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2006

Ministry of International Trade and Industry Malaysia

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FOREWORD

In 2006, Malaysia launched the Ninth Malaysia Plan, for the period 2006-2010 and the Third Industrial Master Plan (IMP3), covering the period 2006-2020. Both these Plans had the underlying theme of guiding Malaysia to achieve global competitiveness. Various policy measures and strategies have been outlined in the Plans to achieve this objective. It is necessary for the Government and the business community to work together to implement the action plans and to ensure national aspirations are achieved.

Malaysia continued on its path of sustained economic growth in 2006. The economy grew by 5.9 per cent, compared with 5 per cent in 2005. The growth was led by both the manufacturing and non-Government services sectors, which expanded by 7.1 per cent and 6.8 per cent, respectively. In 2006, the growth of the manufacturing sector exceeded the IMP3 annual target of 5.6 per cent, while the non-Government services sectors' growth was slightly lower than the targeted annual growth of 7.5 per cent.

Malaysia's external trade achieved a major milestone in 2006, with total trade surpassing the RM1 trillion mark. Total trade reached RM1.07 trillion, increasing by 10.5 per cent over the preceding year. Exports expanded by 10.3 per cent, while imports grew by 10.8 per cent. The expansion in exports was attributed to sustained export competitiveness, strong external demand and increase in investment activities.

Both domestic and foreign investments in the Malaysian manufacturing sector recorded the highest level in 2006. Investments totalling RM46 billion were approved during the year, with the share of domestic investments amounting to 56.1 per cent and foreign investments accounting for 43.9 per cent. Total investments approved in 2006, exceeded the annual investment target of RM27.5 billion set in the IMP3. The high level of foreign investments approved in 2006 is indicative of Malaysia's ability to continue to attract foreign investments, despite the more competitive global investment environment. Existing foreign investors also continued to show confidence in Malaysia by undertaking expansion/reinvestment, particularly in high value-added activities and technology-intensive operations, including research and development and engineering and product design centres.

In 2006, productivity in the manufacturing sector grew by 4.4 per cent, while productivity in the services sector expanded by 2.6 per cent. During the period 1997-2006, Malaysia recorded an average annual Total Factor Productivity growth of 3.3 per cent for the manufacturing sector and 1.4 per cent for the services sector.

Malaysia continued its efforts to secure preferential market access for goods and services, as well as liberal treatment on investments originating from Malaysia, through bilateral and regional free trade negotiations. Preferential market access and a liberal, transparent and predictable investment regime would contribute towards increases in two-way trade and investment flows.

Following the resumption of the Doha Round in all areas of negotiations in January 2007, Malaysia will continue to be actively engaged in the WTO negotiations. This is to ensure that the outcomes of the negotiations are beneficial to Malaysia.

The economic outlook in 2007 remains favourable. It is anticipated that exports will maintain its momentum of growth, as the economies of Malaysia's major trading partners are forecasted to maintain positive growth. With the Government's initiative to improve the public delivery system and dismantle bureaucratic hindrances, the business operating environment is envisaged to further improve. It will create the necessary conditions to further enhance investors' confidence in Malaysia.

DATO' SERI RAFIDAH AZIZ

Minister of International Trade and Industry
Malaysia

29 June 2007

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OVERVIEW

The world economy grew by 5.4 per cent in 2006, the fourth consecutive year of expansion. The economic growth was broad-based and was attributed to the economic recovery in Europe, sustained growth in the United States of America (USA), and the strong performance of emerging markets and developing countries, led by the People's Republic of China and India. The growth was also supported by high commodity prices, favourable financial conditions, and the easing of tensions in West Asia, with the resultant improvement in the supply and demand balance for petroleum globally.

In 2006, world merchandise trade expanded by 14.5 per cent to US$23.84 trillion, with exports expanding by 15 per cent to US$11.76 trillion, and imports increasing by 14 per cent to US$12.08 trillion. Growth in world merchandise trade was due largely to trade recovery in Europe, strengthening of US exports, and continued robust economic and trade expansion in the People's Republic of China and India. Exporters of raw material particularly fuel and metals, continued to benefit from the sustained demand and high prices.

Exports of commercial services grew by 11 per cent to US$2.71 trillion and were led by the increase in exports of communication services; construction services; financial and insurance services; computer and information services; royalties and licence fees; personal, cultural and recreational services; and other business services comprising trade-related services, operational leasing and miscellaneous business, professional and technical services.

Global foreign direct investment (FDI) grew by 34.3 per cent to US$1.2 trillion in 2006. The growth was driven largely by high value cross-border mergers and acquisitions, and continued liberalisation of investment policies and trade regimes. For the third consecutive year, the major recipients of world FDI were the developed countries. FDI to these countries increased by 47.6 per cent to US$800.7 billion, while that to developing countries expanded by 10 per cent to US$367.7 billion.

ECONOMIC DEVELOPMENT BY REGION

Asia

In 2006, Asia recorded the highest growth rate in 11 years. This expansion was driven by the People's Republic of China and India, which grew by 10.7 per cent and 9.2 per cent, respectively. The growth of the People's Republic of China was supported by strong fixed asset investments and export performance, while India's growth was due to rapid expansion of its industrial and services sectors. As a region, Asia excluding Japan, expanded by 8.9 per cent, compared with the 8.7 per cent growth the year before.

The economies of ASEAN-5 expanded by 6 per cent in 2006, driven by strong external demand for electronics products and oil and gas, as well as supportive monetary conditions. Indonesia's growth was moderate at 5.5 per cent (2005: 5.7 per cent) on the back of slightly weaker domestic consumption and fixed investment spending. In the Philippines, the overall strong recovery in the agriculture sector led to a growth of 5.4 per cent (2005: 5 per cent). Singapore's economy grew by 7.9 per cent (2005: 6.6 per cent) supported by improvements in external demand and investments. The growth in Thailand's economy by 5 per cent (2005: 4.5 per cent) was driven by exports.

Malaysia recorded a growth of 5.9 per cent in 2006, compared with 5 per cent the previous year. This growth was supported by strong domestic consumption and increases in private and public investments. Growth was broad-based with positive contribution by all sectors, except mining.

Japan continued on its path of recovery with its economy expanding by 2.2 per cent in 2006, compared with 1.9 per cent in 2005. The increase in exports, supported by the weaker Yen coupled with growth in private investments, contributed to this growth.

Taiwan's economy continued to be export driven. In 2006, the country recorded a 4.6 per cent growth, compared with 4 per cent in 2005.

In West Asia, the oil exporting countries continued to benefit from high oil prices and demand, while the non-oil exporting countries benefited from investments and the favourable external environment. As a region, West Asia grew by 5.7 per cent in 2006, compared with 5.4 per cent in 2005.

North America

In 2006, the US economy recorded a growth of 3.3 per cent, a moderate increase compared with 3.2 per cent in 2005. There was a slowdown in the US domestic housing market, and this led to a downturn in residential investments. Slower growth was also recorded in the manufacturing sector, particularly the automotive sector and sectors related to construction, due to weaker demands and rising inventories. However, increase in private consumption spending, strong gains in the services sector, and rising corporate profitability and equity prices contributed to the overall growth.

Canada recorded a slower growth at 2.7 per cent in 2006, compared with 2.9 per cent registered in 2005. Among others, the slower growth has been attributed to the increase in interest rates and the appreciation of the Canadian currency, resulting in its exports becoming less competitive.

Table 1.1:
World Real GDP Growth

Selected Countries	2006		2005
	Change (%)	GDP Value[1] (US$ billion)	Change (%)
World	**5.4**		**4.9**
USA	**3.3**	**13,244.6**	**3.2**
ASEAN-5			
Singapore	7.9	132.2	6.6
Malaysia	**5.9**	**150.9**	**5.0**
Indonesia	5.5	364.2	5.7
Philippines	5.4	116.9	5.0
Thailand	5.0	206.3	4.5
East Asia			
People's Republic of China	10.7	2,630.1	10.4
Republic of Korea	5.0	888.3	4.2
Taiwan	4.6	355.7	4.0
Japan	2.2	4,367.5	1.9
South Asia			
India	9.2	886.9	9.2
Bangladesh	6.7	65.2	6.3
Pakistan	6.2	129.0	8.0
West Asia			
Egypt	6.8	107.4	4.5
Iran	5.3	212.5	4.4
Saudi Arabia	4.6	348.6	6.6
Africa			
Ghana	6.2	12.9	5.9
Kenya	6.0	23.2	5.8
Nigeria	5.3	115.4	7.2
South Africa	5.0	255.2	5.1
Canada	**2.7**	**1,269.1**	**2.9**
Australia	**2.7**	**754.8**	**2.8**
New Zealand	**1.5**	**103.4**	**2.1**
EU			
Netherlands	2.9	663.1	1.5
Germany	2.7	2,897.0	0.9
UK	2.7	2,373.7	1.9
France	2.0	2,231.6	1.2
Italy	1.9	1,852.6	0.1
Latin America			
Argentina	8.5	212.7	9.2
Mexico	4.8	840.0	2.8
Chile	4.0	145.2	5.7
Brazil	3.7	1,067.7	2.9

Source: International Monetary Fund, World Economic Outlook, April 2007
Note: [1] GDP value at current price

Europe

Europe recorded the highest growth since 2000 with its expansion of 2.6 per cent in 2006. The growth, significantly higher than the 1.4 per cent achieved in 2005, is attributed to its strong export performance and a steady domestic demand. Germany featured as a prominent contributor to the region's growth, at a rate of 2.7 per cent in 2006, which was a major increase from 0.9 per cent in 2005. This growth was due to growing exports, strong investments, and higher consumer spending. France and Italy also experienced growth of 2 per cent (2005: 1.2 per cent) and 1.9 per cent (2005: 0.1 per cent), respectively.

Australia and New Zealand

Both countries experienced a lower growth in the year 2006. The growth rate for Australia, at 2.7 per cent, was slightly lower than the 2.8 per cent recorded in 2005, while New Zealand's growth of 1.5 per cent was markedly less than the 2.1 per cent recorded in 2005. High inflationary pressure, slower domestic demand and a severe drought were among the reasons for this situation.

Africa

Africa registered a growth rate of 5.5 per cent in 2006, sustaining its economic performance in 2005. The growth was attributed to more stable macroeconomic conditions at the regional level, increased capital inflows, rising oil production in some countries and strong demand for non-fuel commodities.

Oil exporting countries in the region, including Nigeria and Angola, benefited from high oil prices and production. The oil exporting countries grew by 5.9 per cent (2005: 7.6 per cent). The oil importing countries also reported economic expansion at 5.3 per cent (2005: 4.8 per cent). For some countries, agriculture output remained an important contributor to growth. Morocco's economy grew by 7.3 per cent (2005: 1.7 per cent) following an increase in its agricultural production. South Africa grew by 5 per cent, compared with 5.1 per cent in 2005.

Latin America

In 2006, the Latin American economy grew by 5.5 per cent (2005: 4.6 per cent). Close trade relations with the US and high prices of oil and metals contributed to the region's growth. As net exporters of oil, Venezuela and Mexico benefited from high oil prices and increased global demand for mineral fuels. The Venezuelan and Mexican economy expanded 10.3 per cent and 4.8 per cent, respectively. The strengthening of prices for grains benefited agricultural exporting countries, such as Argentina and Brazil, which grew 8.5 per cent and 3.7 per cent, respectively.

TRADE DEVELOPMENTS

World merchandise trade continued to expand in 2006. Exports of world merchandise registered a growth of 15 per cent (2005: 14 per cent) to US$11.76 trillion, while imports increased by 14 per cent (2005: 13 per cent) to US$12.08 trillion. Growth in world merchandise trade was attributed largely to Europe's economic recovery, a stable US economy, and the robust economic and trade performance of the People's Republic of China and India. Fuel and metals exporting countries in Africa, West Asia, Commonwealth of Independent States and Latin America also benefited from high prices of fuel and metals, which increased by 20 per cent and 56 per cent respectively.

In 2006, the US merchandise exports recorded its highest growth in over a decade. Developing countries' share of the global merchandise exports reached a record high at 36.3 per cent.

Following the phasing out of the Agreement on Textiles and Clothing in 2005, world trade in textiles and clothing underwent significant changes in 2006. Exports from developed countries and advanced developing countries in East Asia declined, while the People's Republic of China continued to gain market share in major developed countries, such as Canada, the USA and the EU in 2006. Imports of textiles and clothing from the People's Republic of China into these three markets increased to 22 per cent, 15 per cent and 10 per cent, respectively.

Exports of commercial services (transport, travel and other commercial services, minus Government services), sustained growth at 11 per cent (2005: 11 per cent) valued at US$2,710 billion. Growth in exports of commercial services was broad-based.

Trade Development by Region

Asia

In 2006, Asia's merchandise exports expanded by 18 per cent to US$3,276 billion (2005: 16 per cent, US$2,776.3 billion), while imports declined slightly to 16 per cent, at US$3,023 billion (2005: 17 per cent, US$2,606 billion). The People's Republic of China continued to lead the region, with exports growing by 27 per cent to US$969 billion (2005: 28 per cent, US$763 billion), and imports increasing by 20 per cent to US$792 billion (2005: 18 per cent, US$660 billion).

The People's Republic of China maintained its position as the world's third largest exporter and importer. Japan remained the fourth largest exporter, with exports increasing 9 per cent, to US$647 billion (2005: 5 per cent, US$593.6 billion). Japan was ranked fifth largest importer in 2006 (2005: fourth).

ASEAN accounted for 6.6 per cent of world merchandise exports, valued at US$771 billion and 5.7 per cent of world imports, valued at US$683 billion. Singapore maintained its position as the 14th largest world exporter, with 2.3 per cent share of exports, valued at US$272 billion, and the 15th largest importer, with 1.9 per cent share of imports, valued at US$239 billion. Malaysia continued to rank as the 19th largest exporter, with 1.3 per cent share of world exports, and improved its position as the 23rd largest importer (2005: 24th position).

West Asia's merchandise trade is linked closely to the developments in the global oil market.

Table 1.2:
Merchandise Trade Performance, 2006

	Exports			Imports		
	2006 (US$ billion)	Change (%)	2005 (US$ billion)	2006 (US$ billion)	Change (%)	2005 (US$ billion)
World	**11,762.0**	**15.0**	**10,227.8**	**12,080**	**14.0**	**10,596.5**
Asia	**3,276.0**	**18.0**	**2,776.3**	**3,023**	**16.0**	**2,606.0**
People's Republic of China	969.0	27.0	763.0	792.0	20.0	660.0
Japan	647.0	9.0	593.6	577.0	12.0	515.2
ASEAN-5						
Singapore	272.0	18.0	230.5	239.0	19.0	200.8
Malaysia	**161.0**	**14.0**	**141.2**	**131.0**	**14.0**	**114.9**
Thailand	131.0	19.0	110.1	129.0	9.0	118.3
Indonesia	104.0	21.0	86.0	78.0	5.0	74.3
Philippines	47.0	14.0	41.2	52.0	10.0	47.3
West Asia	**644.0**	**19.0**	**541.2**	**373.0**	**14.0**	**327.2**
USA	**1,037.0**	**14.0**	**909.6**	**1,920**	**11.0**	**1,729.7**
Mexico	**250.0**	**17.0**	**213.7**	**268.0**	**15.0**	**233.0**
Europe	**4,957.0**	**13.0**	**4,386.7**	**5,218.0**	**14.0**	**4,577.2**
EU-25	4,527.0	12.0	4,042.0	4,743	14.0	4,160.5
Latin America	**426.0**	**20.0**	**355.0**	**351.0**	**18.0**	**297.5**
MERCOSUR	190.0	16.0	163.8	134.0	17.0	114.5
Africa	**361.0**	**21.0**	**298.3**	**290.0**	**16.0**	**250.0**

Source: World Trade Organisation

Table 1.3:
Leading Exporters and Importers in World Merchandise Trade, 2006

Rank	Exporters	Value (US$ billion)	Share	Change (%)	Rank	Importers	Value (US$ billion)	Share	Change (%)
1	Germany	1,112.0	9.2	15.0	1	USA	1,920.0	15.5	11.0
2	USA	1,037.0	8.6	14.0	2	Germany	910.0	7.4	17.0
3	People's Republic of China	969.0	8.0	27.0	3	People's Republic of China	792.0	6.4	20.0
4	Japan	647.0	5.4	9.0	4	UK	601.0	4.9	17.0
5	France	490.0	4.1	6.0	5	Japan	577.0	4.7	12.0
6	Netherlands	462.0	3.8	14.0	6	France	533.0	4.3	6.0
7	UK	443.0	3.7	15.0	7	Italy	436.0	3.5	13.0
8	Italy	410.0	3.4	10.0	8	Netherlands	416.0	3.4	14.0
9	Canada	388.0	3.2	8.0	9	Canada	357.0	2.9	11.0
10	Belgium	372.0	3.1	11.0	10	Belgium	356.0	2.9	12.0
11	Republic of Korea	326.0	2.7	15.0	11	Hong Kong	336.0	2.7	12.0
12	Hong Kong	323.0	2.7	10.0	12	Spain	319.0	2.6	10.0
13	Russia	305.0	2.5	25.0	13	Republic of Korea	309.0	2.5	18.0
14	Singapore	272.0	2.3	18.0	14	Mexico	268.0	2.2	15.0
15	Mexico	250.0	2.1	17.0	15	Singapore	239.0	1.9	19.0
16	Taiwan	224.0	1.9	13.0	16	Taiwan	203.0	1.6	11.0
17	Saudi Arabia	209.0	1.7	16.0	17	India	174.0	1.4	25.0
18	Spain	206.0	1.7	7.0	18	Russia	164.0	1.3	31.0
19	**Malaysia**	**161.0**	**1.3**	**14.0**	19	Switzerland	141.0	1.1	12.0
20	Switzerland	147.0	1.2	13.0	20	Australia	140.0	1.1	11.0
21	Sweden	147.0	1.2	13.0	21	Austria	139.0	1.1	9.0
22	United Arab Emirates	139.0	1.2	21.0	22	Turkey	137.0	1.1	17.0
23	Austria	138.0	1.1	11.0	**23**	**Malaysia**	**131.0**	**1.1**	**14.0**
24	Brazil	137.0	1.1	16.0	24	Thailand	129.0	1.0	9.0
25	Thailand	131.0	1.1	19.0	25	Sweden	126.0	1.0	13.0
26	Australia	123.0	1.0	16.0	26	Poland	124.0	1.0	22.0
27	Norway	122.0	1.0	17.0	27	United Arab Emirates	95.0	0.8	17.0
28	India	120.0	1.0	21.0	28	Czech Republic	93.0	0.8	22.0
29	Ireland	113.0	0.9	3.0	29	Brazil	88.0	0.7	14.0
30	Poland	110.0	0.9	23.0	30	Denmark	86.0	0.7	14.0

Source: World Trade Organisation, 2006

The region's merchandise exports grew by 19 per cent to US$644 billion (2005: US$541.2 billion), and accounted for 5.5 per cent of world exports. Growth in imports slowed at 14 per cent (2005: 19 per cent).

Asia's trade in commercial services increased by 14.5 per cent to US$1.28 trillion (2005: US$1.12 trillion) in 2006. Exports of commercial services expanded by 15 per cent to US$614 billion, while imports increased by 14 per cent to US$666 billion.

Japan remained a leader in the exports and imports of commercial services in the region, with a growth rate of 12 and 8 per cent, respectively. Japan was ranked the fourth largest exporter and importer of commercial services in 2006, with 4.5 per cent share of world exports and 5.5 per cent share of world imports. India was ranked as the 10th largest exporter and 12th largest importer of commercial services. India is increasing its presence in world commercial services trade, with exports expanding by 34 per cent and imports growing by 40 per cent.

North America

In 2006, the US recorded the highest growth in merchandise exports in over a decade, with exports increasing 14 per cent to US$1,037 billion (2005: 11 per cent), while growth in imports contracted by 11 per cent, to US$1,920 billion (2005:14 per cent).

Table 1.4:
Leading Exporters and Importers in World Commercial Services Trade, 2006

Rank	Exporters	Value (US$ billion)	Share	Change (%)	Rank	Importers	Value (US$ billion)	Share	Change (%)
1	USA	387.0	14.3	9.0	1	USA	307.0	11.7	9.0
2	UK	223.0	8.2	9.0	2	Germany	215.0	8.2	7.0
3	Germany	164.0	6.1	11.0	3	UK	169.0	6.5	6.0
4	Japan	121.0	4.5	12.0	4	Japan	143.0	5.5	8.0
5	France	112.0	4.1	-2.0	5	France	108.0	4.1	3.0
6	Italy	101.0	3.7	13.0	6	Italy	101.0	3.9	14.0
7	Spain	100.0	3.7	8.0	7	People's Republic of China	100.0	3.8	n.a
8	People's Republic of China	87.0	3.2	n.a	8	Netherlands	78.0	3.0	7.0
9	Netherlands	82.0	3.0	4.0	9	Ireland	77.0	3.0	11.0
10	India	73.0	2.7	34.0	10	Spain	77.0	2.9	18.0
11	Hong Kong	71.0	2.6	15.0	11	Canada	72.0	2.7	12.0
12	Ireland	67.0	2.5	17.0	12	India	70.0	2.7	40.0
13	Singapore	57.0	2.1	12.0	13	Republic of Korea	69.0	2.7	20.0
14	Belgium	57.0	2.1	7.0	14	Singapore	61.0	2.3	12.0
15	Canada	56.0	2.1	7.0	15	Belgium	54.0	2.0	6.0
16	Republic of Korea	51.0	1.9	16.0	16	Russia	45.0	1.7	17.0
17	Denmark	50.0	1.9	19.0	17	Denmark	44.0	1.7	17.0
18	Luxembourg	50.0	1.9	25.0	18	Austria	40.0	1.5	n.a
19	Austria	50.0	1.8	n.a	19	Sweden	39.0	1.5	12.0
20	Sweden	50.0	1.8	17.0	20	Hong Kong	35.0	1.3	7.0
21	Switzerland	50.0	1.8	8.0	21	Taiwan	33.0	1.2	3.0
22	Greece	36.0	1.3	5.0	22	Thailand	32.0	1.2	18.0
23	Australia	32.0	1.2	6.0	23	Australia	32.0	1.2	6.0
24	Norway	32.0	1.2	10.0	24	Norway	31.0	1.2	7.0
25	Russia	30.0	1.1	22.0	25	Luxembourg	31.0	1.2	23.0
26	Taiwan	29.0	1.1	13.0	26	Switzerland	27.0	1.0	5.0
27	Thailand	24.0	0.9	18.0	27	Brazil	27.0	1.0	20.0
28	Turkey	24.0	0.9	-8.0	28	Indonesia	27.0	1.0	n.a
29	Poland	21.0	0.8	28.0	**29**	**Malaysia**	**23.0**	**0.9**	**6.0**
30	**Malaysia**	**21.0**	**0.8**	**5.0**	30	Mexico	23.0	0.9	8.0

Source: World Trade Organisation, 2006
Note: n.a-not available

The USA remained the second largest world exporter, accounting for 8.6 per cent of exports. In terms of imports, the USA continued to rank as the largest importer for merchandise and commercial services, with 15.5 per cent and 11.7 per cent share of world imports, respectively.

Canada's merchandise exports and imports moderated in 2006, with exports increasing by 8 per cent (2005: 14 per cent) to US$388 billion and imports increasing by 11 per cent (2005: 15 per cent) to US$357 billion. Canada continued to rank as the ninth largest exporter and importer for merchandise.

In terms of commercial services, Canada was the 15th largest exporter and 11th largest importer. Exports of commercial services registered slower growth at 7 per cent (2005: 9 per cent), valued at US$56 billion, while imports increased to 12 per cent (2005: 10 per cent), valued at US$72 billion.

European Union

In 2006, Europe's merchandise trade improved, with exports expanding by 13 per cent (2005: 9 per cent) to US$4,957 billion, and imports by 14 per cent (2005: 10 per cent) to US$5,218 billion. The EU-25 accounted for 38.5 per cent (2005: 39.5 per cent) of world merchandise exports, and 39.3 per cent (2005: 39.3 per cent) of world imports. Exports from the EU-25 grew by 9 per cent to US$1,247 billion, and imports rose by 8 per cent to US$1,132 billion.

Germany was the largest exporter and importer of merchandise in Europe. Exports grew by 15 per cent (2005: 7 per cent) to US$1,112 billion, accounting for 9.2 per cent of world exports, while imports increased by 17 per cent (2005: 9 per cent) to US$910 billion, equivalent to 7.4 per cent of world imports.

In Europe, exports of commercial services sustained a 9 per cent growth in 2006 (2005: 9 per cent), valued at US$1,382 billion and imports rose 8 per cent to US$1,132 billion. The UK was the largest exporter of commercial services, with a share of 8.2 per cent of world commercial services exports, while Germany, with an 8.2 per cent share of world imports, was the largest importer.

Africa

In 2006, Africa accounted for 3.1 per cent of world merchandise exports, which is the highest level achieved since 1990. However, there was a decline in exports of merchandise from Africa at 21 per cent (2005: 30 per cent) to US$361 billion, while imports grew 16 per cent (2005: 20 per cent) to US$290 billion. Exports of non-oil exporting countries in Africa grew by 17 per cent. South Africa was the largest exporter and importer of merchandise in Africa, with an expansion in exports at 13 per cent to US$58 billion, and imports at 24 per cent to US$77 billion.

Latin America

This region recorded a slower growth in both exports and imports of merchandise in 2006, with exports expanding by 20 per cent (2005: 24 per cent) to US$426 billion and imports growing by 18 per cent (2005: 23 per cent) to US$351 billion. The slower growth in exports in 2006 was due to the weaker export performance of Brazil and the oil exporting countries.

INVESTMENT DEVELOPMENTS

Foreign Direct Investment Inflows

According to the United Nations Conference on Trade and Development (UNCTAD), global FDI inflows in 2006 grew for the third consecutive year, to reach US$1.2 trillion, from US$916.3 billion in 2005. This was an increase of 34.3 per cent, due largely to the increase in corporate profits, which enhanced high value cross-border mergers and acquisitions, and continued liberalisation of investment policies and trade regimes in many countries.

Developed countries continued to be the major recipient of world FDI for the third consecutive year, accounting for 65.1 per cent of total world FDI inflows (2005: 59.2 per cent). FDI to these countries increased 47.6 per cent to US$800.7 billion, from US$542.3 billion in 2005. FDI inflows to developing countries increased by 10 per cent to US$367.7 billion, from US$334.3 billion in 2005.

Foreign Direct Investments in Developed Countries

The EU as a group, continued to be the main recipient of world FDI, accounting for 44.6 per cent of global FDI inflows (2005: 46 per cent). FDI inflows into the EU, increased 30.1 per cent to US$549 billion in 2006, from US$421.9 billion in 2005. Within the EU, the UK was the main recipient in 2006, with FDI totalling US$169.8 billion or 13.8 per cent share of global FDI, followed by France (US$88.4 billion, 7.2 per cent) and Italy (US$30 billion, 2.4 per cent).

The largest single recipient of world FDI in 2006 was the US, accounting for 14.4 per cent of world FDI (2005: 10.8 per cent). FDI inflows into the US increased 78.4 per cent to US$177.3 billion, from US$99.4 billion in 2005.

Foreign Direct Investments in Developing Countries

Asia continued to be a popular destination for FDI in 2006, accounting for 18.7 per cent of world FDI, totalling US$229.9 billion, followed by Latin America and the Caribbean (8 per cent, US$99 billion) and Africa (3.2 per cent, US$38.8 billion).

Table 1.5:
World FDI Inflows, 2006

Region/Economy	2006[1]			2005[2]	
	US$ billion	Share (%)	Change (%)	US$ billion	Change (%)
World	**1,230.4**	**100.0**	**34.3**	**916.3**	**28.9**
Developed Economies	**800.7**	**65.1**	**47.6**	**542.3**	**36.9**
European Union (25)	**549.0**	**44.6**	**30.1**	**421.9**	**97.4**
EU-15	*510.7*	*41.5*	*31.7*	*387.9*	*109.4*
UK	169.8	13.8	3.2	164.5	192.7
France	88.4	7.2	39.0	63.6	102.5
Italy	30.0	2.4	50.0	20.0	19.0
Germany	8.1	0.7	-75.2	32.7	-316.6
New 10 EU member States	38.4	3.1	12.9	34.0	19.3
Poland	16.2	1.3	110.4	7.7	-40.3
Hungary	6.2	0.5	-7.5	6.7	42.6
Czech Republic	5.4	0.4	-50.9	11.0	120.0
USA	**177.3**	**14.4**	**78.4**	**99.4**	**-18.8**
Japan	**-8.2**	**-0.7**	**-392.9**	**2.8**	**-64.1**
Developing Economies	**367.7**	**29.9**	**10.0**	**334.3**	**21.6**
Africa	**38.8**	**3.2**	**26.4**	**30.7**	**78.5**
Nigeria	*5.4*	*0.4*	*58.8*	*3.4*	*61.9*
Egypt	*5.3*	*0.4*	*-1.9*	*5.4*	*145.5*
South Africa	*3.7*	*0.3*	*-42.2*	*6.4*	*700.0*
Morocco	*2.3*	*0.2*	*-20.7*	*2.9*	*163.6*
Latin America and the Caribbean	**99.0**	**8.0**	**-4.5**	**103.7**	**3.2**
Mexico	*18.9*	*1.5*	*0.0*	*18.9*	*-15.2*
Brazil	*16.0*	*1.3*	*6.0*	*15.1*	*-16.6*
Chile	*9.9*	*0.8*	*47.8*	*6.7*	*-6.9*
Colombia	*4.9*	*0.4*	*-52.0*	*10.2*	*229.0*
Argentina	*3.3*	*0.3*	*-29.8*	*4.7*	*9.3*
Asia and Oceania	**229.9**	**18.7**	**15.0**	**200.0**	**27.1**
West Asia	*43.3*	*3.5*	*25.5*	*34.5*	*85.5*
Turkey	17.1	1.4	76.3	9.7	246.4
South, East and South-East Asia	*186.7*	*15.2*	*13.1*	*165.1*	*19.6*
People's Republic of China	70.0	5.7	-3.3	72.4	19.5
Hong Kong	41.4	3.4	15.3	35.9	5.6
Singapore	31.9	2.6	58.7	20.1	35.8
India	9.5	0.8	43.9	6.6	20.0
Thailand	7.9	0.6	113.5	3.7	164.3
Malaysia	**3.9**	**0.3**	**-2.5**	**4.0**	**-13.0**
Indonesia	2.0	0.2	-62.3	5.3	178.9
Republic of Korea	0.5	0.0	-93.1	7.2	-6.5
South-East Europe and the Commonwealth of Independent States	**62.0**	**5.0**	**56.2**	**39.7**	**0.3**

Source: UNCTAD
Note: [1] Preliminary estimates
[2] Revised data

Within Asia, the People's Republic of China was the main recipient, accounting for 5.7 per cent of world FDI in 2006. Other countries in Asia which recorded high FDI inflows in 2006, included Hong Kong (US$41.4 billion, 15.3 per cent increase), Singapore (US$31.9 per cent, 58.7 per cent), India (US$9.5 billion, 43.9 per cent) and Thailand (US$7.9 billion, 113.5 per cent).

For West Asia, FDI inflows expanded 25.5 per cent in 2006, to reach US$43.3 billion. he increase was attributed to the surge in investments in high technology industries, particularly from the People's Republic of China, conventional manufacturing, and energy-related manufacturing and services.

Latin America and the Caribbean recorded a decline in FDI inflows by 4.5 per cent. Main recipients of FDI were Mexico, with investments totalling US$18.9 billion, followed by Brazil (US$16 billion) and Chile (US$9.9 billion). The reinvestments of earnings from the mining sector in 2006 have resulted in FDI inflows to Chile increasing by 47.8 per cent. The decrease in FDI inflows to Columbia and Argentina by 52 per cent and 29.8 per cent, respectively, in 2006 was due partly to the decline in merger and acquisition activities.

FDI inflows to Africa increased by 26.4 per cent (2005: 78.5 per cent). This was due to high prices and buoyant demand for commodities, and increase in cross-border mergers and acquisitions in the extraction and related services industries.

OUTLOOK

In 2007, the world economy is expected to grow at a slower pace compared with 2006. The International Monetary Fund has projected the world economy to grow at 4.9 per cent in 2007 (5.4 per cent in 2006). The forecast slow economic growth in the USA and Europe by 2.5 per cent and 2.2 per cent, respectively, is anticipated to contribute to the decline in overall growth. The volatility of oil prices will continue to pose significant downward risk on the world economic growth.

In tandem with moderate economic growth, world trade in real terms is expected to decline to 6 per cent in 2007, compared with 8 per cent in 2006. This decline will be in part due to the easing of industrial activities in the USA, Japan and most of Europe. Despite the overall decline, high-technology industries are expected to expand, while sales of global semiconductors are expected to grow by 11 per cent in 2007.

A slowdown in investments is forecast in 2007 due to global external imbalances, exchange rate fluctuations, rising interest rates, increasing inflationary pressures and high and volatile commodity prices. The continuing FDI prospects for developed countries, particularly Europe, will hinge on the region's ability to contain its high fiscal deficits and rising interest rates, which can lead to tax and wage pressure. FDI in extraction activities is expected to rise, as the demand for natural resources and related industries continue to grow, and new opportunities in the development of oil and gas sector continue to open up.

Chapter 2 Malaysia's External Trade

OVERVIEW

Total trade in 2006 reached RM1.07 trillion (RM1,069.7 billion), an increase of 10.5 per cent from RM967.8 billion in 2005. The increase was broad based with growth contributed by the manufacturing, agricultural and mining sectors. Malaysia recorded a trade surplus of RM108.2 billion in 2006, an increase of 8.4 per cent from 2005.

As a result of diversification both in products and markets, as well as strong external demand in major markets, exports expanded by 10.3 per cent to RM589 billion, compared with RM533.8 billion in 2005. Imports grew by 10.8 per cent to RM480.8 billion, from RM434 billion.

Table 2.1:
External Trade

Description	2006		2005
	RM billion	Change (%)	RM billion
Total Trade	**1,069.7**	**10.5**	**967.8**
Exports	589.0	10.3	533.8
Imports	480.8	10.8	434.0
Trade Balance	108.2	8.4	99.8

Compiled by Ministry of International Trade and Industry

The United States of America (USA), Singapore, Japan, the People's Republic of

Table 2.2:
Top 20 Trading Partners

Country	2006				2005		
	Rank	RM billion	Share (%)	Change (%)	Rank	RM billion	Share (%)
Total Trade		**1,069.7**	**100.0**	**10.5**		**967.8**	**100.0**
USA	1	170.8	16.0	6.1	1	161.0	16.6
Singapore	2	146.0	13.7	9.5	2	134.2	13.9
Japan	3	115.8	10.8	2.6	3	112.9	11.7
People's Republic of China	4	100.9	9.4	18.5	4	85.1	8.8
Thailand	5	57.5	5.4	11.3	5	51.6	5.3
Republic of Korea	6	47.2	4.4	19.3	7	39.6	4.1
Taiwan	7	42.3	4.0	9.0	8	38.8	4.0
Hong Kong	8	41.8	3.9	-0.5	6	42.0	4.3
Germany	9	33.8	3.2	10.9	9	30.5	3.2
Indonesia	10	33.1	3.1	13.5	10	29.2	3.0
Australia	11	25.6	2.4	-2.4	11	26.2	2.7
Netherlands	12	24.8	2.3	19.2	12	20.8	2.1
India	13	23.7	2.2	23.7	14	19.1	2.0
Philippines	14	18.6	1.7	-5.4	13	19.7	2.0
UK	15	17.5	1.6	9.6	15	16.0	1.7
France	16	15.6	1.5	24.4	16	12.6	1.3
United Arab Emirates	17	11.9	1.1	20.6	17	9.8	1.0
Viet Nam	18	11.6	1.1	40.9	18	8.3	0.9
Saudi Arabia	19	10.5	1.0	37.1	19	7.7	0.8
Italy	20	7.8	0.7	6.0	20	7.4	0.8

Compiled by Ministry of International Trade and Industry

China and Thailand remained Malaysia's top five trading partners in 2006. The People's Republic of China and Thailand increased their share in Malaysia's total trade to 9.4 per cent from 8.8 per cent, and 5.4 per cent from 5.3 per cent, respectively. Collectively, the top five individual trading partners accounted for 55.3 per cent of Malaysia's total trade.

In terms of ranking of Malaysia's top 10 trading partners, two countries moved up in ranking from the previous year. The Republic of Korea moved up from the seventh position to sixth, and Taiwan, from the eighth position to seventh. However, Hong Kong fell to the eighth position from the sixth position held in 2005. Hong Kong's position was eroded partly due to competition from the ports of Shanghai and Shenzhen in the People's Republic of China. Due to better competitive advantages offered at these two ports, exporters to the People's Republic of China are increasingly bypassing Hong Kong, and trading instead through the ports of Shanghai and Shenzhen.

Regionally, North East Asia, the Association of South East Asian Nations (ASEAN), North America and the European Union (EU) remained Malaysia's major trading partners in 2006. Trade with North East Asia amounted to RM348.1 billion, ASEAN (RM271 billion), North America (RM177 billion) and the EU (RM129.6 billion). These regions accounted for 86.5 per cent share of Malaysia's total trade.

Malaysia recorded double digit growth in trade with West Asia (30.8 per cent), Latin America (23.1 per cent), Africa (20.3 per cent), South Asia (20.2 per cent), the EU (14.5 per cent) and ASEAN (10.1 per cent). Trade with North East Asia and North America grew by 9.3 per cent and 6.7 per cent, respectively, while trade with Oceania and Eastern Europe contracted by 0.3 per cent and 16.2 per cent, respectively.

The slight decrease in trade with Oceania in 2006 was attributed largely to the 2.4 per cent decline in Malaysia's trade with Australia. Australia was the largest trading partner in Oceania, accounting for 85.2 per cent of Malaysia's trade with the region. Malaysia's trade with Australia contracted due largely to lower exports of crude petroleum, electrical and electronics (E&E) products, refined petroleum products and transport equipment.

Within Eastern Europe, the Russian Federation was Malaysia's largest trading partner, accounting for 63 per cent of Malaysia's total trade with Eastern Europe. Exports to the Russian Federation decreased by 4.5 per cent to RM1.7 billion, from RM1.8 billion in 2005. Major export products which recorded a decline were semiconductor devices, integrated circuits, microassemblies, transistors and valves, office machines and automatic data processing machines and parts, and palm oil.

EXPORTS

Sustained competitiveness of exports, continued strong external demand and increased investment activities were the factors which contributed to the expansion in exports. In 2006, Malaysia's exports grew by 10.3 per cent to reach RM589 billion. This growth was higher than the 8 per cent growth in world merchandise exports estimated by the World Trade Organisation for 2006.

Growth was recorded for all export sectors in 2006. The manufacturing sector was Malaysia's main export sector, accounting for 76.7 per cent of total exports. Exports of manufactured goods increased by 9.3 per cent to RM451.7 billion, from RM413.1 billion in 2005. Agriculture exports grew by 12.7 per cent to RM46.4 billion, while exports of the mining sector expanded by 12.9 per cent to RM79.3 billion.

In 2006, all sub-sectors within the manufacturing sector registered increases in exports. Significant increases were recorded for E&E products, which grew by 6.2 per cent to RM281 billion. This was followed by chemicals and chemical products (10.6 per cent

Table 2.3:
Exports by Sector

Description	2006			2005	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Exports	**589.0**	**100.0**	**10.3**	**533.8**	**100.0**
Manufactured Exports	**451.7**	**76.7**	**9.3**	**413.1**	**77.4**
Electrical and electronics products	281.0	47.7	6.2	264.7	49.6
Chemicals and chemical products	29.1	4.9	10.6	26.3	4.9
Machinery, appliances and parts	19.8	3.4	9.5	18.1	3.4
Wood products	16.7	2.8	14.0	14.6	2.7
Manufactures of metal	14.2	2.4	30.5	10.9	2.0
Optical and scientific equipment	13.6	2.3	10.1	12.3	2.3
Textiles and apparel	10.6	1.8	3.0	10.3	1.9
Iron and steel products	9.4	1.6	33.6	7.0	1.3
Rubber products	9.3	1.6	33.6	7.0	1.3
Transport equipment	8.7	1.5	24.2	7.0	1.3
Manufactures of plastics	7.9	1.3	17.3	6.7	1.3
Processed food	7.3	1.2	11.1	6.5	1.2
Jewellery	3.9	0.7	7.2	3.6	0.7
Non-metallic mineral products	3.5	0.6	19.5	2.9	0.5
Petroleum products	2.5	0.4	12.3	2.2	0.4
Paper and pulp products	2.2	0.4	4.6	2.1	0.4
Beverages and tobacco	1.9	0.3	13.0	1.7	0.3
Mining Exports	**79.3**	**13.5**	**12.9**	**70.2**	**13.2**
Crude petroleum	32.6	5.5	7.8	30.2	5.7
LNG	23.3	4.0	12.0	20.8	3.9
Refined petroleum products	22.1	3.7	26.0	17.5	3.3
Tin	0.7	0.1	-32.8	1.1	0.2
Crude fertilisers and crude minerals	0.3	0.1	11.9	0.3	0.1
Metalliferous ores and metal scrap	0.3	0.1	3.2	0.3	0.1
Agricultural Exports	**46.4**	**7.9**	**12.7**	**41.2**	**7.7**
Palm oil	25.8	4.4	12.5	22.9	4.3
Crude rubber	8.2	1.4	42.3	5.8	1.1
Saw logs and sawn timber	6.6	1.1	-0.6	6.6	1.2
Other vegetable/animal fats and oils	1.7	0.3	1.4	1.7	0.3
Seafood, fresh, chilled or frozen	1.7	0.3	-5.2	1.8	0.3
Live animals and meat	0.5	0.1	1.3	0.5	0.1
Vegetables, roots and tubers	0.4	0.1	-2.9	0.4	0.1

Compiled by Ministry of International Trade and Industry

to RM29.1 billion), machinery, appliances and parts (9.5 per cent to RM19.8 billion), manufactures of metal (30.5 per cent to RM14.2 billion), iron and steel products (33.6 per cent to RM9.4 billion), and rubber products (33.6 per cent to RM9.3 billion).

Major export products within the E&E sub-sector were electrical machinery, apparatus, appliances and parts, valued at RM125.7 billion or 44.7 per cent of the total E&E exports. This was followed by office machines and automatic data processing machines and parts (RM102.6 billion or 36.5 per cent) and telecommunications and sound equipment (RM52.7 billion or 18.8 per cent). For chemicals and chemical products, major categories which registered increases were organic chemicals, which grew by 9.8 per cent to RM10.1 billion, plastics in primary form (8.2 per cent to RM8.6 billion), chemical materials and products (23.3 per cent to RM4.3 billion), and essential oils and perfume materials, toilet and cleansing preparations (18.4 per cent to RM2.1 billion).

Table 2.4:
Top 20 Export Destinations

Country	2006				2005		
	Rank	RM billion	Share (%)	Change (%)	Rank	RM billion	Share (%)
Total Exports		**589.0**	**100.0**	**0.3**		**533.8**	**100.0**
USA	1	110.6	18.8	5.3	1	105.0	19.7
Singapore	2	90.8	15.4	8.9	2	83.3	15.6
Japan	3	52.2	8.9	4.6	3	49.9	9.4
People's Republic of China	4	42.7	7.2	21.1	4	35.2	6.6
Thailand	5	31.2	5.3	8.5	6	28.7	5.4
Hong Kong	6	29.1	4.9	-6.6	5	31.2	5.8
Netherlands	7	21.4	3.6	22.8	9	17.5	3.3
Republic of Korea	8	21.3	3.6	18.6	8	17.9	3.4
India	9	18.8	3.2	25.5	10	15.0	2.8
Australia	10	16.7	2.8	-7.4	7	18.0	3.4
Taiwan	11	16.0	2.7	8.3	11	14.8	2.8
Indonesia	12	14.9	2.5	18.6	12	12.6	2.4
Germany	13	12.8	2.2	13.5	13	11.3	2.1
UK	14	10.7	1.8	13.1	14	9.5	1.8
United Arab Emirates	15	8.3	1.4	18.8	16	7.0	1.3
Philippines	16	8.0	1.4	6.7	15	7.5	1.4
France	17	7.9	1.3	14.9	17	6.9	1.3
Viet Nam	18	6.5	1.1	46.9	18	4.4	0.8
Canada	19	3.8	0.6	32.3	19	2.9	0.5
Italy	20	3.6	0.6	35.5	20	2.7	0.5

Compiled by Ministry of International Trade and Industry

Refined petroleum products, liquefied natural gas (LNG) and crude petroleum were the major export products of the mining sector, valued at RM77.9 billion. Collectively, these products contributed 98.3 per cent of mining exports and 13.2 per cent of Malaysia's total exports.

Within the agriculture sector, palm oil and crude rubber were the major export products. Exports of palm oil grew by 12.5 per cent to RM25.8 billion, while crude rubber increased by 42.3 per cent to RM8.23 billion. These two products accounted for 73.3 per cent of agriculture exports, compared with 69.8 per cent in 2005. The higher export value was due mainly to higher average prices of palm oil, which increased by 8.4 per cent and crude rubber by 41.5 per cent.

In terms of individual markets in 2006, Malaysia's top four major export destinations remained unchanged. The USA, Singapore, Japan and the People's Republic of China, accounted for 50.3 per cent of Malaysia's total exports, compared with 51.3 per cent in the previous year.

Malaysia's top 20 export destinations also remained relatively unchanged. However, there were slight changes in country ranking recorded by Thailand, the Netherlands, India and the United Arab Emirates. Thailand moved up to fifth position from sixth position in 2005; the Netherlands, seventh position from ninth; India, ninth position from 10th; and the United Arab Emirates, 15th position from 16th.

IMPORTS

Imports in 2006 increased by 10.8 per cent to RM480.8 billion. Intermediate and capital goods, which accounted for 83.4 per cent of Malaysia's total imports, grew by 8.8 per cent and 7.4 per cent, respectively. These imports were inputs to sustain both manufacturing and investment activities.

Imports of intermediate goods amounted to RM335.5 billion, which accounted for 69.8 per

Table 2.5:
Imports by End-Use

Description	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Gross Imports	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**
Intermediate Goods	**335,531.5**	**69.8**	**8.8**	**308,334.6**	**71.0**
Parts and accessories	**172,047.5**	**35.8**	**5.1**	**163,659.6**	**37.7**
Semiconductors, printed circuits and parts	110,156.7	22.9	7.5	102,451.4	23.6
Parts for office machines	19,819.0	4.1	-18.5	24,319.0	5.6
Electrical apparatus and resistors	17,080.1	3.6	12.5	15,187.6	3.5
Parts for checking instruments	1,221.3	0.3	-10.6	1,366.1	0.3
Processed industrial supplies	**96,470.8**	**20.1**	**10.0**	**87,703.6**	**20.2**
Iron and steel	13,229.6	2.8	-6.7	14,180.7	3.3
Plastics in primary forms (excluding scrap)	9,756.9	2.0	14.2	8,542.7	2.0
Copper products	9,012.2	1.9	65.2	5,454.8	1.3
Organic chemicals	8,449.3	1.8	-0.9	8,522.6	2.0
Manufactures of base metals	4,469.6	0.9	31.1	3,410.0	0.8
Paper and paperboard	4,147.3	0.9	3.9	3,991.9	0.9
Ferrous waste and scrap	3,059.1	0.6	42.8	2,141.9	0.5
Inorganic chemicals (excluding spent fuel elements of nuclear reactors)	2,984.7	0.6	14.6	2,603.6	0.6
Fertiliser except crude fertilisers	2,418.1	0.5	0.3	2,411.8	0.6
Plastics in non-primary forms	2,352.1	0.5	8.6	2,165.6	0.5
Dying, tanning and colouring materials (excluding artists' colours)	1,786.2	0.4	19.4	1,495.5	0.3
Primary fuels and lubricants	**20,357.3**	**4.2**	**33.7**	**15,228.6**	**3.5**
Other processed fuels and lubricants	**14,208.9**	**3.0**	**15.9**	**12,263.3**	**2.8**
Parts and accessories for transport equipment	**11,170.1**	**2.3**	**-8.7**	**12,232.3**	**2.8**
Primary industrial supplies	**10,843.8**	**2.3**	**21.9**	**8,895.4**	**2.0**
Processed food and beverages, mainly for industry	**5,456.6**	**1.1**	**18.5**	**4,604.9**	**1.1**
Primary food and beverages, mainly for industry	**4,976.6**	**1.0**	**32.8**	**3,747.0**	**0.9**
Capital Goods	**65,256.6**	**13.6**	**7.4**	**60,733.8**	**14.0**
Capital goods (except transport equipment)	**56,867.9**	**11.8**	**5.4**	**53,938.8**	**12.4**
Automatic data processing machines	10,030.5	2.1	-6.8	10,762.6	2.5
Electrical machinery and apparatus (exclude parts)	8,974.1	1.9	16.8	7,686.3	1.8
Telecommunications equipment (exclude parts)	5,138.7	1.1	-7.6	5,563.9	1.3
Other machinery specialised for particular industries	3,941.5	0.8	-7.0	4,236.8	1.0
Transformers and other electric power machines	3,114.8	0.6	16.5	2,673.2	0.6
Rotating electric plants and parts	2,636.3	0.5	8.2	2,437.1	0.6
Measuring, checking and analysing equipment	2,015.8	0.4	62.5	1,240.3	0.3
Medical, dental and surgical instruments	1,152.9	0.2	11.0	1,038.4	0.2
Transport equipment for industries	**8,388.7**	**1.7**	**23.5**	**6,795.0**	**1.6**

Continued ...

Description	2005			2004	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Consumption Goods	**27,894.3**	**5.8**	**13.4**	**24,600.4**	**5.7**
Non-durable consumer goods	7,677.0	1.6	12.6	6,817.5	1.6
Semi-durable consumer goods	6,287.2	1.3	34.6	4,670.7	1.1
Processed food and beverages for household consumption	6,095.9	1.3	3.7	5,877.3	1.4
Durable consumer goods	3,858.1	0.8	9.8	3,514.2	0.8
Primary food and beverages for household consumption	3,628.7	0.8	6.6	3,403.2	0.8
Transport equipment for non-industries	347.3	0.1	9.4	317.5	0.1
Dual Purpose Goods	**12,195.7**	**2.5**	**7.8**	**11,308.1**	**2.6**
Processed motor spirits	7,292.4	1.5	13.5	6,423.8	1.5
Passenger motor cars	4,903.2	1.0	0.4	4,884.3	1.1

Compiled by Ministry of International Trade and Industry

cent share of Malaysia's total imports in 2006. The largest component of intermediate imports comprised mainly parts and accessories, and processed industrial supplies. Imports of these products, which were used mainly for E&E production, expanded by 5.1 per cent and 10 per cent, respectively. The second largest component of imports, capital goods, accounted for 13.6 per cent of total imports and was valued at RM65.3 billion.

Japan was the largest source of imports for Malaysia, accounting for 13.2 per cent share of imports in 2006, valued at RM63.6 billion. This was followed by the USA (RM60.2 billion), the People's Republic of China (RM58.2 billion), Singapore (RM56.2 billion) and Thailand (RM26.3 billion).

Several countries have moved up in rank as Malaysia's major sources of imports. The People's Republic of China moved up from fourth position to third, Thailand from sixth position to fifth, and Hong Kong from 11th position to 10th. Major imports from the People's Republic of China were E&E products, machinery, appliances and parts, chemicals and chemical products, manufactures of metal, and iron and steel products. The top five imports from Thailand were E&E products, transport equipment, chemicals and chemical products, machinery, appliances and parts, and crude rubber, while major imports from Hong Kong were E&E products, and optical and scientific equipment.

TRADE BALANCE

Malaysia recorded a trade surplus of RM108.2 billion, an increase of 8.4 per cent, compared with RM99.8 billion in 2005. Surplus in trade widened with several major partners, namely, the USA, Singapore, the Netherlands and India. However, the surplus recorded for Hong Kong, Australia and Thailand was lower than in 2005.

In 2006, Malaysia recorded lower trade deficits with Japan, Indonesia, Switzerland and the Philippines, while deficits widened with the People's Republic of China, Taiwan, Germany, Saudi Arabia, the Republic of Korea and Oman.

DIRECTION OF TRADE

ASEAN continued to remain as the major trading partner for Malaysia in 2006. Trade with major markets such as the USA, Japan, the People's Republic of China and the EU also recorded significant growth. Other growing markets included Spain and Switzerland.

Table 2.6:
Top 20 Import Sources

Country	2006				2005		
	Rank	RM billion	Share (%)	Change (%)	Rank	RM billion	Share (%)
Total Imports		**480.8**	**100.0**	**10.8**		**434.0**	**100.0**
Japan	1	63.6	13.2	0.9	1	63.0	14.5
USA	2	60.2	12.5	7.7	2	55.9	12.9
People's Republic of China	3	58.2	12.1	16.7	4	49.9	11.5
Singapore	4	56.2	11.7	10.5	3	50.8	11.7
Thailand	5	26.3	5.5	14.8	6	22.9	5.3
Taiwan	6	26.2	5.5	9.4	5	24.0	5.5
Republic of Korea	7	25.9	5.4	19.9	7	21.6	5.0
Germany	8	21.1	4.4	9.3	8	19.3	4.4
Indonesia	9	18.2	3.8	9.7	9	16.6	3.8
Hong Kong	10	12.7	2.6	17.2	11	10.8	2.5
Philippines	11	10.6	2.2	-12.7	10	12.2	2.8
Australia	12	8.9	1.8	8.7	12	8.2	1.9
Saudi Arabia	13	8.5	1.8	45.8	14	5.9	1.4
France	14	7.7	1.6	36.0	15	5.7	1.3
UK	15	6.8	1.4	4.4	13	6.5	1.5
Viet Nam	16	5.2	1.1	34.1	19	3.9	0.9
India	17	4.9	1.0	17.3	18	4.2	1.0
Switzerland	18	4.7	1.0	-0.6	17	4.7	1.1
Italy	19	4.2	0.9	-10.7	16	4.7	1.1
United Arab Emirates	20	3.6	0.7	25.1	20	2.8	0.7

Compiled by Ministry of International Trade and Industry

ASEAN

Malaysia's trade with ASEAN, which accounted for 25.3 per cent of total trade, grew by 10.1 per cent to RM271 billion in 2006, from RM246.2 billion in 2005. Exports to ASEAN which accounted for 26.1 per cent of Malaysia's total exports, increased by 10.3 per cent to RM153.6 billion. Malaysia's imports from ASEAN grew by 9.7 per cent to RM117.4 billion, compared with RM107 billion in 2005.

Within ASEAN, Singapore was Malaysia's largest trading partner, accounting for 54.2 per cent share of total trade. Thailand was the second largest, with 21.2 per cent share,

Table 2.7:
Trading Partners with which Malaysia Recorded Trade Surpluses

Country	2006	2005
	RM billion	RM billion
USA	50.4	49.1
Singapore	34.6	32.5
Netherlands	18.1	14.1
Hong Kong	16.5	20.4
India	13.9	10.8
Australia	7.8	9.9
Thailand	4.9	5.8
United Arab Emirates	4.8	4.2
UK	3.9	3.0
Pakistan	2.9	2.6

Compiled by Ministry of International Trade and Industry

Table 2.8:
Trading Partners with which Malaysia Recorded Trade Deficits

Country	2006	2005
	RM billion	RM billion
People's Republic of China	15.6	14.7
Japan	11.4	13.1
Taiwan	10.2	9.2
Germany	8.3	8.0
Saudi Arabia	6.6	4.1
Republic of Korea	4.6	3.7
Indonesia	3.3	4.0
Switzerland	3.1	3.9
Oman	2.9	1.6
Philippines	2.7	4.7

Compiled by Ministry of International Trade and Industry

Indonesia, 12.2 per cent, and the Philippines, 6.9 per cent.

Malaysia registered an increase in exports with most ASEAN countries. The fastest growing markets in ASEAN for Malaysia were Viet Nam and Indonesia. Exports to Viet Nam and Indonesia expanded by 46.9 per cent to RM6.5 billion, and 18.6 per cent to RM14.9 billion, respectively.

Malaysia's major exports to Viet Nam, which registered significant increases were transport equipment (increased by more then three-fold to RM1.3 billion). This was followed by chemicals and chemical products (13.9 per cent to RM968.2 million), iron and steel products (21.8 per cent to RM499.7 million), palm oil (102.4 per cent to RM469.4 million), and textiles and apparel (50 per cent to RM400.6 million). Major exports to Indonesia in 2006 were crude petroleum, valued at RM3.4 billion, chemicals and chemical products (RM2.5 billion), E&E products (RM1.7 billion), machinery, appliances and parts (RM1.2 billion) and refined petroleum products (RM1.2 billion).

The three major export markets within ASEAN were Singapore, Thailand and Indonesia. These three countries accounted for 89.1 per cent of Malaysia's total exports to the region. Exports to Singapore increased by 8.9 per cent to RM90.8 billion; Thailand, 8.5 per cent to RM31.2 billion; and Indonesia, 18.6 per cent to RM14.9 billion.

Malaysia was the largest source of imports for Singapore for the sixth consecutive year, accounting for 13.1 per cent of its total imports. For Thailand, Malaysia remained the fourth largest source of imports, accounting for 6.6 per cent of its total imports. Malaysia was the sixth largest source of imports for Indonesia, compared with ninth largest source of imports in 2005. For the Philippines, Malaysia's position improved to become its eighth largest source of imports in 2006, from the ninth position the previous year.

E&E products were Malaysia's major exports to ASEAN, accounting for 39.6 per cent of total exports. Exports of E&E products increased by 2 per cent to RM60.9 billion, compared with RM59.7 billion in 2005. This was followed by refined petroleum products (32.8 per cent to RM16.3 billion), crude petroleum (0.7 per cent to RM12.1 billion), chemicals and chemical products (10.5 per cent to RM10.1 billion), machinery, appliances and parts (12.8 per cent to RM8.6 billion), manufactures of metal (24.7 per cent to RM5.2 billion), transport equipment (62.4 per cent to RM4.7 billion), as well as iron and steel products (26.5 per cent to RM4 billion).

Exports under the ASEAN Common Effective Preferential Tariff (CEPT) Scheme expanded by 28.5 per cent to RM14.2 billion, compared with RM11 billion in 2005. This constituted 9.2 per cent of Malaysia's exports to ASEAN. Major export products were boilers, machinery, and mechanical appliances, valued at RM2.9 billion, chemicals (RM2.1 billion), plastics (RM1.6 billion), food seasoning and preparations (RM1.2 billion) and E&E products (RM1.1 billion).

The highest utilisation of exports under the CEPT Scheme was with Thailand, which amounted to RM4.7 billion or 32.9 per cent share of total exports. This was followed by Viet Nam (RM3 billion or 21.3 per cent share), Singapore (RM2.6 billion or 18.4 per cent share) and the Philippines (RM2 billion or 14.1 per cent share).

