought clarifications on NTBs proposals. Discussions focused on the seven prioritised NTBs proposals as highlighted in the December 2008 modalities text, including:

- Ministerial Decision on Procedures for the Facilitation of Solutions to NTBs;
- Ministerial Decision on Trade in Re-manufactured Goods;
- Negotiating Proposal on NTBs in the Chemical Products and Substances Sector;
- Understanding on the Interpretation of the Agreement on Technical Barriers to Trade as Applied to Trade in Electronics;
- Agreement on NTBs pertaining to the Electrical Safety and Electromagnetic Compatibility (EMC) of Electronic Goods;
- Understanding on the Interpretation of the Agreement on Technical Barriers to Trade with respect to the Labelling of Textiles, Clothing, Footwear, and Travel Goods; and

- Agreement on NTBs pertaining to Standards, Technical Regulations and Conformity Assessment Procedures for Automotive Products.

The focus of work in 2010 is to improve and clarify technical issues relating to the NTB texts. Proposals will be evaluated based on merit and any outcome of the discussion will take into account Special and Differential (S&D) treatment for developing countries.

Malaysia remains open to discussions on NTBs proposals that would remove barriers for products of its export interest, particularly for automotive products and electrical and electronics products.

Sectoral Liberalisation Initiatives

Proponents of sectoral initiatives in 2009 continued to seek greater tariff liberalisation in selected sectors over and above what will be offered under the formula modality. Key issues relating to the implementation schedule, voluntary participation of developing countries, as well as provision of S&D treatment for developing countries, however, remain unresolved.

Developing countries are of the view that in order to encourage participation in sectoral initiatives, there should be adequate provisions for S&D treatment such as lesser tariff cuts, longer implementation period or partial product coverage.

There are 14 sectors under negotiation. Malaysia is considering participating in five sectoral initiatives, namely electrical and electronics, industrial machinery, gems and jewellery, sports equipment and toys.

SERVICES

Negotiations on services continued to focus on:

- achieving higher levels of market access liberalisation through increasing the level of commitments in sectors and modes of supply;
- developing disciplines on domestic regulations; and
- rule-making in the areas of emergency safeguard measures (ESM), government procurement and subsidies.

Discussions also focused on the possibility of a waiver approach that would allow Members to extend preferential treatment to services and service suppliers for the Least Developed Countries (LDCs).

Market Access

Bilateral consultations in 2009 were held to obtain clarification on possible market access improvements made by key Members during the July 2008 Ministerial Signalling Conference. The 2008 Conference, attended by 31 Members including Malaysia, was held to gauge progress in the services negotiations.

Malaysia participated in 18 bilateral meetings involving countries such as Australia, Canada, the EU, Hong Kong SAR, Japan, the USA and Switzerland. The countries involved were seeking ambitious market access commitments from Malaysia in the areas of finance, telecommunications, maritime, distributive trade, environment and professional services. Malaysia, in addition to clarifying technical details, proposed offers for the Doha Round. Malaysia also elaborated on its policy announcements regarding:

- liberalisation of the 27 services sub-sectors and financial services; and
- de-regulation of the Foreign Investment Committee (FIC) Guidelines.

The services sector is the largest contributor to the Malaysian economy, with a GDP share of 57.4% in 2009. Malaysia is seeking better market access for domestic suppliers to export their services not only to developed countries, but also to developing countries. Areas where our domestic services suppliers are competitive and export-ready include computer and related services, construction, education, tourism, healthcare services and professional services.

Domestic Regulation

The General Agreement on Trade in Services (GATS) Article VI:4 provides for Members to develop necessary disciplines aimed at improving transparency and to prevent domestic regulations from being disguised as barriers to trade in services. Negotiations are focused on key elements relating to licensing and qualification requirements and procedures, technical standards and scope of transparency requirements.

The Chair of the Working Party on Domestic Regulation issued a revised draft negotiating text on 20 March 2009. There were differing views on the revised draft text. A group of Members, including Malaysia, supported for it to be used as a basis for further negotiations while others such as Switzerland, India, Hong Kong SAR and Pakistan wanted disciplines to be more ambitious than the current draft text.

Switzerland, Australia, New Zealand, Chile, Colombia and Hong Kong SAR presented on 10 November 2009 a proposal to streamline the current draft provisions on licensing and qualification requirements and procedures as well as on technical standards. The proposal aims to provide coherence, remove duplicity and inject ambition into these integral aspects of the disciplines. Questions were raised by the People's Republic of China (PRC), Pakistan and Switzerland on the definition of disguised restrictions on trade in services.

Malaysia is supportive of concluding the negotiations on domestic regulation as it would reduce barriers to trade especially in markets of the developed countries where some regulations are stringent and hinder market access.

Rules

The Working Party on GATS Rules continued to discuss the possibility of establishing disciplines on ESM, government procurement and subsidies in the context of GATS. Progress on the negotiations in all the three areas of GATS Rules was minimal due to lack of support from Members.

The ESM would allow a Member to temporarily withdraw or modify its GATS specific commitments in the event of serious injury to domestic services suppliers due to liberalisation. A group of Members continued to express opposition to ESM, including its desirability and feasibility and raised questions on the concept of domestic industry. ASEAN countries together with Malaysia are the proponents for ESM.

Progress of negotiations on government procurement for services have been slow as WTO Members were unenthusiastic in engaging in constructive technical discussions as the issue remains sensitive to some Members. Political will is needed to resolve difficult issues and concerns in the negotiations.

Negotiations on GATS rules also focused on establishing a definition for subsidies in services. The WTO Members are of the view that disciplines on subsidies are important especially for subsidies that distort trade in services. The slow progress of negotiations was due to the lack of data on subsidies in services and reluctance of Members to participate actively in the information sharing exercise.

Malaysia is of the view that equal importance should be given to all three areas of market access, domestic regulation and GATS rules. Progress in the negotiations on domestic regulation and GATS rules should be in tandem with negotiations in market access.

Special Treatment for Least Developed Countries in Services

Discussions on special treatment for LDCs in services negotiations focused on the possibility of a waiver approach that would allow Members to extend preferential treatment to services and services suppliers of LDCs. There was no consensus on the approach and discussions will continue in 2010.

TRADE FACILITATION

The Negotiating Group on Trade Facilitation (NGTF) is focused on developing a new Agreement on Trade Facilitation aimed at establishing greater transparency, efficiency and procedural uniformity of cross-border transportation of goods.

Negotiations on trade facilitation progressed well in 2009, with Members continuing to clarify and improve textual proposals relating to:

- freedom of transit of goods;
- publication and administration of trade regulations; and
- fees and formalities related to imports and exports.

Discussions were also held on S&D treatment, technical assistance and capacity building for developing countries and LDCs in the implementation of the proposed measures when the Trade Facilitation Agreement comes into effect.

Developing countries and LDCs in the first half of 2009 voluntarily undertook to conduct their country needs assessment with technical assistance from the WTO. The objective was to identify gaps between the current and proposed measures, and gauge the capability of Members to implement future obligations. A total of 94 developing and LDC Members as at the end of 2009 had conducted the needs assessment exercise with technical assistance from the WTO.

Malaysia conducted its needs assessment programme on 13-19 April 2009. It was established that the necessary infrastructure and mechanism were in place to comply with the proposed measures.

Developing countries and LDCs have mixed views on the proposed measures in the proposed new Agreement. They emphasised the need for difficult measures to be undertaken on a best endeavour basis, taking into account their capacity to implement these measures. Members in general could agree to categorising the measures into those that:

- could be implemented immediately when the new agreement comes into force;
- need a longer time to implement; and
- require technical assistance and a longer time to implement.

The NGTF Chair on 14 December 2009 issued a draft consolidated negotiating text that will be the basis for negotiations in 2010. The draft text covers areas relating to:

- publication and administration of trade regulations;
- fees and formalities related to imports and exports;
- freedom of transit of goods;
- customs procedures;
- customs and border agency cooperation; and
- S&D treatment, technical assistance and capacity building for developing countries and LDCs in the implementation of the proposed obligations.

Malaysia fully supports the proposed new agreement as it is a multilateral arrangement that would benefit all Members by enhancing efficiency, transparency and predictability of rules relating to imports and exports.

SPECIAL AND DIFFERENTIAL TREATMENT

The Doha Declaration states that S&D treatment shall be an integral part of all the elements of the negotiations to enable developing countries to effectively benefit from the outcomes of the Doha Round and meet their specific developmental needs, including food security and rural development. The Committee on Trade and Development (CTD) has been tasked to administer the implementation of the various S&D treatment provisions in the WTO Agreements.

The Special Session of the CTD in 2009 focused on enhancing the proposed four elements of a Monitoring Mechanism:

- Preamble – to provide clarity on the objectives of the Monitoring Mechanism;
- Structure – to allow for a simple, practical and efficient system that would complement the already existing or in a proposed new Monitoring Mechanism;

- Scope – further clarify on the scope given that majority of the WTO Members feel that the Mechanism should monitor all S&D treatment provisions in the WTO Agreement; and
- Functions – to indicate the functionality of the Mechanism.

The discussions had largely taken place in small groups and continued on the basis of a non-paper by the Chair together with submissions tabled by both developed and developing Members.

The Monitoring Mechanism on S&D treatment will form an important part of the overall surveillance system of the WTO and will be beneficial to all Members. Malaysia supports and will continue to be constructively engaged in the process of establishing a Monitoring Mechanism on S&D treatment.

TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

There was limited progress in 2009 on key areas being discussed under the Trade-Related Aspects of Intellectual Property Rights (TRIPs) negotiations relating to the:

- establishment of a multilateral register of geographical indications (GIs) for wines and spirits;
- amendments of the TRIPs Agreement to include provisions of the Convention on Biological Diversity (CBD) as a pre-requisite to patent applications; and
- extension of GIs to products other than wines and spirits.

Progress in all the three areas were limited as Members remained divided in their positions. Members, on the issue of multilateral register for wines and spirits, agreed that consensus is needed with regard to participation (voluntary or mandatory) and consequences/legal effects of registration. Developing countries such as India and Brazil, and other mega-diverse countries rich with biological resources were steering the discussions on TRIPs and CBD. There was also limited discussion on the extension of GIs for products other than wines and spirits. Malaysia remains supportive in the discussions on all issues under the TRIPs negotiations as it provides overall benefits to the country in terms of promoting patented local products.

TRADE AND ENVIRONMENT

There is no agreement to date on what should constitute environmental goods although Members had agreed in 2008 to identify the list of environmental goods and services for tariff reduction or elimination.

There are three approaches to liberalise market access for environmental goods and services:

- Environmental List Approach (ELA)
    - products listed as environmental goods are subject to tariff cuts and eventual elimination of tariffs.
- Environmental Project Approach (EPA)
    - goods used in environment-oriented projects to be granted tariff exemptions. Services that are integral to the environmental project similarly will not be subjected to limitations in terms of market access.
- Integrated Approach
    - combination of ELA and EPA. The integrated approach requires scheduling of both the projects and goods that are considered environment-friendly.

The Chairman of the Committee on Trade and Environment in a Special Session in 2009 developed a work programme covering both the identification and submission of environmental goods and cross-cutting issues such as S&D treatment, technical assistance and technology transfer for developing countries. The work programme is without prejudice to other approaches in identifying environmental goods and services. Members, including Malaysia, are in the process of identifying the list of products that can contribute towards a sustainable environment.

Regarding the issue of the relationship between WTO rules and trade rules under the existing Multilateral Environmental Agreements (MEAs), Members remained divided on whether to pursue disciplines on a legal or non-legal basis. The MEAs include the Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC) and the Basel Convention. Members continued to exchange views on the applicability of WTO rules to WTO Members that have signed the MEAs.

RULES

The Chair of the Rules Negotiating Group in December 2008 issued a draft text on anti-dumping and subsidies which was the basis for negotiations in 2009. The Group throughout the year continued to meet in cluster meetings to advance the negotiations. There was no textual amendment made to the horizontal subsidies and anti-dumping text but the constructive engagements among Members led to the completion of the first review of the text. The Group completed the first round of discussions on possible transposition of differences between the provisions in the anti-dumping and the subsidies and countervailing texts.

Issues on anti-dumping which remain contentious include zeroing, sunset review, circumvention, lesser duty rule, standing, material retardation, *de minimis* dumping margin and negligible import volume as well as public interest. Malaysia supports efforts undertaken to clarify and improve disciplines in the anti-dumping agreement and actively participates in the negotiations to ensure that the proposed amendments benefit the country.

Subsidies as well as key issues arising from proposals to improve disciplines for horizontal subsidies include:

- definition of subsidy to further clarify the term 'benefits';
- determining specificity;
- scope of prohibited subsidies;
- calculation of the amount of subsidy; and
- illustrative list of export subsidies.

Malaysia is supportive of the Group's efforts to clarify and improve disciplines on subsidies. The basic concepts and principles of the Agreement on Subsidies and Countervailing Measures nonetheless must be preserved.

There were proposals tabled by Members on fisheries subsidies which consist of prohibition of specific types of fisheries subsidies, provision for S&D treatment for developing Members as well as new rules for fisheries management system to ensure sustainability of the fisheries industry. Malaysia supports the efforts to strengthen fisheries subsidies. Subsidies leading to over-fishing and over-capacity should be phased-out but not to the extent of hindering the development needs of developing countries and LDCs.

The Group negotiating the rules governing Regional Trade Agreements (RTAs) has not met since early 2007 although there have been small group meetings among interested Members. The Group has adopted the new Transparency Mechanism on RTAs which has been operating successfully on a provisional basis. Members are to review and if necessary modify the mechanism and replace it with a permanent mechanism adopted as part of the overall results of the Doha Round.

Negotiations on systemic issues of RTAs have not progressed. Contentious issues remain in areas such as transparency and quantitative benchmarks for defining 'substantially all trade' and developmental aspects of RTAs. Malaysia has given continuous support towards strengthening the principle of transparency in RTAs. Discussions to find ways to reinvigorate the negotiations are crucial to ensure that RTAs become building blocks, not stumbling blocks, to world trade.

DEVELOPMENTS IN DISPUTE SETTLEMENT UNDERSTANDING

Review of the Dispute Settlement Understanding

Members continued discussions to review the current rules on disputes based on the proposals from Members as reflected in the draft text which was released in 2008 by the Chairman of the Dispute Settlement Body (DSB) Special Session. Although the negotiations on Dispute Settlement Understanding (DSU) review are not part of the single undertaking (that is they are not tied to the outcome of the other negotiations mandated by the Doha Ministerial Declaration), Members want to align the process such that the review is completed at the time when the Doha Round is concluded.

Progress on the review of the current rules on disputes was minimal due to lack of support from Members.

Disputes

A total of 402 disputes had been filed up to December 2009 to the WTO, of which approximately half were settled between parties without the establishment of Panels. Developing countries for the period 1995-2009 were complainants in more than 45% of all cases and were respondents in more than 42% of the cases. The figures indicates the high degree of participation of developing countries in the system. Statistics on disputes shows that there is an increase in the number of third party participation in a dispute.

Nine panels were established in 2009 to hear the following disputes:

- The PRC against the USA in *Continued Dumping and Countervailing Duties on Certain Products from PRC*
  - The dispute is on anti-dumping and countervailing duties imposed pursuant to final anti-dumping and countervailing duty determinations and orders on Chinese products including circular welded carbon steel pipe, new pneumatic off-the-roads tyres, light-walled rectangular pipe and tube and laminated woven sacks.
- Canada against the Republic of Korea in *Measures Affecting the Importation of Bovine Meat and Meat Products*
  - Canada claimed that the Republic of Korea (ROK) maintains a ban on the imports of their bovine meat and meat products allegedly to protect against risks arising from Bovine Spongiform Encephalopathy. Canada also claimed that the ROK had adopted measures that place unjustified restrictions on the resumption of imports of their bovine meat and meat products.
  - Canada viewed that the measures taken by the ROK are not based on the relevant international standards, guidelines, recommendations or scientific principles, and without sufficient evidence. In addition, Canada considered that the ROK's measures are more trade restrictive than necessary, discriminatory and represent a disguised restriction to international trade.
- The PRC against the USA in *Certain Measures Affecting Imports of Poultry from the PRC*
  - According to the PRC, with the signing of the US Omnibus Appropriation Act of 2009 on 11 March 2009, under the provision of Section 727, no more funds will be made available to be used to establish or implement a rule allowing poultry products to be imported into the USA from the PRC. The Act resulted in a complete ban on the import of poultry from the PRC to the USA.
  - The PRC viewed this as a discriminatory protectionist measure in international trade. The PRC also pointed out that the US Congress is in the process of formulating a new agriculture appropriation Act and certain Congress Members are still insisting on inserting new provisions to restrict imports of poultry from the PRC.
- Brazil against the USA in *United States - Anti-Dumping Administrative Reviews and Other Measures Related to Imports of Certain Orange Juice from Brazil*

- The case challenges the USA's use of the zeroing methodology in anti-dumping. The Investigating Authority under the zeroing methodology disregards the export price that exceeds normal value (exporters' price in their home market) in the calculation of dumping. Parties entered into consultations in November 2008 on the USA application of the zeroing methodology for calculating dumping margins in its administrative review regarding imports of certain orange juice from Brazil. Brazil requested another consultation in May 2009 with regard to the use of zeroing in the anti-dumping duty investigation and in the second administrative review related to the same subject matter, as well as the continued use of zeroing in successive anti-dumping proceedings regarding the imports of orange juice from Brazil. Parties involved in the consultations failed to resolve the dispute.

- Mexico against the USA in *Measures Concerning the Imports, Marketing and Sales of Tuna and Tuna Products*

  - Mexico alleged that measures by the USA concerning imports, marketing and sale of tuna and tuna products have the effect of prohibiting the labelling of Mexican tuna and tuna products as 'dolphin-safe'. Mexico claimed that the measures were inconsistent with the Technical Barriers to Trade (TBT) Agreement (Article 2), and violated the Most Favoured Nation and National Treatment provisions under GATT (Articles I and III.4).

- Thailand against the USA in *Anti-Dumping Measures on Polyethylene Retail Carrier Bags from Thailand*

  - The dispute is on anti-dumping measures imposed by the USA on imports of plastic carrier bags from Thailand which challenges the use of zeroing methodology by the United States Department of Commerce (USDOC) to determine the final dumping margins.

- The USA, EU and Mexico against the PRC in *Measures Related to the Exports of Various Raw Materials*

  - The USA, the EU and Mexico are claiming that qualitative restrictions, export duties, imposition of additional requirements and procedures in connection with the raw materials, are inconsistent with Articles VII, X and XI of the GATT 1994 and also the PRC's obligations under its Accession Protocol. The measures are claimed to increase prices and limit the availability of raw materials. The DSB agreed to the complainants' request for a single panel to be established to hear this dispute.

- Canada and Mexico against the USA in *Certain Country of Origin Labelling Requirement*

  - Canada and Mexico alleged that the USA's implementation of Country of Origin Labelling Law (COOL) has led to a substantial reduction of Canadian and Mexican exports of pigs and cattle to the country and depressed prices. Canada and Mexico stated that COOL violates provisions in the Agreements of TBT, SPS and the GATT.

- The USA against the EU in *Certain Measures Affecting Poultry Meat and Poultry Meat Products*

  - The dispute is on the prohibition imposed by the EU on imports of poultry meat and poultry products treated with any other substance other than water, unless such substance has been approved by the EU. The USA submitted application for approval of the use of pathogen reduction chemical treatments for poultry and poultry products in 2002 but was rejected. The USA alleged that such rejection under the provisions of relevant laws of the EU is against the SPS Agreement, Agriculture Agreement, GATT and TBT Agreement.

IMPLEMENTATION ISSUES UNDER WTO AGREEMENTS

ACCESSION TO THE WTO

New accessions to the WTO allows the organisation to fulfil its goal of having universal membership and ensuring all trading nations enjoy the rights as well as fulfil the obligations of multilateral trade agreements. A total of 29 countries are in the process of accession to the WTO. The year 2009 marked the deepening of engagement by WTO Members on systemic accession matters. Discussions relating to the accession process and accession of LDCs in particular took place in several fora throughout the year.

Members and acceding Parties at the Seventh WTO Ministerial Conference conveyed a range of concerns which include according priority to LDCs' accessions, advancing and concluding work on individual accessions, strengthening transparency, deepening engagement, scaling-up technical assistance and outreach, and building on progress made in 2009. Members generally agreed that a successful accession can enable a country to undertake far-reaching domestic reforms to achieve trade and economic integration with substantial benefits.

Progress of individual accession revolves around the dynamics of the Working Party process and separate bilateral market access negotiations. A number of accessions in 2009 have not progressed as expected due to various factors such as domestic challenges and political problems and demands from Members that go beyond the acceding Parties' level of development.

The Informal Group of Developing Countries (IGDC), given the slow momentum in the accession process, tabled a proposal to overcome the obstacles and delays that were encountered by some Parties in their efforts to join the WTO. The proposal aims to improve the existing institutional mechanisms with the objective of providing the opportunity to the acceding developing countries to share their views on the accession process to Members. The progress reports will be periodically tabled at the General Council to further enhance transparency of the accession process.

The merging of Russia, Kazakhstan and Belarus as a customs union was an interesting development in the accession process. The three countries which have separately applied for accession (1993 for Belarus and Russia; and 1996, for Kazakhstan) announced to the WTO their intention to form a customs union in June 2009. The three countries would continue to undertake separate bilateral market access negotiations with WTO Members until there is decision by all Members on the accession process of negotiations for the customs union. Negotiations are expected to resume in 2010 after they were halted in June 2009. The common external tariff would be adjusted to take account of the three countries' commitments resulting from the accession negotiations, upon accession of their customs union to the WTO.

Russia has concluded bilateral market access agreements with 56 WTO Members, Kazakhstan, with 22 WTO Members and Belarus with 10 Members. Malaysia concluded its bilateral market access negotiations with Russia in December 2005 and Kazakhstan in December 2007. Malaysia has yet to conclude negotiations with Belarus.

Malaysia has been actively involved in the Working Party in the accession process for Lao PDR to ensure the latter's early membership into the WTO. Malaysia is also involved in the on-going discussions with Algeria, Tajikistan and Yemen. Among the other countries seeking accession and are trading partners for Malaysia include Iran and Iraq.

TRADE POLICY REVIEW

The Trade Policy Review Mechanism (TPRM) under the WTO was established to facilitate the smooth functioning of the multilateral trading system by achieving transparency and understanding of Members' trade and trade-related policies and measures. The TPRM is not intended to serve as a basis for enforcement of obligations under WTO agreements, nor for dispute settlement or to impose new policy commitments on Members.

All WTO Members have to undergo the trade policy review process and the frequency of the review varies according to its share of world trade. Four Members with the largest share of world trade, the USA, the EC, Japan and the PRC will be reviewed once every two years, while the next 16 Members, including Malaysia, will be reviewed every four years, and the remaining Members every six years.

A total of 270 reviews from 1995 to 2009 had been conducted involving 135 Members. The trade policy reviews in 2009 were conducted for 16 countries, namely Georgia, Niger, Senegal, SACU (Botswana, Lesotho, Namibia, South Africa and Swaziland), Maldives, Chile, Zambia, Guyana, Morocco, New Zealand, Solomon Island, Mozambique, the EU, Fiji, Brazil, Japan and Guatemala.

TECHNICAL ASSISTANCE

Malaysia in 2009 organised two technical assistance programmes in collaboration with the WTO Secretariat:

- National Seminar on Services, 15, 18 and 19 May 2009; and
- Regional Seminar on NAMA for Asian Economies, 2 – 5 June 2009.

The technical assistance programmes were attended by government officials and the private sector. The main objective of these seminars was to enhance understanding and technical knowledge on specific WTO subjects and issues. The knowledge obtained will assist the stakeholders in developing appropriate policies and negotiating positions of the Government in international trade negotiations at multilateral fora. The capacity building programmes were also beneficial in assisting the stakeholders to better understand the on-going negotiations in the WTO, ASEAN and bilateral and regional FTAs and the positions of other Members.

Malaysia also participated in technical assistance programmes conducted by the WTO in collaboration with other international organisations relating to RTAs, Government Procurement, TBT, Trade and Development and Regional Trade Policy.

OTHER ISSUES

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

The United Nations Conference on Trade and Development (UNCTAD) acts as a focal point within the UN system on issues relating to trade, development, finance, technology, investment and sustainable development. Commitments made in UNCTAD are non-binding.

UNCTAD conducts programmes which promote policies at the national, regional and international levels that are conducive to economic growth and sustainable development. The organisation also regularly examines trends and prospects in the world economy, undertakes studies on the requirements for successful development strategies and on debt problems of developing countries. UNCTAD also provides technical and administrative assistance to the Global System of Trade Preferences (GSTP) Committee of Participants and services the current round of GSTP trade negotiations

The Ministry of Science, Technology and Innovation (MOSTI) together with UNCTAD hosted a *Conference on Global Food Security: The Role of Science and Technology* in Kota Kinabalu, Sabah on 17 – 18 February 2009. The conference was attended by 233 international, regional, national and local experts who shared their knowledge and experience on global food security.

UNCTAD, through the Division on Investment and Enterprise (DIAE), promotes understanding of key issues particularly on matters related to foreign direct investments. DIAE the focal point in the UN system for investment and enterprise development, assists developing countries in attracting and benefiting from FDI, and building their productive capacities and international competitiveness.

UNCTAD publishes the World Investment Report (WIR) annually which highlights global foreign direct investment (FDI) trends, policies and prospects as well as report on a particular theme chosen for the year. The theme for WIR 2009 was "Transnational Corporations, Agricultural

Production and Development". The highlights of WIR 2009 were:

- the global economic and financial crisis severely affected global FDIs in 2008. FDI flows continued to fall across all regions to US$1.2 trillion in 2009 from US$1.7 trillion in 2008. FDI flows is expected to recover slightly to reach US$1.4 trillion in 2010 and gain momentum in 2011 at US$1.8 trillion.
- FDI flows in agricultural production tripled to US$3 billion annually between 1990 and 2007 driven by food import needs of emerging markets, growing demand for bio-fuel production and land and water shortages in some countries.
- Foreign involvement in agriculture was mainly through FDI and contract farming. The participation of transnational corporations in agriculture resulted in transfer of technology, employment creation, enhancement of skills and facilitation of market access.

GLOBAL SYSTEM OF TRADE PREFERENCES

The Global System of trade Preferences (GSTP) is a preferential trading arrangement to enhance South-South Trade through reduction or elimination of import duties between participating countries. Negotiations on GSTP in 2009 focused on the outstanding issues of product coverage, margin of preferences and local content thresholds.

The Third Round of GSTP Negotiations, launched in June 2004 aimed to expand product coverage for tariff reduction. A revised proposal on the GSTP negotiations was submitted by Brazil on 11 November 2009 with the aim of moving forward the negotiations as well as meeting the timeline for conclusion of the Round. The GSTP Ministerial Meeting held on 2 December 2009 adopted the Draft Ministerial Decision on Modalities which was based on Brazil's proposal regarding:

- Product Coverage – 70% of dutiable lines;
- Margin of Preferences – at least 20%; and
- Local Content Threshold – not exceeding 50%.

Participants under the Ministerial Decision on Modalities agreed to assume commitments on at least 70% of their dutiable tariff lines. Notification of the introduction of any change to the applied MFN tariffs has to be made to the Committee of Participants by the end of May 2010 and verified by September 2010.

Malaysia will continue to support the GSTP and South-South trade, as well as participate in the GSTP negotiations to ensure benefits to all Member countries.

OUTLOOK

WTO Members will continue to pursue the successful conclusion of the DDA in 2010. The conclusion of the Doha Round rests on the leadership and political will of both developed and developing countries to move the process forward by preserving and building upon the progress already achieved.

The conclusion of the Doha Round in 2010 is more critical at this point in time as trade and investment liberalisation, underpinned by strengthened multilateral rules and combined with well-designed policies, are the key ingredients to economic growth and improved welfare. The challenge in 2010 will continue to be on how to translate the expressions of political will into concrete and specific details that will enable WTO Members to complete the work begun with the launch of negotiations at the Doha WTO Ministerial meeting in 2005.

Box Article 11.1 – *Seventh WTO Ministerial Conference, Geneva, 30 November – 2 December 2009*

The WTO Ministerial Conference is the highest decision-making body in the World Trade Organisation. The Seventh Ministerial Conference, with the theme "The WTO, the Multilateral Trading System and the Current Global Economic Environment", was convened in Geneva from 30 November to 2 December 2009 to evaluate and reinforce the effectiveness of the WTO as a multilateral trade organisation. The previous Ministerial Conference was held in Hong Kong SAR from 13 – 18 December 2005.

The conference focused on the review of WTO activities encompassing the Doha work programme and WTO's contribution to growth and development, and to the recovery of the global economy. Malaysia was represented by Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry.

Malaysia, at the Conference, highlighted WTO's crucial role in mitigating the effects of the financial and economic crisis and the importance of concluding the Doha Round in 2010. Points raised by Malaysia include:

- *strengthening the functioning of the WTO by reviewing its effectiveness, as the WTO is an important organisation in achieving high global trade;*
- *bridging the gaps in the Doha Development Agenda (DDA) negotiations by the first quarter of 2010;*
- *resisting any re-opening of issues which have been stabilised;*
- *ensuring a balanced outcome, based on the December 2008 draft modalities;*
- *undertaking substantial reduction in agricultural subsidies by developed countries and achieving the development mandate of the Doha Round; and*
- *promoting South-South trade as an important contributor in generating and promoting economic growth.*

Malaysia, in reviewing WTO activities and its contribution to recovery, growth and development, highlighted that:

- *protectionist measures must be prohibited during the global financial crisis. Malaysia undertook the liberalisation of key services sub-sectors such as health, tourism and computer and related services, as well as the relaxation of restrictions on foreign participation in financial services;*
- *special and differential treatment is essential for the integration of developing countries into the multilateral trading system;*
- *acceptable commitment package of Members that can address climate change should be indicated by all Members; and-*
- *failure to conclude the Doha Round encourages Members' active participation in free trade arrangement negotiations.*

Ministers, on the issue of WTO's contribution to recovery, growth and development, agreed that:

- *focus should be given to key issues of developing countries and the development dimension should remain essential to the Round;*
- *specific issues pertaining to LDCs encompassing duty free quota free market access, cotton, and the LDCs Waiver for Services as well as the particular needs of small and vulnerable economies (SVEs) should be given due importance;*
- *technical assistance to be provided by the WTO at all stages of the accession process as new accessions can contribute towards the broadening and strengthening of the multilateral trading system; and*
- *concluding the Doha Round will act as a stimulus package with limited fiscal cost and ensure the relevance of the WTO.*

Ministers attending the Seventh Ministerial Conference also agreed to extend until the next Conference scheduled in 2011 the moratorium on:

- *non-violation complaints (NVC) under the TRIPs (Trade-Related Intellectual Property Rights) Agreement; and*
- *Members not to impose duties for electronic transactions under e-commerce.*

Ministers reaffirmed their political will and called for a more intensive DDA work programme by the first quarter of 2010 to ensure a successful conclusion of the Round in 2010.

The conclusion of the Doha Round will contribute to recovery from the global financial downturn and growth of the world economy. Malaysia will gain through freer access of goods and services to global markets, more opportunities for foreign direct investments and job creation for Malaysians. Malaysia as one of the world's leading trading nations, is committed to participating and contributing in injecting momentum into the negotiations towards an expeditious conclusion of the Doha Round.

Box Article 11.2 – *Trade Policy Review Of Malaysia*

Malaysia underwent its Fifth Trade Policy Review, covering the review period of 2005-2009. The last trade policy review for Malaysia was held in 2006.

The WTO Secretariat prepared, as part of the trade policy review process, an independent report on Malaysia's economic performance and trade policies. The report noted the steady growth of Malaysia's economy between 2005 and 2008. Growth, however, slowed down in the later part of 2008 and in 2009 as a result of the global financial crisis and decline in exports. Malaysia, with healthy foreign exchange reserves, a relatively small external debt, as well as on-going financial and corporate sector restructuring was able to withstand the impact of the global financial crisis.

The report also highlighted the challenges faced by Malaysia including identifying new domestic sources of growth and resolving the problem of shortage of skilled manpower. Measures undertaken in addressing the challenges include unilateral trade liberalisation, further relaxation of FDI restrictions, as well as diversification of the economy.

A total of 23 WTO Members submitted 359 questions and sought clarification regarding:

- *the New Economic Model;*
- *implementation of the recent services liberalisation;*
- *effectiveness of the Intellectual Property Rights Court;*
- *progress and scope of the Competition Bill;*
- *revised National Automotive Policy; and*
- *import licensing regime.*

WTO Members praised Malaysia for not resorting to protectionist measures despite the challenges brought about by the external economic environment and the global financial crisis. Members also commended the relaxation of equity restrictions on foreign investment in 27 services sub-sectors and the deregulation of investment guidelines administered by the Foreign Investment Committee (FIC).

Malaysia during the trade policy review session stressed the importance of a rules-based multilateral trading system and that the country would continue to assume an active role in the Doha Round negotiations. Malaysia also informed WTO Members of the measures undertaken to alleviate the impact of the global financial and economic crisis as well as the future thrusts of the country in moving towards higher value-added, innovative and knowledge-based industries to achieve a high income economy.

