

## **RUBBER INDUSTRY**

### **1. Breakdown by Major Sub-Sectors**

#### i. Latex Products Sub-Sector

- It is the largest sub-sector within the rubber products industry and comprises of 165 manufacturers producing gloves, condom, catheters, latex thread and others.
- This sub-sector accounted for 81 per cent of the rubber total value of exports, largely contributed by gloves, catheters and latex threads.
- Malaysia continues to maintain its position as the world's leading producer and exporter of catheters, latex threads and natural rubber medical gloves.
- Total export revenue of Malaysian latex products, of which latex gloves is a major contributor, was recorded at RM13.3 billion in 2016

#### ii. Tyres and Tyre-Related Products Sub-Sector

- There are currently 120 companies in the tyres and tyre-related products sub-sector comprising of nine tyre producers, while the remaining companies produce retreads, tyre treads for retreading, valves and other accessories.
- There are three major tyre producers producing passenger car tyres, commercial vehicle tyres and earthmover tyres, and another nine manufacturing other types of tyres.

#### iii. Industrial and General Rubber Products Sub-Sector

- The industrial and general rubber products sub-sector comprises 187 companies producing a wide range of rubber products such as mountings, beltings, hoses, tubings, seals, and sheetings for the automotive, electrical & electronics, machinery & equipment and construction industries, largely for the domestic market.

### **2. Current Policies Concerning the Rubber Industry**

#### i. Manufacturing License (ML)

There is no restriction in terms of issuance of Manufacturing License (ML) to undertake manufacturing activities under this industry. Foreign equity holding is allowed without any restriction.

#### ii. Policy on Import of Tyres

##### a) New Tyres

- Beginning 1 January 2010, the Ministry of Transport has enforced mandatory standards on new tyres as gazetted under the Fourth

Schedule, Part II, Customs Order (Prohibition of Imports) 2009 that requires the following standards:

- UN ECE Regulation 30 (E-mark) or FMVSS Standard No. 109 (DOT mark) or MS 149 (MS mark) for Passenger Cars; or
- UN ECE Regulation 54 or FMVSS Standard No. 119 or MS 1394 for Commercial Vehicles;
- New tyres are classified under HS 4011 which do not require AP for import.

b) Used and Retreaded Tyres

- Both retreaded and used tyres are classified under the same tariff code, i.e. HS40.12 (Retreaded or used pneumatic tyres):
  - (i) 4012.11.000 ( *Retreaded tyres: motor cars* );
  - (ii) 4012.12.000 ( *Retreaded tyres: buses or lorries* );
  - (iii) 4012.19.900 ( *Retreaded tyres: others* );
  - (iv) 4012.20.100 ( *Used pneumatic tyres: motor cars* );
  - (v) 4012.20.200 ( *Used pneumatic tyres: buses or lorries* ), and
  - (vi) 4012.20.990 ( *Used pneumatic tyres: others* )

Used Tyre

- The AP requirement for importation of used tyres was imposed since 1 January 2010, as part of the new policy introduced by MOT. The AP will only be issued to retreaders with MS224 certification.
- Rationale:
  - to prohibit the influx of sub-standard and cheap used tyres from being sold to end users;
  - the influx of sub-standard and cheap used tyres from foreign sources has not only affected retreaders' market share but also jeopardises the safety of road users;
  - the Government could monitor the importation of used tyres for retreading companies; and
  - signifies Government effort in ensuring the safety of the road users in the country.

Retreaded Tyre

- In accordance to Forth Schedule, Part II, the import of a 'new' retreaded tyre must be accompanied with a DOT or E-MARK R108/R109 UN ECE Regulation 108/109 (issued by recognised Technical Service) or MS224 certificate (issued by SIRIM).
- Physical inspection by KDRM will determine the accuracy of the tyre classification. If it falls under the used category, the Second Schedule which requires AP from MITI applies.

iii. Removal of Surgical Gloves from the List of Promoted Activities/Products under the Promotion of Investments Act (PIA), 1986

- Rubber glove was a promoted product since 1970s under the Investment Promotion Act, 1968 and subsequently under the Promotion of Investments Act (PIA), 1986 under latex dipped products.
- Rubber gloves (excluding surgical gloves and safety/special function gloves) were excluded as promoted products since 1991.
- The industry was considered established with more than 600 approvals for Manufacturing Licenses (ML) and incentives. To date, 40 companies are in operations.
- Surgical gloves were then removed from the List of Promoted Activities/Products under the PIA, 1986 effective 2 March 2012. The industry was considered established.