ASEAN remained Malaysia's second largest source of imports with 24.4 per cent share of total imports. Malaysia's imports from ASEAN expanded by 9.8 per cent to RM117.4 billion, from RM107 billion in 2005. Major import sources within ASEAN were Singapore, valued at RM56.2 billion, followed by Thailand (RM26.3 billion), Indonesia (RM18.2 billion) and the Philippines (RM10.6 billion). Together, these countries accounted for 94.8 per cent of Malaysia's imports from ASEAN.

Table 2.9:
Malaysia's Trade with ASEAN

Country	2006							2005		
	Exports			Imports			Total Trade	Exports	Imports	Total Trade
	RM million	Share (%)	Change (%)	RM million	Share (%)	Change (%)	RM million	RM million	RM million	RM million
ASEAN	**153,560.4**	**26.1**	**10.3**	**117,442.2**	**24.4**	**9.8**	**271,002.6**	**139,207.9**	**106,975.9**	**246,183.7**
Singapore	90,750.5	59.1	8.9	56,187.5	47.8	10.4	146,938.1	83,333.4	50,828.0	134,161.4
Thailand	31,176.8	20.3	8.5	26,276.3	22.4	14.7	57,453.1	28,722.9	22,889.2	51,612.0
Indonesia	14,915.7	9.7	18.6	18,165.9	15.5	9.7	33,081.5	12,579.7	16,565.7	29,145.4
Philippines	7,973.5	5.2	6.7	10,639.9	9.1	-12.7	18,613.4	7,475.9	12,192.0	19,667.9
Viet Nam	6,452.4	4.2	46.9	5,183.2	4.4	34.1	11,635.5	4,392.1	3,865.6	8,257.7
Brunei Darussalam	1,267.7	0.8	-5.5	276.1	0.2	462.4	1,543.8	1,337.1	49.1	1,386.2
Myanmar	605.9	0.4	-34.8	458.8	0.4	-9.4	1,064.7	929.2	506.1	1,435.4
Cambodia	397.1	0.3	-4.0	74.3	0.1	137.1	471.4	413.7	31.3	445.1
Lao PDR	20.8	neg.	-12.6	180.2	0.2	268.2	200.9	23.8	48.9	72.7

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

E&E products were the largest imports from ASEAN, valued at RM42.5 billion or 36.2 per cent of Malaysia's total imports. Major E&E imports were semiconductor devices, integrated circuits, microassemblies, transistors, and valves, constituting 52.8 per cent of the overall imports of E&E products, valued at RM22.4 billion. Refined petroleum products, the second largest import, were valued at RM15.9 billion or 13.5 per cent share, followed by chemicals and chemical products (RM10.1 billion or 8.6 per cent), machinery, appliances and parts (RM5.9 billion or 5 per cent) and manufactures of metal (RM5.4 billion or 4.6 per cent).

On regional negotiations, the ASEAN-Korea Free Trade Area (FTA) on investment and services is expected to be finalised by end of 2007. The Republic of Korea is expected to eliminate duties on 90 per cent of the products under the Agreement by 2008. The liberalisation under the Agreement on Trade in Goods will be realised by 2010 for ASEAN-6 countries and 2016 for Viet Nam. The Agreement on Trade in Goods for Cambodia, Lao PDR and Myanmar is expected to be liberalised by 2018.

The ASEAN-Japan Closer Economic Partnership (AJCEP) provides for liberalisation of trade in goods, services and investment, facilitation and promotion of trade, and implementation of economic activities. The discussions on the modalities for trade in goods are on-going and is expected to be concluded by mid-2007. The ASEAN-India FTA is expected to establish a free trade in goods for ASEAN-5 and India by 2011, and for the Philippines, Cambodia, Lao PDR, Myanmar, Viet Nam (CLMV) and India by 2016. Negotiations on ASEAN-Australia and New Zealand FTA (AANZFTA) commenced in March 2006 and is expected to be implemented in 2008. Discussions on the FTA were for trade in goods, rules of origin, investment, services and cooperation activities.

The United States of America

Malaysia was the USA's 11th largest source of imports in 2006, accounting for 2 per cent of the USA's total imports. Among ASEAN countries, Malaysia continued to be the largest source of imports for the USA. The USA was Malaysia's largest trading partner with 16 per cent share of Malaysia's total trade. In terms of exports, the USA accounted for 18.8 per cent share of Malaysia's total exports, while imports accounted for 12.5 per cent share of Malaysia's total imports. Trade with the USA increased by 6.1 per cent to RM170.8 billion, compared with RM161 billion in 2005.

Exports to the USA increased by 5.3 per cent to RM110.6 billion in 2006, compared with RM105 billion in 2005. Major exports to the USA were E&E products, which grew by 4.8 per cent to RM85.9 billion, followed by wood products (increased by 2.3 per cent to RM3.4 billion), textiles and apparel (decreased by 0.2 per cent to RM2.9 billion), optical and scientific equipment (decreased by 0.7 per cent to RM2.7 billion) and rubber products (increased by 13.9 per cent to RM2.4 billion).

Exports of E&E products accounted for 77.7 per cent of Malaysia's total exports to the USA. The increase in E&E exports was attributed to higher demand for digital home electrical appliances, such as plasma televisions, MP3 players, video games, home theatres and digital cameras as a result of the change in lifestyle. Malaysia was the third largest E&E exporter to the USA, after Mexico and the People's Republic of China.

The USA was Malaysia's second largest source of imports after Japan in 2006, with a share of 12.5 per cent. Malaysia's imports from the USA grew by 7.7 per cent to RM60.2 billion, from RM55.9 billion in 2005. Imports from the USA comprised E&E products, which accounted for 56.7 per cent of total imports. This was followed by machinery, appliances and parts (10.8 per cent share, valued at RM6.5 billion), optical and scientific equipment (7.3 per cent share, valued at RM4.4 billion), transport equipment (5.3 per cent share, valued at RM3.2 billion) and chemicals and chemical products (5.2 per cent share, valued at RM3.1 billion).

Negotiations on the Malaysia-US FTA, which began on 8 March 2006 are still on-going. The negotiations cover 19 issues related to industrial goods, such as textiles and apparel, agriculture products, measures for sanitary and phytosanitary, technical barriers to trade and capacity building cooperation.

Japan

Trade with Japan increased by 2.6 per cent to RM115.8 billion, from RM112.9 billion in 2005. Japan remained Malaysia's third largest trading partner in 2006, with 10.8 per cent share of Malaysia's total trade. Malaysia's trade deficit with Japan narrowed by 13.1 per cent to RM11.4 billion, from RM13.1 billion in 2005. Malaysia's exports to Japan increased by 4.6 per cent to RM52.2 billion, while imports increased by 0.9 per cent to RM63.6 billion.

Malaysia maintained its position as the 11th major source of imports for Japan, accounting 2.7 per cent share of Japan's total imports. Among ASEAN, Malaysia was the third largest exporter, after Indonesia and Thailand. For five consecutive years, Japan remained Malaysia's third largest exports destination.

Exports of E&E products to Japan decreased by 1.5 per cent, due to the change in Japan's sourcing pattern with higher imports originating from the People's Republic of China and Taiwan. Lower demand for telecommunications and sound equipment from Malaysia, which declined by 25.6 per cent, also contributed to the reduction in exports. Other export products were LNG, which increased by 0.7 per cent to RM13.2 billion, wood products (increased by 32.7 per cent to RM4.8 billion), chemicals and chemical products (decreased by 1.8 per cent to RM2.4 billion), and optical and scientific equipment (increased by 13.2 per cent to RM2.1 billion).

In 2006, Malaysia's imports from Japan grew by 0.9 per cent to RM63.6 billion, compared with RM63 billion in 2005. Japan retained its position as the largest source of imports for Malaysia, with a share of 13.2 per cent of Malaysia's total imports.

Imports from Japan consisted mainly of E&E products, accounting for 39.5 per cent of Malaysia's total imports. Imports of E&E

products increased by 3.4 per cent to RM25.1 billion, followed by machinery, appliances and parts (decreased by 14.5 per cent to RM7.8 billion), iron and steel products (increased by 12.8 per cent to RM6 billion), manufactures of metal (increased by 29.6 per cent to RM4.7 billion) and chemicals and chemical products (increased by 0.5 per cent to RM4.3 billion). Collectively, imports of these products accounted for 75.4 per cent of Malaysia's total imports from Japan.

For the period July-December 2006, Certificates of Origin issued under the Japan-Malaysia Economic Partnership Agreement were valued at RM3.1 billion. Major export products under this preferential access were palm oil, plastics in non-primary form, veneer, plywood and particle boards, and alcohol, phenol and its derivatives.

The People's Republic of China

The People's Republic of China maintained its position as Malaysia's fourth largest trading partner in 2006. Malaysia's total trade with the People's Republic of China increased by 18.5 per cent to RM100.9 billion, accounting for 9.4 per cent, from 8.8 per cent in 2005.

For the People's Republic of China, Malaysia was the eighth largest trading partner in 2006. Among ASEAN, Malaysia was ranked the second largest trading partner, after Singapore.

Malaysia's exports to the People's Republic of China registered a double digit growth of 21.1 per cent to RM42.7 billion. The strong performance was attributed mainly to high demand of E&E products. Exports of E&E products increased by 25.4 per cent to RM19.2 billion, accounting for 44.9 per cent of Malaysia's total exports. Rapid expansion in the People's Republic of China's electronics and information technology sectors has resulted in greater demand for Malaysia's high-end E&E products.

Palm oil was Malaysia's second largest export product to the People's Republic of China, expanding by 30.8 per cent in 2006. Malaysia continued to be the largest supplier of palm oil to the People's Republic of China with exports totalling RM5.8 billion. Exports of chemicals and chemical products increased by 6 per cent to RM4.1 billion, crude rubber (48.1 per cent to RM3 billion) and optical and scientific equipment (46.7 per cent to RM1.4 billion).

The People's Republic of China, Malaysia's third largest source of imports, accounted for 12.1 per cent of Malaysia's total imports. Imports from the People's Republic of China increased by 16.7 per cent to RM58.2 billion, comprised mainly of E&E products (grew by 15.5 per cent to RM35.5 billion), machinery, appliances and parts (22 per cent to RM4.3 billion), chemicals and chemical products (38.1 per cent to RM2.8 billion), manufactures of metal (53.8 per cent to RM2.1 billion), as well as iron and steel products (11.4 per cent to RM2 billion). These products accounted for 80.1 per cent of Malaysia's total imports from the People's Republic of China.

Under the ASEAN-China Free Trade Agreement (ACFTA), the Early Harvest Programme (EHP) and the Agreement on Trade in Goods were implemented on 1 January 2004 and 1 July 2005, respectively. For Malaysia, the EHP comprises 590 products, of which 503 are unprocessed agriculture products, and 87 processed and manufactured products. Exports under the EHP in 2006, increased by 67.3 per cent to RM863.9 million, from RM516.4 million in 2005. Malaysia's exports under the Agreement on Trade in Goods were valued at RM3 billion in 2006. During the period July-December 2005, total exports under this Arrangement amounted to RM520.8 million.

In 2006, total exports using ACFTA preferential Certificate of Origin, accounted for 8.9 per cent of Malaysia's total exports to the People's Republic of China. Major export products were chemical products, rubber products, vegetable oils, cocoa products, and glass and glassware.

The European Union

In 2006, Malaysia's total trade with the EU increased by 14.5 per cent to reach RM129.6 billion, from RM113.1 billion. Exports increased by 19.7 per cent to RM74.9 billion, while imports grew by 8.2 per cent to RM54.6 billion. This region accounted for 12.1 per cent of Malaysia's total trade in 2006.

Exports to the EU grew by 19.7 per cent to RM74.9 billion as a result of the economic recovery in the EU where Gross Domestic Product (GDP) grew to 2.8 per cent, from 1.8 per cent in 2005. The growth was also contributed by the expansion of exports to markets, such as Finland, Denmark, Sweden, Czech Republic, Poland and Greece.

Malaysia was the 20th largest exporter to the EU. Among ASEAN countries, Malaysia was the second largest source of imports for the EU, accounting for 1.3 per cent of the EU's total imports.

Exports to most destinations within the EU recorded double digit growth. The Netherlands, which was Malaysia's major export destination in the EU, grew by 22.8 per cent to RM21.4 billion. Other major export destinations were Germany, which expanded by 13.5 per cent to RM12.8 billion, the United Kingdom (UK) (13.1 per cent to RM10.7 billion), France (14.9 per cent to RM7.9 billion) and Italy (35.5 per cent to RM3.6 billion).

Table 2.10:
Malaysia's Trade with the European Union

Country	2006							2005		
	Exports			Imports			Total Trade	Exports	Imports	Total Trade
	RM mil.	Share (%)	Change (%)	RM mil.	Share (%)	Change (%)	RM mil.	RM mil.	RM mil.	RM mil.
EU 25	**74,940.7**	**100.0**	**19.7**	**54,632.9**	**100.0**	**8.2**	**129,573.6**	**62,629.3**	**50,512.3**	**113,141.6**
Germany	12,774.4	17.0	13.5	21,062.5	38.6	9.3	33,836.9	11,258.5	19,265.5	30,524.0
Netherlands	21,429.1	28.6	22.8	3,374.6	6.2	0.6	24,803.7	17,451.6	3,350.8	20,802.4
UK	10,714.1	14.3	13.1	6,809.0	12.5	4.6	17,523.1	9,470.1	6,522.0	15,992.1
France	7,941.9	10.6	14.9	7,695.8	14.1	36.0	15,637.7	6,912.6	5,660.1	12,572.7
Italy	3,622.6	4.8	35.5	4,191.2	7.7	-10.7	7,813.8	2,673.8	4,694.2	7,368.0
Spain	3,426.4	4.6	55.1	1,215.5	2.2	25.3	4,641.9	2,209.6	969.9	3,179.5
Finland	2,476.8	3.3	30.9	953.3	1.7	15.5	3,430.1	1,891.8	825.3	2,717.2
Belgium	2,253.9	3.0	10.5	1,452.7	2.7	2.0	3,706.6	2,039.4	1,424.8	3,464.2
Ireland	1,637.4	2.2	-8.5	2,951.6	5.4	9.9	4,589.0	1,789.8	2,686.1	4,475.9
Denmark	1,323.4	1.8	84.4	514.8	0.9	-11.6	1,838.2	717.6	582.4	1,300.0
Hungary	1,473.0	2.0	3.3	196.9	0.4	11.7	1,669.9	1,425.5	176.2	1,601.7
Sweden	1,257.3	1.7	54.1	2,228.2	4.1	-9.3	3,485.5	815.9	2,456.2	3,272.1
Austria	1,038.9	1.4	11.3	730.8	1.3	35.6	1,769.7	933.8	539.0	1,472.8
Czech Republic	890.9	1.2	22.0	210.7	0.4	-7.2	1,101.6	730.5	227.1	957.6
Poland	664.1	0.9	38.5	276.5	0.5	33.3	940.6	479.6	207.4	687.0
Portugal	659.4	0.9	-3.4	279.1	0.5	-36.0	938.5	682.8	435.8	1,118.6
Greece	490.1	0.7	42.9	91.5	0.2	215.3	581.6	342.8	29.0	371.8
Slovakia	288.4	0.4	140.2	80.4	0.1	-35.5	368.8	119.4	124.7	244.1
Estonia	152.1	0.2	34.3	16.8	neg.	23.5	168.9	113.3	13.6	126.8
Malta	111.4	0.1	20.4	151.6	0.3	-18.4	263.0	92.5	185.9	278.4
Cyprus	76.6	0.1	35.7	13.1	neg.	-7.0	89.7	56.4	14.0	70.5
Luxembourg	76.4	0.1	-72.1	35.2	0.1	0.1	111.6	273.4	35.2	308.5
Latvia	62.6	0.1	41.7	5.4	neg.	-72.6	68.9	44.2	19.7	63.9
Lithuania	60.4	0.1	-0.2	62.6	0.1	65.7	123.0	60.6	37.8	98.3
Slovenia	39.3	0.1	-10.4	33.2	0.1	11.8	72.5	43.8	29.7	73.5

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Significant increases in exports were also recorded to Denmark and Spain. Exports to Denmark grew by 84.4 per cent to RM1.3 billion, while Spain grew by 55.1 per cent to RM3.4 billion. Major export products to Denmark were palm oil, E&E products, wood products, rubber products and textiles and apparel. Top export products to Spain were E&E products, machinery, appliances and parts, palm oil, textiles and apparel, and rubber products.

Major export products to the EU were E&E products, which expanded by 19.6 per cent to RM44.6 billion, palm oil (17.3 per cent to RM4.7 billion), crude rubber (43.5 per cent to RM2.4 billion), machinery, appliances and parts (3.2 per cent to RM2.3 billion) and optical and scientific equipment (10.6 per cent to RM2.1 billion). These products accounted for 74.9 per cent of Malaysia's total exports to the region.

Malaysia remained as the sixth largest supplier of E&E products to the EU, accounting for 4.7 per cent of its total imports. Major E&E suppliers to the EU were the People's Republic of China with 32.9 per cent share, the USA (13 per cent), Japan (10.1 per cent), the Republic of Korea (7.3 per cent) and Taiwan (6.8 per cent).

Malaysia's imports from the EU grew by 8.2 per cent to RM54.6 billion, from RM50.5 billion in 2005. Malaysia's major sources of imports from the EU were Germany, which amounted to RM21.1 billion, France (RM7.7 billion), the UK (RM6.8 billion), Italy (RM4.2 billion) and the Netherlands (RM3.4 billion).

E&E products valued at RM22.5 billion, remained the leading import product, accounting for 41.3 per cent of Malaysia's total imports from the EU. This was followed by machinery, appliances and parts (at RM7.5 billion or 13.7 per cent of total imports), chemicals and chemical products (RM5.6 billion or 10.2 per cent), transport equipment (RM4.9 billion or 8.9 per cent), as well as iron and steel products (RM2.8 billion or 5 per cent).

TRADE PRACTICES AFFECTING MALAYSIA'S EXPORTS

Malaysia's trading partners continue to introduce new trade practices and regulations, as well as amend existing regulations in 2006. Some of these trade practices and regulations may adversely affect Malaysia's export performance, resulting in Malaysian products being less competitive in the global market.

The People's Republic of China

Automatic Import Licensing Administration

Beginning 2006, the People's Republic of China phased out Tariff-Rate Quotas (TRQ) system for imports of palm oil and other vegetable oils. However, to monitor the imports of vegetable oil, the Ministry of Commerce of the People's Republic of China introduced the 'Automatic Import Licensing Administration', which requires importers to apply for an import licence for the imports of these products for the following year.

Apart from vegetable oil (including palm oil), there is a list of other products subject to similar licensing administration. Products for which Malaysia has an interest include polymers of ethylene; propylene, styrene and vinyl chloride in primary form; insecticides, fungicides and herbicides; mechanical and electrical products; copper and copper products; scrap ingots of iron and steel; flat rolled products of iron or iron alloy steel products (hot and cold rolled); aluminium products; crude petroleum and petroleum oil; paperboard; synthetic filament yarn; and rubber tyres.

The People's Republic of China Compulsory Certification Mark

Since the implementation of the People's Republic of China Compulsory Certification (CCC) mark in August 2003, exporters of products requiring the CCC mark are still encountering problems. Problems faced by foreign manufacturers and exporters include the:

- lack of clarity in the regulations for products that require the CCC mark;

- inconsistency in the application of a CCC mark. There have been cases where a number of domestic products from the People's Republic of China which require a CCC mark as stipulated by the Certification and Accreditation Administration are being sold without the mark;

- certification process remains difficult, time consuming and costly. The process involves an on-site inspection of manufacturing facilities located outside the People's Republic of China, where the cost of such visits must be borne by the producers; and

- increasing number of products subjected to the CCC mark and certification system. Beginning 2004, several new categories of products have been added to the list of products requiring the CCC mark.

The United States of America

Ruling on Palm Tocotrienol

The US Customs has recently reclassified palm tocotrienol, from vitamins to food preparations. Palm tocotrienol is a palm oil based Vitamin E. This reclassification has resulted in palm tocotrienol being subjected to an import duty of 6.4 per cent in the USA, compared with zero per cent previously. The new import duty would result in higher prices for palm tocotrienol in the US market, affecting the competitiveness of palm tocotrienol, a product for which Malaysia has a competitive advantage.

European Union

Anti Tropical Timber

The anti-tropical timber campaign remains reasonably active in some parts of Europe, in particular the UK, the Netherlands, Belgium, Germany, Austria and the Scandinavian countries but less so in Eastern and Southern Europe. However, the focus has shifted from boycotting or banning tropical timber products to certification of sustainability and legality of production.

Various timber trade associations have reported that EU member State Governments, traders and consumers are increasingly sensitive to tropical timber products imported from countries which are lacking in conservation and sustainable production policies. As a result, some EU member State Governments have already, or are in the process of, introducing public procurement policies for the purchase of tropical timber products for use in public projects. Most of these policies stipulate legality of source as the minimum requirement, aiming for sustainability of source as the ultimate goal. Several timber trade federations and retailers have also introduced responsible purchasing policies, committing their members to purchasing only legal and/or sustainable timber products.

Malaysian exporters are encouraged to highlight the element of green timber and the Malaysian Timber Certification Council's (MTCC) certified timber products in their marketing programmes in order to promote the image of Malaysia as a source of sustainable timber products. This may however, initially increase their marketing cost to Europe.

Although both certified and non-certified Malaysian timber and timber products continued to be consumed in the European market, they face growing challenges and stiff competition from other tropical timber product manufacturers, such as the People's Republic of China and Viet Nam, as well as cheaper European timber products.

EU Forest Law Enforcement, Governance and Trade

Illegal logging and related trade constitute major problems for certain timber-producing countries. These practices cost Governments billions of dollars in lost revenue, promote corruption, undermine the rule of law and lead to a loss of biodiversity. As a significant consumer of wood products, the European Commission developed the Forest Law Enforcement, Governance and Trade (FLEGT) action plan.

The FLEGT action plan aims to combat illegal logging and its related trade through the elimination of imports of illegally harvested timber and timber products in the EU market. By addressing the most destructive and damaging forestry practices, FLEGT aims to support progress for sustainable forest management in the near future. The core element of the Action Plan is the establishment of a licensing scheme to ensure that only legal timber enters the EU.

Malaysia, Indonesia and Ghana have indicated interest to participate in the FLEGT-VPA (Voluntary Partnership Agreement) with the EU. Malaysia commenced negotiations with the EU on this Agreement in January 2007. The EU (FLEGT) process being negotiated by Malaysia may result in standard purchasing requirements for tropical timber products applicable across EU-27.

Legislation on E&E Products

All companies selling electrical goods to Europe must conform to the EU Waste Electrical and Electronic Equipment (WEEE) Directive and the EU Directive on the Restriction of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS).

The two EU Directives aim to reduce environmental effects associated with the manufacture, use and disposal of electrical and electronics equipment. Both Directives require companies to collect and recycle such equipment and to restrict the use of certain hazardous substances in their manufacture.

The WEEE Directive requires manufacturers, importers and distributors of electronics equipment to label the equipment for recycling (to register in each EU country in accordance with the rules adopted to implement the WEEE Directive) and to provide for recycling of the electronics equipment at the end of its useful life. The RoHS Directive complements the WEEE Directive by severely restricting the presence of specific toxic substances in electronics equipment at the design phase, and reducing the environmental impact of discarding such products at the end of their useful life. The enforcement of these regulations will increase the cost of production and distribution to the importers and exporters. Malaysian companies must take the necessary steps to ensure their compliance with these directives.

EU Registration, Evaluation and Authorisation of Chemicals

The EU Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH) was adopted on 18 December 2006. The Regulation came into force on 1 June 2007.

The introduction of the REACH system will entail greater responsibility of chemical producers and importers to manage the risks from chemicals, and to provide safety information on the substances. Manufacturers and importers will be required to gather information on the properties of their substances, and to register the information in a central database. Manufacturers must also assume responsibility for any harm caused by their products.

REACH would involve the registration of 30,000 chemical substances marketed in the European market. The Regulation also calls for very strict authorisation procedure for chemicals deemed as 'most dangerous' (around 1,500 substances), as well as progressive substitution of these chemicals when suitable alternatives have been identified.

The European Commission will be publishing a series of implementation regulations through the REACH Implementation Projects (RIPs), to assist companies to adapt to the legislation and to harmonise the rules across all member States. It is important for the Malaysian chemical and related products industries to prepare themselves for the entry into force of REACH in 2007, and application of the registration provision beginning 2008.

EU Measures on Avian Influenza

The EU has taken measures in curbing avian influenza from spreading to the EU, by means of isolating infected birds, as well as culling them. On 6 October 2005, the European Commission suspended imports of poultry and poultry-related products from several countries, including Malaysia. As the disease had already spread to the EU member States, the European Commission Standing Committee on Food Chain and Animal Health agreed on 4 July 2006 to extend the ban on imports of live captive birds and restrictions on pet birds entering the EU from third countries to 31 December 2006. The ban on poultry products has been extended until 31 December 2007 for the People's Republic of China, Malaysia and Thailand.

Japan

Requirement for Import Approval

Pharmaceutical and cosmetic products require import approval from the relevant authority in Japan. The testing standards required by the Pharmaceutical Affairs Law for pharmaceutical and cosmetic products are stringent, while the import approval process is time consuming and difficult to obtain. Currently, the regulatory processing time for new pharmaceutical product applications has been shortened from 18 months to one year. The period for completing administrative processing for cosmetic products is about three months. As of June 2006, foreign manufacturers are required to establish a subsidiary for import approval for pharmaceutical products. This is generally a lengthy and costly process for foreign manufacturers and exporters.

Import Quota

Manufacturers and exporters to Japan are required to obtain import quotas for products, such as scallops, adductors of shellfish, cuttlefish and squid other than Mongo Ika, seaweed, opium alkaloids, ecgonine and cocaine. These import quotas are reviewed annually.

Quarantine Law for Fresh Agricultural Products

Under the current quarantine law, only pineapples, durians, coconuts and green bananas from Malaysia are allowed to be imported to Japan. However, other fresh agricultural products, such as mangosteens, papayas, water melons and mangoes are prohibited due to strict quarantine laws.

Building Standard Law

Wood products and housing materials are subjected to the requirements of prescriptive codes and standards in the Building Standard Law, Japan Industrial Standard (JIS), and Japan Agricultural Standard (JAS). Japanese importers prefer new-JAS compliant products that use newer types of adhesives, even when they are relatively more expensive than products already in the market. Japanese consumers also prefer products which are JAS compliant.

The Republic of Korea

Implementation of Good Manufacturing Practices for Medical Devices

As of 31 May 2007, the Korean Food and Drug Administration (KFDA) has made it mandatory to implement Good Manufacturing Practices (GMP) for medical devices. In line with the compulsory regulation, GMP Mark system will be enforced from 1 June 2007. GMP Mark will be attached only to the medical devices verified for GMP.

This regulation calls for test results from exporters and the test document is equivalent to in-house quality inspection. Otherwise, the importers will need to perform tests on each batch listed in the specifications. For Malaysian exporters, they are required to provide test results from international organisations, such as International Organisation for Standardisation (ISO).

Saudi Arabia

Labelling Requirements

Saudi Arabia has the most detailed labelling requirements in the West Asian region. Food labels must contain product and brand names, production and expiry dates, country of origin, manufacturer's name, net weight in metric units, and a list of ingredients and additives in descending order of proportion. All fats and oils used as ingredients must be specifically identified on the label. Apart from detailed information on ingredients, Saudi Arabia requires exporters of food products to produce consumer protection certificate, as well as price list, when exporting their foods to Saudi Arabia.

Conformity Certification Requirement

Saudi Arabia requires that all products except medical products and equipment, foods and military-related products to be certified for conformity with the Saudi standards. Although the certification could be done by any entity accredited by the official agency of the exporting country, the requirement is still burdensome to exporters, particularly when the exporting country lack facilities to conduct testing and certifying standards for some products.

OUTLOOK

ASEAN, which is Malaysia's major regional trading partner is expected to grow at 5.6 per cent in 2007, rising from 5.2 per cent in 2006. The ASEAN region accounted for 26.1 per cent of Malaysia's total exports in 2006. The fast-growing markets in West Asia and South Asia are expected to retain their importance to Malaysia's export growth, especially for E&E products, chemicals and chemical products, jewellery and processed food.

The manufacturing sector will continue to be the leading contributor to Malaysia's exports. Strong global market demand will sustain the growth of Malaysia's E&E exports. Malaysia is expected to expand and accelerate its production of high value-added products in the E&E sector for automatic data processing machines and parts, telecommunications and sound equipment and high technology consumer electronics products, such as cellular phones, personal computers with multifunctional features, digital televisions, MP3s and electronic devices for the automotive industry.

Performance of other manufacturing exports, which include chemicals and chemical products, manufactures of metal, rubber products and processed food are expected to be sustained in 2007.

Malaysia will continue promoting the exports of indigenous E&E products to the international markets. The export of E&E product is expected to reach RM411.7 billion in 2010 or 82 per cent of total exports of non-resource based products.

Intensified efforts by the Government to expand and diversify the agriculture industry are expected to enhance the exports of this sector in 2007. It is anticipated that the palm oil sector will maintain its export performance based on projected price of this commodity in 2007.

To facilitate further expansion of Malaysia's exports, Malaysia will continue to strengthen the scope of its engagement, either bilaterally or regionally under ASEAN, with major trading partners, such as the USA, the People's Republic of China, the Republic of Korea, India, Pakistan, Australia, New Zealand and Chile.

Box 2.1: Malaysia's Involvement in FTAs

OBJECTIVE

Malaysia's involvement in bilateral and regional Free Trade Agreements (FTAs) is to complement the multilateral process under the World Trade Organisation (WTO).

The WTO affords members the discretion to pursue bilateral and regional trading arrangements which would further the objectives of trade liberalisation and expansion. It is recognised that such arrangements could be expeditiously concluded given the limited participation, compared with the multilateral liberalisation process undertaken under the ambit, and involving the whole membership, of the WTO. Such an arrangement must, however, meet the criteria laid down under the WTO, including that it would have substantial trade coverage.

Malaysia is negotiating bilateral and regional FTAs with trading partners which will benefit the country. Malaysia's main objectives in FTAs are to:

- seek better market access for goods and services;
- facilitate and promote trade, investment and economic development;
- enhance Malaysia's competitiveness; and
- build capacity in specific areas, through technical cooperation and collaboration.

STATUS OF MALAYSIA'S BILATERAL AND REGIONAL FTA NEGOTIATIONS

(i) Bilateral

Country	Status
Japan	- Japan-Malaysia Economic Partnership Agreement (JMEPA) was launched on 11 December 2003. - The Agreement was signed on 13 December 2005 and came into force on 13 July 2006. - The Agreement covers: • trade in goods; • trade in services; • investment; and • economic cooperation. - With the implementation of JMEPA, products entering Japan beginning 13 July 2006 and thereafter will be eligible for preferential tariffs and will have to be accompanied with a Certificate of Origin (form MJEPA) endorsed by the Ministry of International Trade and Industry. - Both countries agreed to implement the FTA over a 10-year period to enable domestic industries to adjust to gradual increase in competition.
Pakistan	- Malaysia-Pakistan Free Trade Agreement (MPFTA) was launched in February 2005. - Malaysia and Pakistan signed an Agreement on Early Harvest Programme (EHP) on 1 October 2005 which came into force on 1 January 2006. - Tariffs on products identified for the EHP have been reduced to 0-5 per cent. - Malaysia offered a total 114 products covering yarn, and textiles and apparel. Pakistan offered 125 products covering electrical appliances and machinery, plastics, chemicals, rubber and timber products. - Negotiations are on-going and expected to be completed by 2007.
New Zealand	- Malaysia-New Zealand Free Trade Agreement (MNZFTA) was launched on 30 March 2005. - Negotiations on six main areas have been concluded, namely: • economic cooperation; • rules of origin; • sanitary and phytosanitary measures; • Customs procedures and cooperation; • technical barriers to trade; and • intellectual property rights. - The negotiations are on-going.

Country	Status
Australia	- Malaysia-Australia Free Trade Agreement (MAFTA) was launched on 7 April 2005. - Negotiations are on-going.
United States of America	- Malaysia-US Free Trade Agreement (MUSFTA) was launched on 8 March 2006 and negotiations started in June 2006. - The negotiations cover 19 areas. Those of interest to Malaysia are: • market access for industrial goods, especially textiles and apparel and agriculture products; • sanitary and phytosanitary measures; • technical barriers to trade; and • capacity building programmes. - Negotiations are on-going.
Chile	- A Joint Study Group was established on 19 January 2006 to study the feasibility of a Malaysia-Chile Free Trade Agreement. - The report was finalised at the end of November 2006 and both countries have commenced FTA negotiations in 2007.
India	- On 17 January 2005, Malaysia and India agreed to conduct a joint feasibility study for a Malaysia-India Comprehensive Economic Cooperation Agreement (CECA). - The joint feasibility study was finalised in June 2007.

(ii) Regional ASEAN FTAs

Country	Status
The People's Republic of China	- ASEAN-China Free Trade Agreement (ACFTA) was launched on 4 November 2002. - The EHP and Trade in Goods (TIG) Agreement has been implemented, beginning 1 January 2004 and 1 July 2005, respectively. - Duties for products under the Early Harvest Programme (EHP) implemented since 1 January 2004 have been eliminated beginning 1 January 2006 for ASEAN-6 and the People's Republic of China. Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) were given flexibility up to 2010. - Beginning 1 January 2007, ASEAN-6 and the People's Republic of China have eliminated duties on 60 per cent of the products. - The Agreement on Trade in Services was signed at the 10th ASEAN-China Summit on 14 January 2007 in Cebu, the Philippines. - The first package of services liberalisation commitment is expected to be implemented by 1 July 2007. - Discussions on the detailed elements of the Investment Agreement are still on-going.
The Republic of Korea	- ASEAN-Korea Free Trade Agreement (AKFTA) was launched on 29 November 2004. - The Framework Agreement and the Agreement on Trade in Goods (TIG) was signed during the ASEAN Summit in Kuala Lumpur, 12-13 December 2005. - The TIG, originally scheduled to be implemented beginning July 2006 has been delayed as some ASEAN member countries require more time in the preparation of the Legal Enactments to effect the tariff reduction/elimination.

Country	Status
	- The liberalisation for trade in goods will be realised by year 2010 for ASEAN-6, 2016 for Viet Nam and 2018 for Cambodia, Lao PDR and Myanmar (CLM). The Republic of Korea will eliminate duties on 90 per cent of the products by 2008, two years ahead of ASEAN. - Negotiations on investment and services are on-going and expected to be concluded by end of 2007.
India	- ASEAN-India Free Trade Agreement (AIFTA) was launched on 8 October 2003. - The Agreement provides for the: • establishment of an FTA in Goods for ASEAN-5 and India by 2011 and 2016 for the Philippines and CLMV; and • progressive liberalisation for trade in services and investment regimes. - ASEAN and India have agreed to speed up negotiations for the Agreement of Trade in Goods be concluded by July 2007. The conclusion will pave the way for commencement of negotiations on services and investment.
Japan	- ASEAN-Japan Closer Economic Partnership (AJCEP) was launched on 8 October 2003. The CEP provides for: • liberalisation of trade in goods, services and investment by 2012; • facilitation and promotion of trade; and • implementation of economic cooperation activities. - Discussions on the modalities for trade in goods are on-going. Japan has proposed 99 per cent product coverage for Normal Track (92 per cent) and Sensitive Track (7 per cent) and 1 per cent exclusion. The negotiations are expected to be concluded by mid-2007.
Australia/ New Zealand	- ASEAN-Australia and New Zealand Free Trade Agreement (AANZFTA) was launched on 30 November 2004. - Negotiations commenced in March 2006. - The negotiations are scheduled for completion by mid-2007 and for implementation in January 2008. Negotiations have commenced in the areas of goods, rules of origin, investment, services, cooperation activities and legal and institutional issues.

ASSESSMENT OF FTAS

(i) Japan-Malaysia Economic Partnership Agreement (JMEPA)

- For the period 13 July-31 December 2006, Malaysia issued a total of 21,477 JMEPA Certificates of Origin for products totalling RM3.1 billion for exports to Japan.

- Malaysia's main exports under JMEPA were:
  - palm oil;
  - polymer of ethylene;
  - plywood; and
  - lauric and strearic acids.

- For the same period, Japan issued a total of 631 JMEPA Certificates of Origin. Main products were:
  - CKD parts (1,305 items);
  - car parts (43 items);
  - excavators (63 items); and
  - televisions (19 items).

- Exports to Japan have increased by 9.2 per cent from RM20.6 billion for the period July-December 2005 to RM22.5 billion in the correspondent period in 2006.

- Approved investment from Japan in 2006 increased by 20 per cent to RM4,411.6 million, from RM3,671.7 million in 2005.

- Under the Malaysia-Japan Automotive Industrial Cooperation (MAJAICO), 10 projects have been launched and are progressing well. The projects are:
  - The Automotive Technical Expert Assistance Programme;
  - Enhancement of Mould and Die Centre in Malaysia;
  - Vehicle Type Approval;
  - Automotive Skill Training Centre in Malaysia;
  - Automotive Training Centre in Japan;
  - Component and Part Testing Centre in Malaysia;
  - Business Development Programme;
  - Cooperation in Automotive Market Information;
  - Cooperation in Exhibition; and
  - Consultation on JV Contract.

(ii) Malaysia-Pakistan Free Trade Agreement (MPFTA)

- For the period January-December 2006, Malaysia's exports to Pakistan under the EHP amounted to RM44.8 million.

- Products exported under the EHP include:
  - butyl acrylate;
  - ethylhexanol;
  - crude acrylic acid;
  - n-buthanol;
  - iso-buthanol;
  - PVC stabiliser; and
  - oleic acid.

(iii) ASEAN-China Free Trade Agreement (ACFTA)

- Malaysia's exports under the ACFTA arrangement in 2004, 2005 and 2006 are:

Value (RM million)				
Year	Exports to the People's Republic of China under ACFTA		Total Exports to the People's Republic of China	Share (%)
	EHP	TIG[1]		
2006	863.9	2,967.8	42,660.6	8.9
2005	516.4	520.8	35,224.5	2.9
2004	514.1	-	32,148.5	1.6

Compiled by Ministry of International Trade and Industry
Note: [1]TIG refers to trade in goods

- Malaysia's major exports using the preferential access in 2006 were:
  - chemical products;
  - rubber products;
  - vegetable oils;
  - cocoa products;
  - glass and glassware;
  - plastic products;
  - fish and crustaceans;
  - mineral fuels and oils;
  - fruits; and
  - electrical and electronics products.

- Imports under the ACFTA using preferential Certificates of Origin amounted to RM115.3 million (January-September 2006 or 0.26 per cent of Malaysia's total imports of RM43 billion from the People's Republic of China).

BENEFITS OF FTA

Among the benefits which can be derived from the FTAs are:

- accord and enhance long term market access opportunities for Malaysian products and services;
- provide access to cheaper imports from the FTA partner countries, which can be inputs for Malaysia's exports;
- enhance Malaysia's position as an attractive destination for foreign direct investment;
- promote capacity building through economic and technical cooperation activities;
- improve the efficiency and competitiveness of Malaysian industries, through increased competition and economies of scale; and
- facilitate trade through establishment of mutual recognition agreements.

HOW BUSINESSES CAN TAKE ADVANTAGE OF FTAS

- FTAs can be used by Malaysian businesses to expand and penetrate overseas market. With the easier market access, Malaysian businesses can embark on joint ventures or acquisitions for expansion into the overseas market.
- The elimination of import duties on negotiated products serves as an opening for Malaysian products to be introduced into the overseas market, apart from increasing existing market share. Manufacturing companies in Malaysia should take advantage of duty elimination or substantial reduction as they now have an edge over their competitors from countries not enjoying preferential treatment.
- FTAs would enable Malaysian industries to source inputs at more competitive prices.
- Bilateral FTAs enable Malaysia to expand its services and products into third countries through partnerships with enterprises from FTA members.
- FTAs would offer trade facilitation measures for industries to expand trade, as well as capacity building to improve and enhance their competitiveness.

Box 2.2: Malaysia's External Trade Reached RM1 Trillion Mark

Malaysia's total trade in 2006 reached the RM1 trillion mark, with exports expanding by 10.3 per cent to RM589 billion, while imports grew by 10.8 per cent to RM480.8 billion. The total trade value for 2006 reached RM1.07 trillion (RM1,069.7 billion), an increase of 10.5 per cent, from RM967.8 billion a year ago.

Since independence in 1957, Malaysia's external trade has undergone significant structural changes. The economy has evolved from one that was dependent on primary commodities, such as rubber and tin, to an economy that is supported by a well-diversified export sector.

The growth and changes in Malaysia's external trade have been especially pronounced in the last two decades. Malaysia's total trade grew by more than five-fold from RM77.2 billion in 1987 to RM394.3 billion in 1996. This translates to an average annual growth rate of 20.4 per cent. Between 1997 and 2006, Malaysia's total trade grew by an average annual growth of 10.8 per cent. The double-digit average growth was encouraging as it was achieved despite the impact of the Asian currency crisis in 1997, and the global economic slowdown in 2001 and 2002.

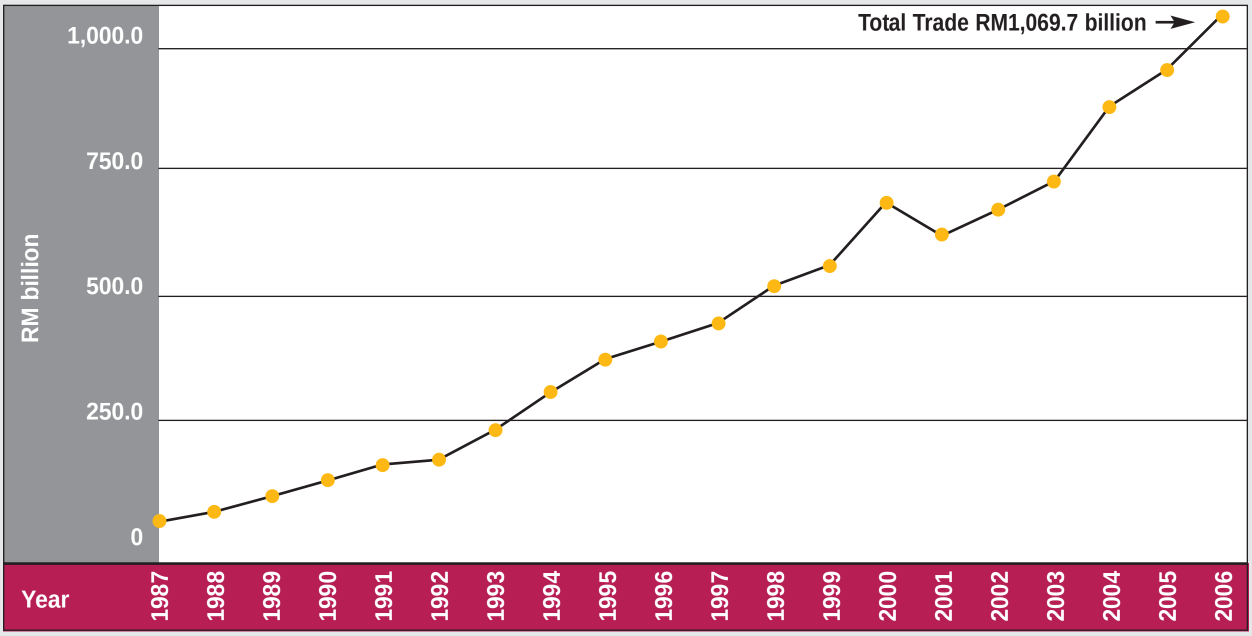
Malaysia's export sector has also undergone significant changes. In 1987, about 53.6 per cent of Malaysia's exports were commodities, such as crude petroleum, saw logs and sawn timber, palm oil and rubber. In comparison, manufactured products only constituted 14 per cent of the country's exports.

A decade later in 1996, the export profile showed a marked change as the contribution from commodities declined to 17 per cent, while contribution from the manufacturing sector expanded to 78.5 per cent. Malaysia's industrial capability underwent further changes in the following years as the country continued to find new niches and steadily moved up the global value chain. Such trends are evident in industries, such as the electrical and electronics sector, which constituted 62.2 per cent of the exports of manufactured products in 2006.

In the early 1990s, Malaysia was the world leading exporter of television sets, thermionic valves and tubes, air-conditioning machines and radios. In contrast in 2006, Malaysia's major exports within the electrical and electronics sector were semiconductors, automatic data processing machines and parts, and telecommunications equipment.

There have also been changes in Malaysia's trading partners. Twenty years ago, the country's trading partners were primarily developed economies, such as Japan, the United States of America and Europe. Currently, although the traditional markets remain important, Malaysia has also expanded its trade with countries in ASEAN, West Asia and the People's Republic of China. Over the years, the export contribution from emerging regional economies in Latin America, South Asia and Eastern Europe have also grown in significance.

Chart 2.1:
Malaysia's Total Trade, 1987-2006



Compiled by Ministry of International Trade and Industry

Chapter 3

Policy Initiatives And Measures In Manufacturing And Manufacturing-Related Services

OVERVIEW

The launching of the Third Industrial Master Plan (IMP3) and the Ninth Malaysia Plan (RMK9) in 2006, served to ensure that the manufacturing and manufacturing-related services sectors continue on the path of growth and development. The IMP3 outlines specific strategies and policies for the sector for the 2006-2020 period, while the RMK9 details the measures and initiatives to be taken from 2006-2010.

Included in both the IMP3 and RMK9 are measures to enhance national competitiveness through incentives for encouraging investments, trade facilitation, greater use of information and communications technology (ICT), as well as incentives to promote branding, and increased compliance with international standards, including environment standards.

These Plans also focus on increased development of small and medium enterprises (SMEs), development and promotion of *halal* products and services, and human capital development to ensure alignment between industry requirements and the availability of skilled labour.

INITIATIVES FOR ENHANCING INVESTMENTS

In 2006, Malaysia continued to maintain liberal investment policies with regard to the establishment and expansion of investments in the manufacturing and manufacturing-related services sectors, including liberalised equity ownership and expatriate policy. Measures which continued to be maintained include:

- continuous improvement of the approval mechanism for manufacturing licenses, expatriate posts and import duty exemptions on raw materials, components, as well as equipment and machinery;
- hand-holding to assist and facilitate new and existing investors to achieve a higher rate of implementation of approved projects; and
- enhanced coordination at the State Government level through the establishment of One-Stop Centres (OSCs) and District Industry Implementation Units (DIIUs) at the local Government level.

New measures introduced in the 2007 Budget, include:

- reduction of corporate tax rate from 28 per cent to 27 per cent for the year of assessment 2007;
- inclusion of Perlis as a designated promoted area. Manufacturing companies located in Perlis which undertake promoted activities or manufacture promoted products, will be eligible for enhanced investment incentives similar to those in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak;
- establishment of the Overseas Investment Fund, with an allocation of RM100 million to promote investments abroad. Assistance in the form of soft loans is provided to domestic companies to finance the start-up cost for doing business overseas;
- introduction of new incentives to promote the biotechnology sector, which include:

  (i) 100 per cent tax exemption for a period of 10 years for ‘Bionexus’ status companies, beginning from the first year the company is generating profit; and

(ii) upon the expiry of the initial period of tax exemption, a concessionary tax rate of 20 per cent will be given for the subsequent 10 years; and

- double deduction on expenses incurred on advertising Malaysian brand names is extended to a company within the same group that has incurred the advertising expenditure. The conditions attached to this incentive are:

(i) the company must be owned more than 50 per cent by the registered proprietor of the Malaysian brand name; and

(ii) the deduction can only be claimed by one company in the year of assessment.

Investment Promotion Funds

Funds to promote investments have also been incorporated into the RMK9. These include:

- an Automation Fund of RM200 million to assist companies in modernising and automating manufacturing processes towards improving quality and efficiency, as well as utilisation of labour saving technologies; and

- an Industrial Adjustment Fund of RM100 million to assist industries to rationalise and streamline operations.

Cabinet Committee on Investment

The Cabinet Committee on Investment was formed on 13 September 2006 to facilitate speedier approvals, provide customised incentives and monitor closely the implementation of high impact investment projects. The functions of the Committee include:

- considering investment applications in all sectors;

- providing guidance for coordinating and facilitating the implementation of approved investment projects;

- resolving problems faced by investors, especially those involving licensing and matters under the purview of the Federal and State Governments; and

- providing assistance, including financial assistance to facilitate the implementation of investment projects and reduce the costs of doing business.

Development and Promotion of *Halal* Products and Services

In promoting *halal* products and services, strategies identified by the Government, include:

- enhancing research and development in product and process development and leveraging upon latest technological developments to expand the product range;

- utilising and leveraging upon Malaysian *Halal* Standards to differentiate Malaysia's *halal* products;

- harmonising the *halal* certification process;

- enhancing the coordination among agencies involved in the development and promotion of the industry; and

- strengthening the institutional capacity of organisations involved in the development and promotion of *halal* products and services.

Under the RMK9, a total of RM112 million has been allocated by the Government for the development of *halal* food industry. This include allocations for the development of *halal* parks:

- Kelantan (Pasir Mas) : RM17 million
- Kedah (Kuala Muda) : RM15 million
- Perlis (Padang Besar) : RM10 million

- Terengganu (Chendering) : RM10 million
- Pahang (Gambang) : RM5 million

Halal parks are dedicated to the downstream production of *halal* products. Upstream productions, particularly the slaughtering process are not permitted in the parks.

Status of *Halal* Certification

In 2006, the Department of Islamic Development, Malaysia (JAKIM) received 2,152 applications from various industries, out of which a total of 861 certificates were issued based on the category of products, premises and abattoirs.

Table 3.1:
***Halal* Certificates Application and Approval, 2006**

Types of Application	Product	Food Premises	Abattoirs	Total
Application	1,967	159	26	2,152
Approval	808	42	11	861

Source: Department of Islamic Development, Malaysia (JAKIM)

Promotional activities undertaken by MATRADE include:

- Malaysia International *Halal* Showcase (MIHAS) 2006 was held from 10-14 May 2006 in Kuala Lumpur. Total sales of RM168.3 million was generated during MIHAS 2006. In conjunction with MIHAS 2006, MATRADE organised:
    - Incoming Buying Mission from 10-11 May 2006; and
    - Special Guests Programme from 8-12 May 2006;
- publishing the Malaysian Exporters of *Halal* Products Directory 2006 in collaboration with JAKIM; and
- organising a specialised marketing mission on *halal* products to South Africa from 3-8 September 2006.

To consolidate and promote this sector, the Halal Development Corporation was established on 18 September 2006. The roles and functions of the corporation, include:

- promoting the development of *halal* standards;
- streamlining and harmonising the development of the *halal* industry;
- encouraging investments; and
- developing and promoting Malaysian *halal* brands.

SMALL AND MEDIUM ENTERPRISE DEVELOPMENT POLICY INITIATIVES

A total of 213 programmes were implemented by various ministries and Government-related agencies in 2006, involving a total expenditure of RM7.8 billion. The main focus of the programmes was on enhancing the capacity and capability of SMEs, particularly in the areas of entrepreneurship development, marketing and promotion, product development and technology enhancement.

In 2006, a total of 287,692 SMEs benefited from various development programmes, which included:

- entrepreneurship and technical training;
- advisory services provided by various Government agencies;
- business matching and Industrial Linkage Programme; and
- grants and financial assistance to improve and upgrade technology and business processes.

SME Marketing Committee

The SME Marketing Committee, chaired by the Ministry of International Trade and Industry was established by the National SME

Development Council (NSDC) on 7 August 2006. The Committee has been tasked with formulating strategies for effective marketing of products and services of SMEs overseas.

The strategies identified to enhance capacity building of SMEs, include:

- exhibiting SME products and services in targeted markets and trade fairs;
- collaborating with distribution channels overseas;
- branding;
- establishing dedicated SME database; and
- providing additional financial support for SMEs.

In 2006, NSDC undertook various measures to enhance SMEs' access to financing by:

- increasing the allocation for the Fund for Small and Medium Industries 2 (FSMI2) by RM2 billion to RM6.75 billion, and New Entrepreneurs Fund 2 (NEF2) by RM500 million to RM2.85 billion;
- establishing a RM1 billion Special Fund for Overseas Project Financing at EXIM Bank;
- establishing a RM150 million venture capital fund for the agriculture sector with Commerce Asset Ventures Sdn. Bhd.; and
- introducing new trade finance products namely, Multi Currency Trade Finance (MCTF) and Indirect Exporter Financing Scheme (IEFS) under both conventional and Islamic financing.

SMEinfo Portal
The SMEinfo Portal (www.smeinfo.com.my) was launched in January 2006 by NSDC. It provides comprehensive information required by SMEs, including details on Government programmes, financial products, training programmes, and guidance on how to start and manage a business.

The Portal also contains the SME Business Directory, a platform for SMEs to advertise and showcase their products. The Portal is in Bahasa Malaysia, English and Mandarin. To date, the SME Business Directory of the Portal contains a registry of 13,834 SMEs.

INITIATIVES TO PROMOTE INFORMATION AND COMMUNICATION TECHNOLOGY

To encourage the greater use of ICT as a means of enhancing competitiveness, the Government has taken the following initiatives.

National Single Window
In 2006, the Government decided to establish the National Single Window (NSW) following the agreement to establish and implement ASEAN Single Window initiated by the ASEAN leaders in 2005. NSW is an integrated electronic system to facilitate clearance of cargo and help increase efficiency of the Government delivery system. The NSW allows for:

- single point of entry or 'portal' for submission of data and information;
- efficient data and information to avoid repeated entry of data; and
- single synchronous processing of data and information.

Two NSW awareness sessions were organised by MATRADE for shipowners and shipping agents, land bridge (rail) operators, airfreight carriers, agents and terminal operators.

ASEAN Single Window
The ASEAN Single Window (ASW) is an initiative to further facilitate trade among ASEAN members. The agreement to establish and implement ASW was signed on 9 December 2005. The National Single Windows of ASEAN member countries will

be integrated electronically as the ASW using a set of standardised information parameters, procedures, formalities, and international best practices to facilitate the clearance and release of cargo within ASEAN. The ASW will also serve to integrate processing and decision-making by Customs authorities and relevant ministries. The ASW will be implemented by 2008 for ASEAN 6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand), and not later than 2012 for Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV).

Electronic Data Interchange Services

In 2006, the Government continued to enhance network and application services for the electronic submission of import/export permits, Customs declarations and payment of Customs duties. The implementation of the e-Permit initiative gained momentum as more Permit Issuing Agencies had come on board. E-Permit is a web-based service which allows importers, exporters and appointed forwarding agents to apply for import/export permits from these agencies and obtain online approval via the internet. To date, 21 out of the 24 Permit Issuing Agencies are online or in the process of implementing the e-Permit.

RosettaNet Standard

RosettaNet Standard is a series of e-business standards that allows a company to streamline its supply chain by enabling greater collaboration and improved communications between trading partners, both domestically and internationally. The RosettaNet Grant is administered by the Small and Medium Industries Development Corporation (SMIDEC). As at end of 2006, a total of RM2.6 million was approved by SMIDEC to 47 companies to adopt the RosettaNet Standard. Of these, 31 companies have completed implementation of the Standard for their business operations. To date, 340 companies nationwide have implemented the RosettaNet Standard, with a total of 10,110 electronic transactions recorded.

DEVELOPMENT OF STANDARDS

A total of 485 standards were developed in 2006, of which 316 standards were aligned internationally. As of December 2006, a total of 4,570 standards have been developed, compared with 4,085 standards in 2005. Out of this total, 2,563 standards have been aligned with international standards and 123 standards have been made mandatory.

MITI as a member of the National Standards and Accreditation Council, under the Department of Standards, Malaysia (DSM), is represented in various standards and accreditation committees, such as the Industry Standards Committees (ISCs). The effective implementation of standards is increasingly important to ensure that quality goods enter our market.

ENVIRONMENT

The IMP3 emphasises the need for industries to comply with standards, rules and regulations related to the conservation and protection of the environment. Industries are encouraged to adopt cleaner and environment-friendly technologies and practices. This is in line with Malaysia's commitments under the Kyoto Protocol which came into force in February 2005. Under this Protocol, three mechanisms have been identified to reduce carbon emissions:

- Clean Development Mechanism (CDM), between industrialised (referred to as Annex I countries) and developing countries (Non-Annex I countries);

- Joint Implementation between an industrialised country and an economy in transition; and

- Emission Trading, between industrialised countries.

As a developing country, Malaysia is not subject to any commitment towards reducing green house gases (GHGs). Malaysia's

Table 3.2:
Malaysian Standards, as at December 2006

Sector	Number of Standards	Number of Mandatory Standards	Number of Standards Aligned Internationally
Total	**4,570**	**123**	**2,563**
Food and agriculture	535	3	97
Chemicals	589	4	287
Consumer product and safety	71	nil	32
Civil engineering and construction	249	39	56
Electrotechnical	696	57	575
Mechanical engineering	240	4	112
Information technology	588	nil	534
Petroleum and gas	196	3	101
Halal standards	4	nil	nil
Plastics	322	nil	177
Packaging	85	nil	47
Road vehicles	149	3	71
Fire safety and fire protection	77	8	30
Rubber	168	nil	110
Iron and steel	82	2	40
Textiles	223	nil	24
Medical devices	52	nil	51
Occupational health and safety	106	nil	91
Quality management and quality assurance	116	nil	110
Environment management	22	nil	18

Source: Department of Standards, Malaysia

participation is through the CDM. The Designated National Authority (DNA) for CDM projects in Malaysia is the Conservation and Environmental Management Division, under the Ministry of Natural Resources and Environment. The CDM represents a trade opportunity for developing countries to collaborate with investors from industrialised country to develop new industries and technologies, as well as to assist in creating a sustainable environment. CDM is implemented as follows:

- a company in an industrialised country (Annex I) reduces (GHG) emission through collaboration with a company located in a developing country (Non-Annex I); and

- the investor from the Annex I country supplies capital or technology, based on the future value of certified emission reduction units (CERs) or carbon credits. These CERs or carbon credits are a measurement of the reduction of GHGs achieved by the project/company in the developing country (Non-Annex I).

Twenty three energy efficiency projects in Malaysia have been approved under CDM, such as Biomass Energy Plant Project, replacement of Fossil Fuel by Palm Kernel Shell Biomass in the production of Portland Cement, and Pedu Mini-Hydro Power Project.

Nine agriculture composting projects have also been approved under CDM which is pending issuance of CERs. The project developers among others include Golden Hope Plantations Berhad, Eureka Juara Sdn Bhd and Organigro Sdn Bhd.