Malaysia also stressed that as an open economy, the country is dependent on external trade and foreign direct investments. The country would continue to undertake progressive liberalisation, taking into account the capability of the domestic sector as well as promote human capital development and free movement of labour. Malaysia reiterated its commitment to uphold the rules-based multilateral trading system under the WTO as it provides transparency, equitability and predictability in the conduct of global trade.

CHAPTER 12

DEVELOPMENTS IN REGIONAL GROUPINGS

OVERVIEW

Malaysia remains active in its involvement in regional groupings such as the Asia Pacific Economic Cooperation (APEC), the Organisation of the Islamic Conference (OIC), the Group of Developing Eight (D-8) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). These regional groupings have promoted and enhanced trade, investment and economic cooperation among their members.

The year 2009 marked the 20th anniversary of the inception of APEC. In line with the APEC 2009 theme, "Sustaining Growth, Connecting the Region", emphasis was on the comprehensive approach to regional economic integration. This approach emphasised growth which is balanced, inclusive and sustainable, supported by innovation, creativity and a knowledge-based economy to ensure a resilient recovery that will create jobs and benefit the people.

The comprehensive approach is also aimed at building a 21st century model of economic integration that will combine trade and investment facilitation and liberalisation "at-the-border", improve the business environment "behind-the-border" and enhance supply chain connectivity "across-the-border". The APEC agenda also focuses on supporting the multilateral trading system by resisting protectionism and providing support to the intensification of work for the successful conclusion of the Doha Round.

The OIC Standing Committee for Economic and Commercial Cooperation (COMCEC) commemorated the 25th anniversary of its establishment by organising the inaugural COMCEC Economic Summit in 2009. The COMCEC Economic Summit was attended by Heads of States/Governments, Ministers and representatives of the Member States of the OIC. The Deputy Prime Minister of Malaysia led the Malaysian delegation to the COMCEC Economic Summit. Prior to the COMCEC Economic Summit, the 25th Session of the COMCEC was held and the Deputy Minister of International Trade and Industry, Malaysia led the Malaysian delegation.

The 25th Session of the COMCEC continued to reiterate its call on the importance of increasing intra-OIC trade by 20% by 2015, as targeted under the OIC Ten-Year Programme of Action (TYPOA). To achieve the goal, OIC Member States were urged to expedite the ratification process of the Protocols of Trade Preferential System among OIC Member States (TPS-OIC) in order for it to come into force. The Session also urged Member States to increase their support and participate in other initiatives of the OIC related to Islamic banking, trade financing, stock exchanges and intra-OIC investment. The implementation of the OIC *Halal* Food System was also discussed.

Similarly in the D-8 and IOR-ARC, member countries continued their discussions on the implementation of preferential trade agreements (PTA). During the 12th Session of the D-8 Council of Ministers on 2 November 2009 in Kuala Lumpur, D-8 member countries were urged to complete their national ratification procedures and to finalise their offer lists so that the PTA can come into force as soon as possible.

Discussions on the draft text of the IOR-ARC PTA are on-going and little progress has been achieved since the last meeting in 2008.

ASIA PACIFIC ECONOMIC COOPERATION

The Asia Pacific Economic Cooperation (APEC) is home to 2.7 billion people or 40% of the world's population spanning across four continents. It accounts for 44% of global trade amounting to US$15 trillion and 56% of world Gross Domestic Product (GDP) in purchasing power parity (PPP) terms (US$40.5 trillion). APEC's GDP (PPP) has more than tripled from US$11.8 trillion since its inception in 1989 to US$40.5 trillion today, a compound annual growth rate of 7.1%. The GDP (PPP) in the rest of the world has only grown at 4.9% per year, from US$13.5 trillion to US$31.8 trillion. On a per capita basis over the same period, APEC's GDP (PPP) has tripled from US$5,207 to US$15,096 compared with the rest of the world which doubled from US$4,606 to US$8,071.

APEC's intra-regional trade has grown from US$1.7 trillion in 1989 to US$8.4 trillion in 2007 and accounted for 67% of APEC's total trade. Malaysia's total trade with APEC economies increased by 119.3% from RM345.5 billion in 1989 to RM757.8 billion in 2009. APEC accounts for 76.7% of Malaysia's total trade, with total exports and imports contributing 75.8% and 77.8%, respectively. Malaysia's major APEC trading partners are Singapore, the People's Republic of China (PRC), the United States of America (USA), Japan and Thailand. APEC economies in 2009 accounted for 45.4% (RM18.4 billion) of approved Foreign Direct Investments (FDI) in the manufacturing sector in Malaysia. Major APEC investors in Malaysia were Australia, the USA, Japan, Singapore and Chinese Taipei.

Malaysia participated in the 17th APEC Economic Leaders' Meeting (AELM), 21st APEC Ministerial Meeting (AMM), 21st APEC Ministers Responsible for Trade Meeting (MRT), 16th APEC Small and Medium Enterprise Ministerial Meeting, 16th APEC Finance Ministers' Meeting and the 6th APEC Transportation Ministerial Meeting in 2009.

Advancing Growth Strategies

Fostering Balanced and Inclusive Growth

APEC Leaders in their meeting in Singapore agreed to chart a new growth paradigm for a changed post-crisis landscape. They agreed to strengthen the momentum towards balanced, inclusive and sustainable global economic growth for a connected Asia-Pacific region that meets the needs of the 21st century global economy. APEC is well-placed to undertake action to realise this goal, given the size and dynamism of APEC economies as well as its extensive experience in championing and securing progress towards freer global trade and investment.

APEC continues to promote free and open trade and investment. It also recognises that growth must be balanced and inclusive, bridging the development divide and bringing benefits to all segments of society.

APEC Leaders in AELM 2009 agreed to put in place a comprehensive long-term growth strategy through:

- concrete efforts to ensure that the macroeconomic, regulatory and structural policies are collectively consistent with more sustainable and balanced growth trajectories;
- promoting current account sustainability and open trade and investment to advance global prosperity and growth sustainability;
- undertaking prudent macro and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilisation; and
- promoting development and poverty reduction as part of the rebalancing of global economic growth.

APEC's strategy for an effective inclusive growth that builds on the on-going work under the Leaders' Agenda to Implement Structural Reform (LAISR) will be driven by two key thrusts, namely:

- structural adjustments that foster higher rates of sustainable economic growth while broadening access to economic opportunities; and
- social resilience measures that help the vulnerable segments of society to recover more quickly from economic downturns or the effects of economic restructuring.

APEC, in order to facilitate the work programme in this area undertook a mapping exercise of the existing activities that support inclusive growth and identified three focus areas:

- improving the business environment and supply chain connectivity to broaden access to opportunities from liberalisation in trade and investment;
- expanding the social safety net to facilitate smooth adjustment to the new economic environment through programmes that build capacity and adaptability in a changing environment; and
- developing human capital that would help individuals make a smoother transition to accepting new opportunities.

Malaysia reiterated the need to promote economic growth that is more sustainable in order to create opportunities and build stronger consensus for trade and investment liberalisation. The areas of work identified by APEC are consistent with Malaysia's focus of enhancing national competitiveness and restructuring the economy in line with the New Economic Model. Malaysia proposed in the area of social resilience that APEC share best practices and implement cooperation programmes to complement economies' efforts in human resource development, health, education, development of small businesses and entrepreneurial skills.

Sustainable Growth

APEC in its effort to promote sustainable development continued to emphasise the need to ensure that economic growth is consistent with sustainable growth agenda. The APEC agenda in this area focuses on improving market access for Environmental Goods and Services (EGS), development of the EGS sector of APEC economies, enhancing energy efficiency and sustainable forest management and rehabilitation. The APEC economies also committed to rationalise and phase-out, over the medium term, fossil fuel subsidies that encourage wasteful consumption. APEC also recognised the importance of providing essential energy services to those in need. Economies agreed to facilitate the diffusion of climate-friendly technologies including through economic and technical cooperation (ECOTECH) and capacity building activities.

Given the technological development in the area of green technology and energy efficiency in the region, APEC is well-placed to forge meaningful cooperation in green technology programmes, particularly in facilitating developing economies' access to technology, financial resources and scientific knowledge. This would help economies address the adverse effects of climate change and promote energy efficiency through mitigation and adaptation.

Strengthening the Multilateral Trading System

APEC continued to provide its support to uphold and strengthen the rules-based multilateral trading system. Leaders agreed to take the necessary steps to keep markets open for trade and investment as well as sustain economic recovery as it would boost growth both regionally and globally. Combating protectionism also remained an APEC priority. APEC, in order to facilitate monitoring will collaborate with the World Trade Organization (WTO), APEC Business Advisory Council (ABAC) and other relevant bodies and has compiled two reports that were examined by APEC Trade Ministers. The reports reviewed and assessed trade, fiscal and monetary measures undertaken by APEC economies in 2009. Highlights of the reports include:

- that while Governments were seen resorting to trade-protectionist measures, the move towards high intensity protectionist measures was contained;
- a total of 83 trade restricting measures such as trade remedy actions, restrictions on swine products as well as new tariffs and Non-Tariff Measures (NTMs) were undertaken by 24 countries and the European Union;

- a significant increase in anti-dumping and safeguard investigations as well as new tariff and NTMs such as non-automatic import licensing;
- acknowledging that several countries introduced trade liberalisation measures which include:
  - cuts in import duties, fees and removal of non-tariff barriers by Australia, the PRC, Ecuador, Egypt, India, Indonesia, Mexico, Paraguay, the Philippines and Russia; and
  - removal of restrictions on trade in certain services sectors by the PRC and Malaysia.

Leaders agreed to continue the reviews in 2010. Leaders, in order to combat protectionism also agreed to extend until 2010 and beyond if necessary, the commitment made in AELM 2008 to refrain from raising new barriers to investment or trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures in all areas, including those that stimulate exports. Economies also agreed to exercise maximum restraint in implementing measures that have significant protectionist effect even though such measures may be WTO-consistent, and to promptly rectify such measures when implemented.

At the MRT, AMM and AELM, Malaysia reiterated its commitment to the multilateral trading system and to continue participating actively to conclude the Doha Round negotiations. Malaysia also emphasised the need for major economies to assume leadership and demonstrate their political will to move forward negotiations on the Doha Round and noted that concluding the Round would substantially narrow the scope for introducing new trade restrictions. Malaysia also called on economies to firmly reject all forms of protectionism and to ensure that markets remain open.

Regional Economic Integration

APEC continued to accelerate the Regional Economic Integration (REI) agenda to improve competitiveness and enable the region to remain an attractive and preferred destination for trade and investment. The REI is a comprehensive approach focusing work on trade and investment liberalisation and facilitation "at-the-border", improving the business environment "behind-the-border" and enhancing supply chain connectivity "across-the-border".

Liberalising Trade and Investment At-the-Border

At-the-Border integration initiatives include:

- making the Rules of Origin (RoO) more business-friendly;
- improving transparency of information on tariff and RoO;
- facilitating cross-border trade and services;
- advancing work on EGS; and
- exploring building blocks and pathways towards a possible Free Trade Area of the Asia Pacific (FTAAP).

Making Rules of Origin More Business-Friendly

Several initiatives have been introduced by APEC in order to make RoOs more business-friendly and trade facilitating thus encouraging increased utilisation of preferential tariffs under FTAs and reducing compliance costs for business. A Trade Policy Dialogue on RoOs was organised in May 2009 to raise awareness on issues related to harmonisation, cumulation and simplification. Projects undertaken include:

- a set of APEC Elements for Simplification of Documents and Procedures was developed for RoOs. Five key elements were outlined namely validity period, waiver of certificate of origin or declaration, minimum data requirements, clarity on treatment of errors made in certificates of origin or declarations and harnessing information technology (IT) to ease documentation and procedures;
- Self-Certification of Certificate of Origin pathfinder was launched with the participation of Australia, Canada, Japan, the Republic of Korea (ROK), New Zealand, Singapore and the USA; and
- capacity building programmes were developed to cover risk assessment to facilitate self-certification.

Improving Transparency of Information on Tariff and Rules of Origin

APEC Trade Ministers agreed that the APEC Website on Tariffs and Rules of Origin (RoOs) (WebTR) will be developed by the end of 2010 to provide up-to-date and accurate information on tariffs and RoOs in English.

Facilitating Cross-Border Trade in Services

The APEC services initiative comprised three main elements, namely capacity building, developing a framework of services principles for cross-border trade in services and developing a Services Action Plan (SAP). Two capacity building seminars were held in 2009. The first seminar focused on the commercial realities of current cross-border trade in services and the second looked into approaches to address regulatory issues on services trade such as quality assurance, consumer protection and data privacy.

APEC also agreed on a set of non-binding principles on cross-border trade in services. These principles serve as a comprehensive guide to support the expansion of services trade in the region. The SAP aims to provide common direction and coherence to APEC's work on services trade and establishes a work programme to foster the development of open and efficient services markets in the region.

Environmental Goods and Services

APEC's work programme in EGS focuses on exploring ways to facilitate trade and investment within the region. The EGS Work Programme aims to promote awareness and enhance the capacities of APEC economies especially developing economies in building up the EGS sector and contribute towards negotiations in the WTO Doha Round. APEC established as an initial step an EGS Information Exchange to promote greater transparency, information-sharing, collaboration and dissemination of EGS in APEC and globally. Other initiatives to be implemented in 2010 include:

- creating an energy standard information system, a website that provides up-to-date information about appliances and equipment energy standards and regulations;
- undertaking a survey of major impediments and market drivers for the development of trade in environmental goods in the region to help create more transparent, open and well-functioning markets for clean energy and other environmental goods;
- conducting a conference on Standards and Conformance on Green Harmonisation focusing on information-sharing on energy efficiency regulation systems; and
- reducing trade barriers for EGS in the APEC region through a mapping exercise of energy efficiency standards, labelling, testing and measurement procedures in each APEC economy and their alignment with international standards.

APEC implemented the voluntary APEC Peer Review on Energy Efficiency (PREE) in 2009 to promote cleaner and more efficient technologies. The peer review aims to share best practices in energy efficiency. Chile, New Zealand, Thailand and Viet Nam underwent PREE sessions in 2009. The outcome of the review would be compiled to reflect the diversity of approaches adopted by member economies that underwent the review.

Free Trade Area of the Asia-Pacific

APEC continued to accord priority to the study of a possible Free Trade Area of the Asia-Pacific (FTAAP) as a long-term prospect. Work undertaken in 2009 included:

- compilation and update of preliminary issues to realise FTAAP;
- discussion on appropriate approaches and possible pathways including options to achieve the FTAAP;
- study on the convergence and divergence in existing bilateral and regional FTAs in APEC; and
- preliminary study on the likely impact of FTAAP which highlighted the possible economic benefits and challenges of establishing an FTAAP.

Malaysia views FTAAP as a long-term goal for APEC to achieve economic integration. Malaysia's priority is to strengthen ASEAN economic integration and for a gradual enlargement through a sequential approach premised on ASEAN+3 followed by other broader regional initiatives. APEC should continue to focus on capacity building and ECOTECH programmes to bridge the development divide and construct the building blocks for eventual economic integration.

Behind-the-Border Initiatives

APEC Ease of Doing Business

APEC recognises that there remains untapped potential areas for regulatory and structural reforms in the region. Collectively, APEC ranked 51st in the 2010 World Bank Ease of Doing Business (EoDB) Report. APEC Leaders set an APEC-wide aspirational target to further improve APEC's ranking and to make it 25% cheaper, easier and faster to do business within APEC economies by 2015 in five priority areas and to achieve an interim target of 5% improvement by 2011.

APEC launched the EoDB Action Plan in five agreed priority areas led by champion economies:

- starting a business (New Zealand and the USA);
- getting credit (Japan);
- trading across borders (Hong Kong SAR and Singapore);
- enforcing contracts (Republic of Korea); and
- dealing with permits (Singapore).

Malaysia ranked top in the area of getting credit, but further improvements can be achieved in the ranking of the remaining indicators. Malaysia will participate in the capacity building programmes that enable the sharing of best practices and know-how and ways to make further improvements in dealing with procedures, reducing time and cost. This initiative will complement Malaysia's on-going efforts to improve its overall EoDB ranking.

Second Trade Facilitation Action Plan

APEC, in meeting the needs of businesses and to keep abreast of new trends in cross-border trade and investment continued to intensify its work on trade facilitation that focused on enhancing the implementation of the Second Trade Facilitation Action Plan (TFAP II) in the areas of Customs Procedures, Standards and Conformance, Business Mobility and Electronic Commerce.

The review of TFAP II (2006-2008) found that APEC has achieved a reduction in trade transaction costs by 3.2% between 2006 and 2008 and is on track to achieve the 5% reduction in trade transaction costs by 2010.

Customs Procedures

Actions by the Customs focused on the implementation of procedures at-the-border to enhance transparency and predictability for business and reduce overall costs of cross-border goods transactions. Malaysia participated in the annual APEC Customs-Business Dialogue (ACBD) and shared experiences and exchanged views on three topics:

- harnessing IT for regional trade facilitation;
- securing and facilitating the global supply chain; and
- establishing an open and transparent relationship between Customs and businesses.

APEC, in order to create an environment for the secure and efficient movement of goods across borders in the region established the Authorised Economic Operator (AEO) programme. The AEO Working Group will collate best practices, create reference documents and provide capacity building to member economies in establishing this programme. The initiative is coordinated by the USA and Japan. Participants are Malaysia, Singapore, New Zealand and Canada. On the APEC Single Window, work will focus on sharing experiences and discussions on implementation by member economies.

Business Mobility

The utilisation of the APEC Business Travel Card (ABTC) among the APEC business community has shown a 214% increase since the end 2006 and a 54% increase from 31 July 2008 to 30 June 2009 (44,931 to 69,029 cards). There were 1,726 active cardholders in 2008 in Malaysia. A total of 3,306

ABTCs were issued in 2009. Russia announced that it has launched a process to work towards transitional membership in the ABTC scheme. The other transitional members are the USA and Canada.

APEC in order to further enhance the use of Information and Communication Technology (ICT) has adopted machine-readable biometric travel documents (MRTDs). A total of 16 economies including Malaysia has introduced MRTDs to facilitate business travellers.

Electronic Commerce

The APEC Data Privacy Pathfinder (ADPP) is a priority area identified by APEC members for the electronic commerce element of the TFAP II programme. APEC developed projects on the use of paperless trading in commercial processes involving business-to-business (B2B) and business-to-government (B2G) transactions, and promoting the use of electronic documents and internet technologies in international trade. This initiative is undertaken by member economies including Malaysia. Projects developed and implemented in 2009 were:

- Electronic Certificates of Origin;
- Use and Archiving of e-Documents; and
- Assessment and Best Practices on Paperless Trade to Facilitate Cross-Border Trade.

Standards and Conformance

APEC in 2009 completed the second Collective Action Plan in Trade Facilitation relating to standards and conformance. Trade facilitation in this area has helped to reduce business transaction costs through progress in:

- standards alignment;
- recognition of conformity assessment in regulated and voluntary sectors;
- development of technical infrastructure; and
- transparency of standards and conformity assessment.

The scope of work has expanded to studies on models and practices adopted by APEC economies in helping their businesses, particularly SMEs, to gain access to information on technical regulatory requirement and overcome technical barriers to trade. The findings will be used to develop a best practices model.

A total of 20 trade facilitation capacity building programmes were undertaken in 2009 by various sub-fora to further enhance and facilitate trade among economies. A total of 15 Malaysian officials representing various ministries and agencies participated and benefited from these fully sponsored programmes.

Investment Facilitation Action Plan

The Investment Facilitation Action Plan (IFAP) sets out eight investment facilitation principles to guide actions of economies in key areas involving investment flows. These are:

- promoting accessibility and transparency in the formulation and administration of investment-related policies;
- enhancing stability of investment environment, security of property and protection of investments;
- enhancing predictability and consistency in investment-related policies;
- improving the efficiency and effectiveness of investment procedures;
- building constructive stakeholder relationships;
- utilising new technology to improve investment environment;
- establishing monitoring and review mechanisms for investment policies; and
- enhancing international cooperation.

These principles are meant to assist economies in developing better investment facilitation strategies. The priority areas for implementing IFAP are based on e- transparency, improving investor certainty and reducing risk, and simplifying business regulations. Each priority area consists of five priority actions. APEC, in order to implement IFAP has developed a work plan premised on Key Performance Indicators (KPIs) to measure progress and implementation of actions listed in the IFAP (2008-2010).

Malaysia's current measures are in line with IFAP principles at both national and sub-national levels. These include elements of predictability and transparency on policies and information, accountability with regard to performance standard as well as continuous dialogue with stakeholders.

APEC, in order to help improve the quality, consistency and overall standard of investment agreements in the region, completed the second phase of the Core Elements Study, a useful tool for customising capacity building activities designed to improve member economies' ability at formulating investment agreements.

A Training Course on the Core Elements of International Investment Agreements in the APEC Region was held in Malaysia in June 2009 in collaboration with APEC and the United Nations Conference on Trade and Development (UNCTAD). The course aimed at developing human resource and institutional capacity of developing economies. The course provided an in-depth understanding of current practices in the negotiations of core elements, and reviewed key substantive and procedural issues.

Intellectual Property

APEC in 2009 undertook information exchange, capacity building and discussions on topics such as border enforcement, trade mark registration and opposition procedure, patent acquisition, Intellectual Property Rights (IPR) management and standardisation, supply chain integrity, unauthorised camcording and technology transfer. Capacity building programmes organised included:

- public education and awareness programmes for Small and Medium Enterprises (SMEs);
- workshop on Experience Exchange Among Judicial Authorities and Prosecutors;
- workshop on Effective Practices in the Border Enforcement of IPR; and
- the Trading Ideas 2009 Symposium which showcased practical aspects of IPR commercialisation.

Across-the-Border Initiatives

Supply Chain Connectivity

Enhancing supply chain connectivity across-the-border was a new focus of the regional economic integration agenda in 2009. An APEC Supply Chain Connectivity Initiative Symposium was held to identify the elements to be included in the trade logistics work programme.

The symposium identified eight key chokepoints in the existing supply-chain network:

- lack of transparency and awareness of the full scope of regulatory issues affecting logistics;
- inefficient or inadequate transport infrastructure;
- lack of capacity of local and regional logistics sub-providers;
- inefficient clearance of goods at customs checkpoints;
- burdensome procedures for customs documentation;
- under-developed multi-modal transport capabilities;
- lack of harmonisation of cross-border standards and regulations for movement of goods, services and business travelers; and
- lack of regional cross-border customs-transit arrangements.

The APEC Supply Chain Connectivity Framework reinforces the need for approaching supply chain connectivity holistically. The Framework focuses on possible work streams to address the eight identified chokepoints that impede the smooth flow of goods and services throughout the region. The first phase of the framework will cover the period 2010-2013.

Malaysia participated in the mapping exercise. Malaysia emphasised that the Supply Chain Framework should incorporate all the elements of TFAP II as it has been one of the core activities undertaken by APEC. The initiative will complement Malaysia's efforts in developing the logistics sector which is one of the promoted sectors under the Third Industrial Master Plan (IMP3).

Individual Action Plans

The Individual Action Plans (IAPs) are annual reports of each APEC member economy's actions to liberalise and facilitate trade and investment in the 17 areas specified in the Osaka Action Agenda, namely Tariffs, Non-tariff Measures, Services, Investment, Standards and Conformance, Customs Procedures, Intellectual Property, Competition Policy, Government Procurement, Deregulation/ Regulatory Review, Implementation of WTO Obligations (including Rules of Origin), Dispute Mediation, Mobility of Business People, Information Gathering and Analysis, RTAs and FTAs, Trade Facilitation and APEC Food System. The IAP is a mechanism to enable member economies to demonstrate their commitments to achieve the Bogor Goals of free and open trade and investment.

APEC economies are required to submit one full IAP Peer Review during the three-year review cycle from 2007 to 2009 with updates submitted in the intervening years. Eight economies in 2009, namely Malaysia, Brunei Darussalam, Indonesia, Thailand, the Philippines, Papua New Guinea, Russia and Viet Nam had their IAPs reviewed.

Malaysia's IAP Peer Review was conducted on 13 February 2009 in Singapore. Experts appointed by APEC Secretariat presented their assessment report on progress made by Malaysia including unilateral liberalisation initiatives, removal of Non-Tariff Barriers (NTBs) and trade and investment facilitation measures undertaken. Malaysia also shared information on its current economic situation, measures taken to address the economic crisis and the IMP3 which outlines the priorities for development of the manufacturing and services sectors. A total of 321 questions were raised by member economies for which written responses were provided. Member economies acknowledged efforts undertaken by Malaysia to make continued progress towards the achievement of the Bogor Goals. They also encouraged Malaysia to continue the liberalisation process, particularly in the areas of import licensing, tariffs on certain manufactured goods, equity limitations in certain services sectors as well as to further enhance the business environment.

Industry Dialogues

Chemical Dialogue

Malaysia is the Co-Chair of the Chemical Dialogue. This Dialogue provides the avenue for regulatory officials and industry representatives to discuss and address issues of common interest faced by the chemical industry and users of chemicals in the Asia-Pacific region. The Dialogue discussed ongoing work programmes and measures to facilitate trade in chemicals. The initiatives by the Chemical Dialogue have enabled member economies, including Malaysia to:

- promote and identify ways to address challenges in the implementation of the United Nation's Globally Harmonised System of Classification and Labelling of Chemicals (GHS) by APEC economies;
- identify measures to build upon the Best Practices for Chemicals Regulation; and
- raise awareness on the role of chemicals in the reduction of greenhouse gas emissions as a possible contribution to APEC's climate change agenda.

Automotive Dialogue

The APEC Automotive Dialogue serves as a platform for member economies to work together to improve policy development, identify barriers to growth and develop effective mechanisms as well as foster the growth and development of the regional automotive industry. The 11th Automotive Dialogue held on 30 March - 2 April 2009 in Seoul, the ROK enabled member economies to:

- assess progress made in the areas of market access, customs facilitation, harmonisation of regulations and road safety, small and medium enterprise development and intellectual property rights;
- reaffirm their commitment to refrain from raising new barriers to investment or trade in goods and services or implementing WTO-inconsistent measures particularly in the automotive sector;
- support government and industry initiatives aimed at stimulating demand in the automotive sector through consumer-oriented incentives, provided such programmes are WTO-consistent and least restrictive to trade;
- develop a SME Partner Search and Matching Programme;
- undertake a survey of motorcycle regulations and best practices among APEC economies;

- update developments pertaining to Biofuel Transport and Distribution Options for APEC Economies project proposed by the APEC Biofuel Task Force; and
- exchange information on ways to enhance the quality of information about customs practices and requirements to all businesses in the region.

Life Sciences Innovation Forum

Malaysia's Ministry of Health, Ministry of Science, Technology and Innovation and SIRIM Berhad participated in the Life Sciences Innovation Forum (LSIF). The main theme for the 7th Life Sciences Innovation Forum held from 3-4 August 2009 in Singapore, was "Engaging in a Multi-disciplinary Approach to Health Innovation". Participants of the Forum representing both the private and public sectors recognised the:

- importance of investment in health for sustained economic recovery;
- need for multi-disciplinary approaches for the optimal use of scarce R&D resources and to provide synergy to support health innovations;
- challenges and opportunities of medical biologics in health innovation;
- role of information technology as a health enabler; and
- need to explore the possibility of developing a Health Information Exchange Framework.

The APEC Harmonisation Centre was launched in Seoul to provide a platform to address and solve priority concerns of APEC economies. The Centre conducted training workshops in multi-regional clinical trials and biosimilars regulatory pathways. Representatives from the Ministry of Health participated in the activities of the Centre.

Economic and Technical Cooperation

Economic and Technical Cooperation (ECOTECH) remains one of the major APEC pillars. APEC undertook a review of ECOTECH in 2009 with the aim of providing clear policy guidelines on project prioritisation and evaluation.

A total of 72 ECOTECH projects were implemented in 2009. These projects covered strengthening sustainable and balanced economic growth, human capital development, human and food security, strengthening SMEs and structural reform. APEC approved a total of US$6.5 million for the implementation of these projects.

Malaysia organised six capacity building programmes during the year:

- APEC Conference on Community-based Tourism, 15-17 April 2009 led by the Ministry of Tourism;
- APEC SME Technology Entrepreneur Seminar, 4-5 June 2009, led by SME Corp. Malaysia. This seminar focused on creating awareness on the implementation standards, sharing best practices in business and intellectual properties for SMEs and identifying ICT gaps for small entrepreneurs;
- APEC Programmes on Experience Exchange Among Judicial Authorities and Prosecutors, 9-10 June 2009 led by the Malaysia Intellectual Property Organisation (MyIPO);
- Training Course on the Core Elements of International Investment Agreements in the APEC Region, 15-19 June 2009 led by the Ministry of International Trade and Industry (MITI) in collaboration with APEC-UNCTAD to:
  - develop institutional capacity for developing economies;
  - provide an in-depth understanding of current practices in the negotiations of core elements of International Investment Agreements; and
  - review key substantive and procedural issues.
- Training Course on Electricity Meters, 10-13 August 2009 led by Standards Malaysia, aimed at developing common understanding about standards and regulations and to establish harmonisation in legal metrology; and
- Workshop on Peer Review of Quality Management Systems as the basis for the Global Mutual Recognition Arrangement on

National Metrology Standards, 11 December 2009 led by Standards Malaysia, to share the latest information and review of quality systems and on-site peer reviews.

Small and Medium Enterprises

The 16th Small and Medium Enterprises Ministerial Meeting (SMEMM) with the theme "Helping SMEs Access Global Markets and Overcome Trade Barriers" was held on 8-9 October 2009 in Singapore. Member economies, including Malaysia at the meeting shared their experiences on policies and measures to assist SMEs in becoming more resilient and to seize growth opportunities arising from the global economic recovery. Further initiatives will be undertaken in 2010 to help SMEs enhance their capabilities in market research and access to global markets.

Malaysia emphasised the need to intensify efforts to develop and promote SMEs in the region as they formed the backbone of APEC economies. APEC agreed to accord priority to capacity building programmes to facilitate and promote SME business activities in member economies.

The SMEMM endorsed the following:

- the proposal to study the feasibility of establishing an APEC SME Market Research and Capability Development Centre. The Centre is envisaged to serve as a regional enabler for member economies to assist SMEs in accessing global market opportunities through an integrated effort by consolidating the relevant APEC initiatives and programmes and provide a platform for joint business collaborative programmes;
- APEC Business Fellowship Framework, an executive training programme to expose SMEs to practical business practices and promote enterprise-level business collaboration among APEC SMEs beginning 2010; and
- the establishment of the APEC SME Crisis Management Centre in Chinese Taipei to help SMEs in crisis monitoring, consultation, training and analysis to facilitate early preparedness.

Malaysia and Mexico agreed to champion and drive the implementation of the APEC SME Strategic Plan on business environment. Other priorities of the Strategic Plan and their champions are:

- building management capability and promoting entrepreneurship (Chinese Taipei and Thailand);
- market access and internationalisation (Singapore and the PRC);
- innovation (Peru, the ROK and the USA); and
- financing (Indonesia and Japan).

Malaysia participated in eight SME capacity-building projects in 2009. The APEC SME Technology Entrepreneur Seminar organised by Malaysia was held from 3-5 June 2009 in Kuala Lumpur. Other SME programmes implemented were:

- Workshop on SME Strategies to Manage the Impact of Global Financial Crisis, 8-9 June 2009 in Chinese Taipei;
- APEC SME Innovation Seminar: Innovation in SME Financing and Marketing, 25-28 August 2009, in Seoul, the ROK;
- IT Capacity Building Programme for Women in the APEC Region, 18-19 September 2009, in the ROK;
- SME Symposium on Public-Private Partnership to Foster Corporate Social Responsibility, 5-6 October 2009 in Hanoi, Viet Nam;
- APEC Seminar on Accelerating APEC SMEs' Access to Markets, 3 October 2009 in Singapore;
- Workshop and Training on Developing Trading House for Strengthening SME's Global Market Network, 19-22 October 2009 in Indonesia; and
- Workshop on the Role of SMEs on Poor Power Empowerment: Lesson and Sharing Experiences, 28-30 October 2009 in Bali, Indonesia.

Transportation

The Sixth Transportation Ministerial Meeting was held on 27-29 April 2009 in Manila, the Philippines.

The meeting focused on achieving a safe, secure and efficient transportation system as well as creating a seamless and environmentally-friendly transportation system through innovation and the use of advanced technology.

APEC Port Services Network (ASPN) was initiated to foster cooperation and communication among ports and related sectors. A conference on port development to facilitate communication and cooperation, and to promote greener, safer and more secure development of port and shipping industry in the Asia Pacific region was held in Shenzen, the PRC, 2-3 November 2009. Other capacity building initiatives undertaken include:

- Workshop to Strengthen Collaboration with APEC Member Economies to Counter Piracy and Armed Robbery, 29 July 2009 in Singapore;
- ASPN Security Training, 21 September 2009 in Tianjin, the PRC; and
- Seminar on Management of Security, Safety and Emerging Technology in Intermodal Transportation and Supply Chain, 26-30 October 2009 in Ho Chi Minh City, Viet Nam.