### **3. Government's Support**

#### **i. Provision of Incentives**

- Tax exemption under the Promotion of Investments Act (PIA), 1986 and Income Tax Act, 1967:
  - i. Pioneer Status (tax exemption of 70% - 100% of statutory income for a period of 5 - 10 years); or
  - ii. Investment Tax Allowance (an allowance of 60%-100% on qualifying capital expenditure incurred within a period of 5 years); and
  - iii. Reinvestment Allowance (60% on the qualifying capital expenditure incurred and can be offset against 70% of its statutory income for the year of assessment. The RA will be given for a period of 15 years).
- Local companies in the rubber industry reinvesting for expansion purposes are eligible for another round of Pioneer Status or Investment Tax Allowance.
- Import duty exemption on:
  - i. raw materials used for the production of finished goods for export market, irrespective of local availability;
  - ii. raw materials for which grades and specifications are not produced locally for local market; and
  - iii. raw materials used to produce nil duty finished goods, irrespective of local availability.
- General list of promoted products and activities for rubber products industry:
  - (i) Tyres for earthmover, agricultural vehicles, industries vehicles, commercial vehicles, motorcycle and aircraft.
  - (ii) Latex products for Safety or special function gloves
  - (iii) Dry rubber products:
    - a. Beltings
    - b. Hoses, pipes and tubings

- c. Rubber profiles
- d. Seals, gaskets, washers, packings, rings and rubber linings
- e. Anti-vibration, damping and sound insulation product.

(iv) Manufacture of rubber products:

- a. Moulded rubber products
- b. Extruded rubber products
- c. General rubber goods

#### **4. Trade Statistics**

##### Import and Export of Rubber Products

	<b>( RM)</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Export	18,138,817	20,269,362	20,287,568
Import	5,890,520	6,958,483	7,116,296

Source: MATRADE

##### Major Import and Export Sources (2016)

i) Import

	<b>RM</b>
Thailand	4,131,595,718
Republic of Korea	1,298,014,044
Japan	1,110,296,910
Vietnam	824,896,702
Taiwan	799,712,661

ii) Export

	<b>RM</b>
USA	5,240,221,202
People's Republic of China	4,767,276,123
Germany	1,713,164,525
Japan	1,069,351,966
Brazil	700,921,409

## Sales

Industry Group	( RM'000)			
	2013	2014	2015	2016
<b>RUBBER PRODUCTS INDUSTRY (TOTAL)</b>	<b>25,823,254</b>	<b>24,317,314</b>	<b>24,430,856</b>	<b>21,416,969</b>
Manufacture of rubber tyres and vehicles	1,812,266	1,845,213	1,923,827	1,891,195
Manufacture of interchangeable tyre treads and retreading rubber tyres	222,192	216,761	198,036	205,015
Manufacture of rubber gloves	10,000,966	9,602,693	10,369,463	10,492,866
Manufacture of other products of natural or synthetic rubber, unvulcanized, vulcanized or hardened & Rubber remilling and latex processing	9,374,293	8,538,305	7,482,567	4,294,182
Manufacture of other rubber products n.e.c.	4,413,537	4,114,342	4,456,963	4,533,711

Source: Department of Statistics, Malaysia

## **EMPLOYMENT (PERSONS)**

Industry Group	2013	2014	2015	2016
<b>RUBBER PRODUCTS INDUSTRY</b>	<b>74,909</b>	<b>77,369</b>	<b>78,785</b>	<b>83,074</b>
Manufacture of rubber tyres and vehicles	5,755	5,412	5,464	5,406
Manufacture of interchangeable tyre treads and retreading rubber tyres	837	885	873	874
Manufacture of rubber gloves	41,129	41,096	41,356	44,703
Manufacture of other products of natural or synthetic rubber, unvulcanized, vulcanized or hardened & Rubber remilling and latex processing	4,860	7,153	7,579	7,708
Manufacture of other rubber products n.e.c.	22,328	22,823	23,513	24,383

Source: Department of Statistics, Malaysia

## Production Index (IPI)

Industry Group	2013	2014	2015	2016
Manufacture of rubber tyres and vehicles	98.6	89.5	98.0	103.0
Manufacture of interchangeable tyre treads and retreading rubber tyres	90.5	94.2	95.9	94.1
Manufacture of rubber gloves	144.4	144.8	152.3	158.1
Rubber remilling and latex processing	85.6	83.5	82.4	83.0
Manufacture of other rubber products n.e.c.	127.1	120.3	124.9	130.7

Source: Department of Statistics, Malaysia Note: Base Year 2010 = 100

## Investments

The accumulative investment approved for rubber products from year 2000 until 2016 is RM17.3 billion. In 2016, investments worth RM2.29 billion were approved for the rubber sector. Domestic investments contributed RM1.28 billion, while foreign investments accounted for RM1.02 billion.

Year	Rubber Products				
	Number of Projects	Employment	Domestic Investment (RM)	Foreign Investment (RM)	Total Capital Investment (RM)
2013	20	12,711	2,833,476,425	794,529,733	3,628,006,158
2014	19	3,579	1,381,074,940	289,412,785	1,670,487,725
2015	22	6,893	382,121,745	956,079,002	1,338,200,747
2016	24	6,916	1,277,942,955	1,015,732,503	2,293,675,458