DEVELOPMENT OF MANUFACTURING-RELATED SERVICES

In 2006, efforts continued to be made to support the development and promotion of manufacturing-related services, particularly regional establishments, branding and marketing, and logistics.

Branding and Marketing

As recommended under the IMP3, a National Branding Task Force was established to promote brand creation by both private and public sectors at the national, corporate, product and service levels.

The Task force comprises representatives from relevant Government agencies and industry leaders, including established national brand builders, technical experts and professional advisors.

The IMP3 has identified several strategies for brand creation, including:

- identifying brand champions;
- creating favourable national traits and image;
- building national icons;
- encouraging large companies and domestic market leaders to lead in the creation of global brand;
- designating anchor brands to support SMEs;
- supporting companies with product and service brand potential;
- managing domestic and international distribution channels;
- introducing governance in brand and marketing practices; and
- developing and protecting intellectual property rights in product and service innovations.

Existing incentives continued to be granted to foster brand creation and intensify marketing promotion activities, which include:

- double deduction for the promotion of Malaysian brands;
- double deduction for the promotion of exports;
- Brand Promotion Grant (BPG); and
- Market Development Grant.

Brand Promotion Grant

The objective of the BPG is to foster the development and promotion of Malaysian brands in the international market. As at December 2006, a total of RM63.9 million in grants were approved to 36 companies as follows:

Sectors	Number of Companies
Food and beverages	10
E&E	5
Pharmaceutical products	2
Jewellery/pewterware/giftware	2
Rubber products:	
- Mattress (latex)	2
- Rubber gloves	1
Furniture	2
Automotive parts and components	2
Wooden flooring	
- engineered hardwood flooring	1
Chemicals-cleaning detergents	1
Footwear	1
ICT	4
Franchise (food)	2
Legal services	1

Logistics

The logistics industry has been identified as a strategic industry by itself rather than as a supportive industry in the IMP3. Six strategic thrusts formulated to promote the development of the logistics industry are:

- creating an efficient and competitive logistics industry to support Malaysia's industrialisation efforts;
- developing the industry in particular transport modes to operate in a competitive international environment;
- improving the capacity and capability of the industry to enhance its participation in the global supply chain;
- intensifying the application of new ICT;

- ensuring an adequate supply of competent workforce; and

- strengthening the institutional support through inter-ministry and agency coordination in the planning, implementation and monitoring of policies and measures affecting the industry.

Services, in particular the integrated logistics services, market support services and central utility facilities, continued to enjoy incentives, namely Pioneer Status or Investment Tax Allowance for a period of five years, as well as exemption on import duty and sales tax for equipment.

HUMAN RESOURCE AND SKILLS DEVELOPMENT

In order to fulfil the needs of the industry, MITI has taken the initiative to strengthen human resource and skills development through various training programmes managed by its agencies, such as SMIDEC and NPC. SMIDEC also provides 50 per cent training grant to SMEs that send their employees for courses.

SMIDEC has formulated Skills Upgrading Programme which is aimed at enhancing the skills and capabilities of employees of SMEs in the technical and managerial levels, particularly in critical areas, such as the electrical and electronics, information technology, industrial design and engineering fields. SMIDEC has appointed 22 training providers to undertake the Skills Upgrading Programme for SMEs, namely:

- National Productivity Corporation (NPC);

- German Malaysian Institute (GMI);

- Sarawak Skills Development Centre (PPKS);

- Johor Skills Development Centre (PUSPATRI);

- Penang Skills Development Centre (PSDC);

- Terengganu Advanced Technical Institute (TATI);

- Malaysia France Institute (MFI);

- Pahang Skills Development Centre (PSDC);

- Kedah Industrial Skills and Management Development Centre (KISMEC);

- Perak Entrepreneur and Skills Development Centre (PESDC);

- Selangor Human Resource Development Centre (SHRDC);

- Negeri Sembilan Skills Development Centre (NSSDC);

- Malacca Industrial Skills Development Centre (MISDC);

- Sabah Skills and Technology Centre (SSTC);

- SIRIM Bhd.;

- Technology Park Malaysia (TPM);

- Malaysian Institute for Nuclear Technology Research (MINT);

- Kumpulan IKRAM Sdn. Bhd.;

- National Institute of Occupational Safety and Health (NIOSH);

- Institute of Global Management (IGM);

- Bureau of Innovation and Consultancy; and

- University of Malaya Centre for Continuing Education.

In 2006, a total of 1,447 employees of SMEs attended various skills development training programmes conducted by the 22 training centres.

The Government through the Human Resource Development Fund (HRDF), has provided incentives for employers to upgrade the capacities and capabilities of their employees. In 2006, a total of 608,962 employees were trained, involving financial assistance amounting to RM289,450,970. A total of 130,725 employees were trained in the areas of productivity and quality.

In 2006, The Manpower Department under the Ministry of Human Resource has awarded a total of 82,000 Malaysia Skills Certificates (*Sijil Kemahiran Malaysia*) through 1,200 accredited skills training centres. As at December 2006, the centres have conducted 6,700 skills enhancement programmes.

OUTLOOK

The launching of the RMK9 and the IMP3 in 2006 are milestones towards enhancing Malaysia's global competitiveness. The focus for 2007 would be on developing and fine-tuning the specific implementation measures to ensure the strategies identified in the Plans are effectively and coherently implemented. Policy initiatives and measures will be further strengthened to enhance the competitiveness of the manufacturing and manufacturing-related services sectors.

The Government will continue to enhance efforts and mechanisms to improve competitiveness through reducing cost of doing business, as well as to enhance the public sector delivery system in collaboration with the private sector.

Box 3.1: Ninth Malaysia Plan and Third Industrial Master Plan

NINTH MALAYSIA PLAN (RMK9), 2006-2010

Theme
Together towards excellence, glory and distinction.

Objective
Strengthening National Unity.

Five Key Thrusts under the RMK9
- To move the economy up the value chain;
- To raise the capacity for knowledge and innovation and nurture 'first class mentality';
- To address persistent socio-economic inequalities constructively and productively;
- To improve the standard and sustainability of quality of life; and
- To strengthen the institutional and implementation capacity.

Policy Thrusts for the Development of Trade and Industry under the RMK9
- Strengthening strategic integration with the global economy, through:
  - free trade agreements (FTAs) and economic partnership agreements (EPAs) to ensure greater access to markets, trade and investment opportunities; and
  - greater collaborations with foreign entities in high value-added and high-technology industries.

- Promoting new sources of industrial growth, mainly in:
  - science and innovation-based activities, particularly biotechnology and information and communications technology (ICT) industries;
  - manufacturing of higher value-added resource-based products;
  - advanced manufacturing technology;
  - manufacturing of new and advanced materials from petrochemical products;
  - electronics products industry;
  - automotive industry;
  - machinery and equipment industry;
  - marine industry; and
  - high-end shared services and outsourcing related services.

- Building an efficient and competitive related services industry to enhance the performance of the manufacturing sector by:
  - attracting more operational headquarters (OHQs), regional distribution centres (RDCs), international procurement centres (IPCs) and regional offices (ROs) to conduct high value-added supply chain activities, such as research and development (R&D), design and product development, and distribution and logistics support;
  - encouraging investments in integrated global transport, logistics links and distribution centres;
  - strengthening domestic R&D, technical and engineering capabilities; and
  - providing essential infrastructure in strategic locations to attract quality investments in manufacturing-related services (MRS) industry.

- Providing more focused incentives for high value-added industries, such as:
  - improved pre-packaged or customised incentives for specific industries, particularly in new growth areas;
  - RM600 million Strategic Investment Fund to promote quality investments in new growth areas;
  - RM463 million to upgrade skills to promote knowledge-intensive applications in production processes and related services, especially among small and medium enterprises (SMEs);
  - RM220 million in soft loans to SMEs for new machinery and equipment;
  - Automation Fund to modernise and automate manufacturing processes; and
  - Industrial Adjustment Fund to assist industries facing intense competition from the liberalisation measures under ASEAN Free Trade Area (AFTA) and FTAs.

- Enhancing Bumiputera participation in manufacturing through:
  - investments in public enterprises and trust agencies, as well as Government-linked companies (GLCs);
  - investment in new growth areas; and
  - the development of potential technologies for commercialisation.

- Developing innovation-driven SMEs to compete in global markets through:
  - inter-firm linkages among and between SMEs, as well as with large domestic companies, including GLCs and foreign entities; and
  - setting up of technology incubators to nurture new firms and entrepreneurs, as well as expand capacity for innovations and related services.

- Promoting outward investments to benefit from increasing global production and marketing activities:
  - encouraging and supporting Malaysia's investment overseas; and
  - spearheading the promotion and coordination of outward investments in manufacturing and MRS.

- Enhancing the supply and quality of skilled human resources required for technology and industrial upgrading:
  - quality training at various institutes of learning and skills development centres to meet the market requirements and to face the increasingly competitive environment.

THIRD INDUSTRIAL MASTER PLAN (IMP3), 2006-2020

Theme
Malaysia - Towards Global Competitiveness.

Objective
To achieve long-term global competitiveness through transformation and innovation of the manufacturing and services sectors.

Scope

- Covers manufacturing sector, including agro-based industries, and non-Government services sector.

- 12 industries in the manufacturing sector have been targeted for further development and promotion. Among them, six are non-resource based and the rest are resource based industries:

Non-resource based	***Resource based***
- electrical and electronics;	- petrochemicals;
- medical devices;	- pharmaceuticals;
- textiles and apparel;	- wood-based;
- machinery and equipment;	- rubber-based;
- metals; and	- oil palm-based; and
- transport equipment.	- food processing.

- Eight non-Government services sub-sectors have been targeted for greater development and promotion:
  - business and professional services;
  - distributive trade;
  - construction;
  - education and training;
  - healthcare services;
  - tourism services;
  - ICT services; and
  - logistics.
- Identification of targeted industries and services based on their potential in growth and exports.

Targets

- Manufacturing Sector
  - to grow at 5.6 per cent annually and contribute 28.5 per cent to Gross Domestic Product (GDP) in 2020; and
  - total investments of RM412.2 billion (RM27.5 billion annually).
- Non-Government Services
  - to grow at 7.5 per cent annually and contribute 59.7 per cent to GDP in 2020; and
  - total investments of RM687.7 billion (RM45.8 billion annually).
- External Trade
  - exports to increase to RM1.4 trillion in 2020; and
  - total trade to increase to RM2.8 trillion.
- Productivity
  - total factor productivity (TFP) to grow at 2.6 per cent annually; and
  - contribute 41.4 per cent to GDP during the IMP3 period.

Strategic Thrusts of IMP3

- Enhancing Malaysia's position as a major trading nation:
  - intensifying exports of targeted growth areas;
  - developing and promoting Malaysian brands;
  - enhancing exports through compliance to international standards; and
  - nurturing domestic companies, including GLCs and SMEs, to become globally competitive.
- Generating investments in the targeted growth areas:
  - promoting investments and exports of products and services with growth potential;
  - facilitating capable domestic companies, including GLCs, to expand into potential growth areas;
  - establishing fully equipped specialised high technology parks;
  - encouraging multinational corporations (MNCs) to establish and expand operations in Malaysia; and
  - providing a more conducive investment environment.
- Integrating Malaysian companies into regional and global networks:
  - encouraging industries to focus on core competencies and strengths within regional and global networks;
  - undertaking outsourcing, off-shoring and other forms of business practices; and
  - developing Malaysia as a regional hub for selected products and services – halal, biotechnology and automotive.
- Ensuring industrial growth contributes towards equitable distribution and more balanced regional development:

  (a) Equitable Distribution
    - promoting Bumiputera Commercial and Industrial Community (BCIC) through new sources of growth in the manufacturing and services sectors and outward investments;
    - enhancing the development of Bumiputera human capital; and
    - enhancing the growth and increasing ownership of BCIC through the development of SMEs.

  (b) Balanced Regional Development
    - promoting more balanced industrial development in lesser developed States; and
    - encouraging integrated logistics industry.
- Sustaining the contribution of the manufacturing sector to growth:
  - accelerating the shift towards higher value-added products and activities and high technology and capital-intensive activities;
  - encouraging the development and promotion of 12 targeted industries; and
  - facilitating the development of domestic and regional clusters.

- Positioning the services sector as a major source of growth:
  - strengthening the efficiency and competitiveness of the sector;
  - enhancing the development and promotion of 8 targeted services sub-sectors;
  - developing regional centres for education, distribution, health and tourism services;
  - creating greater linkages with manufacturing; and
  - undertaking progressive liberalisation.

- Facilitating the development and application of knowledge-intensive technologies
  - fostering collaborations among Government research institutes, institutions of higher learning, science and technology parks and industries;
  - promoting research-based industrial cluster development; and
  - promoting the greater utilisation of ICT and other technologies along the value chain.

- Developing innovative and creative human capital:
  - matching the supply of talents and expertise with market requirements;
  - increasing the supply of technically skilled, knowledgeable and ICT-trained workforce;
  - encouraging collaboration between training institutes and industry to optimise the utilisation of resources and facilities; and
  - creating a critical mass of local experts in scientific and engineering fields to meet R&D requirement.

- Strengthening the role of private sector institutions:
  - encouraging companies to become members of trade and industry associations;
  - encouraging the establishment of Malaysian trade and industry associations overseas; and
  - facilitating private sector institutions to undertake capacity building and trade and investment promotion, and providing common-user facilities for members.

- Creating a more competitive business operating environment:
  - ensuring the efficiency and effectiveness of the delivery system;
  - reviewing rules and regulations to facilitate the growth and expansion of existing and potential industries and services;
  - ensuring greater transparency of policies, rules and regulations; and
  - implementing efficient paperless trade facilitation system.

Strategies and Policies for Specific Areas

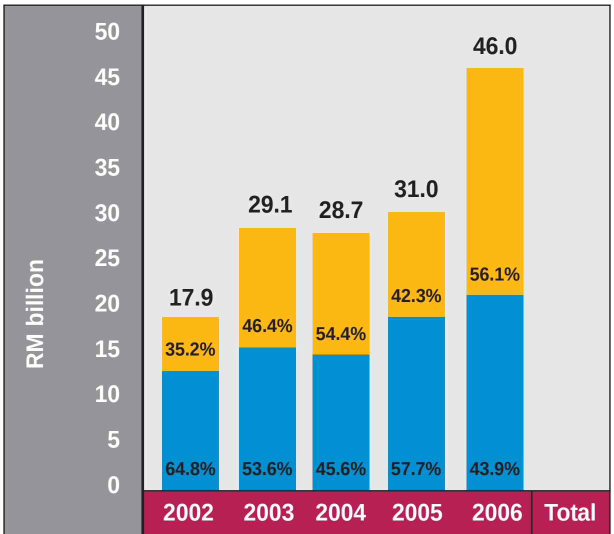
- Apart from the 10 overall strategic thrusts, IMP3 contains strategic thrusts and policy measures for specific areas:
  - External trade;
  - Investments;
  - Development of SMEs;
  - Branding;
  - Growth areas in the manufacturing sector;
  - Growth areas in the services sector;
  - Development of the halal industry;
  - Enhancing domestic capabilities;
  - Human resource requirements;
  - ICT and other technology developments; and
  - Logistics.

Chapter 4 Investments In The Manufacturing Sector

OVERVIEW

In 2006, Malaysia attracted a significantly higher level of investments in the manufacturing sector. The number of projects and investments approved in 2006 were the highest recorded to date. Record levels of foreign and domestic investments were also achieved.

Chart 4.1:
Investments in Projects Approved, 2002 - 2006



	2002	2003	2004	2005	2006	Total
Total (RM billion)	17.9	29.1	28.7	31.0	46.0	152.7
DI	6.3	13.5	15.6	13.1	25.8	74.3
FDI	11.6	15.6	13.1	17.9	20.2	78.4

Source: Malaysian Industrial Development Authority
Note: DI - Domestic Investments
FDI - Foreign Direct Investments

A total of 1,077 projects, involving investments of RM46 billion were approved in 2006, compared with 1,027 projects, with investments of RM31 billion in 2005. Approved investments in 2006 exceeded the annual investment target of RM27.5 billion set in the Third Industrial Master Plan (IMP3).

Table 4.1:
Average Annual Investment Targets for the 12 Targeted Industrial Sectors

Sectors	Targets (RM bil.)	Approved Investments in 2006 (RM bil.)
Non-Resource Based:		
• electrical and electronics	5.5	10.0
• metals industry	2.9	2.7
• transport equipment	2.8	1.3
• machinery and equipment	2.1	1.4
• medical devices	1.3	1.1
• textiles and apparel	0.9	0.8
Resource Based:		
• petrochemicals	2.3	11.4
• wood-based products	1.7	1.0
• oil palm-based industry	1.7	8.8
• food processing	1.6	1.6
• rubber and rubber products	0.9	0.7
• pharmaceuticals	0.5	0.2

Source: Third Industrial Master Plan and Malaysian Industrial Development Authority

New Projects

Of the 1,077 projects approved in 2006, a total of 653 (61 per cent) were new projects involving investments of RM29.4 billion or 63.9 per cent of total investments. In comparison, 572 new projects were approved in 2005, with investments amounting to RM13.8 billion. Investments in new projects in 2006 were concentrated in petroleum products, including petrochemicals, with investments totalling RM8.8 billion, followed by chemicals and chemical products (RM7.9 billion), basic metal products (RM2.5 billion), electrical and electronics (E&E) (RM2 billion), transport equipment (RM1.2 billion), food manufacturing (RM1.2 billion), non-metallic mineral products (RM928.6 million) and fabricated metal products (RM849 million).

Expansion/Diversification Projects

Existing companies continued to expand and diversify their operations. Of the projects approved, 424 projects (39 per cent) were for expansion/diversification, involving investments of RM16.6 billion or 36.1 per cent of total investments. In comparison, there were 455 expansion/diversification projects approved in 2005, with investments of RM17.2 billion. Investments in expansion/diversification projects in 2006 were mainly in the E&E industry totalling RM8 billion, followed by petroleum products, including petrochemicals (RM2.7 billion), chemicals and chemical products (RM1.2 billion), plastic products (RM586.8 million), machinery and equipment (M&E) (RM560.4 million) and rubber products (RM544.8 million).

Projects Approved by Industry

Petroleum products, including petrochemicals, recorded the highest level of investments approved in 2006, amounting to RM11.4 billion. The large investment was attributed mainly to the approval of a new petroleum refinery project totalling RM7.7 billion and a methanol expansion project (RM2 billion).

The E&E industry continued to receive high levels of investments amounting to RM10 billion in 2006. Investments in the E&E industry were mainly in the electronic components sub-sector, valued at RM7.6 billion. Investments in the chemicals and chemical products industry were the third highest, amounting to RM9.1 billion.

Other industries which attracted significant levels of investments, included basic metal products totalling RM2.7 billion, followed by food manufacturing (RM1.6 billion), transport equipment (RM1.4 billion), fabricated metal products (RM1.3 billion) and M&E (RM1.3 billion). These eight industries contributed RM38.9 billion or 84.6 per cent of total investments approved.

Export-Oriented Projects

Of the projects approved in 2006, a total of 429 (39.8 per cent) projects, with investments of RM35.8 billion, would be exporting at least 80 per cent of their output. Approved domestic investments in these export-oriented projects amounted to RM19 billion, while approved foreign investments totalled RM16.8 billion.

Table 4.2:
Approved Manufacturing Projects

	Total		New		Expansion/Diversification	
	2006	2005	2006	2005	2006	2005
Number of Projects	1,077	1,027	653	572	424	455
Potential Employment (persons)	88,952	114,956	53,306	49,773	35,646	65,183
	RM million					
Proposed called-up capital	4,473.7	3,693.1	3,744.6	2,712.4	729.1	980.6
Malaysian equity	2,231.0	1,624.7	2,075.2	1,438.3	155.8	186.5
- Bumiputera	822.4	542.2	780.8	522.0	41.6	20.2
- Public corporation	nil	5.6	nil	3.8	nil	1.8
- Non-bumiputera	1,408.6	1,077.0	1,294.4	912.6	114.2	164.4
Foreign equity	2,242.7	2,068.3	1,669.4	1,274.1	573.3	794.2
Loan	16,585.3	9,879.4	11,899.3	6,660.3	4,686.0	3,219.1
Other sources[1]	24,934.1	17,484.1	13,706.5	4,470.4	11,227.6	13,013.6
Total proposed capital investment	45,993.0	31,056.6	29,350.4	13,843.2	16,642.6	17,213.4
- Local	25,765.1	13,173.7	20,153.3	9,156.5	5,611.8	4,017.2
- Foreign	20,227.9	17,882.9	9,197.1	4,686.7	11,030.8	13,196.2

Source: Malaysian Industrial Development Authority
Note: [1] Includes retained earnings and other sources of financing not yet determined at the time of approval

These export-oriented projects were mainly in the chemicals and chemical products industry with 89 projects involving total investments of RM7.8 billion, followed by E&E (88 projects/RM8.2 billion), furniture and fixtures (39 projects/RM290.2 million), M&E (35 projects/RM507.3 million) and rubber products (29 projects/RM532 million). This indicates that Malaysia continues to be a competitive location for export-oriented industries.

Capital-Intensive Projects

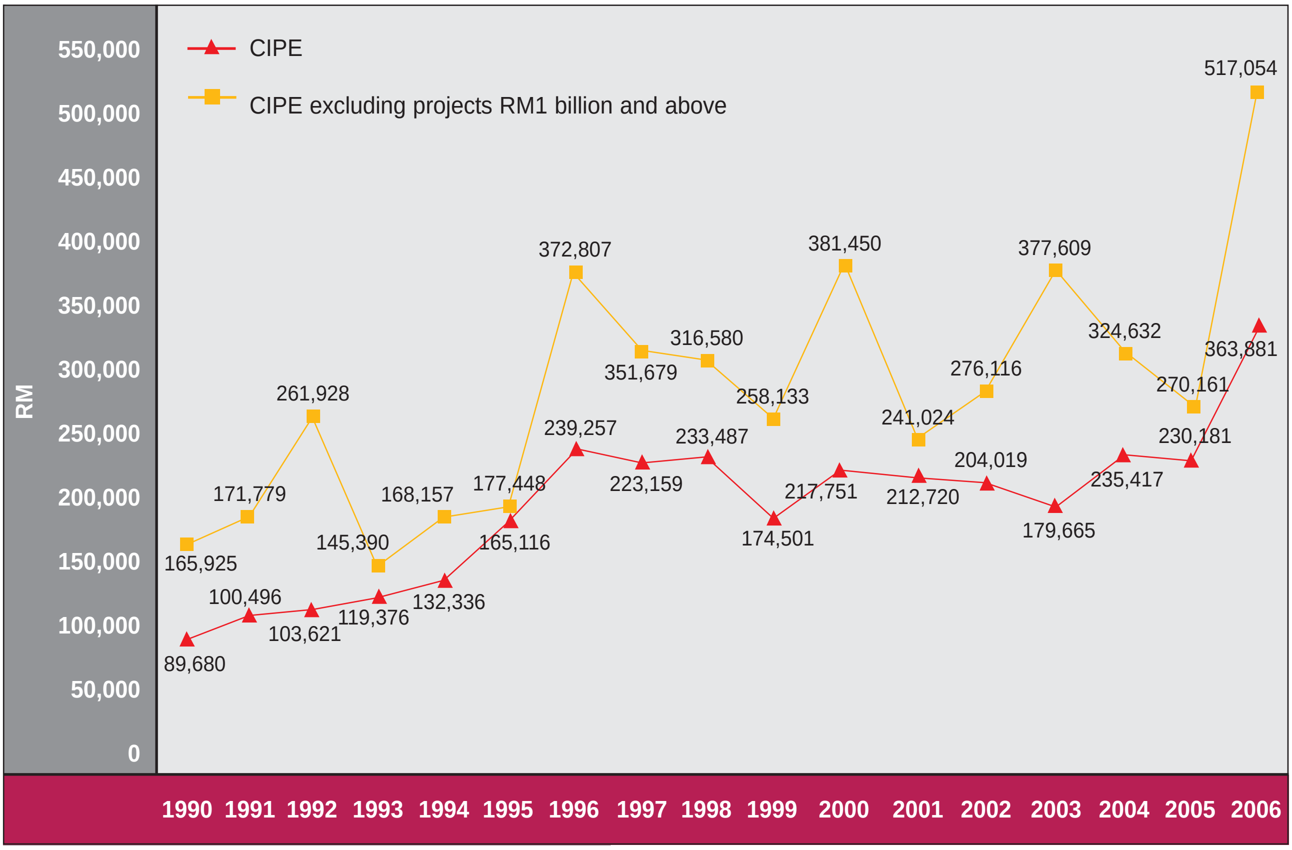
The capital-intensity (as measured by the capital investment per employee or CIPE ratio) of projects approved was RM517,054 in 2006, compared with RM270,161 in 2005. The CIPE ratio of manufacturing projects has registered an increasing trend since 1990 (RM165,925). This reflects the general trend towards more capital-intensive, high value-added and high technology projects.

A total of 77 projects, with investments of RM100 million or more each were approved in 2006, of which six had investments exceeding RM1 billion. Investments in these 77 projects amounted to RM32.4 billion or 70.4 per cent of the total investments approved. These capital-intensive projects were mainly in the chemicals and chemical products industry with 27 projects involving total investments of RM4.5 billion, followed by E&E (18 projects/RM8.8 billion) and petroleum products, including petrochemicals (five projects/RM11.4 billion).

Employment Opportunities

Projects approved in 2006 will generate a total of 88,952 employment opportunities, of which 58,740 or 66 per cent will be in the managerial, technical, supervisory and skilled manpower categories. Industries which are expected to create the most number of employment opportunities were E&E with 24,239 jobs, plastic products (7,607), furniture

Chart 4.2:
Approved Projects by CIPE Ratio, 1990-2006



Source: Malaysian Industrial Development Authority

Table 4.3:

Approved Manufacturing Projects by Industry, 2006 and 2005

Industry	2006					2005				
	Total Capital Investments (RM million)	Foreign Investments (RM million)	Domestic Investments (RM million)	Number of Projects	Employment (Persons)	Total Capital Investments (RM million)	Foreign Investments (RM million	Domestic Investments (RM million)	Number of Projects	Employment (Persons)
Total	**45,993.0**	**20,227.9**	**25,765.1**	**1,077**	**88,952**	**31,056.6**	**17,882.9**	**13,173.7**	**1,027**	**114,956**
Petroleum products (incl.petrochemicals)	11,437.6	605.0	10,832.6	10	1,395	734.7	133.0	601.7	15	276
Electronics and electrical products	10,023.7	8,601.5	1,422.2	170	24,239	13,793.7	11,318.9	2,474.8	227	47,317
Chemicals and chemical products	9,143.9	3,031.5	6,112.4	149	5,897	1,721.1	869.5	851.6	64	2,762
Basic metal products	2,724.1	2,288.1	436.0	30	1,502	3,205.0	430.5	2,774.5	47	3,034
Food manufacturing	1,620.4	895.4	725.0	76	4,744	1,457.5	531.9	925.6	75	4,260
Transport equipment	1,448.3	216.6	1,231.7	66	5,180	1,416.1	503.8	912.3	62	5,623
Fabricated metal products	1,325.7	616.3	709.4	123	6,614	758.7	250.6	508.1	115	8,467
Machinery and equipment	1,267.2	657.0	610.2	102	4,129	1,027.4	570.0	457.4	85	4,742
Non-metallic mineral products	1,166.6	962.2	204.4	29	2,344	921.5	596.1	325.4	30	1,480
Plastic products	1,135.5	757.2	378.3	85	7,607	1,180.1	594.8	585.3	81	6,242
Wood and wood products	983.1	286.4	696.7	41	6,063	360.5	77.2	283.3	36	3,288
Textiles and textile products	821.3	152.2	669.1	30	2,863	374.0	146.2	227.8	35	12,800
Scientific and measuring equipment	781.1	664.6	116.5	20	1,099	1,427.0	1,364.5	62.5	15	3,276
Rubber products	714.6	257.8	456.8	37	4,967	773.0	215.2	557.8	27	2,049
Paper, printing and publishing	688.0	93.4	594.6	26	1,900	953.4	123.7	829.7	23	1,295
Furniture and fixtures	410.8	55.0	355.8	62	6,982	511.6	63.4	448.2	55	6,587
Beverages and tobacco	62.7	1.0	61.7	6	232	94.4	77.6	16.8	9	393
Leather and leather products	1.0	1.0	nil	1	15	9.0	3.6	5.4	1	150

Source: Malaysian Industrial Development Authority

and fixtures (6,982), fabricated metal products (6,614) and wood and wood products (6,063).

Expatriate Posts

The Government continued to grant approvals for expatriate posts, particularly managerial and technical posts to both Malaysian and foreign-owned companies. In 2006, a total of 1,731 expatriate posts were approved, of which 349 were key posts that could be permanently filled by foreigners. The remaining 1,382 were term posts, generally granted for three to five years, where Malaysians are trained to eventually take over.

APPROVED PROJECTS BY OWNERSHIP

Domestic Investments

Domestic investments in projects approved in 2006 amounting to RM25.8 billion was the highest recorded to date. Domestic investments accounted for 56.1 per cent of total approved investments in 2006. In comparison, domestic investments in 2005 amounted to RM13.1 billion or 42.2 per cent of total approved investments. The major portion of the domestic investments approved in 2006, amounting to RM20.2 billion, was in new projects, while RM5.6 billion was in expansion/diversification projects.

Industries which recorded increases in domestic investments in 2006 comprised petroleum products, including petrochemicals, chemicals and chemical products, transport equipment, fabricated metal products, M&E and wood and wood products.

Of the projects approved, 707 projects or 65.6 per cent were Malaysian-owned, involving investments of RM25.7 billion, compared with 656 projects, with investments of RM13.4 billion in 2005. The majority of the Malaysian-owned projects were new projects (509), with investments of RM20.2 billion or 78.6 per cent. A total of 198 projects were expansion/diversification projects involving investments of RM5.6 billion.

Investments in new projects were concentrated in petroleum products, including petrochemicals industry totalling RM8.8 billion, followed by chemicals and chemical products (RM5.4 billion), transport equipment (RM1.2 billion), E&E (RM1.1 billion), textiles and textile products (RM594.3 million), food manufacturing (RM553.8 million), M&E (RM460.5 million) and fabricated metal products (RM362.5 million).

Investments in expansion/diversification projects, were mainly in petroleum products, including petrochemicals industry totalling RM2 billion, chemicals and chemical products (RM639.4 million), E&E (RM577.4 million), paper and printing (RM389 million) and rubber products (RM319.6 million).

Of the 707 Malaysian-owned projects approved in 2006, a total of 240 projects (34 per cent) with investments amounting to RM18.8 billion would be exporting at least 80 per cent of their output. These export-oriented projects were mainly in the chemicals and chemical products industry, with 62 projects involving total investments of RM4.9 billion, followed by furniture and fixtures (35 projects/RM259.2 million), E&E (29 projects/RM659.1 million), wood and wood products (19 projects/RM387.7 million), and rubber products (18 projects/RM247.7 million).

Malaysian-owned projects are expected to generate a total of 51,590 employment opportunities or 58 per cent of total employment in approved projects. In 2005, proposed employment in Malaysian-owned projects totalled 53,795 persons.

Foreign Investments

The high level of foreign investments approved in 2006 is indicative of Malaysia's ability to continue to attract foreign investments despite a more competitive global investment environment. A total of 571 projects, with foreign participation were approved in 2006. Foreign investments in these projects amounted to RM20.2 billion or 43.9 per cent of total investments approved in 2006, compared with RM17.9 billion in 2005.

Table 4.4:

Approved Manufacturing Projects with Malaysian Majority[1] Ownership by Industry, 2006 and 2005

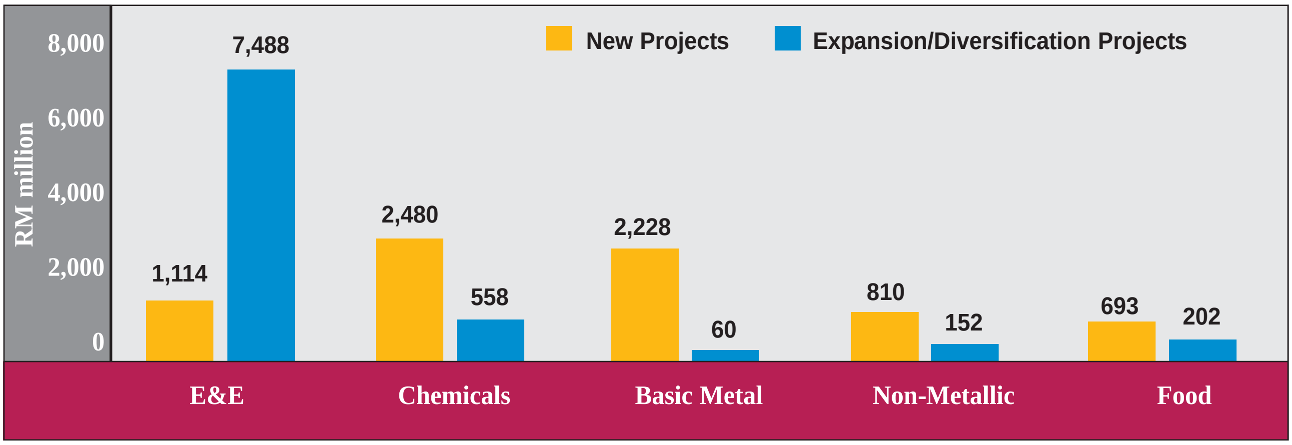
Industry	2006						2005					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects
Total	**25,746.8**	**707**	**20,195.5**	**509**	**5,551.3**	**198**	**13,402.0**	**656**	**9,459.5**	**443**	**3,942.5**	**213**
Petroleum products (incl.petrochemicals)	10,834.6	7	8,771.6	6	2,063.0	1	510.5	10	442.2	4	68.3	6
Chemicals and chemical products	6,027.2	105	5,387.8	85	639.4	20	808.9	43	630.8	36	178.1	7
Electronics and electrical products	1,698.2	71	1,120.9	43	577.3	28	2,619.5	99	1,680.0	64	939.5	35
Transport equipment	1,241.6	56	1,155.1	43	86.5	13	1,045.6	44	853.8	27	191.8	17
Food manufacturing	774.9	54	553.8	41	221.1	13	936.6	56	494.5	35	442.1	21
Textiles and textile products	669.1	18	594.3	4	74.8	14	213.1	22	18.1	4	195.0	18
Machinery and equipment	630.7	69	460.5	54	170.2	15	457.8	56	338.1	43	119.7	13
Wood and wood products	594.5	34	307.0	23	287.5	11	294.0	28	186.4	20	107.6	8
Paper, printing and publishing	593.2	16	204.2	5	389.0	11	869.0	10	861.0	7	8.0	3
Fabricated metal products	568.0	81	362.5	66	205.5	15	534.4	81	385.1	63	149.3	18
Basic metal products	410.2	19	198.9	13	211.3	6	2,858.2	35	2,045.0	21	813.2	14
Plastic products	404.9	51	303.5	37	101.4	14	607.9	51	433.1	33	174.8	18
Rubber products	401.6	25	82.0	11	319.6	14	444.9	18	320.1	13	124.8	5
Furniture and fixtures	377.5	57	269.5	42	108.0	15	449.8	47	259.4	35	190.4	12
Non-metallic mineral products	212.4	20	123.3	15	89.1	5	322.6	20	149.1	9	173.5	11
Scientific and measuring equipment	90.6	10	83.0	8	7.6	2	71.8	8	24.3	5	47.5	3
Beverages and tobacco	62.7	6	62.7	5	0[2]	1	17.1	6	17.1	5	0[2]	1
Leather and leather products	nil	nil	nil	nil	nil	nil	9.0	1	9.0	1	nil	nil

Source: Malaysian Industrial Development Authority

Note: [1] Projects with Malaysian equity ownership of more than 50 per cent.

[2] Expansion of capacities or manufacture of additional products not involving additional capital

Chart 4.3:
Foreign Investments in Projects Approved by Major Industry, 2006



Source: Malaysian Industrial Development Authority

Foreign investments in 2006 were concentrated in the E&E industry totalling RM8.6 billion, followed by chemicals and chemical products (RM3 billion), basic metal products (RM2.3 billion), non-metallic mineral products (RM962.2 million), food manufacturing (RM895.4 million), plastic products (RM757.2 million), scientific and measuring equipment (RM664.6 million) and M&E (RM656.9 million).

Foreign investments in new projects amounted to RM9.2 billion in 2006, almost double the RM4.7 billion registered in 2005. Foreign investments in new projects were mainly in the chemicals and chemical products industry totalling RM2.5 billion, followed by basic metal products (RM2.2 billion), E&E (RM1.1 billion), non-metallic mineral products (RM810.3 million) and food manufacturing (RM693.2 million).

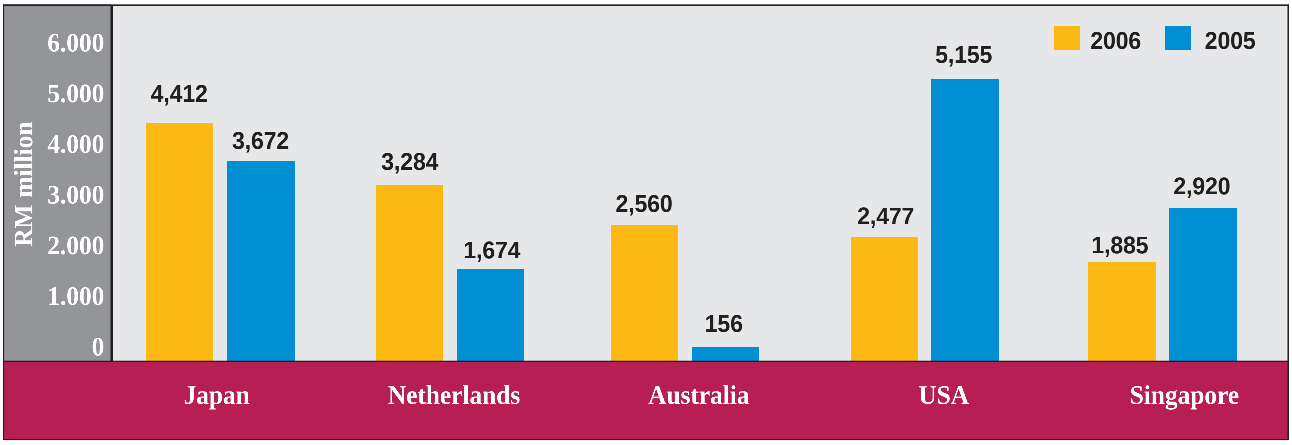
Foreign investments in expansion/ diversification projects amounted to RM11 billion or 54.5 per cent of total foreign investments in 2006. These projects were mainly in the E&E industry with investments totalling RM7.5 billion, followed by petroleum products, including petrochemicals (RM601.8 million), chemicals and chemical products (RM558.4 million), plastic products (RM496.6 million) and M&E (RM406.7 million). This indicates that existing foreign investors continued to reinvest in the country, particularly in high value-added activities and technology-intensive operations, including research and development (R&D) and engineering and product design centres.

A total of 56 projects, with investments of RM100 million or more each, involving foreign investments were approved in 2006, compared with 53 projects in 2005. Of these, three projects involved investments of at least RM1 billion each, with investments totalling RM4.9 billion. The 56 capital-intensive projects involved foreign investments of RM15.7 billion or 77.7 per cent of total foreign investments approved. Investments were mainly in the E&E industry with 17 projects involving total investments of RM7.9 billion, followed by chemicals and chemical products (16 projects/RM1.7 billion), food manufacturing (four projects/RM650.1 million), M&E (three projects/RM364.2 million), and basic metal products (two projects/RM2.1 billion).

Major Sources of Foreign Investments

The major sources of foreign investments in 2006 were Japan, with investments amounting to RM4.4 billion, followed by the Netherlands (RM3.3 billion), Australia (RM2.6 billion), the United States of America (USA) (RM2.5 billion) and Singapore (RM1.9 billion). These five countries together accounted for RM14.7 billion or 72.3 per cent of total foreign

Chart 4.4:
Major Sources of Foreign Investments in Projects Approved, 2006 and 2005



Source: Malaysian Industrial Development Authority

investments in approved projects. By region, Asia accounted for the highest amount of investments, with investments totalling RM8.3 billion, followed by Europe (RM4.9 billion) and North America (RM2.5 billion).

Japan

Japan has consistently been one of the five top sources of foreign investments in Malaysia and this has been further strengthened by the signing and implementation of the Japan-Malaysia Economic Partnership Agreement (JMEPA). The JMEPA commitments help to enhance the transparency and predictability of the investment regime in Malaysia and Japan, which will contribute towards increasing two-way investment flows. Japan emerged as the largest source of foreign investments in 2006. Investments from Japan increased to RM4.4 billion, the highest level registered since 1996. Investments from Japan were in 81 projects, of which 20 (RM1.5 billion) were new projects and 61 (RM2.9 billion) were expansion/diversification projects. In comparison, 84 projects were approved in 2005, with investments amounting to RM3.7 billion.

Investments from Japan in new projects were mainly in the non-metallic mineral products industry totalling RM693.1 million, followed by scientific and measuring equipment (RM583.4 million), E&E (RM99 million), transport equipment (RM48.4 million) and plastic products (RM30.6 million). A major project approved was for the production of hard disk glass substrates, with investments totalling RM693.1 million.

Investments in expansion/diversification projects were mainly in the E&E industry totalling RM1.4 billion, followed by petroleum products including petrochemicals (RM600 million), plastic products (RM213.5 million), fabricated metal products (RM204.6 million) and non-metallic mineral products (RM136.4 million). Together, these five industries constituted about 88 per cent of total investments from Japan in expansion/diversification projects.

Three significant expansion projects approved were for the manufacture of thin-film magnetic disks and polished substrates for hard disk drives, with an investment of RM1.3 billion, production of acrylonitrile-butadiene-styrene (ABS) resin (RM450 million) and production of disk blanks and disk substrates (RM178 million).

The Netherlands

The Netherlands was the second largest source of foreign investments in 2006, with 13 projects approved involving investments of RM3.3 billion, compared with 26 projects with investments of RM1.7 billion in 2005. Investments from the Netherlands in 2006 were the highest recorded to date. Of projects

Table 4.5:
Approved Manufacturing Projects with Foreign Participation by Source, 2006 and 2005

Source	2006		2005	
	Foreign Investments (RM million)	Number of Projects	Foreign Investments (RM million)	Number of Projects
Japan	4,411.6	81	3,671.7	84
Netherlands	3,284.2	13	1,674.0	26
Australia	2,560.0	20	155.9	12
USA	2,476.6	38	5,155.0	43
Singapore	1,884.7	130	2,919.9	130
Cayman Islands	860.5	2	154.0	2
British Virgin Islands	647.7	6	13.4	3
United Kingdom	642.0	17	99.2	11
Lebanon	562.3	1	nil	nil
Republic of Korea	437.8	18	673.6	24
Taiwan	405.4	70	430.7	71
Germany	232.3	15	387.7	11
Italy	218.6	9	41.3	2
Indonesia	214.9	11	52.5	3
Portugal	179.8	1	nil	nil
People's Republic of China	134.1	19	39.6	11
Norway	114.0	1	303.2	5
Thailand	109.5	5	142.3	5
France	85.0	5	35.3	5
Hong Kong	84.5	9	105.4	17
Bermuda	80.0	1	2.9	2
Switzerland	46.1	7	563.2	6
Sweden	43.7	3	35.9	2
United Arab Emirates	40.0	1	nil	nil
Turkey	37.0	1	0[1]	1
Bahamas	34.0	1	nil	nil
Mauritius	26.5	3	nil	nil
Panama	21.0	2	175.0	1
Egypt	17.2	2	nil	nil
Pakistan	12.1	3	2.2	1
India	8.3	6	558.9	8
Denmark	7.4	1	30.6	3
Canada	6.8	4	70.8	5
Cyprus	5.0	2	nil	nil
Austria	1.8	1	12.4	2
Philippines	1.0	1	nil	nil

Source: Malaysian Industrial Development Authority
Note: [1]Expansion of capacities or manufacture of additional products not involving additional capital

approved in 2006, four were new projects, with total investments of RM183.4 million, while nine were expansion/diversification projects (RM3.1 billion).

Investments from the Netherlands in new projects were in the E&E industry totalling RM167.8 million and chemicals and chemical products industry (RM15.6 million). Among the new projects approved was a project for the production of micro-fused strain gauges, occupant weight sensors, common rail technology sensors, cylindrical pressure sensors, differential pressure sensors and air classification modules.

Investments from the Netherlands in expansion/diversification projects were concentrated in the E&E industry totalling RM2.9 billion and M&E industry (RM108.6

million). The high level of investments in the E&E industry was due mainly to a RM1.6 billion expansion project to manufacture advanced packaged integrated circuits. Another large expansion/diversification project (RM1.2 billion) in the E&E industry was by a leading electronics manufacturing services company, to produce printed circuit boards (PCB) assemblies and system integration for industrial electronic applications, such as computer and computer peripherals, office automation, control panels and testing/measuring equipment, medical equipment, telecommunications/multimedia equipment and mobile phones.

Australia

Australia emerged as the third largest source of foreign investments in 2006. Investments from Australia amounted to RM2.6 billion in 20 projects approved. In comparison, 12 projects were approved in 2005 involving investments of RM155.9 million. Investments from Australia in new projects in 2006 amounted to RM2.5 billion (17 projects), while investments in expansion/diversification projects amounted to RM14.7 million (three projects).

Investments from Australia in new projects were mainly in iron ore pellets totalling RM2.1 billion, and chemicals and chemical products (RM402.9 million), of which four projects were in the production of biodiesel with total investments of RM250.8 million. Of the three expansion/diversification projects approved, two were in the scientific and measuring equipment industry, involving investments of RM14.7 million.

The United States of America

The USA was the fourth largest source of foreign investments in 2006 with investments of RM2.5 billion in 38 projects approved, compared with RM5.2 billion in 43 projects in 2005. The higher investments in 2005 were attributable to three large expansion/diversification projects in the E&E industry, with combined investments of RM2.7 billion. A total of 18 of the 38 projects were new projects, attracting total investments of RM1 billion, while 20 were expansion/diversification projects, with investments of RM1.5 billion.

Investments from the USA in new projects were concentrated in the chemicals and chemical products industry, with eight projects involving total investments of RM500.6 million and E&E (two projects/RM491 million). Among the major new projects approved were for the manufacture of memory and storage products with investments totalling RM365.9 million, biodiesel (RM147.9 million) and the design, development and production of wireless transmission and communication equipment (RM125.1 million).

Existing US companies continued to expand/diversify their operations in Malaysia particularly in the E&E industry. Of the 20 expansion/diversification projects approved, nine with investments totalling RM1.2 billion were in the E&E industry. The expansion/diversification projects approved in the E&E industry included:

- a diversification project, with an investment of RM351 million, to undertake the development and manufacture of digital two-way radios, wireless broadband communications equipment/system, rechargeable batteries, accessories and parts;

- an expansion project, with an initial investment of RM245 million, for the production of PCB assemblies, telecommunications, including networking equipment and medical devices; and

- an expansion project, with an investment of RM249.9 million, to produce memory and communications devices.

Singapore

Singapore was the fifth largest source of foreign investments in 2006, with investments of RM1.9 billion in 130 projects. In comparison, investments from Singapore amounted to RM2.9 billion in 130 approved projects in 2005. Of the investments approved, RM899.6 million or 47.7 per cent was in 64 new projects, while RM985.1 million (52.3 per cent) was in 66 expansion/diversification projects.

Investments from Singapore in new projects were concentrated in the chemicals and chemical products industry totalling RM320.9 million, followed by plastic products (RM197.5 million), E&E (RM129.1 million), fabricated metal products (RM78.5 million), wood and wood products (RM64 million), M&E (RM39.2 million) and non-metallic mineral products (RM35 million). Among the new projects approved was a RM124.1 million project to manufacture specialty polymers and compounds. Seven new projects were for the production of biodiesel, with total investments of RM320.5 million. A joint-venture project between Malaysian and Singaporean investors, involving investments from Singapore of RM96.4 million, was approved for R&D and manufacture of thermal substrates for semiconductors.

Investments in expansion/diversification projects were concentrated in the E&E industry totalling RM590.5 million, followed by plastic products (RM197.5 million), chemicals and chemical products (RM97 million) and fabricated metal products (RM37.3 million). A major expansion/diversification project, with an investment of RM415.9 million, involved the manufacture of PCB assemblies, sub-assemblies, system integration, moulds, tools and dies, and re-manufacturing, re-engineering and repairing activities. Another significant expansion project, with an investment of RM125 million, was for the manufacture of plastic substrates for semiconductor packages.

APPROVED PROJECTS BY LOCATION

The States which attracted the majority of projects approved in 2006 were Selangor with 311 projects, Johor (221) and Pulau Pinang (156). A total of 688 projects or 64 per cent of the total number of projects approved were proposed to be located in these three States. The State of Kedah registered the highest level of investments, amounting to RM9.9 billion, followed by Johor (RM7.6 billion), Pulau Pinang (RM5.4 billion), Selangor (RM5.3 billion), Sabah (RM5.1 billion), Terengganu (RM2.9 billion), Labuan (RM2.2 billion) and Negeri Sembilan (RM1.8 billion).

The high level of investments in Kedah in 2006 was due primarily to a RM7.7 billion new crude petroleum refinery project. Other industries which attracted significant investments included E&E (RM1.5 billion), followed by wood and wood products (RM214.6 million) and M&E (RM156.9 million).

In Johor, investments were in a wide range of industries, including E&E totalling RM3.9 billion, followed by chemicals and chemical products (RM1.8 billion), fabricated metal products (RM541.3 million), plastic products (RM351.4 million) and M&E (RM155.4 million).

Investments in Pulau Pinang were largely in the E&E industry (RM3.6 billion), while investments in Selangor were concentrated in the chemicals and chemical products (RM1.3 billion) and E&E industries (RM708 million).

The Government continued to promote balanced industrial development in the country. In this regard, more attractive incentives were offered to companies locating their projects in the promoted areas of the Eastern Corridor of Peninsular Malaysia and the States of Perlis, Sabah and Sarawak.

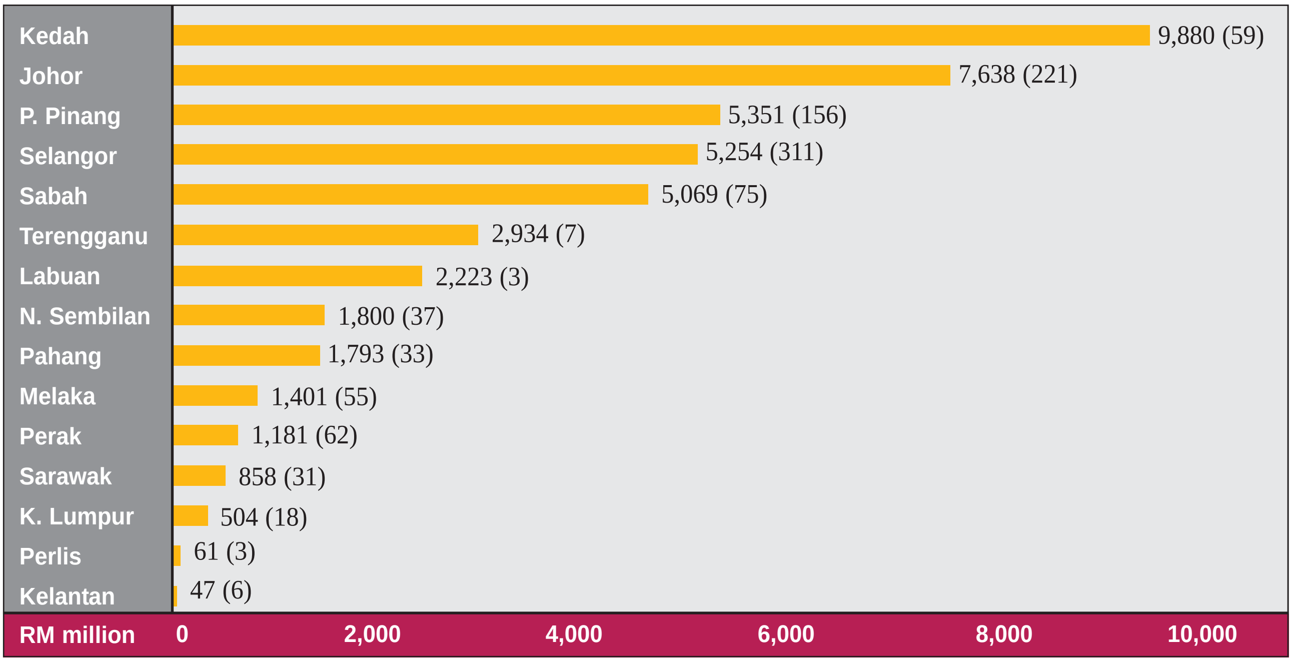
In 2006, a total of 153 projects, with investments totalling RM10.6 billion were approved to be located in these promoted areas. Of these projects, 75 projects were proposed to be located in Sabah and 31 projects in Sarawak. The concentration of the projects in these States was due to the availability of natural resources, which

Table 4.6:
Approved Manufacturing Projects by State, 2006 and 2005

State	2006						2005					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects
Total	**45,993.0**	**1,077**	**29,350.4**	**653**	**16,642.6**	**424**	**31,056.6**	**1,027**	**13,843.2**	**572**	**17,213.4**	**455**
Kedah	9,880.2	59	8,046.6	32	1,833.6	27	1,763.4	44	175.3	22	1,588.1	22
Johor	7,638.3	221	2,824.7	120	4,813.6	101	8,107.9	234	2,922.2	112	5,185.7	122
Pulau Pinang	5,350.7	156	2,111.6	84	3,239.1	72	4,624.8	148	1,180.0	73	3,444.8	75
Selangor	5,253.6	311	2,970.7	209	2,282.9	102	8,501.6	337	3,911.4	202	4,590.2	135
Sabah	5,068.7	75	4,702.0	62	366.7	13	1,204.5	41	1,012.5	31	192.0	10
Terengganu	2,933.7	7	2,887.7	6	46.0	1	327.7	8	300.9	6	26.8	2
W.P. Labuan	2,222.9	3	136.4	1	2,086.5	2	20.3	2	20.3	2	nil	nil
Negeri Sembilan	1,799.9	37	1,540.8	20	259.1	17	337.4	25	209.1	17	128.3	8
Pahang	1,792.6	33	1,193.7	18	598.9	15	2,203.1	18	1,950.7	10	252.4	8
Melaka	1,401.1	55	884.8	22	516.3	33	1,039.1	52	243.4	21	795.7	31
Perak	1,181.3	62	854.1	39	327.2	23	1,377.4	51	1,080.0	33	297.4	18
Sarawak	857.8	31	706.1	19	151.7	12	1,226.3	35	552.0	20	674.3	15
W.P. Kuala Lumpur	503.9	18	447.7	14	56.2	4	149.6	20	113.7	14	35.9	6
Perlis	61.2	3	1.4	2	59.8	1	31.4	2	31.4	2	nil	nil
Kelantan	47.1	6	42.1	5	5.0	1	124.9	8	123.1	5	1.8	3

Source: Malaysian Industrial Development Authority

Chart 4.5:
Approved Manufacturing Projects by State, 2006



Source: Malaysian Industrial Development Authority
Note: Figures in parentheses refer to number of projects approved

favoured the establishment of resource-based industries. Sabah accounted for 26 of the 83 biodiesel projects approved in 2006. Of the total investments approved in the promoted areas, RM9.4 billion was in 111 new projects, while RM1.2 billion was in 42 expansion/ diversification projects.

APPROVED PROJECTS BY INCENTIVE

In 2006, the Government continued to provide incentives to projects engaged in promoted products/activities, which would generate spin-offs and economic benefits to the country, such as R&D, technology transfer, industrial linkages, social economic development and employment. A total of 456 projects, with investments of RM30.3 billion were approved with incentives in 2006.

General Incentives

Companies engaged in promoted products/ activities, which fulfil criteria, such as value-added, technology and/or industrial linkages, are eligible for Pioneer Status (PS) or

Table 4.7:
Projects Approved with Incentives, 2006

Types of Incentive	Number of Projects	Total Investments (RM million)	Foreign Investments (RM million)	Domestic Investments (RM million)
Total	**456**	**30,341.2**	**11,733.3**	**18,607.9**
General	244	10,750.1	3,005.4	7,744.7
Small-scale manufacturing	114	192.4	5.7	186.7
Special incentives for selected industries	44	358.0	68.4	289.6
High technology	30	876.6	638.1	238.5
Customised	20	17,806.2	7,842.5	9,963.7
Strategic	4	357.9	173.2	184.7

Source: Malaysian Industrial Development Authority

Investment Tax Allowance (ITA). In 2006, a total of 244 projects involving investments of RM10.8 billion were approved incentives, of which 220 projects (RM8.8 billion) were granted PS, while 24 projects (RM2 billion) were granted ITA.

These investments were in a broad range of industries, including chemicals and chemical products totalling RM6.5 billion, followed by petroleum products including petrochemicals (RM1.1 billion), food manufacturing (RM756 million), transport equipment (RM668.1 million) and basic metal products (RM300.6 million).

Incentives for Small-Scale Manufacturing Projects

The Government continued to grant incentives to small-scale manufacturing projects to further promote their development. Companies with shareholders' funds not exceeding RM500,000 and with at least 60 per cent Malaysian equity, that are involved in promoted products/activities are eligible for PS or ITA.

In 2006, a total of 114 small-scale projects were granted incentives, with investments amounting to RM192.4 million. These projects were mainly in the fabricated metal products industry with 39 projects totalling RM38.4 million, followed by E&E (17 projects/ RM40.8 million), food manufacturing (14 projects/RM20 million), furniture and fixtures (11 projects/RM18.7 million) and transport equipment (nine projects/RM15.9 million).

Special Incentives for Selected Industries

The Government provides more attractive incentives for selected industries including the production of specialised M&E, design, R&D and production of automotive component modules or systems, and the utilisation of biomass to produce value-added products. In 2006, these incentives were approved for a total of 44 projects, with investments of RM358 million. Of these, 37 projects were for the production of specialised machinery, with investments of RM288.8 million, two for manufacturing *halal* products (RM20.9 million) and five to produce value-added products utilising oil palm biomass (RM48.4 million).

Incentives for High Technology Projects

Companies engaged in promoted activities or production of promoted products, in the areas of new and emerging technologies, are eligible for these incentives. In 2006, a total of 30 projects, with investments of RM876.6 million were granted these incentives.

Incentives for high technology projects were approved mainly in the E&E industry, with 13 projects involving investments of RM184 million, followed by scientific and measuring equipment (six projects/RM512.6 million), plastic products (three projects/ RM133.3 million) and food manufacturing (three projects/RM20.9 million).