To facilitate the development of transportation in the Asia Pacific, the following projects were endorsed for implementation:

- developing a pilot economic model to assist in developing tourism and transport policy through a study on International Visitor Flows and Greenhouse Gas Emissions;
- undertaking a study and seminar to identify the advantages of intermodal transfer for ocean-river and rail-river operations and its role in intermodal transportation;
- developing a roadmap to provide training on intermodal and supply chain skills; and
- undertaking a study and a seminar to introduce a secure and smart container concept with practical applications in intermodal transport.

Finance

The focus in 2009 was on addressing the global financial crisis in order to achieve a more balanced and sustainable growth within APEC. The 16th APEC Finance Ministers' Meeting, held on 12 November 2009 in Singapore, urged APEC member economies to focus on maintaining and increasing the dynamism of domestic economies and to improve economic flexibility, raise productivity potential, develop financial markets and increase private demand.

Malaysia emphasised that:

- any regulatory and structural reform initiative should be viewed as a continuous effort to improve processes and procedures to enhance the business environment;
- there must not be any premature withdrawal of fiscal incentives or stimulus packages until there is real recovery led by the private sector;
- reforms to the global financial architecture must be implemented with better regulatory mechanisms and closer supervision;
- new financial architecture should include the concerns of the developing economies, including the contribution of Islamic finance to address economic problems; and
- the need to rebalance the global economy and that economies heavily dependent on exports, too have to adopt measures to promote domestic consumption.

APEC Finance Ministers in their deliberations supported the goals of the G-20 Framework for strong, sustainable and balanced growth. The Ministers:

- recognised that the post-crisis period will post key challenges to restore growth, successfully exiting the extraordinary fiscal, financial and monetary policy measures, implementing credible medium-term fiscal consolidation strategies and meeting the region's massive infrastructure needs;
- recognised the need to reduce and stabilise public sector debt burden at a low and prudent level;
- agreed to implement existing strategies that take into account different stages in the economic recovery of member economies;
- agreed to increase the dynamism of individual economies through macro-economic policy adjustments and structural reforms;

- agreed to undertake monetary policies consistent with price stability in the context of market oriented exchange rates that reflect underlying economic fundamentals;
- committed to strengthen financial supervision to prevent the re-emergence in the financial system of excess credit growth and excess leverage and undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilisation;
- recognised the importance of efficient and innovative financial systems to promote development and continued income growth; and
- agreed to encourage cross-border investment flows including implementing commercially-viable infrastructure projects through practical public-private sector partnerships.

The meeting also noted the successful outcomes of the 3rd APEC Public-Private Sector Forum on Bond Market Development and proposed pathfinder initiatives on developing a harmonised roadmap for private infrastructure provision and in structural reforms by developing modalities to share best practices and expertise.

Counter-Terrorism

APEC continued to emphasise the need for a safe and secure environment which is free from terrorism threats to trade and investment in the Asia Pacific region. APEC undertook several symposium and information sharing sessions to update and share experience. They also identified member economies' capacity building needs in implementing the related measures in combating terrorism in tandem with the APEC Counter-Terrorism Action Plan.

Secure Trade

APEC member economies conveyed a strong message to the industry that the public and private sectors can do more to prevent terrorist attacks on the global supply chain. In the event that supply chains fail, there are other ways for APEC economies to quickly recover from the economic impact under the area of enhancing secure trade.

The 7th Secure Trade in the APEC Region (STAR VII) Conference was held from 30-31 August 2009 in Singapore. The theme for STAR VII 2009 was 'Enhancing Trade Security and Economic Resilience'. STAR VII emphasised the importance of being ready to respond to disruptions in the supply chain, the need to have an integrated approach to supply chain security involving both the public and private sectors, and the need for trust and transparency as a principle of economic resilience. This effort required a review of existing international security measures within the Asia Pacific region.

APEC Secretariat Reform

APEC appointed a Malaysian, Dato' Muhamad Noor Yacob as the Secretariat's first Executive Director for a three-year fixed-term beginning January 2010. The appointment of the fixed-term Executive Director constituted a step forward in promoting continuity and professionalism in the Secretariat. In addition, the APEC Secretariat also undertook initiatives to improve its public interface with key stakeholders and launched the APEC publications database, revamped the APEC web site and introduced the APEC web resource centre.

APEC Business Advisory Council

APEC Business Advisory Council (ABAC), the business arm of APEC in 2009 chose the theme "Building Towards the Bogor Goals with One Community". ABAC demonstrated its commitment and supported APEC's efforts to promote economic recovery through effective and high quality fiscal and monetary measures and to improve global coordination and cooperation in promoting sound regulatory practices.

ABAC in its engagement with Ministers and Leaders urged economies to:

- restore domestic and global demand and conclude the Doha negotiations by 2010;
- reaffirm and extend commitments to keep markets open and maintain a standstill on all new trade restrictive measures as well as reverse any restrictive measures that have already been introduced;

- support the conclusion of the climate change negotiations and new initiatives that would contribute to the development of a long range plan for energy in APEC;
- advance structural and regulatory reform in a manner that promotes inclusive growth; and
- focus on facilitating and liberalising cross-border investments in the region and to improve decision-making transparency in investment regulations.

ORGANISATION OF THE ISLAMIC CONFERENCE

The Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Conference (OIC) (COMCEC) celebrated the 25th Anniversary of its establishment in 2009. COMCEC, in conjunction with the celebration organised and invited Heads of States/Governments from the OIC Member States to the inaugural COMCEC Economic Summit which was held back-to-back with the 25th Session of the COMCEC.

The 25th Session of the COMCEC and the COMCEC Economic Summit

Malaysia participated actively in the 25th Session of the COMCEC and the inaugural COMCEC Economic Summit held in Istanbul, 5-9 November 2009. The Deputy Prime Minister of Malaysia led the Malaysian delegation to the inaugural COMCEC Economic Summit held on 9 November 2009.

The Malaysian delegation to the Ministerial Working Session of the 25th Session of COMCEC, held on 7 November 2009 was led by the Deputy Minister of International Trade and Industry. The inaugural COMCEC Economic Summit and 25th Session of the COMCEC was attended by:

- Heads of States/Governments, Ministers and representatives from 52 OIC Member States;
- representatives from the OIC General Secretariat, OIC subsidiary organs, specialised and affiliated OIC institutions; and
- representatives from international organisations such as the Developing Eight (D-8), Economic Cooperation Organisation, Economic Cooperation Organisation Trade and Development Bank, Food and Agriculture Organisation of the United Nations (FAO) and Arab Organisation for Agricultural Development (AOAD).

At the inaugural COMCEC Economic Summit, the Deputy Prime Minister of Malaysia urged OIC Member States to:

- demonstrate greater political will and leadership to support the implementation of economic programmes of the OIC;
- expedite the implementation of the Trade Preferential System among the OIC Member States (TPS-OIC);
- cooperate in the development and promotion of the *halal* industry and Islamic banking and finance; and
- enhance the participation of the private sector in the economic programmes of the OIC.

The Ministerial Working Session of the 25th Session of COMCEC deliberated on the following activities undertaken by COMCEC.

Review of the Implementation of the OIC Ten-year Programme of Action

The OIC Ten-year Programme of Action (TYPOA) adopted in 2005 outlines measures to address challenges faced by the OIC Member States in the 21st century in the political, economic, cultural, scientific and technological areas.

The 25th Session of COMCEC decided that a mid-term review of the TYPOA be included in the agenda of the 26th Session of COMCEC scheduled to be held in Istanbul, Turkey from 5-8 October 2010. The three OIC Standing Committees including COMCEC are expected to meet in advance of the 26th Session of the COMCEC to stock-take and identify measures to ensure effective and timely implementation of their programmes.

Trade Preferential System among the OIC Member States

The Trade Preferential System among the OIC Member States (TPS-OIC) is an instrument to achieve the intra-OIC merchandise trade target growth of 20% by 2015, as set by the OIC TYPOA. The Framework Agreement of the TPS-OIC, which sets out the general principles and the preferences towards establishing a trade preferential system among the OIC Member States came into force in 2002.

The TPS-OIC however has yet to begin operations. The TPS-OIC can only be operationalised after the Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS) and the TPS-OIC Rules of Origin (TPS-OIC RoO) are ratified by at least 10 OIC Member States. The PRETAS came into force at the 25th Session of COMCEC with the ratification by Bangladesh, Qatar, Bahrain and Saudi Arabia. The total number of Member States which have ratified the PRETAS now stands at 11 including Malaysia. However, only five OIC Member States including Malaysia have ratified the TPS-OIC RoO.

Malaysia completed its ratification of the Framework Agreement of the TPS-OIC on 23 August 2004, the PRETAS on 11 May 2006 and the TPS-OIC RoO on 14 October 2008.

The list of OIC Member States that signed and ratified the TPS-OIC Agreements as of November 2009 is in Appendix I.

Financial Cooperation and Enhancing Intra-OIC Investment Flows among the OIC Member States

COMCEC recognises the importance and the need to increase efforts to leverage upon the Islamic banking sector. Among initiatives undertaken by COMCEC to strengthen cooperation among OIC capital market institutions include the establishment of the OIC Member States' Stock Exchange Forum and the meeting of the Central Banks and Monetary Authorities of the OIC Member States. The 25th Session of the COMCEC noted the reports on the third meeting of the OIC Member States' Stock Exchange Forum held on 24-25 October 2009 in Istanbul, Turkey and the inaugural meeting of the Central Banks of the OIC Member States held on 3 October 2009 in Istanbul, Turkey.

Malaysia shared its views that:

- it supports reforms in the global financial architecture;
- it operates Islamic financial industry in parallel with the conventional financial industry, which has helped Malaysia attain a certain degree of resilience towards the global financial crisis;
- it is well-positioned to capitalise on this opportunity to further contribute to the development of Islamic finance globally by leveraging on its liberalised marketplace and comprehensive Islamic financial system put in place over 30 years; and
- the international financial community is welcomed to collaborate with Malaysia not only in shaping Islamic finance, but also mutually benefiting from what it has to offer.

Malaysia also proposed that OIC Member States adopt short, medium and long-term strategies to increase intra-OIC trade and investment flows with minimal financial implications. The short-term measures could be implemented with minimal financial impact by utilising mechanisms that are already in place which include:

- facilitation measures to promote flow of goods and services through simplification of documents and standardisation of procedures at the borders and in the customs administrations;
- easy movement of professionals and business persons;
- simplifying visa requirements for tourists;
- establishing linkages of internet portal for tourism promotion;
- jointly promoting activities among national agencies to enhance investment and trade; and
- intensifying capacity building in human resource development, institutional/organisational and management skills and development of infrastructure to provide a conducive trade and investment environment.

Impact of Food Crisis on the Economies of OIC Member States

The 25th Session of COMCEC adopted a Roadmap on Strengthening Cooperation to Enhance Food Security in OIC Member States. The Roadmap will include the establishment of a task force comprising the OIC Secretariat, COMCEC Coordination Office and the Islamic Development Bank (IDB) to collaborate with the UN Food and Agriculture Organisation (FAO).

Development of the OIC Halal Food Standards and Procedures

The Standardisation Experts Group (SEG) presented a report on a study on *Halal* Food Standard at the Ministerial Working Session of the 25th Session of COMCEC, which covered guidelines on:

- *Halal* Food;
- Bodies providing *Halal* Certification; and
- the Authorised Accreditation Body Accrediting *Halal* Certification Bodies.

COMCEC agreed with Malaysia's proposal for SEG to clarify pending issues highlighted in the report and provide details on the implementation mechanism of the OIC *Halal* Food System. COMCEC also agreed that the OIC General Secretariat circulate the SEG's reports to the Member States for comments and feedback to the 26th Session of the COMCEC in 2010 for consideration and adoption.

Trade Performance among the OIC Member States

OIC Members were briefed at the 25th Session of COMCEC on the global and OIC trade performance. COMCEC was mandated under the Framework for the implementation of the TYPOA to promote measures to expand intra-OIC merchandise trade from 15% in 2005 to 20% by 2015. Intra-OIC merchandise trade in the last five years has experienced gradual increase of 14.5% in 2004, 15.5% in 2005, 16.3% in 2006, 16.4% in 2007 and 16.6% in 2008.

Intra-OIC merchandise exports increased more than two-fold to US$258 billion in 2008 from US$107 billion in 2004. Similarly, intra-OIC merchandise imports increased to US$280 billion in 2008 from US$111 billion in 2004. However, 75% of intra-OIC merchandise exports involved only 10 OIC Member States. Saudi Arabia was the highest intra-OIC merchandise exporter with exports worth US$43 billion, or 16.6% of the total intra-OIC merchandise exports. Malaysia was ranked fourth with merchandise exports worth US$20.3 billion.

The global merchandise trade of the OIC Member States also recorded an increase from US$1.5 trillion in 2004 to US$3.3 trillion in 2008. During the period, its global trade share rose from 8% in 2004 to 10.2% in 2008.

As with other countries, Malaysia's merchandise trade with the OIC Member States in 2009 decreased by 15.6% to RM101.5 billion compared with RM120.3 billion in 2008.

GROUP OF DEVELOPING EIGHT

Malaysia is the Chair of the Group of Developing Eight (D-8) from 2008 until 2010. Malaysia organised and chaired the 27th Session of Developing Eight (D-8) Commission on 30-31 October 2009 and the 12th Session of the D-8 Council of Ministers on 2 November 2009 in Kuala Lumpur.

During the 12th Session of the D-8 Council of Ministers, Malaysia called upon Member Countries to ensure that the action plans in the D-8 Roadmap for Economic and Social Cooperation (2008-2018) are translated into tangible collaborative and viable business projects for the participation of the private sector of Member Countries.

Malaysia also proposed that the D-8 focus on priority areas of cooperation, specifically the development of the agricultural sector. The Council of Ministers agreed that its future focus would be on cooperation in agriculture, food security, energy, trade and investment.

The 12th Session of the D-8 Council of Ministers also discussed the need to mobilise greater resources for D-8 activities and the proposal to establish an investment fund. Iran agreed to contribute US$20 million to this fund .

The global trade of D-8 Member Countries increased by 25% to US$1.5 trillion in 2008 from US$1.2 trillion in 2007. Global exports increased by 20.3% to US$739.7 billion in 2008 from US$614.8 billion in 2007 while global imports expanded by 25.5% to US$713.9 billion in 2008 from US$568.8 billion in 2007.

Total intra–D-8 trade in 2008 amounted to US$78.4 billion, which accounted for 5.2% of global trade. Intra–D-8 exports totalled US$35.2 billion and imports, US$43.1 billion. The Roadmap of D-8 outlined that intra–D-8 trade should be at least 15% to 20% of global trade by 2018.

Malaysia's trade with D-8 Member Countries is on a positive trend, increasing by more than three-fold to US$59.1 billion in 2009 from US$17.3 billion in 1999. During this 10-year period, exports increased to US$33.6 billion in 2009 compared with US$10 billion in 1999, while imports increased to US$25.4 billion from US$7.3 billion. Malaysia's trade with individual Member Countries of the D-8 in 2009 is in Table 12.2.

OTHER REGIONAL ARRANGEMENTS

Indian Ocean Rim-Association for Regional Cooperation

The Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) aims at promoting

Table 12.1: Malaysia's Trade with the Top 10 Trading Partners in the OIC for 2009

Country	Exports	Imports	Total Trade
	RM million		
Indonesia	17,294.1	23,030.1	40,324.2
United Arab Emirates	10,032.2	6,117.0	16,149.2
Pakistan	5,747.1	526.2	6,273.3
Saudi Arabia	2,861.9	3,908.3	6,770.1
Egypt	2,849.5	127.7	2,977.2
Bangladesh	2,828.1	76.6	2,904.7
Iran	2,401.0	1,137.6	3,538.5
Qatar	1,915.9	1,152.5	3,068.5
Turkey	1,673.5	395.7	2,069.2
Brunei Darussalam	1,560.8	236.6	1,797.3

Compiled by: Ministry of International Trade and Industry

Table 12.2: Malaysia's Trade with D-8 Member Countries in 2009

Country	Exports	Imports	Total Trade
	RM million		
Indonesia	17,294.1	23,030.1	40,324.2
Pakistan	5,747.1	526.2	6,273.3
Egypt	2,849.5	127.7	2,977.2
Bangladesh	2,828.1	76.6	2,904.7
Iran	2,401.0	1,137.6	3,538.5
Turkey	1,673.5	395.7	2,069.2
Nigeria	855.8	119.0	974.8

Compiled by: Ministry of International Trade and Industry sustainable growth, balanced development and creating common ground for regional economic cooperation among its members. IOR-ARC held its Ninth Meeting of the Council of Ministers (COM) on 25 June 2009 in Sana'a, Yemen. The Malaysian delegation was led by the Deputy Minister of Foreign Affairs.

Malaysia emphasised during the COM Meeting on 25 June 2009, the need for IOR-ARC to consider:

- a more realistic approach with decisiveness and speed in producing tangible results when implementing the work programmes and projects;
- strengthening the IOR-ARC Secretariat to realise the functions and objectives of the association more efficiently; and
- ensuring that Preferential Trade Agreement will be beneficial in enhancing trade and investments among Member States.

The IOR-ARC has currently 18 Member States and five Dialogue Partners. Member States other than Malaysia include Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, the UAE and Yemen. The IOR-ARC Dialogue Partners are the PRC, Egypt, France, Japan and the United Kingdom.

OUTLOOK

APEC continues to remain an important and relevant regional economic forum that provides the platform for Malaysia to engage with economies which are its major trading partners and investment sources. The focus by member economies on post-economic crisis recovery offers opportunities for APEC to initiate appropriate and practical programmes and projects that would assist in building capacities. The theme "Change and Action" chosen by Japan as the host for APEC 2010 will reinforce efforts in this direction and further strengthen regional economic integration and ensure that the region remains attractive and competitive for trade and investment.

The year 2009 was a year of challenges for Member States of the OIC, the D-8 and the IOR-ARC in terms of economic development and trade as many Member States are least-developed countries and developing countries. Member States of these regional groupings were affected by the food and energy crisis and global economic recession.

The OIC, D-8 and IOR-ARC in the face of these economic challenges will continue to ensure that their agenda on economic cooperation and trade enhancement among Member States will remain their primary focus. Greater efforts will be needed in enhancing intra-trade through progressive liberalisation, greater cooperation in the financial sector among capital market institutions, increased direct investments, capacity building programmes in specific sectors as well as intensified efforts towards poverty alleviation.

Malaysia will continue to participate in these regional economic groupings and use them as platforms to strengthen and promote Malaysia's economic interests and contribute to the progress and prosperity of the groupings' Members.

Box Article 12.1 – *APEC Self-Certification of Origin Pathfinder Initiative*

Businesses often cite administrative processes associated with certification of origin as highly burdensome. They also consider that documentation required to request preference differs among the various Free Trade Agreements/Regional Trade Agreements (FTAs/RTAs). They add that this results in higher compliance costs and often prevent companies from taking advantage of preferential tariff rates offered under FTAs/RTAs.

Self-certification of origin avoids the complexities of a system which requires an authorised certificate of origin. Self-Certification of Origin makes it cheaper and easier for businesses to benefit from preferential trade agreements. APEC launched an Initiative on Self-Certification of Origin (SCO) in 2009. Self-certification of origin is a simplified declaration process which allows importers to claim preferential treatment. The SCO certifies a product's country of origin based on actual knowledge of the production process or reliance on certification by the producer or exporter. The producer or exporter thus avoids the burdensome process of applying, authenticating and submitting a traditional authorised certificate of origin (ACO).

Self-certification is increasingly becoming a common arrangement among FTA partners. It has been adopted in various forms by parties to the Trans-Pacific Strategic Economic Partnership (TPP, previously known as P4) and in all the U.S. FTAs subsequent to the North Atlantic Free Trade Agreement (NAFTA) and in the European Union (EU). APEC economies that practice self-certification include Australia, Canada, Chile, Japan, the Republic of Korea, New Zealand, Peru, Singapore and the United States of America.

Benefits of Self-Certification

Facilitates Responsiveness to Modern Supply Chain Patterns

The ACO relies on pre-exportation verification process based on inputs used, sources, production processes and end-products, hence greatly reducing businesses flexibility. Businesses operate on sourcing alternatives, fast-changing product ranges and changes in the manufacturing process. Self-certification eliminates the pre-exportation verification process and allows traders and exporters the required flexibility.

The administrative complications inherent in ACO regimes generally burden SMEs as they do not have the expertise to navigate the complex rules involved, thus making it difficult to take advantage of the preferential tariff rates available.

Self-certification relies on the knowledge of traders, manufacturers, exporters and importers. Businesses involved in manufacturing and trading goods are better positioned to ascertain the details of production such as inputs used, its origins and the production process.

Speed up the Flow of Trade and Reduces Costs

Self-certification benefits traders and exporters as verification of the good's origin takes place in the importation phase, allowing goods to clear checkpoints more easily. Applying, securing and authenticating via the traditional ACO consumes time and resources. This may disrupt the supply chain process and reduce competitiveness.

Relieves the Administrative Burden of Implementing Agencies

Self-certification relieves the administrative burden for implementing agencies. Issuing agencies in some economies may take up to a week for processing applications. Self-certification can greatly reduce the time taken as the issuing authority need not be bogged down with periodic updates of the authorised signatory lists to the other FTA partner country. This is particularly so in cases of frequent staff turnover. Similarly, the importing customs authority need not spend time comparing signatories on the Certificates of Origin against the list of authorised signatories sent by the issuing authority of the exporting country. The various ports of entries very often do not have the updated list of authorised signatories for comparison.

Improves Business Awareness and Knowledge of Origin Requirements

Implementation of a self-certification regime improves business knowledge of origin requirements. Companies then use this knowledge when sourcing inputs for their products and become more skilled users of FTAs and are better able to take advantage of preferential tariff rates. Certification of origin by third parties who have little or no first-hand knowledge of the relevant supply chain can result in less accurate origin claims and reduce business accountability to Customs authorities.

Strengthens Supplier Relationships

Self-certification helps develop strong supplier management capabilities for businesses. Businesses will be able to develop a systematic and rational way of managing their supplier relationships in order to accurately determine and prove origin and this will also help to enhance supplier management capabilities.

Common Operating Guidelines

Implementation of self-certification may differ among economies. Common operating guidelines practiced are:

- *implementation is based on individual country's circumstances and its relationship with its respective FTA partners;*
- *the trader's declaration of a product's country of origin is accepted in good faith by the importing authority;*
- *certification is allowed to be made on an invoice, company letterhead or other format as agreed between the partner countries;*
- *verification carried out selectively based on risk assessment and/or intelligence is shifted to the import phase;*
- *comprehensive and effective legislation that contains adequate penalties against the importer is required to deter false declarations and enable recovery of customs duties and taxes due;*
- *claiming procedures between importer and importing authority are conducted electronically to reduce paper work; and*
- *a declaration should include a full description of the goods, the six digit Harmonised System Code and the names of the producer and importer.*

Capacity Building

Implementation of self-certification requires appropriate legal, institutional and risk management mechanisms that would make it a viable practice. APEC will initiate capacity building programmes as an integral part of this initiative to assist economies in understanding self-certification. The capacity building programmes will provide the opportunity for trade and customs officials as well as businesses to share experiences on self-certification.

The list of OIC Member States that signed and ratified the TPS-OIC Agreements as of November 2009.

Framework Agreement of the TPS-OIC		PRETAS		TPS-OIC RoO	
Signed	Ratified	Signed	Ratified	Signed	Ratified
Bahrain	Bahrain	Bahrain	Bahrain		
Bangladesh	Bangladesh	Bangladesh	Bangladesh		
Burkina Faso		Burkina Faso		Burkina Faso	
Cameroon	Cameroon	Cameroon		Cameroon	
Chad					
Cote d'Ivoire					
Egypt	Egypt	Egypt			
Gabon	Gabon				
Gambia					
Guinea	Guinea	Guinea		Guinea	
Guinea-Bissau		Guinea-Bissau		Guinea-Bissau	
Indonesia					
Iran	Iran	Iran			
Iraq					
Jordan	Jordan	Jordan	Jordan	Jordan	Jordan
Kuwait					
Lebanon	Lebanon				
Libya	Libya				
Malaysia (30 June 2004)	*Malaysia (23 August 2004)*	*Malaysia (27 March 2006)*	*Malaysia (11 May 2006)*	*Malaysia (17 November 2007)*	*Malaysia (14 October 2008)*
Maldives	Maldives				
Morocco	Morocco	Morocco		Morocco	
Nigeria		Nigeria		Nigeria	
Oman	Oman	Oman	Oman	Oman	Oman
Pakistan	Pakistan	Pakistan	Pakistan	Pakistan	
Palestine					
Qatar	Qatar	Qatar	Qatar	Qatar	
Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	
Senegal	Senegal				
Sierra Leone		Sierra Leone		Sierra Leone	
Somalia		Somalia		Somalia	
Sudan					
Syria	Syria	Syria	Syria	Syria	
Tunisia	Tunisia	Tunisia		Tunisia	
Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
United Arab Emirates	United Arab Emirates	United Arab Emirates	United Arab Emirates	United Arab Emirates	United Arab Emirates
Uganda	Uganda				
36 OIC Member States	23 OIC Member States	22 OIC Member States	11 OIC Member States	18 OIC Member States	5 OIC Member States

Source: COMCEC Coordination Office

APPENDICES

APPENDIX 1

ORGANISATIONS AND GROUPINGS - MEMBERSHIP

Organisation/ Grouping	Member Countries/Economies
APEC	Australia, Brunei Darussalam, Canada, Chile, Hong Kong SAR, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, People's Republic of China, Peru, Philippines, Republic of Korea, Russia, Singapore, Chinese Taipei, Thailand, United States of America and Viet Nam.
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.
ASEAN-CER	ASEAN, Australia and New Zealand.
CEFTA	Bulgaria, Croatia Republic, Czech Republic, Hungary, Poland, Romania, Slovak Republic and Slovenia.
COMMONWEALTH	Antigua and Barbuda, Australia, Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei Darussalam, Cameroon, Canada, Cyprus, Dominica, Fiji, Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Sri Lanka, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Tuvalu, Uganda, United Kingdom, Vanuatu, Western Samoa, Zimbabwe and Zambia.
D-8	Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey.
EAEC	ASEAN, Japan, People's Republic of China and Republic of Korea.
ECO	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.
EU	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom.
G-15	Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Iran, Jamaica, Kenya, Malaysia, Mexico, Nigeria, Peru, Sri Lanka, Senegal, Venezuela and Zimbabwe.
GCC	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.
IOR-ARC	Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen.
MERCOSUR	Argentina, Brazil, Paraguay, Uruguay and Venezuela.
NAFTA	Canada, Mexico and United States of America.
NAM	Afghanistan, Algeria, Angola, Antigua and Barbuda, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Cote d'Ivore, Cuba, Democratic Republic of Congo, Djibouti, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kenya, Kuwait, Lao PDR, Lebanon, Lesotho, Liberia, Libya, Madagascar, Maghribi, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestine, Panama, Papua New Guinea, Peru, Philippines, Qatar, Republic of Korea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, South Africa, Sri Lanka, Sudan, Suriname, Swaziland, Syria, Tanzania, Thailand, Timor Leste, Togo, Trinidad and Tobago, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia and Zimbabwe.

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Organisation/ Grouping	Member Countries/Economies
OECD	Austria, Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America.
OIC	Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalam, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Guyana, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Maghribi, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen.
SAARC	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.
SADC	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
WTO	Albania, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, Colombia, Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic Republic of Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, EU, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong SAR, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Kyrgyz Republic, Latvia, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Madagascar, Maghribi, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, People's Republic Of China, Peru, Philippines, Poland, Portugal, Qatar, Romania, Republic of Korea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Chinese Taipei, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay, Venezuela, Viet Nam, Zambia and Zimbabwe.

APPENDIX 2

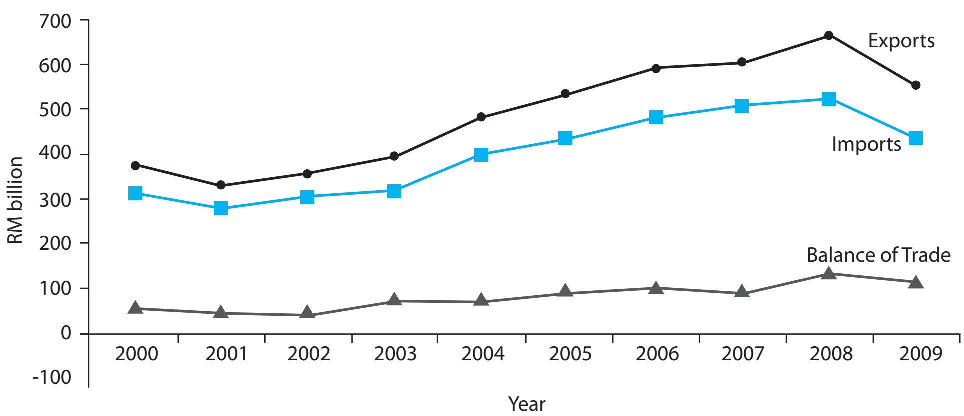
MALAYSIA'S TRADE DATA

Table 1: Annual Trade, 2000-2009

Period	Total Trade	Exports	Imports	Balance of Trade
	(RM million)			
2000	684,729.2	373,270.3	311,458.9	61,811.4
2001	614,512.9	334,283.8	280,229.1	54,054.7
2002	660,520.5	357,430.0	303,090.5	54,339.6
2003	714,422.2	397,884.4	316,537.9	81,346.5
2004	880,885.2	481,253.0	399,632.2	81,620.8
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	1,185,104.8	663,494.0	521,610.8	141,883.2
2009	988,235.6	553,295.3	434,940.4	118,354.9

Compiled by Ministry of International Trade and Industry

Chart 1 Annual Trade, 2000-2009



Compiled by Ministry of International Trade and Industry

Table 2: Trade with Major Trading Partners, 2008-2009

Country	2009							2008						
	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)
Total	**988,235.6**	**100.0**	**553,295.3**	**100.0**	**434,940.4**	**100.0**	**118,354.9**	**1,185,104.8**	**100.0**	**663,494.0**	**100.0**	**521,610.8**	**100.0**	**141,883.2**
People's Republic of China	127,901.2	12.9	67,241.1	12.2	60,660.1	13.9	6,581.1	130,091.8	11.0	63,210.1	9.5	66,881.7	12.8	-3,671.6
Singapore	125,310.2	12.7	77,195.1	14.0	48,115.1	11.1	29,080.0	155,109.8	13.1	97,784.2	14.7	57,325.6	11.0	40,458.7
USA	109,219.3	11.1	60,584.0	10.9	48,635.3	11.2	11,948.7	139,182.6	11.7	82,728.1	12.5	56,454.5	10.8	26,273.6
Japan	108,711.4	11.0	54,423.6	9.8	54,287.8	12.5	135.9	136,926.3	11.6	71,800.1	10.8	65,126.3	12.5	6,673.8
Thailand	56,160.6	5.7	29,852.7	5.4	26,307.9	6.0	3,544.8	61,010.0	5.1	31,734.8	4.8	29,275.2	5.6	2,459.7
Republic of Korea	41,225.2	4.2	21,100.4	3.8	20,124.8	4.6	975.6	50,113.7	4.2	25,887.5	3.9	24,226.2	4.6	1,661.2
Indonesia	40,324.2	4.1	17,294.1	3.1	23,030.1	5.3	-5,736.0	44,921.1	3.8	20,736.2	3.1	24,184.9	4.6	-3,448.7
Hong Kong SAR	39,657.0	4.0	28,845.2	5.2	10,811.8	2.5	18,033.4	41,975.8	3.5	28,317.2	4.3	13,658.7	2.6	14,658.5
Germany	33,247.1	3.4	14,830.1	2.7	18,416.9	4.2	-3,586.8	37,832.6	3.2	15,361.2	2.3	22,471.4	4.3	-7,110.2
Chinese Taipei	32,898.2	3.3	14,430.9	2.6	18,467.3	4.2	-4,036.4	41,326.7	3.5	16,233.1	2.4	25,093.6	4.8	-8,860.5
Australia	29,484.5	3.0	19,999.0	3.6	9,485.5	2.2	10,513.5	36,169.5	3.1	24,404.1	3.7	11,765.4	2.3	12,638.8
India	24,867.3	2.5	16,998.2	3.1	7,869.1	1.8	9,129.1	35,034.1	3.0	24,732.0	3.7	10,302.1	2.0	14,429.9
Netherlands	21,940.6	2.2	18,420.6	3.3	3,520.0	0.8	14,900.6	27,131.3	2.3	23,443.4	3.5	3,687.9	0.7	19,755.5
United Arab Emirates	16,149.2	1.6	10,032.2	1.8	6,117.0	1.4	3,915.2	20,933.1	1.8	12,540.7	1.9	8,392.4	1.6	4,148.3
Viet Nam	15,425.5	1.6	8,165.1	1.5	7,260.5	1.7	904.6	15,785.9	1.3	8,082.5	1.2	7,703.4	1.5	379.2
United Kingdom	13,080.9	1.3	7,082.4	1.3	5,998.5	1.4	1,083.9	17,142.2	1.4	9,488.0	1.4	7,654.2	1.5	1,833.8
France	12,508.5	1.3	5,449.9	1.0	7,058.7	1.6	-1,608.8	13,915.7	1.2	6,361.3	1.0	7,554.4	1.4	-1,193.1
Philippines	10,970.2	1.1	6,961.8	1.3	4,008.4	0.9	2,953.4	16,702.1	1.4	9,759.9	1.5	6,942.2	1.3	2,817.7
Italy	7,229.0	0.7	2,821.4	0.5	4,407.6	1.0	-1,586.2	7,923.8	0.7	3,117.8	0.5	4,806.1	0.9	-1,688.3

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Country	2009							2008						
	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)
Pakistan	6,273.3	0.6	5,747.1	1.0	526.2	0.1	5,220.9	6,156.7	0.5	5,734.4	0.9	422.3	0.1	5,312.1
Brazil	5,540.9	0.6	2,240.7	0.4	3,300.2	0.8	-1,059.6	6,280.0	0.5	2,798.6	0.4	3,481.3	0.7	-682.7
Mexico	5,462.5	0.6	4,302.1	0.8	1,160.4	0.3	3,141.7	6,095.2	0.5	5,383.8	0.8	711.3	0.1	4,672.5
Canada	5,028.3	0.5	2,754.3	0.5	2,274.0	0.5	480.3	6,475.4	0.5	3,218.9	0.5	3,256.5	0.6	-37.5
Switzerland	4,752.1	0.5	2,040.9	0.4	2,711.2	0.6	-670.3	6,265.5	0.5	2,084.7	0.3	4,180.9	0.8	-2,096.2
Ireland	4,368.9	0.4	914.7	0.2	3,454.2	0.8	-2,539.4	6,368.8	0.5	1,373.5	0.2	4,995.3	1.0	-3,621.7
South Africa	3,955.3	0.4	1,983.4	0.4	1,972.0	0.5	11.4	5,323.8	0.4	2,623.0	0.4	2,700.8	0.5	-77.7
New Zealand	3,546.8	0.4	1,902.3	0.3	1,644.5	0.4	257.9	6,153.9	0.5	3,560.8	0.5	2,593.0	0.5	967.8
Iran	3,538.5	0.4	2,401.0	0.4	1,137.6	0.3	1,263.4	4,996.0	0.4	2,447.1	0.4	2,548.9	0.5	-101.8
Belgium	3,169.9	0.3	1,606.5	0.3	1,563.4	0.4	43.1	4,187.2	0.4	2,338.8	0.4	1,848.4	0.4	490.3
Qatar	3,068.5	0.3	1,915.9	0.3	1,152.5	0.3	763.4	1,699.4	0.1	802.9	0.1	896.5	0.2	-93.6
Egypt	2,977.2	0.3	2,849.5	0.5	127.7	neg.	2,721.8	2,748.1	0.2	2,388.4	0.4	359.7	0.1	2,028.7
Bangladesh	2,904.7	0.3	2,828.1	0.5	76.6	neg.	2,751.5	2,482.3	0.2	2,285.2	0.3	197.1	neg.	2,088.0
Russia	2,796.9	0.3	1,875.2	0.3	921.7	0.2	953.6	4,837.7	0.4	3,168.0	0.5	1,669.7	0.3	1,498.3
Costa Rica	2,791.1	0.3	124.8	neg.	2,666.3	0.6	-2,541.5	1,339.5	0.1	136.1	neg.	1,203.4	0.2	-1,067.3
Sweden	2,664.8	0.3	819.7	0.1	1,845.1	0.4	-1,025.4	3,565.6	0.3	1,317.7	0.2	2,247.9	0.4	-930.2

Compiled by Ministry of International Trade and Industry
Note : neg. - negligible

Table 3: Major Export Destinations, 2008-2009

Country	Exports				
	2009			2008	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**
Singapore	77,195.1	14.0	-21.1	97,784.2	14.7
People's Republic of China	67,241.1	12.2	6.4	63,210.1	9.5
USA	60,584.0	10.9	-26.8	82,728.1	12.5
Japan	54,423.6	9.8	-24.2	71,800.1	10.8
Thailand	29,852.7	5.4	-5.9	31,734.8	4.8
Hong Kong SAR	28,845.2	5.2	1.9	28,317.2	4.3
Republic of Korea	21,100.4	3.8	-18.5	25,887.5	3.9
Australia	19,999.0	3.6	-18.1	24,404.1	3.7
Netherlands	18,420.6	3.3	-21.4	23,443.4	3.5
Indonesia	17,294.1	3.1	-16.6	20,736.2	3.1
India	16,998.2	3.1	-31.3	24,732.0	3.7
Germany	14,830.1	2.7	-3.5	15,361.2	2.3
Chinese Taipei	14,430.9	2.6	-11.1	16,233.1	2.4
United Arab Emirates	10,032.2	1.8	-20.0	12,540.7	1.9
Viet Nam	8,165.1	1.5	1.0	8,082.5	1.2
United Kingdom	7,082.4	1.3	-25.4	9,488.0	1.4
Philippines	6,961.8	1.3	-28.7	9,759.9	1.5
Pakistan	5,747.1	1.0	0.2	5,734.4	0.9
France	5,449.9	1.0	-14.3	6,361.3	1.0
Mexico	4,302.1	0.8	-20.1	5,383.8	0.8
Saudi Arabia	2,861.9	0.5	-18.5	3,513.6	0.5
Egypt	2,849.5	0.5	19.3	2,388.4	0.4
Bangladesh	2,828.1	0.5	23.8	2,285.2	0.3

Compiled by Ministry of International Trade and Industry

Table 4: Major Sources of Imports, 2008-2009

Country	Imports				
	2009			2008	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**
People's Republic Of China	60,660.1	13.9	-9.3	66,881.7	12.8
Japan	54,287.8	12.5	-16.6	65,126.3	12.5
USA	48,635.3	11.2	-13.9	56,454.5	10.8
Singapore	48,115.1	11.1	-16.1	57,325.6	11.0
Thailand	26,307.9	6.0	-10.1	29,275.2	5.6
Indonesia	23,030.1	5.3	-4.8	24,184.9	4.6
Republic of Korea	20,124.8	4.6	-16.9	24,226.2	4.6
Chinese Taipei	18,467.3	4.2	-26.4	25,093.6	4.8
Germany	18,416.9	4.2	-18.0	22,471.4	4.3
Hong Kong SAR	10,811.8	2.5	-20.8	13,658.7	2.6
Australia	9,485.5	2.2	-19.4	11,765.4	2.3
India	7,869.1	1.8	-23.6	10,302.1	2.0
Viet Nam	7,260.5	1.7	-5.7	7,703.4	1.5
France	7,058.7	1.6	-6.6	7,554.4	1.4
United Arab Emirates	6,117.0	1.4	-27.1	8,392.4	1.6
United Kingdom	5,998.5	1.4	-21.6	7,654.2	1.5
Italy	4,407.6	1.0	-8.3	4,806.1	0.9
Philippines	4,008.4	0.9	-42.3	6,942.2	1.3
Saudi Arabia	3,908.3	0.9	-48.2	7,546.6	1.4
Netherlands	3,520.0	0.8	-4.6	3,687.9	0.7
Ireland	3,454.2	0.8	-30.9	4,995.3	1.0
Brazil	3,300.2	0.8	-5.2	3,481.3	0.7
Switzerland	2,711.2	0.6	-35.2	4,180.9	0.8

Compiled by Ministry of International Trade and Industry

Table 5: Trade with ASEAN, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
ASEAN	**142,339.9**	**25.7**	**-16.9**	**171,216.1**	**25.8**	**109,518.8**	**25.2**	**-13.4**	**126,419.7**	**24.2**	**32,821.1**	**44,796.4**
Singapore	77,195.1	14.0	-21.1	97,784.2	14.7	48,115.1	11.1	-16.1	57,325.6	11.0	29,080.0	40,458.7
Thailand	29,852.7	5.4	-5.9	31,734.8	4.8	26,307.9	6.0	-10.1	29,275.2	5.6	3,544.8	2,459.7
Indonesia	17,294.1	3.1	-16.6	20,736.2	3.1	23,030.1	5.3	-4.8	24,184.9	4.6	-5,736.0	-3,448.7
Viet Nam	8,165.1	1.5	1.0	8,082.5	1.2	7,260.5	1.7	-5.7	7,703.4	1.5	904.6	379.2
Philippines	6,961.8	1.3	-28.7	9,759.9	1.5	4,008.4	0.9	-42.3	6,942.2	1.3	2,953.4	2,817.7
Brunei Darussalam	1,560.8	0.3	4.4	1,494.3	0.2	236.6	0.1	-30.3	339.2	0.1	1,324.2	1,155.1
Myanmar	744.4	0.1	-28.7	1,044.3	0.2	507.0	0.1	-14.3	591.6	0.1	237.3	452.7
Cambodia	541.9	0.1	-1.6	550.9	0.1	52.9	neg.	10.3	48.0	neg.	489.0	503.0
Lao PDR	24.1	neg.	-16.4	28.9	neg.	0.4	neg.	-96.0	9.8	neg.	23.7	19.0

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 6: Trade with NAFTA, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
NAFTA	**67,640.3**	**12.2**	**-25.9**	**91,330.8**	**13.8**	**52,069.6**	**12.0**	**-13.8**	**60,422.2**	**11.6**	**15,570.7**	**30,908.6**
USA	60,584.0	10.9	-26.8	82,728.1	12.5	48,635.3	11.2	-13.9	56,454.5	10.8	11,948.7	26,273.6
Mexico	4,302.1	0.8	-20.1	5,383.8	0.8	1,160.4	0.3	63.1	711.3	0.1	3,141.7	4,672.5
Canada	2,754.3	0.5	-14.4	3,218.9	0.5	2,274.0	0.5	-30.2	3,256.5	0.6	480.3	-37.5

Compiled by Ministry of International Trade and Industry

Table 7: Trade with EU, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
EU	**59,968.0**	**10.8**	**-19.9**	**74,866.1**	**11.3**	**50,760.8**	**11.7**	**-17.7**	**61,692.8**	**11.8**	**9,207.3**	**13,173.3**
Netherlands	18,420.6	3.3	-21.4	23,443.4	3.5	3,520.0	0.8	-4.6	3,687.9	0.7	14,900.6	19,755.5
Germany	14,830.1	2.7	-3.5	15,361.2	2.3	18,416.9	4.2	-18.0	22,471.4	4.3	-3,586.8	-7,110.2
United Kingdom	7,082.4	1.3	-25.4	9,488.0	1.4	5,998.5	1.4	-21.6	7,654.2	1.5	1,083.9	1,833.8
France	5,449.9	1.0	-14.3	6,361.3	1.0	7,058.7	1.6	-6.6	7,554.4	1.4	-1,608.8	-1,193.1
Italy	2,821.4	0.5	-9.5	3,117.8	0.5	4,407.6	1.0	-8.3	4,806.1	0.9	-1,586.2	-1,688.3
Belgium	1,606.5	0.3	-31.3	2,338.8	0.4	1,563.4	0.4	-15.4	1,848.4	0.4	43.1	490.3
Spain	1,571.7	0.3	-50.0	3,145.2	0.5	867.6	0.2	-29.3	1,227.3	0.2	704.1	1,917.9
Finland	1,571.1	0.3	-3.5	1,628.8	0.2	593.5	0.1	-36.1	929.2	0.2	977.6	699.6
Ireland	914.7	0.2	-33.4	1,373.5	0.2	3,454.2	0.8	-30.9	4,995.3	1.0	-2,539.4	-3,621.7
Sweden	819.7	0.1	-37.8	1,317.7	0.2	1,845.1	0.4	-17.9	2,247.9	0.4	-1,025.4	-930.2
Poland	807.7	0.1	-31.8	1,183.9	0.2	207.8	neg.	-1.0	209.9	neg.	599.9	974.0
Hungary	635.8	0.1	-60.1	1,593.7	0.2	182.8	neg.	-17.8	222.4	neg.	453.1	1,371.3
Czech Republic	622.6	0.1	26.1	493.7	0.1	186.0	neg.	-15.3	219.6	neg.	436.6	274.1
Denmark	566.9	0.1	-36.5	892.8	0.1	566.7	0.1	1.6	557.8	0.1	0.2	335.0
Greece	450.0	0.1	-29.2	635.8	0.1	42.3	neg.	14.8	36.8	neg.	407.7	599.0
Portugal	412.9	0.1	-27.7	571.0	0.1	72.8	neg.	-91.1	816.4	0.2	340.1	-245.3
Slovak Republic	401.8	0.1	24.5	322.6	neg.	59.3	neg.	58.5	37.4	neg.	342.5	285.2
Austria	247.1	neg.	-41.5	422.2	0.1	1,233.0	0.3	-21.4	1,569.0	0.3	-985.8	-1,146.8

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Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM Million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Romania	175.8	neg.	-16.7	211.1	neg.	43.7	neg.	-44.2	78.2	neg.	132.1	132.9
Bulgaria	98.0	neg.	-48.4	189.9	neg.	46.8	neg.	-16.5	56.1	neg.	51.2	133.8
Malta	92.5	neg.	-39.5	152.8	neg.	225.3	0.1	-13.3	260.0	neg.	-132.9	-107.2
Latvia	90.9	neg.	-18.9	112.1	neg.	6.6	neg.	18.6	5.5	neg.	84.3	106.5
Luxembourg	65.4	neg.	93.9	33.7	neg.	23.3	neg.	-27.8	32.3	neg.	42.1	1.4
Cyprus	59.3	neg.	-38.7	96.6	neg.	18.3	neg.	38.1	13.2	neg.	41.0	83.4
Estonia	56.2	neg.	-73.0	207.9	neg.	17.4	neg.	-39.1	28.6	neg.	38.8	179.3
Slovenia	54.8	neg.	-34.4	83.4	neg.	37.9	neg.	-12.2	43.1	neg.	16.9	40.3
Lithuania	42.3	neg.	-51.5	87.1	neg.	65.3	neg.	-22.5	84.3	neg.	-23.1	2.8

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 8: Trade with APEC, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
APEC	**419,375.0**	**75.8**	**-15.9**	**498,483.1**	**75.1**	**338,423.0**	**77.8**	**-15.1**	**398,440.0**	**76.4**	**80,952.0**	**100,043.1**
Singapore	77,195.1	14.0	-21.1	97,784.2	14.7	48,115.1	11.1	-16.1	57,325.6	11.0	29,080.0	40,458.7
People's Republic of China	67,241.1	12.2	6.4	63,210.1	9.5	60,660.1	13.9	-9.3	66,881.7	12.8	6,581.1	-3,671.6
USA	60,584.0	10.9	-26.8	82,728.1	12.5	48,635.3	11.2	-13.9	56,454.5	10.8	11,948.7	26,273.6
Japan	54,423.6	9.8	-24.2	71,800.1	10.8	54,287.8	12.5	-16.6	65,126.3	12.5	135.9	6,673.8
Thailand	29,852.7	5.4	-5.9	31,734.8	4.8	26,307.9	6.0	-10.1	29,275.2	5.6	3,544.8	2,459.7
Hong Kong	28,845.2	5.2	1.9	28,317.2	4.3	10,811.8	2.5	-20.8	13,658.7	2.6	18,033.4	14,658.5
Republic of Korea	21,100.4	3.8	-18.5	25,887.5	3.9	20,124.8	4.6	-16.9	24,226.2	4.6	975.6	1,661.2
Australia	19,999.0	3.6	-18.1	24,404.1	3.7	9,485.5	2.2	-19.4	11,765.4	2.3	10,513.5	12,638.8
Indonesia	17,294.1	3.1	-16.6	20,736.2	3.1	23,030.1	5.3	-4.8	24,184.9	4.6	-5,736.0	-3,448.7
Chinese Taipei	14,430.9	2.6	-11.1	16,233.1	2.4	18,467.3	4.2	-26.4	25,093.6	4.8	-4,036.4	-8,860.5
Viet Nam	8,165.1	1.5	1.0	8,082.5	1.2	7,260.5	1.7	-5.7	7,703.4	1.5	904.6	379.2
Philippines	6,961.8	1.3	-28.7	9,759.9	1.5	4,008.4	0.9	-42.3	6,942.2	1.3	2,953.4	2,817.7
Mexico	4,302.1	0.8	-20.1	5,383.8	0.8	1,160.4	0.3	63.1	711.3	0.1	3,141.7	4,672.5
Canada	2,754.3	0.5	-14.4	3,218.9	0.5	2,274.0	0.5	-30.2	3,256.5	0.6	480.3	-37.5
New Zealand	1,902.3	0.3	-46.6	3,560.8	0.5	1,644.5	0.4	-36.6	2,593.0	0.5	257.9	967.8
Russia	1,875.2	0.3	-40.8	3,168.0	0.5	921.7	0.2	-44.8	1,669.7	0.3	953.6	1,498.3
Brunei Darussalam	1,560.8	0.3	4.4	1,494.3	0.2	236.6	0.1	-30.3	339.2	0.1	1,324.2	1,155.1
Papua New Guinea	457.5	0.1	0.8	453.8	0.1	389.1	0.1	-11.5	439.6	0.1	68.4	14.2
Chile	227.5	neg.	-21.9	291.2	neg.	561.5	0.1	-26.2	761.2	0.1	-334.0	-470.0
Peru	202.3	neg.	-13.7	234.3	neg.	40.8	neg.	27.6	32.0	neg.	161.5	202.4

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 9: Trade with Major Countries in the OIC, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
OIC	**59,794.2**	**10.8**	**-11.6**	**67,641.9**	**10.2**	**41,744.4**	**9.6**	**-20.8**	**52,674.7**	**10.1**	**18,049.8**	**14,967.2**
D-8	**33,649.1**	**6.1**	**66.7**	**36,787.1**	**5.5**	**25,413.0**	**5.8**	**-185.6**	**28,307.7**	**5.4**	**8,236.1**	**8,479.4**
Indonesia[1]	17,294.1	3.1	-16.6	20,736.2	3.1	23,030.1	5.3	-4.8	24,184.9	4.6	-5,736.0	-3,448.7
United Arab Emirates	10,032.2	1.8	-20.0	12,540.7	1.9	6,117.0	1.4	-27.1	8,392.4	1.6	3,915.2	4,148.3
Pakistan[1]	5,747.1	1.0	0.2	5,734.4	0.9	526.2	0.1	24.6	422.3	0.1	5,220.9	5,312.1
Saudi Arabia	2,861.9	0.5	-18.5	3,513.6	0.5	3,908.3	0.9	-48.2	7,546.6	1.4	-1,046.4	-4,033.0
Egypt[1]	2,849.5	0.5	19.3	2,388.4	0.4	127.7	neg.	-64.5	359.7	0.1	2,721.8	2,028.7
Bangladesh[1]	2,828.1	0.5	23.8	2,285.2	0.3	76.6	neg.	-61.2	197.1	neg.	2,751.5	2,088.0
Iran[1]	2,401.0	0.4	-1.9	2,447.1	0.4	1,137.6	0.3	-55.4	2,548.9	0.5	1,263.4	-101.8
Qatar	1,915.9	0.3	138.6	802.9	0.1	1,152.5	0.3	28.6	896.5	0.2	763.4	-93.6
Turkey[1]	1,673.5	0.3	-38.5	2,721.6	0.4	395.7	0.1	-14.5	462.6	0.1	1,277.7	2,259.1
Brunei Darussalam	1,560.8	0.3	4.4	1,494.3	0.2	236.6	0.1	-30.3	339.2	0.1	1,324.2	1,155.1
Benin	1,051.0	0.2	-20.5	1,322.2	0.2	13.8	neg.	-66.6	41.3	neg.	1,037.2	1,280.9
Nigeria[1]	855.8	0.2	80.5	474.2	0.1	119.0	neg.	-10.0	132.2	neg.	736.8	342.1
Turkmenistan	724.7	0.1	339.8	164.8	neg.	0.0	neg.	-95.2	0.8	neg.	724.6	164.0
Yemen	720.9	0.1	-35.4	1,115.4	0.2	265.6	0.1	19.3	222.5	neg.	455.3	892.9
Syria	613.7	0.1	6.1	578.5	0.1	4.9	neg.	36.5	3.6	neg.	608.8	574.9
Oman	609.0	0.1	-20.6	766.8	0.1	548.1	0.1	-81.0	2,885.5	0.6	60.9	-2,118.7

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Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Jordan	527.6	0.1	-71.2	1,832.2	0.3	85.5	neg.	-81.0	449.6	0.1	442.1	1,382.6
Djibouti	516.1	0.1	10.1	468.7	0.1	neg.	neg.	-99.4	5.6	neg.	516.1	463.1
Algeria	456.6	0.1	-1.1	461.8	0.1	8.3	neg.	-62.0	21.9	neg.	448.3	439.8
Togo	377.3	0.1	-16.7	452.8	0.1	6.9	neg.	-93.0	98.1	neg.	370.4	354.6
Lebanon	334.6	0.1	6.9	312.9	neg.	3.1	neg.	-57.7	7.4	neg.	331.4	305.5
Libya	303.8	0.1	-12.0	345.3	0.1	82.5	neg.	261.6	22.8	neg.	221.3	322.5
Bahrain	292.1	0.1	4.5	279.6	neg.	562.4	0.1	26.1	446.1	0.1	-270.3	-166.6

Compiled by Ministrya of International Trade and Industry
Note: [1] - Member of D-8
neg. - negligible

Table 10: Trade with OECD, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
OECD	**228,399.9**	**41.3**	**-22.8**	**296,002.5**	**44.6**	**191,560.5**	**44.0**	**-16.9**	**230,479.4**	**44.2**	**36,839.4**	**65,523.1**
USA	60,584.0	10.9	-26.8	82,728.1	12.5	48,635.3	11.2	-13.9	56,454.5	10.8	11,948.7	26,273.6
Japan	54,423.6	9.8	-24.2	71,800.1	10.8	54,287.8	12.5	-16.6	65,126.3	12.5	135.9	6,673.8
Republic of Korea	21,100.4	3.8	-18.5	25,887.5	3.9	20,124.8	4.6	-16.9	24,226.2	4.6	975.6	1,661.2
Australia	19,999.0	3.6	-18.1	24,404.1	3.7	9,485.5	2.2	-19.4	11,765.4	2.3	10,513.5	12,638.8
Netherlands	18,420.6	3.3	-21.4	23,443.4	3.5	3,520.0	0.8	-4.6	3,687.9	0.7	14,900.6	19,755.5
Germany	14,830.1	2.7	-3.5	15,361.2	2.3	18,416.9	4.2	-18.0	22,471.4	4.3	-3,586.8	-7,110.2
United Kingdom	7,082.4	1.3	-25.4	9,488.0	1.4	5,998.5	1.4	-21.6	7,654.2	1.5	1,083.9	1,833.8
France	5,449.9	1.0	-14.3	6,361.3	1.0	7,058.7	1.6	-6.6	7,554.4	1.4	-1,608.8	-1,193.1
Mexico	4,302.1	0.8	-20.1	5,383.8	0.8	1,160.4	0.3	63.1	711.3	0.1	3,141.7	4,672.5
Italy	2,821.4	0.5	-9.5	3,117.8	0.5	4,407.6	1.0	-8.3	4,806.1	0.9	-1,586.2	-1,688.3
Canada	2,754.3	0.5	-14.4	3,218.9	0.5	2,274.0	0.5	-30.2	3,256.5	0.6	480.3	-37.5
Switzerland	2,040.9	0.4	-2.1	2,084.7	0.3	2,711.2	0.6	-35.2	4,180.9	0.8	-670.3	-2,096.2
New Zealand	1,902.3	0.3	-46.6	3,560.8	0.5	1,644.5	0.4	-36.6	2,593.0	0.5	257.9	967.8
Turkey	1,673.5	0.3	-38.5	2,721.6	0.4	395.7	0.1	-14.5	462.6	0.1	1,277.7	2,259.1
Belgium	1,606.5	0.3	-31.3	2,338.8	0.4	1,563.4	0.4	-15.4	1,848.4	0.4	43.1	490.3
Spain	1,571.7	0.3	-50.0	3,145.2	0.5	867.6	0.2	-29.3	1,227.3	0.2	704.1	1,917.9
Finland	1,571.1	0.3	-3.5	1,628.8	0.2	593.5	0.1	-36.1	929.2	0.2	977.6	699.6

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Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Poland	807.7	0.1	-31.8	1,183.9	0.2	207.8	neg.	-1.0	209.9	neg.	599.9	974.0
Hungary	635.8	0.1	-60.1	1,593.7	0.2	182.8	neg.	-17.8	222.4	neg.	453.1	1,371.3
Czech Republic	622.6	0.1	26.1	493.7	0.1	186.0	neg.	-15.3	219.6	neg.	436.6	274.1
Denmark	566.9	0.1	-36.5	892.8	0.1	566.7	0.1	1.6	557.8	0.1	0.2	335.0
Greece	450.0	0.1	-29.2	635.8	0.1	42.3	neg.	14.8	36.8	neg.	407.7	599.0
Portugal	412.9	0.1	-27.7	571.0	0.1	72.8	neg.	-91.1	816.4	0.2	340.1	-245.3
Slovak Republic	401.8	0.1	24.5	322.6	neg.	59.3	neg.	58.5	37.4	neg.	342.5	285.2
Norway	316.0	0.1	-33.7	476.7	0.1	538.1	0.1	-7.0	578.8	0.1	-222.1	-102.1
Austria	247.1	neg.	-41.5	422.2	0.1	1,233.0	0.3	-21.4	1,569.0	0.3	-985.8	-1,146.8
Luxembourg	65.4	neg.	93.9	33.7	neg.	23.3	neg.	-27.8	32.3	neg.	42.1	1.4
Iceland	5.5	neg.	-50.1	11.0	neg.	3.8	neg.	1,386.3	0.3	neg.	1.7	10.7

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 11: Trade with Major Asian Countries, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
Asia	**609,708.8**	**110.2**	**-10.4**	**680,703.0**	**102.6**	**516,994.7**	**118.9**	**-16.9**	**621,782.2**	**119.2**	**92,714.1**	**58,920.7**
ASEAN	**372,349.9**	**67.3**	**-9.4**	**411,195.8**	**62.0**	**328,769.2**	**75.6**	**-15.7**	**390,096.9**	**74.8**	**43,580.7**	**21,098.9**
North East Asia	**186,175.0**	**33.6**	**-9.4**	**205,597.9**	**31.0**	**164,384.6**	**37.8**	**-15.7**	**195,048.5**	**37.4**	**21,790.4**	**10,549.4**
People's Republic of China	67,241.1	12.2	6.4	63,210.1	9.5	60,660.1	13.9	-9.3	66,881.7	12.8	6,581.1	-3,671.6
Japan	54,423.6	9.8	-24.2	71,800.1	10.8	54,287.8	12.5	-16.6	65,126.3	12.5	135.9	6,673.8
Hong Kong	28,845.2	5.2	1.9	28,317.2	4.3	10,811.8	2.5	-20.8	13,658.7	2.6	18,033.4	14,658.5
Republic of Korea	21,100.4	3.8	-18.5	25,887.5	3.9	20,124.8	4.6	-16.9	24,226.2	4.6	975.6	1,661.2
Chinese Taipei	14,430.9	2.6	-11.1	16,233.1	2.4	18,467.3	4.2	-26.4	25,093.6	4.8	-4,036.4	-8,860.5
South Asia	**27,122.9**	**4.9**	**-21.7**	**34,644.1**	**5.2**	**8,632.7**	**2.0**	**-22.0**	**11,061.8**	**2.1**	**18,490.2**	**23,582.3**
India	16,998.2	3.1	-31.3	24,732.0	3.7	7,869.1	1.8	-23.6	10,302.1	2.0	9,129.1	14,429.9
Pakistan	5,747.1	1.0	0.2	5,734.4	0.9	526.2	0.1	24.6	422.3	0.1	5,220.9	5,312.1
Bangladesh	2,828.1	0.5	23.8	2,285.2	0.3	76.6	neg.	-61.2	197.1	neg.	2,751.5	2,088.0
Sri Lanka	1,176.6	0.2	-16.9	1,416.0	0.2	150.0	neg.	20.3	124.7	neg.	1,026.5	1,291.3
West Asia	**23,102.5**	**4.2**	**-19.9**	**28,860.0**	**4.3**	**15,200.6**	**3.5**	**-40.5**	**25,562.0**	**4.9**	**7,901.9**	**3,298.0**
United Arab Emirates	10,032.2	1.8	-20.0	12,540.7	1.9	6,117.0	1.4	-27.1	8,392.4	1.6	3,915.2	4,148.3
Saudi Arabia	2,861.9	0.5	-18.5	3,513.6	0.5	3,908.3	0.9	-48.2	7,546.6	1.4	-1,046.4	-4,033.0

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Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Turkey	1,673.5	0.3	-38.5	2,721.6	0.4	395.7	0.1	-14.5	462.6	0.1	1,277.7	2,259.1
Yemen	720.9	0.1	-35.4	1,115.4	0.2	265.6	0.1	19.3	222.5	neg.	455.3	892.9
Syrian	613.7	0.1	6.1	578.5	0.1	4.9	neg.	36.5	3.6	neg.	608.8	574.9
Oman	609.0	0.1	-20.6	766.8	0.1	548.1	0.1	-81.0	2,885.5	0.6	60.9	-2,118.7
Central Asia	**958.5**	**0.2**	**136.5**	**405.3**	**0.1**	**7.6**	**neg.**	**-42.0**	**13.1**	**neg.**	**950.9**	**392.1**
Turkmenistan	724.7	0.1	339.8	164.8	neg.	0.0	neg.	-95.2	0.8	neg.	724.6	164.0
Uzbekistan	131.0	neg.	-8.7	143.4	neg.	4.2	neg.	-48.0	8.0	neg.	126.8	135.4

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 12: Trade with Major Countries in the Americas, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
Americas	**72,453.4**	**13.1**	**-25.6**	**97,323.7**	**14.7**	**61,445.9**	**14.1**	**-10.5**	**68,663.7**	**13.2**	**11,007.5**	**28,660.0**
North America	**63,338.3**	**11.4**	**-26.3**	**85,947.0**	**13.0**	**50,909.2**	**11.7**	**-14.7**	**59,710.9**	**11.4**	**12,429.0**	**26,236.1**
USA	60,584.0	10.9	-26.8	82,728.1	12.5	48,635.3	11.2	-13.9	56,454.5	10.8	11,948.7	26,273.6
Canada	2,754.3	0.5	-14.4	3,218.9	0.5	2,274.0	0.5	-30.2	3,256.5	0.6	480.3	-37.5
Central America	**4,878.5**	**0.9**	**-20.7**	**6,153.5**	**0.9**	**3,979.1**	**0.9**	**98.5**	**2,004.4**	**0.4**	**899.4**	**4,149.1**
Mexico	4,302.1	0.8	-20.1	5,383.8	0.8	1,160.4	0.3	63.1	711.3	0.1	3,141.7	4,672.5
Panama	269.8	neg.	-35.9	420.9	0.1	18.8	neg.	-32.5	27.8	neg.	251.0	393.1
Costa Rica	124.8	neg.	-8.3	136.1	neg.	2,666.3	0.6	121.6	1,203.4	0.2	-2,541.5	-1,067.3
Guatemala	65.4	neg.	6.0	61.7	neg.	130.2	neg.	184.9	45.7	neg.	-64.8	16.0
El Salvador	45.3	neg.	-24.0	59.6	neg.	1.5	neg.	-77.1	6.6	neg.	43.8	52.9
Honduras	44.7	neg.	-30.1	63.9	neg.	0.5	neg.	-89.7	5.1	neg.	44.2	58.8
South America	**3,663.8**	**0.7**	**-20.5**	**4,610.1**	**0.7**	**6,489.0**	**1.5**	**-1.5**	**6,589.1**	**1.3**	**-2,825.2**	**-1,979.0**
Brazil	2,240.7	0.4	-19.9	2,798.6	0.4	3,300.2	0.8	-5.2	3,481.3	0.7	-1,059.6	-682.7
Argentina	457.3	0.1	-22.3	588.2	0.1	2,206.0	0.5	-0.3	2,213.3	0.4	-1,748.8	-1,625.1
Colombia	240.9	neg.	-15.2	284.1	neg.	27.0	neg.	35.6	20.0	neg.	213.9	264.1
Chile	227.5	neg.	-21.9	291.2	neg.	561.5	0.1	-26.2	761.2	0.1	-334.0	-470.0
Peru	202.3	neg.	-13.7	234.3	neg.	40.8	neg.	27.6	32.0	neg.	161.5	202.4
Venezuela	148.3	neg.	-19.1	183.3	neg.	250.1	0.1	6,581.8	3.7	neg.	-101.9	179.6
Uruguay	59.9	neg.	-31.6	87.6	neg.	81.0	neg.	28.9	62.9	neg.	-21.1	24.7
Ecuador	42.4	neg.	-27.9	58.9	neg.	8.2	neg.	-6.1	8.7	neg.	34.2	50.1
Caribbean	**572.8**	**0.1**	**-6.6**	**613.1**	**0.1**	**68.6**	**neg.**	**-80.9**	**359.3**	**0.1**	**504.2**	**253.7**