Customised Incentives

Customised incentives are granted for projects which are technology, capital and R&D-intensive, knowledge and skills-driven and capable of generating significant linkages, as well as contributing to the development of manufacturing support services. In 2006, a total of 20 projects were granted customised incentives, with investments of RM17.8 billion.

These projects were mainly in the E&E industry, with nine projects involving total investments of RM4.4 billion, followed by M&E (four projects/RM315.9 million), petroleum products, including petrochemicals (two projects/RM9.7 billion) and basic metal products (two projects/RM2.1 billion).

Incentives for Strategic Projects

Strategic projects are those that are of national importance and generally involve heavy capital investments, high levels of technology and generate extensive linkages. In 2006, four projects were granted incentives for strategic projects involving investments of RM357.8 million. Incentives for strategic projects were approved for the E&E industry, with three projects involving investments of RM282.6 million and transport equipment industry (one project/ RM75.2 million).

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS

To support and facilitate investors in implementing approved projects, the Government has taken various initiatives, including:

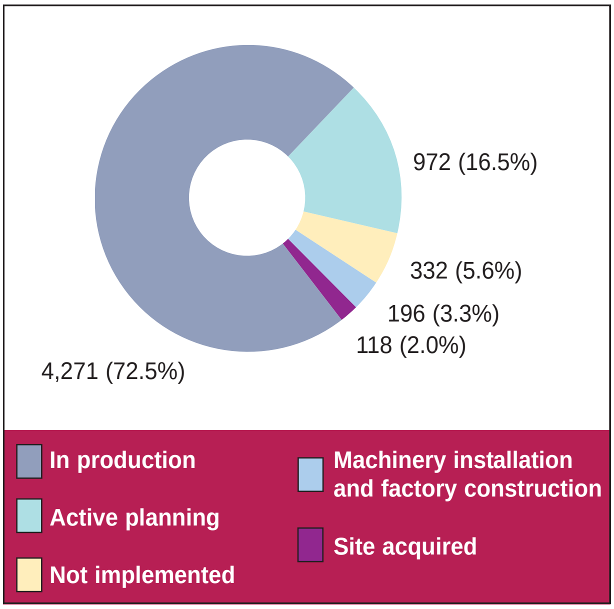
- the Project Implementation and Coordination Unit (PICU), established in 2001 at MIDA, to coordinate, monitor and expedite approvals for issuance of Building Plans (BP) and Certificates of Fitness of Occupation (CFO) by local authorities, had considered 400 issues as at end of 2006, of which 372 have been resolved, while 28 are still being addressed;

- a number of State Governments have established State Investment Centres (SICs) as a single window to promote and facilitate investments in their respective States. To date, Selangor, Pulau Pinang, Negeri Sembilan, Melaka, Johor, Kedah, Perak and Kelantan have set up SICs to provide information and advisory services to existing and potential investors, as well as to assist them in the implementation of their projects; and

- District Industry Implementation Units (DIIUs) have been established to monitor the implementation of projects at the district level and provide the necessary assistance to expedite the approval process. DIIUs are chaired by the relevant District Officers/Council Presidents and with MIDA as the secretariat. To date, Selangor, Johor, Pulau Pinang, Sabah, Negeri Sembilan and Pahang have agreed to the setting up of DIIUs, while the other States are finalising their respective DIIUs.

Hand-holding activities undertaken by MIDA and the respective State Governments have resulted in a higher rate of implementation of approved manufacturing projects. For the period 2001-2006, a total of 5,889 manufacturing projects were approved, of which 4,271 (72.5 per cent) projects have commenced production, while 196 (3.3 per cent) are at the stage of machinery installation and factory construction. Of the 4,271 projects in production, 588 projects commenced production in 2006.

Chart 4.6:
Status of Implementation of Manufacturing Projects Approved during 2001-2006, as at 31 December 2006



Source: Malaysian Industrial Development Authority

Total investments in the 4,467 projects implemented (inclusive of projects which have commenced production, factory construction and machinery installation) amounted to RM92 billion. In addition, 118 projects involving investments of RM21.1 billion have acquired their sites, while 972 projects involving investments of RM53.5 billion are in the active planning stage. These 1,090 projects when implemented will involve total investments of RM74.5 billion.

In terms of location, 1,425 projects implemented were in Selangor, followed by Johor (1,017), Pulau Pinang (640), Kedah (265), Perak (243) and Melaka (207).

OUTLOOK

Malaysia will have to compete with other emerging economies to get a share of the global foreign direct investment (FDI) inflows. The Government will ensure that Malaysia remains a competitive location for investments in the manufacturing and services sectors through various measures, including improving the public service delivery system and reducing the cost of doing business. Among the measures introduced in 2006 included, the establishment of a Cabinet Committee on Investment to consider projects from investors which are high impact in nature and which require special Government consideration.

The IMP3, with its theme, 'Malaysia - Towards Global Competitiveness', has outlined the strategies and targets for the development of the manufacturing and services sector up to 2020. While the manufacturing sector will continue to remain an important source of growth, the services sector has been identified to assume a greater role in generating growth.

Box Article 4.1: Impact Of Foreign Direct Investment On The Malaysian Economy

INTRODUCTION

Competition for foreign direct investment (FDI)[1] has intensified over the last decade with the emergence of countries, such as the People's Republic of China, India, Viet Nam, Russia and Brazil. Realising the importance and the benefits of FDI, many countries have liberalised their investment environment and offer attractive incentives and facilities for foreign investors.

A substantial portion of FDI inflows into Malaysia is in the manufacturing sector. For the period 2001-2005, the manufacturing sector accounted for 53.7 per cent of the total FDI inflows of US$14.8 billion into Malaysia. The sector continued to be the engine of growth of the Malaysian economy, accounting for 31.9 per cent of the Gross Domestic Product (GDP), and contributing 76.7 per cent to total exports in 2006. It is also a major contributor to employment, accounting for 29.1 per cent of total employment in 2006.

IMPACT OF FDI ON THE ECONOMY

Sustained inflows of FDI, particularly into the manufacturing sector, has a positive impact on the Malaysian economy. A Study on the Impact of FDI on the Malaysian economy was commissioned by MITI in 2004 and completed in February 2006. The Study was based on data from the Department of Statistics' Manufacturing Establishment Surveys for the period 1985-2002. The Study indicated that FDI had significant impact on the growth and structural change in the Malaysian economy, particularly in the manufacturing sector. The impact of FDI on the Malaysian economy was analysed in terms of its contribution to GDP growth, exports, trade balance, output, employment, capital formation, productivity and efficiency, technology transfer and indirect and spillover effects.

GDP Growth

Economic growth of a country, as measured by GDP, can be traced using the growth accounting approach to various contributing factors, namely domestic capital, foreign capital, labour and total factor productivity. The estimated contribution of FDI to GDP growth increased from an annual average rate of 4.8 per cent during the period 1986-1995 to 14.5 per cent for the period 1996-2005.

The Study showed that FDI had a positive effect on economic growth. A one per cent (RM140 million) increase in FDI resulted in a 0.02 per cent (RM89 million) increase in GDP. Domestic investments, however, had a greater impact (0.28 per cent) due to their larger and wider distribution across all sectors of the economy.

Exports and Trade Balance

Malaysia's exports of manufactured products increased from RM154.7 billion in 1996 to RM451.8 billion in 2006. The bulk of the exports are attributable to the electrical and electronics (E&E) products industry, which is dominated by foreign-owned companies. In 2006, exports of electrical and electronics products amounted to RM281 billion or 62.2 per cent of Malaysia's total exports of manufactured products.

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[1] FDI is defined by the United Nations Conference on Trade Development (UNCTAD) as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy in an enterprise resident in another economy. FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy.

Continued ...

According to the Study, FDI had a positive effect on exports during the period 1985-2002. A one per cent increase in FDI was associated with an increase in exports of 0.04 per cent in the short term and 0.52 per cent in the long term.

The Study also indicated that foreign-owned firms accounted for about 70 per cent of the total exports of manufactured products from Malaysia in 2002, compared with 30 per cent for locally-owned companies. This can be attributed to the success of policies aimed at attracting export-oriented foreign-owned manufacturing operations to Malaysia. The high share of exports of foreign-owned firms is also due to the inherent advantages which foreign-owned firms enjoy in terms of access to international markets, global production networks, management and business expertise and technology.

The Study indicated that FDI has a negative short-term impact on trade balance. This is due to the imports of capital goods, such as plant and machinery in the initial stages of project implementation. In the long term, FDI generates net trade gains resulting in trade surpluses.

Output

The Study indicated that output of the manufacturing sector increased sharply from RM42.6 billion in 1985 to RM429.2 billion in 2002. The contribution of foreign-owned firms to the total output of manufactured products increased to 50.5 per cent in 2002, from 34.4 per cent in 1985. The substantial increase in output of foreign-owned firms was mainly to meet external demand rather than to supply the domestic market.

The contribution of FDI to the transformation and upgrading of the manufacturing sector in Malaysia is reflected in the concentration of FDI in the higher technology and value-added industries. Industries which were dominated by foreign-owned companies, in terms of share of total output in 2002, were the professional and scientific measuring equipment, machinery and equipment and E&E products industries.

Employment

When Malaysia embarked on its industrialisation drive in the early 1970's, the primary aim of attracting FDI was to create employment opportunities in an environment of high unemployment. Given the current full employment situation in Malaysia and reliance on foreign workers, the focus has shifted to creating employment opportunities for managerial, technical and skilled workers through the promotion of high technology, high value-added and knowledge intensive industries.

According to the Study, the contribution of foreign-owned firms to total employment in the manufacturing sector has increased from 29.3 per cent in 1985, to 38.4 per cent in 2002. The share of foreign-owned firms in total employment of skilled workers in the manufacturing sector was higher at 45.1 per cent in 1999.

Capital Formation

The direct contribution of FDI to fixed capital formation is reflected in the share of FDI to total private investment, which increased from 23.4 per cent for the period 1986-1995, to 26.2 per cent for the period 1996-2005. Fixed capital formation comprises investment in plant, machinery and equipment and other fixed assets. In terms of capital stock (excluding housing), the share of FDI in total capital stock increased from an estimated 10 per cent in the early 1980's to 25.4 per cent in 2004. This shows the growing importance of FDI in capital formation in the economy.

Productivity and Efficiency

FDI has also acted as a catalyst in bringing about improvements in productivity and efficiency in the economy, through the introduction of the latest management practices, automation and technological advancement. The following findings were made by the Study:

- Foreign-owned firms recorded a higher average labour productivity of RM385,108 than locally-owned firms (RM235,666) in 2002. Labour productivity is measured by manufacturing output per worker.

- Capital productivity of foreign-owned firms was higher at 3.2 than that of locally-owned firms (2) in 2002. Capital productivity is measured as a ratio of turnover to fixed assets and indicates how efficiently capital is utilised.

- Foreign-owned firms had a lower Unit Labour Cost of 0.05, compared with locally-owned firms (0.07) in 2002, indicating that foreign-owned firms were more labour cost competitive. Unit Labour Cost is measured by labour wage per output.

Technology Transfer

One important contribution of FDI is in the transfer of technology and development of supporting industries. Sourcing of inputs and services by foreign-owned firms from local companies indirectly transfers technological expertise, since local supplier firms are compelled to meet the standards required by foreign-owned firms. These foreign-owned firms often assist their vendors in meeting these standards. According to the Study, there was evidence of technology transfer from foreign-owned firms to locally owned firms, including SMEs, for instance in the E&E industry in Pulau Pinang.

Continued ...

Research and Development
The involvement of the private sector in research and development (R&D) activities is crucial to the success of the nation's industrialisation drive. There is an increasing trend among foreign-owned firms operating in Malaysia to invest in R&D activities, product development centres and process improvement facilities to cater for their global operations. According to the Study, average expenditure on R&D by foreign-owned companies was higher than locally-owned companies.

Indirect and Spillover Effects
The Study also highlighted the indirect and spillover effects of FDI, including:

- Utility Consumption - average utility consumption for each foreign-owned firm was RM3.1 million in 2002, compared with RM530,000 for a locally-owned firm.

- Staff Training - average expenditures on staff training by each foreign-owned firm in 2002 amounted to RM64,000, compared with RM10,000 by a locally-owned firm.

- Wages - share of wages paid by foreign-owned firms to total wages increased from 30.8 per cent in 1985, to 42.5 per cent in 2002.

- Spending on Information Technology - spending by wholly foreign-owned firms on information technology (IT) constituted 63 per cent of the total IT spending by the manufacturing sector in 2002.

- Outsourcing of Services - in 2002, average expenditure on outsourcing of services, such as for transportation, auditing, accounting and legal services by foreign-owned firms was RM5.1 million, compared with RM975,000 by locally-owned firms.

CONCLUSION

FDI has contributed significantly to Malaysia's economic development efforts and industrialisation drive over the last three decades. As Malaysia focuses its efforts on upscaling its economy and developing high technology, high value-added and knowledge intensive industries, FDI will continue to assume an important role in the development of the manufacturing sector. FDI is also expected to increase and assume a greater role in the development of the services sector as envisaged in the Third Industrial Master Plan.

Chapter 5 Performance Of The Manufacturing Sector

OVERVIEW

The manufacturing sector s contribution to Gross Domestic Product (GDP) increased to 31.1 per cent in 2006, compared with 30.8 per cent in 2005. The Industrial Production Index (IPI) increased by 7.5 per cent to 139, from 129.3 in 2005. This increase was due to strong global demand for manufactured goods. Sales of manufactured goods increased by 11.1 per cent to RM510.7 billion in 2006, from RM459.7 billion in 2005. Exports of manufactured goods accounted for 76.7 per cent of Malaysia s total exports, valued at RM451.7 billion.

Production

Based on the Monthly Manufacturing Survey conducted by the Department of Statistics, in 2006, output of export-oriented industries expanded by 7.5 per cent while, domestic-oriented industries grew by 7.2 per cent.

Table 5.1:
Manufacturing Sector Performance, 2006

Indicator	2006	2005
Share of Real GDP (%)	31.1	30.8
Production Index (2000=100)	139.0	129.3
Value Added Growth (%)	7.1	5.3
Total Sales (RM billion)	510.7	459.7
Investments Approved (RM billion)	46.0	31.0
Productivity Growth (%) (Sales Value per Employee)	3.5	14.1
Share of Total Exports (%)	76.7	77.4
Share of Total Employment (%)	29.0	28.7

Sources: Department of Statistics, Malaysia,
Economic Planning Unit, Malaysia (EPU)
Malaysian Industrial Development Authority (MIDA)
National Productivity Corporation (NPC)
Malaysia External Trade Development Corporation (MATRADE)

Professional and scientific equipment and electrical and electronics (E&E) industries were the main contributors to the expansion of the export-oriented industries. Fabricated

Table 5.2:
Production Indices of Selected Manufacturing Industries

Industry Group	2006	Change (%)	2005
Overall Manufacturing	**139.0**	**7.5**	**129.3**
Export-oriented industries	**140.9**	**7.5**	**131.0**
Chemicals	157.1	7.7	145.9
Palm oil	147.0	5.6	139.2
Rubber products	143.4	7.2	133.8
Electrical and electronics	140.9	9.0	129.3
Wood products	121.0	7.2	112.8
Professional and scientific equipment	119.4	11.3	107.4
Machinery and equipment	104.6	-13.7	121.2
Rubber remilling and latex processing	103.0	4.3	98.7
Textiles and apparel	89.8	7.5	83.5
Domestic-oriented industries	**131.1**	**7.2**	**122.2**
Fabricated metal products	156.4	26.6	123.6
Transport equipment	147.9	-1.5	150.2
Processed food and beverages	133.0	5.7	125.9
Non-metallic mineral products	117.0	3.3	113.2
Iron and steel	109.6	6.4	103.0
Non-ferrous metal	108.5	0.3	108.1

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

metal products, iron and steel, processed food and beverages and non-metallic mineral products were the main contributors to the growth of the domestic-oriented industries.

Sales

Based on the same survey, sales value of the manufacturing sector increased by 11.1 per cent to RM510.7 billion in 2006, from RM459.7 billion in 2005. For the export-oriented industries, sales value increased by 12.7 per cent to RM418.3 billion (accounting for 82 per cent of total sales), from RM371.3 billion in 2005. Sales value of the domestic-oriented industries increased by 4.7 per cent to RM80.1 billion (accounting for 16 per cent of total sales), from RM76.5 billion in 2005.

Within the export-oriented industries, the E&E industry recorded the highest sales of RM208.9 billion, followed by chemicals, at RM144.3 billion. Together, these two industries accounted for 69.2 per cent of total sales. Domestic-oriented industries which recorded high sales were the transport equipment industry, at RM20.5 billion, followed by iron and steel (RM18.6 billion), and processed food and beverages (RM15 billion).

Employment

Based on the Monthly Manufacturing Survey, in 2006, employment in the manufacturing sector grew by 8.6 per cent to 1,084,571 workers, from 998,553 workers in 2005. Export-oriented industries accounted for 76.6 per cent of the total employment in the manufacturing sector, with the E&E industry recording the largest employment of 384,942 workers, followed by wood and wood products (138,154 workers), and chemicals industries (129,418 workers). Domestic-oriented industries accounted for 18.9 per cent of total employment, with the transport equipment industry employing 52,795 workers, followed by fabricated metal products (46,276 workers) and non-metallic mineral products (41,423 workers).

Productivity

Productivity of the manufacturing sector, as measured by Sales Value per Employee, increased by 3.5 per cent to RM479,410 in 2006, as compared with RM463,130 in 2005. The main contributions were from the chemicals (RM1,127,300), iron and steel (RM1,032,030), E&E (RM561,530), machinery and equipment (RM455,030) and transport and equipment industries (RM380,600).

Table 5.3:
Sales of Selected Manufacturing Industries

Industry Group	2006 (RM billion)	Change (%)	2005 (RM billion)
Total Sales	**510.7**	**11.1**	**459.7**
Export-oriented industries	**418.3**	**12.7**	**371.3**
Electrical and electronics	209.0	9.5	190.8
Chemicals	144.3	13.3	127.4
Wood and wood products	21.6	13.1	19.1
Rubber products	11.4	21.6	9.4
Professional and scientific equipment	9.7	93.6	5.0
Rubber milling and latex processing	8.6	59.2	5.4
Textiles and apparel	8.2	-6.0	8.8
Machinery and equipment	5.8	2.4	5.7
Domestic-oriented industries	**80.1**	**4.7**	**76.5**
Transport equipment	20.5	-7.5	22.2
Iron and steel	18.6	2.3	18.2
Processed food and beverages	15.0	9.4	13.7
Non-metallic mineral products	10.4	9.8	9.4
Fabricated metal products	10.2	16.5	8.7
Non-ferrous metal	5.4	24.8	4.3

Source : Department of Statistics, Malaysia

Table 5.4:
Employment in Selected Manufacturing Industries

Industry Group	2006 (Workers)	Change (%)	2005 (Workers)
Overall Employment	**1,084,571**	**8.6**	**998,553**
Export-oriented industries	**830,587**	**9.9**	**756,092**
Electrical and electronics	384,942	14.9	335,132
Wood and wood products	138,154	8.9	126,921
Chemicals	129,418	3.7	124,780
Textiles and apparel	65,023	-2.2	66,506
Rubber products	63,728	7.3	59,409
Professional and scientific equipment	31,279	20.4	25,986
Machinery and equipment	12,700	2.0	12,450
Rubber remilling and latex processing	5,343	8.9	4,908
Domestic-oriented industries	**205,471**	**4.8**	**196,107**
Transport equipment	52,795	-9.5	58,327
Fabricated metal products	46,276	20.7	38,340
Non-metallic mineral products	41,423	4.2	39,772
Processed food and beverages	39,008	7.9	36,155
Iron and steel	18,385	17.1	15,696
Non-ferrous metal	7,584	-1.3	7,684

Source : Department of Statistics, Malaysia

Investments

In 2006, total investments approved increased by 48.1 per cent to RM46 billion, from RM31.1 billion in 2005. A total of 1,077 projects were approved in 2006, compared with 1,027 projects in 2005. Of the total number of projects approved, 653 (60.6 per cent) were new projects, with investments of RM29.4 billion, while 424 projects were for expansion/diversification (RM16.6 billion). Investments in projects approved in 2006 were concentrated in three industries, namely, petroleum products (RM11.4 billion), E&E products (RM10 billion) and chemicals and chemical products (RM9.1 billion).

Table 5.5:
Total Investments in the Manufacturing Sector

Description	2006	Change (%)	2005
No. of Projects Approved	**1,077**	**4.9**	**1,027**
Total investments (RM billion)	46.0	48.1	31.1
Domestic investments (RM billion)	25.8	95.6	13.1
Foreign investments (RM billion)	20.2	13.1	17.9

Source: Malaysian Industrial Development Authority

Exports

In 2006, exports of manufactured goods increased by 9.3 per cent to RM451.7 billion, from RM413.1 billion in 2005. E&E products, which accounted for 47.7 per cent or RM281 billion of Malaysia s total exports, remained as the largest export earner. In 2006, exports of E&E products increased by 6.2 per cent (RM16.3 billion).

Chemicals and chemical products, the second largest export revenue earner, contributed 4.9 per cent or RM29.1 billion to total exports, followed by machinery and equipment (RM19.8 billion), wood products (RM16.7 billion) and metal products (RM14.2 billion).

Imports

Imports of manufactured goods expanded by 9.3 per cent to RM402 billion in 2006, from RM367.7 billion in 2005. E&E products accounted for 43.2 per cent or RM207.6 billion of total imports. In 2006, imports of E&E products increased by 7.4 per cent (RM14.4 billion).

Machinery and equipment contributed 7.8 per cent or RM37.4 billion to total imports, followed by chemicals and chemical products (RM35.1

Table 5.6:
Export Performance of Manufactured Goods

Product Group	2006			2005	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Exports	**589.0**	**100.0**	**10.3**	**533.8**	**100.0**
Exports of Manufactured Goods	**451.7**	**76.7**	**9.3**	**413.1**	**77.4**
Electrical and electronic products	281.0	47.7	6.2	264.7	49.6
Chemicals and chemical products	29.1	4.9	10.6	26.3	4.9
Machinery and equipment	19.8	3.4	9.5	18.1	3.4
Wood products	16.7	2.8	14.0	14.6	2.7
Metal products	14.2	2.4	30.5	10.8	2.0
Optical and scientific equipment	13.6	2.3	10.1	12.3	2.3
Textiles and apparel	10.6	1.8	3.0	10.3	1.9
Iron and steel products	9.4	1.6	33.6	7.0	1.3
Rubber products	9.3	1.6	33.6	7.0	1.3
Transport equipment	8.7	1.5	24.2	7.0	1.3
Plastic products	7.9	1.3	17.3	6.7	1.3
Processed food	7.3	1.2	11.1	6.5	1.2
Jewellery	3.9	0.7	7.2	3.6	0.7
Non-metallic mineral products	3.5	0.6	19.1	2.9	0.5
Petroleum products	2.5	0.4	12.3	2.2	0.4
Paper and pulp products	2.2	0.4	4.6	2.1	0.4
Beverages and tobacco	1.9	0.3	13.0	1.7	0.3
Other manufactures	10.4	1.8	13.1	9.2	1.7

Compiled by Ministry of International Trade and Industry

Table 5.7:
Import Performance of Manufactured Goods

Product Group	2006			2005	
	RM billion	Share (%) (%)	Change (%) (%)	RM billion	Share (%)
Total Imports	**480.8**	**100.0**	**10.8**	**434.0**	**100.0**
Imports of Manufactured Goods	**402.0**	**83.6**	**9.3**	**367.7**	**84.7**
Electrical and electronic products	207.6	43.2	7.4	193.2	44.5
Machinery and equipment	37.4	7.8	3.0	36.4	8.4
Chemical and chemical products	35.1	7.3	9.7	32.0	7.4
Metal products	24.3	5.1	37.0	17.8	4.1
Transport equipment	20.5	4.3	5.8	19.3	4.5
Iron and steel products	20.0	4.2	9.6	18.3	4.2
Optical and scientific equipment	14.6	3.0	17.5	12.5	2.9
Plastic products	7.1	1.5	36.4	5.2	1.2
Processed food	6.8	1.4	6.5	6.4	1.5
Paper and pulp products	5.7	1.2	7.4	5.3	1.2
Textiles and apparel	5.4	1.1	8.2	5.0	1.2
Non-metallic mineral products	3.3	0.7	7.2	3.1	0.7
Rubber products	2.7	0.6	23.2	2.2	0.5
Petroleum products	1.3	0.3	-15.7	1.5	0.3
Wood products	1.2	0.2	17.8	1.0	0.2
Beverages and tobacco	1.2	0.2	4.0	1.1	0.3
Jewellery	0.3	0.1	16.9	0.3	0.1
Other manufactures	7.7	1.6	3.3	7.4	1.7

Compiled by Ministry of International Trade and Industry

Table 5.8:
Production Index for Selected E&E Products

Products	2006	Change (%)	2005
Semiconductor devices	185.3	11.9	165.7
Computers and computer peripherals	154.5	15.0	134.4
Electronic valves and tubes and printed circuit boards	130.5	13.4	115.0
Wires and cables	117.8	8.6	108.5
Audio and audio visual products	70.6	-10.2	78.5

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

billion), metal products (RM24.3 billion) and transport equipment (RM20.5 billion).

ELECTRICAL AND ELECTRONICS INDUSTRY

Driven by the expansion of the semiconductor industry worldwide, the E&E industry continued to be the main contributor to growth of the manufacturing sector in Malaysia.

Production

In 2006, the production index for the E&E industry increased by 9 per cent to 140.9, compared with 129.3 in 2005. This was due to the growth in the global semiconductor market, driven by increased demand for computers and consumer electronics, such as cellular phones, media players (MP3) and digital cameras.

The production index of computers and computer peripherals increased by 15 per cent to 154.5 in 2006, compared with 134.4 in 2005, while the index for semiconductors and other electronic components recorded an increase of 11.9 per cent. Wires and cables increased by 8.6 per cent, while audio and audio visual products declined by 10.2 per cent.

Sales

In 2006, total E&E sales increased by 9.5 per cent to RM209 billion, compared with RM190.8 billion in 2005, representing 40.9 per cent of total sales of the manufacturing sector. The increase in sales was partly due to the fall in prices of computers and computer peripherals. The shift towards the usage of notebook computers also contributed to the increase. In 2006, sales of computers and computer peripherals increased by 28.8 per cent to RM67.6 billion, compared with RM52.5 billion in 2005.

Sales of semiconductor and other electronic devices decreased by 1 per cent to RM42.6 billion in 2006, compared with RM43.1 billion in 2005. Wire and cable sales increased by 40.7 per cent to RM7.7 billion in 2006, compared with RM5.5 billion in 2005.

Employment

In 2006, employment in the E&E industry grew by 14.9 per cent to 384,942 workers, compared with 335,132 workers in 2005. The E&E industry remained the largest employer, contributing 35.5 per cent of the total manufacturing employment in 2006.

Table 5.9:
Sales of Selected E&E Products

Products	2006 (RM billion)	Change (%)	2005 (RM billion)
Computers and computer peripherals	67.6	28.8	52.5
Semiconductor and other electronic devices	42.6	-1.0	43.1
Electronic valves and tubes, printed circuit boards and other electronic components	35.0	-12.2	39.9
Audio and audio visual products	22.1	-20.0	27.6
Wires and cables	7.7	40.7	5.5

Source: Department of Statistics, Malaysia

Table 5.10:
Employment in Selected E&E Segments

Segment	2006 (Workers)	Change (%)	2005 (Workers)
E&E Industry	**384,942**	**14.9**	**335,132**
Electronic valves and tubes, printed circuit boards and other electronic components	92,959	1.3	90,739
Semiconductor and other electronic devices	90,025	13.0	79,666
Audio and audio visual products	52,689	-11.1	59,261
Computers and computer peripherals	64,730	38.2	46,851
Wires and cables	13,813	17.3	11,780

Source: Department of Statistics, Malaysia

Employment in the semiconductor and other electronic components sub-sector increased by 13 per cent to 90,025 workers, compared with 79,666 workers in 2005. It represented 23.4 per cent of total E&E employment.

In 2006, employment in the computers and computer peripherals segment increased by 38.2 per cent to 64,730 workers, from 46,851 workers in 2005. This was due to the strong demand for notebook and personal digital assistant (PDA) type products.

In line with the reduction in the production of audio and audio visual products, employment in this sub-sector registered a decline of 11.1 per cent to 52,689 workers, compared with 59,261 workers in 2005.

Productivity

Productivity level, as measured by Sales Value per Employee, of the E&E industry decreased by 2.4 per cent to RM561,530 in 2006, compared with RM575,230 in 2005. All the E&E sub-sectors registered decline in productivity except wires and cables sub-sector, which grew at 16.9 per cent. The lower growth of Sales Value per Employee was due to the expansion in employment to meet the increase in global demand for E&E products.

Labour Cost per Employee for the E&E industry grew by 0.5 per cent, while Unit Labour Cost increased by 2.8 per cent. Labour cost competitiveness of the wires and cables sub-sector was sustained as Labour Cost per Employee and Unit

Table 5.11:
Productivity Indicators of Selected E&E Segments

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
E&E Industry	**561.5**	**-2.4**	**575.2**	**23.0**	**0.5**	**22.9**	**0.0409**	**2.8**	**0.0398**
Computers and computer peripherals	1,148.6	-2.6	1,178.6	21.6	-4.4	22.6	0.0188	-2.1	0.0192
Wires and cables	532.5	16.9	455.3	17.9	-14.7	21.0	0.0337	-27.1	0.0462
Semiconductor devices	487.6	-11.2	550.1	29.4	3.3	28.4	0.0602	16.4	0.0517
Audio and audio visual products	411.5	-11.4	463.2	23.9	-1.2	24.2	0.0581	11.3	0.0522
Electronic valves and tubes, printed circuit boards and other electronic components	379.2	-11.4	427.8	20.3	-0.2	20.3	0.0534	12.6	0.0475

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

Labour Cost decreased by 14.7 per cent and 27.1 per cent, respectively.

The favourable performance of wires and cables was attributed to the application of advanced machineries, such as terminal crimping machine, stripping machine and tin pot to produce higher value wire and cable products. Computers and computer peripherals was also able to sustain its labour cost competitiveness as Labour Cost per Employee and Unit Labour Cost reduced by 4.4 per cent and 2.1 per cent, respectively.

Investments

A total of 170 E&E projects, with investments of RM10 billion were approved in 2006, comprising 59 new projects and 111 expansion/diversification projects. The number of projects declined by 25.1 per cent, compared with 227 projects approved in 2005, valued at RM13.8 billion.

Foreign investments remained an important source totalling RM8.6 billion or 85.8 per cent of total investments in the E&E industry, while domestic investments totalled RM1.4 billion or 14.2 per cent.

The electronic components and industrial electronics sub-sectors contributed 90.2 per cent to total investments in the E&E industry. A total of 106 projects were approved in 2006, compared with 103 projects in 2005.

Exports

In 2006, E&E exports recorded an increase of 6.2 per cent to RM281 billion, compared with RM264.7 billion in 2005. Office machines and automatic data processing machines and parts recorded an increase of 18.2 per cent to RM102.6 billion, compared with RM86.8 billion in 2005. Telecommunications and sound recording equipment also increased by 3.8 per cent to RM52.7 billion, compared with RM50.8 billion in 2005.

However, exports of electrical machinery, apparatus, appliances and parts recorded a decrease of 1.1 per cent to RM125.7 billion, compared with RM127.2 billion in 2005. The decrease was due to reduction in exports of electrical apparatus for electrical circuits and printed circuits, which declined by 30.7 per cent to RM15.7 billion, compared with RM22.7 billion in 2005.

Major E&E exports were semiconductor devices, integrated circuits, micro assemblies, transistors and valves segment, accounting for 33.3 per cent of total E&E exports, valued at RM93.5 billion, followed by automatic data processing machines with export value of RM59.8 billion (21.3 per cent).

In terms of market, the USA remained the largest export market for E&E products in 2006. Exports to the USA contributed 30.6 per cent of total E&E export, valued at RM85.9 billion. This was an increase of 4.8 per cent, compared with RM82 billion in 2005. Other major export destinations were Singapore and the People's Republic of China. In 2006, exports to Singapore increased by 2.4 per cent to RM44.9 billion, compared with RM43.9 billion in 2005, while exports to the People's Republic of China increased by 25.4 per cent to RM19.2 billion, compared with RM15.3 billion in 2005.

Table 5.12:
Total Investments in the E&E Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**170**	**-25.1**	**227**
Total investments (RM billion)	10.0	-27.3	13.8
Foreign investments (RM billion)	8.6	-24.0	11.3
Domestic investments (RM billion)	1.4	-42.5	2.5

Source: Malaysian Industrial Development Authority

Table 5.13:
Exports of Selected E&E Products

Description	2006			2005	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Exports of E&E Products	**281.0**	**100.0**	**6.2**	**264.7**	**100.0**
Electrical machinery, apparatus and appliances and parts	**125.7**	**44.7**	**-1.1**	**127.2**	**48.0**
Semiconductor devices, ICs, micro assemblies, transistors, valves	93.5	33.3	3.9	90.0	34.0
Electrical apparatus for electrical circuits and printed circuits	15.7	5.6	-30.7	22.7	8.6
Electrical machinery and apparatus	8.4	3.0	10.9	7.6	2.9
Electrical and non-electrical household equipment	3.2	1.1	12.0	2.8	1.1
Equipment for distributing electricity	2.7	1.0	26.8	2.1	0.8
Electrical power machinery and parts	1.9	0.7	10.8	1.7	0.6
Electro-diagnostic apparatus, medical and radiological apparatus	0.3	0.1	32.3	0.2	0.1
Office machines and automatic data processing machines and parts	**102.6**	**36.5**	**18.2**	**86.8**	**32.8**
Automatic data processing machines	59.8	21.3	10.9	53.9	20.4
Parts for office machines and automatic data processing machines	41.9	14.9	29.5	32.3	12.2
Office machines	0.9	0.3	74.4	0.5	0.2
Telecommunications and sound equipment	**52.7**	**18.8**	**3.8**	**50.8**	**19.2**
Telecommunications equipment and parts	33.6	12.0	19.6	28.1	10.6
Sound recorders	7.7	2.7	-8.0	8.3	3.1
Radio broadcast receivers	6.7	2.4	-7.5	7.3	2.7
Television receivers	4.7	1.7	-33.2	7.1	2.7

Compiled by Ministry of International Trade and Industry

E&E exports to ASEAN and the EU increased to RM60.8 billion and RM44.6 billion, compared with RM59.6 billion and RM37.3 billion in 2005, respectively.

Imports

Imports of E&E products increased by 7.4 per cent to RM207.6 billion, compared with RM193.2 billion in 2005, due to increase in imports of components for finished products. The People's Republic of China replaced the USA as the main source of imports, valued at RM35.5 billion, while imports from the USA amounted to RM34.1 billion.

Imports of electrical machinery, apparatus and appliances increased by 9.4 per cent to RM153.5 billion, compared with RM140.3 billion in 2005. This sub-sector accounted for 73.9 per cent of total E&E imports. Imports of office machines and automatic data processing machines and parts also recorded an increase of 2.1 per cent to RM37.4 billion, compared with RM36.6 billion in 2005.

Developments

The introduction of green ruling, such as the Waste Electrical and Electronic Equipment (WEEE) and the Restrictions on Hazardous Substances (RoHS), by the EU in 2005, restricts the use of hazardous substances in electrical and electronics equipment. The Regulations is aimed at providing protection to human health and dictate environmentally sound recovery and disposal of waste from electrical and electronics equipment. The RoHS Directive came into force on 1 July 2006.

The WEEE directive requires industry to collect and recycle waste on electrical and electronics equipment. The RoHS requires

Table 5.14:
Import of Selected E&E Products

Description	2006			2005	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Import of E&E Products	**207.6**	**100.0**	**7.4**	**193.2**	**100.0**
Electrical machinery, apparatus and appliances and parts	**153.5**	**73.9**	**9.4**	**140.3**	**72.6**
Semiconductor devices, ICs, micro assemblies, transistors, valves	114.7	55.3	8.5	105.7	54.7
Electrical apparatus for electrical circuits and printed circuits	17.7	8.5	9.6	16.1	8.4
Electrical machinery and apparatus	13.7	6.6	13.4	12.0	6.2
Electrical power machinery and parts	3.6	1.7	15.3	3.1	1.6
Equipment for distributing electricity	2.2	1.1	27.7	1.8	0.9
Electrical and non-electrical household equipment	1.2	0.6	9.2	1.1	0.5
Electro-diagnostic apparatus, medical and radiological apparatus	0.4	0.2	-16.3	0.4	0.2
Office machines and automatic data processing machines and parts	**37.4**	**18.0**	**2.1**	**36.6**	**19.0**
Parts for office machines and automatic data processing machines	26.6	12.8	5.0	25.3	13.1
Automatic data processing machines	10.5	5.0	-4.8	11.0	5.7
Office machines	0.3	0.2	16.7	0.3	0.2
Telecommunications and sound equipment	**16.7**	**8.0**	**2.7**	**16.3**	**8.4**
Telecommunications equipment and parts	14.5	7.0	2.0	14.3	7.4
Sound recorders	1.3	0.6	-8.0	1.4	0.7
Television receivers	0.6	0.3	72.1	0.3	0.2
Radio broadcast receivers	0.3	0.1	7.2	0.3	0.1

Compiled by Ministry of International Trade and Industry

Member States to ensure that new electrical and electronics equipment in the market does not contain lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE).

The Federation of Malaysian Manufacturers (FMM) had conducted a workshop on WEEE and RoHS. The workshop was aimed at enhancing understanding among the industry players and exporters on issues involving the evolution of the electrical and electronics industry. The Workshop also focused on identifying measures and solutions affecting the electrical and electronics industry, including compliance to the WEEE and RoHS Directive.

The E&E sector has been targeted as one of the sectors for further development and promotion under the Third Industrial Master Plan, 2006-2020. The semiconductor industry will be further strengthened through the realisation of a fully developed semiconductor cluster in the North-Western Corridor, covering Perak, Pulau Pinang, Kulim High Technology Park and the neighbouring industrial areas in Kedah. A Task Force has been established to formulate action plans and to implement various strategic thrusts identified for the E&E industry.

TRANSPORT EQUIPMENT

The transport equipment industry comprises four major sub-sectors: automotive (includes the manufacture or assembly of motor vehicles and motorcycles), automotive components and parts, marine and aerospace.

Automotive Sub-Sector

Motor Vehicles Industry

Production

Total production of passenger and commercial vehicles in 2006 declined by 10.6 per cent to 503,461 units, from 563,408 units in 2005. Production of passenger cars decreased by 7.8 per cent to 480,627 units in 2006, compared with 521,384 units in 2005. For commercial vehicles, production declined by 46.2 per cent to 22,621 units in 2006, compared with 42,024 units in 2005. The share of passenger cars to total production of vehicles increased to 95.4 per cent in 2006, compared with 92.5 per cent in 2005. The increase in production of passenger vehicles is due to anticipation of increase in demand following the announcement of the National Automotive Policy on 22 March 2006.

Within the passenger car segment, production by the national car manufacturers declined by 12.5 per cent to 292,782 units in 2006. In contrast, production by assemblers increased marginally by 0.7 per cent to 187,845 units in 2006. In terms of total production of passenger cars, the share of the national car manufacturers increased to 60.9 per cent, compared with 59.4 per cent in 2005.

Table 5.15:
Capacity Utilisation for Motor Vehicles

Category	2006	Change (%)	2005
Total installed capacity (units)	**963,300**	**7.5**	**896,000**
Actual production (units)	503,461	-10.6	563,408
Capacity utilisation (%)	58.5	-4.4	62.9

Source: Malaysian Automotive Association (MAA)

Table 5.16:
Production of Motor Vehicles

Segment	2006 (Units)	Change (%)	2005 (Units)
Total	**503,461**	**-10.6**	**563,408**
Passenger cars	480,627	-7.8	521,384
Manufacturers	292,782	-12.5	334,763
Assemblers	187,845	0.7	186,621
Commercial vehicles	22,621	-46.2	42,024
Manufacturers	6,999	-3.2	7,231
Assemblers	15,622	-55.1	34,793

Source: Reclassified, based on data from Malaysian Automotive Association (MAA)
Note: [1]Include vans, multi-purpose vehicles, sport utility vehicles and four-wheel drive vehicles

Production of commercial vehicles by manufacturers declined by 3.2 per cent to 6,999 units, from 7,231 units in 2005. Production by assemblers declined by 55.1 per cent to 15,622 units, from 34,793 units. The total installed capacity for the production of motor vehicles increased by 7.5 per cent to 963,300 units in 2006, from 896,000 units in 2005. Capacity utilisation rate decreased to 58.5 per cent, compared with 62.9 per cent in 2005. The anticipated increase in demand for passenger vehicles did not materialise resulting in lower capacity utilisation rate.

Sales

The overall sales of motor vehicles declined by 8.1 per cent to RM13.6 billion in 2006, from RM14.8 billion in 2005. Sales of passenger cars decreased by 13.7 per cent, from 531,034 units in 2005 to 466,849 units in 2006. The decline was mainly due to the reduction in value of used cars, tightening of financing facilities, anticipation by consumers of further reduction in car prices following the announcement of the National Automotive Policy on 22 March 2006, and the impact of fuel price increase. Commercial vehicle sales increased by 19.5 per cent to 23,919 units, compared with 20,008 units in 2005. The increased demand for public transportation contributed to the increased sales of buses, while sales of pick-up trucks also increased due to its popularity with consumers.

In 2006, the passenger car segment accounted for 95.1 per cent of total sales for motor vehicles. Sales of national cars continued to dominate the market with 271,028 units sold in 2006, a decline of 14.1 per cent, compared with 315,565 units sold in 2005. Sales of non-national cars registered a decline of 9.1 per cent to 195,821 units in 2006, from 215,469

Table 5.17:
Sales of Motor Vehicles

Segment	2006 (Units)	Change (%)	2005 (Units)
Total	**490,768**	**-10.9**	**551,042**
Passenger cars	466,849	-12.1	531,034
Manufacturers	271,028	-14.1	315,565
Assemblers	195,821	-9.1	215,469
Commercial vehicles	23,919	19.5	20,008
Manufacturers	1,045	-80.2	5,275
Assemblers	22,874	55.3	14,733

Source: Reclassified, based on data from Malaysian Automotive Association (MAA)

units in 2005. In terms of market share of passenger cars, sales by manufacturers accounted for 58.1 per cent, while sales by assemblers accounted for 41.9 per cent of total sales.

For commercial vehicles, assemblers dominated the market in 2006, with sales of 22,874 units, while sales by national manufacturers were 1,045 units.

Malaysia led the sales for passenger cars among the five major ASEAN markets in 2006. This was followed by Indonesia (222,387 units), Thailand (191,763 units), Singapore (123,418 units) and the Philippines (38,479 units). In the commercial vehicle segment, Thailand ranked first in sales performance (490,398 units), followed by Indonesia (96,517 units), the Philippines (61,062 units), Malaysia (23,919 units) and Singapore (14,146 units).

Employment

Total employment in the motor vehicles industry decreased by 6.9 per cent to 20,995 workers in 2006, from 22,541 workers in 2005. The reduction in employment was due to weak market demand in view of the stock overhang in the industry.

Productivity

The automotive sub-sector registered a decrease of 1.9 per cent in Sales Value per Employee to RM380,600 in 2006, compared with RM388,100 in 2005. The sub-sector recorded a drop in labour cost competitiveness with a 7.4 per cent growth of Labour Cost per Employee, while Unit Labour Cost grew by 9.4 per cent.

Investments

A total of 51 projects worth RM536.3 million were approved in 2006 for the motor vehicles industry. Domestic investments accounted for

Table 5.19:
Total Investment for Motor Vehicles

Description	2006	Change (%)	2005
No. of Projects Approved	**51**	**-1.9**	**52**
Total investments (RM million)	536.3	-51.2	1,100
Domestic investments (RM million)	370.4	-49.2	728.8
Foreign investments (RM million)	165.9	-54.0	360.7

Source: Malaysian Industrial Development Authority

Table 5.18:
Productivity Indicators of Automotive Sub-Sector

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Automotive Sub-sector	**380.6**	**-1.9**	**388.1**	**23.9**	**7.4**	**22.3**	**0.0629**	**9.4**	**0.0575**
Motor vehicles	620.1	-4.7	650.4	29.7	9.9	27.0	0.0479	15.4	0.0415
Motor vehicles parts and accessories	204.4	0.02	204.3	19.9	5.0	19.0	0.0974	5.0	0.0928
Motor cycles and scooters	270.7	-1.0	273.3	20.6	0.6	20.4	0.0759	1.6	0.0747

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

RM370.4 million (69.1 per cent), while foreign investments totalled RM165.9 million (30.9 per cent).

A new project to manufacture bus body kits and bus chassis with investments of RM54.8 million and five projects for the assembly of armoured vehicles and truck mounted road sweepers with investments of RM23.7 million were approved in 2006.

Exports

Exports of motor vehicles increased by 36.8 per cent to RM640.2 million in 2006, from RM468 million in 2005. This was due to increase in exports of commercial vehicles by 212 per cent to RM177.5 million in 2006, from RM56.9 million in 2005. Exports of passenger cars increased by 12.6 per cent to RM462.7 million in 2006, from RM411.1 million in 2005. Main export destinations of passenger vehicles in 2006 were the UK, accounting for RM94.7 million, followed by South Africa (RM59.2 million), Australia (RM56.9 million), Syrian Arab Republic (RM50.3 million) and Egypt (RM28.4million).

Table 5.20:
Exports and Imports of Motor Vehicles

Segment		2006 (RM mil.)	Change (%)	2005 (RM mil.)
Total	**Export**	**640.2**	**36.8**	**468.0**
	Import	**6,050.4**	**19.8**	**5,049.1**
Passenger cars	Exports	462.7	12.6	411.1
	Imports	4,623.3	-5.8	4,905.9
Commercial vehicles	Exports	177.5	212.0	56.9
	Imports	1,427.1	896.6	143.2

Source: Department of Statistics, Malaysia

Imports

Imports of motor vehicles increased by 19.8 per cent to RM6 billion in 2006, from RM5 billion in 2005. Total import of passenger cars amounted to RM4.6 billion, while total import of commercial vehicles was valued at RM1.4 billion. Imports of passenger vehicles were mainly from Japan (RM2,526 million) Germany (RM1,182 million), Republic of Korea (RM595 million), and the UK (RM523 million).

Motorcycle Industry

The motorcycle industry is classified into mopeds, scooters, street bikes and cruisers. Currently, there is only one local manufacturer for motorcycle and several assemblers.

Production

Production of motorcycles decreased by 3.2 per cent to 432,399 units in 2006, from 446,742 units in 2005.

Capacity Utilisation

Total installed capacity for the production of motorcycles in 2006 was 689,000 units. Total capacity utilisation rate was 62.8 per cent, compared with 42 per cent in 2005.

Sales

Sales of motorcycles registered an increase of 9 per cent to RM1.8 billion in 2006, compared with RM1.6 billion in 2005. A total of 422,606 units were sold in 2006, compared with 452,224 units in 2005.

Table 5.21:
Sales of Motorcycles

Segment	2006 (Units)	Change (%)	2005 (Units)
Total	**422,606**	**-6.5**	**452,224**
Manufacturer	62,382	-37.4	99,714
Assemblers	360,224	2.2	352,510

Source: Motorcycle and Scooter Association of Malaysia (MASAAM)

Employment

Employment in the motorcycle industry increased by 15.8 per cent to 6,861 workers in 2006, from 5,925 workers in 2005. The increase was due to the improvement in capacity utilisation.

Exports

Exports of motorcycles, mainly in completely knocked-down (CKD) form, amounted to RM109.6 million in 2006, compared with RM117.7 million in 2005. Major export destinations were Sri Lanka (RM87.2 million), Greece (RM30.9 million), Turkey (RM1.8 million) and the People's Republic of China (RM1 million).

Imports

Imports of motorcycles, also mainly in completely knocked-down (CKD) form, decreased to RM85.6 million in 2006, from RM122.1 million in 2005. Major import destinations for motorcycles were Taiwan (RM47.9 million), Japan (RM7.3 million), Germany (RM6.9 million) and Indonesia (RM4.7 million).

Automotive Components and Parts Sub-Sector

In 2006, there were more than 591 automotive and 170 motorcycle/scooter component manufacturers. The automotive component sub-sector produces over 4,000 components. Of the automotive component manufacturers, 227 were PROTON vendors and 161 PERODUA vendors (80 per cent of PERODUA vendors also supply to PROTON).

Apart from local vendors, there are also a number of foreign global automotive component manufacturers operating in Malaysia. The production index of automotive components and parts increased by 22 per cent to 185.5 in 2006, compared with 152 in 2005.

Sales

Sales of automotive components and parts in 2006 decreased by 10.3 per cent to RM5.2 billion, compared with RM5.8 billion in 2005. The decrease was related to the reduction in sales of passenger cars.

Employment

Total employment in the components and parts sub-sector decreased by 16.5 per cent to 24,939 workers in 2006, compared with 29,861 workers in 2005. The decrease was due to reduction in the production of motor vehicles.

Investments

Thirty three projects with investments worth RM318.7 million were approved for the manufacture of components and parts. Six projects with investments worth RM36.5 million were approved for the manufacture of automotive plastic parts, while three projects with total investments of RM157.2 million were approved for the manufacture of automobile air-conditioning systems.

Exports

Exports of automotive components and parts increased by 4.5 per cent to RM2.3 billion in 2006, from RM2.2 billion in 2005. Major export destinations in 2006 were Thailand (RM325.6 million), Taiwan (RM265 million), Singapore (RM261.2 million), Germany (RM144.6 million) and Indonesia (RM127.7 million). Major components exported were steering wheels and steering columns, rims, bumpers, brakes, radiators, shock absorbers and clutches.

Imports

Imports of automotive components and parts decreased by 2.3 per cent to RM4.3 billion in 2006, from RM4.4 billion in 2005. Thailand accounted for RM2 billion, Indonesia (RM625.1 million), Japan (RM519.3 million), Germany (RM449.2 million) and the People's Republic of China (RM132.3 million).

Developments

Under the Ninth Malaysia Plan, the Automotive Development Fund (ADF) was established to improve the overall competitiveness of the automotive industry, mainly for the parts and components industry. The ADF focuses on improving the competitiveness of parts and components manufacturers through rationalisation to increase scale, tooling acquisition and development such as moulds, dies and jigs, improvements in productivity and enhancement of exports.

Following the announcement of the National Automotive Policy (NAP) on 22 March 2006, the Government has undertaken several measures to improve the competitiveness of the automotive industry. The Industrial Adjustment Fund (IAF) has been incorporated into the Soft Loan Scheme for Automation and Modernisation that provides financing, among others, for the purchase of new or reconditioned machinery and equipment and software and computer peripherals related to the industrial adjustment process.

The excise duty structure for the automotive industry was revised in 2006. Effective from 1 January 2007, excise duty for commercial vehicles, completely built-up (CBU) and completely knocked-down (CKD) vehicles, has been abolished. Excise duty for CBU passenger vehicles above 3,000 c.c. was reduced from 125 per cent to 105 per cent. In terms of motor cycles, a standardised excise duty of 30 per cent is imposed on completely built-up units.

Aerospace Sub-Sector

The aerospace sub-sector is designated as one of the new growth areas under the IMP3. This is further reflected by the Government's effort to formulate the National Aerospace Policy that would include the aviation and space segments.

The sub-sector currently comprises of two companies assembling light aircrafts, seven manufacturers of aircraft, parts and components and 28 companies involved in maintenance, repair and overhaul activities. Of the 28 companies involved in maintenance, repair and overhaul activities, 12 are involved in repair and overhaul of aircraft parts and components, including testing of aircraft instruments. Another 12 companies provide line and heavy maintenance, while four are involved in engine and engine parts maintenance.

While the growth of the industry is heavily reliant on securing contracts from multinational corporations (MNCs), Malaysian companies are encouraged to develop indigenous capabilities that would generate revenue from licensing and technical fees by foreign companies to utilise these capabilities.

Investments

In 2006, three projects were approved with investments amounting to RM113.2 million. Domestic investments totalled RM80.7 million (71.3 per cent), while foreign investments amounted to RM32.5 million (28.7 per cent). The projects approved were for the designing, developing and manufacturing of aerospace components, including aircraft structures, actuators and engine parts.

Exports

Parts and components for aircraft and aircraft engine was the major product exported in 2006, amounting to RM1.6 billion. This was an increase of 14.2 per cent, compared with RM1.4 billion in 2005. Major export destinations were Singapore (RM504.3 million), the USA (RM322.5 million), and other countries (RM316.8 million).

Imports

Imports of aircraft parts and equipment increased by 43.9 per cent to RM5.9 billion in 2006, from RM4.1 billion in 2005. Major sources of imports were France, valued at RM2.6 billion, the USA (RM2.4 billion) and the UK (RM242.8 million).

Developments

The Ministry of Defence has concluded an agreement with Airbus Military, UK, to purchase the Airbus A400M that costs RM2 billion. The consideration for the purchase is that Malaysia would be the programme partner for developing the Airbus A400M. Initial industrial work would be undertaken by Composite Technology Research Malaysia Sdn Bhd (CTRM) together with Airbus Military. This is the first international defence aerospace project in which Malaysia becomes a programme partner that would enable acquisition of technological know-how in developing the capability of the aerospace industry in niche areas. Malaysia will also produce its first unmanned aerial vehicle (UAV) for military purposes. Commercial production will commence upon signing of contract between the Malaysian army and Unmanned Systems Technology Sdn Bhd (UST), in partnership with three local companies, namely, Composites Technology Research Malaysia (CTRM), Systems Consultancy Sdn Bhd (SCS) and Ikramatic Sdn Bhd.

Marine Sub-Sector

The marine sub-sector comprises two main segments, namely shipbuilding and ship repairing. The shipbuilding segment consists of the building of vessels, boats and fabrication of off-shore and floating structures. Ship repairing includes maintenance, repair and overhaul of ships, boats and leisure crafts.

Investments

Seven projects, with five new Malaysian-owned projects were approved in 2006, with investments of RM697.9 million. These projects are located in Terengganu, Pulau Pinang, Melaka, Sabah and Sarawak. Of the seven projects approved, one major project, with investments of RM500 million, is for shipbuilding and ship repairing activities.

Exports

Main exports were ships and boats, including hovercraft and floating structures. Exports increased by 54.5 per cent to RM3.4 billion in 2006, from RM2.2 billion in 2005. Major export destinations were Singapore with exports valued at RM1.28 billion, Viet Nam (RM1.22 billion) and the USA (RM264.4 million).

Imports

In 2006, imports of the marine sub-sector decreased by 9.3 per cent to RM2.9 billion, compared with RM3.2 billion in 2005. Major sources of imports were the Republic of Korea, valued at RM1.7 billion, the USA (RM730 million) and the Netherlands (RM105.8 million). Major imported products were tankers, heavy vessel and floating or submersible drilling or production platforms.

CHEMICAL INDUSTRY

The chemical industry remained the second largest contributor to exports of manufactured goods, accounting for 6.4 per cent of total manufactured exports in 2006. The industry covers three major sub-sectors, namely petroleum and plastic products, basic industrial chemicals and chemical products, and pharmaceuticals.

Petroleum and Plastic Products Sub-Sector

Production

The production index of the petroleum and plastic products sub-sector grew to 161.8 in 2006 from 145.0 in 2005, registering an increase of 11.6 per cent. This was due to the increase in the manufacture of refined petroleum products by 13.6 per cent and plastic products by 8.2 per cent.

Table 5.22:
Production Indices of Petroleum and Plastic Products Sub-Sector

Product Group	2006	Change (%)	2005
Overall	**161.8**	**11.6**	**145.0**
Refined petroleum products	160.4	13.6	141.2
Plastics in primary forms and of synthetic rubber	120.5	5.3	114.4
Plastic products	175.5	8.2	162.2
Plastic bags and films	234.6	1.7	230.6
Plastic blow-moulded products	223.4	-4.6	234.2
Plastic extruded products	150.6	-9.0	165.4
Plastic foam products	128.1	-7.3	138.2

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

Sales

Sales of the petroleum and plastic products sub-sector recorded a growth of 11 per cent to RM109.3 billion in 2006, from RM98.4 billion in 2005. The increase in sales value of refined petroleum products was attributed largely to the higher price of crude oil at the end of 2006.

For the plastic products sub-sector, the higher sales value was attributed to strong external demand from the EU, Japan and Australia for packaging materials, and the higher selling prices of finished plastic products due mainly to a 15 per cent increase in the price of resins in 2006.

Employment

In 2006, employment in the petroleum and plastic products sub-sector recorded an increase of 2.3 per cent to 94,746 workers, from 92,600

Table 5.23:
Sales of Selected Petroleum and Plastic Products

Product Group	2006 (RM million)	Change (%)	2005 (RM million)
Overall	**109,257.5**	**11.0**	**98,425.9**
Refined petroleum products	82,084.1	13.7	72,202.3
Plastics in primary forms and of synthetic rubber	12,152.2	-1.7	12,367.9
Plastic products	15,021.1	8.4	13,855.7
Plastic injection moulded components	6,884.2	14.9	5,993.9
Plastic bags and films	5,089.2	8.4	4,695.4

Source: Department of Statistics, Malaysia

Table 5.24:
Employment in the Petroleum and Plastic Products Sub-Sector

Product Group	2006 (Workers)	Change (%)	2005 (Workers)
Overall	**94,746**	**2.3**	**92,600**
Refined petroleum products	4,576	-1.8	4,658
Plastic injection moulded components	53,422	5.0	50,902
Plastic bags and films	14,682	5.4	13,927
Plastics in primary forms and of synthetic rubber	5,933	-2.9	6,112
Plastic foam products	2,840	4.8	2,711
Plastic extruded products	2,214	29.9	1,705

Source: Department of Statistics, Malaysia

workers in 2005. This was due to increased demand for plastic products and the establishment of 20 new companies in 2006.

Productivity

Sales Value per Employee in the petroleum and plastic products sub-sector increased by 7.8 per cent to RM1,164,990 in 2006, compared with RM1,081,020 in 2005. The increase in Sales Value per Employee was due to increased production and sales.

The sub-sector was able to sustain its labour cost competitiveness as indicated by a decline in Labour Cost per Employee by 0.3 per cent and Unit Labour Cost by 7.7 per cent.

Investments

In the petroleum products sub-sector, total investments approved in 2006 increased to RM11.5 billion, compared with RM735 million in 2005. Domestic investments totalled RM10.8 billion, while foreign investments

Table 5.25:
Productivity Indicators for the Chemical Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Chemical Industry	**1127.3**	**8.8**	**1035.8**	**26.8**	**3.4**	**25.9**	**0.0238**	**-4.8**	**0.0250**
Petroleum and plastic products	1165.0	7.8	1081.0	22.5	-0.3	22.6	0.0193	-7.7	0.0209
Basic industrial chemicals and other chemical products	1248.0	15.3	1082.6	43.1	11.1	38.8	0.0346	-3.6	0.0359
Pharmaceuticals	149.5	10.6	135.2	20.5	0.1	20.5	0.1371	-9.4	0.1514

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

amounted to RM605 million. Of the 10 projects approved, six were new projects with investments totalling RM8.8 billion and four were expansion/diversification projects involving investments of RM2.7 billion.