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 13: Trade with Major European Countries, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
EUROPE	**66,060.5**	**11.9**	**-46.2**	**83,132.8**	**12.5**	**55,690.9**	**12.8**	**-48.5**	**68,817.7**	**13.2**	**10,369.5**	**14,315.1**
EU	**59,968.0**	**10.8**	**-19.9**	**74,866.1**	**11.3**	**50,760.8**	**11.7**	**-17.7**	**61,692.8**	**11.8**	**9,207.3**	**13,173.3**
Other Europe	**6,092.4**	**1.1**	**-26.3**	**8,266.7**	**1.2**	**4,930.2**	**1.1**	**-30.8**	**7,124.9**	**1.4**	**1,162.3**	**1,141.8**
Switzerland	2,040.9	0.4	-2.1	2,084.7	0.3	2,711.2	0.6	-35.2	4,180.9	0.8	-670.3	-2,096.2
Russian	1,875.2	0.3	-40.8	3,168.0	0.5	921.7	0.2	-44.8	1,669.7	0.3	953.6	1,498.3
Ukraine	1,656.0	0.3	-17.4	2,003.9	0.3	477.9	0.1	-6.3	510.2	0.1	1,178.1	1,493.7
Norway	316.0	0.1	-33.7	476.7	0.1	538.1	0.1	-7.0	578.8	0.1	-222.1	-102.1
Croatia	77.6	neg.	-28.1	107.9	neg.	3.4	neg.	-74.8	13.3	neg.	74.2	94.5
Yugoslavia	31.7	neg.	-44.2	56.7	neg.	8.4	neg.	-1.7	8.6	neg.	23.2	48.2
Belarus	21.6	neg.	-51.7	44.7	neg.	239.9	0.1	123.5	107.3	neg.	-218.3	-62.7
Georgia	21.1	neg.	-48.2	40.7	neg.	16.7	neg.	-22.1	21.4	neg.	4.4	19.3
Montenegro	11.1	neg.	6.0	10.5	neg.	0.3	neg.	-54.9	0.6	neg.	10.9	9.9
Albania	10.6	neg.	53.1	7.0	neg.	1.0	neg.	-86.2	7.0	neg.	9.7	-0.0
Monaco	7.0	neg.	-48.7	13.7	neg.	2.9	neg.	-32.4	4.2	neg.	4.2	9.5
Liechtenstein	6.9	neg.	-39.3	11.4	neg.	1.8	neg.	60.7	1.1	neg.	5.1	10.3
Azerbaijan	5.7	neg.	-2.2	5.8	neg.	0.1	neg.	54.4	0.1	neg.	5.6	5.8
Iceland	5.5	neg.	-50.1	11.0	neg.	3.8	neg.	1,386.3	0.3	neg.	1.7	10.7
Armenia	3.6	neg.	13.5	3.1	neg.	0.2	neg.	-49.7	0.4	neg.	3.4	2.8
Bosnia - Herzegovina	0.9	neg.	-71.4	3.2	neg.	0.6	neg.	-95.2	12.0	neg.	0.3	-8.8
Moldova	0.8	neg.	21.0	0.7	neg.	0.2	neg.	-79.4	0.8	neg.	0.6	-0.1
Andorra	0.2	neg.	-79.6	0.7	neg.	1.6	neg.	-77.5	7.2	neg.	-1.5	-6.5
Faeroe Islands	neg.	neg.	67.1	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Gibraltar	neg.	neg.	-100.0	211.2	neg.	0.2	neg.	-21.3	0.2	neg.	-0.2	210.9
Greenland	neg.	neg.	-100.0	0.1	neg.	0.3	neg.	-20.1	0.4	neg.	-0.3	-0.4

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 14: Trade with Major African Countries, 2008-2009

Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**	**118,354.9**	**141,883.2**
Africa	**12,213.5**	**2.2**	**-7.5**	**13,210.1**	**2.0**	**5,821.2**	**1.3**	**3.0**	**5,652.8**	**1.1**	**6,392.2**	**7,557.4**
Egypt	2,849.5	0.5	19.3	2,388.4	0.4	127.7	neg.	-64.5	359.7	0.1	2,721.8	2,028.7
South Africa	1,983.4	0.4	-24.4	2,623.0	0.4	1,972.0	0.5	-27.0	2,700.8	0.5	11.4	-77.7
Benin	1,051.0	0.2	-20.5	1,322.2	0.2	13.8	neg.	-66.6	41.3	neg.	1,037.2	1,280.9
Nigeria	855.8	0.2	80.5	474.2	0.1	119.0	neg.	-10.0	132.2	neg.	736.8	342.1
Djibouti	516.1	0.1	10.1	468.7	0.1	0.0	neg.	-99.4	5.6	neg.	516.1	463.1
Mauritius	470.2	0.1	1.1	465.1	0.1	82.2	neg.	975.6	7.6	neg.	388.0	457.4
Algeria	456.6	0.1	-1.1	461.8	0.1	8.3	neg.	-62.0	21.9	neg.	448.3	439.8
Ghana	381.9	0.1	-36.7	602.9	0.1	340.0	0.1	-40.3	569.4	0.1	41.9	33.5
Togo	377.3	0.1	-16.7	452.8	0.1	6.9	neg.	-93.0	98.1	neg.	370.4	354.6
Libya	303.8	0.1	-12.0	345.3	0.1	82.5	neg.	261.6	22.8	neg.	221.3	322.5
Mauritania	248.2	neg.	-2.1	253.6	neg.	1.1	neg.	14.9	1.0	neg.	247.1	252.6
Madagascar	238.3	neg.	130.1	103.6	neg.	8.0	neg.	236.2	2.4	neg.	230.3	101.2
Tanzania	236.1	neg.	-51.8	489.6	0.1	34.5	neg.	38.3	24.9	neg.	201.6	464.6
Kenya	222.0	neg.	-41.3	378.1	0.1	84.0	neg.	127.9	36.9	neg.	138.0	341.2
Sierra Leone	171.1	neg.	86.1	91.9	neg.	5.3	neg.	349.6	1.2	neg.	165.8	90.8
Tunisia	169.6	neg.	57.7	107.5	neg.	34.6	neg.	73.4	19.9	neg.	135.1	87.6
Angola	166.4	neg.	-39.8	276.2	neg.	5.7	neg.	10.9	5.1	neg.	160.7	271.1

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Country	Exports					Imports					Balance of Trade	
	2009			2008		2009			2008		2009	2008
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Morocco	151.3	neg.	-16.9	182.2	neg.	61.4	neg.	18.0	52.0	neg.	89.9	130.1
Congo	124.7	neg.	-26.6	170.0	neg.	95.5	neg.	23.0	77.6	neg.	29.2	92.4
Cote D'Ivoire	96.9	neg.	17.7	82.3	neg.	477.2	0.1	109.6	227.6	neg.	-380.3	-145.3
Cameroon	89.1	neg.	-50.2	179.1	neg.	157.2	neg.	23.4	127.4	neg.	-68.0	51.7
Gambia	73.2	neg.	-27.7	101.2	neg.	0.8	neg.	209.6	0.3	neg.	72.3	100.9
Ethiopia	68.6	neg.	23.4	55.6	neg.	5.4	neg.	1.9	5.3	neg.	63.1	50.2
Reunion Islands	51.5	neg.	-32.7	76.5	neg.	5.8	neg.	4.0	5.6	neg.	45.7	70.9
Senegal	50.0	neg.	3.2	48.4	neg.	10.9	neg.	95.8	5.6	neg.	39.1	42.8
Seychelles	48.0	neg.	-25.4	64.3	neg.	5.1	neg.	141.3	2.1	neg.	42.9	62.2
Liberia	42.2	neg.	-30.9	61.1	neg.	123.2	neg.	292.4	31.4	neg.	-81.0	29.7
Guinea	41.9	neg.	-9.1	46.1	neg.	4.3	neg.	-83.7	26.3	neg.	37.6	19.8

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 15: Major Exports of Manufactured Goods to Top Five Destinations, 2008-2009

Products	2009			2008	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**553,295.3**	**100.0**	**663,494.0**	**100.0**
Manufactured Goods		**411,404.50**	**74.4**	**464,469.00**	**70.0**
Electrical & electronics products	**Total**	**227,778.3**	**41.2**	**253,826.3**	**38.3**
	USA	39,658.0	7.2	56,645.5	8.5
	People's Republic of China	36,567.3	6.6	29,684.4	4.5
	Singapore	32,172.4	5.8	38,912.8	5.9
	Hong Kong SAR	22,616.2	4.1	20,289.2	3.1
	Japan	15,805.0	2.9	16,455.6	2.5
Chemicals & chemical products	**Total**	**32,981.4**	**6.0**	**40,538.1**	**6.1**
	People's Republic of China	5,488.8	1.0	5,320.8	0.8
	Singapore	2,968.0	0.5	3,385.7	0.5
	Indonesia	2,878.8	0.5	3,800.5	0.6
	Thailand	2,631.1	0.5	3,505.6	0.5
	India	2,198.2	0.4	2,512.7	0.4
Machinery, appliances & parts	**Total**	**19,118.3**	**3.5**	**21,922.1**	**3.3**
	Singapore	4,041.9	0.7	4,825.0	0.7
	Indonesia	1,873.7	0.3	1,606.7	0.2
	People's Republic of China	1,412.1	0.3	1,359.5	0.2
	Thailand	1,404.5	0.3	1,520.9	0.2
	USA	1,372.6	0.2	1,587.3	0.2
Manufactures of metal	**Total**	**14,532.0**	**2.6**	**19,635.4**	**3.0**
	Singapore	3,500.8	0.6	5,064.0	0.8
	People's Republic of China	1,391.9	0.3	1,127.3	0.2
	Thailand	1,252.3	0.2	1,475.9	0.2
	Japan	1,015.7	0.2	1,486.1	0.2
	Indonesia	716.7	0.1	879.9	0.1
Wood products	**Total**	**14,152.0**	**2.6**	**16,628.2**	**2.5**
	Japan	3,172.2	0.6	3,984.3	0.6
	USA	2,310.1	0.4	2,503.9	0.4
	Republic of Korea	977.2	0.2	960.4	0.1
	United Kingdom	828.0	0.1	989.4	0.1
	Australia	626.7	0.1	728.0	0.1

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Products	2009			2008	
	Country	RM million	Share (%)	RM million	Share (%)
Optical & scientific equipment	**Total**	**13,094.7**	**2.4**	**14,943.7**	**2.3**
	USA	2,462.5	0.4	3,243.1	0.5
	Japan	2,020.7	0.4	2,271.8	0.3
	Singapore	1,823.3	0.3	2,099.4	0.3
	Netherlands	1,065.6	0.2	1,213.1	0.2
	Thailand	940.7	0.2	1,051.6	0.2
Rubber products	**Total**	**12,478.8**	**2.3**	**12,806.1**	**1.9**
	People's Republic of China	2,843.3	0.5	2,562.4	0.4
	USA	2,782.6	0.5	2,933.2	0.4
	Germany	629.6	0.1	802.2	0.1
	Japan	482.8	0.1	508.4	0.1
	Brazil	452.9	0.1	336.4	0.1
Processed food	**Total**	**10,739.0**	**1.9**	**12,131.8**	**1.8**
	Singapore	1,722.9	0.3	1,653.7	0.2
	USA	1,014.3	0.2	1,002.9	0.2
	Indonesia	729.3	0.1	938.7	0.1
	Japan	575.1	0.1	547.5	0.1
	Thailand	498.8	0.1	481.4	0.1
Transport equipment	**Total**	**10,352.7**	**1.9**	**9,530.9**	**1.4**
	Singapore	2,293.2	0.4	1,907.5	0.3
	Qatar	1,112.8	0.2	5.5	0.0
	Indonesia	752.5	0.1	739.5	0.1
	Thailand	692.8	0.1	1,209.9	0.2
	USA	626.1	0.1	653.4	0.1
Textile & apparel	**Total**	**8,933.7**	**1.6**	**10,497.2**	**1.6**
	USA	1,792.6	0.3	2,453.5	0.4
	Japan	720.1	0.1	594.1	0.1
	Singapore	486.4	0.1	583.8	0.1
	Mexico	460.4	0.1	521.3	0.1
	People's Republic of China	408.4	0.1	389.2	0.1

Compiled by Ministry of International Trade and Industry

Table 16: Major Imports of Manufactured Goods from Top Five Suppliers, 2008-2009

Products	2009			2008	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**434,940.4**	**100.0**	**521,610.8**	**100.0**
Manufactured Goods		**359,233.4**	**82.6**	**419,774.9**	**80.5**
Electrical & electronics products	**Total**	**159,310.5**	**36.6**	**189,395.0**	**36.3**
	People's Republic of China	33,257.5	7.6	35,454.6	6.8
	USA	25,335.7	5.8	31,369.9	6.0
	Japan	18,562.7	4.3	23,344.5	4.5
	Singapore	17,920.0	4.1	16,890.7	3.2
	Republic of Korea	11,526.5	2.7	13,642.3	2.6
Machinery, appliances & parts	**Total**	**38,226.4**	**8.8**	**43,348.3**	**8.3**
	Japan	6,657.3	1.5	8,901.0	1.7
	People's Republic of China	6,132.5	1.4	6,261.5	1.2
	USA	5,568.4	1.3	6,191.7	1.2
	Germany	3,273.4	0.8	3,684.8	0.7
	Thailand	2,780.3	0.6	2,616.6	0.5
Chemicals & chemical products	**Total**	**37,030.3**	**8.5**	**43,572.3**	**8.4**
	Singapore	5,246.2	1.2	5,507.3	1.1
	People's Republic of China	3,829.3	0.9	4,751.2	0.9
	USA	3,679.9	0.8	3,779.5	0.7
	Japan	3,533.9	0.8	4,376.2	0.8
	Thailand	2,433.7	0.6	3,050.3	0.6
Transport equipment	**Total**	**25,050.0**	**5.8**	**22,399.8**	**4.3**
	Japan	7,368.3	1.7	6,155.2	1.2
	Thailand	3,760.5	0.9	3,815.6	0.7
	USA	2,970.7	0.7	1,644.1	0.3
	France	2,638.4	0.6	3,426.2	0.7
	Germany	1,502.4	0.3	1,430.9	0.3
Manufactures of metal	**Total**	**21,756.3**	**5.0**	**27,433.4**	**5.3**
	Japan	3,858.4	0.9	5,607.6	1.1
	Indonesia	2,579.7	0.6	2,166.6	0.4
	People's Republic of China	2,540.7	0.6	2,908.4	0.6
	Australia	2,070.6	0.5	2,478.8	0.5
	Singapore	1,542.0	0.4	1,842.3	0.4

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Products	2009			2008	
	Country	RM million	Share (%)	RM million	Share (%)
	Japan	4,512.9	1.0	6,657.0	1.3
	Republic of Korea	2,229.9	0.5	3,137.6	0.6
	Chinese Taipei	1,694.5	0.4	2,202.1	0.4
	People's Republic of China	1,608.7	0.4	3,875.4	0.7
	USA	950.2	0.2	2,254.2	0.4
Optical & scientific equipment	**Total**	**13,894.4**	**3.2**	**15,934.7**	**3.1**
	USA	2,866.5	0.7	3,055.1	0.6
	Japan	2,762.2	0.6	2,300.2	0.4
	People's Republic of China	1,837.8	0.4	2,257.0	0.4
	Singapore	1,697.6	0.4	1,795.1	0.3
	Germany	800.7	0.2	967.3	0.2
Processed food	**Total**	**8,985.3**	**2.1**	**8,935.4**	**1.7**
	Australia	1,450.6	0.3	1,307.8	0.3
	Brazil	1,158.0	0.3	534.8	0.1
	New Zealand	1,066.2	0.2	1,578.0	0.3
	Thailand	817.2	0.2	859.1	0.2
	USA	753.6	0.2	911.5	0.2
Paper & pulp products	**Total**	**5,548.8**	**1.3**	**6,181.8**	**1.2**
	Indonesia	1,012.4	0.2	973.9	0.2
	People's Republic of China	542.5	0.1	635.6	0.1
	Singapore	465.6	0.1	425.8	0.1
	Japan	446.9	0.1	614.6	0.1
	Thailand	435.6	0.1	478.8	0.1
Manufacture of plastics	**Total**	**5,007.8**	**1.2**	**5,597.7**	**1.1**
	Japan	1,015.6	0.2	1,241.9	0.2
	People's Republic of China	747.9	0.2	857.5	0.2
	Singapore	731.0	0.2	796.5	0.2
	USA	612.7	0.1	573.7	0.1
	Thailand	323.0	0.1	349.6	0.1

Compiled by Ministry of International Trade and Industry

Table 17: Exports of Top Ten Products to Selected Destinations, 2008-2009

Products	2009			2008	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**553,295.3**	**100.0**	**-16.6**	**663,494.0**	**100.0**
Manufactured Goods	**411,404.5**	**74.4**	**-11.4**	**464,469.0**	**70.0**
Agricultural Goods	**55,459.2**	**10.0**	**-22.7**	**71,709.7**	**10.8**
Mining Goods	**81,503.0**	**14.7**	**-32.5**	**120,700.2**	**18.2**
ASEAN	**142,339.9**	**25.7**	**-16.9**	**171,216.1**	**25.8**
Manufactured Goods	**107,677.8**	**19.5**	**-12.2**	**122,647.7**	**18.5**
Agricultural Goods	**6,525.4**	**1.2**	**-12.8**	**7,485.3**	**1.1**
Mining Goods	**26,821.9**	**4.8**	**-31.4**	**39,091.6**	**5.9**
Electrical & electronics products	47,087.6	8.5	-14.5	55,041.6	8.3
Refined petroleum products	15,135.5	2.7	-29.0	21,322.1	3.2
Chemicals & chemical products	11,253.8	2.0	-16.1	13,413.4	2.0
Crude petroleum	10,798.4	2.0	-35.2	16,673.9	2.5
Machinery, appliances & parts	8,319.6	1.5	-7.9	9,029.9	1.4
Manufactures of metal	6,249.7	1.1	-24.7	8,299.8	1.3
Iron & steel products	4,278.7	0.8	-12.9	4,911.1	0.7
Transport equipment	3,990.9	0.7	-1.5	4,050.9	0.6
Processed food	3,948.6	0.7	-0.3	3,960.4	0.6
Optical & scientific equipment	3,163.8	0.6	-13.0	3,635.8	0.5
People's Republic of China	**67,241.1**	**12.2**	**6.4**	**63,210.1**	**9.5**
Manufactured Goods	**50,976.4**	**9.2**	**16.1**	**43,895.1**	**6.6**
Agriculture Goods	**12,328.4**	**2.2**	**-23.2**	**16,062.6**	**2.4**
Mining Goods	**3,750.5**	**0.7**	**29.7**	**2,892.7**	**0.4**
Electrical & electronics products	36,567.3	6.6	23.2	29,684.4	4.5
Palm oil	9,730.5	1.8	-21.6	12,405.4	1.9
Chemicals & chemical products	5,488.8	1.0	3.2	5,320.8	0.8
Rubber products	2,843.3	0.5	11.0	2,562.4	0.4
Crude petroleum	2,201.9	0.4	16.8	1,884.7	0.3
Crude rubber	1,710.0	0.3	-35.2	2,640.0	0.4
Machinery, appliances & parts	1,412.1	0.3	3.9	1,359.5	0.2
Manufactures of metal	1,391.9	0.3	23.5	1,127.3	0.2
Optical & scientific equipment	932.6	0.2	-4.1	972.6	0.1
LNG	641.3	0.1	1,952.3	31.2	0.0
USA	60,584.0	10.9	-26.8	82,728.1	12.5
Manufactured Goods	56,476.2	10.2	-26.1	76,375.2	11.5
Agriculture Goods	3,160.9	0.6	-41.7	5,417.9	0.8
Mining Goods	832.4	0.2	15.1	723.4	0.1
Electrical & electronics products	39,658.0	7.2	-30.0	56,645.5	8.5
Rubber products	2,782.6	0.5	-5.1	2,933.2	0.4
Palm oil	2,329.4	0.4	-40.6	3,921.4	0.6

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Products	2009			2008	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Wood products	2,310.1	0.4	-7.7	2,503.9	0.4
Textile & clothings	1,792.6	0.3	-26.9	2,453.5	0.4
Machinery, appliances & parts	1,372.6	0.2	-13.5	1,587.3	0.2
Chemicals & chemical products	1,248.6	0.2	-28.8	1,753.4	0.3
Processed food	1,014.3	0.2	1.1	1,002.9	0.2
Transport equipment	626.1	0.1	-4.2	653.4	0.1
EU	**59,968.0**	**10.8**	**-19.9**	**74,866.1**	**11.3**
Manufactured Goods	**52,301.9**	**9.5**	**-17.3**	**63,217.7**	**9.5**
Agriculture Goods	**6,485.9**	**1.2**	**-34.1**	**9,836.8**	**1.5**
Mining Goods	**885.7**	**0.2**	**-37.9**	**1,426.2**	**0.2**
Electrical & electronics products	33,116.5	6.0	-14.5	38,753.6	5.8
Palm oil	4,236.5	0.8	-23.2	5,515.3	0.8
Chemicals & chemical products	2,532.5	0.5	-33.5	3,806.7	0.6
Rubber products	2,520.2	0.5	-12.7	2,887.1	0.4
Optical & scientific equipment	2,132.9	0.4	-7.5	2,305.7	0.3
Machinery, appliances & parts	1,953.2	0.4	-33.7	2,946.1	0.4
Wood products	1,829.6	0.3	-18.5	2,245.3	0.3
Transport equipment	1,366.2	0.2	-10.5	1,526.3	0.2
Manufactures of metal	1,302.1	0.2	-12.0	1,478.9	0.2
Manufacture of plastics	1,238.7	0.2	-19.6	1,541.1	0.2
JAPAN	**54,423.6**	**9.8**	**-24.2**	**71,800.1**	**10.8**
Manufactured Goods	**30,116.4**	**5.4**	**-11.9**	**34,172.3**	**5.2**
Agriculture Goods	**2,640.9**	**0.5**	**-25.4**	**3,541.7**	**0.5**
Mining Goods	**21,348.7**	**3.9**	**-36.3**	**33,522.9**	**5.1**
LNG	19,921.5	3.6	-30.2	28,538.0	4.3
Electrical & electronics products	15,805.0	2.9	-4.0	16,455.6	2.5
Wood products	3,172.2	0.6	-20.4	3,984.3	0.6
Optical & scientific equipment	2,020.7	0.4	-11.1	2,271.8	0.3
Chemicals & chemical products	1,746.4	0.3	-31.7	2,555.7	0.4
Palm oil	1,431.3	0.3	-30.7	2,064.7	0.3
Non-metallic mineral products	1,040.2	0.2	6.9	973.4	0.1
Manufactures of metal	1,015.7	0.2	-31.6	1,486.1	0.2
Manufacture of plastics	997.1	0.2	-28.2	1,388.3	0.2
Textile & clothings	720.1	0.1	21.2	594.1	0.1

Compiled by Ministry of International Trade and Industry

Table 18: Imports of Top Ten Products from Selected Sources, 2008-2009

Products	2009			2008	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**434,940.4**	**100.0**	**-16.6**	**521,610.8**	**100.0**
Manufactured Goods	**359,231.9**	**82.6**	**-14.4**	**419,774.9**	**80.5**
Agriculture Goods	**27,878.6**	**6.4**	**-3.3**	**28,830.1**	**5.5**
Mining Goods	**37,603.6**	**8.6**	**-36.4**	**59,085.7**	**11.3**
ASEAN	**109,518.8**	**25.2**	**-13.4**	**126,419.7**	**24.2**
Manufactured Goods	**72,668.4**	**16.7**	**-7.1**	**78,217.3**	**15.0**
Agriculture Goods	**14,188.7**	**3.3**	**-9.1**	**15,601.9**	**3.0**
Mining Goods	**20,845.6**	**4.8**	**-29.8**	**29,697.3**	**5.7**
Electrical & electronics products	28,914.9	6.6	-6.1	30,782.5	5.9
Refined petroleum products	12,627.1	2.9	-40.0	21,029.3	4.0
Chemicals & chemical products	9,742.0	2.2	-13.0	11,201.4	2.1
Transport equipment	6,271.0	1.4	3.5	6,056.6	1.2
Machinery, appliances & parts	6,189.5	1.4	-5.0	6,517.1	1.2
Manufactures of metal	4,962.4	1.1	-9.4	5,474.5	1.0
Crude petroleum	4,329.2	1.0	-4.3	4,522.7	0.9
Crude rubber	3,872.6	0.9	21.1	3,199.0	0.6
Palm oil	3,673.3	0.8	7.8	3,408.2	0.7
Optical & scientific equipment	2,500.0	0.6	-8.5	2,731.3	0.5
People's Republic of China	**60,660.1**	**13.9**	**-9.3**	**66,881.7**	**12.8**
Manufactured Goods	**57,055.3**	**13.1**	**-10.5**	**63,739.8**	**12.2**
Agriculture Goods	**2,368.3**	**0.5**	**23.1**	**1,923.6**	**0.4**
Mining Goods	**778.1**	**0.2**	**17.0**	**664.8**	**0.1**
Electrical & electronics products	33,257.5	7.6	-6.2	35,454.6	6.8
Machinery, appliances & parts	6,132.5	1.4	-2.1	6,261.5	1.2
Chemicals & chemical products	3,829.3	0.9	-19.4	4,751.2	0.9
Manufactures of metal	2,540.7	0.6	-12.6	2,908.4	0.6
Optical & scientific equipment	1,837.8	0.4	-18.6	2,257.0	0.4
Iron & steel products	1,608.7	0.4	-58.5	3,875.4	0.7
Textile & clothings	1,587.4	0.4	-22.5	2,047.7	0.4
Transport equipment	1,014.7	0.2	17.4	864.2	0.2
Vegetables, roots, tubers	847.7	0.2	31.3	645.5	0.1
Manufacture of plastics	747.9	0.2	-12.8	857.5	0.2
Japan	**54,287.8**	**12.5**	**-16.6**	**65,126.3**	**12.5**
Manufactured Goods	**52,049.3**	**12.0**	**-16.0**	**61,929.9**	**11.9**
Agriculture Goods	**85.7**	**0.0**	**-6.4**	**91.5**	**0.0**
Mining Goods	**214.8**	**0.0**	**-14.6**	**251.6**	**0.0**
Electrical & electronics products	18,562.7	4.3	-20.5	23,344.5	4.5
Transport equipment	7,368.3	1.7	19.7	6,155.2	1.2

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Products	2009			2008	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Iron & steel products	4,512.9	1.0	-32.2	6,657.0	1.3
Manufactures of metal	3,858.4	0.9	-31.2	5,607.6	1.1
Chemicals & chemical products	3,533.9	0.8	-19.2	4,376.2	0.8
Optical & scientific equipment	2,762.2	0.6	20.1	2,300.2	0.4
Manufacture of plastics	1,015.6	0.2	-18.2	1,241.9	0.2
Non-metallic mineral products	811.5	0.2	17.6	689.8	0.1
Jewellery	798.1	0.2	861.9	83.0	0.0
EU	**50,760.8**	**11.7**	**-17.7**	**61,692.8**	**11.8**
Manufactured Goods	**49,463.3**	**11.4**	**-18.0**	**60,294.6**	**11.6**
Agriculture Goods	**403.0**	**0.1**	**2.3**	**393.8**	**0.1**
Mining Goods	**361.5**	**0.1**	**28.0**	**282.5**	**0.1**
Electrical & electronics products	17,617.0	4.1	-26.1	23,849.4	4.6
Machinery, appliances & parts	8,611.7	2.0	-3.5	8,924.7	1.7
Chemicals & chemical products	6,525.5	1.5	-0.3	6,545.2	1.3
Transport equipment	5,294.9	1.2	-9.4	5,844.6	1.1
Iron & steel products	2,337.3	0.5	-37.6	3,744.9	0.7
Optical & scientific equipment	1,787.2	0.4	-42.4	3,101.6	0.6
Manufactures of metal	1,536.8	0.4	-28.1	2,138.9	0.4
Processed food	1,112.6	0.3	5.5	1,054.7	0.2
Paper & pulp products	995.0	0.2	-13.8	1,153.9	0.2
Beverages & tobacco	617.9	0.1	7.5	574.7	0.1
USA	**48,635.3**	**11.2**	**-13.9**	**56,454.5**	**10.8**
Manufactured Goods	**46,491.8**	**10.7**	**-14.0**	**54,063.2**	**10.4**
Agriculture Goods	**1,306.4**	**0.3**	**14.3**	**1,142.8**	**0.2**
Mining Goods	**383.3**	**0.1**	**-27.9**	**531.9**	**0.1**
Electrical & electronics products	25,335.7	5.8	-19.2	31,369.9	6.0
Machinery, appliances & parts	5,568.4	1.3	-10.1	6,191.7	1.2
Chemicals & chemical products	3,679.9	0.8	-2.6	3,779.5	0.7
Transport equipment	2,970.7	0.7	80.7	1,644.1	0.3
Optical & scientific equipment	2,866.5	0.7	-6.2	3,055.1	0.6
Manufactures of metal	1,283.7	0.3	-19.6	1,596.1	0.3
Iron & steel products	950.2	0.2	-57.8	2,254.2	0.4
Processed food	753.6	0.2	-17.3	911.5	0.2
Manufacture of plastics	612.7	0.1	6.8	573.7	0.1
Paper & pulp products	426.7	0.1	-6.5	456.4	0.1

Compiled by Ministry of International Trade and Industry

APPENDIX 3

APPROVED MANUFACTURING PROJECTS WITH FOREIGN PARTICIPATION BY MAJOR SOURCE

County	2009		2008	
	Number of Projects	Foreign Investments (RM million)	Number of Projects	Foreign Investments (RM million)
Japan	45	6,500.7	63	5,594.9
Singapore	69	1,641.9	112	2,004.3
Chinese Taipei	24	653.4	32	911.6
Netherlands	16	460.2	19	1,795.7
Republic of Korea	9	431.8	9	197.6
Germany	11	404.5	19	4,438.3
Sweden	11	349.2	8	62.9
Australia	11	307.5	20	13,105.8
USA	12	289.0	22	8,669.0
United Kingdom	20	220.2	23	850.5
People's Republic of China	14	155.6	17	35.7
Iran	3	151.5	1	2.9
British Virgin Islands	9	139.0	6	1,230.4
Denmark	3	137.6	7	123.3
Finland	1	123.8	nil	nil
Hong Kong SAR	6	116.3	7	83.6
Luxembourg	1	71.2	2	220.7
India	7	68.9	8	171.0
Switzerland	6	64.0	8	873.2
France	2	16.6	9	250.9
Austria	1	14.1	1	35.2
Belgium	2	11.4	5	105.1
Turkey	1	10.0	nil	nil
Cayman Islands	1	7.5	nil	nil
Vanuatu	1	3.1	nil	nil
Indonesia	2	2.2	2	22.1
Seychelles	1	1.8	nil	nil
Egypt	1	1.2	1	nil
Thailand	1	0.6	6	144.6
Brunei Darussalam	1	0.5	1	1.0

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County	2009		2008	
	Number of Projects	Foreign Investments (RM million)	Number of Projects	Foreign Investments (RM million)
Spain	nil	nil	1	4,156.2
Cyprus	nil	nil	3	104.3
United Arab Emirates	nil	nil	5	90.9
Italy	nil	nil	2	70.7
Syria	nil	nil	1	22.1
New Zealand	nil	nil	2	12.5
Bangladesh	nil	nil	2	7.9
Nigeria	nil	nil	1	7.3
Ukraine	nil	nil	1	6.0
Myanmar	1	nil	1	4.5
Philippines	nil	nil	1	3.4
Ireland	nil	nil	1	3.1
Saudia Arabia	nil	nil	1	2.0
Norway	nil	nil	2	0.9
Viet Nam	nil	nil	1	0.5
Canada	1	nil	1	0.3
Panama	nil	nil	1	0.2

Source: Malaysian Industrial Development Authority

APPENDIX 4

BILATERAL AGREEMENTS ON TRADE AND INVESTMENT

Trade Agreements as at December 2009

No	Country	Date of Signing
1.	Albania	24.01.1994
2.	Algeria	11.08.2003
3.	Argentina	01.07.1991
4.	Australia	26.08.1958
	(New Agreement)	20.10.1997
5.	Bangladesh	01.12.1977
6.	Bosnia - Herzegovina	26.10.1994
7.	Brazil	26.04.1996
8.	Bulgaria	20.05.1968
9.	Burkina Faso	23.04.1998
10.	Cambodia	04.02.1999
11.	Chile	21.06.1991
12.	China	01.04.1988
13.	Colombia	14.08.1995
14.	Croatia	26.10.1994
15.	Cuba	26.09.1997
16.	Czech Republic	20.11.1972
17.	Egypt	08.01.1977
18.	Ethiopia	22.10.1998
19.	Ghana	03.12.1995
20.	Guinea	11.10.1999
21.	India	11.10.2000
22.	Hungary	02.02.1970
23.	Indonesia	16.10.1973
24.	Iran	19.03.1989
25.	Iraq	17.02.1977
26.	Japan	10.05.1960
27.	Jerman	27.05.1980
28.	Jordan	02.10.1994
29.	Kazakhstan	27.05.1996
30.	Kyrgyz Republic	20.07.1995
31.	Lao PDR	11.08.1998
32.	Lebanon	23.03.1995
33.	Libya	18.01.1977
34.	Macedonia	11.11.1997
35.	Malawi	05.09.1996
36.	Mali	16.11.1990
37.	Morocco	10.03.1997
38.	Myanmar	09.06.1998
39.	Namibia	12.08.1994
40.	New Zealand	03.02.1961
	(New Agreement)	17.10.1997
41.	North Korea	09.06.1979
42.	Pakistan	05.11.1987
43.	Peru	13.10.1995
44.	Poland	07.11.1970
45.	Qatar	20.05.2009
46.	Republic of Korea	05.11.1962
47.	Romania	01.03.1991
48.	South Africa	07.03.1997
49.	Sudan	14.05.1998
50.	Suriname	25.05.1998
51.	Swaziland	12.10.1998
52.	Syria	17.08.2003
53.	Thailand	06.10.2000
54.	Tunisia	25.11.1992
55.	Turkey	13.02.1977
56.	Turkmenistan	13.05.1994
57.	UAE	26.02.1962
58.	Uganda	16.04.1998
59.	Ukraine	19.08.2002
60.	Uruguay	09.08.1995
61.	Russia	03.04.1967
62.	Uzbekistan	06.10.1997
63.	Venezuela	26.11.1991
64.	Viet Nam	11.08.1992
65.	Yemen	11.02.1998
66.	Yugoslavia	26.06.1969
67.	Zimbabwe	09.07.1993

Source: Ministry of International Trade and Industry

Agreements on the Avoidance of Double Taxation (as at December 2009)

No	Country	Date of Signing
1.	Albania	24.01.1994
2.	Argentina (Limited Agreement)	03.10.1997
3.	Australia	20.08.1980
	(2nd Amending Protocol)	28.07.2002
4.	Austria	20.09.1989
5.	Bahrain	14.06.1999
6.	Bangladesh	19.04.1983
7.	Belgium	24.10.1973
	(Amending Protocol)	21.11.1995
8.	Bosnia - Herzegovina	21.06.2007
9.	Brunei Darussalam	05.08.2009
10.	Canada	16.10.1976
11.	Chile	03.09.2004
12.	China, People's Republic of	23.11.1985
	(Amending Protocol)	05.06.2000
13.	Croatia	18.02.2002
14.	Czech Republic	08.03.1996
15.	Denmark	04.12.1970
	(Protocol)	03.12.2003
16.	Egypt	14.04.1997
17.	Fiji	19.12.1995
18.	Finland	28.03.1984
19.	France	24.04.1975
	(Protocol)	31.01.1991
20.	Germany	08.04.1977
21.	Hungary	24.05.1989
22.	India	25.10.1976
	(New Agreement)	14.05.2001
23.	Indonesia	12.09.1991
	(Amending Protocol)	12.01.2006
24.	Iran	11.11.1992
	(Amending Protocol)	22.07.2002
25.	Ireland	28.11.1998
26.	Italy	28.01.1984
27.	Japan	30.01.1970
	(New Agreement)	19.02.1999
28.	Jordan	02.10.1994
29.	Kazakhstan	26.06.2006
30.	Kuwait	06.04.1997
	(New Agreement)	05.02.2003
31.	Kyrgyz Republic	17.11.2000
32.	Lebanon	20.01.2003
33.	Luxembourg	21.11.2002
34.	Malta	03.10.1995
35.	Mauritius	23.08.1992
36.	Mongolia	27.07.1995
37.	Morocco	02.07.2001
38.	Myanmar	09.03.1998
39.	Namibia	28.07.1997
40.	Netherlands	07.03.1988
	(Protocol)	04.12.1996
41.	New Zealand	19.03.1976
	(Amending Protocol)	14.07.1994
42.	Norway	23.12.1970
43.	Pakistan	29.05.1982
44.	PNG	20.05.1993
45.	Philippines	27.04.1982
46.	Poland	16.09.1977
47.	Qatar	03.07.2008
48.	Romania	26.11.1982
49.	Russia	31.07.1987
50.	San Marino	19.11.2009
51.	Saudi Arabia	
	(Limited Agreement)	18.07.1993
	(New Agreement)	31.01.2006
52.	Seychelles	03.12.2003
53.	Singapore	26.12.1968
	(New Agreement)	05.10.2004
	(Supplementary)	06.07.1973
54.	South Africa	26.07.2005
55.	South Korea	20.04.1982
56.	Spain	24.05.2006
57.	Sri Lanka	16.09.1972
	(New Agreement)	16.09.1997
58.	Sudan	07.10.1993
59.	Sweden	21.11.1970
	(New Agreement)	12.03.2002
60.	Switzerland	30.12.1974
61.	Syria	26.02.2007
62.	Thailand	29.03.1982
	(Amending Protocol)	10.02.1995
63.	Turkey	27.09.1994
64.	Turkmenistan	19.11.2008
65.	USA (Limited Agreement)	18.04.1989
66.	UAE	28.11.1995
67.	UK	30.03.1973
	(New Agreement)	10.12.1996
68.	Uzbekistan	06.10.1997
69.	Venezuela	28.08.2006
70.	Viet Nam	07.09.1995

Restricted Agreements

(with respect to taxes on income on air transport and shipping)

No	Country	Date of Signing
71.	Argentina	03.10.1997
72.	Saudi Arabia	18.07.1993
73.	USA	18.04.1989

Source: Ministry of Finance

Investment Guarantee Agreements Signed by Malaysia as at December 2009

No	Country	Date of Signing
1.	USA	21.04.1959
2.	Germany	22.12.1960
3.	Canada	01.10.1971
4.	Netherlands	15.06.1971
5.	France	24.04.1975
6.	Switzerland	01.03.1978
7.	Sweden	03.03.1979
8.	Belgo - Luxembourg	22.11.1979
9.	United Kingdom	21.05.1981
10.	Sri Lanka	16.04.1982
11.	Romania (first signed)	26.11.1982
	Review of IGA	25.06.1966
	Amended via Protocol	28.04.2006
12.	Norway	06.11.1984
13.	Austria	12.04.1985
14.	Finland	15.04.1985
15.	OIC	30.09.1987
16.	Kuwait	21.11.1987
17.	ASEAN	15.12.1987
18.	Italy	04.01.1988
19.	Republic of Korea	11.04.1988
20.	China	21.11.1988
21.	United Arab Emirates	11.10.1991
22.	Denmark	06.01.1992
23.	Viet Nam	21.01.1992
24.	Papua New Guinea	27.10.1992
25.	Chile	11.11.1992
26.	Lao PDR	08.12.1992
27.	Taiwan	18.02.1993
28.	Hungary	19.02.1993
29.	Poland	21.04.1993
30.	Indonesia	22.01.1994
31.	Albania	24.01.1994
32.	Zimbabwe	28.04.1994
33.	Turkmenistan	30.05.1994
34.	Namibia	12.08.1994
35.	Cambodia	17.08.1994
36.	Argentina	06.09.1994

No	Country	Date of Signing
37.	Jordan	02.10.1994
38.	Bangladesh	12.10.1994
39.	Croatia	16.12.1994
40.	Bosnia - Herzegovina	16.12.1994
41.	Spain	04.04.1995
42.	Pakistan[1]	07.07.1995
43.	Kyrgyz Republic	20.07.1995
44.	Mongolia	27.07.1995
45.	India	03.08.1995
46.	Uruguay	09.08.1995
47.	Peru	13.10.1995
48.	Kazakstan	27.05.1996
49.	Malawi	05.09.1996
50.	Czech Republic	09.09.1996
51.	Guinea	07.11.1996
52.	Ghana	11.11.1996
53.	Egypt	14.04.1997
54.	Botswana	31.07.1997
55.	Cuba	26.09.1997
56.	Uzbekistan	06.10.1997
57.	Macedonia	11.11.1997
58.	North Korea	04.02.1998
59.	Yemen	11.02.1998
60.	Turkey	25.02.1998
61.	Lebanon	26.02.1998
62.	Burkino Faso	23.04.1998
63.	Sudan	14.05.1998
64.	Djibouti	03.08.1998
65.	Ethiopia	22.10.1998
66.	Senegal	11.02.1999
67.	Bahrain	15.06.1999
68.	Algeria	27.01.2000
69.	Saudi Arabia	25.10.2000
70.	Morocco	16.04.2002
71.	Iran	22.07.2000
72.	Republic of Slovak	12.07.2007
73.	Syria	07.01.2009

Source: Ministry of International Trade adn Industry

Note: [1] - IGA Malaysia - Pakistan is superceeded by MPCEPA (Malaysia - Pakistan Closer Economic Partnership Agreement) which was signed on 8 November 2007

APPENDIX 5

IMPORT LICENSING

No.	Product	Issuing Authority
1.	Poultry (fowls, chicks, ducks, geese, turkeys, guinea fowls and pigeons), alive or dead or any part thereof	Veterinary Department
2.	Meat and offals, fresh or preserved (dried, dehydrated, salted, pickled, smoked), frozen or chilled, of buffaloes, cattle, sheep and goats	Veterinary Department
3.	Birds' nest, eggs of poultry, birds and testudinate (terrapin and the like), excluding turtle eggs	Veterinary Department
4.	Rice and paddy, including rice flour, rice polishings, rice bran and rice vermicelli	Ministry of Agriculture and Agro-based Industry
5.	Sugar : 1701, 1702.11 100, 1702.19 100, 1702.20 100, 1702.30 100, 1702.40 100, 1702.60 100, 1702.90 190, 1703	MITI
6.	Acetyl bromide	Ministry of Health
7.	Acetic anhydride, acetyl chloride	Ministry of Health
8.	Fireworks including fire crackers	Police Department
9.	Magnetic tape / films : 3920.61 100, 3920.62 100, 3920.63 100, 3920.69 100, 8523.13 900	MITI
10.	Explosives, including: - propellant powders; - prepared explosives, other than propellant powders; - safety fuses, detonating fuses, percussion and detonating caps, igniters, detonators; - pyrotechnic articles; - nitrocellulose; - nitroglycerin; - mercury fulminate; - lead azide; - lead styphnate; - picric acid (trinitrophenol); - 2,4,6 trinitrotolene (TNT); - pentaerythritol tetranitrate (PETN); - nitroguanidine ; and - trimethylenetrinitramine (cyclotrimethylene trinitramine).	Police Department
11.	Wood in the rough, whether or not stripped of its bark or merely roughed down, wood, roughly squared or half-squared but not further manufactured	Malaysian Timber Industry Board
12.	Safety helmets : 6506.10 000	MITI
13.	Rice milling machinery including parts thereof	Ministry of Agriculture and Agro-based Industry
14.	Copying machines : Colour Photostat Machines 8443.31 900 , 8443.32 900, 8443.39 100, 8443.39 200, 8443.39 300 Black & White Photostat Machine 8443.31 900 , 8443.32 900, 8443.39 100, 8443.39 200, 8443.39 300	MITI

No.	Product	Issuing Authority
15.	Any piece of equipment, apparatus, appliance or any other device capable of producing the sound of a siren or any sound resembling that of a siren irrespective of its mode of operation	Police Department
16.	Apparatus or equipment to be attached to or connected to a public telecommunications network or system	SIRIM BERHAD
17.	All radio communications apparatus capable of being used for telecommunications in the frequency band lower than 3000 GHz or their motherboards, except for : (i) receiver that is designed for use in the broadcasting services; and (ii) radio telecommunications apparatus having a valid license issued by the Telecommunications Authority of any country or an International Automatic Roaming (IAR) card issued by a licensed operator	SIRIM BERHAD
18.	Motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those under heading No. 87.11) : Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 87.02), including station wagons and racing cars (excluding go-karts and ambulances) falling within subheading Nos : 8703.10 100, 8703.10 900, 8703.21, 8703.22, 8703.23, 8703.24, 8703.31, 8703.32, 8703.33, 8703.90 Motor vehicles for the transport of goods falling within heading No. 87.04 Multi sourcing parts falling within subheading Nos : 8708.99 111, 8708.99 112, 8708.99 113, 8708.99 114, 8708.99 115, 8708.99 121, 8708.99 122, 8708.99 123, 8708.99 124, 8708.99 131, 8708.99 132, 8708.99 133, 8708.99 134, 8708.99 135, 8708.99 140	MITI
19.	Chassis fitted with or without engines, for motor vehicles of heading Nos: 87.02, 87.03, 87.04 or 87.05 and parts thereof : For motor vehicles falling within subheading Nos : 8703.21 321, 8703.21 322, 8703.22 321, 8703.22 322, 8703.23 321, 8703.23.322, 8703.23 323, 8703.23 324, 8703.23 331, 8703.23 332, 8703.23 333, 8703.23 334, 8703.32 321, 8703.32 331, 8703.32 332, 8703.32 333, 8703.33 321, 8703.33 331, 8703.33 332, 8703.90 310, 8703.90 331, 8703.90 332, 8703.90 333, 8703.90 334, 8703.90 335, 8703.90 341, 8703.90 342, 8703.90 343, 8703.90 344, 8703.90 345 For motor vehicles falling within sub-heading Nos : 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122 and 8702.90 900 For ambulance For motor vehicles falling within heading No. 87.05 For motor vehicles falling within subheading Nos : 8703.10 100, 8703.10 900, 8703.21 221, 8703.21 222, 8703.21 400, 8703.22 221, 8703.22 222, 8703.22 400, 8703.23 231, 8703.23 232, 8703.23 233, 8703.23 234, 8703.23 400, 8703.24 221, 8703.24 222, 8703.24 400, 8703.31 221, 8703.31 222, 8703.31 400, 8703.32 221,	MITI

No.	Product	Issuing Authority
	8703.32 222, 8703.32 223, 8703.32 231, 8703.32 232, 8703.32 233, 8703.32 400, 8703.33 221, 8703.33 222, 8703.33 231, 8703.33 232, 8703.33 400, 8703.90 221, 8703.90 222, 8703.90 223, 8703.90 224, 8703.90 225, 8703.90 231, 8703.90 232, 8703.90 233, 8703.90 234, 8703.90 235, 8703.90 400, 8704.10 211, 8704.10 219, 8704.10 311, 8704.10 319, 8704.21 210, 8704.21 220, 8704.22 210, 8704.22 220, 8704.23 210, 8704.23 220, 8704.31 210, 8704.31 220, 8704.32 210, 8704.32 220, 8704.90 210, 8704.90 220	
20.	Ships' derricks; cranes, including cable cranes; mobile lifting frame, straddle carriers and works trucks fitted with a crane – 8426 8426 11 000, 8426 12 000, 8426 19 000, 8426 30 000, 8426 41 000, 8426 91 000, 8426 99 000, 8426 20 000, 8426 49 000,	MITI
21.	Bodies (including cabs), for motor vehicles falling within heading Nos: 87.02, 87.03, 87.04 or 87.05: For ambulance For motor vehicles falling within subheading Nos : 8703.21 221, 8703.21 222, 8703.21 321, 8703.21 322, 8703.21 400, 8703.22 221, 8703.22 222, 8703.22 321, 8703.22 322, 8703.22 400, 8703.23 221, 8703.23 222, 8703.23 223, 8703.23 224, 8703.23 231, 8703.23 232, 8703.23 233, 8703.23 234, 8703.23 321, 8703.23 322, 8703.23 323, 8703.23 324, 8703.23 331, 8703.23 332, 8703.23 333, 8703.23 334, 8703.23 400, 8703.24 221, 8703.24 222, 8703.24 321, 8703.24 322, 8703.24 400, 8703.31 221, 8703.31 222, 8703.31 321, 8703.31 322, 8703.31 400, 8703.32 221, 8703.32 222, 8703.32 223, 8703.32 231, 8703.32 232, 8703.32 233, 8703.32 321, 8703.32 331, 8703.32 332, 8703.32 333, 8703.32 400, 8703.33 221, 8703.33 222, 8703.33 231, 8703.33 232, 8703.33 321, 8703.33 331, 8703.33 332, 8703.33 400, 8703.90 221, 8703.90 222, 8703.90 223, 8703.90 224, 8703.90 225, 8703.90 231, 8703.90 232, 8703.90 233, 8703.90 234, 8703.90 235, 8703.90 310, 8703.90 331, 8703.90 332, 8703.90 333, 8703.90 334, 8703.90 335, 8703.90 341, 8703.90 342, 8703.90 343, 8703.90 344, 8703.90 345, 8703.90 400 For motor vehicles falling within subheading Nos : 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122, 8702.90 900 For motor vehicles falling within subheading Nos : 8704.10 211, 8704.10 219, 8704.10.319, 8704.10 311, 8704.21 210, 8704.21 220, 8704.22 210, 8704.22 220, 8704.23 210, 8704.23 220, 8704.31 210, 8704.31 220, 8704.32 210, 8704.32 220, 8704 90 210, 8704.90 220 For motor vehicles falling within subheading No. 8703.10	MITI
22.	Motorcycles, auto cycles and cycles fitted with an auxiliary motor	MITI
23.	Automatic cassette or catridge loaders 8479.89.900 Parts of automatic cassette or catridge loaders 8479.90 000	MITI

No.	Product	Issuing Authority
24.	Arms and ammunition as defined under the Arms Act 1960, other than personal arms and ammunition imported by a bona fide traveller	Police Department
25.	Saccharin and its salt	Ministry of Health
26.	Unmanufactured tobacco; tobacco refuse	Ministry of Plantation Industries and Commodities
27.	Road tractors for semi-trailers, completely built-up, used : 8701.20 220	MITI
28.	Special purpose vehicles falling within heading No. 8705 (excluding subheading 8705.30 000)	MITI
29.	Parabolic antenna for outdoor use	SIRIM BERHAD
30.	Parabolic equipment, antenna parts and accessories : (i) satellite receiver (tuner); (ii) video plexer; (iii) antenna positioner; (iv) feed horn; (v) low noise block down converter and cover; (vi) parabolic antenna mounts/stand and mounting brackets; and (vii) actuators; and (viii) parabolic antenna reflector	SIRIM BERHAD
31.	Acesulfame K	Ministry of Health
32.	Substances covered by The Montreal Protocol : Annex A to the Protocol : Group I : CFC-12 Dichlorodifluoromethane CFC-113 1,1,2-Trichloro 1,2,2-trifluoroethane CFC-114 1,2-Dichlorotetra-fluoroethane CFC-115 Chloropentafluoroethane Group II : Halon-1211 Bromochlorodifluoromethane Halon-1301 Bromotrifluoromethane Halon-2402 Dibromotetrafluoromethane Annex B to the Protocol : Group I : CFC-13 Chlorotrifluoromethane CFC-111 Pentachlorofluoroethane CFC-112 Tetrachlorodifluoroethane CFC-211 Heptachlorodifluoropropane CFC-212 Hexachlorodifluoropropane CFC-213 Pentachlorotrifluoropropane CFC-214 Tetrachlorotetrafluoropropane CFC-215 Trichloropentafluoropropane CFC-216 Dichlorohexafluoropropane CFC-217 Chloroheptafluoropropane Group II : CCl Carbon tetrachloride (Tetrachloromethane) Group III: CHCCl Methyl Chloroform 3 3 (1,1,1, Trichloroethane)	MITI
33.	Liquid milk in any form including flavoured milk, recombined or reconstituted : 0401.30 110	MITI

No.	Product	Issuing Authority
34.	Liquid sterilised flavoured milk including flavoured milk, recombined or reconstituted : 2202.90 100	MITI
35.	Cabbage (round)	FAMA
36.	Coffee, not roasted	FAMA
37.	Cereal flours: of wheat or meslin (including atta flour), in all packaging sizes : 1101.00 000	MITI
38.	Activated clay and activated bleaching earth : 3802.90 100	MITI
39.	Standard wire, cables, cordages, ropes, plaited bands and the like, of aluminium wire but excluding insulated electric wires and cables of: (i) steel reinforced aluminium; (ii) unalloyed aluminium; and (iii) other aluminium alloys	MITI
40.	Insulated (including enameled or anodised) electric wire, cables, bars and strip and the like (including co-axial cable), whether or not fitted with connectors : Telephone and telegraph (including radio relay) cables others: Power transfer wire, cable, bars, strip and the like: paper insulated	MITI
41.	Flat-rolled products of iron or non-alloy steel of a width of 600mm or more, clad, plated or coated within heading No. 72.10	MITI
42.	Flat-rolled products of iron or non-alloy steel of a width less than 600mm, clad, plated or coated within heading No. 72.12	MITI
43.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated within heading No. 72.08	MITI
44.	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 within heading No. 72.09	MITI
45.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated within heading No. 72.11	MITI
46.	Tubes, pipes and hollow profiles, of cast iron : sub-heading No. 7303.00 000	MITI
47.	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel within heading No. 73.04	MITI
48.	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4mm of iron or steel, within heading No. 73.05	MITI
49.	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel within heading No. 73.06	MITI
50.	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).	Ministry Of Foreign Affairs/ MITI
51.	Optical disc mastering and replicating machines and parts thereof : 8479.89 200	MITI
52.	Medicine making machine : 8479.89 900	MITI
53.	Colour toner catridge : 37.07	MITI
54.	Waste, paring and scrap of plastics : 39.15	MITI

APPENDIX 6

TEMPORARY EXCLUSION AND SENSITIVE LISTS FOR INVESTMENTS UNDER THE ASEAN INVESTMENT AREA AGREEMENT

Manufacturing Sector

BRUNEI DARUSSALAM

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture of garments of categories 338, 339, 638 and 639 – for US market.
No more approval given.

Industries Open with Restriction to Foreign Investors
Industries utilising local resources, domestic market access and government facilities or the manufacturing of food-related products.
Foreign investment must have at least 30% local participation. However, full foreign ownership is allowed if 100% of the product is exported with exception of the manufacturing of food related products and use of local resources.

Industries Closed Only to Foreign Investors
Manufacture of cement.
Manufacture of drinking water either from tap or from local resources.
Subject to control.

CAMBODIA

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture/processing of cultural items.
Subject to prior approval from relevant Ministries.

Sawn timber, veneer, plywood, wood-based products utilising local logs as raw material.
No new license will be issued.

DBSA production. Toxic chemicals affecting health of community and impacting the environment.
Subject to prior approval from Ministry of Health and relevant Ministries.

Production of toxic chemicals or utilisation of toxic agents.
Prohibited in accordance with an international treaty.

Manufacture of psychotropic substances.
Prohibited for these psychotropic substances :
- Brolamfetamine, Cathinone, DET, DMA, DMHP, DMT, DOET, Eticyclidine, (+)-Lysergide, MDMA, Mescaline, 4-Methylaminorex, MMDA, N-Ethyl-MDA, N-Hydroxy-MDA, Parahexyl, PMA, Psilocine, Psilotsin, Psilocybine, Rolicyclidine, STP, DOM, Tenamfetamine, Tenocyclidine, Tetrahydrocannabinol, TMA.

Subject to prior approval from Ministry of Health for these psychotropic substances :
- Amfetamine, Dexamfetamine, Fenetylline, Levamfetamine, Mecloqualone, Metamfetamine, Methaqualone, Methylphenidate, Phencyclidine, Phenmetrazine, Metamfetamine Racemate, Secobarbital, Amobarbital, Allobarbial, Alprazolam, Amfepramone, Barbital, Benzfetamine, Bromasepam, Buprenorphine, Butalbital, Butobarbital, Cathine, Camazepam, Chlordiazepoxide, Clobazam, Clonazepam, Clorazepate, Clorazepam, Cloxazolam, Cyclobarbital, Delorazepam, Diazepam, Estazolam, Ethchlorvynol, Ethinamate, Etilamfetamine, Fencamfamine, Fenproporex, Fludiazepam, Flunitrazepam, Flurazepam, Gluthethimide, Halazepam, Haloxazolam, Ketazolam, Lefetamine, Loflazepate Ethyl, Loprazolam, Lorazepam, Lormetazepam, Mazindol, Medazepam, Mefenorex, Meprobamate, Methylphenobarbital, Methyprylon, Midazolam, Nimetazepam, Nitrazepam, Nordazepam, Oxazepam, Oxazolam, Pemoline, Pentazocine, Pentobarbital, Phendimetrazine, Phenobarbital, Phentermine, Pinazepam, Pipradrol, Prazepam, Pyrovalerone, Secbutabarbital, Temazepam, Tetrazepam, Triazolam, Vinylbital.

Manufacture/processing of narcotic drugs.
Prohibited.

Manufacture of weapons and ammunitions.
National Defense Policy.

Manufacturing of firecrackers and fireworks.
Subject to control.

Manufacturing related to defense and security.
National Defense Policy.

Industries Open with Restrictions to Foreign Investors
Manufacture of cigarettes.
Only for export (100% export).

Alcohol.
Movie production.
Subject to prior approval from relevant Ministries.

Exploitation of gemstones.
Bricks made of clay (hollow, solid) and tiles.
Rice mill.
Manufacture of wood and stone carving.
Silk weaving.
Subject to local equity participation.

INDONESIA

Temporary Exclusion List

Industries Closed to Both National and Foreign Investors
Industries manufacturing communication devices :
- telephone connection boxes.

Business reserved for small-scale enterprises.

Sensitive List

Industries Closed to Both National and Foreign Investors
Saccharine.
Cyclamate.
Closed – Public health.

Saw mill.
Only in Papua using natural forest as raw material.

Plywood.
Only in Papua.

Clove cigarettes (with automatic machines).
Ratio of production manually and machinery.

Fire crackers and fireworks.
Manufacturing of ammonium nitrate for explosive purposes.
National security.

Food and drink :
- Industries preparing shredded meat, boiled and then fried, and jerked meat; industries preparing pickled/ sweetened fruits, vegetables and eggs; industries preparing salted/pickled fish and other, marine biota; industries making bread, cookies, and the like; industries making brown/coconut palm sugar; industries making fermented bean paste used as condiment; industries making bean cake; industries making bean curd; industries making crisp, thin chip made of flour and peanut, shrimp or small fish/crispy chips of banana, potato, bean cake, etc.; industries making peanut snacks (fried peanuts without covering, salted peanuts, large white beans, onion beans); industries making chips made of flour flavored with fish or shrimp; industries making condiment of fermented fish or shrimp; industries making deep-fried, boiled, steamed cake; processing of palm, sugar palm and palmyra palm; honey bee industries.

Business reserved for small-scale enterprises.

Industries of various kinds of flour of grains, cereals, legumes and tubers :
- rice flours of various kinds; flour made of legumes; and flour made of dried cassava.

On condition of partnership with small-scale enterprises.

Yarn-finishing industries :
- yarn having a tie motive based on *tenun ikat*; using manually operated instruments.
-

Textile and textile products :
- traditional weaving industries (non machine woven cloth); industries making hand-written *batik*; knitting industries using hand operated instruments; and industries making rimless caps and headdresses.

Business reserved for small-scale enterprises.

Cloth printing and finishing industries :
- printing using hand operated instruments, except when it is integrated with the upstream industries.

On condition of partnership with small-scale enterprises.

Industries of lime and products made of lime :
- quick lime; lime for chewing with betel leaves; slaked lime; lime for agricultural purposes and chalk.

On condition of partnership with small-scale enterprises.

Industries making clay articles for household purposes :
- unglazed household decorations; various kinds of unglazed vases; and unglazed household utensils.

Business reserved for small-scale enterprises.

Industries of clay articles for construction purposes :
- clay bricks; and unglazed clay roof tiles.

On condition of partnership with small-scale enterprises.

Industries making agricultural tools :
- mattocks; shovels; plows; harrows; pitchforks; crowbars; sickles; scrapes; *sarap/lempak/bawak* (reaping); small palm knives; hoes for weed removal; *emposan tikus* (sprayer for killing rats); manually operated sprayer; manually operated rice hullers; manually operated paddy and soy bean hullers; and manually operated looseners of corn grains.

Industries making cutting tools :
- short machetes; axes; large-bladed knives; and instruments for mincing onions/cassava/chips.

Plantation tools industry :
- knife to tap rubber; bowl to tap rubber; rubber freezing box; coffee peeler machines; and cashew nut peeler machine.

Industries making handicraft tools :
- trowels; wooden planes; planes; *Beugel-beugel* (traditional tools); *kasut pleste* (traditional tools for plaster); spatulas; clamps; handsaw; hammers (of a small type); chisels; and *pangut* (traditional cutter).

Industries for maintenance and repair (workshops, including special workshops) :
- small workshops including roving small workshops, tyre repair, upholstery workshops, railway workshops, workshops for ships maintenance, air filling/air pumps, traditional car body repair and the like, without modern instruments.

Industries for maintenance and repair (workshops, including special workshops) :
- repair of electrical devices for household purposes.

Business reserved for small-scale enterprises.

Industries making electrical devices and other components :
- various kinds of clamps; motor armature and track armature.

Professional, science, measure equipment and electronic controller industry:
- water meter box.

On condition of partnership with small-scale enterprises.

Industries of multivarious handicrafts :
- handicrafts using plants as raw materials; handicraft using animals as raw materials; imitation flowers and decorations; handicrafts from mollusks and the like; handicrafts made of precious stone and marble; and household equipment made of bamboo and rattan.

Business reserved for small-scale enterprises.

Raw rattan processing.

On condition of partnership with small-scale enterprises.

Traditional medicine product and medical instruments for non-medic.

Traditional Indonesian musical instruments.

Business reserved for small-scale enterprises.

Industries Open with Restriction to Foreign Investors

Food and drink :
- milk processing industries/dairy product; fish flour industries (animal feed); tea processing industries; soy sauce industries; processing industries: pepper, gnetum gnemon, cinnamon, vanilla, cardamom, nutmeg and cloves; and granulated sugar industries.

Industries of rubber products for industrial purposes :
- rubber rolls.

Industries manufacturing agricultural machinery :
- threshers; reapers; hydrotillers; and corn removers.

Industries manufacturing fluid machinery :
- hand operated water pumps.

Bicycles-making industries :
- industries making bicycle equipment.

Industries making silver crafts.

Processing and canning of fruits.

Various palm essence industry :
- sago palm essence.

Rice milling and threshing.

Copra industry.

Silk yarn spinning industry.

Downstream industry of pepper.

On condition of partnership with small-scale enterprises.

Fish-smoking industries and the likes.

Wood carving industry.

Business reserved for small-scale enterprises.

LAO PDR

Temporary Exclusion List

Industries Closed Only to Foreign Investors

Manufacture of products of copper, silver and gold (jewellery).

Manufacture of Lao dolls.

Manufacture of blankets/mattress with cotton and kapok.

Manufacture of authentic Lao musical instruments.

Reserved for Lao PDR citizen.

Industries Open with Restrictions to Foreign Investors

Manufacture of rice noodles products.

Subject to high ratio of local content (use of local material) and/or export requirements.

Manufacture of beer.
Manufacture of soft drinks.
Subject to joint-venture with domestic investors and/or export 100%.

Manufacture of tobacco products.
Subject to high ratio of local content, local equity participation and/or export 100%.

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture of all types of weapons and ammunitions.
Prohibited for security reasons.

Manufacture/processing of narcotic drugs.
Manufacture of cultural items destructive of the national culture and tradition.
Prohibited.

Manufacture of chemical substances and industrial waste hazardous to human life and the environment.
Prohibited for health and environment reason.

Industries Open with Restrictions to Foreign Investors
Manufacture of psychothopic substances.
Subject to specific details provided by Ministry of Health.

Manufacture of wood and wood products.
The establishment of new wood processing factory is not permitted, except for utilising raw material from the reforestation of forest plantation.

Manufacture of chemicals and chemical products.
Not to be destructive to the environmental and society.

Manufacture of pharmaceuticals.
Manufacture of alcohol of all types.
Manufacture of motor vehicles of all types.
Subject to local equity participation and/or export or high ratio of local content.

MALAYSIA

Sensitive List

Industries Closed for Both National and Foreign Investors
Pineapple canning.
Palm oil milling.
Closed except for projects with source of supply from own plantation.

Palm oil refining.
Closed for Peninsular Malaysia except for producing specialised palm oil based products. Open for projects in Sabah and Sarawak with source of CPO supply at least 50% from own plantations.

Sugar refining.
Closed.

Liquors and alcoholic beverages.
Closed. The Government has frozen the issuance of Manufacturing License.

Tobacco processing and cigarettes.
Closed. The Government has frozen the issuance of Manufacturing License.

Sawn timber, veneer and plywood.
Closed for Peninsular Malaysia and Sabah. Open for Sarawak.

Wood-based products utilising local logs as raw material.
Closed for Peninsular Malaysia. Open for Sabah and Sarawak.

Petroleum refining.
Closed for projects that do not export 100% of their products.

Ordinary Portland cement.
Closed for non-integrated projects i.e., projects which do not produce their own clinker for grinding into ordinary Portland cement.

Hot rolled steel round bars and wire rods.
Open to all under the Iron and Steel Policy Review in August 2009.