In the plastic products sub-sector, a total of 85 projects were approved with investments of RM1.1 billion, compared with RM1.2 billion in 2005. Of these projects, 48 were new with total investments of RM549 million, and 37 were expansion/diversification projects with investments of RM587 million. Domestic investments amounted to RM378 million or 33.3 per cent of the total investments, while foreign investments totalled RM757 million (66.7 per cent).

Table 5.26:
Total Investments in the Petroleum (including Petrochemicals) and Plastic Products Sub-Sector

Description	2006	Change (%)	2005
No. of Projects Approved	**95**	**[1]neg.**	**96**
Total investments (RM billion)	12.6	563	1.9
Domestic investments (RM billion)	11.2	833	1.2
Foreign investments (RM billion)	1.4	100	0.7

Source: Malaysian Industrial Development Authority
Note: [1]negligible

Exports

Exports of the petroleum and plastic products sub-sector recorded an increase of 16.6 per cent to RM64.2 billion in 2006, from RM55.1 billion in 2005. Exports for all product groups recorded positive growth in 2006. The bulk of the exports of petroleum products comprised liquefied natural gas (LNG), which amounted to RM23.3 billion, and refined petroleum products (RM22.1 billion).

Exports of plastic products grew by 17.3 per cent to RM7.9 billion in 2006, compared with RM6.7 billion in 2005. Major export destinations include Singapore, valued at RM1.4 billion, Japan (RM1.2 billion), the UK (RM772 million) and the USA (RM595 million).

Table 5.27:
Exports of Petroleum and Plastic Products Sub-Sector

Product Group	2006 (RM mil.)	Change (%)	2005 (RM mil.)
Total	**64,247.0**	**16.6**	**55,117.5**
Petroleum products	47,830.9	18.1	40,504.8
Synthetic resins	8,563.5	8.2	7,916.4
Plastic products	7,852.7	17.3	6,696.3

Compiled by Ministry of International Trade and Industry

Imports

Imports of petroleum and plastic products registered an increase of 17.9 per cent to RM40.4 billion in 2006, from RM34.3 billion in 2005. This was due to higher imports of refined petroleum products and intermediate goods. Major import sources of refined petroleum products were Singapore, Saudi Arabia and Indonesia.

Imports of plastic products increased by 36.4 per cent to RM7.1 billion in 2006, compared with RM5.2 billion in 2005. This increase was attributed to higher import of articles of plastics, plates, sheets, films and containers of plastics. Major sources of imports were Japan, valued at RM2.6 billion, the People's Republic of China (RM992.2 million), Singapore (RM795.7 million), the USA (RM578.6 million) and Thailand (RM420.1 million).

Table 5.28:
Imports of Petroleum and Plastic Products

Product Group	2006 (RM mil.)	Change (%)	2005 (RM mil.)
Total	**40,403.4**	**17.9**	**34,258.6**
Petroleum products	23,289.6	15.0	20,260.0
Synthetic resins	9,992.7	13.8	8,777.9
Plastic products	7,121.1	36.4	5,220.7

Compiled by Ministry of International Trade and Industry

Developments

Malaysia's oil and gas sector is expected to register growth in 2007. This is due to the recovery in natural gas output following major upgrading work in the existing LNG plants, and the expected increase in offshore production activities at the Kikeh oil field in Sabah.

In line with the Government's efforts to improve the level of technology of the plastic products industry and to move the industry up the value chain, a total of 10 projects were approved mainly in the engineering plastics, and specialty polymers and composites, with total investments of RM242 million in 2006. The proposed projects would produce high performance plastic products for the E&E, medical equipment and automotive industries.

The petrochemical sub-sector is one of the industries targeted for development under the IMP3. The strategies to develop the sector include fully integrating the existing petrochemical zones, broadening the range of products, enhancing linkages with downstream industries, and diversifying into the manufacturing-related services and support industries.

Basic Industrial Chemicals and Chemical Products Sub-Sector

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

Production

The production index for the sub-sector increased by 1.4 per cent to 143.1 in 2006, from 141.1 in 2005. The production of paints, varnishes and similar products recorded double-digit growth of 11.5 per cent to 159.8, from 143.4 in 2005. This was attributed to the improved performance of the construction related and furniture industries.

Sales

Sales value of the basic industrial chemicals and chemical products sub-sector registered an increase of 20.7 per cent to RM34 billion in 2006, from RM28.2 billion in 2005. The products that recorded double-digit growth in sales value were basic industrial chemicals (26

Table 5.29:
Production Indices of Basic Industrial Chemicals and Chemical Products Sub-Sector

Product Group	2006	Change (%)	2005
Overall	**143.1**	**1.4**	**141.1**
Paints, varnishes and similar products	159.8	11.5	143.4
Fertilisers and nitrogen compounds	150.4	2.2	147.1
Basic industrial chemicals	143.6	-0.4	144.1
Industrial gases	123.5	-11.4	139.4
Soap, cleaning preparationsand toiletries	97.0	8.5	89.4
Pesticides and other agrochemical products	94.3	4.6	90.2

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

Table 5.30:
Sales of Basic Industrial Chemicals and Chemical Products Sub-Sector

Product Group	2006 (RM million)	Change (%)	2005 (RM million)
Overall	**34,028.1**	**20.7**	**28,182.6**
Basic industrial chemicals	25,005.7	26.0	19,839.3
Industrial gases	3,521.1	7.1	3,286.6
Fertilisers and nitrogen compounds	2,126.6	9.0	1,951.4
Paints, varnishes and similar products	1,916.7	11.8	1,713.9
Soap, cleaning preparations and toiletries	1,143.8	13.0	1,012.4
Pesticides and other agrochemical products	496.5	4.0	477.3

Source: Department of Statistics, Malaysia

Table 5.31:
Employment in Basic Industrial Chemicals and Chemical Products Sub-Sector

Product Group	2006 (Workers)	Change (%)	2005 (Workers)
Overall	**27,336**	**4.3**	**26,220**
Basic industrial chemicals	11,709	11.1	10,542
Paints, varnishes and similar products	4,310	19.8	3,597
Soap, cleaning preparations and toiletries	3,224	nil	3,224
Industrial gases	2,068	8.1	1,913
Fertilisers and nitrogen compounds	1,784	-1.3	1,808
Pesticides and other agrochemical products	1,465	-7.3	1,580

Source: Department of Statistics, Malaysia

per cent), soap and cleaning preparations (13 per cent), and paints and varnishes (11.8 per cent).

Employment

Employment in the sub-sector registered an increase of 4.3 per cent to 27,336 workers in 2006, from 26,220 workers in 2005. The paints, varnishes and similar products, and basic industrial chemicals sub-sectors recorded growth of 19.8 per cent and 11.1 per cent in employment, respectively. The employment growth is in line with strong increases in the sales value.

Productivity

In 2006, the sub-sector registered a Sales Value per Employee growth of 15.3 per cent to RM1,248,000, compared with RM1,082,610 in 2005. The segments which recorded double-digit growth in Sales Value per Employee were basic industrial chemicals and soap, cleaning preparations and toiletries, both at 14.3 per cent. The labour cost competitiveness of the sub-sector improved as growth in Sales Value per Employee was higher than the increase in Labour Cost per Employee of 11.1 per cent. This was further complemented by a decline of 3.6 per cent in Unit Labour Cost.

Investments

Total investments approved in 2006 increased by almost two-fold to RM650.9 million, compared with RM347.8 million in 2005. The total number of projects increased to 43,

Table 5.32:
Productivity Indicators for Basic Industrial Chemicals and Chemical Products Sub-Sector

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Overall	**1248.0**	**15.3**	**1082.6**	**43.1**	**11.1**	**38.8**	**0.0346**	**-3.6**	**0.0359**
Industrial gases	1,722.7	-0.04	1,723.4	51.8	34.6	38.5	0.0301	34.4	0.0224
Basic industrial chemicals	2,028.1	14.3	1,933.3	53.1	14.7	47.5	0.0262	0.4	0.0246
Fertilisers and nitrogen compounds	1,168.5	8.2	1,079.9	55.1	12.6	48.9	0.0471	4.0	0.0453
Paints, varnishes and similar products	454.6	-5.4	480.6	36.6	-6.3	39.1	0.0805	-1.0	0.0813
Pestisides and other agrochemical products	325.4	5.9	307.3	23.0	8.2	21.2	0.0706	2.3	0.0690
Soaps, cleaning preparations and toiletries	351.9	14.3	307.9	33.3	5.3	31.6	0.0946	-7.9	0.1027

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

Table 5.33:
Total Investments in Basic Industrial Chemicals and Chemical Products Sub-Sector

Description	2006	Change (%)	2005
No. of Projects Approved	**43**	**48.3**	**29**
Total investments (RM million)	650.9	87.1	347.8
Domestic investments (RM million)	380.5	70.9	222.6
Foreign investments (RM million)	270.4	115.9	125.2

Source: Malaysian Industrial Development Authority

compared with 29 projects in 2005. Of these, 22 were new projects with investments of RM299.6 million, while 21 projects were for expansion/diversification with investments of RM351.3 million.

Domestic investments amounted to RM380.5 million, accounting for 58 per cent of total investments in 2006, while foreign investments totalled RM270.4 million (42 per cent). Projects approved were for the production of fertilisers, industrial gases and a wide range of chemical products, reflecting the continued growth of the downstream industries.

Exports

Exports of the basic industrial chemicals and chemical products sub-sector grew by 12 per cent to RM20 billion in 2006, from RM17.9 billion in 2005. Positive growth was recorded for all product segments except dyeing, tanning and colouring materials. Major export destinations for the sub-sector were the People's Republic of China valued at RM1.5 billion, Thailand (RM1.3 billion), Indonesia (RM1.2 billion) and India (RM1.1 billion).

Imports

Imports of the basic industrial chemicals and chemical products sub-sector increased by 7.5 per cent to RM22.4 billion, from RM20.8 billion in 2005. Imports comprised mainly of intermediate chemicals. Chemical materials and products registered the highest growth of 23.9 per cent to RM4 billion in 2006, from

Table 5.34:
Exports of Basic Industrial Chemicals and Chemical Products Sub-Sector

Product Group	2006 (RM million)	Change (%)	2005 (RM million)
Total Exports	**20,020.8**	**12.0**	**17,874.5**
Organic chemicals	10,047.4	9.8	9,152.6
Chemical materials and products	4,260.1	23.3	3,454.6
Soap, cleaning preparations and toiletries	2,086.8	18.4	1,761.9
Dyeing, tanning and colouring materials	1,327.1	-11.2	1,493.7
Inorganic chemicals	1,256.5	15.4	1,088.6
Fertilisers	1,042.9	13.0	922.9

Compiled by Ministry of International Trade and Industry

Table 5.35:
Imports of Basic Industrial Chemicals and Chemical Products Sub-Sector

Product Group	2006 (RM million)	Change (%)	2005 (RM million)
Total Imports	**22,359.3**	**7.5**	**20,802.2**
Organic chemicals	8,544.6	-1.4	8,662.5
Chemical materials and products	4,017.2	23.9	3,243.6
Inorganic chemicals	3,068.8	15.2	2,663.0
Fertilisers	2,443.5	0.3	2,435.6
Soap, cleaning preparations and toiletries	2,474.8	8.9	2,272.1
Dyeing, tanning and colouring materials	1,810.3	18.7	1,525.4

Compiled by Ministry of International Trade and Industry

RM3.2 billion in 2005. This increase was largely due to the development of specialty and fine chemicals for use in food and pharmaceutical industries. Major import sources for basic industrial chemicals and chemical products were Singapore, valued at RM5.1 billion, Japan (RM4.3 billion) and the USA (RM3.1 billion).

Developments

Malaysia signed and ratified the Chemical Weapons Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC) on 13 January 1993 and 20 April 2000 respectively. The Chemical Weapons Convention Act 2005 of Malaysia (CWC Act) came into force on 1 September 2006. With the enactment of the CWC Act, Malaysia has fulfilled its obligation under the Chemical Weapons Convention to ensure that chemicals monitored under the Convention will not be used to develop chemical weapons.

The Regulation on the Registration, Evaluation, Authorisation of Chemicals (REACH) was adopted by the EU on 18 December 2006 and will be effective on 1 June 2007. In preparation for REACH, MATRADE and industry organised a workshop and seminar on REACH in April and September 2006, conducted by consultants from the EU. MITI continued to consult the industry on matters related to REACH compliance with regular updates and developments on REACH from the office in Brussels.

Pharmaceutical Sub-Sector

The pharmaceutical sub-sector covers the manufacture of prescription medicines, over-the-counter medicines, herbal preparations and health supplements, including traditional medicines. The sub-sector is expected to expand into specific markets for niche products, in line with developments in healthcare and current lifestyles.

Production

The production index for the pharmaceutical sub-sector declined by 11.7 per cent to 235 in 2006, from 266.2 in 2005. This was attributed to a temporary halt of up to six months in manufacturing operations of some pharmaceutical companies to upgrade existing facilities to adhere to the Good Manufacturing Practice standards of the European Pharmaceutical Inspection Cooperation Scheme.

Sales

Sales value of pharmaceutical products expanded by 30.4 per cent to RM1,044 million in 2006, from RM800.3 million in 2005. This increase is due to the higher demand for healthcare products and services.

Employment

In 2006, employment in the pharmaceutical sub-sector increased by 23.1 per cent to 7,336 workers from 5,960 in 2005. The increase is partly due to expansion/diversification projects undertaken by several existing manufacturers.

Productivity

The pharmaceutical sub-sector registered growth in Sales Value per Employee of 10.6 per cent to RM149,520 in 2006, compared with RM135,210 in 2005. The increase in sales value was due to increased domestic demand for health products and services.

Labour cost competitiveness of the sub-sector improved as a result of a lower growth in Labour Cost per Employee of 0.1 per cent, compared with higher growth of 10.6 per cent in Sales Value per Employee. This was further supported by a 9.4 per cent decline in Unit Labour Cost.

Investments

In 2006, approved investments increased by 18.3 per cent to RM241.7 million, compared with RM204.3 million in 2005. Domestic investments totalled RM231.3 million, accounting for 95 per cent of the total investments, while foreign investments amounted to RM10.4 million (5 per cent).

A total of 13 projects were approved, of which eight were new projects and five expansion/diversification projects. The projects approved were for the production of pharmaceutical products in the form of tablets, capsules, ointments, solutions and syrups, and herbal medicines.

Table 5.36:
Total Investments in Pharmaceuticals Sub-Sector

Description	2006	Change (%)	2005
No. of Projects Approved	**13.0**	**85.7**	**7.0**
Total investments (RM million)	241.7	18.3	204.3
Domestic investments (RM million)	231.3	14.3	202.3
Foreign investments (RM million)	10.4	420.0	2.0

Source: Malaysian Industrial Development Authority

Exports

Exports of pharmaceutical products declined by 2.9 per cent to RM495.7 million in 2006, from RM510.3 million in 2005. Main export destinations were ASEAN countries, valued at RM237.7 million, Hong Kong (RM31.4 million), Taiwan (RM25.8 million), India (RM17.9 million) and Japan (RM16.8 million).

Imports

Imports of pharmaceutical products increased by 13.4 per cent to RM2.7 billion in 2006, from RM2.4 billion in 2005. Major pharmaceutical products imported were lifestyle drugs, such as cholesterol lowering and anti-diabetic drugs, newer generation antibiotics, and cardiovascular and oncology drugs. Major sources of imports were Germany (RM224 million), France (RM216.3 million), the UK (RM209.9 million), the USA (RM195.6 million) and Switzerland (RM164.8 million).

Table 5.37:
Exports and Imports of Pharmaceutical Products

	2006 (RM million)	Change (%)	2005 (RM million)
Exports	495.7	-2.9	510.3
Imports	2,712.3	13.4	2,391.6

Compiled by Ministry of International Trade and Industry

Developments

In 2006, major pharmaceutical companies in Malaysia undertook to adhere to and enforce the GMP standards of the European Pharmaceutical Inspection Cooperation Scheme. The industry now has the capability and competency to produce more pharmaceuticals, including newer versions of generic drugs of international quality for the export markets.

Domestic pharmaceuticals manufacturers continued to undertake R&D activities in the herbal nutraceuticals and cosmaceuticals sector. This sector is still largely untapped and has the potential to meet the demand for high quality natural products in view of rapidly growing consumer healthcare awareness.

The Ministry of Health introduced the National Medicines Policy on 11 October 2006. The policy promotes equitable access and rational use of safe, effective and affordable drugs of good quality as well as provides clear direction and guidance to embark on future medicines-related programmes to support the healthcare needs of the nation. The comprehensive national policy will strengthen the drug regulatory system by enhancing pharmaceutical quality assurance measures, and research in the management and development of medicines.

The pharmaceutical sub-sector is one of the industries targeted for development under the IMP3. The strategies to develop the sector include developing specific pharmaceutical products and the supply of services which have the potential for growth, enhancing exports and diversifying markets, R&D and commercialisation, and strengthening the institutional support of the industry.

IRON AND STEEL INDUSTRY

Scrap iron, direct-reduced iron (DRI) and hot-briquetted iron (HBI) are the essential raw materials for the iron and steel industry. Products produced by this industry are divided into two main categories namely, long and flat products. Long products comprise billets, steel bars, sections and wire products, used mainly in construction and civil engineering. Flat products consists of hot-rolled coils (HRC), cold-rolled coils (CRC) and coated steel coils, used mainly as intermediate raw materials for the downstream industries such as E&E, furniture, oil and gas, machinery and equipment, and automotive component and parts.

Production

In 2006, there were 43 plants involved in upstream activities producing intermediate materials and inputs for the iron and steel industry, with total installed capacity of 24.3 million tonnes. This sector produces billets, slabs, direct-reduced iron (DRI), hot-briquetted iron (HBI), blooms, HRC, CRC and light to heavy sections.

In 2006, the installed capacity for HRC and CRC were 2.5 million tonnes and 2.1 million tonnes, respectively. Capacity utilisation was 66 per cent for HRC and 26 per cent for CRC. The current production of HRC and CRC is sufficient to meet domestic requirements. However, certain specifications and grades of long and flat products for downstream manufacturing activities still need to be imported due to shortage in supply.

The installed capacity for billets and steel bars were 6.2 million tonnes and 4 million tonnes, respectively. In 2006, the capacity utilisation for billets decreased by 5 per cent while for steel bars by 9.1 per cent. The low capacity utilisation for both the products was mainly due to a downturn in the construction industry.

In the downstream activities, there are 677 establishments, including small and medium enterprises (SMEs), with a total estimated installed capacity of about 11.6 million tonnes, with capacity utilisation of 62 per cent. Products manufactured in this sector are long products such as wire mesh, galvanised wires, bolts and nuts, and flat products.

Overall production of iron and steel products increased by 11.2 per cent in 2006 to 12.9 million tonnes, compared with 11.6 million tonnes in 2005. The increase in overall output was a reflection of improvement in the manufacturing activities of the iron and steel industry. Total installed capacity was 18.9 million tonnes and the utilisation rate was 79.6 per cent.

Production of flat products increased by 34.8 per cent to 6.2 million tonnes, compared with 2 million tonnes in 2005, mainly due to increase in demand from local manufacturers,

Table 5.38:
Production of Selected Iron and Steel Products

Product Group	2006 (Mil. tonnes)	Change (%)	2005 (Mil. tonnes)
Overall	**12.9**	**11.2**	**11.6**
Long products	**6.7**	**-4.3**	**7.0**
Billets	3.6	-5.0	3.8
Steel bars	1.5	-9.1	1.7
Wire rods	1.2	2.6	1.2
Sections	0.4	5.3	0.4
Flat products	**6.2**	**34.8**	**4.6**
Slab	2.1	90.9	1.1
HR sheets and strips	2.0	37.9	1.5
Plates	0.3	3.7	0.3
CRC	0.6	3.8	0.5
GI Sheets	0.2	-4.2	0.2
Pipes and tubes	0.6	1.6	0.6
Tin plate	0.2	6.7	0.2
Other metallic coated	0.2	5.0	0.2

Source: Malaysian Iron and Steel Industry Federation (MISIF) especially oil and gas industries and steel service centres. Production of long products decreased by 4.3 per cent to 6.7 million tonnes in 2006, compared with 7 million tonnes in 2005. This was mainly due to decline in demand for steel products, especially construction bars and rods.

Sales

Sales of basic iron and steel products increased by 2.3 per cent to RM18.6 billion in 2006, compared with RM18.2 billion in 2005. The increase in sales value was mainly due to increase in demand for flat products from local manufacturers as well as higher exports of steel products.

Employment

Employment in the industry increased by 17.1 per cent to 18,385 workers in 2006, from 15,696 workers in 2005. The growth was mainly due to the implementation of several new projects and expansion/diversification undertaken by existing steel manufacturers.

Productivity

The iron and steel industry recorded a decrease in Sales Value per Employee of 10.3 per cent to RM1,032,030 in 2006, compared with RM1,150,600 in 2005. The Labour Cost per Employee dropped by 3.3 per cent while Unit Labour Cost grew by 7.6 per cent. Labour cost competitiveness for industry was reduced due to the low demand from the construction activities and the increase in employment to cater to the industry expansion.

Investments

In 2006, a total of 30 projects were approved in the iron and steel industry with investments valued at RM2.7 billion, compared with 47 projects valued at RM3.2 billion in 2005. Of the total, 20 were new projects with total investments of RM2.4 billion, and 10 were expansion and diversification projects with investments of RM265.3 million. Foreign investments totalled RM2.3 billion, accounting for 84 per cent of total investments, while domestic investments totalled RM436 million (16 per cent).

Major new projects approved included a project to produce iron ore pellets with investments totalling RM2.1 billion and a project to manufacture super capacitor grade tantalum powder with investments of RM60 million. A wholly Malaysian-owned project approved was for the manufacture of electro-galvanised steel coils, with investments of RM55.7 million and one with a new majority foreign-owned project for the manufacture of dual gauge slitted copper and copper alloy strips, with investments of RM25 million.

Table 5.40:
Total Investments in the Iron and Steel Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**30**	**-36**	**47**
Total investments (RM million)	2,724.2	-15	3,205.0
Domestic investments (RM million)	436.0	-84	2,774.4
Foreign investments (RM million)	2,288.1	431	430.5

Source: Malaysian Industrial Development Authority

Exports

Exports of iron and steel products increased by 33.6 per cent to RM9.4 billion in 2006,

Table 5.39:
Productivity Indicators of Iron and Steel Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Basic iron and steel	1,032.0	-10.3	1,150.6	27.7	-3.3	28.7	0.0268	7.6	0.0249

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

compared with RM7 billion in 2005. This was attributed to high prices and demand for steel in world market. Exports were mainly to Thailand, valued at RM2 billion, the USA (RM1.3 billion), Singapore (RM992.1 million), Australia (RM648.8 million) and Yemen (RM503.5 million). Main export items were tubes, pipes and hollow profiles, tubes/pipe fittings of iron and steel, valued at RM4.2 billion, flat-rolled of iron and non-alloy steel products (RM2.5 billion) and iron and steel bars, rods, angles, shapes and sections (RM825.7 million).

Imports

Imports increased by 9.6 per cent to RM20 billion in 2006, from RM18.3 billion in 2005. Main import items were flat-rolled products of iron and alloy steel, valued at RM5.4 billion, semi-processed iron and steel products (RM4.7 billion), and tubes, pipes and hollow profiles, tubes and pipes fittings (RM4.5 billion).

Major sources of imports were Japan, valued at RM6 billion, the People's Republic of China (RM2 billion), Taiwan (RM1.9 billion), Republic of Korea (RM1.7 billion) and the USA (RM1.6 billion). The increase in imports was mainly for iron and steel products that are not produced locally.

Table 5.41:
Exports and Imports of Iron and Steel Products

Product Group	2006 (RM bil.)	Change (%)	2005 (RM bil.)
Total Exports	9.4	33.6	7.0
Total Imports	20.0	9.6	18.3

Compiled by Ministry of International Trade and Industry

Developments

In 2006, world steel production increased by 9.1 per cent to 1.2 billion metric tonnes, compared with 1.1 billion metric tonnes in 2005. The People's Republic of China was the world's leading steel producer, accounting for 34 per cent of total production (418.8 million metric tonnes), followed by the EU (198.4 million metric tonnes), Japan (116.2 million metric tonnes), the USA (98.5 million metric tonnes) and Russia (70.8 million metric tonnes). The People's Republic of China remained a net exporter of steel products in 2006, with a trade surplus in steel of US$7.2 billion.

In ASEAN countries, several mergers and acquisitions took place in the iron and steel industry in 2006. Tata Steel of India acquired iron and steel plants in Singapore and Thailand, while Ispat Group, another Indian company, was on the acquisition trail in the Philippines. Viet Nam attracted new foreign investments mainly from Bluescope (Australia), Posco (Republic of Korea) and Essar Steel (India).

Domestic upstream manufacturing activities in the iron and steel industry, especially the HRC and CRC producers, expanded with additional capacities and investments in 2006. These additional capacities will increase the range of higher-end products for the domestic as well as export markets.

Performance of the iron and steel industry will improve with the implementation of projects under the Ninth Malaysia Plan (RMK9), 2006-2010. Allocation to develop housing amounting to RM11.5 billion, transportation (RM32.5 billion) and infrastructure (RM21.8 billion) in the RMK9 will boost the growth of this industry.

In addition, the Third Industrial Master Plan which was launched in 2006 has outlined specific strategic thrusts for the development of the industry, among which are enhancing the competitiveness of the industry, sustaining and expanding exports, promoting new applications of steel in selected industries, encouraging collaborations between upstream and downstream, attracting new investments and developing skilled and qualified workforce.

MACHINERY AND EQUIPMENT

The machinery and equipment (M&E) industry has cross-cutting effects on all sectors of the economy and on industrial development, such as in manufacturing, agriculture, transportation, construction and mining. The industry comprises four sub-sectors, namely, specialised machinery for specific industries, power generating machinery, metal working machinery and general industrial machinery and equipment.

Production

Based on the Monthly Manufacturing Survey of the Department of Statistics, the overall production index of the industry declined by 13.7 per cent to 104.6, from 121.2 in 2005. The production index of industrial air-conditioning, refrigerating and ventilating machinery sub-sector decreased by 5.9 per cent to 91.6 in 2006, while the pumps, compressors, taps and valves sub-sector decreased by 24.4 per cent from 183.3 in 2005 to 138.5 in 2006. The decrease was due to lower demand for industrial heating and cooling equipment.

Sales

Sales of the M&E industry increased by 2.4 per cent to RM5,787.5 million, compared with RM5,650.7 million in 2005. The sales value of industrial air-conditioning, refrigerating, and ventilating machinery increased by 3.2 per cent to RM3,722.6 million in 2006, from RM3,607.5 million in 2005. Sales of the pumps, compressors, taps and valves sub-sector increased by 1.1 per cent to RM2,064.9 million in 2006, from RM2,043.2 million in 2005. The increase in sales was mainly due to higher sales value of industrial air-conditioning, refrigerating, and ventilating machinery.

Employment

Employment in the M&E industry increased by 2.0 per cent to 12,700 workers in 2006, from 12,450 workers in 2005. Employment in the pumps, compressors, taps and valves sub-sector increased by 4.9 per cent, due to expansion of existing projects in this sub-sector.

Productivity

In 2006, the M&E industry recorded a decrease in Sales Value per Employee of 4 per cent. The Sales Value per Employee level declined to RM455,030, compared with RM474,090 in 2005. The manufacture of air conditioning, refrigerating and ventilating machinery and manufacture of pumps, compressors, taps and valves sub-sector

Table 5.42:
Production Indices of Selected Sub-Sectors in the Machinery and Equipment Industry

Selected sub-sectors	2006	Change (%)	2005
Overall	**104.6**	**-13.7**	**121.2**
Industrial air-conditioning, refrigerating, and ventilating machinery	91.6	-5.9	97.3
Pumps, compressors, taps and valves	138.5	-24.4	183.3

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

Table 5.43:
Sales of Selected Machinery and Equipment Products

Selected Products	2006 (RM million)	Change (%)	2005 (RM million)
M&E Industry	**5,787.5**	**2.4**	**5,650.7**
Industrial air-conditioning, refrigerating, and ventilating machinery	3,722.6	3.2	3,607.5
Pumps, compressors, taps and valves	2,064.9	1.1	2,043.2

Source: Department of Statistics, Malaysia

Table 5.44:
Employment in Machinery and Equipment Industry

Selected Activities	2006 (Workers)	Change (%)	2005 (Workers)
M&E Industry	**12,700**	**2.0**	**12,450**
Industrial air-conditioning, refrigerating, and ventilating machinery	7,327	-0.04	7,330
Pumps, compressors, taps and valves	5,373	4.9	5,120

Source: Department of Statistics, Malaysia

Table 5.45:
Productivity Indicators of Machinery and Equipment Industry

Sub-sector/Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Machinery and Equipment	**455.0**	**-4.0**	**474.1**	**29.7**	**4.9**	**28.3**	**0.0653**	**9.4**	**0.0597**
Air conditioning, refrigerating and ventilating machinery	491.7	-0.8	495.5	26.9	0.8	26.8	0.0549	1.7	0.0540
Pumps, compressors, taps and valves	401.1	-8.9	440.5	33.7	9.7	30.7	0.0840	20.3	0.0698

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

recorded a decline of 0.8 and 8.9 per cent respectively.

In terms of labour cost competitiveness, the sub-sector registered a decline in its competitiveness as Labour Cost per Employee grew by 4.9 per cent, exceeding the growth in Sales Value per Employee. This was due to higher remuneration paid to specialised skills required to operate highly automated machinery. Unit Labour Cost grew by 9.4 per cent.

Investments

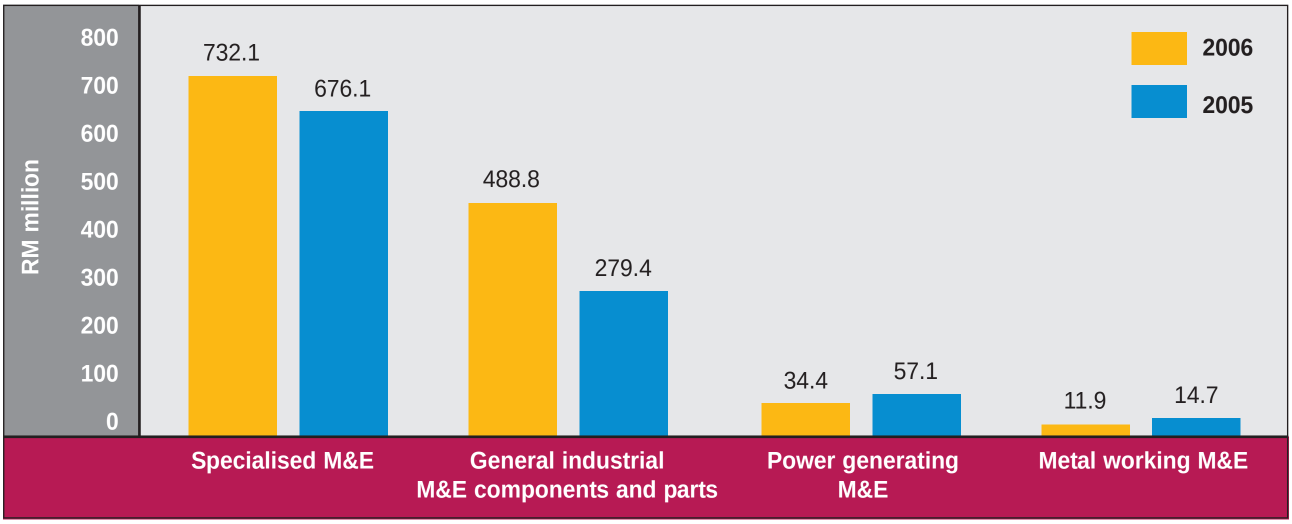
A total of 102 projects, with investments of RM1.3 billion, were approved in 2006, compared with 85 projects in 2005. Of the total approved projects, 78 were new projects involving investments of RM706.9 million and 24 were expansion/diversification projects (RM560.4 million). Domestic investments amounted to RM610.3 million (48.2 per cent of total investments), while foreign investments amounted to RM656.9 million (51.8 per cent).

Out of the total 102 projects approved, 46 projects were for the specialised machinery sub-sector, with investments of RM732.1 million, compared with 37 projects (RM676.1 million) in 2005. Five projects were approved for the power generating sub-sector, with investments of RM34.4 million, compared with two projects (RM57.1 million) in 2005. Forty-nine (49) projects were approved for the general industrial, components and parts sub-sector, with investments of RM488.8 million, compared with 44 projects (RM279.4 million) in 2005. Two projects were approved for the metal working machinery sub-sector, with investments of RM11.9 million, compared with two projects (RM14.7 million) in 2005.

Exports

In 2006, the M&E industry was the third largest contributor to manufactured exports, contributing RM19.8 billion or 3.4 per cent share to total exports. Exports of M&E products increased by 9.5 per cent, compared with RM18.1 billion in 2005. Major export

Chart 5.1:
Investments Approved in M&E Industry, 2006



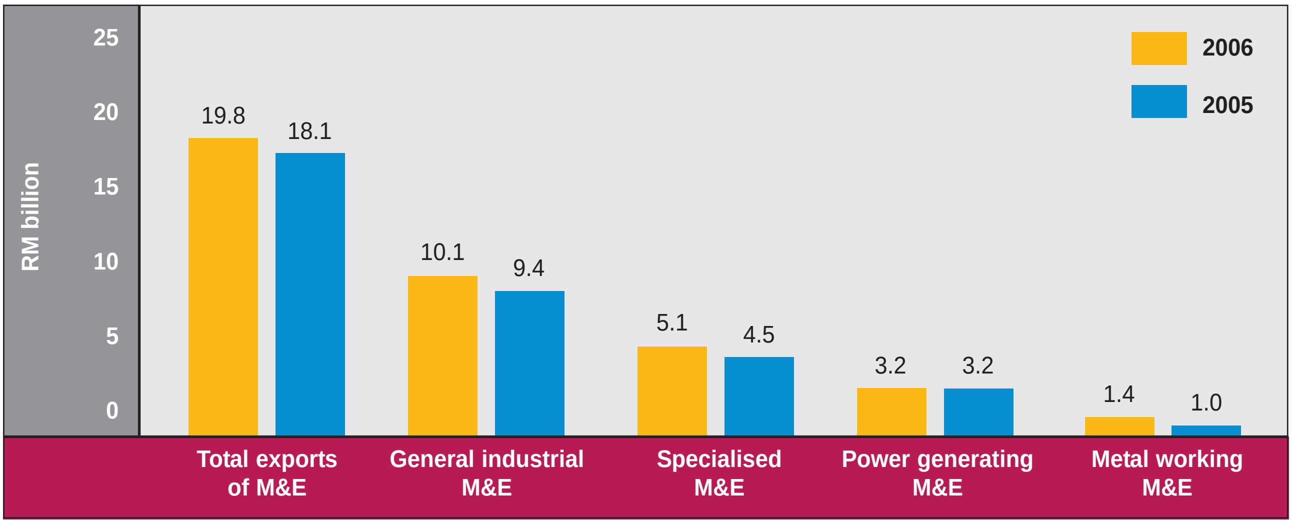
Source: Malaysian Industrial Development Authority

markets were Singapore, valued at RM4.8 billion, the USA (RM1.8 billion) and Thailand (RM1.8 billion). Major export products were heating and cooling equipment and parts, valued at RM4.1 billion, specialised machinery and parts for particular industries (RM2.8 billion), pumps, compressors, fans and parts (RM2.3 billion) and parts of internal combustion piston engines (RM1.4 billion). Export markets that registered significant growth were Viet Nam, with an increase of 54.2 per cent to RM377.5 million and Taiwan, 34 per cent to RM506.2 million.

Imports

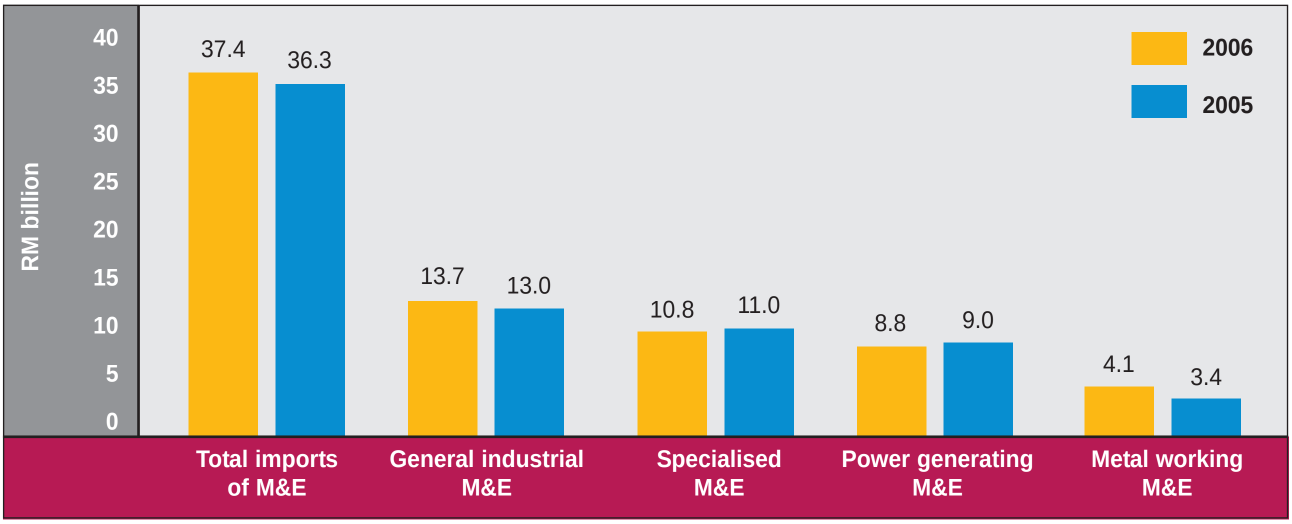
Imports of the industry increased by 3 per cent to RM37.4 billion in 2006, from RM36.3 billion in 2005. Major sources of imports were Japan (RM7.8 billion), the USA (RM6.5 billion), the People's Republic of China (RM4.3 billion) and Germany (RM3.3 billion). Major import items were specialised machinery and parts for particular industries (RM6.9 billion), rotating electric plants and parts (RM3.2 billion), pumps, compressors, fans and parts (RM3.1 billion), and parts of internal combustion piston engines (RM2.5 billion).

Chart 5.2:
Total Exports of M&E, 2006



Compiled by Ministry of International Trade and Industry

Chart 5.3:
Total Imports of M&E, 2006



Compiled by Ministry of International Trade and Industry

Developments

Under the IMP3, six thrusts have been identified for further development of the industry:

Promoting Malaysia as a regional production, trading and distribution centre for M&E;

Intensifying the development and promotion of selected specialised and high technology M&E;

Developing Malaysian standards for M&E;

Developing sufficient highly skilled workforce; and

Strengthening institutional support for the further development of the industry.

In 2006, three new Malaysian Standards were approved:

MS ISO 273:2006 - Fasteners-Clearance holes for bolt and screws;

MS ISO 887:2006 - Plain washers for metrics bolts, screws and nuts for general purposes -General Plan; and

MS ISO 4759-3:2006 - Tolerance and fasteners - Plain washers for metrics bolts, screws and nuts - Product Grade A and C.

In line with one of the IMP3 measures, the Industrial Standard Committee for Mechanical Engineering (ISC-F) has approved two new projects for the development of new standards in 2007:

06F034R0 - Safety rules for construction and installation of lifts-Part 3-Safety Lifts; and

06F035R0 - Safety rules for construction and installation of lifts-Part 4-Domestic Lifts.

NON-METALLIC MINERALS INDUSTRY

The non-metallic minerals industry consists of cement and concrete products, ceramics and clay based products, glass and glass products, and other non-metallic minerals products, such as quicklime, barite, marble and granite.

The cement sub-sector includes the production of Portland cement (ordinary cement), clinker, ready-mix concrete, hydraulic cement and articles of concrete, cement and plaster.

The ceramics sub-sector comprises two segments, namely conventional ceramics and advanced ceramics. The products under conventional ceramics are heat insulation, refractory products, bricks, tiles, clay pipes, sanitaryware and tableware, while the advanced ceramics segment includes advanced ceramic parts and components for the E&E industry, such as ceramic substrates, ceramic rods and catalytic converters.

The glass and glass products sub-sector includes float glass, safety glass, cast glass, glass mirrors, tinted glass, high value-added products, such as glass panels and funnels for cathode ray tubes, tempered glass for E&E industry, as well as windows and screens for the automotive industry.

Production

In 2006, the production index for non-metallic mineral products increased by 3.3 per cent to 117 from 113.2 in 2005. This was mainly attributed to an increase in the production of glass and glass products by 11.3 per cent to 113.1 in 2006, from 101.6 in 2005, due to higher exports.

Total installed capacity for cement was 28.3 million metric tonnes and total production was 17.6 million metric tonnes in 2006, resulting in an excess capacity of 10.7 million metric tonnes. Total installed capacity of clinker was 17.8 million metric tonnes and total production of clinker in 2006 was 15.7 million metric tones. There was an excess capacity of 2.1 million metric tonnes of clinker.

The production index for the cement sub-sector declined by 0.9 to 122.1 in 2006, from 123.3 in 2005. The decline was due to lower demand for ready-mix concrete for infrastructure projects.

The production index of ceramics sub-sector decreased by 3.8 per cent to 114.1 in 2006, from 118.6 in 2005. The decline was mainly attributed to lower demand for refractory ceramic products for building projects. The production index for structural non-refractory clay and ceramic products increased by 7.7 per

Table 5.46:
Installed Production and Capacity Utilisation of Clinker and Cement

Products	2006 (Million metric tonnes)			2005 (Million metric tonnes)		
	Installed Capacity	Production	Capacity Utilisation (%)	Installed Capacity	Production	Capacity Utilisation (%)
Clinker	17.8	15.7	88.2	17.8	15.6	87.6
Cement	28.3	17.6	62.2	28.3	17.4	61.5

Source: Cement and Concrete Association (C&CA)

Table 5.47:
Industrial Production Index of Selected Non-Metallic Mineral Industry

Industry Group	2006	Change (%)	2005
Non-Metallic Mineral	**117.0**	**3.3**	**113.2**
Cement Sub-sector	**122.1**	**-0.9**	**123.3**
Manufacture of hydraulic cement	127.0	1.3	125.4
Manufacture of ready-mix concrete	114.0	-8.0	124.0
Manufacture of other articles of concrete, cement and plaster	114.4	-1.0	115.5
Ceramic Sub-sector	**114.1**	**-3.8**	**118.6**
Manufacture of refractory ceramic products	113.8	-8.4	124.2
Manufacture of structural non-refractory clay and ceramic products	114.9	7.7	106.7
Glass and glass products	**113.1**	**11.3**	**101.6**

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

cent to 114.9 in 2006, from 106.7 in 2005. The increase was due to demand for housing projects.

For the glass sub-sector, the production index increased by 11.3 per cent to 113.1 in 2006, from 101.6 per cent in 2005. The increase was due to sustained external demand for glass products.

Sales

In 2006, sales of non-metallic mineral products increased by 9.8 per cent to RM10,430.2 million, from RM9,498.9 million in 2005. The increase was attributed to the increased price of cement products and higher demand for hydraulic cement for the maintenance of elevated highways projects.

Sales of cement products increased by 12.2 per cent to RM5,341.5 million in 2006, compared with RM4,760.5 million in 2005, while sales of hydraulic cement increased by 14.7 per cent to RM2,964.5 million in 2006 from RM2,584.2 million in 2005. Sales of articles of concrete cement and plaster also increased by 20.2 per cent to RM1,025 million compared with RM852.3 million in 2005. Sales of ready mix-concrete increased by 2.1 per cent to RM1,352 million, from RM1,324 million in 2005. The increase was largely attributed to the increased price of cement products.

In 2006, sales of ceramic products increased by 5.2 per cent to RM1,967.3 million from RM1,869.2 million in 2005. The increase of sales was due to high sales of structural non-refractory clay and ceramic products.

Sales of glass and glass products declined by 4.9 per cent to RM2,238.1 million from RM2,355.8 million. The decline in sales of glass was due to lower demand for commercial building projects.

Employment

Employment in non-metallic mineral industry increased by 4.9 percent to 41,423 workers from 39,772 workers. In 2006, employment in the cement sub-sector increased by 5.3 per cent to 13,105 workers, compared with 12,454 workers in 2005, due to the expansion of cement operation by existing manufacturers.

Employment in the ceramics sub-sector increased by 4.9 per cent to 19,739 workers in 2006, from 18,808 in 2005. The increase was due to expansion of existing operations for manufacture of ceramic wares and articles of ceramic wares.

Employment in the glass and glass products sub-sector increased by 4.1 per cent to 6,966 workers in 2006, from 6,691 workers in 2005. The increase was due to expansion of projects

Table 5.48:
Sales of Selected Non-Metallic Mineral Products

Sub-Sector	2006 (RM million)	Change (%)	2005 (RM million)
Non-Metallic Mineral	**10,430.2**	**9.8**	**9,498.9**
Cement Sub-sector	**5,341.5**	**12.2**	**4,760.5**
Hydraulic cement	2,964.5	14.7	2,584.2
Ready-mix-concrete	1,352.0	2.1	1,324.0
Articles of concrete, cement and plaster	1,025.0	20.2	852.3
Ceramics Sub-sector	**1,967.3**	**5.2**	**1,869.2**
Non-structural non-refractory ceramic ware	455.0	-8.9	499.5
Refractory ceramic products	377.7	5.0	359.7
Manufacture of structural non-refractory clay and ceramic products	1,134.9	12.4	1,010.1
Glass and Glass Products	**2,238.1**	**-4.9**	**2,355.8**
Other non-metallic mineral products	**883.9**	**72.0**	**513.8**

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

Table 5.49:
Employment in Selected Non-Metallic Industry

Sub-Sector	2005 (Workers)	Change (%)	2004 (Workers)
Non-metallic mineral	**41,423**	**4.2**	**39,772**
Cement sub-sector	**13,105**	**5.2**	**12,454**
Articles of concrete, cement and plaster	6,305	23.1	5,122
Ready-mix-concrete	3,438	-7.6	3,720
Hydraulic cement	3,362	-6.9	3,612
Ceramics sub-sector	**19,739**	**5.0**	**18,808**
Non-structural non-refractory ceramic wares	5,701	-5.2	6,013
Refractory ceramic products	4,420	-3.2	4,568
Structural non-refractory clay and ceramic products	9,618	16.9	8,227
Glass and glass products	**6,966**	**4.1**	**6,691**
Other non-metallic mineral products	**1,613**	**-11.3**	**1,819**

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

for manufacture of quartz glass for various applications in the electronics and communication industry. Employment in other non-metallic mineral products declined by 11.3 per cent to 1,613 workers in 2006, from 1,819 workers in 2005. The decline was due to automation in the manufacture of other non-metallic products.

Productivity

The non-metallic mineral industry registered an increase in growth of 5.6 per cent to RM248,200 in 2006, from RM235,000 in 2005. In this industry, other non-metallic mineral products recorded the highest productivity growth of 39.8 per cent. The increase in production of other non-metallic mineral products was the contributing factor to the productivity growth. For the cement sub-sector, the productivity increased by 31 per cent due to high productivity in hydraulic cement.

The non-metallic mineral industry was able to sustain its labour cost competitiveness as Sales Value per Employee grew faster than Labour Cost per Employee which grew at 2.9 per cent. This was complemented by a decline in Unit Labour Cost of 2.6 per cent.

Investments

In 2006, 29 projects were approved in the non-metallic mineral industry with total investments of RM1,166.5 million, compared with 30 projects in 2005 (RM921.5 million). Domestic investments amounted to RM204.3 million, while foreign investments totalled RM962.2 million. Of the 29 projects approved, 18 were new projects while 11 were expansion/diversification projects. Of the new 18 projects, two projects were for the manufacture of pretension spun concrete piles and ready mixed concrete, nine projects for the manufacture of ceramic products, two projects for the manufacture of glass products and five projects for the manufacture of other non-metallic mineral products such as artificial stone products, quicklime and barite.

Of the total investments approved, RM70.6 million were for concrete and cement products, RM57.5 million for manufacture of ceramic products, RM845.3 million for the manufacture of glass products and RM193.1 for the manufacture of other non-metallic mineral products.

Exports

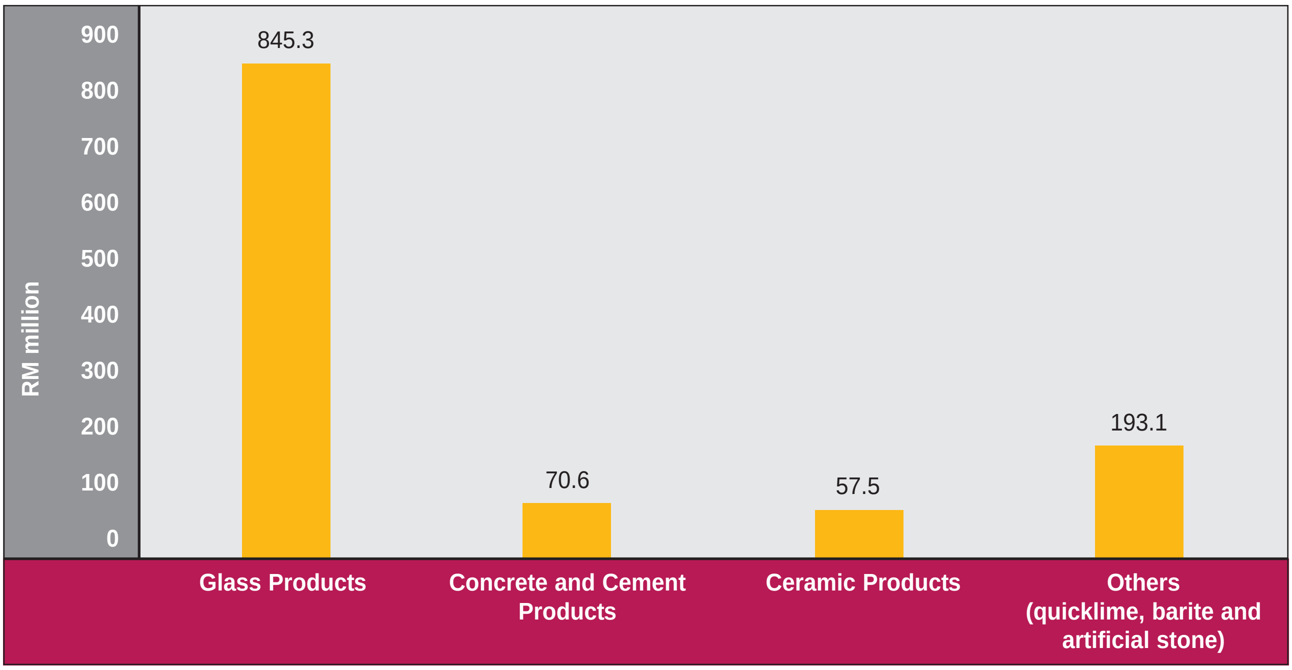
In 2006, total exports of non-metallic mineral products increased by 19.1 per cent to RM3.5 billion, compared with RM2.9 billion in 2005. The increase was due to higher exports of glass and glass ware products. Major export destinations were Singapore (RM604.3 million), Indonesia (RM448.6 million) and Japan (RM321.5 million). Major export items

Table 5.50:
Productivity Indicators of Non-Metallic Mineral Industry

Sub-sector/Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Non-metallic mineral products	**248.2**	**5.6**	**235.0**	**23.5**	**2.9**	**22.8**	**0.0945**	**-2.6**	**0.0970**
Cement sub-sector	**494.6**	**31.0**	**377.6**	**27.4**	**3.2**	**26.5**	**0.0553**	**-21.2**	**0.0702**
Hydraulic cement	883.9	27.4	693.7	41.1	2.6	40.0	0.0464	-19.6	0.0577
Ready-mix concrete	385.7	10.7	348.5	24.7	10.8	22.3	0.0639	0.2	0.0638
Other articles of concrete, cement and plaster	170.4	1.6	167.7	21.3	7.5	19.8	0.1249	5.9	0.1180
Ceramics sub-sector	**98.5**	**-0.5**	**99.0**	**18.4**	**2.3**	**17.9**	**0.1865**	**2.8**	**0.1814**
Non-structural non-refractory ceramic ware	75.8	-7.7	82.1	15.9	2.6	15.6	0.2105	11.1	0.1894
Refractory ceramic products	82.6	5.7	78.1	14.9	0.2	14.8	0.1800	-5.2	0.1899
Structural non-refractory clay and ceramic products	121.7	-1.5	123.5	21.8	1.2	21.5	0.1790	2.6	0.1744
Glass and glass products	**319.8**	**-3.4**	**331.1**	**29.9**	**3.8**	**28.8**	**0.0935**	**7.3**	**0.0871**
Other non-metallic mineral products	**393.4**	**39.8**	**281.4**	**29.6**	**8.7**	**23.6**	**0.0651**	**-22.3**	**0.0838**

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

Chart 5.4:
Investments in Projects Approved in the Non-Metallic Mineral Products Industry by Sub-Sector, 2006



Source: Malaysian Industrial Development Authority

Table 5.51:
Exports of Non-Metallic Mineral Products

Product category	2006 (RM million)	Change (%)	2005 (RM million)
Total exports of non-metallic mineral products	**3,495.9**	**19.1**	**2,934.3**
Glass and glassware	1,525.5	25.4	1,216.5
Lime, cement and fabricated construction materials	725.9	44.7	501.1
Mineral manufactures	650.4	8.9	589.7
Clay construction materials and refractory construction materials	461.0	6.5	432.9
Pottery	93.6	-22.8	121.2
Pearls, precious and semi-precious stones, unworked or worked	48.8	-33.1	72.9

Compiled by Ministry of International Trade and Industry

were glass and glass ware (RM1.5 billion), lime, cement and fabricated construction materials (RM724.9 million) and mineral manufactures (RM642.0 million).

Imports

Imports of non-metallic mineral products increased by 7.2 per cent to RM3,270.9 million in 2006, from RM3,051.2 million in 2005. The increase was mainly due to higher imports of minerals. Major sources of imports were Japan (RM611.4 million), the USA (RM492.3 million), the People's Republic of China (RM448 million), and Singapore (RM381.7 million).

Developments

For the cement sub-sector, there are 11 companies involved in the manufacture of ordinary Portland cement. Of these, seven are operating as integrated manufacturing plants producing clinker and cement, while four are involved in cement grinding. New manufacturing licences have not been issued since 1998 due to excess installed capacity of cement and clinker in the industry.

The last review on cement price was done in 1994. Since the production cost of cement has gone up during the past 12 years, effective 1 December 2006, the Government has reviewed and increased the cement price by 10 per cent. The price increase was to ensure that there is adequate supply of cement in the local market and to standardise cement price by regions within Peninsular Malaysia, Sabah and Sarawak.

In the ceramic sub-sector, there are eight companies producing sanitary wares, 13 companies manufacturing ceramic floor and wall tiles, with a total capacity of 80 million square metres, and six companies manufacturing advanced ceramic parts for the E&E industry. In 2006, Johnson Suisse (Malaysia) Sdn. Bhd., one of the leading sanitary wares producer in Malaysia was

Table 5.52:
Imports of Non-Metallic Mineral Products

Description	2006 (RM million)	Change (%)	2005 (RM million)
Total imports of non-metallic mineral products	**3,270.9**	**7.2**	**3,051.2**
Glass and glassware	1,314.2	-13.7	1,522.4
Mineral manufactures	962.9	55.6	618.6
Clay construction materials and refractory construction materials	334.1	12.3	297.5
Lime, cement and fabricated construction materials	329.5	16.3	283.3
Pearls, precious and semi-precious stones, unworked or worked	274.6	8.9	252.1
Pottery	55.6	-28.0	77.3

Compiled by Ministry of International Trade and Industry

acquired by Roca of Spain, the world's second largest manufacturer of sanitary wares.

For the glass sub-sector, Malaysia continued to attract large investments in the production of high value added and technical glass products, such as glass panels, funnels for cathode ray tube, quartz glass, plasma display exhaust pipes, hard disk glass substrates, tempered glass window and screen for automobiles.

TEXTILES AND APPAREL INDUSTRY

The textiles and apparel industry consists of primary textiles (polymerisation, spinning, weaving, knitting and wet processing), made-up garments, made-up textiles and textiles and clothing accessories. In 2006, the textiles and apparel industry ranked the eleventh largest contributor to exports in the manufacturing sector.

Production

In 2006, the production index of the textiles and apparel industry increased by 7.5 per cent to 89.8, compared with 83.5 in 2005. The expansion in production was due largely to a 21.9 per cent increase in the production of the apparel sub-sector to meet the increased demand in export markets.

Table 5.53:
Production Index of the Textiles and Apparel Industry

Industry Group	2006	Change (%)	2005
Total textiles and apparel	**89.8**	**7.5**	**83.5**
Textiles sub-sector	86.8	-0.4	87.1
Apparel sub-sector	94.6	21.9	77.6

Source: Department of Statistics, Malaysia.

Sales

In 2006, the textiles and apparel industry experienced decline in sales by 6.0 per cent to RM8.2 billion, from RM8.7 billion in 2005. Sales of apparel products decreased by 10.1 per cent to RM3.1 billion in 2006, from RM3.4 billion in 2005, due to competition from imported apparel. Sales of textiles products also recorded a decrease by 3.4 per cent to RM5.1 billion in 2006, from RM5.3 billion in 2005.

Table 5.54:
Sales of the Textiles and Apparel Industry

Industry Group	2006 (RM mill.)	Change (%)	2005 (RM mill.)
Textiles and apparel	**8,228.4**	**-6.0**	**8,755.2**
Textiles sub-sector	5,138.7	-3.4	5,317.1
Apparel sub-sector	3,089.6	-10.1	3,438.1

Source: Department of Statistics, Malaysia.

Employment

Employment in the textiles and apparel industry decreased by 2.2 per cent to 65,023 workers in 2006, compared with 66,506 workers in 2005. This was due to increase automation in the production processes and outsourcing of labour intensive activities from low cost producing countries, such as Viet Nam.

Productivity

The textiles and apparel industry registered a decline in Sales Value per Employee of 1.5 per cent to RM128,090 in 2006, compared with RM130,050 in 2005. Labour Cost per Employee and Unit Labour Cost increased by 1.3 per cent and 2.8 per cent, respectively.