Steel billets/blooms.
Open to all under the Iron and Steel Policy Review in August 2009.

Assembly of motorcycles, passenger cars and commercial vehicles.
Under the National Automotive Policy Review in October 2009, the freeze on issuance of Manufacturing License has been lifted for assembly of:
- *luxury and passenger vehicles of 1800 cc and above and "on-the-road" price of not less than RM 150,000;*
- *hybrid dan electric cars of 1800 cc and above;*
- *pickup trucks;*
- *commercial vehicle; and*
- *motorcycles of 200 cc and above.*

Industries Open with Restrictions to Foreign and National Investors
Fabrics and apparel of *batik*.
Ordinary Portland cement (Integrated Projects).
Maximum foreign equity ownership allowed is 30%.

Industries Open with Restrictions to Both Foreign and National Investors
Explosives, pyrotechnic products, propellant powders, detonating or safety fuses and the like.
Weapons and ammunition.
Prior approval is required from Ministry of Home Affairs.

MYAMMAR

Temporary Exclusion List

Industries Closed for Both National and Foreign Investors
Manufacturing of pulp of all kinds.
Value-added product policy.
Manufacture of paper is required.

Industries Open with Restrictions to Foreign Investors
Production and marketing of basic construction materials, furniture, parquet, etc. using teak extracted and sold by the State-owned economic organisation.
Only for export of high value-added wood-based products.

Sensitive List

Industries Closed for Both National and Foreign Investors
Distilling, blending, rectifying, bottling, and marketing of all kinds of spirits, beverages or non-beverages.
Manufacture of wines.
Manufacture of malt and malt liquors, beer and other brewery products.
Manufacture of soft beverages, aerated and non-aerated products.
Manufacture of cigarettes.
Manufacture of monosodium glutamate.
Manufacture of corrugated galvanized iron sheets.
No new permit to be issued.

Manufacture of refined petroleum products.
Reserved for the State sector.

Manufacture of weapons and ammunition.
National Defense Policy.

Industries Closed Only to Foreign Investors
Sawmilling and planning of wood.
National policy on forestry.

Industries Open with Restrictions to Foreign Investors
Manufacture of veneer sheets, manufacture of plywood, laminboard, particle board and other panels and boards.
National policy on forestry.

Manufacture of bakery products.
Export requirement is compulsory.

Manufacture of pulp, paper and paperboard.
Integrated project is compulsory.

Manufacture of pharmaceutical drugs.
Well-known firms are to be considered.

PHILIPPINES

Sensitive List

Industries Open with Restrictions to Foreign Investors
Domestic market enterprises with paid-in equity capital of less than US$200,000.*
Foreign equity is restricted to maximum 40%.

Domestic market enterprises which involve advanced technology or employ at least 50 direct employees with paid-up capital of less than US$100,000.*
Foreign equity can be more than 40% if firm exports at least 60% of total production output.

Industries Closed Only to Foreign Investors
Cooperatives*
No foreign equity allowed.

* No ISIC Code since this cuts across all sectors

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Chewing gum, bubble gum, dental chewing gum or any like substance.
Production prohibited for safety and social reasons.

Firecrakers.
Match sticks.
Production prohibited for safety reasons.

Industries Open with Restrictions to Foreign Investors
Publishing and printing of newspapers.
Foreign equity is subject to approval by relevant Ministry.

Beer and Stout
Water conservation.

Reproduction of recorded media (e.g. CD, CD-ROM, VCD, DVD-ROM).
Intellectual Property Rights enforcement.

Pig iron and sponge iron.
Rolled steel products.
Steel ingots, billets, blooms and slabs.
Limited local steel scrap.

THAILAND

Sensitive List

Industries Closed to Both National and Foreign Investors

Manufacture of sugar from sugarcane.

Subject to Cabinet's decision.

Industries Open with Restrictions to Foreign Investors

Manufacture of carved wood.

Manufacture of Thai silk threads, Thai silk weaving or Thai silk pattern printing.

Manufacture of Thai musical instruments.

Manufacture of goldware, silverware, bronzeware or lacquerware.

Manufacture of crockery of Thai arts and culture.

Wood fabrication for production of furniture and utensils.

Foreign equity participation is restricted to 50% of registered capital.

Foreign equity participation of 50% or more of registered capital can be made, subject to the following:

- *shall obtain permission from Minister of Commerce, with approval of Cabinet, and shall also fulfill following requirements:*
  - o *shall have Thai nationals, or juristic persons that are not foreigners under this Act, held not less than 40% of registered capital. However, Minister of Commerce, with approval of Cabinet, may reduce said requirement to not less than 25 percent; and*
  - o *shall have Thai nationals held at least two-fifth of total directors.*

Or

- *shall receive promotion under Investment Promotion law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.

Shall apply for license or certificate from Department of Commerce Registration.

Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.

Manufacture of plywood, veneer board, chipboard or hardboard.

Manufacture of lime.

Rice milling.

Foreign equity participation is restricted to not more than 50% registered capital.

Foreign equity participation of 50% or more of registered capital can be made, subject to the following:

- *shall obtain permission from Director General of Department of Commercial Registration with approval of Foreign Business Committee.*
- *shall receive promotion under Investment Promotion law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.

Shall apply for license or certificate from Department of Commerce Registration.

Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.

Manufacture of cigarette.

Manufacture of playing cards.

Shall obtain permission from Director-General of Excise Department according to Tobacco Act. B.E. 2509, or Playing Card Act B.E. 2486.

VIET NAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

Manufacture of cultivation, processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.

Subject to export, technology and quality requirements.

Bicycle manufacture.

Electrical fans.

Manufacturing new types of products and subject to quality and export requirements.

Manufacture of electrical towers.

Export at least 50%.

Production of aluminium shaped bars.

Export at least 20%.

Single superphosphate fertiliser.

Production of H_2SO_4, H_3PO_4 , LAS, industrial gasses, acetylene.

Common use paint.

Motorcycle and bicycle tyres and tubes; automotive tyres and tubes up to 450 mm.

Plastic water pipes used in agriculture, rubber gloves, labour sanitary boots.

Subject to export and quality requirements.

Consumer plastics.
Detergent, shampoo, soaps, washing liquid.
Zn, Mn batteries (R_6, R_{14}, R_{20}).
Subject to export requirements.

Paper production.
In conjunction with development of local raw material resources. Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirement.

Fruit juice.
Subject to utilisation of local raw materials and export requirements.

Electro-mechanical and refrigeration equipment.
Household electrical appliances.
Subject to technology and export requirements.

Processing of aqua-products, canned sea foods.
Joint-venture form, subject to material and technology requirements and export at least 80%.

Assembly of marine engines.
Subject to technology requirement.

Production and processing of wood.
Dairy processing.
In conjunction with development of local raw material resources.

Cane sugar production.
Vegetables oil production and processing.
In conjunction with development of local raw material resources and subject to export requirement.

Tanning.
In conjunction with development of local raw material resources, and subject to environmental processing requirement.

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>
Production of firecrackers including fireworks.
Export 100%.

<u>Industries Closed Only to Foreign Investors</u>
Fishing.
Foreign investment shall not be licensed.

Beer and soft drinks.
Tobacco production.
Exploitation of gemstones.
Vertical shaft cement production and baked earth bricks and tiles.
Clay bricks.
Under 10,000 DWT cargo ships under 800 TEU container ships; lighters and under 500 seats passenger ships.
D6-D32mm construction steelrods, and D15-D114 mm seam steel pipe, zinc galvanized and colour sheets.
Production of NPK fertilizer.
Construction glass.
Fluorescent tubes and bulbs.
Fishing net production.
Lubrication oil, grease.
No new license will be issued.

Alcohol.
Subject to brand, quality and export requirements.

Automobile assembly and manufacture.
Subject to local content requirement and planning of the Government.

Motorcycle assembly and manufacture.
Subject to local content requirement and planning of the Government and export at least 80%.

Assembly of consumer electronic products.
Subject to local content requirement.

Manufacture of TV sets and tubes.
Subject to local content requirement and export at least 80%.

Sanitary ceramics, porcelain and tiles.
Export 100% and subject to technology requirement.

Cement production.
Ready mixed concrete, stone crushing.
Industrial explosives and devices.
Exploitation, processing of rare and precious material, raw material; exploitation of clay for production of construction material; exploitation, exportation of high-quality sand for production of construction and technical glasses.
Subject to planning of the Government.

BRUNEI DARUSSALAM

Temporary Exclusion List

<u>Industries Open with Restrictions to Foreign Investors</u>

Agriculture

Growing of cereals and other crops n.e.c, vegetables, horticulture specialties and nursery products, fruits, nuts, beverage and spice crops.
Hunting, trapping and game propagation including related services activities.
Farming of cattle, sheep, goats, horses, asses, mules and hinnies, dairy farming.
Growing of crops, combined with farming of animals (mixed farming).
Agriculture and animal husbandry services activities, except veterinary activities.

Forestry

Forest plantations and nurseries.
30% local participation – for access to Government facilities and sales to domestic market.

Sensitive List

<u>Industries Open with Restrictions to Foreign Investors</u>

Agriculture

Other animal farming; production of animal products n.e.c.
30% local participation is required for access to Government facilities and sales to domestic market.

Fishery

Offshore capture of fisheries (purse-seines and long lines).
Aquaculture.
30% local participant is required.

Mining and Quarrying

Extraction of crude petroleum and natural gas.
Crude petroleum and natural gas are important natural resources and the backbone of the country's economy. Although foreign investors are allowed to invest in petroleum mining activities, they cannot be certain that their participation interest in their project will be 100%. His Majesty's Government has the right to acquire participation upon declaration of commerciality of the field. Under the production sharing contract (PSC), His Majesty's Government through its Holding Company will automatically have interest in the petroleum activities.

Silica mining.
Extraction of ground water.
Quarrying of stone.
30% local participation is required for utilising Government facilities and domestic market access.

CAMBODIA

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>

Agronomy

Estate crops :
- medicinal/traditional herbs; and
- plantation of the above.

Business reserved for daily need of local farmers.

Livestock

- native chicken; native cattle and buffalo; and native duck.

Business reserved for national small-scale enterprises.

Fishery

- fishing (fresh water); catching of fingerling, caplo capio, giant fish, crocodile, probatus and jullieni fish.

Endangered species.

Forestry

– not applicable.

Depending on rule, law and regulation of Cambodia forest policy.

Mining

- radioactive minerals (uranium etc).

National security.

<u>Industries Closed Only to Foreign Investors</u>

Agronomy

- genetic resources (bio-diversity).

Environmental protection.

Fishery

- catching of fresh water fish.

Reserved for small local enterprises.

Forestry

- not applicable.

On condition of partnership with local partner.

Mining

- small scale mining.

Reserved for local people.

Industries Open with Restriction to Foreign Investors

Agronomy

All type of :

- food crops; fruit crops; industrial crops; and processing industries.

On condition of partnership with the local of farmers' association and conservation of sustainability of natural resources (applicable to all).

Livestock

- chicken raising (broiler; layer); beef cattle raising; sheep raising; goat raising; pig raising; duck raising; dairy cattle raising; and horse raising.

On condition of partnership with small-scale enterprises

Fishery

- not applicable.

Refer to Fishery Law.

Forestry

- forest products (finish products); zoology; forest park; and forest plantation for industry.

Based on National Forest Policy.

Mining

All foreign investments should be carried out under contract of work.

INDONESIA

Sensitive List

Industries Closed to Both National and Foreign Investors

Agriculture

- estate crops : medical herbs, except ginger; plantation of pepper, *belinjo*, cinnamon, candlenut, vanilla, *kapulaga* (amomum cardamomum), nutmeg, *siwalan*, sugar palm and leaf (*lontar*), clove, Pogostemon Catlin Benth, Uncaria *gambir*.

On condition of partnership with small-scale enterprises.

Livestock

- native chicken.

Business reserved for national small-scale enterprises.

Fishing

Catching of marine ornamental fish, catching area < 12 miles.

Business reserved for national small-scale enterprises.

Hatchery

Aquaculture.

- freshwater fish hatchery.

Business reserved for national small-scale enterprises.

Forestry

- contractors of logging.

Environmental protection.

- apiculture exploitation.
- exploitation of sugar palm, sago, rattan, candlenut, tree, bamboo and cinnamon plant forest.
- exploitation of swallow nests in the nature.
- exploitation of tamarind estates by small holders (tamarind seeds collection and processing).
- exploitation of charcoal producing plant forest.
- exploitation of tree sap producing plant forest.
- exploitation of atsiri oil producing plant forest (pine oil, *lawang* oil, *tengkawang* oil, cajuput oil, *kenanga* oil, fragrant root oil, and other).

Business reserved for national small-scale enterprises.

General Mining

- radioactive minerals (uranium, etc.).

National security.

- small-scale mining.

On condition of partnership with small-scale enterprises. All foreign investments should be carried out under contract of works. Conservation Forest Area is prohibited for all mining. Preserve Forest is prohibited for open cut mining.

Industries Closed Only to Foreign Investors

Agricultural

Genetic resources (bio-diversity).

Environmental protection.

Aquaculture

Grow-out

- freshwater fish culture.

Business reserved for national small-scale enterprises.

Forestry

- utilisation of naturally growing forest.

Environmental protection.

- utilisation of forest based on HPH (forest exploitation right).
- community forest utilisation right.

Reserved for local people.

- genetic resources (bio-diversity).

Environmental protection.

Industries Open with Restrictions to Foreign Investors

Agriculture

- food crops: Cassava.

On condition of partnership with the local farmers located in production centre of food crop concerned.

Traditional herbal plantation.

- estate crops: oil palm; rubber; sugar; coconut; cocoa; coffee; tea; cashewnut; cotton; castor oil; ginger; fibre plants (jute; kenaf; rami; stevia; and rosella); areca-palm; banana of manila (Musa textilis); medical plants; fragrant root (*akar wangi*); palm; tamarind (*asam jawa*); indigo; brass; kaempferia galanga (*kencur*); almond; turmeric; coriander; benth (pogostemon catlin); tobacco; fragrant grass (*sereh wangi*); sesame seed; and herb (panzolzia zeylanica benn), (urang-aring).

On condition of special partnership programs and the need to have recommendation from the Ministry of Agriculture.

Aquaculture

Hatchery

- brackishwater shrimps hatchery.

On condition of partnership with national small-scale enterprises.

Grow-out

- aquaculture of eel, escargot and crocodile.

On condition of partnership with small-scale enterprises.

Forestry

- utilisation of Industrial Plantation

On condition of partnership with small-scale enterprises.

LAO PDR

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

Mining and agglomeration of hard coal.
Mining and agglomeration of lignite.
Extraction and agglomeration of peat.
Extraction of crude petroleum and natural gas.
Service activities incidental to oil and gas extraction excluding surveying.

Mining of iron ores.
Mining of non-ferrous metal ores, except uranium and thorium ores.
Mining of chemical and fertiliser minerals.
Extraction of salt.
Other mining and quarrying.
Subject to agreement with the Government and processing.

Sensitive List

Industries Closed to Foreign Investors

Operation of hatcheries in the reservoirs.
Reserved for Lao citizen.

Industries Open with Restrictions to Foreign Investors

Hunting, trapping and game propagation, including related service activities.
Subject to specific approval and agreement with the Government.

Forestry

Logging and related activities.
Logging is closed for both national and foreign investors; the other activities are subject to specific approval and agreement with the Government.

Fishing and service activities incidental to fishing.
Operation of fish hatcheries in the Mekong River and its tributaries.
Subject to agreement with the Government and to follow the regulations of local authorities.

Production and processing of local and domestic fishes.
Subject to specific approval and agreement with the Government.

Mining of uranium and thorium ores.
Negotiation and agreement with the Government are needed (for security reason).

Quarrying of stone, sand and clay.
Subject to agreement with the Government and processing.

MALAYSIA

Sensitive List

Industries Closed to Foreign Investors

Extraction and harvesting of timber.
This activity is generally closed to foreign investors in Peninsular Malaysia and Sabah. However, for Sarawak, local involvement and majority local control is required. Forest areas to be opened for such activities will be gradually reduced in the future to enable the resources to be managed sustainably.

Capture of fisheries.
Foreign fishing companies are not allowed to fish in Malaysia's Exclusive Economic Zone (EEZ).

Industries Open with Restriction to Foreign Investors.

Oil and gas upstream industries.
Project must be carried out on a joint-venture basis with a wholly-owned subsidiary of the national petroleum corporation (Petronas), whose equity in the joint-venture will range from 15% to 60% depending on the block/area. The terms and conditions of each block is negotiated on a case-by-case basis and the Production Sharing Contracts will adhere to rules and regulations stipulated by the Malaysian Government with regards to the award of contract etc.

MYANMAR

Temporary Exclusion List

Industries Closed to Both National and Foreign Investors

Forestry
Extraction of hardwood and sale of the same.
National policy on forestry.

Mining
Exploration and extraction of pearls and export of the same.
Exploration and extraction of metal and export of the same.
Carrying out other quarrying industries and marketing of the same.
The Government may permit by notifications.

Energy
Exploration, extraction and sale of petroleum.
Exploration, extraction and sale of natural gas and production of the products of the same.
The Government may permit by notifications.

Power
Production, collection and distribution of electricity.
The Government may permit by notifications.

Industries Closed Only to Foreign Investors

Fishery
Fishing of marine fish, prawn and other aquatic organism.
The Government may permit by notifications.

Industries Open with Restrictions to Foreign Investors

Others
Railway transport service.
Air transport.
Courier activities other than national post activities.
Joint-venture with State organisation.

Banking and insurance services.
To be liberalised later.

PHILIPPINES

Sensitive List

Industries Closed Only to Foreign Investors
People's small-scale mining programme.
Mining activities which rely heavily on manual labour using simple implements and methods and do not use explosives or heavy mining equipment.
Maximum area of 20 hectares.
Investment not to exceed P10 million.
Ratio of labor cost to equipment utilisation cost is greater than or equal to 1.0 (based on 1 metric tonne of ore).
No foreign equity allowed.

Industries Open With Restrictions to Foreign Investors

Forestry
Mining (other than small-scale mining).
Deep sea fishing.
Agriculture in public land.
Foreign equity is restricted to a maximum of 40%.

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Pig farming.
Quarrying.
No more licenses issued.

THAILAND

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Fishery, specifically marine animal culture.
Logging from plantation.
Artificial propagated or plant breeding
Foreign equity participation is restricted to not more than 50% of registered capital.
Foreign equity participation of 50% of registered capital or more can be made, subject to following conditions:
- *shall obtain permission from Director-General of Department of Commercial Registration, with approval from Foreign Business Committee.*
- *shall receive promotion under Investment Promotion Law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.
Shall apply for license or certificate from Department of Commercial Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.
(These lists shall be reviewed at least once every year).

Sensitive List

<u>Industries Open with Restrictions to Foreign Investors</u>
Salt farming, including efflorescent salt production.
Rock salt mining.
Mining, including rock blasting or crushing.
Silkworm farming.
Foreign equity participation is restricted to not more than 50% of registered capital.
Foreign equity participation of 50% of registered capital or more can be made, subject to following conditions:

- *shall obtain permission from Minister of Commerce, with approval of Cabinet, and shall also fulfill following requirements:*
  - *shall have Thai nationals or juristic persons that are not foreigners under this Act, holding not less than 40% of registered capital. However, Minister of Commerce with approval of Cabinet, may reduce said requirement to not less than 25%;*
  - *shall have Thai nationals holding at least two-fifths of total directors; or*
  - *shall receive promotion under Investment Promotion Law, or must obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.
Shall apply for license or certificate from Department of Commercial Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.
(These lists shall be reviewed at least once every year).

VIET NAM

Temporary Exclusion List

<u>Industries Open with Restrictions to Foreign Investors</u>
Manufacture of cultivation processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.
Subject to export, technology and quality requirement.

Paper production.
In conjunction with development of local raw material resources. Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirements.

Fruit juice.
Subject to utilisation of local raw material and export requirements.

Refrigeration equipment.
Subject to technology and export requirements.

Processing of aqua-products; canned sea foods.
Join-venture form, subject to material, technology requirements and export at least 80%.

Assembly of marine engines.
Subject to technology requirement.

Production and processing of wood.
Dairy processing.
In conjunction with development of local raw material resources.

Cane sugar production.
Vegetable production and processing.
In conjunction with development of local raw material resources and subject to export requirement.

Tanning.
In conjunction with development of local raw material resources and subject to environmental protection requirement.

Sensitive List

<u>Industries Closed Only to Foreign Investors.</u>
Fishing.
Foreign investment shall not be licensed.

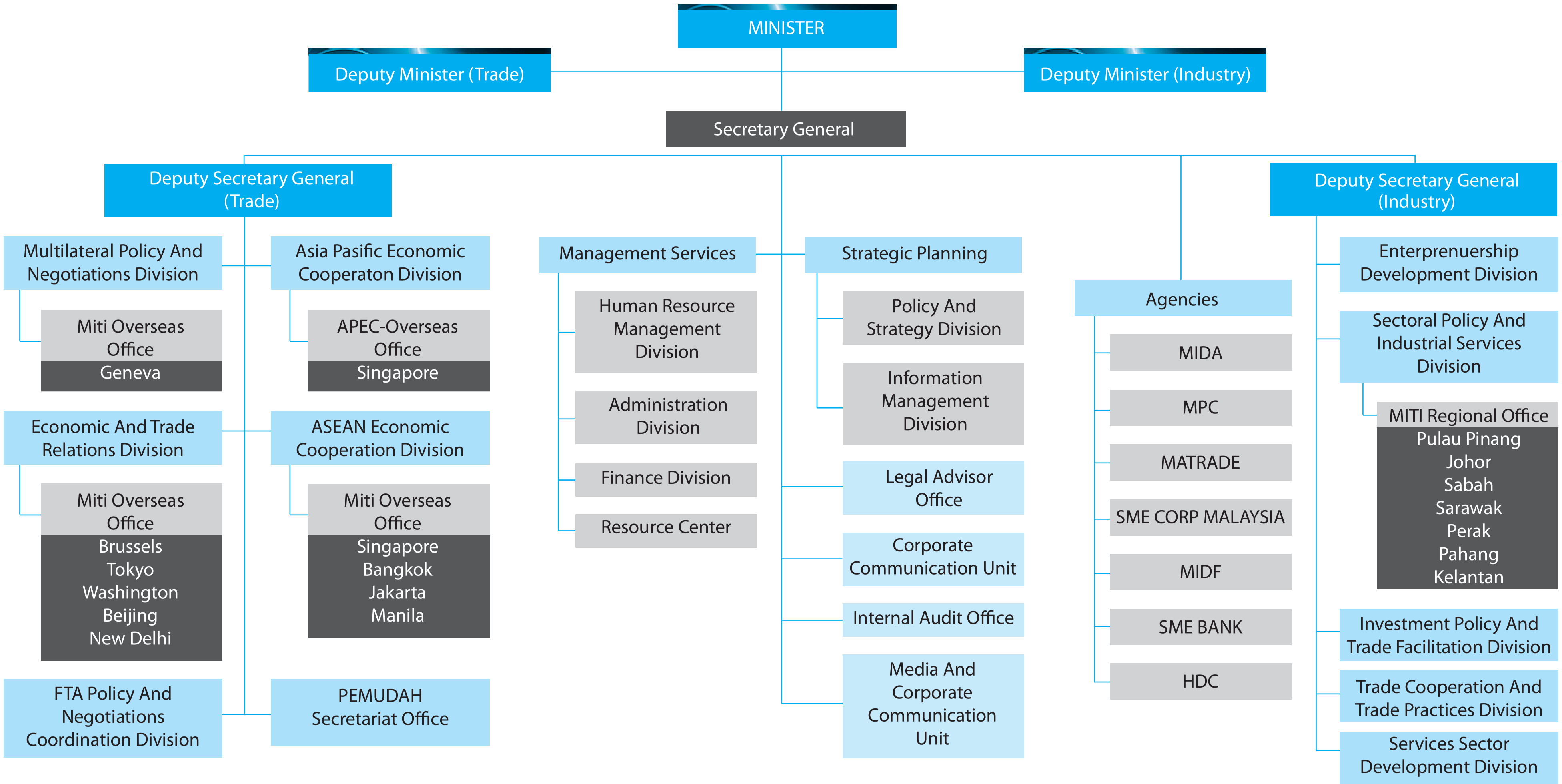
Exploitation of gemstones.
Fishing-net production.
No new license will be issued.

<u>Industries Open With Restrictions to Foreign Investors</u>
Exploitation, processing of rare and precious minerals, raw materials, exploitation of clay for production of exportation of high-quality sand for production of construction and technical glasses.
Subject to planning of the Government.

APPENDIX 7

MITI AND ITS AGENCIES - ORGANISATION CHARTS AND ADDRESSES

MITI ORGANISATION CHART



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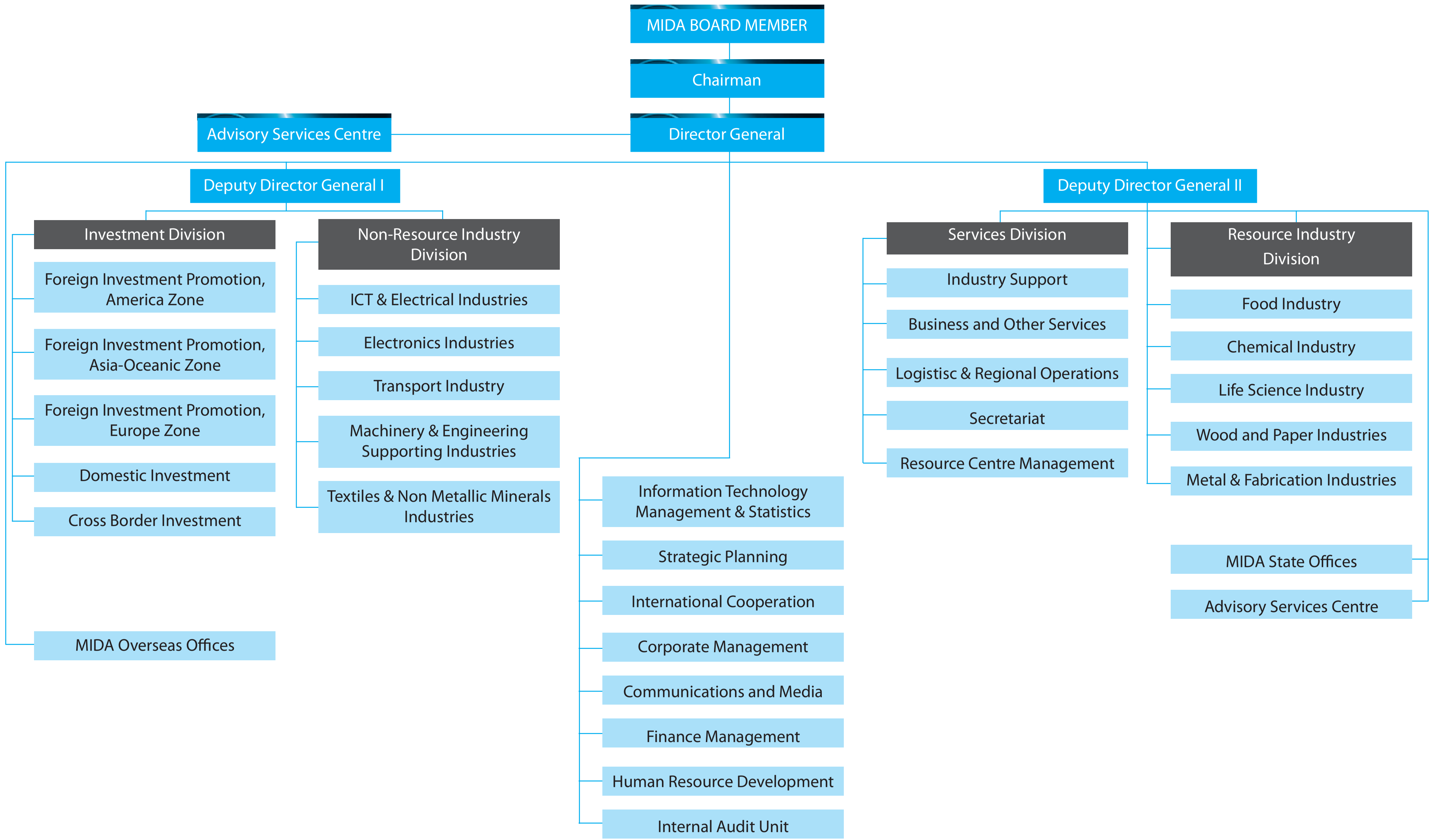

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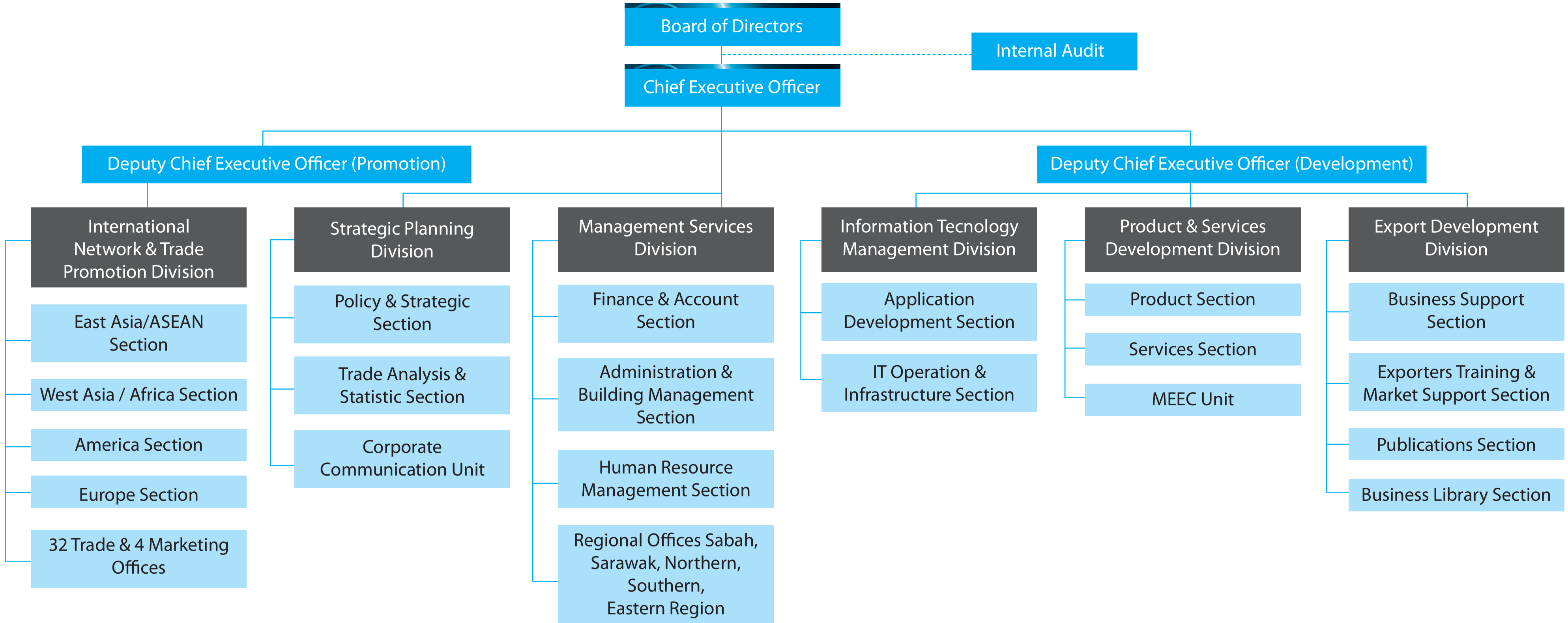
MATRADE ORGANISATION CHART



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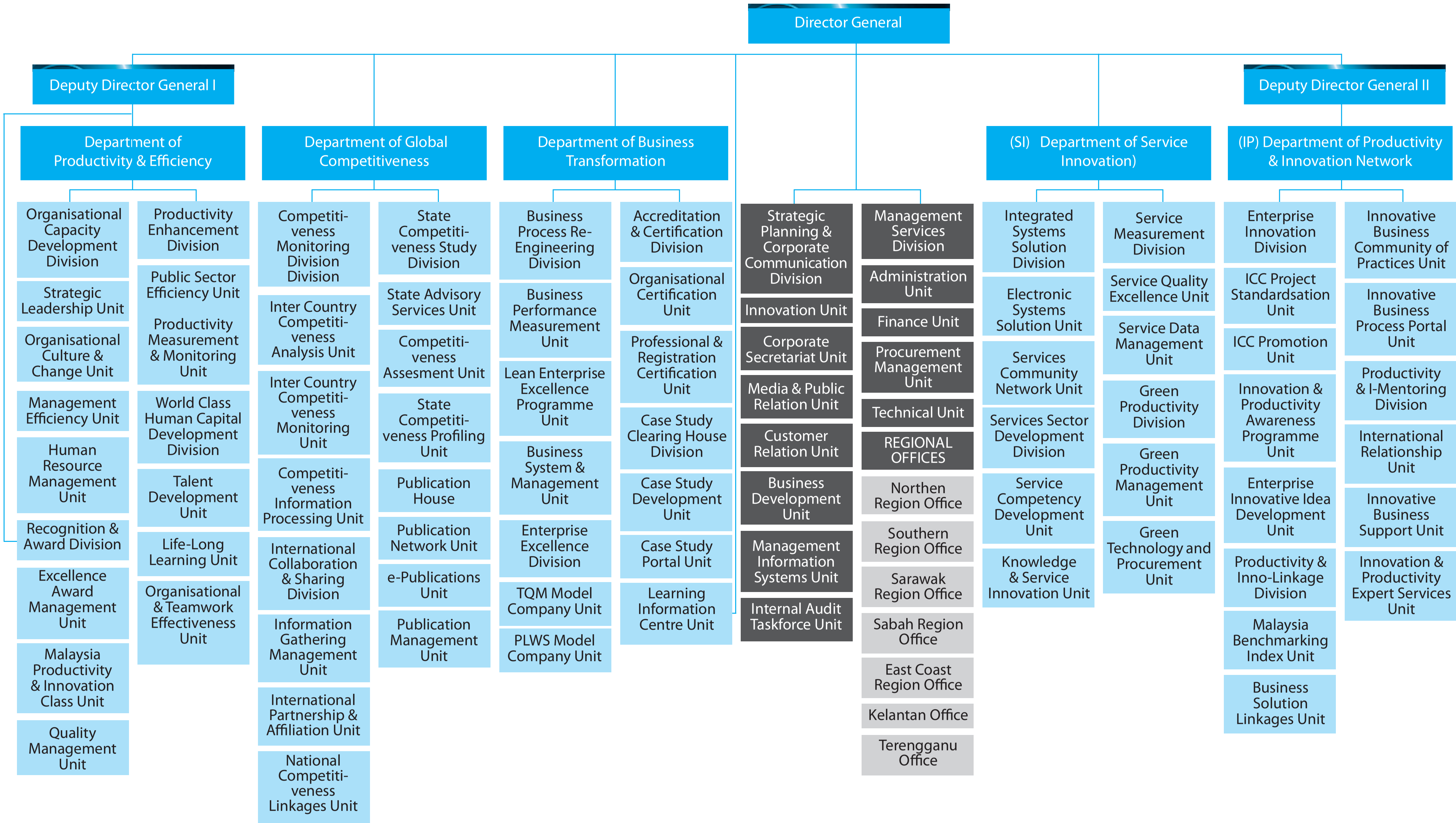
MPC ORGANISATION CHART



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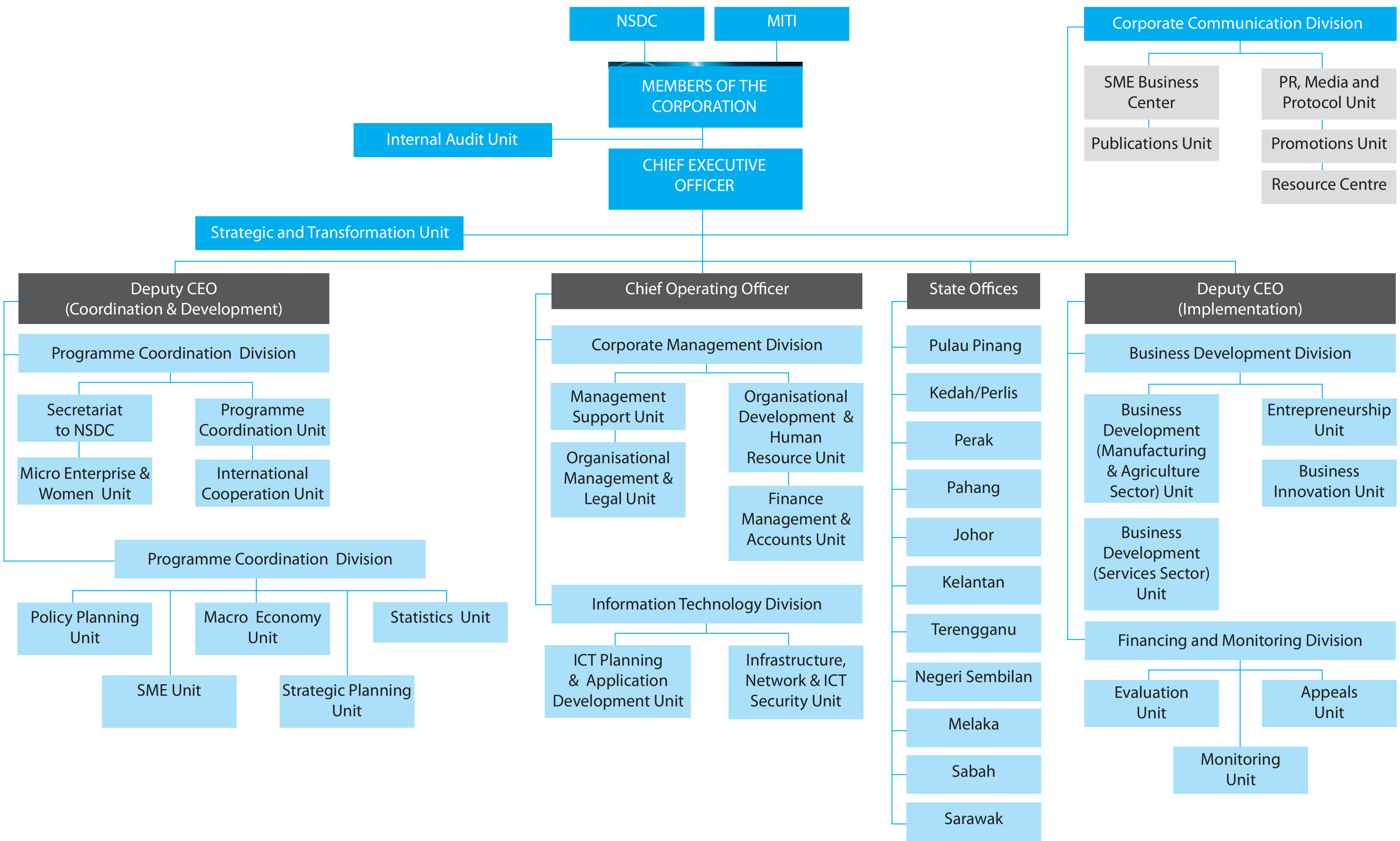
SME CORP. MALAYSIA ORGANISATION CHART



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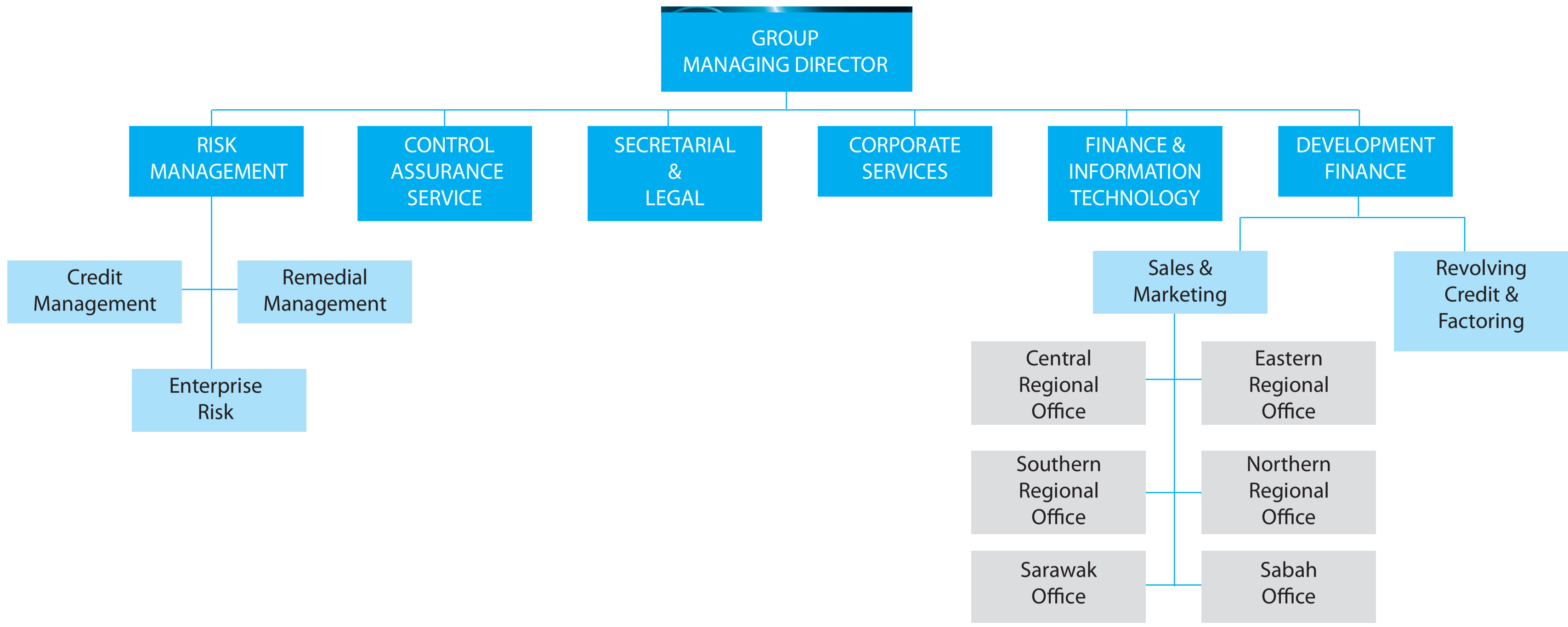

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APPENDIX 8

KEY ECONOMIC DATA - MALAYSIA

AREA (square kilometers)			
Malaysia	**Peninsular Malaysia**	**Sarawak**	**Sabah**
330,252	131,805	124,450	73,997[1]

	2009	2008
Population (mil)	**28.3**	**27.7**
Citizens	26.3	25.7
Bumiputera	17.5	17.1
Chinese	6.4	6.4
Indians	1.9	1.9
Others	0.3	0.3
Non-citizens	2.1	2.0
Population Growth (%)	**2.1**	**2.1**
Labour Force (mil)	**11.3**	**11.0**
Unemployment Rate (%)	**3.7**	**3.3**
Employment by Sector (%)		
Services	60.0	57.9
Manufacturing	16.6	18.2
Agriculture	13.5	14.0
Construction	9.3	9.4
Mining & Quarrying	0.6	0.5
Consumer Price Index (%)		
Malaysia	**0.6**	**5.4**
Peninsular Malaysia	0.5	5.4
Sabah	1.7	6.0
Sarawak	0.2	6.0
Industrial Production Index (2005=100)		
Overall	**99.7**	**108.1**
Mining	94.9	99.1
Manufacturing	101.0	112.2
Electricity	111.4	110.5
External Trade (RM bil)		
Export	553.3	663.5
Import	434.9	521.6
Total Trade	988.2	1,185.1
Trade Balance	118.4	141.9

	2009	2008
Balance of Payment (RM bil) – (Net)		
Current Account	**112.7**	**129.5**
Goods	141.5	170.6
Services	3.2	0.2
Income	-12.6	-23.7
Transfer	-19.4	-17.5
Capital	-0.2	0.6
Financial Account	**-82.9**	**-118.5**
Overall Balance	**13.9**	**-18.3**
Gross Domestic Product (GDP)		
GDP in current prices (RM bil)	**674.4**	**738.7**
Agriculture	64.7	75.7
Mining & Quarrying	87.7	127.2
Manufacturing	172.7	194.1
Construction	21.2	19.6
Services	342.1	334.6
Less Undistributed FISIM	21.1	19.9
Plus Import Duties	7.2	6.0
Real GDP Growth Rate (%)	**-1.7**	**4.6**
Agriculture	0.4	4.0
Mining & Quarrying	-3.8	-0.8
Manufacturing	-9.3	1.3
Construction	5.7	2.1
Services	2.6	7.2
International Reserves (RM bil) (as at 31 Dec 2009)	**331.3.2**	**317.4**
Reserves to GDP Ratio (%)	49.1	43.0
Reserves as Month of Retained Imports (as at 31 Dec 2008)	9.2	7.4
Total External Debt (RM bil)	**233.9[2]**	**236.1**
Medium & Long Term	156.0[2]	156.5
Short Term	78.0[2]	79.6
Debt Service Ratio (%)	6.5[2]	2.6
Banking Institutions (RM bil) (as at Dec 2009)		
Total Deposit	1,062.9	972.3
Total Loans	783.4	726.6
Non-Performing Loans (% of total loans) (Dec 2009)		
3 months	1.8	2.2
6 months	1.3	1.7
Commercial Banks Interest Rates (%) (Dec 2009)		
Saving Deposits	0.87	1.40
BLR	5.51	6.48
Gross National Savings (% of GNP)	**31.3[2]**	**37.9**

Sources: Department of Statistics, Bank Negara Malaysia and Ministry of Finance
[1] Including the Federal Territory of Labuan
[2] preliminary

APPENDIX 9

ABBREVIATION AND ACRONYMS 2009

1-InnoCERT	Innovation Certification for Enterprise Rating & Transformation
3G	Third Generation
3P	Special Act
4PUs	Product Collection and Marketing Centres
9MP	Ninth Malaysian Plan
AAC	ASEAN Architect Council
AANZFTA	ASEAN – Australia – New Zealand Free Trade Agreement
ABAC	APEC Business Advisory Council
ABTC	APEC Business Travel Card
ACBD	APEC Customs-Business Dialogue
ACD	ASEAN Cosmetic Directive
ACFTA	ASEAN-China Free Trade Agreement
ACIA	ASEAN Comprehensive Investment Agreement
ACO	Authorised Certificate of Origin
ACP	African, Caribbean and the Pacific
ACPE	ASEAN Chartered Professional Engineering Coordinating Committee
ACPER	ASEAN Chartered Professional Engineers Register
ADB	Asian Development Bank
ADF	Automotive Development Fund
ADP	Automatic Data Processing
ADPP	APEC Data Privacy Pathfinder
ADTEC	Advanced Technology Training Centre
AEC	ASEAN Economic Community
AELM	APEC Economic Leaders' Meeting
AEM	ASEAN Economic Ministers
AEO	Authorised Economic Operator
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AHTN	ASEAN Harmonised Tariff Nomenclature
AIA	ASEAN Investment Agreement
AIFS	ASEAN Integrated Food Security
AIFTA	ASEAN-India Free Trade Agreement
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKFTA	ASEAN – Korea Free Trade Agreement
AMM	APEC Ministerial Meeting
AOAD	Arab Organisation for Agricultural Development
AOMG	ASEAN Oleo-chemical Manufacturers Group
APAEC	ASEAN Plan of Action for Energy Cooperation
APBSD	ASEAN Policy Blueprint for SME Development
APEC	Asia Pacific Economic Cooperation
APK&P	Basic Quality Improvement & Labelling
APs	Approved Permits
APSA	ASEAN Petroleum Security Agreement
APWG	Automotive Product Working Group
ASC	ASEAN SME Council
ASCOPE	Asian Pipeline Conference And Exhibition

ASEAN	Association of South-East Asian Nations (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam)
ASEAN+3	ASEAN, the People's Republic of China, Japan and the Republic of Korea
ASEAN 5	Indonesia, Malaysia, Philippines, Thailand and Singapore
ASEAN 6	Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand
ASPN	APEC Port Services Network
ASW	ASEAN Single Window
ASW LWG	ASW Working Group on Legal and Regulatory Matters
ASW TWG	ASW Technical Matters Working Group
AHTN	ASEAN Hormonised Tariff Nomenclature
ATIGA	ASEAN Trade in Goods Agreement
ATM	Angkatan Tentera Malaysia
ATSP	ASEAN Tourism Strategic Plan
ASTP	ASEAN Strategic Transport Plan
B2B	Business-To-Business
B2G	Business-To-Government
BAC	Business Advisory Centre
BAM	Branding Association of Malaysia
BBT	Basic Business Training
BEEP	Bumiputera Enterprise Enhancement Programme
BEF	Business Excellence Framework
Biotechcorp	Malaysian Biotechnology Corporation
BKPM	Indonesian Investment Coordinating Board
BLESS	Business Licensing Electronic Services System
BMI	Business Monitor International
BOD	Business Opportunity Directory

BP	British Petroleum
BPG	Brand Promotion Grant
BSN	Bank Simpanan Nasional
CAB	Conformity Assessment Body
CAEXPO	China-ASEAN Expo
CAGR	Compounded Average Growth Rate
CB	Certification Body
CBD	Convention on Biological Diversity
CCA	Central Coordinating Agency
CCI	Cabinet Committee on Investments
CCSL	Cabinet Committee on Services Liberalisation
CDM	Clean Development Mechanism
CD-ROM	Compact Disc Read-Only Memory
CEC	Comprehensive Economic Cooperation
CECA	Comprehensive Economic Cooperation Agreement
CEO	Chief Executive Officer
CEPEA	Comprehensive Economic Partnership of East Asia
CEPT	Common Effective Preferential Tariff
CER	Certified Emission Reduction Unit
CICM	Chemical Industries Council Of Malaysia
CIDB	Construction Industrial Development Board
CIMB	Commerce International Merchant Bankers Berhad
CIPE	Capital Investment Per Employee
CITES	Convention on International Trade in Endangered Species
CKD	Completely Knock Down
CLMV	Cambodia, Lao PDR, Myanmar and Viet Nam
CMIS	Committee on Mandatory Industrial Standards
CO	Certificate of Origin

CO_2	Carbon dioxide
COA	Certificate of Approval
CoBLAS	Consulting Based Learning for ASEAN SMEs
COM	Council of Ministers
COMCEC	OIC Standing Committee for Economic and Commercial Cooperation
COOL	Country of Origin Labelling Law
COP	Conference of the Parties
CRC	Cold Rolled Coils
CRDF	Commercialisation of R&D Fund
CRR	Cash Reserve Ratio
CSA	Chemical Safety Assessment
CSR	Chemical Safety Report
CTC	Change in Tariff Classification
CTD	Committee on Trade and Development
CTH	Change in Tariff Heading
CTTF	APEC Counter-Terrorism Task Force
D-8	Group of Developing Eight
DBKL	Dewan Bandaraya Kuala Lumpur
DDA	Doha Development Agenda
DDI	Domestic Direct Investment
DIAE	Division On Investment and Enterprise
DIIU	District Industry Implementation Unit
DIS	Draft International Standards
DOSH	Department of Occupational Safety and Health
DOSM	Department of Statistics Malaysia
DPMM	*Dewan Perniagaan Melayu Malaysia*
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
E&E	Electrical And Electronic
E50 Award	Enterprise 50 Award
EABC	East Asia Business Council
EAFTA	East Asia Free Trade Area

EAS	East Asia Business Council
EC	Energy Commission
ECER	East Coast Economic Region
ECGC	Export Credit Guarantee Corporation
ECHA	European Chemicals Agency
ECOTECH	Economic and Technical Cooperation
ECWP	Economic Cooperation Work Programme
EG	Ethylene Glycol
EGI	Electro-Galvanised Iron
EGS	Environmental Goods and Services
EHP	Early Harvest Programme
ELA	Environmental List Approach
EMC	Electromagnetic Compatibility
EO	Ethylene Oxide
EoDB	APEC Ease of Doing Business
EPA	Environmental Project Approach
e-PCO	e-Preferential Certificate of Origin
EPU	Economic Planning Unit
ERIA	Economic Research Institute of ASEAN and East Asia
ESFTA	Singapore-European Free Trade Association
ESM	Emergency Safeguard Measures
EU	European Union
FAO	Food and Agriculture Organisation
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FELDA	Federal Land Development Authority
FGCC	Forbes Global CEO Conference
FIC	Foreign Investment Committee
FIZ	Free Industrial Zone
FMM	Federation of Malaysian Manufacturers
FOB	Free On Board
FTA	Free Trade Agreement
FTAAP	Free Trade Area of the Asia Pacific

FTP	Fast Track Programme
GES	Graduate Entrepreneur Scheme
G-20	Group of Twenty Finance Ministers and Central Bank Governors
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEL	General Exception List
GERD	Gross Expenditure on R&D
GHG	Greenhouse Gas
GHS	Globally Harmonised System
GHSC	Global Halal Support Centre
GI	Galvanised Iron
GIs	Geographical Indications
GJ	Giga Joules
GLC	Government-Linked Company
GMF	Genetically Modified Food
GMP	Good Manufacturing Practices
GSP	Global Supplier Programme
GSTP	Global System of Trade Preferences
GTFS	Green Technology Financing Scheme
GTP	Government Transformation Programme
H1N1	Influenza A
HACCP	Hazard Analysis and Critical Control Point
HALMAS	Halal Malaysia Status
HDC	Halal Industry Development Corporation
HDPE	High density polyethylene
HIMP	Halal Industry Master Plan
HKC	Halal Knowledge Centre
HLTO	High Level Trade Officials
HRC	Hot Rolled Coils
HRDF	Human Resource Development Fund

HSBC	Hongkong & Shanghai Bank
HSL	Highly Sensitive List
HTL	Halal Thought Leadership
IAF	Industrial Adjustment Fund
IAFSP	Impact Analysis Framework of SME Programmes
IAP	Individual Action Plan
IBE	Improvement of Business Environment
ICs	Integrated Circuits
ICT	Information and Communication Technology
ICU	Implementation and Coordination Unit
IDB	Islamic Development Bank
IFAP	Investment Facilitation Action Plan
IFFCO	Indian Farmers Fertiliser Cooperative Limited
IFN	Infrastructure Finance Network
IGA	Investment Guarantee Agreement
IGDC	Informal Group of Developing Countries
IILS	International Integrated Logistics Services
IKM	*Institut Kemahiran MARA*
IL	Inclusion List
ILP	Industrial Linkage Programme
ILP	*Institut Latihan Perindustrian*
ILS	Integrated Logistics Services
IM	Iskandar Malaysia
IMD	International Institute for Management Development
IMF	International Monetary Fund
IMP3	Third Industrial Master Plan
IMS	Integrated Market Support Services
IMT-GT	Indonesia Malaysia Thailand – Growth Triangle
INSKEN	National Entrepreneurship Institute

IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
IORBF	Indian Ocean Rim Business Forum
IOT Lab	Interoperability Testing Lab
IP	Intellectual Property
IPC	International Procurement Centre
IPI	Industrial Production Index
IPP	Independent Power Producer
IPR	Intellectual Property Right
IRB	Inland Revenue Board
ISC	Industrial Standards Committee
ISO	International Organisation for Standardisation
IT	Information Technology
ITA	Investment Tax Allowance
JAKIM	Jabatan Kemajuan Islam Malaysia
JC	Joint Committee
JETRO	Japan External Trade Organization
JKMP	Cabinet Committee on Investments
JMTI	Japan-Malaysia Technical Institute
JODC	Japan Overseas Development Corporation
JTPIN	*Jawatankuasa Tindakan Penyelarasan Inovasi Negara*
KKTM	*Kolej Kemahiran Tinggi MARA*
KLIA	Kuala Lumpur International Airport
KOTEJA	*Koperasi Cemerlang Temiang Jaya Bhd*
KPI	Key Performance Indicator
K-SME	Knowledge SME
kWh	Kilowatt-Hour
LAISR	Leaders Agenda to Implement Structural Reform
LCCT	Low Cost Carrier Terminal
LDCs	Least Developed Countries
LDPE	Low Density Polyethylene
LLDPE	Linear low-density polyethylene
LMW	Licensed Manufacturing Warehouse
LNG	Liquefied Natural Gas

LPS	Lean Production System
LSIF	Life Science Innovation Forum
M&E	Machinery And Equipment
MADA	Muda Agriculture Development Authority
MAEI	Malaysian American Electronics Industry
MAFPLAS	ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services
MAFTA	Malaysia-Australia FTA
MAHB	Malaysia Airport Holdings Berhad
MAJAICO	Malaysia-Japan Automotive Industry Cooperation
MAQIS	Malaysia Agricultural Quarantine Inspection Services
MARA	Majlis Amanah Rakyat
MARDI	Malaysian Agricultural Research and Development
MASSA	Malaysia South-South Association
MASTIC	Malaysian Science and Technology Information Centre
MATRADE	Malaysia External Trade Development Corporation
MCMA	Malaysia Cable Manufactures Association
MDeC	Multimedia Development Corporation
MDTCC	Ministry of Domestic Trade, Cooperatives and Consumerism
MEA	Multilateral Environmental Agreement
MECD	Ministry of Entrepreneur and Cooperative Development
MERCUSOR	Southern Cone Common Market
MESDAQ	Malaysian Exchange of Securities Dealing & Automated Quotation
MFN	Most Favoured Nation
MFO	Medium Fuel Oil
MHC	Malaysia Herbal Corporation
MHTC	Malaysia Healthcare Travel Council

MICECA	Malaysia-India Comprehensive Economic Cooperation
MIDA	Malaysia Industrial Development Authority
MIDF	Malaysia Industrial Development Finance Berhad
MIGHT	Malaysian Industry-Government Group for High Technology
MIHAS	Malaysia International Halal Showcase
MINDEF	Ministry of Defence
MISIF	Malaysian Iron and Steel Industry Federation
MITI	Ministry of International Trade and Industry
MJEPA	Malaysia-Japan Economic Partnership Agreement
ML	Manufacturer's Licence
MNC	Multinational Corporation
MNZFTA	Malaysia – New Zealand Free Trade Agreement
MoA	Memorandum of Agreement
MOA	Ministry of Agriculture and Agro-based Industry
MOF	Ministry of Finance
MOHE	Ministry of Higher Education
MOHR	Ministry of Human Resources
MOSTI	Ministry of Science, Technology and Innovation
MOU	Memorandum of Understanding
MPC	Malaysia Productivity Corporation
MPCEPA	Malaysia-Pakistan Closer Economic Partnership Agreement
MPMA	Malaysian Plastics Manufacturers Association
MPOB	Malaysian Palm Oil Board
MPOC	Malaysian Palm Oil Council
MRA	Mutual Recognition Arrangement
MRB	Malaysian Rubber Board
MRL	Maximum Residue Limits
MRO	Maintenance, Repairs and Overhaul

MRT	APEC Ministers Responsible for Trade
MRTD	Machine-Readable Biometric Travel Document
MS	Malaysian Standard
MSC	Multimedia Super Corridor
MT	Metric Tonnes
MTCP	Malaysian Technical Cooperation Programme
MTDC	Malaysian Technology Development Corporation
MTJDA	Malaysia-Thailand Joint Development Area
MTS	Managerial, Technical and Supervisory
MUSFTA	Malaysia-US FTA
MyCoID	Single Corporate Identity Number
MyIPO	Malaysia Intellectual Property Organisation
n.e.c	Not Elsewhere Classified
NAFTA	North Atlantic Free Trade Agreement
NAMA	Non-Agriculture Market Access
NATIP	National Timber Policy
NCC	New Commercial Courts
NCER	Northern Corridor Economic Region
NCIS	National Committee for Approval of Investments in the Services Sector
NDTS	National Dual Training System
NEC	National Economic Council
NEM	New Economic Model
NGO	Non-Government Organisation
NGTF	Negotiating Group on Trade Facilitation
NIA	National Innovation Agenda
NIC	National Innovation Council
NKRA	National Key Result Area
NR	Natural Rubber
NSDC	National SME Development Council

NSW	National Single Window
NTB	Non-Tariff Barrier
NTM	Non Tariff Measure
NVC	Non-Violation Complaints
NWC	National Women's Convention
NWEA 2009	National Women Entrepreneurs Award 2009
OASIS	Operational and Administrative System for Import Support
OECD	Organisation for Economic Co-operation and Development
OHQ	Operational Headquarter
OIC	Organisation of the Islamic Conference
PEP	Pioneer Entrepreneurs Programme
PE	Polyethylene
PEMUDAH	The Special Task Force to Facilitate Business
PENIAGAWATI	Association of Bumiputera Women in Business and Profession
PERDA	Penang Regional Development Authority
PET	Polyethylene Terephthalate
PETRONAS	Petroliam Nasional Berhad
PFI	Private Finance Initiative
PIA	Permit Issuing Agency
PIC	Pharmaceutical Inspection Co-operation
PIS	Priority Integration Sectors
PFPWG	Prepared Foodstuff PWG
PKFZ	Port Klang Free Zone
POFP	Palm Oil Familiarisation Programme
POME	Palm Oil Mill Effluent
POTAP	Palm Oil Trade Awareness Programme
POTS	Palm Oil Trade Fair and Seminar
PPP	Purchasing Power Parity
PRC	People's Republic of China

PREDICT	Predictive Risk-Based Evaluation for Dynamic Import Compliance Targeting
PREE	Peer Review on Energy Efficiency
PRETAS	Protocol on the Preferential Tariff Scheme for TPS-OIC
PROTON	Perusahaan Otomobil Nasional
PS	Pioneer Status
PSDC	Penang Skills Development Centre
PSR	Product Specific Rules
PTA	Preferential Trade Agreement
PTP	Private Training Centre
PUJB	*Perbadanan Usahawan Johor Berhad*
PUNB	*Perbadanan Usahawan Nasional Berhad*
PVC	Poly Vinyl Chloride
PWG	Product Working Group
PWTC	Putra World Trade Centre
R&D	Research and Development
R&D&C	Research, Development and Commercialization
RBDDPL	Refined, Bleached, And Deodorised Palm Oil
RBI	Reserve Bank of India
RDC	Regional Distribution Centre
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
REI	Regional Economic Integration
RE	Representative Office
RMK9	Ninth Malaysia Plan
ROK	Republic of Korea
ROO	Rules of Origin
RO	Regional Office
RTA	Regional Trade Agreement
RVC	Regional Value Content
S&D	Special and Differential
SEP	Undergraduate Entrepreneurship Programme

SACU	Southern African Customs Union
SAFTA	South Asian Free Trade Area
SAP	Services Action Plan
SAR	Special Administrative Region
SCO	Self-Certification of Origin
SCORE	SME Competitiveness Rating for Enhancement
SDC	Sabah Development Corridor
SDSI	One District One Industry
SEAP	SME Expert Advisory Panel
SEBC	Syrian Enterprise and Business Centre
SEDC	State Economic Development Corporation
SEG	Standardisation Experts Group
SEOM	Senior Economic Officials' Meeting
SESB	Sabah Electricity Sdn. Bhd.
SESCO	Syarikat SESCO Bhd
SIA	Semiconductor Industry Association
SIFE	Student in Free Entreprise
SIRIM	Standard and Industrial Research Institute of Malaysia
SKM	*Sijil Kemahiran Malaysia*
SL	Sensitive List
SLFR	Soft Loan for Factory Relocation
SLICT	Soft Loan For ICT
SLSAM	Soft Loan Scheme for Automation and Modernisation
SLSME	Soft Loan for SMEs
SME Corp.	Small and Medium Enterprises
Malaysia	Corporation Malaysia
SMEIPA	SME Integrated Plan of Action
SMEMM	Small and Medium Enterprises Ministerial Meeting
SMEs	Small and Medium Enterprises
SMEWG	Small and Medium Enterprises Working Group
SMIAM	Small and Medium Industries Association of Malaysia
SMIDEC	Small and Medium Industries Development Corporation
SMIDEX	Small and Medium Industries Development Exhibition
SoC	Sub-Committee on Cooperation
SPA-FS	Strategic Plan of Action on ASEAN Food Security
SPCD	Strategic Plan of Customs Development
SPO	Special Project Officers
SPS	Sanitary and Phytosanitary
SSCDF	Services Sector Capacity Development Fund
SSM	Special Safeguard Mechanism
SSO	Shared Services and Outsourcing
STAR VII	Seventh Secure Trade in APEC Region
SVEs	Small and Vulnerable Economies
TAF	Technology Acquisition Fund
TBT	Technical Barriers to Trade
TECHMART	Technology Market
TEKUN	*Tabung Kumpulan Usaha Niaga*
TEL	Temporary Exclusion List
TELMIN	ASEAN Telecommunications and Information Technology Ministers Meeting
TIFA	Trade and Investment Framework Arrangement
TIG	Trade In Goods
TFAC	Trade Facilitation Action Council
TFAP II	Second Trade Facilitation Action Plan
TFP	Total Factor Productivity
TIS	Trade in Services
TNA	Entrepreneurial Training Needs Analysis
TNB	Tenaga Nasional Bhd
TOR	Terms of Reference
TPP	Trans-Pacific Strategic Economic Partnership
TPRM	Trade Policy Review Mechanism

TPS-OIC	Protocols of Trade Preferential System among OIC Member States
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TYPOA	OIC Ten-Year Programme of Action
UAE	United Arab Emirates
UDA	Urban Development Authority
UK	United Kingdom
UKM	*Universiti Kebangsaan Malaysia*
UMK	*Universiti Malaysia Kelantan*
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
USDOC	United States Department of Commerce
UUM	Universiti Utara Malaysia
VHM	Veterinary Health Mark
WCY	World Competitiveness Yearbook
WGEC	Working Group on Economic Cooperation
WGTI	Working Group on Trade and Investment
WHF	World Halal Forum
WHRS	World Halal Research Summit
WiMAX	Worldwide Interoperability for Microwave Access
WIR	World Investment Report
WSA	World Steel Association
WTO	World Trade Organization
YEP	Young Entrepreneurs Programme

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