In 2006, the textiles sub-sector recorded an increase of 3.7 per cent in Sales Value per Employee. The sub-sector was able to sustain its labour cost competitiveness as indicated by a decrease in both Labour Cost per Employee and Unit Labour Cost by 0.1 per cent and 3.6 per cent, respectively.

The Sales Value per Employee of the apparel sub-sector decreased by 8.0 per cent to RM75,750 in 2006, compared with RM82,300 in 2005. The sub-sector registered growth in Labour Cost per Employee and Unit Labour Cost by 2.6 per cent and 11.5 per cent, respectively.

Table 5.55:
Productivity Indicators of the Textiles and Apparel Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Textiles and Apparel Industry	**128.1**	**-1.5**	**130.1**	**13.3**	**1.3**	**13.1**	**0.1038**	**2.8**	**0.1010**
Textiles sub-sector	**215.7**	**3.7**	**208.1**	**15.7**	**-0.1**	**15.7**	**0.0727**	**-3.6**	**0.0754**
Natural fibre spinning; weaving of textiles	126.9	-10.3	141.4	15.0	-10.9	16.8	0.1183	-0.7	0.1191
Man-made fibre spinning; weaving of textiles	335.6	4.0	322.7	16.0	1.6	15.7	0.0476	-2.5	0.0488
Dyeing, bleaching, printing and finishing of yarns, and fabric (except batik)	206.9	10.7	186.9	20.1	0.3	20.1	0.0972	-9.5	0.1074
Knitted and crocheted fabrics and articles	107.4	2.9	104.4	13.4	0.8	13.3	0.1247	-2.1	0.1274
Apparel sub-sector	**75.8**	**-8.0**	**82.3**	**11.9**	**2.6**	**11.6**	**0.1567**	**11.5**	**0.1405**

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

Investments

In 2006, a total of 30 projects were approved with investments of RM821.3 million, compared with RM373.9 million in 2005 in 35 projects. Domestic investments totalled RM669.1 million, while foreign investments accounted for RM152.2 million.

Of the 30 projects approved, 18 projects were for the production of made-up garments valued at RM91.3 million, seven were for the production of primary textiles (RM182.4 million), four for the production of made-up textile products (RM542.3 million) and one for the production of made-up textile accessories (RM5.3 million).

Table 5.56:
Total Investments in the Textiles and Apparel Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**30**	**-14.3**	**35**
Total investments (RM million)	821.3	119.6	373.9
Domestic investments (RM million)	669.1	193.8	227.7
Foreign investments (RM million)	152.2	4.1	146.2

Source: Malaysian Industrial Development Authority

Exports

In 2006, total exports of textiles and apparel increased by 3 per cent to RM10.3 billion, from RM10.2 billion in 2005. Exports of the textiles sub-sector increased by 2.9 per cent to RM5.6 billion in 2006, from RM5.4 billion in 2005, while exports of the apparel sub-sector increased by 2 per cent to RM5 billion, compared with RM4.9 billion in 2005.

Major export markets for textiles and apparel were the USA, valued at RM2.9 billion, Turkey (RM662.7 million) and Japan (RM520.6 million). Main export items were textile yarns, valued at RM2.4 billion, knitted jerseys and baby wear (RM1.5 billion) and woven fabrics of man-made textile materials (RM976.7 million).

Imports

In 2006, total imports of textiles and apparel increased by 8.2 per cent to RM5.4 billion, from RM5 billion in 2005. Imports of textiles increased by 4.6 per cent to RM4.2 billion in 2006, from RM4.1 billion in 2005, while imports of apparel increased by 22.8 per cent to RM1.2 billion, compared with RM981.6 million in 2005. In 2006, major sources of imports were the People's Republic of China, valued at RM1.9 billion, Taiwan (RM555.8 million) and Indonesia (RM473.7 million). Main imported products were textiles yarn, woven fabrics of man-made textile materials, knitted and crocheted fabrics, clothing accessories of textile fabrics, and women's clothing.

Developments

In 2006, existing manufacturers continued to reinvest in the textiles and apparel industry, mainly in made-up garments. Of the 18 projects approved for made-up garments, 14 were for expansion/diversification. This indicates that the industry is still competitive in producing high-end textile products.

The textiles and apparel industry is one of the targeted growth sectors identified in the IMP3. In the textiles sub-sector, the industry is encouraged to move into higher value-added and functional fabrics with features, such as water-proof, wrinkle-free, anti-bacteria, fire resistance and ultra violet protection, intermediate products and accessories for other industries, and home textiles using local designs and high quality fabrics. In the apparel sub-sector, the growth areas identified are high-end apparel, such as those with quick dry and silky touch features, bridal gowns and blazers, and ethnic fabrics, such as *batik* and *songket*.

THE MEDICAL DEVICES INDUSTRY

The medical devices industry includes manufacturing of implantable devices, orthopaedic devices, dialysers and imaging equipment, which can be used for medical, surgical, dental, optical and general health purposes. Medical devices are used alone or in combination, such as in the alleviation of diseases to support or sustain life and to disinfect medical and surgical equipment.

Under the IMP3, the medical devices industry is targeted as a new growth industry. The industry will be positioned to become a major producer and exporter through broadening the range of products, promoting foreign direct investments, expanding the range of support industries and services, and strengthening the institutional support for enhancing human resources development, R&D and compliance to international standards and regulations.

Production

The production index of the medical devices industry increased by 13.8 per cent to 147.3, compared with 129.5 in 2005, due to the increased global and domestic demand for medical devices, such as catheters and medical apparatus.

Sales

In 2006, sales value for medical devices, increased by 13.5 per cent to RM971.8 million, from RM855.9 million in 2005. The growth in sales is mainly attributed to growing sales of sterile surgical catgut, catheters and cannulae.

Employment

Employment in the medical devices industry increased by 12.2 per cent to 6,520 workers, from 5,812 workers in 2005. This was due to the increase in production activities to cater for the export market.

Productivity

The medical devices industry registered a 8.3 per cent growth in Sales Value per Employee to RM162,600 in 2006, compared with RM150,140 in 2005. The growth was attributed to higher capacity utilisation to cater for increasing demand for medical devices in the global market.

The industry continued to maintain its labour cost competitiveness as Sales Value per Employee grew faster than Labour Cost per Employee. This was complemented by a decline in Unit Labour Cost of 2 per cent.

Investments

In 2006, a total of 29 new projects were approved, with investments of RM1.1 billion, compared with 15 projects worth RM1.4

Table 5.57:
Productivity Indicators of Selected Medical Devices Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Medical Devices	162.6	8.3	150.1	25.8	6.1	24.3	0.1584	-2.0	0.1617

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

billion in 2005. Domestic investments in these projects amounted to RM414.8 million or 37 per cent of the total investments. Foreign investments totalled RM700.8 million or 63 per cent of the total investments. Domestic investments recorded a substantial growth in 2006 due to increased interest from local investors in opportunities available in the industry.

Table 5.58:
Total Investments in the Medical Devices Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**29**	**93**	**15**
Total investments (RM million)	1,115.6	-20.3	1,400.0
Domestic investments (RM million)	414.8	161.4	158.7
Foreign investments (RM million)	700.8	-43.5	1,241.3

Source: Malaysian Industrial Development Authority

Exports

In 2006, exports increased by 15.2 per cent to RM1.6 billion, from RM1.4 billion in 2005. Main export products were catheters, syringes, needles, sutures and medical and surgical x-ray apparatus. Major export destinations were the USA (RM248.3 million), Japan (RM188.1 million) and Singapore (RM134 million).

The increase in exports of medical devices was due to higher exports for measuring and controlling instruments and apparatus, particularly to Japan (26.6 per cent) and the USA (22.7 per cent).

Imports

In 2006, imports increased by 11.7 per cent to RM1.9 billion, from RM1.7 billion in 2005. Main categories of products imported were other instruments and appliances used in medical, surgical, dental sciences and other electro-diagnostic apparatus. Major sources of imports were the USA (29.9 per cent), Japan (16.1 per cent) and Singapore (11.1 per cent).

Table 5.59:
Exports of Selected Medical Devices

Description	2006 (RM million)	Change (%)	2005 (RM million)
Total	**1,682.3**	**15.2**	**1,459.8**
Catheters, syringes, needles and sutures	519.1	-24.7	690.0
Medical and surgical x-ray apparatus	165.6	28.1	129.3
Electromedical equipment	107.6	82.3	59.0
Ophthalmic lenses, including contact lenses	123.1	163.5	46.7
Dental and ophthalmic instruments and appliances	59.0	134.1	25.2
Medical furniture	32.5	64.1	19.8
Other medical instruments, apparatus and appliances	675.4	37.8	489.8

Compiled by Ministry of International Trade and Industry

Developments

Malaysia is one of the major suppliers of latex-based products such as catheters and surgical gloves. Nonetheless, due to increased competition from low-cost producing countries, the industry is moving towards higher value-added and non-rubber based products such as catheters, surgical drapes and gown, cardiovascular apparatus, home-care products, including dialysis machine, and higher quality and specialty gloves, which are powder-free and low protein based.

The Government is also encouraging the local industry to adopt technology transfer to manufacture indigenous medical devices through contract manufacturing for foreign firms, strategic alliances with multinational companies, and joint ventures to invest in the high-end range of medical devices and equipment.

WOOD AND WOOD PRODUCTS INDUSTRY

The wood and wood products industry consists of wood products, and paper products. The wood products range from sawn timber, veneer sheets and plywood, builders' carpentry and joinery, laminated boards, particle board, other panels, and boards and wooden furniture and fixtures. Paper products include pulp, paper and paperboard, corrugated paper and containers of paper and paperboard.

Production

The overall production index of the wood and wood-based products industry increased by 7.2 per cent to 121 in 2006, compared with 112.8 in 2005. The increase in overall production was due mainly to substantial increase in output of pulp, paper and paperboard, and corrugated paper and paperboard, which increased by 23.3 per cent and 6.9 per cent, respectively.

The production index for wood products increased by 3.8 per cent to 113.8 in 2006, compared with 109.6 in 2005. The increase in the production index is largely contributed by veneer sheets and plywood with the production index increasing by 9.1 per cent.

The production index of paper products increased by 13.1 per cent to 134.6 in 2006, compared with 119 in 2005. The increase was due to demand from the domestic manufacturing industries, especially for packaging purposes. Pulp, paper and paperboard recorded the highest increase of 23.3 per cent to 120.2 in 2006, from 97.5 in 2005.

Sales

Total sales of wood and wood products recorded an increase of 13.1 per cent to RM21.6 billion in 2006, from RM19.1 billion in 2005.

Sales of wood products increased by 17.2 per cent to RM16 billion in 2006, from RM13.7 billion in 2005. The highest increase in sales was recorded for veneer sheets and plywood, which increased by 27.6 per cent to RM7.8 billion in 2006, from RM6.1 billion in 2005. The increase is attributed to higher

Table 5.60:
Production Indices of the Wood and Wood Products Industry

Products	2006	Change (%)	2005
Overall	**121.0**	**7.2**	**112.8**
Wood Products	**113.8**	**3.8**	**109.6**
Laminated board, particle board and other panels and board	125.3	-8.5	137.0
Veneer sheets and plywood	121.5	9.1	111.3
Sawmilling and planing of wood	96.3	2.3	94.1
Paper Products	**134.6**	**13.1**	**119.0**
Corrugated paper and paperboard	146.9	6.9	137.4
Pulp, paper and paperboard	120.2	23.3	97.5

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

demand for veneer products and plywood in overseas markets.

Sales of paper products increased by 2.9 per cent to RM5.6 billion in 2006, from RM5.4 billion in 2005. Strong sales was recorded for corrugated paper and paperboard which increased by 27.7 per cent to RM3 billion in 2006, from RM2.3 billion in 2005.

Employment

Employment in the wood and wood products industry grew by 8.9 per cent to 138,154 workers in 2006, from 126,921 workers in 2005. The industry benefited from sustained demand from domestic and export markets.

In wood products, employment in the wooden and cane furniture registered the highest increase of 12.8 per cent to 46,381 workers in 2006, from 41,121 workers in 2005. Employment in the paper products segment registered a marginal increase to 22,123 workers in 2006, from 21,719 workers in 2005.

Productivity

Sales Value per Employee for the wood and wood products industry improved by 4.7 per

Table 5.61:
Sales of Wood Based Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Sales	**21,607.7**	**13.1**	**19,103.5**
Wood Products	**16,002.2**	**17.2**	**13,654.2**
Veneer sheets and plywood	7,758.5	27.6	6,082.2
Wooden and cane furniture	5,248.6	5.2	4,989.1
Laminated board, particle board, and other panels and board	1,818.4	22.6	1,483.8
Builders' carpentry and joinery	1,176.7	7.1	1,099.0
Paper Products	**5,605.5**	**2.9**	**5,449.3**
Corrugated paper and paperboard	3,004.5	27.7	2,353.0
Pulp, paper and paperboard	1,736.0	-11.0	1,951.5
Toilet papers, cleansing tissues, towels, serviettes	434.1	8.4	400.3
Gummed or adhesive paper in strips or rolls and labels, wall paper	310.5	-23.0	403.2
Envelopes, letter cards, correspondence cards or plain postcards	120.5	-64.7	341.3

Source: Department of Statistics, Malaysia

Table 5.62:
Employment in Wood and Wood Products Industry

Products	2006 (Workers)	Change (%)	2005 (Workers)
Total Employment	**138,154**	**8.9**	**126,921**
Wood Products	**116,031**	**10.3**	**105,202**
Veneer sheets and plywood	52,622	10.2	47,760
Wooden and cane furniture	46,381	12.8	41,121
Builders' carpentry and joinery	9,568	0.7	9,504
Laminated board, particle board and other panels and board	7,460	9.4	6,817
Paper Products	**22,123**	**1.9**	**21,719**
Corrugated paper and paperboard	13,523	7.4	12,587
Pulp, paper and paperboard	4,148	-3.4	4,293
Toilet papers, cleansing tissues, towels, serviettes	2,660	17.5	2,263
Gummed or adhesive paper in strips or rolls and labels, wall paper	1,096	-4.3	1,145
Envelopes, letter cards, correspondence cards or plain postcards	696	-51.4	1,431

Source: Department of Statistics, Malaysia

cent to RM158,580 in 2006, compared with RM151,420 in 2005. The growth was due to the expansion of plywood industry which has diversified into the production of high value-added plywood. The growth was also attributed to the increase in demand for corrugated carton boxes from other manufacturing industries, namely E&E, chemicals, food, textiles and garments and furniture industries. Labour Cost per Employee also increased by 1.4 per cent to RM13,450.

With a decline of 3.1 per cent in Unit Labour Cost and higher Sales Value per Employee compared with Labour Cost per Employee, the industry was able to sustain its labour cost competitiveness.

Investments

In the wood and wood products industry, 103 projects were approved with investments of RM1.4 billion in 2006, compared with 91 projects with investments of RM872.2 million in 2005. Of the 103 projects approved, 70 were new projects with investments of RM752.1 million (54 per cent) and 33 were expansion/diversification projects with investments of RM641.9 million (46 per cent). Domestic investments amounted to RM1.1 billion or 75.5 per cent of total investments,

Table 5.63:
Productivity Indicators of Wood and Wood Products Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Wood and Wood Products	**158.6**	**4.7**	**151.4**	**13.5**	**1.4**	**13.3**	**0.0848**	**-3.1**	**0.0875**
Wood Products	**140.2**	**7.5**	**130.5**	**12.1**	**2.8**	**11.8**	**0.0864**	**-4.4**	**0.0904**
Manufacture of Veneer Sheets and Plywood	149.6	17.4	127.4	9.3	1.0	9.2	0.0618	-14.0	0.0719
Manufacturer of laminated board, particle board and other panels and boards	250.1	14.6	218.2	21.2	4.7	20.2	0.0847	-8.6	0.0927
Manufacture of builders' carpentry and joinery	118.9	1.7	116.9	13.9	6.1	13.1	0.1167	4.3	0.1119
Manufacture of wooden and cane furniture	116.3	-5.1	122.5	13.6	3.0	13.2	0.1166	8.5	0.1075
Paper Products	**253.6**	**0.1**	**253.4**	**20.3**	**-0.3**	**20.4**	**0.0802**	**-0.2**	**0.0804**
Manufacture of pulp, paper and paperboard	428.6	-7.1	461.4	27.7	2.9	26.9	0.0645	10.8	0.0582
Manufacture of corrugated paper and paperboard and containers of paper and paperboard	215.4	14.7	187.8	18.6	2.7	18.1	0.0864	-10.5	0.0965
Manufacture of envelopes, letter cards, correspondence cards or plain postcards	199.5	-22.1	256.2	15.4	-22.1	19.8	0.0774	0.0	0.0774
Manufacture of toilet papers, cleansing tissues, towels, serviettes	174.4	-1.9	177.8	18.7	-1.4	18.9	0.1070	0.6	0.1064
Manufacture of gummed or adhesive paper in strips or rolls and labels, wall paper	305.6	-11.9	346.7	21.8	-11.0	24.4	0.0712	1.0	0.0705

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

while foreign investments amounted to RM341.5 million (24.5 per cent).

In 2006, 14 projects were approved for panel products. Five were new projects with investments of RM163.6 million, while nine were expansion/diversification projects with investments of RM497.9 million. This product segment received the highest investments in the wood and wood products industry of RM661.5 million, a more than four-fold increase, compared with RM117.8 million in 2005. The increase was as a result of the approval of three medium density fibreboard projects with investments of RM482.6 million or 73 per cent of investments approved for this product segment. Investments were mainly from domestic sources, amounting to RM423.1 million or 64 per cent of the total.

In the wooden furniture segment, 62 projects were approved with investments of RM410.9 million, compared with 55 projects with investments of RM511.7 million in 2005. Of these projects, 44 were new projects with investments of RM288.1 million, while 18 were expansion/diversification projects with investments of RM122.8 million. Domestic investments amounted to RM355.8 million or 86.6 per cent of total investments.

In the moulding and builders' carpentry and joinery segment, 10 projects were approved with investments of RM124.5 million. Most of the projects approved were for the manufacture of mouldings, flooring boards, and doors and windows. Of the total, nine were new projects with investments of RM120.5 million (96.8 per cent), while one project was an expansion/diversification project with an investment of RM4 million. Domestic investments amounted to RM123.9 million or 99.5 per cent of the total investment in this segment.

In the non-wood fibre products sub-sector, eight projects were approved with investments of RM88.9 million. Five projects with investments of RM46 million were for the manufacture of veneer, sawntimber, plywood,

Table 5.64:
Total Investments in the Wood and Wood Products Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**103**	**13.2**	**91**
Total investments (RM million)	1,394.0	59.8	872.2
Domestic investments (RM million)	1,052.5	43.9	731.5
Foreign investments (RM million)	341.5	142.7	140.7

Source: Malaysian Industrial Development Authority

blockboard, finger-joints and mouldings from oil palm biomass. Two projects with investments of RM6.5 million were for the manufacture of chips, veneer and plywood from coconut trunks.

Exports

In 2006, exports of wood and wood products increased by 14 per cent to RM16.7 billion, compared with RM14.6 billion in 2005 due to increase in demand from both existing and emerging markets. Among the major products exported were plywood (RM8.9 billion), wooden furniture (RM6.4 billion) and wood manufactures (RM1.4 billion).

In 2006, total exports of paper products increased by 4.6 per cent to RM2.2 billion, from RM2.1 billion in 2005. Exports of paper and paperboard (cut to size) increased by 5.1 per cent to RM1.3 billion in 2006, from RM1.2 billion in 2005, while exports of paper and paperboard segment increased marginally by 0.1 per cent to RM668.9 million, compared with RM668.4 million in 2005.

Japan was Malaysia's leading export destination for wood and wood products, which accounted for RM4.8 billion of exports, recording a growth of 32.7 per cent in 2006. The increase in exports was attributed partly to the lowering of tariffs under the Japan-Malaysia Economic Partnership Arrangement (JMEPA) which came into force on 13 July 2006.

Table 5.65:
Exports of Selected Wood and Paper Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Exports	**18,855.7**	**12.8**	**16,712.3**
Wood products	**16,687.5**	**15.6**	**14,638.9**
Veneer, plywood, particle board and other wood	8,940.05	21.5	7,356.9
Wooden furniture	6,391.2	9.7	5,826.3
Wood manufactures	1,354.9	-6.9	1,455.4
Cork manufactures	1.0	139.2	0.4
Paper products	**2,168.2**	**4.6**	**2,073.4**
Paper and paperboard (cut to size)	1,331.4	5.1	1,266.8
Paper and paperboard	668.9	0.1	668.4
Wood in chips or particles	131.6	23.5	106.6
Pulp and waste paper	36.3	15.0	31.6

Compiled by Ministry of International Trade and Industry

Other major markets that recorded increases in exports were the UK (19 per cent to RM959.3 million), the Republic of Korea (12 per cent to RM868.6 million) and Australia (8.3 per cent to RM672.9 million).

Imports

In 2006, imports of wood and wood products recorded a growth of 17.8 per cent to RM1.2 billion, from RM980 million in 2005. The main import items were wooden furniture, valued at RM507.3 million, which recorded an increase of 14.5 per cent, compared with 2005. This was followed by veneer, plywood, particle board and other panel products, which increased by 21.6 per cent to RM467.7 million in 2006.

Total imports of paper products increased by 7.4 per cent to RM5.6 billion in 2006, from RM5.2 billion in 2005. Imports of paper and paperboard increased by 3.8 per cent to RM4.2 billion, compared with RM4 billion in 2005, due to demand from domestic industry.

Major sources of imports were the People's Republic of China, valued at RM354.1 million, followed by Thailand (RM158.8 million), Poland (RM116.4 million) and Indonesia (RM58.9 million).

Developments

In 2006, the industry continued to explore the use of other alternative and sustainable raw

Table 5.66:
Imports of Selected Wood and Paper Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Imports	**6,811.5**	**9.1**	**6,246.0**
Wood products	**1,154.8**	**17.8**	**980.0**
Wooden furniture	507.3	14.5	443.1
Veneer, plywood, particle board and other panel products	467.7	21.6	384.5
Wood manufactures	177.5	18.6	149.6
Cork manufactures	2.3	-18.9	2.8
Paper products	**5,656.8**	**7.4**	**5,266.0**
Paper and paperboard	4,152.3	3.8	4,000.7
Paper and paperboard, cut to size	790.6	2.3	772.8
Pulp and waste paper	713.5	44.9	492.3
Wood in chips or particles	0.4	123.9	0.2

Compiled by Ministry of International Trade and Industry

materials for the manufacture of wood and wood products. The industry for example, has also explored kenaf as an alternative raw material to complement the use of wood fibre.

The EU implemented the Forest Law Enforcement, Governance and Trade (FLEGT) to address issues related to timber trade, including illegal logging. To build on this initiative, the EU has developed the FLEGT Action Plan. The core element of the FLEGT Action Plan is the establishment of a licensing scheme which aims to ensure that only legal timber enters the EU market. A key component of the FLEGT Action Plan is for the EU to sign Voluntary Partnership Agreements (VPA) with timber producing countries like Malaysia.

In 2006, The Cabinet agreed that the Ministry of Plantation Industries and Commodities (MPIC) will lead negotiations with the EU on the FLEGT-VPA. The key objective for Malaysia to sign the FLEGT-VPA is to acquire the recognition of the EU on Malaysia's existing certification and licensing scheme. Certification by the Malaysian Timber Certification Council (MTCC) provides the assurance to consumers that wood and wood products sourced from Malaysia are from sustainable forest/plantations and/or from legally harvested timber.

In the IMP3, eight strategic thrusts have been outlined to strengthen the development of this industry, namely:

- Developing regional production and supply chains;
- Efficient and effective management of timber resources;
- Expanding market access;
- Promoting the growth potential;
- Production of own design and brand future;
- Research and development;
- Supply of highly skilled workforce; and
- Strengthening the institutional support and improving the delivery system.

RUBBER PRODUCTS INDUSTRY

The rubber products industry comprises manufacture of rubber gloves, rubber tyres and tubes, retreading and rebuilding of rubber tyres, and manufacture of latex-based and general rubber products. Malaysia is the fifth largest consumer of natural rubber, after the People's Republic of China, the USA, Japan and India. In 2006, Malaysia imported 543,740 tonnes of natural rubber, mainly from ASEAN countries. Currently, there are 500 rubber products manufacturers in this industry.

Production

The overall production index for the rubber products industry increased by 7.2 per cent to 143.4 in 2006, from 133.8 in 2005. Production of latex-based and general rubber products recorded the highest increase of 23.4 per cent, due to higher demand from both the domestic and export markets.

In 2006, production of rubber tyres and tubes, and retreading and rebuilding of rubber tyres declined by 10.9 per cent and 7 per cent, respectively. The decline was due to competition from imported tyres and inner tubes, particularly from the People's Republic of China and ASEAN countries.

Sales

Overall sales for rubber products grew by 21.6 per cent to RM11.4 billion in 2006, compared with RM9.4 billion in 2005. All sub-sectors under the rubber products industry recorded significant growth in 2006, due mainly to strong global demand from traditional export markets for rubber gloves, catheters and condoms. Sales was also driven by stringent regulatory measures on healthcare standards and increasing hygiene awareness in the food and services industry. Sales of rubber gloves

Table 5.67:
Production Indices of the Rubber Products Industry

Products	2006	Change (%)	2005
Overall	**143.4**	**7.2**	**133.8**
Latex-based and general rubber products	184.6	23.5	149.5
Rubber gloves	159.9	5.5	151.6
Rubber tyres and tubes	84.6	-10.9	94.9
Retreading and rebuilding of rubber tyres	82.4	-7.0	88.6

Source: Department of Statistics, Malaysia

recorded the highest increase of 28.5 per cent to RM5.6 billion in 2006, from RM4.3 billion in 2005.

Employment

Employment in the rubber products industry increased by 7.3 per cent to 63,728 workers in 2006, from 59,409 workers in 2005. The rubber gloves segment remained as the largest employer with 33,234 workers in 2006, compared with 30,266 workers in 2005.

Productivity

The rubber products industry recorded an increase of 13.7 per cent in Sales Value per Employee to RM179,050 in 2006, compared with RM157,430 in 2005. The growth was attributed to the need for better healthcare services and higher expectations of the general public in the quality of medical treatment. This was further contributed by the increase in demand for parts and components for automotive, machinery and equipment industries. Labour Cost per Employee also increased by 2 per cent to RM17,070.

The industry was able to sustain its labour cost competitiveness following a reduction in Unit Labour Cost at 10.3 per cent, and with a 2 per cent growth in Labour Cost per Employee.

Table 5.68:
Sales of Rubber Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Sales	**11,383.3**	**21.6**	**9,365.1**
Rubber gloves	5,552.7	28.5	4,321.4
Latex-based and general rubber products	3,964.7	20.7	3,284.6
Tyres and tubes	1,771.4	6.0	1,670.9
Retreading and rebuilding of rubber tyres	94.4	7.1	88.2

Source: Department of Statistics, Malaysia

Table 5.69:
Employment in the Rubber Products Industry

Products	2006 (Workers)	Change (%)	2005 (Workers)
Total Employment	**63,728**	**7.3**	**59,409**
Rubber gloves	33,234	9.8	30,266
Latex-based and general rubber products	23,949	5.6	22,674
Tyres and tubes	5,821	1.6	5,731
Retreading and rebuilding of rubber tyres	724	-1.9	738

Source: Department of Statistics, Malaysia

Table 5.70:
Productivity Indicators of the Rubber Products Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Rubber Products	**179.1**	**13.7**	**157.4**	**17.1**	**2.0**	**16.7**	**0.0954**	**-10.3**	**0.1063**
Manufacture of rubber tyres and tubes	300.3	4.3	288.0	28.2	2.8	27.4	0.0937	-1.5	0.0951
Retreading and rebuilding of rubber tyres	125.9	3.4	121.8	16.9	-3.8	17.6	0.1345	-6.9	0.1445
Manufacture of rubber gloves	168.9	19.5	141.4	15.0	3.0	14.6	0.0889	-13.8	0.1031
Manufacture of other rubber products	164.9	12.4	146.7	17.2	1.5	16.9	0.1042	-9.6	0.1153

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

Investments

In 2006, a total of 37 projects with investments of RM714.6 million were approved in the rubber products industry, compared with 27 projects with investments of RM773 million in 2005. Of this, 15 were new projects with investments of RM169.7 million and 22 were expansion/diversification projects with investments of RM544.9 million. Domestic investments amounted to RM456.8 million (63.9 per cent) and foreign investments amounted to RM257.8 million (36.1 per cent).

Investments were mainly in latex products totalling RM550.2 million, followed by industrial and general rubber products (RM150.7 million), recycling of waste tyres into rubber crumbs, steel tubes, fuel oil and fibres (RM9.3 million), and tyres and tyre-related products (RM4.4 million).

A total of 15 projects with investments of RM550.2 million were approved in latex products, of which four were new projects (RM92.2 million), and 11 were expansion/diversification projects (RM458 million). Domestic investments amounted to RM379.8 million (69 per cent), while foreign investments totalled RM170.4 million (31 per cent).

Of the projects approved for latex products, 11 projects with investments of RM348 million were for the production of industrial, household and examination gloves. This will further strengthen Malaysia's position as the world leader in the production and export of rubber gloves.

A total of 19 projects with investments of RM150.7 million were approved in the industrial and general rubber products segment. These projects were for the manufacture of moulded rubber products for automotive, industrial hoses, anti-vibration dampers, and tubes and seals.

Of the projects approved in this segment, nine were new projects amounting to RM68.2 million, while 10 were expansion/diversification projects (RM82.4 million). Domestic investments amounted to RM64.4 million

Table 5.71:
Total Investments in the Rubber Products Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**37**	**37.0**	**27**
Total investments (RM million)	714.6	-7.6	773.0
Domestic investments (RM million)	456.8	-18.1	557.8
Foreign investments (RM million)	257.8	19.8	215.2

Source: Malaysian Industrial Development Authority

(42.7 per cent), while foreign investments totalled RM86.3 million (57.3 per cent).

Two new projects were approved with investments of RM9.3 million for the recycling of waste tyres into rubber crumbs, steel wires, fuel oil and fibres. Domestic investments amounted to RM8.2 million (89.1 per cent), while foreign investments totalled RM1.1 million (10.9 per cent).

Exports

Exports of rubber products totalled RM9.3 billion in 2006, registering a growth of 33.6 per cent, compared with RM7 billion in 2005. Main exports were rubber gloves valued at RM5.4 billion followed by industrial rubber goods (RM2.5 billion), articles of rubber (RM650 million), tyres and tyre-related products (RM543.2 million) and synthetic rubber (RM232.2 million).

The USA remained Malaysia's single largest export market for rubber products, with exports valued at RM2.3 billion in 2006. Exports of rubber gloves (surgical and non-surgical) accounted for 88 per cent of the total rubber products exported to the USA. Other major markets included the People's Republic of China, Germany, Japan and the UK. The People's Republic of China was the fastest growing export market for rubber products in 2006, increasing by almost four-fold to RM1.4 billion.

Imports

Imports of rubber products increased by 23.2 per cent to RM2.7 billion in 2006, from RM2.2 billion in 2005. This was due mainly to imports of synthetic rubber (40.9 per cent) as well as tyres and tubes (24.7 per cent), as a result of higher demand from the domestic manufacturing industry.

Japan remained the largest source of imports of rubber products, valued at RM642.2 million, followed by Thailand (RM536.5 million), the USA (RM250.4 million), Taiwan (RM175.9 million), and the People's Republic of China (RM151 million).

Table 5.72:
Exports of Rubber Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Exports	**9,332.7**	**33.6**	**6,985.5**
Rubber gloves	5,383.2	19.6	4,502.8
Industrial rubber goods	2,524.1	110.4	1,199.9
Articles of rubber	650.0	10.2	590.1
Tyres and tyre-related products	543.2	12.2	484.2
Synthetic rubber	232.2	11.3	208.6

Compiled by Ministry of International Trade and Industry

Table 5.73:
Imports of Rubber Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Imports	**2,675.9**	**23.2**	**2,172.1**
Synthetic rubber	1,095.4	32.9	824.4
Tyres and tyre related products	643.5	24.7	516.0
Articles of rubber	630.2	9.7	574.5
Industrial rubber goods	194.2	14.9	169.1
Rubber gloves	112.6	27.7	88.2

Compiled by Ministry of International Trade and Industry

Developments

In 2006, the price of Standard Malaysian Scheme Rubber (SMR 20) increased to more than RM8.00 per kg, a 20-year high for two consecutive months of June and July. The high prices were due mainly to strong global demand from the automobile industry in the People's Republic of China, rising crude oil prices and shortage in supply of natural rubber globally.

Although Malaysia continued to be the world leading producer and exporter of rubber products, more R&D, promotion and branding activities need to be undertaken to strengthen Malaysia's position in the global market. In the IMP3, six strategic thrusts have been set to strengthen the development of rubber products industry, namely:

- Enhancing Malaysia's position as the leading producer of latex products,
- Expanding the export markets,
- Encouraging outward investments,
- Diversifying the product range,
- Establishing Regional Centre for testing and certification, and
- Upgrading technology and improving skills.

PALM OIL INDUSTRY

The palm oil industry comprises palm oil, palm kernel oil, palm kernel cake, oleochemicals and finished products. The average crude palm oil (CPO) price increased by 8.4 per cent in 2006 to RM1,510.50 per tonne, from RM1,394 in 2005. In line with this increase, the average export price for processed palm oil products also increased. This include refined, bleached and deodorised (RBD) palm oil, which increased by 5.5 per cent to RM1,534 per tonne, RBD palm olein by 8.3 per cent to RM1,621.50 per tonne, and RBD palm stearin by 15.3 per cent to RM1,496 per tonne.

The upward trend in palm oil prices was attributed to positive market sentiments, arising from the anticipated demand from the biodiesel industry and higher soybean oil prices.

The average price of palm kernel in 2006 decreased by 12.3 per cent to RM892 per tonne, from RM1,017 per tonne in 2005. This was attributed to an increase in the supply of palm kernel arising from higher production and stock levels. The average price of crude palm kernel oil also decreased by 12.6 per cent to RM1,907.50 per tonne in 2006, from RM2,183 per tonne in 2005, due to increasing domestic supplies and the recovery in world coconut oil production.

Production

Overall production in the palm oil industry increased by 5.5 per cent in 2006 to 26.3 million tonnes, from 24.9 million tonnes in 2005. The production of crude palm oil and crude palm kernel oil both recorded an increase of 6.1 per cent. The production of crude palm oil increased to 15.9 million tonnes in 2006, from 14.9 million tonnes in 2005. Crude palm

Table 5.74:
Production of the Palm Oil Industry

Products	2006 (Tonnes)	Change (%)	2005 (Tonnes)
Total	**26,260,843**	**5.5**	**24,883,447**
Crude palm oil	15,880,786	6.1	14,961,654
Palm kernel	4,125,124	4.1	3,964,031
Palm kernel cake	2,200,225	5.0	2,095,876
Oleochemical products	2,099,074	4.0	2,019,258
Crude palm kernel oil	1,955,634	6.1	1,842,628

Source: Malaysian Palm Oil Board

kernel oil production increased to 1.9 million tonnes in 2006, from 1.8 million in 2005, palm kernel cake to 2.2 million tonnes from 2.1 million tonnes, and palm kernel to 4.1 million tonnes from 3.9 million tonnes.

The increase in production was attributed largely to increase in matured areas and rise in the average fresh fruit bunches yield per hectare, following the adoption of better plantation management practices.

Investments

A total of 118 projects with investments of RM8.8 billion were approved for the production of palm oil products in 2006. These projects included the production of palm oil and palm kernel oil products, oleochemicals, biodiesel, energy generation and products from palm biomass. Domestic investments amounted to RM6.1 billion or 69 per cent of total investments, while foreign investments accounted for 31 per cent (RM2.7 billion).

Biodiesel projects attracted the highest investments of RM7.6 billion (86 per cent of the total). A total of 83 projects were approved in 2006 for biodiesel production, compared with six projects (RM423.5 million) in 2005. Of the 83 projects approved, 62 were Malaysian-owned, 15 were foreign-owned and six were joint-ventures. The major sources of foreign investments were Australia, Singapore, the USA, India, Italy and Japan.

In 2006, palm oil and palm kernel oil attracted investments of RM814.5 million in 14 projects, compared with 19 projects with investments of RM758.3 million in 2005. Foreign investments amounted to RM381.2 million or 46.8 per cent of total investments. Of the 14 projects, five were expansion projects (RM87.2 million).

A total of 13 projects with investments of RM211.7 million were approved in 2006 for the manufacture of products utilising palm biomass and by-products. These include pulp, moulded products, green plywood (plywood from oil palm trunks), veneer and kiln-dried timber from palm biomass. Domestic investments amounted to RM198.1 million or 93.5 per cent of total investments.

In the generation of energy from palm biomass, six projects with investments of RM142.3 million were approved in 2006. These projects proposed by Malaysian companies utilise raw materials which include empty fruit bunches, palm kernel shells and mesocarp fibres.

In 2006, two foreign-owned projects were approved with investments of RM45.4 million in oleochemicals, compared with 11 projects valued at RM968.4 million in 2005. The projects approved in 2006 comprised one new and one expansion/diversification project. A large number of the expansion/diversification projects approved in 2005 have been implemented.

Table 5.75:
Total Investments in the Palm Oil Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**118**	**103**	**58**
Total investments (RM billion)	8.8	340	2.0
Domestic investments (RM billion)	6.1	510	1.0
Foreign investments (RM billion)	2.7	170	1.0

Source: Malaysian Industrial Development Authority

Exports

Total exports of palm oil products increased by 8.3 per cent to 20.1 million tonnes in 2006, from 18.6 million tonnes in 2005. In terms of value, total exports increased by 11.4 per cent to RM31.8 billion in 2006, compared with RM28.6 billion in 2005. The higher export value was due to the increase in the average export price of palm oil products.

All palm oil products registered increase in export volume in 2006, compared with 2005. Oleochemicals recorded an increase of 17.7 per cent at 2.1 million tonnes in 2006, followed by palm kernel oil (9.7 per cent), finished products (7.4 per cent), palm oil (7.1 per cent) and palm kernel cake (4.5 per cent), while crude palm oil exports increased by 47.5 per cent to 2.4 million tonnes. Higher export demand for oleochemical products in 2006 was attributed to the lower price of oleochemical-based products, compared with petroleum-based products.

The People's Republic of China remained the largest market for Malaysian palm oil for the fifth consecutive year, absorbing 17.9 per cent of total exports. In 2006, exports increased to 3.6 million tonnes, compared with 3 million tonnes in 2005. The abolishment of the Tariff Rate Quota for vegetable oils, effective 1 January 2006 and the competitive price of palm oil against soybean oil contributed to the significant increase of 20 per cent in exports to the country in 2006.

Other export markets included the EU, with exports totalling 2.6 million tonnes, followed by Pakistan (0.96 million tonnes), the USA (0.68 million tonnes), India (0.56 million tonnes), Japan (0.52 million tonnes) and Bangladesh (0.44 million tonnes). These countries, including the People's Republic of China accounted for 46.6 per cent or 9.36 million tonnes of Malaysia s palm oil exports in 2006.

Imports

Total volume of palm oil products imported, solely from Indonesia, increased by 20.8 per cent to 805,879 tonnes in 2006, compared with 667,099 tonnes in 2005. Palm oil and palm kernel oil were the main products imported to optimise capacity utilisation of the refining sector, as well as to meet the export demand for palm oil products. The increase in import of crude palm kernel oil was due to the higher demand from the oleochemical plants for further processing into higher value-added oleochemical products.

Table 5.77:
Imports of Palm Oil Products

Description	2006 ('000 Tonnes)	Change (%)	2005 ('000Tonnes)
Total Imports	**806**	**20.8**	**667**
Palm oil	602	8.3	556
Palm kernel oil	204	83.8	111

Source: Malaysian Palm Oil Board

Developments

With the implementation of the National Biofuel Policy, production of biofuel for the transport sector (Envo Diesel) commenced in 2006. Envo Diesel, which is a blend of 5 per cent processed palm oil with 95 per cent diesel petroleum, started production in March 2006. It is being used on a trial basis by Government vehicles in Kuala Lumpur and transportation companies in Miri, Sarawak.

For the production of biodiesel, the first integrated palm biodiesel plant in Pasir Gudang, Johor, commenced production in August 2006. This is a collaboration project

Table 5.76:
Exports of Palm Oil Products

Exports	2006		Change (%)		2005	
	Quantity ('000 Tonnes)	RM million	Quantity	Value	Quantity ('000 Tonnes)	RM million
Total Exports	**20,160**	**31,850.7**	**8.3**	**11.4**	**18,662**	**28,599.7**
Palm oil	14,423	22,687.0	7.1	13.1	13,446	20,033.7
Oleochemical products	2,159	5,605.4	17.7	9	1,834	5,137.8
Palm kernel cake	2,135	424.9	4.5	19.4	2,032	353.6
Palm kernel oil	931	2,157.8	9.7	-1	851	2,182.2
Finished products	421	896.3	7.4	8	391	829.1

Source: Malaysian Palm Oil Board

using local technology between an established local company and Malaysian Palm Oil Board (MPOB). With the operation of this plant, Malaysia is expected to be ready for exports of palm biodiesel as well as technology and know-how in biodiesel production, to meet the growing demand for biodiesel worldwide.

World crude palm oil production increased by 8.9 per cent to 36.7 million tonnes in 2006, from 33.7 million tonnes in 2005. The increase of 3 million tonnes of crude palm oil was due to higher yield in the key producing countries including Malaysia and Indonesia, as well as growth in matured areas, especially in Indonesia.

Production of crude palm oil for both Malaysia and Indonesia amounted to 15.9 million tonnes each and their combined output was 86 per cent of world total production.

The palm oil-based industry is one of the targeted growth industries identified for development in the IMP3. During the period, the industry is targeted to expand its downstream manufacturing activities into a wider range of high value-added products. More R&D activities will be commercialised, market research and brand promotion will be further enhanced, outward investments will be promoted, global marketing networks will be encouraged and institutional support and infrastructure will be strengthened.

PROCESSED FOOD AND BEVERAGES INDUSTRY

The processed food sub-sector comprises the manufacture of biscuits and cookies, sugar and sugar confectionery, cocoa products, chocolate products, sauces, snack and other food products. The beverages sub-sector covers the manufacture of soft drinks, and mineral waters.

The processed food sub-sector in Malaysia is largely made up of small and medium enterprises, catering mainly for the domestic market. The small and medium enterprises also have important linkages to the agriculture sector and related industries, such as with producers of raw materials, manufacturers of machinery, food packaging materials, and suppliers of food ingredients.

Production

In 2006, the production index for the industry increased by 5.7 per cent to 133, from 125.9 in 2005, due to sustained domestic demand. The highest growth in production in the processed food sub-sector was for chocolate products and

Table 5.78:
Production Indices of Selected Processed Food and Beverages Products

Sub-sector/Segment	2006	Change (%)	2005
Overall	**133.0**	**5.7**	**125.9**
Processed Food	**137.0**	**7.7**	**127.2**
Manufacture of cocoa products	195.3	12.4	173.6
Manufacture of chocolate products and sugar confectionery	154.6	18.3	130.6
Manufacture of snack : cracker/chips (e.g. prawn/fish crackers (*keropok*), potato/ banana/ tapioca chips)	143.0	1.6	140.8
Processing and preserving of fish and fish products	139.1	0.7	138.1
Manufacture of biscuits and cookies	127.3	0.7	126.5
Flour milling	117.5	0.0	117.5
Manufacture of sugar	114.0	0.0	113.9
Manufacture of condensed, powdered and evaporated milk	98.9	3.1	95.9
Rice milling	89.7	2.0	88.0
Beverages	**112.9**	**-5.3**	**119.3**
Manufacture of soft drinks	139.7	-7.2	150.5
Manufacture of malt liquors and malt	100.8	-4.2	105.2

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

sugar confectionery (18.3 per cent), and the manufacture of cocoa products (12.4 per cent).

Sales

Increase in domestic consumption and exports contributed to the growth in sales value of processed food and beverages products by 9.4 per cent to RM15 billion in 2006, from RM13.8 billion in 2005. The major contributors to the growth in sales for domestic consumption were in the manufacture of sauces with 49.7 per cent growth, manufacture

Table 5.79:
Sales of selected Processed Food and Beverages Products

Sub-sector	2006 (RM million)	Change (%)	2005 (RM million)
Overall	**15,088.2**	**9.4**	**13,792.2**
Processed Food	**14,271.6**	**10.1**	**12,967.6**
Manufacture of condensed, powdered and evaporated milk	3,152.0	5.5	2,988.3
Manufacture of cocoa products	2,072.8	5.8	1,959.5
Manufacture of sugar	1,943.3	4.8	1,855.1
Manufacture of vegetable, animal oils and fats (exclude palm oil)	1,261.4	28.8	979.1
Flour mills	1,205.0	5.3	1,144.0
Processing and preserving of fish and fish products	1,026.6	1.8	1,008.9
Manufacture of biscuits and cookies	725.3	16.1	624.9
Manufacture of chocolate products and sugar confectionery	704.1	13.4	620.9
Rice milling	560.7	15.7	484.5
Manufacture of sauces	431.6	49.7	288.3
Manufacture of snack	394.6	12.5	350.6
Pineapple canning	61.4	-0.5	61.7
Manufacture of coconut oil	40.2	-51.2	82.3
Beverages	**816.6**	**-1.0**	**824.6**
Manufacture of soft drinks	725.5	-0.2	726.8
Production of mineral waters	91.1	-6.8	97.8

Source: Department of Statistics, Malaysia

Table 5.80:
Employment in the Food and Beverages Industry

Sub-sector/segment	2006 (Workers)	Change (%)	2005 (Workers)
Overall	**39,008**	**7.9**	**36,155**
Processed Food	**37,136**	**8.5**	**34,215**
Processing and preserving of fish and fish products	8,339	13.1	7,374
Manufacture of biscuits and cookies	5,941	-1.0	5,998
Manufacture of chocolate products and sugar confectionery	4,157	0.3	4,143
Manufacture of condensed, powdered and evaporated milk	3,643	2.6	3,551
Manufacture of snack	2,803	5.1	2,667
Manufacture of sugar	1,902	-0.6	1,913
Manufacture of sauces	1,788	143.9	733
Manufacture of cocoa products	1,745	5.2	1,659
Manufacture of other vegetable and animal oils and fats	1,637	50.6	1,087
Rice milling	1,113	3.2	1,078
Flour milling	1,108	-24.6	1,470
Pineapple canning	619	2.3	605
Manufacture of coconut oil	204	-39.8	339
Beverages	**1,872**	**-3.5**	**1,940**
Manufacture of soft drinks	1,254	-3.5	1,299
Production of mineral waters	618	-3.6	641

Source: Department of Statistics, Malaysia

of vegetable, animal oils and fats (exclude palm oil) of 28.8 per cent, manufacture of biscuits and cookies (16.1 per cent), and rice milling (15.7 per cent).

Employment

Total employment in the industry increased by 7.9 per cent to 39,008 workers, compared with 36,155 workers in 2005. Employment in the sauces products segment grew by more than two-fold to 1,788 workers in 2006, from 733 workers in 2005. Other segments that registered positive growth in employment were for the manufacture of vegetable, animal oils and fats (exclude palm oil), increasing by 50.6 per cent, followed by processing and preserving of fish and fish products (13.1 per cent) and manufacture of cocoa products (5.2 per cent).

Productivity

Sales Value per Employee of the processed food and beverages industry improved by 1.5 per cent to RM391,510 in 2006, compared with RM385,720 in 2005. Double-digit growths in Sales Value per Employee were recorded in the flour milling, manufacture of biscuits and cookies and rice milling sub-sectors. The highest Sales Value per Employee was registered in the cocoa products sub-sector at RM1,213,600. Labour Cost per Employee declined by 8.3 per cent to RM20,240.

Table 5.81:
Productivity Indicators of Food and Beverages Industry

Sub-sector/Segment	Sales Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (Number)		
	2006	Change (%)	2005	2006	Change (%)	2005	2006	Change (%)	2005
Processed Food and Beverages	**391.5**	**1.5**	**385.7**	**20.2**	**-8.3**	**22.1**	**0.0517**	**-9.6**	**0.0572**
Processed Food	**389.7**	**1.7**	**383.3**	**20.0**	**-8.7**	**21.9**	**0.0513**	**-10.2**	**0.0571**
Processing and preserving of fish and fish products	127.9	-6.8	137.2	10.6	-0.8	10.6	0.0825	6.3	0.0776
Pineapple canning	97.4	-7.3	105.1	12.4	-5.7	13.2	0.1275	1.7	0.1254
Manufacture of coconut oils	185.1	-22.0	237.3	13.0	3.4	12.6	0.0703	32.6	0.0530
Manufacture of other vegetable and animal oils and fats	778.2	-11.5	878.9	29.4	2.5	28.7	0.0378	15.6	0.0327
Manufacture of condensed, powdered and evaporated milk	887.1	5.1	843.9	36.2	0.1	36.2	0.0408	-4.9	0.0429
Rice milling	492.2	10.5	445.3	18.3	2.2	17.9	0.0373	-7.4	0.0403
Flour milling	887.3	19.1	745.3	36.4	-49.6	72.2	0.0410	-57.7	0.0969
Manufacture of biscuits and cookies	122.3	15.2	106.2	13.3	6.9	12.4	0.1088	-7.2	0.1172
Manufacture of sugar	1,011.1	4.2	970.3	28.8	-12.1	32.8	0.0285	-15.7	0.0338
Manufacture of cocoa products	1,213.6	4.4	1,162.9	29.6	5.3	28.1	0.0244	1.2	0.0241
Manufacture of chocolate products and sugar confectionery	173.8	5.9	164.1	19.2	3.8	18.5	0.1105	-2.0	0.1127
Manufacture of sauces including flavoring extracts	270.5	-30.7	390.1	23.3	-34.4	35.4	0.0860	-5.3	0.0908
Manufacture of snack.	142.0	7.1	132.6	13.0	4.3	12.5	0.0917	-2.7	0.0942
Manufacture of other food products	331.3	3.2	321.1	25.7	-12.1	29.2	0.0776	-14.7	0.0910
Beverages	**426.9**	**-0.5**	**428.8**	**25.2**	**-0.2**	**25.3**	**0.0591**	**0.2**	**0.0590**
Manufacture of soft drinks	563.7	-1.5	572.3	31.5	-2.2	32.2	0.0558	-0.7	0.0562
Production of mineral waters	145.5	-2.8	149.7	12.4	4.0	11.9	0.0854	7.2	0.0797

Computed by National Productivity Corporation based on Survey by Department of Statistics, Malaysia

The industry managed to improve its labour cost competitiveness as Sales Value per Employee grew higher than Labour Cost per Employee (8.3 per cent) with a reduction of 9.6 per cent in Unit Labour Cost.

Investments

In 2006, a total of 66 projects were approved with investments amounting to RM849.7 million, compared with 64 projects worth RM752.5 million in 2005. Domestic investments amounted to RM402.8 million, accounting for 47.4 per cent, while foreign investments amounted to RM446.9 million (52.6 per cent).

Projects with the highest investments were in the manufacture of chocolate confectionery, sugar confectionery and cocoa products, such as cocoa butter, cocoa powder and cocoa liquor, valued at RM149.9 million (13 projects).

The flour-based products segment attracted investments of RM93.3 million to manufacture products such as snack food, instant noodles and bakery products. Investments in processed seafood amounted to RM44.5 million.

Exports

In 2006, exports of processed food and beverages industry increased by 12 per cent to RM8.3 billion, compared with RM7.4 billion in 2005.

Table 5.82:
Total Investments in the Food Processing and Beverages Industry

Description	2006	Change (%)	2005
No. of Projects Approved	**66**	**3.1**	**64**
Total investments (RM million)	849.7	12.9	752.5
Domestic investments (RM million)	402.8	-8.6	440.7
Foreign investments (RM million)	446.9	43.3	311.8

Source: Malaysian Industrial Development Authority

Exports of processed food products increased by 11.1 per cent to RM7.3 billion in 2006, from RM6.5 billion in 2005. Aggressive promotions and improvement in product quality had resulted in increasing acceptance of processed food products from Malaysia in traditional and new markets.

Main export items were cocoa and cocoa preparations, accounting for 27.6 per cent of total exports of processed food, followed by edible products and preparations (20.4 per cent) and prepared cereals and flour preparations (12.9 per cent). Major export

Table 5.83:
Major Exports of Selected Processed Food and Beverage Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Exports of Processed Food and Beverage Products	**8,299.0**	**12.0**	**7,411.2**
Processed Food	**7,255.7**	**11.1**	**6,529.9**
Cocoa and cocoa preparations	2,004.2	7.0	1,873.2
Edible products and preparations	1,480.2	18.5	1,249.1
Cereals and flour preparations	935.2	3.6	902.8
Margarine and shortening	845.3	24.7	677.8
Processed seafood	617.8	6.2	581.8
Sugar and sugar confectionery	502.1	6.8	470.0
Dairy products	485.7	16.2	418.2
Vegetables and fruits, prepared/preserved	290.9	10.8	262.6
Processed meat	69.3	15.1	60.2
Tea and mate	24.9	-27.2	34.2
Beverages	**1,043.3**	**18.4**	**881.3**
Alcoholic beverages	729.4	25.4	581.7
Non-alcoholic beverages	313.9	4.8	299.6

Compiled by Ministry of International Trade and Industry

markets were Singapore (RM1,157.50 million), the USA (RM597.6 million), Indonesia (RM586 million), Japan (RM364.1 million) and Australia (RM332.8 million).

In 2006, exports of beverages products increased by 18.4 per cent to RM1 billion, from RM881.3 million in 2005. Exports of alcoholic beverages grew by 25.4 per cent to RM729.4 million and non-alcoholic beverages grew by 4.8 per cent to RM313.9 million in 2006. Major export markets were Singapore (RM571.2 million), Indonesia (RM277.4 million), Thailand (RM261.9 million), Viet Nam (RM194.9 million) and Hong Kong (RM176.1 million).

Imports

Total imports of processed food and beverages industry increased 6.8 per cent to RM7.4 billion in 2006, compared with RM6.9 billion in 2005.

Imports of processed food products increased by 6.5 per cent to RM6.8 billion in 2006, compared with RM6.4 billion in 2005. Major import items were edible products and preparations accounting for 27.2 per cent of total imports of processed food, dairy products (25 per cent), and sugar and sugar confectionery (25 per cent). The main sources of imports were Australia (RM1.3 billion), Thailand (RM909.7 million), New Zealand (RM695 million), Brazil (RM647.8 million) and the USA (RM528.8 million).

In 2006, imports of beverages products increased 11 per cent to RM658.8 million, compared with RM593.7 million in 2005. Major import sources were Singapore (RM219 million), France (RM152.5 million), Indonesia (144.5 million), the UK (RM104.8 million) and Hong Kong (RM102.6 million).

Developments

Halal food has also been identified as one of the targeted growth areas in the processed food sector in the IMP3. Other growth areas include convenience foods, functional foods and food ingredients.

The establishment of the Halal Development Corporation (HDC) in 2006, a body to coordinate the overall development of the *halal* industry, would further enhance Malaysia's position in the global market for *halal* food.

The strategic thrusts to develop the food processing industry in IMP3 include:

Ensuring the availability of the supply of raw materials;

Table 5.84:
Major Imports of Selected Processed Food and Beverage Products

Products	2006 (RM million)	Change (%)	2005 (RM million)
Total Imports of Processed Food and Beverage Products	**7,423.1**	**6.8**	**6,947.3**
Processed Food	**6,764.3**	**6.5**	**6,353.6**
Edible products and preparations	1,840.8	3.2	1,783.2
Dairy products	1,691.5	-1.5	1,716.7
Sugar and sugar confectionery	1,688.0	26.0	1,339.6
Prepared/preserved vegetables and fruits	435.6	9.8	396.7
Processed seafood	397.8	1.9	390.4
Prepared Cereals and flour preparation	384.7	-8.1	418.4
Cocoa and cocoa preparations	202.3	12.8	179.4
Tea and mate	85.8	2.1	84
Margarine and shortening	19.0	-16.6	22.7
Processed meat	19.0	-15.3	22.4
Beverages	**658.80**	**11.0**	**593.7**
Alcoholic beverages	624.4	11.4	560.4
Non-alcoholic beverages	34.4	3.3	33.3

Compiled by Ministry of International Trade and Industry

- Expanding and diversifying food processing activities and promoting the growth of the targeted areas;

- Enhancing sectoral linkages and support services;

- Intensifying R&D;

- Enhancing the competitiveness of and increasing the export of Malaysian food products in the regional and international markets;

- Strengthening human resource development; and

- Strengthening the institutional support and delivery system.

Beginning 1 January 2006, the USA has mandated the labelling of artificial trans-fatty acid on packaged food. Palm oil-based food exporters from Malaysia can expect increase in exports due to the US's legislation aimed at eliminating harmful artificial trans-fatty acid from consumer diet. Palm oil used in processed food does not contain trans-fatty acid compared with other vegetable oils.

OUTLOOK

In 2007, the manufacturing sector is expected to sustain growth at 6.6 per cent compared with 7.1 per cent in 2006, due to moderating global demand for manufactured products. The rebound in the construction sector with the implementation of new projects under the Ninth Malaysia Plan and the continued strong demand for resource-based products will contribute to the growth of the manufacturing sector.

Among the downside risk to the manufacturing sector outlook are the unpredictable energy prices due to geo-political uncertainties and projected slowdown of the US economy.

The manufacturing sector, including the agro-based industry, is one of the sectors targeted for greater development under the IMP3. The manufacturing sector is expected to achieve an average annual growth of 5.6 per cent during the IMP3 period, and contribute 28.5 per cent to GDP in 2020.

The E&E industry is expected to maintain export growth, driven by strong demand for consumer electronic products such as personal computers, hand phones, digital cameras, digital televisions, MP3 players and electronic devices for the automotive industry. The sub-sector will continue to focus on exporting high technology and high value-added products to sustain growth. The US-based Semiconductor Industry Association (SIA) had projected that global sales of semiconductor will increase by a higher growth rate of 10 per cent in 2007, compared with 8.9 per cent in 2006. The USA is expected to remain the leading market for E&E products. The sustained global demand for semiconductor projected for 2007 by SIA will continue to support the growth of the manufacturing sector in Malaysia.

Total vehicle sales in Malaysia is expected to increase in 2007. The expected increase in sales would be driven by the introduction of new models and competitive pricing. Elimination of the 10 per cent excise duty for commercial vehicles and reduction in excise duties for passenger vehicles above 3,000 c.c. from 125 per cent to 105 per cent would stimulate sales in both these segments.

The automotive parts and components industry would experience consolidation to improve scale and competitiveness. The introduction of Soft Loan for Automation and Modernisation worth RM300 million and Soft Loan for Automotive Development Fund totalling RM350 million would assist parts and components manufacturers to enhance productivity and this in turn would help increase sales of parts and components, especially to the export market.

The aerospace industry would continue to grow especially in the maintenance, repair and overhaul (MRO) segment. The formulation of the National Aerospace Policy by year-end would provide clear direction for the development of the industry.

The chemical industry is expected to expand in 2007 due to projected demand for intermediate products and as inputs by end-users from other industries, such as agriculture, E&E, automotive and construction-related industry.

Following the adoption of GMP standards of European Pharmaceutical Inspection Cooperation Scheme (PICS), pharmaceutical products has obtained a competitive advantage in the international markets. Major pharmaceutical companies with certification to produce pharmaceutical products of international quality and enhanced competency will be able to tap further into the export markets.

The machinery and equipment industry is expected to register higher growth due to efforts being taken to develop Malaysia as the regional production, distribution and trading centre for high technology and specialised M&E, such as for the agro-based, E&E, and oil and gas industry. To facilitate the growth of this industry, the Rasah Machinery and Equipment Technology Centre will be further developed as a centre for R&D and designated M&E related activities.

The textiles and apparel industry will continue to face competition from imported apparel, especially from the People's Republic of China. Nonetheless, exports of textiles and apparel are expected to increase due to the continuing quantitative restriction on Chinese-made textiles and apparel by both the USA and the EU.

Demand for iron and steel products is expected to increase with higher allocation for development provided for implementation of new infrastructure projects under the Ninth Malaysia Plan. The outlook for the iron and steel industry is expected to improve with higher private sector expenditure on construction and civil engineering projects.

The rubber products industry is expected to register higher growth in 2007. Latex products will continue to be the major source of export earnings due to strong demand for surgical and other gloves. The rapid development of automotive industry in China will further increase the demand for rubber tyres and other industrial rubber products.

The wood products industry is expected to benefit from increasing demand, particularly from the People's Republic of China, West Asia and India, which are experiencing rapid growth of the construction sector. Within the wood products sub-sector, furniture is expected to remain as the major contributor to export earnings for Malaysia. The world furniture trade is estimated to grow by 7.8 per cent from US$90 billion in 2006, to US$97 billion in 2007. Malaysia's export of furniture is expected to chart similar growth of between 5 to 10 per cent in 2007.

The merger of plantation companies and implementation of palm oil-based biodiesel projects are expected to continue in 2007. Export earnings from palm oil is expected to increase due to increasing demand from markets such as the People's Republic of China, the EU, Pakistan, the USA and India.

Demand for biodiesel is expected to remain strong as many countries switch to alternative energy sources due to environmental consideration. Among others is the EU Directive for the transport sector to gradually increase the usage of biofuel to 5.7 per cent of the total diesel consumption by the year 2010. The USA is expected to purchase more palm-based methyl ester from Malaysia as feedstock for biodiesel due to its competitiveness and sustainability compared with other vegetable oils.

The development of the *halal* hub and its promotion through the Malaysia International Halal Showcase (MIHAS) has created awareness of *halal* products, especially for *halal* food. MIHAS, as the largest annual gathering of *halal* industry players and entrepreneurs would facilitate the sourcing and selling of quality *halal* products globally. With the world's *halal* market estimated at RM8.4 trillion, this would contribute to increase in demand for *halal* processed food and positive growth in the food processing industry.

Box 5.1: European Union - Registration, Evaluation, Authorisation of Chemicals Regulation

Introduction

The European Union Registration, Evaluation, Authorisation of Chemicals (EU-REACH) Regulation proposed by the European Commission (EC) on 29 October 2003, was adopted by the EU Council on 18 December 2006. The REACH Regulation entered into force on 1 June 2007.

The EU-REACH

The EU-REACH is a new EU chemical policy that incorporates 40 existing Directives into one single and coherent system for new and existing chemicals. REACH requires manufacturers and importers to provide information on the properties of their substances, and to register the information in a central database in the EU.

The objective of REACH is to ensure that chemical substances do not adversely affect human health or the environment. Manufacturers and importers must also assume responsibility for any harm caused by their products.

Scope of the REACH Regulation

REACH is very wide in scope and covers all substances (unless exempted) whether manufactured, imported, used as intermediates or placed on the market, either on its own, in preparations or in articles. In accordance with Article 2(7) (a) and (b) of the Regulation, substances listed in Annex IV and V are exempted from the obligation to register. These include substances that generally present low risks or occurring in nature and are not chemically modified.

REACH requires that not only manufacturers and importers but also their customers (downstream users and distributors) have the information they need to use chemicals safely and to manage potential risks.

Pillars of REACH

REACH comprises four pillars:

- Registration
  - REACH involves the registration of 30,000 chemical substances marketed on the European market.
  - Manufacturers, importers and users are required to register each substance manufactured or imported for quantities 1 tonne or above per year.
  - For imports, registration is done by the EU-importers or the 'only representative' of the non-EU company.
  - Information on chemicals, backed up where necessary by tests, would need to be submitted in the form of technical dossiers and chemical safety reports to the European Chemicals Agency.
  - The information required would depend on danger posed by the substance, quantity produced or imported and the degree of exposure to the substance.
- Evaluation

  Evaluation is undertaken by the European Chemicals Agency to ensure that reliable and useful data is provided to Competent Authorities of the EU Member States. Based on the evaluation, the Agency provides guidance on the authorisation and restriction procedures on a substance.
- Authorisation

  The Regulation also calls for very strict authorisation procedures for chemicals deemed as 'most dangerous' (around 1,500 substances), as well as progressive substitution of these chemicals with suitable alternatives.

  All substances produced or imported in quantities above 1 tonne that contains more than 0.1 per cent of substances that are carcinogenic, mutagenic, toxic for reproduction must be authorised before gaining access to the EU market.
- Restriction

  A restriction can apply to any chemical substance, on its own, in preparation or in an article, if it is demonstrated that there is risk to human health. It is intended as a safety net to manage risks not adequately covered by other processes, such as importing of high risk substances in quantities of less than 1 tonne.

The European Chemicals Agency (ECHA)
The function of the ECHA include managing the registration process, dossier evaluation, request for exemptions and carrying out technical, scientific and administrative aspects of REACH. The ECHA is located in Helsinki and will be operational within 12 months after entry into force of the REACH Regulation.

REACH Technical Guidance Documents
The EC is in the process of publishing a series of implementation regulations and technical guidance through the REACH Implementation Projects (RIP), to help companies adapt to the legislation and to harmonise the rules across Member States. Among the RIP Projects are the RIP 3 Technical Guidance documents for the industry, covering information and guidance on:

RIP 3.1	Preparing Technical Dossier for Registration
RIP 3.2	Preparing the Chemical Safety Report
RIP 3.3	Information Requirements on Intrinsic Properties of Substances
RIP 3.4	Guidance Document on Data Sharing (Pre-Registration)
RIP 3.5	Guidance Document on Downstream-Users Requirements
RIP 3.6	Guidance on Classification and Labelling under Global Harmonised System
RIP 3.7	Guidance on Preparing an Application Dossier for Authorisation
RIP 3.8	Guidance on Requirements for Articles
RIP 3.9	Technical Guidance Document on carrying out Socio-Economic Analysis
RIP 3.10	Technical Guidance Document for Identification and Naming of Substances

REACH and Malaysian Manufacturers and Exporters
The introduction of REACH entails greater responsibility on Malaysian manufacturers and exporters of chemicals, chemical products and downstream products that contain chemicals, to the EU market. Manufacturers and exporters have to comply with the REACH Regulation and provide information on the substances and to manage the risks. It is therefore important for the industry to take necessary early actions and be prepared for the entry into force of the REACH Regulation on 1 June 2007.

Conclusion
The chemicals industry has been given opportunities to provide inputs during the drafting of the REACH Regulation. As the Regulation is already implemented on 1 June 2007, Malaysian manufacturers and exporters of chemicals and manufactured products that contain chemicals, will have to comply with the requirements of the Regulation.

For further information on the EU-REACH:
(http://ec.europa.eu/enterprise/reach/index_en.htm)
(http://ec.europa.eu/environment/chemicals/reach/reach_intro.htm)
(http://www.jrc.cec.eu.int/default.asp@sidsz=our_work.htm)
(http://ec.europa.eu/environment/chemicals/pdf/qa.pdf)

Chapter 6 Performance Of The Services Sector

OVERVIEW

The services sector account for the largest share of Malaysia's Gross Domestic Products (GDP). In 2006, it contributed 51.8 per cent to GDP, with a growth rate of 7.2 per cent. It was estimated that 5.7 million workers or 51.3 per cent of the workforce were employed in the services sector. Non-Government services were estimated to account for 44.7 per cent of GDP and 41.8 per cent of the total employment in 2006.

In 2006, finance, insurance, real estate and business services maintained their position as the leading sub-sectors, contributing an estimated 14.8 per cent or RM70.2 billion to GDP. This was followed by wholesale and retail trade, hotels and restaurants, RM65.2 billion or 13.7 per cent, and transport, storage and communications, RM34.8 billion or 7.3 per cent.

SERVICES AS AN ENGINE OF GROWTH

The services sector is a major contributor to the growth of the Malaysian economy. Greater focus is being provided under the Third Industrial Master Plan (IMP3) to enhance the growth of the services sector. The services sector had grown in the past to meet socio-economic development objectives for nation building and as supportive activities for other economic sectors.

As the services sector develops, more deliberate policy guidance will be needed for the sector to contribute to future economic growth. An analysis of the growth patterns and development of advanced countries shows that as a country develops, the services sector begins to assume an increasingly important role as an engine of growth to the nation's economy. The services sector in Malaysia will assume a more important role as the country attains a higher level of development, consistent with trends in more advanced economies.

The manufacturing sector has successfully driven much of the growth in Malaysia's economy to date, and hence the next stage of economic expansion must focus on the services sector. Besides, the services sector can no longer be left as an ‘appendage’ to the rest of the economy because many services activities themselves are in fact already established modern industries in their own right.

As envisaged in the IMP3, the services sector is expected to assume a greater role in driving economic growth in the country. The objectives for the services development policies during the IMP3 period are:

- to develop new growth areas in services that are competitive and efficient and contribute directly to economic growth; and

- to modernise and liberalise the services sector so that quality and vibrant services activities support other sectors of the economy, thereby contributing indirectly to economic development.

A multi-prong strategic approach will be adopted in the development of the services sector as follows:

- raise competitiveness and efficiency through progressive liberalisation;

- develop capacity and capabilities by encouraging investment and trade; and

- provide leadership, encouragement and support for further growth of the sector.

Targets set by the IMP3 for the services sector are shown in the following table:

Table 6.1:
Targets for the Services Sector

Services	Growth per annum (%)	Annual Investments (RM billion)	Contribution to GDP by 2020 (%)
Non-Government services	7.5	45.8	59.7
Construction	5.7	12.6	2.5

Source: Third Industrial Master Plan

The strategic thrusts identified in the IMP3 for the development and promotion of the sector include:

- strengthening the efficiency and competitiveness of the sector;

- developing selected services sub-sectors, namely business and professional services, integrated logistics, information communication technology (ICT), distributive trade, construction, education and training, health and tourism services;

- undertaking progressive liberalisation to promote competitiveness;

- enhancing linkages between the manufacturing and related support services, and collaborations with major foreign service providers;

- enhancing productivity and the application of technologies in the sector; and

- promoting outsourcing activities, and investment in services, including outward investments.

With the emphasis given in the IMP3 to the development of the services sector, the Government and relevant services institutions would provide the necessary policy guidelines and support to enable the sector to assume an important role as an engine of growth to spearhead the development of Malaysia's economy. Notwithstanding this, there will be challenges in promoting the sector, amid concerns whether domestic services providers are prepared to deal with the sector's inevitable globalisation and liberalisation. These issues have been highlighted in the IMP3, and relevant strategies and measures have been outlined in the Plan, including capacity and capability enhancement of domestic service providers to address these challenges.

PERFORMANCE OF SELECTED SERVICES SUB-SECTORS

Manufacturing-Related Services

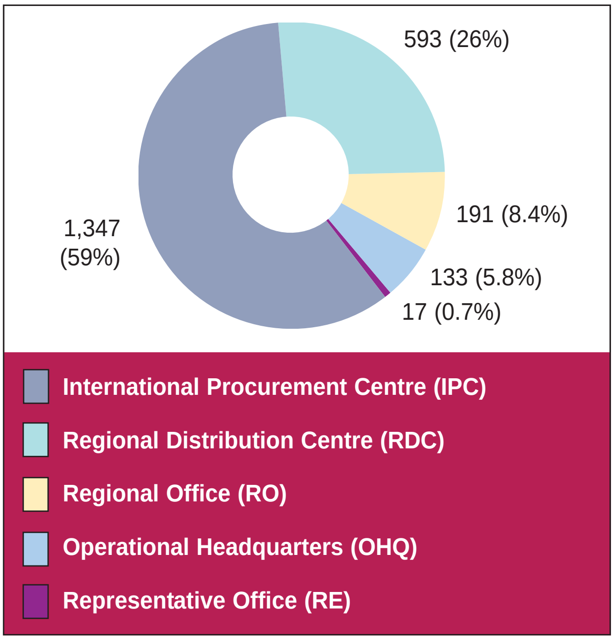
Manufacturing-related services covers regional establishments and other support services. Regional establishments provide intermediate service inputs to the operations of multinational corporations (MNCs) and their affiliates globally. These establishments include Operational Headquarters (OHQs), International Procurement Centres (IPCs), Regional Distribution Centres (RDCs), regional offices (ROs) and representative offices (REs). Another important sub-sector is support services, such as research and development (R&D), integrated logistics services, integrated market support services, integrated central utility facilities, cold chain facilities for food products and renewable energy.

Regional Establishments

As at end of 2006, a total of 2,281 regional establishments were approved in Malaysia, consisting of 133 OHQs, IPCs (191), RDCs (17), ROs (593) and REs (1,347).

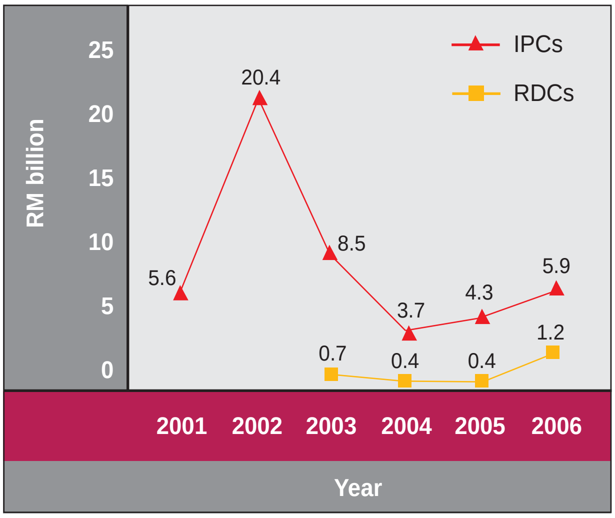
In 2006, a total of 184 new regional establishments were approved, compared with 169 in 2005. The proposed annual business spending by these establishments is more than doubled to reach RM950.3 million, compared with RM440.4 million in 2005. The annual sales turnover for IPCs and RDCs was estimated to have increased by 66.7 per cent

Chart 6.1:
Number of Regional Establishments Approved as at end of 2006



Compiled by Malaysian Industrial Development Authority

Chart 6.3:
Estimated Annual Sales Turnover of IPCs and RDCs, 2001-2006



Compiled by Malaysian Industrial Development Authority

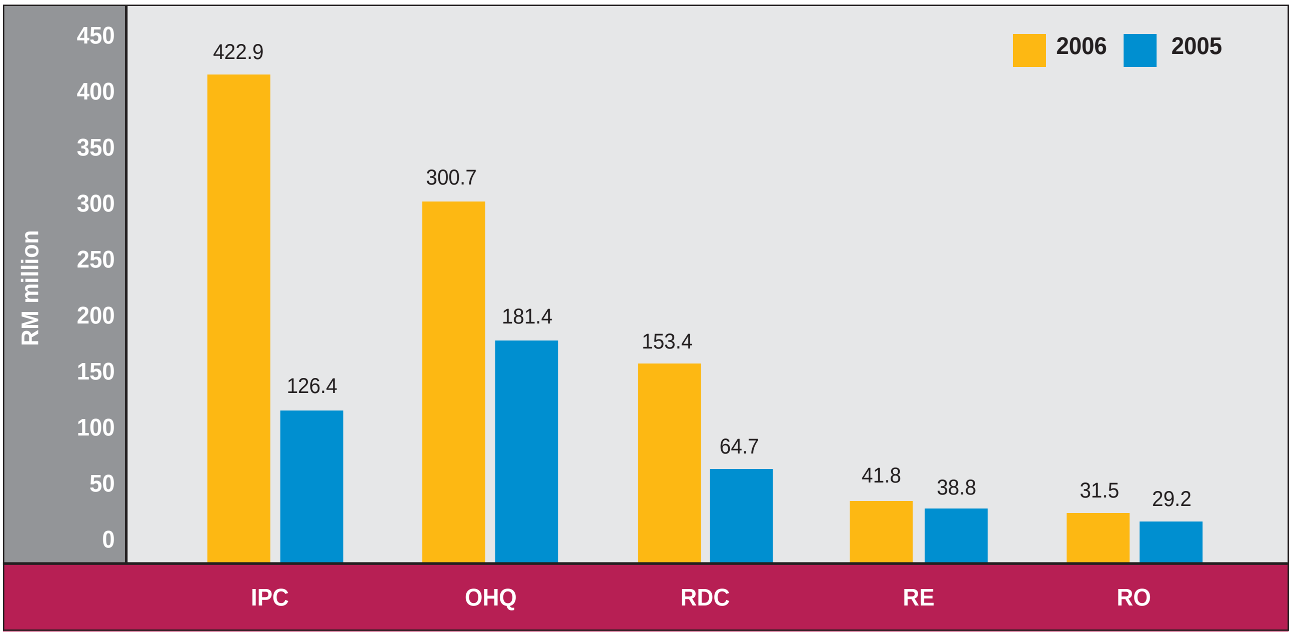
to RM7.3 billion, compared with RM4.8 billion in 2005.

Approved regional establishments in 2006 will create a total of 1,968 employment opportunities for locals, compared with 1,901 jobs in 2005. Most of the jobs created are in the managerial, professional and technical levels.

Operational Headquarters

As at end of 2006, a total of 133 Operational Headquarters (OHQs) have been approved. Of these, 26 were from the United States of America (USA), followed by Japan (14), Germany (12), the United Kingdom (UK) (10), the Netherlands (9) and Australia (9). Total paid-up capital amounted to RM606.3 million, with proposed annual business spending of RM1.5 billion. A total of 1,680 expatriates are currently employed by these OHQs and 6,620 jobs have been created for Malaysians. Most of

Chart 6.2:
Annual Business Spending by Regional Establishments, 2005 - 2006



Compiled by Malaysian Industrial Development Authority the OHQs established in Malaysia are engaged in business process outsourcing activities, including provision of shared services to their related companies in the Asia Pacific region.

As at end of 2006, a total of 91 OHQs have started operations. These OHQs are involved in the oil and gas, finance, electrical and electronics, construction, food and beverages, timber, logistics, healthcare and health informatics, pharmaceutical, chemicals, automotive, power and engineering services.

There is an increasing trend among companies in the oil and gas industry to use Malaysia as an OHQ base for their operations in the Asia Pacific region. As at 2006, a total of 17 oil and gas companies have established their OHQs in Malaysia. These include Schlumberger, Westerngeco, Baker Hughes, Hess Oil & Gas, Paradigm Geophysical, Technip, Worley, Transocean, IEV Group, GE O&G Pipeline Solutions, Aker Kvaerner, SBM Group, Consolidated Capital and KNM Group. OHQs set up by these companies provide services, such as planning, coordination and monitoring for bidding of oil and gas projects in the Asia Pacific region; technical support during bidding and implementation stages, including technical designs and drawings, as well as certification and standards compliance; management of material and equipment sourcing and logistics; data management and processing; and training and personnel management.

The number of OHQs approved increased by 42 per cent from 19 in 2005 to 27 in 2006, with proposed total paid-up capital of RM107.7 million. Total annual business spending increased by 65.8 per cent, from RM181.4 million in 2005 to RM300.7 million in 2006. Of these, four OHQs upgraded their presence in Malaysia from regional offices and two relocated their operations from Singapore and Japan to Malaysia.

Of the OHQs approved, four each were from the USA and Japan; three were Malaysian companies, two each from the UK, Australia, Switzerland and British Virgin Islands; one each from Germany, Norway, Singapore, Sweden and Hong Kong; and the remaining four were joint-venture projects, involving companies, among others, from Malaysia, Japan, Singapore, Luxembourg and the People's Republic of China. A total of 258 expatriate posts were approved for these OHQs and 820 jobs have been created for Malaysians. The jobs were mainly for senior management and senior executive positions (67.5 per cent), which will be filled by Malaysians. In the technical, skilled and specialist category, a total of 73.5 per cent of the posts have been created for Malaysians.

International Procurement Centres

International corporations with their strong network of production bases in the Asia Pacific region, have established IPC operations in the country. These IPCs serve as procurement and distribution centres and undertake supply chain management for their manufacturing operations both in Malaysia and abroad.

As at 31 December 2006, a total of 191 IPCs have been approved, with annual sales turnover estimated at RM63.2 billion and business spending estimated at RM5 billion per annum. Of these, 85 or 44.5 per cent, were from Japan, followed by Malaysia (31), the USA (13), Taiwan (11), Singapore (9) and the remaining 42 were joint-ventures, mainly involving companies from Japan and Singapore.

A total of 109 or 57.1 per cent, of the IPCs were for servicing the electrical and electronics industry, followed by the chemicals and petrochemicals (24), machinery and industrial parts (14), textiles (9) and furniture (7). As at December 2006, a total of 110 IPCs were in operation.

A total of 14 projects to establish IPCs were approved in 2006, compared with 15 projects in 2005. Proposed annual business spending of these IPCs totalled RM422.9 million in 2006, compared with RM126.4 million in 2005. Similarly, sales turnover increased by 37.2 per cent to RM5.9 billion in 2006, from RM4.3

billion in 2005. Of the IPC projects approved, six were from Japan, Malaysia (2) and the Netherlands (1). The remaining projects were joint-ventures, involving companies from Malaysia, Japan, Singapore, Taiwan and Hong Kong. In 2006, the IPCs provided employment opportunities for 740 Malaysians, compared with 421 in 2005. Job opportunities were mainly in the managerial, technical and skilled categories. The IPCs procured a total of RM3.5 billion worth of products from local companies, including small and medium enterprises (SMEs).

The IPCs approved in 2006 are estimated to export RM3.9 billion worth of goods using local ports, of which RM3.7 billion or 94.9 per cent will be exported through seaports and 5.1 per cent through airports. This provided substantial business opportunities for the local ports. A total of RM2.1 billion will be exported through Pasir Gudang Port, followed by Port Klang (RM914.7 million), Port of Tanjung Pelepas (RM401.2 million), and the balance through the other ports. Of the goods to be exported through airports, RM220.3 million will be exported via KLIA and the balance via Bayan Lepas International Airport and Senai International Airport.

Regional Distribution Centres

Since 2003, a total of 17 RDCs have been approved, with total annual sales turnover of RM2.9 billion and annual business spending of RM283.6 million. Of these, three were from Germany, two from the UK, one each from Switzerland, Belgium, Finland, France, Italy, Ireland, Spain, Denmark, Canada and Malaysia, and two joint-venture projects between companies from Japan and Germany. A total of 437 employment opportunities were created by these RDCs, of which 87.6 per cent will be filled by Malaysians.

Seven projects to establish RDC were approved in 2006, compared with three in 2005. In 2006, the estimated annual sales turnover is expected to total a record of RM1.2 billion, compared with RM475.7 million in 2005. Total annual business spending in 2006 is expected to amount to RM153.4 million, compared with RM64.7 million in 2005. Of the 129 employment opportunities to be created, 80.6 per cent will be filled by Malaysians.

In terms of distribution of goods, RM502.1 million worth of goods or 94.9 per cent will be exported by the RDCs through the Port of Tanjung Pelepas (51.7 per cent) and the Pasir Gudang Port (43.2 per cent).

Regional and Representative Offices

The establishment of regional offices and representative offices in Malaysia is also encouraged. These offices usually carry out coordinating activities for the corporations' affiliates, subsidiaries and agents in Malaysia and in the region. Other activities performed include information gathering, feasibility studies pertaining to investment, sourcing and business opportunities. As at end of 2006, a total of 593 ROs and 1,347 REs have been approved.

In 2006, a total of 41 ROs and 95 REs were approved to be set up in Malaysia, compared with 43 ROs and 89 REs approved in 2005. Total business spending of these establishments in 2006 was estimated at RM73.3 million, compared with RM68 million in 2005. The majority of REs and ROs are from Singapore totalling 27, the USA (19), the UK (14), Germany (12) and Hong Kong (8).

Representative offices of foreign banks and financial institutions have also established operations in Malaysia. There are currently 21 representative offices of foreign banks and financial institutions which have established operations in Malaysia. Japan and India are the leading countries with four offices each, followed by the USA (3), France (3) and Switzerland (2).

Support Services

Research and Development

Research and development (R&D) includes 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 and research companies.

In 2006, seven R&D projects were granted Pioneer Status or Investment Tax Allowance incentives, involving investments of RM30.8 million, of which RM25.4 million or 82.5 per cent were domestic investments and RM5.4 million or 17.5 per cent were foreign investments. In comparison, 10 projects involving RM241.1 million were approved, with tax incentives in 2005.

A total of 14 R&D projects, with total investments of RM69.5 million were also approved incentives. These comprised:

- nine projects approved under the Commercialisation of R&D Fund (CRDF), with investments of RM43.6 million;
- four projects with investments of RM25.2 million under the MSC R&D Grant Scheme (MGS); and
- one project with investments of RM0.7 million approved under the Demonstrator Applications Grant Scheme (DAGS).

The importance of R&D is recognised in the Ninth Malaysia Plan where the R&D and commercialisation funding mechanism has been realigned to provide end-to-end financing. Resources will be redirected towards more demand-driven R&D. In addition to the CRDF, MGS, and DAGS, new funds, namely the Science Fund and Techno Fund have been introduced. The Science Fund provides funding for basic research to the development of laboratory-scale prototype, while the Techno Fund is a grant scheme to develop technologies for commercialisation.

Integrated Logistics Services

Integrated logistics services (ILS) cover freight forwarding, warehousing, transportation and other related value-added services, such as distribution, procurement and supply chain management on an integrated basis.

The logistics industry serves as an important link for Malaysia's industrialisation and international trade. The performance of the industry will have an impact on the pace of the nation's industrialisation and its competitiveness in international trade. An increasing number of MNCs are outsourcing their logistics activities to logistics providers. This trend encourages logistics service providers to engage in supply chain management directly with their customers on a global basis. An effective logistics system integrates both the supply chain within the country and the networks at the international level.

Currently, the Malaysian logistics industry is fragmented, comprising largely single specialised service providers in freight forwarding, transport and warehousing. In view of the need to encourage local logistics service providers to assume a bigger role in providing integrated logistics services, the Government introduced the ILS incentive in 2002 to encourage logistics service providers to consolidate or integrate their activities and become Third Party Logistics Service Providers. As at the end of 2006, a total of 12 companies have been granted the ILS incentive. Total investments proposed by these companies amounted to RM744.7 million. Of these, three were new projects and nine were expansion projects.

The Government also encourages local logistics companies to venture abroad in order to participate in the global supply chain. In 2006, a local logistics company was granted incentive to undertake international integrated logistics activities. The project involved expansion of the company's integrated logistics services in Malaysia, the People's Republic of China, Viet Nam and Thailand. Among the services provided were vendor managed inventory, on-site and off-site logistics management, and management of outsourcing of transportation and distribution.

Renewable Energy

The demand for energy in Malaysia is expected to increase at an average rate of 6.3 per cent per annum. To reduce the dependency on conventional energy sources, namely gas, oil, coal and water, the Government encourages the use of renewable energy. This includes generation of energy by utilising biomass, solar system and mini-hydro power plant as an alternative to the conventional large scale hydro power plant. Three programmes have been introduced to encourage the utilisation of renewable energy, namely:

- Small Renewable Energy Programme (SREP);
- Biomass Power Generation and Cogeneration Project (Bio-Gen); and
- Malaysia Building Integrated Photovoltaic Programme (MBIPV).

To promote the utilisation of renewable energy, the Government grants incentives, including Pioneer Status with full tax exemption for 10 years and Investment Tax Allowance of 100 per cent for five years. The application period for these tax incentives has been extended until 31 December 2010.

In 2006, a total of eight projects, with investments of RM208.7 million were granted incentives, compared with 14 projects, with investments of RM64.7 million in 2005. The energy generation capacities of these projects were estimated at 27.8 MW of electricity and 117 tonnes of steam.

Together with the projects approved in 2006, a total of 41 projects with investments of RM877.8 million, all of which are Malaysian-owned, have been granted incentives to generate energy from biomass. These projects are capable of generating 176.7 MW of electricity, 1,043.4 tonnes of steam, 150.7 giga joules (GJ) of heat and 1,000 refrigerant tonnes (RT) of chilled water, utilising 7.2 million tonnes of biomass per annum. The biomass resources which will be used for energy generation are palm oil, wood, rice, sugarcane and municipal wastes. Of the 41 projects approved, 15 are in operation. Of these, nine are located in Peninsular Malaysia and six in Sabah.

Information and Communication Technology (ICT) Services

Multimedia Super Corridor (MSC) Status Companies

As at 31 December 2006, a total of 1,728 companies were granted MSC Status by the Multimedia Development Corporation Sdn. Bhd. Of these, 1,285 were majority Malaysian-owned, 401 majority foreign-owned and 42 with equal ownership. The 1,728 companies are grouped into six main technology clusters, namely creative multimedia, hardware design, internet based businesses, shared services and outsourcing, software development and support services. Of the 1,728 companies, 1,358 or 78.6 per cent are in operation.

The MSC Malaysia Annual Impact Survey 2006 indicates that total expenditure of companies which participated in the survey amounted to RM6.5 billion. This is an increase of 27 per cent, compared with RM5.1 billion reported in the 2005 survey. Total sales of these companies were reported at RM9.8 billion. A total of 33,851 jobs were also created.

In 2006, a total of 307 companies were granted MSC Status, with approved investments amounting to RM2.9 billion. Foreign investments amounted to RM932.3 million or 32 per cent of total investments, while domestic investments totalled RM2 billion or 68 per cent.

Of the 307 companies awarded MSC status in 2006, a total of 228 or 74.3 per cent were wholly Malaysian-owned, 38 or 12.4 per cent were wholly-foreign owned, while the remaining 41 or 13.4 per cent were joint-venture projects.

Other Services

Other services include real estate (housing), transport, financial services, energy, telecommunications, distributive trade, hotels and tourism, healthcare and education services.

Statistics on investments are based on projects approved by the ministries and agencies responsible for the sectors concerned. In 2006, a total of 1,981 projects, with investments of RM51.3 billion and a potential employment of 34,157 were approved in these services sub-sectors. Of the total investments, domestic investments amounted to RM46.8 billion or 91.2 per cent, and foreign investments amounted to RM4.5 billion or 8.8 per cent.

ln comparison, a total of 1,979 projects were approved in 2005, with total investments of RM54.2 billion, and potential employment of 11,484 persons. Domestic investments amounted to RM51.5 billion or 95 per cent, and foreign investments, RM2.7 billion or 5 per cent.

Real Estate

Investments in real estate cover the housing industry (excluding commercial buildings) in Peninsular Malaysia. In 2006, real estate was the largest services sub-sector in terms of investments approved. A total of 976 projects were approved, with total investments amounting to RM18 billion.

Transport

Investments in transport cover maritime transport, aviation, and highway construction and maintenance. A total of 58 projects were approved in 2006, with investments totalling RM11.6 billion. Domestic investments amounted to RM11.1 billion or 95.7 per cent, and foreign investments, RM440.3 million or 4.3 per cent.

In comparison, 71 projects with investments of RM11 billion were approved in the transport sub-sector in 2005. The high level of investments in this sub-sector in 2005 was due to investments in construction and maintenance of highways, which amounted to RM8 billion in 2005, and the purchase of ships, which amounted to RM2.3 billion.

Investments in the transport sub-sector in 2006 were mainly in the construction and maintenance of highways, which amounted to RM5.3 billion, purchase of ships, which amounted to RM2.7 billion, and purchase of aircrafts, which amounted to RM2.3 billion.

Table 6.2:
Number of Projects Approved and Investments in Services Sub-Sectors, 2005 and 2006

Sub-Sector	2006		2005	
	No.	RM million	No.	RM million
Total	**1,981**	**51,333.8**	**1,979**	**54,190.8**
Real estate (housing)	976	18,042.6	1,209	21,846.6
Transport	58	11,577.1	71	10,959.1
Financial services	78	6,982.0	79	3,306.0
Energy	-	4,599.6[1]	2	9,347.7
Telecommunications, including post	13	4,803.0	34	4,803.0
Distributive trade	701	2,667.9	510	1,726.2
Hotels and tourism	79	2,431.0	29	2,166.1
Healthcare services	16	155.5	9	18.1
Education services	60	75.1	36	18.0

Compiled by Malaysian Industrial Development Authority
Note: [1] Additional investment for the expansion of existing projects

Financial Services

Investments in financial services cover banking, insurance, and capital markets, which include brokerage, fund management, investment advisory and venture capital.

Seventy eight projects were approved in 2006, with investments of RM7 billion. Domestic investments amounted to RM5.3 billion or 75.7 per cent, while foreign investments totalled RM1.7 billion or 24.3 per cent.

Table 6.3:
Number of Projects Approved and Investments in the Financial Services Sub-Sector, 2005 and 2006

Activity	2006		2005	
	No.	RM mil.	No.	RM mil.
Total	**78**	**6,982.0**	**79**	**3,306.0**
Banking	22	3,376.7	20	2,848.1
Capital markets	33	2,751.3	43	253.8
Insurance	23	854.0	16	204.1

Compiled by Malaysian Industrial Development Authority

Banking attracted the largest share of investments in the financial services sub-sector (RM3.4 billion or 48.4 per cent), followed by capital markets (RM2.8 billion) and insurance (RM854 million).

Investments in banking included expansion projects and diversification into Islamic banking. Investments in insurance comprised on-shore insurance, which amounted to RM344.2 million or 40.3 per cent of investments in insurance, and offshore insurance, which amounted to RM509.8 million or 59.7 per cent. Investments in capital markets were mainly in brokerage, with RM2.1 billion or 76.4 per cent of the total investments in capital markets, and fund management, with RM630.5 million or 22.9 per cent.

Energy

Investments in energy cover independent power producers (IPPs) and generation, transmission and distribution of electricity by Tenaga Nasional Bhd, SESCO Bhd. and Sabah Electricity Sdn. Bhd.

In 2006, investments in the generation, transmission and distribution of electricity amounted to RM4.6 billion, all of which were domestic investments. In 2005, investments amounted to RM9.4 billion. The higher level of investments in utilities in 2005 was due to the approval of two IPPs, with investments of RM6.5 billion.

Telecommunications

Investments in the telecommunications sub-sector cover network facilities, network services, application services and content application services; and broadcasting. In 2006, a total of 13 projects were approved in this sub-sector, with total investments of RM4.8 billion, all of which were domestic investments. In comparison, a total of 34 projects were approved in 2005, with investments of RM4.8 billion, all of which were also domestic investments.

Distributive Trade

Investments in the distributive trade sub-sector cover:

- projects with foreign participation in wholesale and retail trade;
- hypermarkets and supermarkets, department stores and direct selling;
- projects approved under the Petroleum Development Act, 1974; and
- franchising.

In 2006, a total of 701 projects were approved, with investments totalling RM2.7 billion. Domestic investments amounted to RM1 billion or 37 per cent, while foreign investment, RM1.7 billion or 63 per cent.

The higher level of investments in 2006 was due mainly to the increase in investments in hypermarkets and supermarkets to RM2.2 billion, compared with RM1.2 billion in 2005.

Investments in distributive trade in 2006 were in:

- 36 new and expansion hypermarket and supermarket projects, with investments of RM2.2 billion or 81.5 per cent of total investments in distributive trade. Domestic investments amounted to RM810 million or 36.8 per cent, while foreign investments amounted to RM1.4 billion or 63.2 per cent of the total;

- 207 projects in wholesale and retail trade, with investments of RM249.9 million or 9.2 per cent. Domestic investments amounted to RM98.6 million or 36.5 per cent, while foreign investments amounted to RM151.3 million or 63.5 per cent;

- one departmental store, with investments of RM54.4 million, of which domestic investments accounted for 49.1 per cent;

- 324 projects approved under the Petroleum Development Act, with investments of RM56.9 billion, of which RM55.9 billion or 98.2 per cent were domestic investments, involving the establishment of petrol stations, bunkering, wholesale of liquefied petroleum gas and other petroleum products, and transportation of petroleum products;

- 75 projects in direct selling, with investments of RM42.1 million, of which RM28.1 million or 66.7 per cent were domestic investments; and

- 58 projects in franchising, with investments of RM20.6 million, all of which were domestic investments.

Hotels and Tourism

A total of 79 projects were approved in the hotels and tourism sub-sector in 2006, with investments of RM2.4 billion. Domestic investments amounted to RM2.3 billion or 96 per cent, while foreign investments totalled RM67.5 million.

Table 6.4:
Number of Projects Approved and Investments in the Tourism Services Sub-Sector, 2005 and 2006

Activity	2006		2005	
	No.	RM million	No.	RM million
Total	**79**	**2,431.0**	**29**	**2,166.1**
Hotel projects	56	1,748.0	24	754.0
Tourism projects	23	683.0	5	1,412.1

Compiled by Malaysian Industrial Development Authority

Of the 56 hotel projects approved, 38 projects were granted investment incentives, while 18 projects were approved without incentives. Domestic investments amounted to RM1.7 billion or 97 per cent, while foreign investments amounted to RM54.6 million. Currently, investment incentives for new hotels are granted only to budget hotels. The approvals were provided for new and expansion of hotel, holiday resorts, theme parks, and convention centres.

Healthcare Services

Investments in healthcare services cover approvals for private healthcare institutions. In 2006, approvals were granted to 16 private healthcare hospitals, involving investments of RM155.5 million, of which RM138.9 million or 89.3 per cent were domestic investments.

In comparison, nine projects with investments of RM18.1 million were approved in 2005, of which RM17.2 million or 95 per cent were domestic investments.

Education Services

Investments in education services cover investments in private colleges and universities, private education institutions, and skills centres. In 2006, a total of 60 projects were granted approval for the establishment of educational institutions, involving investments of RM75.1 million. Domestic investments amounted to RM69 million or 91.8 per cent. In 2005, a total of 36 projects, with investments of RM18 million were approved. Investments were in private colleges and universities, which amounted to RM38.9 million or 51.8 per cent, followed by private education institutions, with investments amounting to RM25.7 million or 34.2 per cent and skills centres, with investments amounting to RM10.5 million or 14 per cent.

TRADE IN SERVICES

The steady expansion of the economy in 2006 and the integration with the global economy, provided sustained impetus for growth in trade in services. Total trade in the commercial services increased by 3.8 per cent in 2006, to RM162 billion. According to the World Trade Organisation, Malaysia was the 30th largest exporter of commercial services in 2006, representing 0.8 per cent of total global exports of commercial services. In terms of imports, Malaysia was ranked the 29th largest importer, with a share of 0.9 per cent of global imports of commercial services.

Table 6.5:
Malaysia's Exports and Imports of Services, 2005 and 2006

Sector	2006	2005	% Change
Exports (RM mil.)	**77,559.30**	**73,699.40**	**5.2**
Travel	35,323.50	33,499.70	5.4
Transport	16,270.80	15,357.40	4.8
Other services	25,965.00	24,842.30	4.5
Imports (RM mil.)	**84,480.00**	**82,359.80**	**2.6**
Travel	13,717.00	14,051.40	-2.4
Transport	34,918.60	31,790.10	9.8
Other services	35,844.40	36,518.30	-1.8
Trade Balance	**-6,920.70**	**-8,660.40**	**20.1**

Source: Department of Statistics, Malaysia

Exports of services expanded by 5.2 per cent to RM77.56 billion, compared with RM73.70 billion in 2005. Exports from the three main categories of travel, transport, and other services continue to register positive growth. The expansion in import growth was more moderate, increasing by 2.6 per cent in 2006 to RM84.48 billion, compared with RM82.36 billion in 2005. Imports from the travel and other services categories declined, while transport services growth remained robust.

The services trade balance continued to be in the negative, consistent with past trends. Malaysia's open economy remains reliant on imported freight and business services. The deficit of RM6.92 billion in 2006, however, represents a decline of 20.1 per cent, compared with the deficit of RM8.66 billion in 2005. The decline in the deficit is attributable to a higher surplus registered in the travel sector and a decline in the deficit in the other services sector, indicating also increasing domestic capacity.

Travel

The export of travel services (comprising tourism, healthcare and education services) increased by 5.4 per cent in 2006 to RM35.32 billion. This was due to stronger expansion in the export of tourism services, which increased by 4.8 per cent to RM34.68 billion, compared with RM33.09 billion in 2005. This was evident from higher tourist arrivals into Malaysia, which increased by 6.8 per cent to 17.6 million tourist arrivals in 2006. Enhanced promotional efforts and focus on increasing value-added returns in the tourism sector contributed to the growth in tourism exports. The higher exports in the travel sector was also accounted for by better performance in exports of education services, which rose by 37.8 per cent to RM547.6 million in 2006. The number of foreign students in institutions of higher learning rose to 47,320 students in 2006. Healthcare services exports increased eight-fold to RM98.3 million, compared with RM11 million in 2005.

Imports in the travel sector declined slightly by 2.4 per cent to RM13.72 billion in 2006, compared with RM14.05 billion in 2005. The reduction in imports of travel services was due mainly to a decline in tourism services imports by 7.8 per cent to RM9.67 billion in 2006, compared with RM10.49 billion in 2005. However, imports of education and healthcare services remained robust, with growth of 13.4 per cent to RM3.97 billion and 29.1 per cent to RM 77.2 million, respectively.

Given the expansion in tourism exports, a higher surplus of RM21.6 billion was registered in the travel sector, compared with RM19.45 billion in 2005. This was despite a higher deficit for education services, which increased to RM3.42 billion in 2006, representing an increase of 10.3 per cent, from RM3.1 billion in 2005.

Transport

The transport sub-sector comprises air and sea transport services. The trade balance in this sector remains traditionally in deficit due to dependence on foreign freight services for exports and imports of goods and the recourse to use of cost, insurance and freight (c.i.f) for exports and free on board (f.o.b) in imports. The transport services deficit increased by 13.5 per cent to RM18.65 billion in 2006, consistent with higher demand for sea and air transport services on the back of stronger merchandise trade performance in 2006, namely the 10.3 per cent growth in merchandise exports and 10.8 per cent expansion in imports. Imports of sea transport services expanded by 9.3 per cent to RM30.84 billion, and air services imports grew by 14.1 per cent to RM4.08 billion in 2006.

Exports of air services increased significantly by 26.1 per cent to RM9.17 billion in 2006. The better performance was the result of higher passenger volume from capacity and route expansion by local air services providers, while cargo volume increased more moderately.

Other Services

The Other Services sub-sector refers to trade in communications, finance, insurance, computer and information, fees and royalties, culture and audio-visual services and other business services. Export of these services increased by 4.5 per cent to RM25.97 billion in 2006, compared with RM24.84 billion in 2005. Among the reasons for the expansion were increased commissions earned from merchanting activities, including earnings from resale of goods procured abroad, exports of other business services; such as professional and technical services, communications services, and computer and information services. Government policies that encourage export of services, such as the formation of the National Export of Professional Services Council in 2001, and the provision of export promotion programmes have assisted the export of business and professional services. The progress in business outsourcing activities has also led to more exports of computer and information services.

Imports declined slightly by 1.8 per cent to RM35.84 billion due to reductions in imports of construction services, payment of royalties and fees abroad and other business services. As a result, the deficit in Other Services registered a decline to RM9.88 billion, compared with RM11.68 billion in 2005.

OUTLOOK

The IMP3, with its theme of ‘Malaysia - Towards Global Competitiveness’, has outlined the strategies and targets for the development of the manufacturing and services sectors up to 2020. Two national councils, namely the Malaysian Services Development Council (MSDC) and the Malaysian Logistics Council (MLC) have been established to coordinate the promotion and development of the targeted services sectors. The various focus groups established within the MSDC and MLC will identify and recommend policy initiatives, programmes and action plans to further enhance the growth of the services sector as targeted under the IMP3.

Given the increased focus on services development and enhancing domestic capacity, it is expected that the deficit in the services trade will see further improvement in 2007. Visit Malaysia Year 2007, greater outsourcing opportunities, increasing port throughput and higher revenue from Islamic financial services expansion should enhance Malaysia's exports of services in 2007, while continued efforts to enhance domestic capacity would reduce import growth to some extent.

Chapter 7

Development Of Small And Medium Enterprises

OVERVIEW

In 2006, the Small and Medium Industries Development Corporation (SMIDEC) implemented various support and developmental programmes to assist small and medium enterprises (SMEs) to gain greater market access, improve production capacity and capability, as well as enhance productivity and competitiveness.

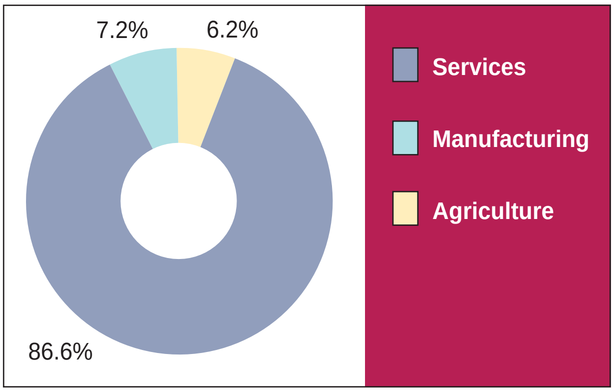
A total of 27 support and developmental programmes, with a budget of RM121 million, were implemented by SMIDEC in 2006. The focus of these programmes were on the development of industrial linkages, markets and enterprises, the upgrading of skills, the adoption of technology and the provision of advisory services. Various capacity building programmes were also being implemented in collaboration with foreign and international SME development agencies.

PROFILE OF SMEs

Based on the Census on Establishments and Enterprises 2005, conducted by the Department of Statistics, Malaysia, there are a total of 552,849 establishments in operation. Out of this, a total of 548,307 or 99.2 per cent were defined as SMEs. Of these, SMEs in the services sector totalled 474,706 (86.6 per cent), followed by 39,376 establishments (7.2 per cent) in the manufacturing sector and 34,225 (6.2 per cent) in the agriculture sector.

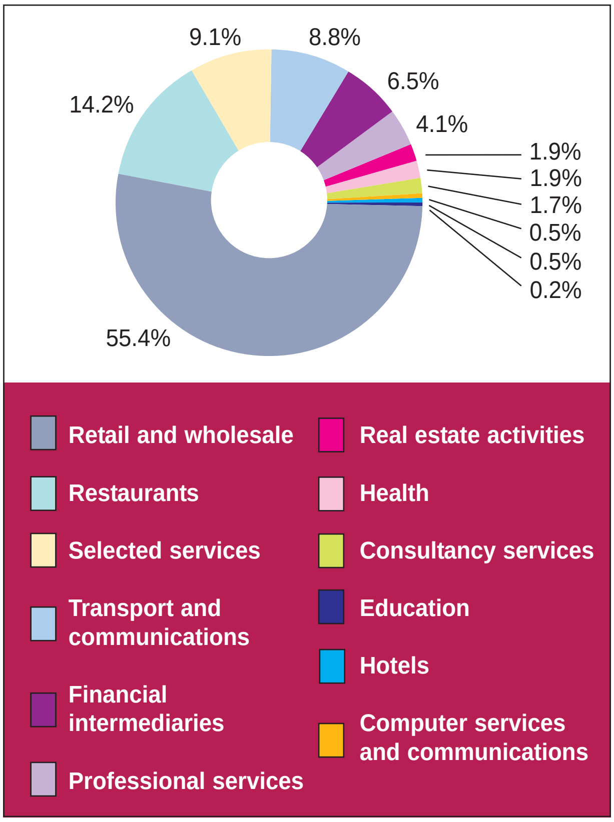
The majority of SMEs in the services sector were in retail and wholesale, accounting for 55.4 per cent of the total establishments,

Chart 7.1:
Profile of SMEs by Sector, 2005



Source: Census on Establishments and Enterprises 2005, Department of Statistics, Malaysia

Chart 7.2:
Distribution of SMEs in the Services Sector, 2005

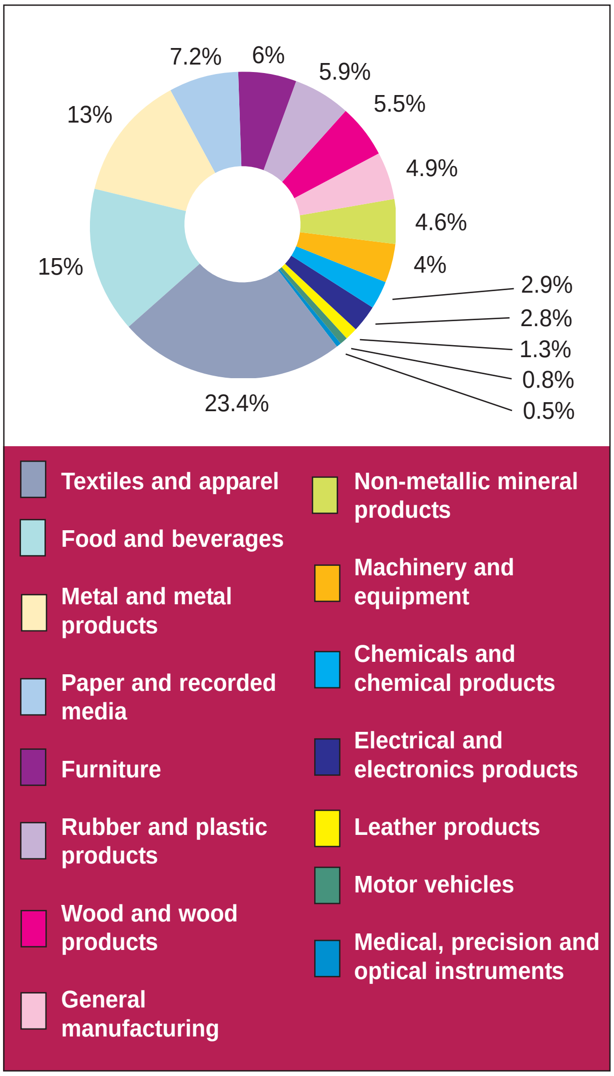


Source: Census on Establishments and Enterprises 2005, Department of Statistics, Malaysia

Note: 1. Selected services include rental services, advertising, research and development, business activities (labour recruitment, building cleaning, packaging services and duplication services), recreation, cultural and sporting activities (motion picture projection, recreation clubs).

2. Health include hospitals, medical dental and veterinary services, herbalist, homeopathy and foot reflexology.

Chart 7.3:
Distribution of SMEs in the Manufacturing Sector, 2005



Source: Census of Establishments and Enterprises 2005
Department of Statistics, Malaysia

followed by restaurants (14.2 per cent), selected services (9.1 per cent), and transport and communications (8.8 per cent).

Textiles and apparel was the largest sub-sector of SMEs in the manufacturing sector at 23.4 per cent, followed by food and beverages (15 per cent), metal and metal products (13 per cent), and paper and recorded media (7.2 per cent).

Contribution of SMEs to the Economy
The SMEs contributed 32 per cent to the Gross Domestic Product (GDP), provided 56.4 per cent of the employment in the country and accounted for 19 per cent of total exports. The SMEs in the services sector contributed 19.7 per cent to the GDP, 33.9 per cent to employment and 7.9 per cent to exports. The manufacturing sector contributed 8.4 per cent to the GDP, 14.5 per cent to employment, and 11 per cent to the total exports.

Generally, SMEs are dependent on the domestic market. However, some have managed to enter international markets through their participation in the supply chain of multinational corporations (MNCs) and large scale industries.

SME DEVELOPMENT PROGRAMMES

The Ninth Malaysia Plan (RMK9) (2006-2010) and the Third Industrial Master Plan (IMP3) (2006-2020), both launched in 2006, have provided direction and strategies for the SME support and development programmes. Under the RMK9, the Government has allocated RM2.2 billion for SME development. Focus of the SME development programmes are to:

- nurture and develop innovation-driven SMEs;
- strengthen support services and infrastructure for the manufacturing sector;
- enhance technological capability and capacity of SMEs;
- improve access to financing; and
- finance new sources of growth.

The IMP3 outlined five strategic thrusts to improve the contribution of SMEs to the economy:

- enhance the competitiveness of SMEs;
- capitalise on outward investment opportunities;
- drive the growth of SMEs through technology, knowledge and innovation;

- institute a more cohesive policy and supportive regulatory and institutional framework; and

- enhance the growth and contribution of SMEs in the services sector.

In 2006, the National SME Development Council endorsed the first National SME Development Blueprint, which sets the framework to coordinate, streamline and monitor SME development programmes implemented by various ministries and agencies. The Blueprint outlines 170 capacity building programmes to be implemented in 2006 by various ministries and agencies. Out of these, 121 programmes, with total expenditure of RM471 million, were successfully implemented in the areas of:

- entrepreneur development;

- human capital development;

- marketing and promotion;

- product development;

- technology development;

- advisory services; and

- awareness and outreach programmes.

In line with the Government's initiative to facilitate the development of SMEs, SMIDEC has implemented various developmental programmes to assist SMEs in market accessibility, capacity building and technology improvement, as well as enhancing their competitiveness.

Industrial Linkage Programme

Under the Industrial Linkage Programme (ILP), SMEs with potential to supply products and services are identified and linked with the MNCs and large scale industries. Those SMEs with potential but lacking in areas such as quality certification and process efficiency are provided with assistance to acquire the necessary certification and to upgrade their efficiency.

As at December 2006, a total of 532 SMEs have been linked to the MNCs and large scale industries. Since its inception, the linkage programme has generated total sales of RM452.3 million.

SMEs in the food and non-food sub-sectors were also linked as suppliers to foreign-based hypermarkets. A total of 16 SMEs have met the requirements and have been appointed as suppliers, while another 56 SMEs are being assisted to upgrade their capabilities to match the requirements of the hypermarkets.

Market Development Programmes

The SMIDEC Annual Showcase is a platform for companies to exhibit products and services to both the local and overseas buyers and to create opportunities for MNCs and large industries to identify potential suppliers. Activities during the event also included exhibitions, business-matchings and seminars.

In 2006, the Showcase attracted a total of 6,582 trade visitors, including 172 foreigners. A total of 279 business-matching sessions were arranged at the SMIDEX 2006, resulting in sales amounting to RM19.2 million for the supply of construction materials, food products, solar energy panel, and textiles and apparel.

The Matching Grant for Enhancing Product Packaging provides assistance to SMEs to acquire and improve product packaging, design and labelling, and to increase marketability of their products. In 2006, a total of 102 applications were approved with grants amounting to RM6.4 million, compared with 16 approvals and RM0.5 million in 2005. The food and beverages sub-sector recorded 66 approvals, followed by pharmaceuticals (nine approvals) and manufacturing-related services (six approvals).

Another initiative to increase the marketability of SME products is undertaken through the

Matching Grant for the Development and Promotion of *Halal* Products. This Scheme provides assistance for SMEs to undertake product development and formulation, sample testing, acquisition of machinery, requisite renovation, compliance with *halal* certification, as well as for promotional activities. In 2006, a total of 64 applications were approved with grants amounting to RM3.2 million, as compared with 10 approvals involving RM0.2 million in 2005. The food and beverages sub-sector was the largest beneficiary of the Grant with 53 approvals, followed by the pharmaceuticals sub-sector (six approvals).

Enterprise Development

Enterprise Development programmes are designed to provide SMEs with support services needed to accelerate their shift from the domestic to the external market. Programmes implemented include the Enhancement Programme for SMEs, the SME Expert Advisory Panel (SEAP), the ASEAN Automotive Roving Experts Dispatch Programme and the Automotive Technical Experts Programme under the Malaysia-Japan Industrial Cooperation Programme (MAJAICO).

SMIDEC collaborates with State Governments and agencies in accelerating the development of SMEs under the Enhancement Programme for SMEs. Participants in this Programme are assisted in the areas of product, process and quality improvement, certification and quality management system, design and enhancement of product packaging, as well as access to markets. SMEs are provided with an integrated assistance package comprising financial support and grant schemes that are offered by SMIDEC, as well as relevant ministries and agencies.

The Enhancement Programme is being implemented in three States and supported by the *Yayasan Pembangunan Usahawan* Terengganu, the Penang Regional Development Authority and the *Pusat Khidmat Perusahaan Kecil dan Sederhana* Melaka.

A total of 94 SMEs from the food-based, textile specifically *batik* and *songket*, wood-based and petro-chemical sub-sectors are participating in this Programme. These companies are undergoing diagnostic audit to assess their strength and weaknesses. Of these, 38 companies have already completed the audit and have submitted applications for financial assistance. As of December 2006, 13 applications were approved with total assistance of RM1.4 million, while the remaining are being processed.

The SEAP programme provides SMEs with technical assistance and advisory services through placement of experts at their premises. A total of 41 industry experts are registered under the Programme to provide expertise in finance, management, information and communications technology (ICT) and productivity. During the year, a total of 34 SMEs have benefited from this programme in the areas of technology improvement, conformance with international standards, such as Hazard Analysis Critical Control Point (HACCP) and Good Manufacturing Practice (GMP), productivity improvement, process improvement, and adoption of ICT.

The ASEAN Automotive Roving Experts Dispatch Programme is aimed at enhancing the efficiency and competitiveness of the Malaysian automotive parts and components manufacturers. This Programme involves the placement of Japanese experts to provide technical advisory services and undertake continuous improvement through *Kaizen* activities. As at December 2006, a total of 118 projects involving 71 companies with 230 *Kaizen* activities have been implemented.

The Automotive Technical Experts Programme under MAJAICO was initiated in 2006 to provide technical guidance and productivity improvements to automotive parts and component manufacturers. The five-year programme targets to assist 150 automotive parts and components manufacturers. Under this programme, a total of seven automotive parts and components manufacturers have been identified and used as benchmark for other participating companies in technical and productivity improvement.

Skills Upgrading Programmes

Pembangunan Sumber Manusia Berhad (PSMB) has been appointed as the coordinating authority to oversee and coordinate overall training and human resource development for SMEs. Initiatives taken by PSMB include:

- introducing the Human Resource Development (HRD) Portal;
- reviewing courses offered by training providers;
- coordinating programmes for training of trainers; and
- providing accreditation for courses offered for SMEs.

In 2006, a total of 1,447 employees of SMEs attended various skills development training programmes implemented by the 22 Skills Development Centres (SDCs), appointed by SMIDEC, under the Skills Upgrading Programme. In 2006, a review of the training modules offered by these SDCs was undertaken to match them with industry requirements. In order to ensure effective implementation of the training programmes, a monitoring mechanism has been put in place to monitor the career progress of the trainees.

Technology and ICT Adoption Programmes

Recognising the importance of ICT and technology in enhancing productivity and competitiveness, SMEs are encouraged to adopt them in production processes, and in business operations. Towards this end, support in the form of financial assistance is provided to SMEs to enable acquisition of appropriate technologies. Assistance is provided under the following schemes:

- Matching Grant for Product and Process Improvement;
- Matching Grant for Certification and Quality Management Systems;
- Soft Loan for ICT Adoption; and
- Grant for RosettaNet Standard Implementation.

In 2006, a total of RM18.6 million was approved under these programmes for 383 projects. SMIDEC organised a total of 35 workshops nationwide in an effort to promote the adoption of ICT and technology.

Development Programmes for SMEs in the Services Sector

The services sector has been identified as an important source of growth in the IMP3. In recognition of this, SMIDEC has extended the existing programmes for the manufacturing sector to include SMEs in the services sector as well.

Promotion Programmes

To further increase the participation of SMEs in these programmes, various promotional activities were organised by SMIDEC in 2006. These were undertaken through seminars, workshops, exhibitions and briefings.

During the year, three Domestic Investment Seminars were organised in collaboration with the Malaysian Industrial Development Authority (MIDA). These Seminars, which were held in Kuala Lumpur, Pulau Pinang and Kota Kinabalu, attracted a total of 2,687 participants.

SMIDEC also organised a total of 64 workshops and technical briefings in various States. Through these programmes, a total of 17,156 participants were advised on specific topics, such as financial assistance and management skills. In addition, SMIDEC also gave briefings to SMEs and participated in seminars, workshops and exhibitions organised by other organisations. A total of 160,273 participants attended these sessions.

The ASEAN+3 SME Convention 2006 which was held in conjunction with SMIDEX 2006 attracted a total of 424 participants, including foreign participants from the Organisation of Islamic Conference (OIC) member States, ASEAN member countries, the Republic of Korea, the People's Republic of China, Japan, Ghana, Namibia, India and South Africa.

The National Convention for Women Entrepreneurs was held from 27-28 June 2006 at the Kuala Lumpur Convention Centre. A total of 771 participants attended the Convention comprising representatives from women associations and financial institutions, women entrepreneurs, university students, and ministries and agencies. The focus of the Convention was on sharing of practical experiences, and introducing new business opportunities. It also provided a platform for women entrepreneurs to network.

On 11-12 November 2006, the Perak State Government, the Kuala Kangsar District Office and SMIDEC, in collaboration with the Office of the Kuala Kangsar Parliamentary Constituency and local industry associations jointly organised the *Konvensyen dan Ekspo Usahawan Bumiputera Kuala Kangsar*.

SME Information and Advisory Centre

SMIDEC's online advisory service is provided through the SME Information Centre (www.smidec.gov.my). As at December 2006, a total of 282,567 visitors accessed the Information Centre, compared with 251,079 visitors in 2005. The Centre provides information on SME programmes, news and events, as well as online company registration. In 2006, a total of 1,037 companies registered with the Centre, compared with 182 in 2005.

SMEinfo Portal (www.smeinfo.com.my), which was launched in January 2006, serves as an online information gateway on financing, training, and support and development programmes available for SMEs and entrepreneurs. The Portal also enables SMEs to promote their businesses and networking opportunities through a business directory. As at December 2006, a total of 13,834 SMEs have registered with the Portal.

In 2006, SMIDEC, through its Business Advisory Service, provided face-to-face consultation to 2,922 companies, as compared with only 2,222 companies in 2005. Most of the inquiries were on financial assistance, programmes in enhancing productivity and quality, as well as in the adoption of ICT in business operations.

Enterprise 50 Award Programme

The Enterprise 50 Award Programme recognises the achievement of home-grown companies in the attainment of excellence in both the management and operations of their businesses. In 2006, the Programme attracted a total of 140 nominations from both the manufacturing and services sector. Of these, 72 were SMEs. Among the top 10 winners, two were SMEs.

Benchmarking and Best Practices

In the rapidly changing business environment, SMEs are required to continuously improve their business management and operations. In 2006, SMIDEC in collaboration with the National Productivity Corporation (NPC) implemented the benchmarking programme to enable companies to assess their positions against their peers and adopt best practices. During the year, benchmarking have been implemented by the following Communities of Practice (CoP):

- Enterprise 50 winners;
- grant recipients;
- SMEs in the retail business; and
- women entrepreneurs.

Regional Cooperation Programmes

SME Programmes under ASEAN

The ASEAN SME Working Group (SMEWG) embarked into a direct approach in collaboration with ASEAN dialog partners. For 2006, the First Joint Consultation Between the SMEWG and the US-ASEAN Business Council was held in the fringes of the 19th ASEAN SME Agencies Working Group Meeting. Collaboration have been agreed in the following three areas:

- trade facilitation, through information sharing and capacity building to ease market access for ASEAN SMEs into the United States of America (USA) market;

- localising the supply chain of US MNCs operating in the ASEAN region; and

- development of credit rating system for SMEs;

For capacity building initiatives under ASEAN, Malaysia benefited from its participation in the SME Policy Workshop on SME Development entitled ‘Creation of New Business Ideas’ held in Manila, the Philippines from 26-27 January 2006. Malaysian SMEs were also linked to their Indian counterparts through the ASEAN Trade Mission for Business Linkages and Partnerships between ASEAN and Indian SMEs held from 22-24 August 2006 in New Delhi, India. Under the programme ‘ASEAN+3: Strengthening the Competitiveness of ASEAN SMEs’, Malaysia organised a convention themed ‘Driving SMEs Growth through Innovation and Networking’ from 16-17 May 2006 in Kuala Lumpur.

SME Programmes under Asia-Pacific Economic Cooperation (APEC)

Malaysia participated in the 13th APEC SME Ministerial Meeting held in September 2006 in Ha Noi, Viet Nam. The meeting adopted the Ha Noi Declaration for Strengthening SME Competitiveness for Trade and Investment, to develop specific measures to improve competitiveness, innovation and entrepreneurship. Under the APEC SME Working Group, Malaysia benefited from its participation in various capacity building programmes in the areas of improving market access, supporting innovation and protection of intellectual property rights.

SME Programmes under Organisation for Economic Cooperation and Development (OECD)

The OECD-APEC Global Conference on Removing Barriers to SME Access to International Markets was organised in Athens from 6-8 November 2006. The Conference aimed at sharing views on addressing trade barriers and endorsed the Athens Action Plan which recommends various Government support for internationalisation of SMEs. Malaysia was selected to participate in the OECD Study on Value Chain which assesses the relationship between an SME, its suppliers and customers. A total of 12 Malaysian companies in the automotive, electrical and electronics sub-sectors, and research and development participated in this study.

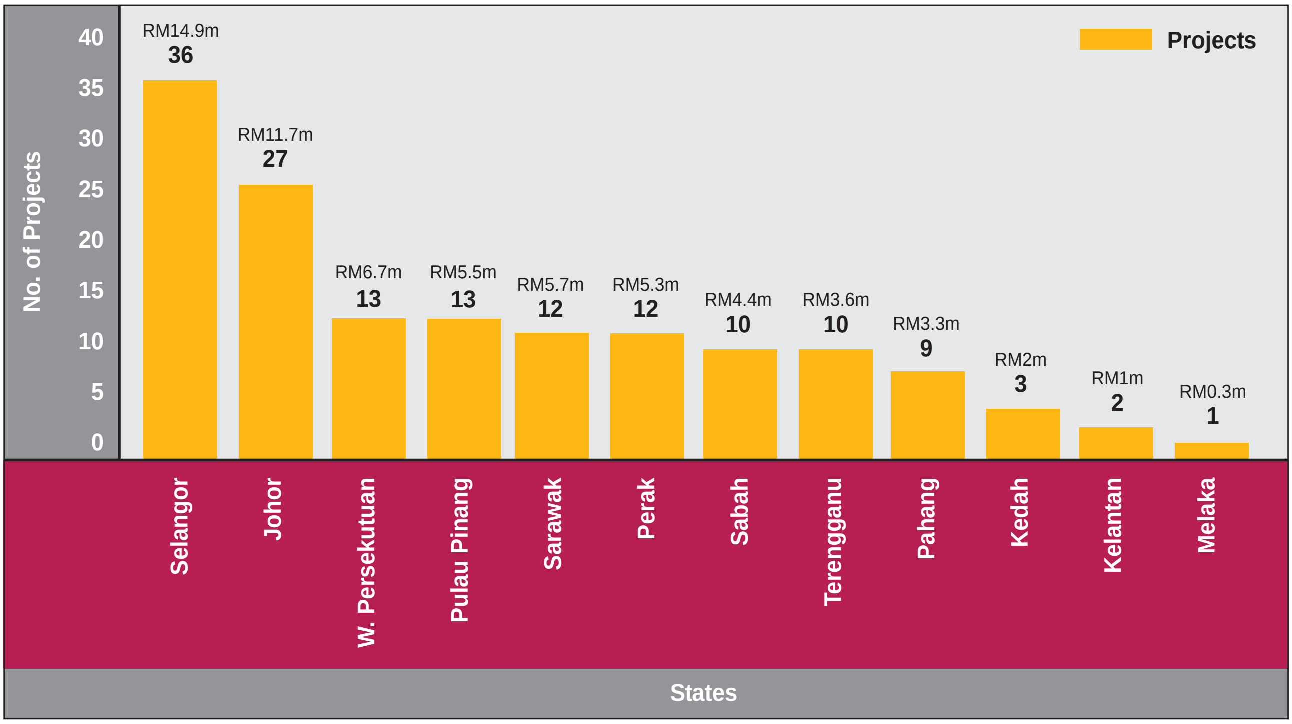
SME Development Programme under the Organisation of Islamic Conference (OIC)

SMIDEC implemented the inaugural Malaysian Technical Cooperation Programme (MTCP), a training programme for women entrepreneurs among the OIC member States in Kuala Lumpur from 15-19 May 2006. A total of 22 women entrepreneurs from Bangladesh, Syria, Pakistan, Sudan, Morocco and Turkey participated in this programme. The training programme comprised courses on entrepreneurship, financial planning, management, adoption of technology and marketing skills.

Bilateral Development

SMIDEC in collaboration with the Small Business Corporation (SBC), the Republic of Korea, has been organising the Training Programme for SME Managers since 1998. Under the Malaysia-Thailand Joint Trade Committee initiative, SMIDEC and the Office of SME Promotion, Thailand (OSMEP) signed

Chart 7.4:
Approval of Soft Loans by States, 2006



Source: Malaysian Industrial Development Finance Berhad

a Memorandum of Understanding (MoU) on 12 July 2006. This MoU aims to enhance cooperation in sharing of experiences and information in policies and expertise relating to the development of SMEs, initiating business networking among the private sector, as well as technical collaboration.

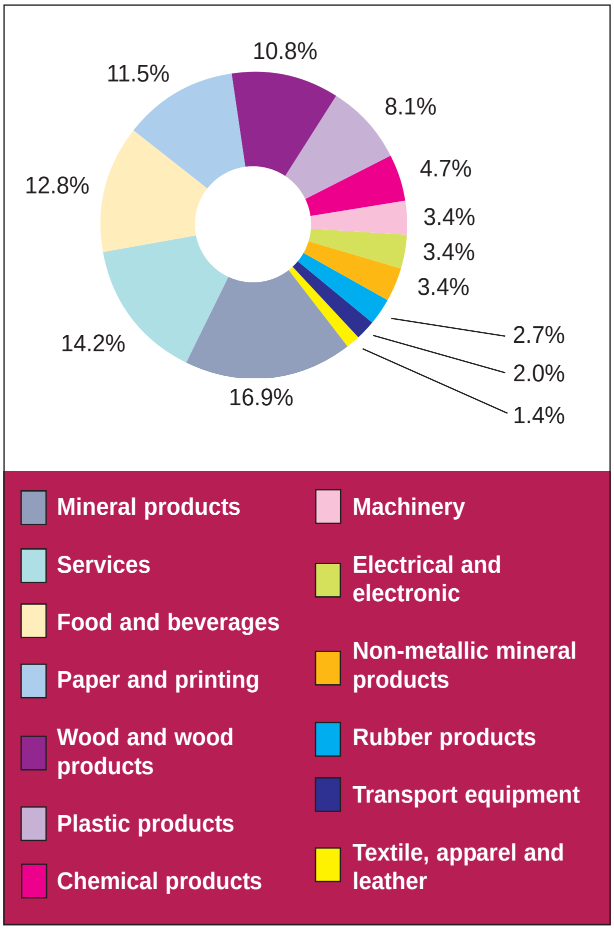
PERFORMANCE OF FINANCIAL ASSISTANCE SCHEMES FOR SMEs

Under the RMK9, a total of RM463 million has been allocated to SMIDEC for the implementation of various support programmes and financial assistance schemes. For 2006, a total of RM121 million was allocated, of which RM77 million were in the form of soft loans and RM44 million as grants.

Soft Loans

The three soft loan schemes offered to SMEs are the Soft Loan for SMEs, Soft Loan for Factory Relocation and Soft Loan for ICT Adoption. These schemes are managed by Malaysian Industrial Development Finance Berhad (MIDF).

Chart 7.5:
Approval of Soft Loans by Sectors, 2006



Source: Malaysian Industrial Development Finance Berhad

In 2006, a total of 148 soft loans, totalling RM64.5 million, were approved. In terms of approvals by State, Selangor recorded the highest, with 36 loan approvals, amounting to RM14.9 million, followed by Johor with 27 approvals, valued at RM11.7 million.

The highest recipients of the soft loan schemes were in mineral products, valued at RM9.7 million, followed by the food and beverages sector (RM9 million), services sector (RM8.4 million), and paper and printing (RM7.8 million).

The Soft Loan for SMEs is the most popular scheme with approvals of 140 applications totalling RM61.1 million. Approvals for both the Soft Loan for Factory Relocation and the Soft Loan for ICT adoption are low at four with each totalling RM3.4 million. Low uptake of these schemes was due to the stringent requirements for SMEs to comply. Reviews are currently being undertaken to relax the requirements and adequately address SME needs.

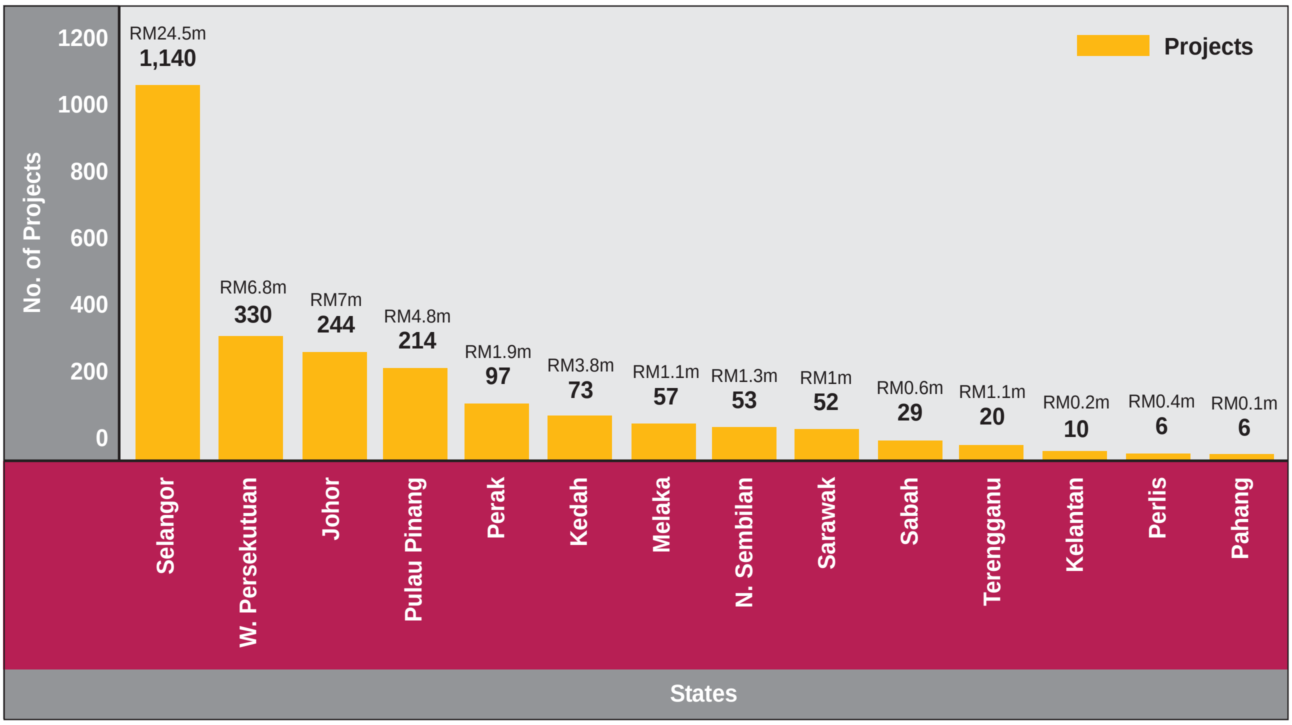
Grant Schemes

In 2006, a total of 2,331 projects, valued at RM54.4 million, were approved under various grant schemes. Out of these, the highest approval of 1,754 projects or 75.3 per cent amounting to RM15.3 million were under the Market Development Grant. This was followed by 257 projects, amounting to RM10.3 million, under the Matching Grant for Certification and Quality Management Systems, and 114 projects, amounting to RM18 million, under the Matching Grant for Product and Process Improvement.

In terms of approvals by State, Selangor recorded the highest number of approvals in 2006, with 1,140 projects (RM24.5 million), followed by Wilayah Persekutuan, 330 projects (RM6.8 million), and Johor, 244 projects (RM7 million).

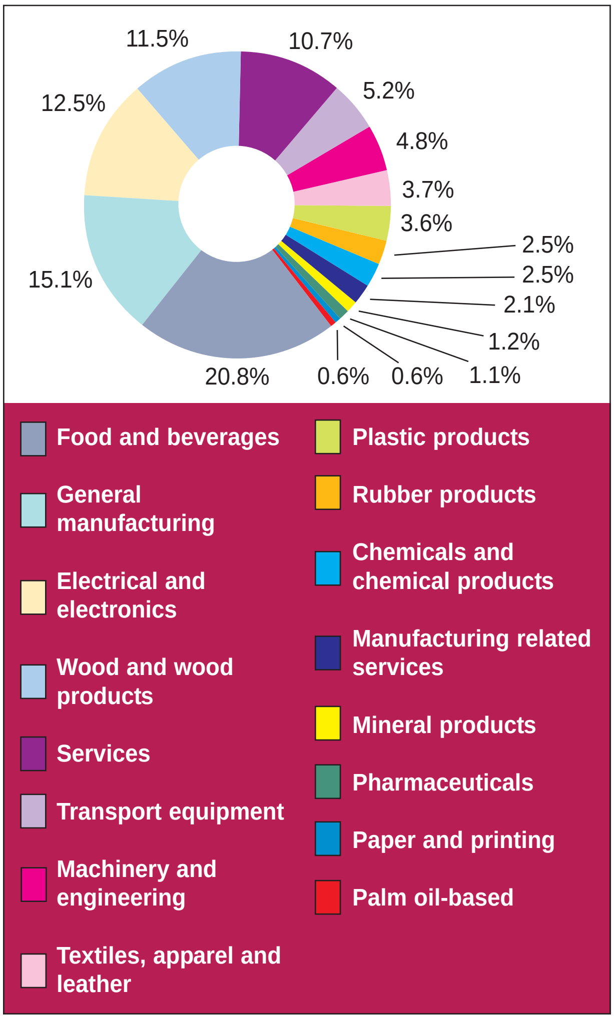
The food and beverages sector recorded the highest approval of grants, valued at RM14.3 million, followed by electrical and electronics (RM6.6 million) and plastic products (RM5.6 million).

Chart 7.6:
Approval of Grant Schemes by States, 2006



Source: Small and Medium Industries Development Corporation

Chart 7.7:
Approval of Grants by Sector, 2006



Source: Small and Medium Industries Development Corporation

OUTLOOK

The development of innovation-driven SMEs will be the focus of all SME development programmes and initiatives implemented by various ministries and agencies. Continuous efforts will be made to strengthen existing support programmes particularly in the areas of capacity building, infrastructure and financing.

In 2007, a total of 189 support programmes with financial commitment amounting to RM3.7 billion focusing on strengthening the viability of SMEs will be implemented by various ministries and agencies. Human capital development is expected to further spur the development of business start-ups and increase the supply of skilled and knowledge workers.

SMIDEC will further intensify the outreach programmes to ensure greater outreach for SMEs on the availability of assistance and support programmes for SME development. Business Advisory Services will also be strengthened in the form of collaboration with other ministries and agencies to provide SMEs with relevant information.

Chapter 8

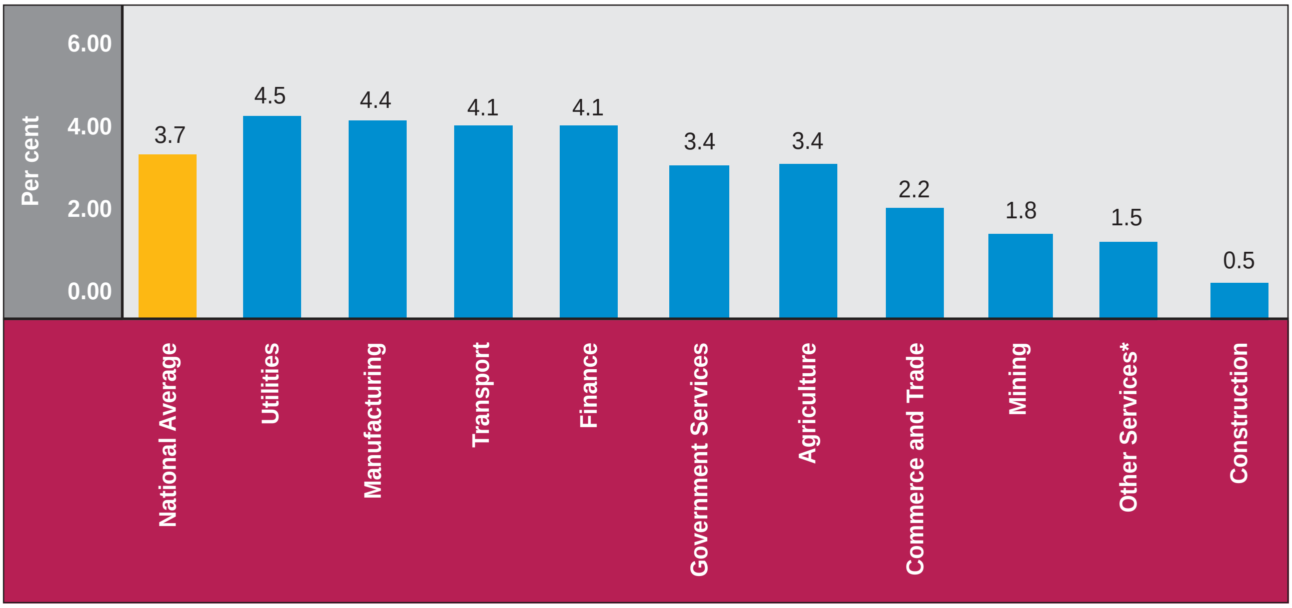
Productivity In The Manufacturing And Services Sectors

OVERVIEW

Against the backdrop of the strong economic performance, Malaysia's productivity grew by 3.7 per cent to RM27,221[1] in 2006. Productivity growth for the economic sectors ranged from 0.5 to 4.5 per cent. In the manufacturing sector, productivity grew by 4.4 per cent to RM33,081, driven mainly by the strong performance of export-oriented industries, such as petroleum and plastic products, basic industrial chemicals, computer and computer peripherals, wires and cables and semiconductor devices. Productivity in the services sector grew by 2.6 per cent, in tandem with the performance of the manufacturing sector. The utilities sub-sector registered a 4.5 per cent growth to RM117,289, while both the finance and transport sectors improved by 4.1 per cent to reach RM63,002 and RM43,293, respectively. The commerce and trade sub-sector registered a 2.2 per cent growth to RM23,595.

Over the period 1997-2006, the economy registered an annual Total Factor Productivity (TFP) growth averaging 1.6 per cent, contributing 29 per cent to expansion of the GDP. TFP growth measures improvements in the qualitative aspects of labour and capital inputs, and the efficiency with which these inputs are utilised to generate output. The TFP growth during the period was supported by contribution from education and training

Chart 8.1:
Productivity Growth by Economic Sector, 2006



Computed from: Economic Report, Ministry of Finance, Malaysia and Economic Planning Unit, Malaysia
*Note: * Other services include community, social and personal services, product of private, non-profit services to households, as well as 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 of business or trade; and provision of personal services.*

[1] *Value of output produced by one worker*

(35.6 per cent), demand intensity (23.7 per cent), capital structure (19.3 per cent), economic restructuring (12.4 per cent) and technical progress (8.9 per cent). Other components of inputs to GDP growth, namely labour and capital grew by 1.9 per cent and 2.1 per cent, respectively, contributing 34.3 per cent and 36.7 per cent of GDP growth respectively.

INTERNATIONAL COMPARISON OF PRODUCTIVITY PERFORMANCE

Productivity Growth: Organisation for Economic Cooperation and Development

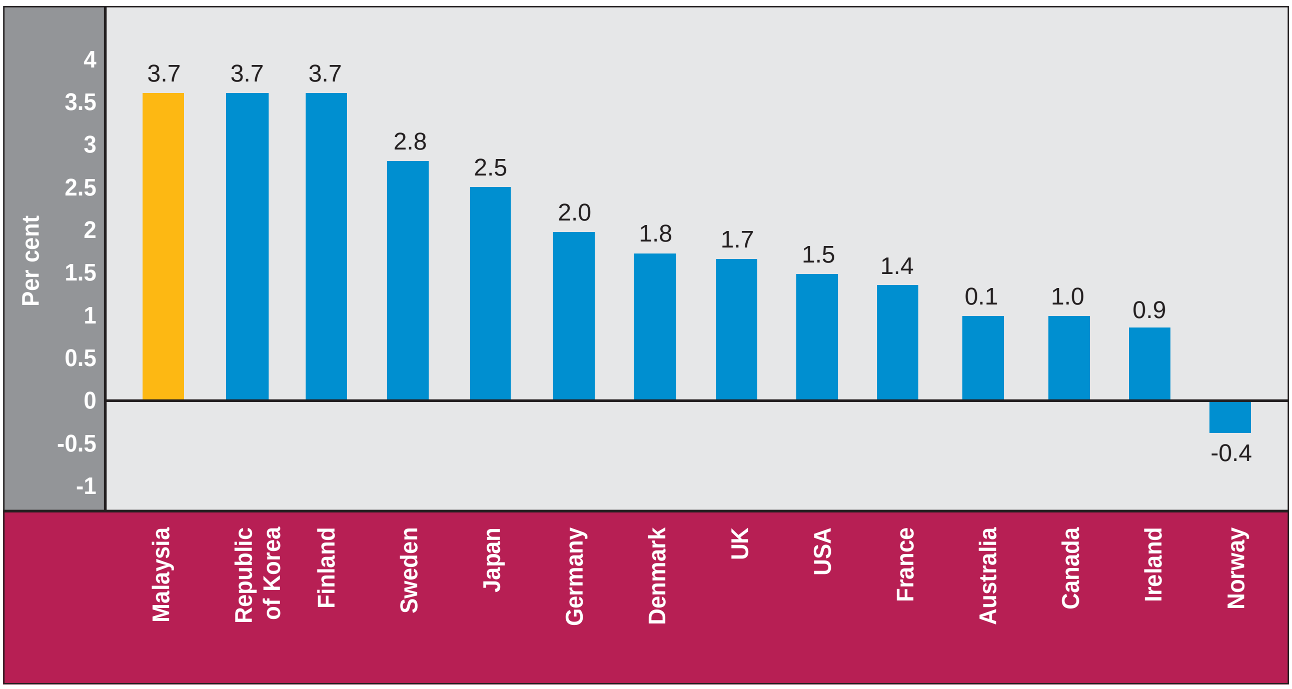
Malaysia's productivity growth of 3.7 per cent in 2006 was higher than the average growth of 1.9 per cent of the Organisation for Economic Cooperation and Development (OECD) countries[2]. OECD countries such as Norway, Ireland, Canada, Australia, France, the United States of America (USA), the United Kingdom (UK), Denmark, Germany, Japan, and Sweden recorded lower growth, compared with Malaysia, while Finland and the Republic of Korea registered similar productivity growth.

Productivity Growth: Asia

Among Asian countries, Malaysia's productivity growth was higher than that of Thailand (3.5 per cent), Taiwan (2.7 per cent) and Singapore (1.2 per cent). However, the People's Republic of China (9.7 per cent), India (6 per cent) and Hong Kong (4.3 per cent) experienced higher growth. The productivity performance of these countries is a result of the on-going shift of their economies towards higher value-added and knowledge-based activities, adoption of new technologies, including information and communication technology (ICT) and innovations in business applications, strong economic growth and increasing inflow of foreign investments.

The productivity level of Malaysia at US$11,716 in 2006, was higher than that of India (US$1,276), Indonesia (US$2,128), the

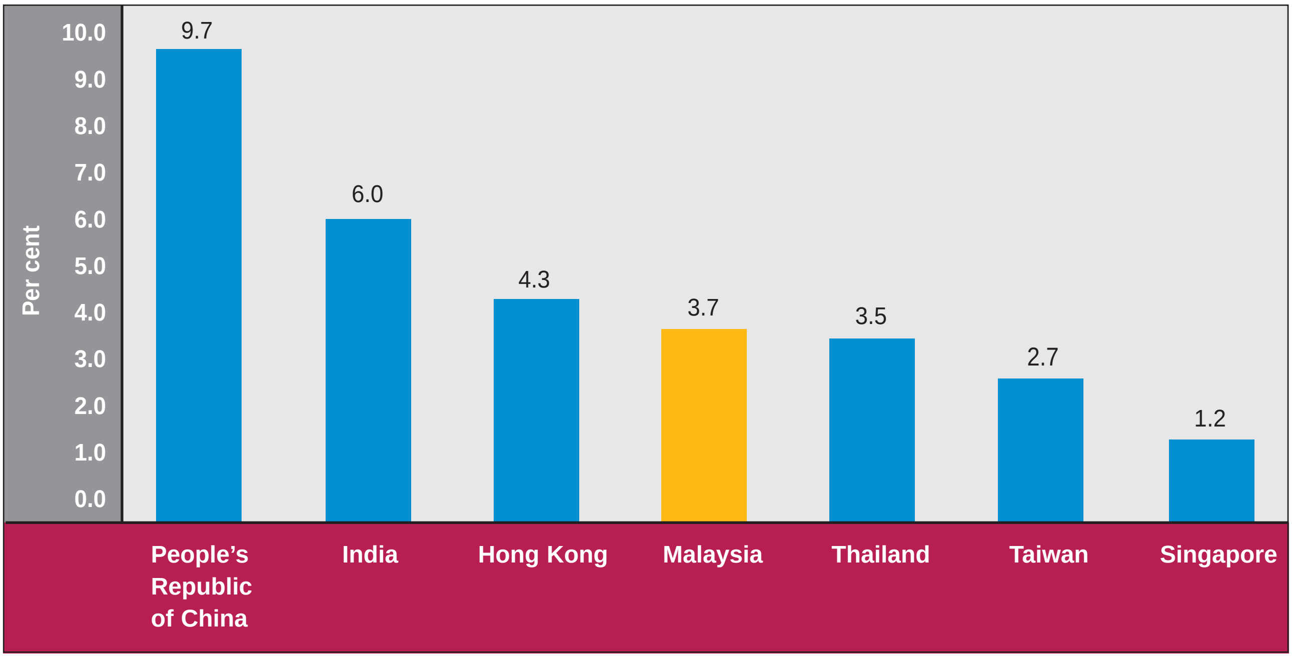
Chart 8.2:
Productivity Growth for Malaysia and Selected OECD Countries, 2006



Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
OECD Economic Outlook, December 2006, Vol. 80,
National Accounts of OECD Countries, Detailed Tables 1993-2004
Country Data, The Economist Intelligence Unit
Market Indicators and Forecast, The Economist Intelligence Unit

[2] *OECD Economic Outlook, December 2006, Vol. 80. Annex Table 12. Labor Productivity for the total economy*

Chart 8.3:
Productivity Growth for Malaysia and Selected Asian Countries, 2006



Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
Key Indicators 2006, Asian Development Bank
Country Data, The Economist Intelligence Unit
Market Indicators and Forecast, The Economist Intelligence Unit

People's Republic of China (US$2,885) and the Philippines (US$2,914). Nevertheless, highly industrialised and matured economies, such as Japan, Norway, the USA and Ireland, with high GDP per capita, high degree of innovation and a large pool of educated workforce, recorded higher productivity levels.

Total research and development (R&D) expenditure as a percentage of GDP of the OECD countries, such as Sweden (3.9 per cent), Finland (3.5 per cent) and Japan (3.2 per cent) was higher than Malaysia (0.6 per cent). In addition, almost all the selected OECD countries showed higher education achievement, that is, the percentage of population aged between 25 and 34, which has attained at least tertiary education, ranged from 32 to 53 per cent, compared with Malaysia at 18 per cent.

Manufacturing Sector

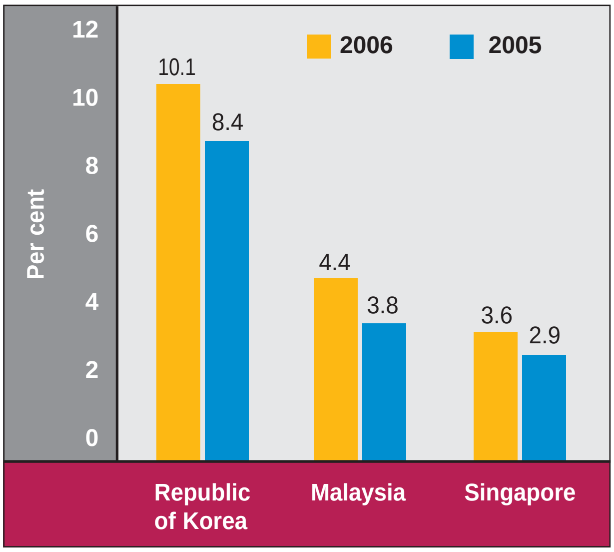
Among selected Asian countries, the manufacturing sector of the Republic of Korea registered a productivity growth of 10.1 per cent, while Singapore's productivity grew by 3.6 per cent. Malaysia registered

Table 8.1:
Relative Productivity Levels and Growth for Selected Countries, 2006

Country	Productivity Growth (%)	Productivity Level (at 2000 constant prices in US$)
People's Republic of China	9.7	2,885
Indonesia	6.4	2,128
India	6.0	1,276
Hong Kong	4.3	63,794
Malaysia	**3.7**	**11,716**
Finland	3.7	58,715
Republic of Korea	3.7	28,956
Thailand	3.5	4,454
Sweden	2.8	63,742
Taiwan	2.7	38,622
Japan	2.5	79,907
Germany	2.0	51,853
Denmark	1.8	63,022
UK	1.7	53,764
Philippines	1.6	2,914
USA	1.5	77,989
France	1.4	58,190
Singapore	1.2	48,782
Canada	1.0	50,029
Australia	1.0	46,681
Ireland	0.9	64,449
Norway	-0.4	79,520

Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
Key Indicators 2006, Asian Development Bank
Country Data, The Economist Intelligence Unit
Market Indicators and Forecast, The Economist Intelligence Unit
OECD Economic Outlook, December 2006, Vol. 80, National Accounts of OECD Countries

Chart 8.4:
Productivity Growth of the Manufacturing Sector in Selected Asian Countries, 2006



Source: National Productivity Corporation, Malaysia
Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
Ministry of Trade & Industry, Singapore
The Bank of Korea; Korea National Statistical Office

productivity growth of 4.4 per cent, driven mainly by the strong performance of export-oriented industries.

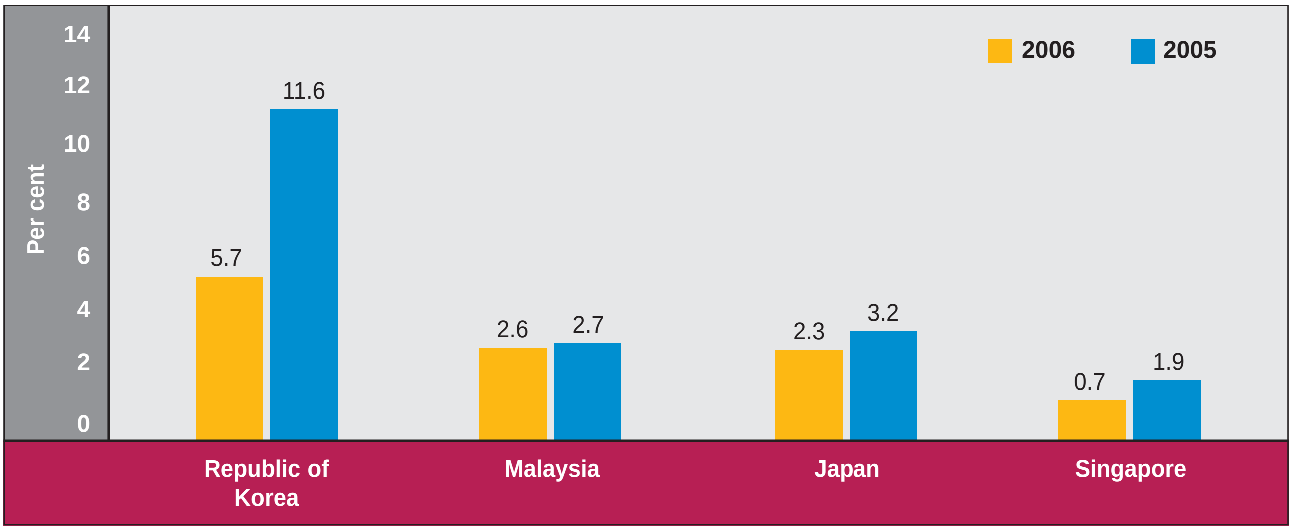
Malaysia's productivity growth of 2.6 per cent in the services sector was better than that recorded by Japan (2.3 per cent) and Singapore (0.7 per cent). The Republic of Korea, registered a productivity growth of 5.7 per cent. This was due to the strong growth in all key services sub-sectors, especially the transport, trade and finance sub-sectors.

PRODUCTIVITY PERFORMANCE OF THE MANUFACTURING SECTOR

Productivity in the manufacturing sector grew by 4.4 per cent to RM33,081, driven mainly by the strong performance of export-oriented industries. The sales value of the manufacturing sector in 2006 increased by 11.1 per cent to RM510.7 billion, from RM459.7 billion in 2005. Expansion in sales value was contributed by growth in both the domestic and export-oriented industries.

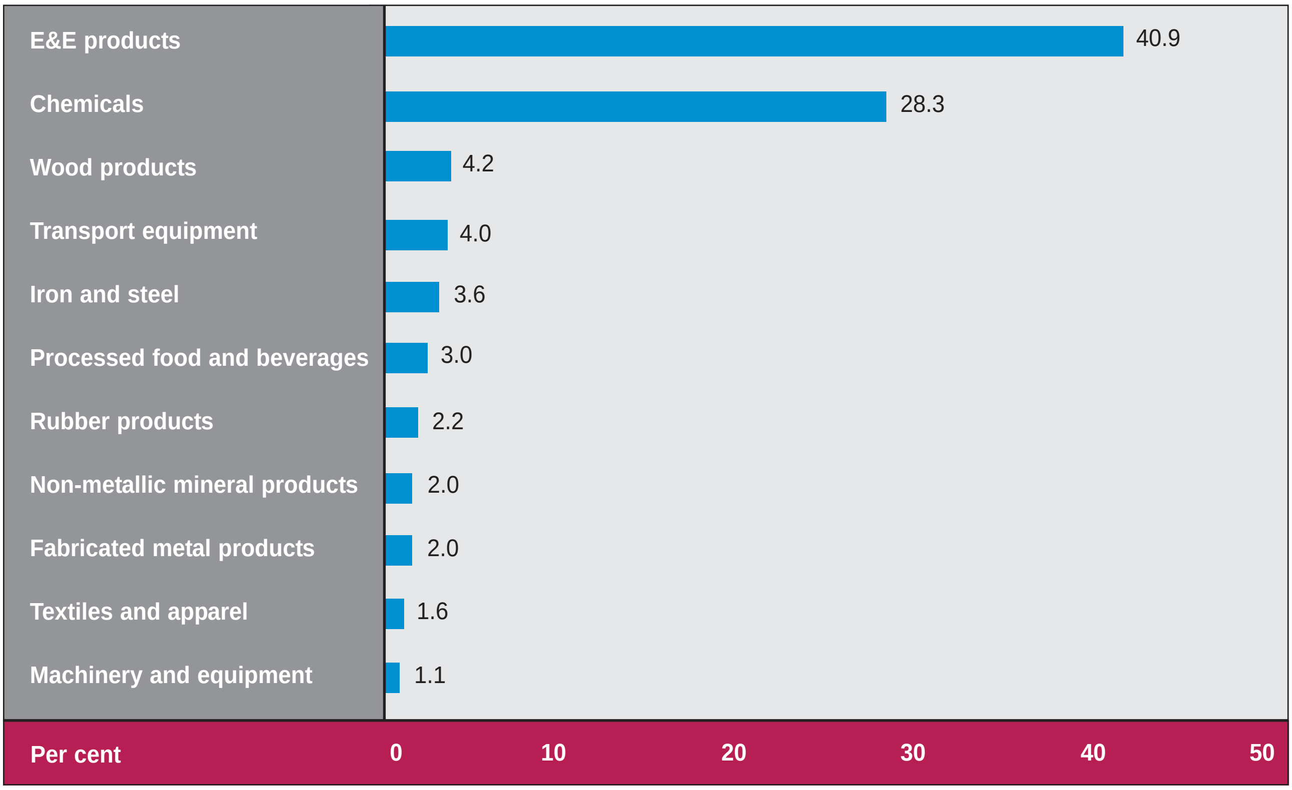
The electrical and electronics (E&E) and the chemical sub-sectors together accounted for 69.2 per cent of total manufacturing sales value in 2006. The contribution of 40.9 per cent by E&E was attributed to the increase in global demand for Malaysia's E&E products, such as semiconductors, telecommunications devices and consumer electronic products. Refined petroleum products and industrial gases were the main contributors to sales value in the chemicals industry.

Chart 8.5:
Productivity Growth of the Services Sector in Selected Asian Countries, 2006



Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
The Bank of Korea, Korea International Statistical Office
Cabinet Office, Government of Japan
Department of Statistics, Singapore

Chart 8.6:
Contribution of Sub-Sectors to Total Manufacturing Sales Value, 2006



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

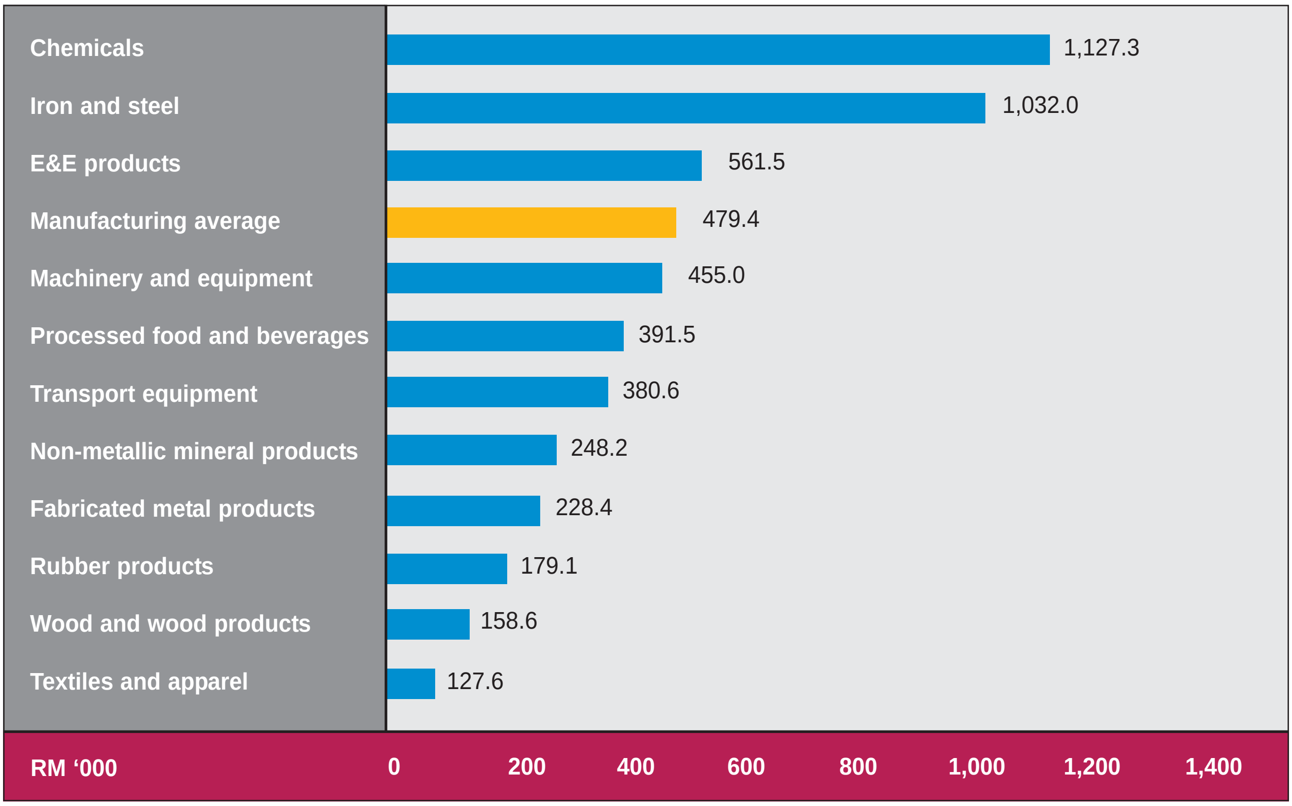
Sales Value per Employee increased by 3.5 per cent to RM479,410 in 2006. Sub-sectors which registered high Sales Value per Employee were chemicals, iron and steel and E&E products. The chemicals sub-sector registered the highest productivity level at RM1.1 million, while that of the iron and steel sub-sector was valued at RM1 million. The performance was attributed to production of higher value-added products driven by high technology and strong external demand. This enabled industries to increase capacity utilisation.

Sub-sectors which registered Sales Value per Employee growth higher than the manufacturing sector's average were rubber products, chemicals, non-metallic mineral products, and wood and wood products. The rubber products sub-sector registered a 13.7 per cent growth in productivity. The growth was attributed to higher capacity utilisation to cater for increasing demand for rubber-based products in the global market, as well as a surge in world rubber prices. Similarly, higher productivity growth in the chemicals sub-sector was attributed to efficient utilisation of resources in the manufacture of industrial gases, basic chemicals, refined petroleum products and plastic products.

The manufacturing sector continued to sustain labour cost competitiveness. This indicates that the cost of producing products and services in manufacturing had decreased. Cost reduction and quality improvement initiatives undertaken by sub-sectors had resulted in a decrease of 1.5 per cent in Unit Labour Cost. The decline in Unit Labour Cost will enhance competitiveness as each unit of output is produced at a lower cost.

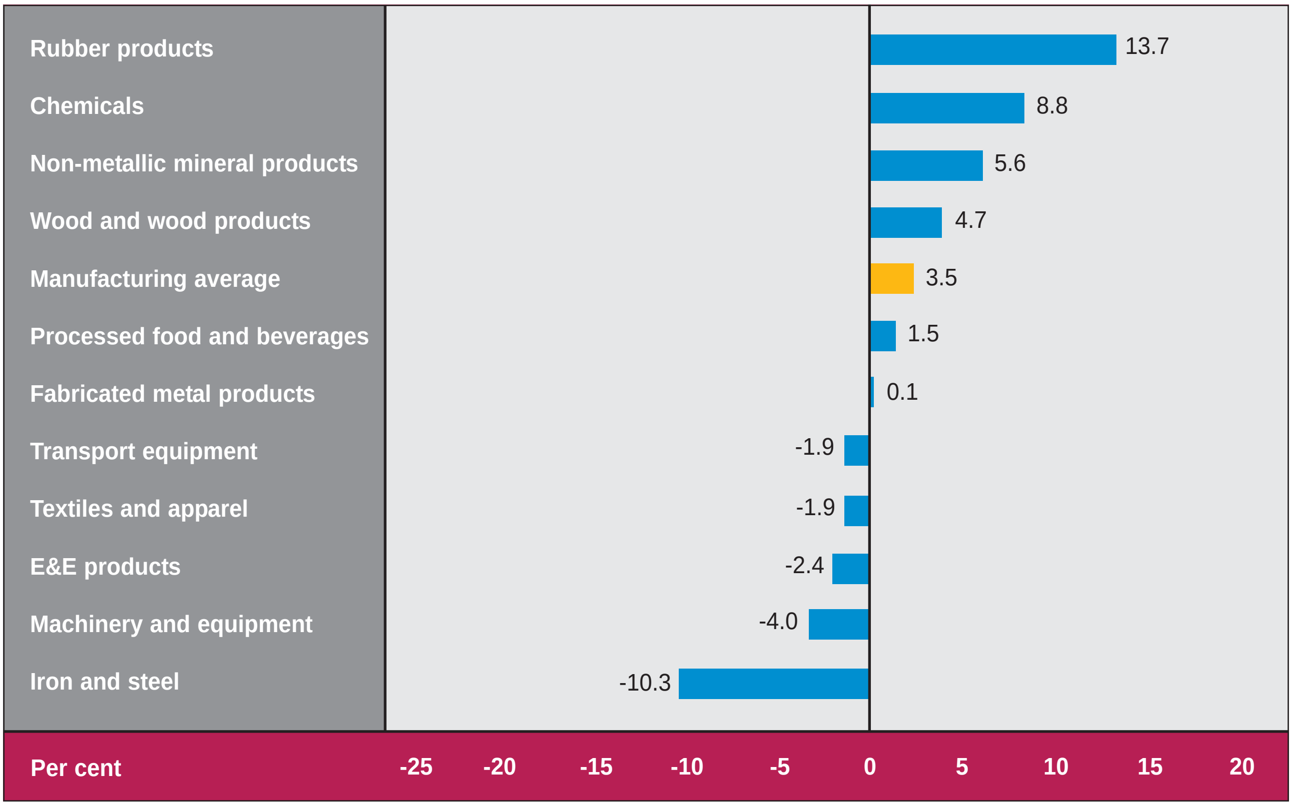
Labour cost competitiveness was enhanced in most sub-sectors, such as rubber products, processed food and beverages, chemicals, wood and wood products, and non-metallic mineral products, as growth in Sales Value per Employee of these sub-sectors was

Chart 8.7:
Sales Value per Employee of the Manufacturing Sub-Sectors, 2006



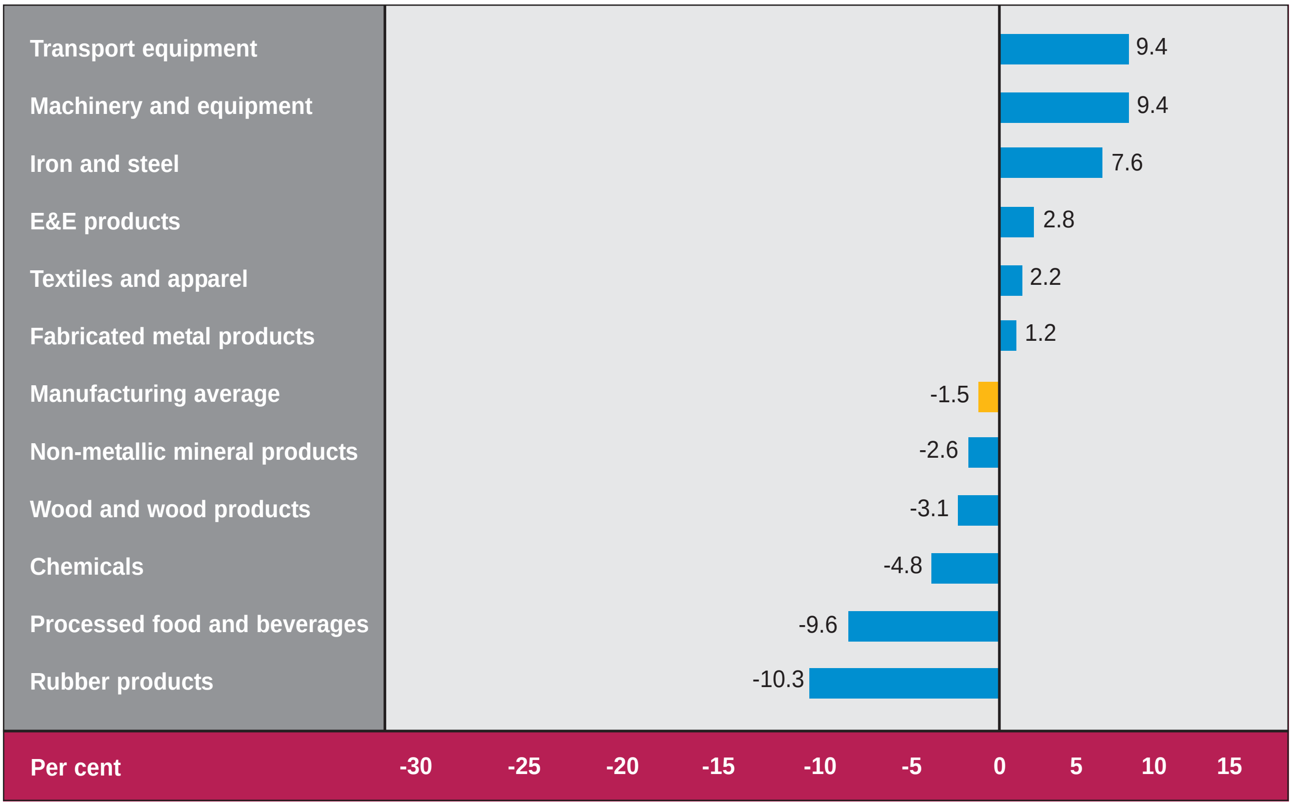
Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

Chart 8.8:
Growth in Sales Value per Employee of the Manufacturing Sub-Sectors, 2006



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

Chart 8.9:
Changes in Unit Labour Cost of the Manufacturing Sub-Sectors, 2006



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

higher than the growth in Labour Cost per Employee.

Sub-sectors which registered Labour Cost per Employee higher than the manufacturing sector's average were transport equipment, machinery and equipment, chemicals and non-metallic mineral products. This was attributed to the increasing supply of technically-skilled workforce, as the sub-sectors implement various productivity initiatives to upgrade and enhance capacity building.

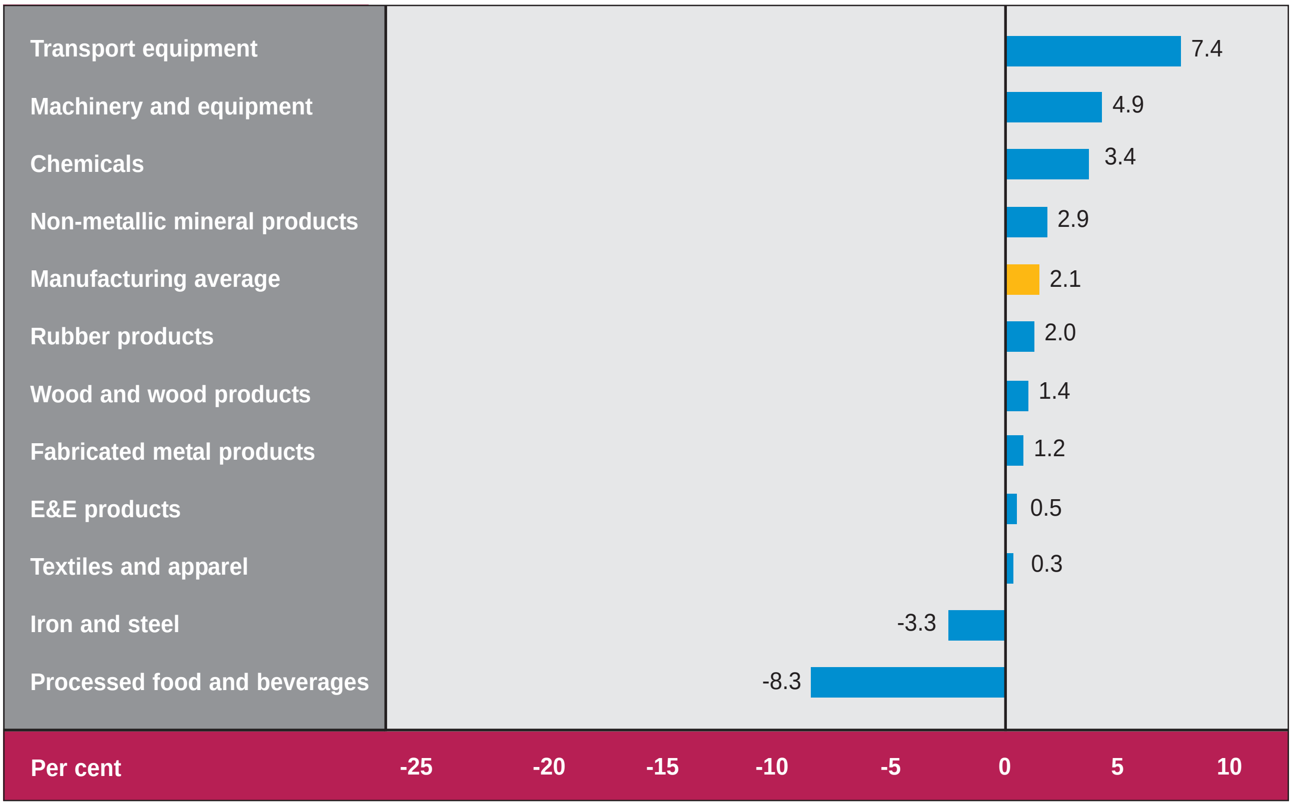
TOTAL FACTOR PRODUCTIVITY OF THE MANUFACTURING SECTOR

During the period 1997-2006, the manufacturing sector achieved TFP growth of 3.3 per cent. The growth was contributed by quality of labour, capital structure, demand intensity and technical progress.

Quality of labour, which was the leading contributor to TFP growth in the manufacturing sub-sectors, indicates that sub-sectors have continuously enhanced the knowledge and skills of their workforce to keep pace with technological advancements. Investments in machinery and technology to produce higher value-added technology-intensive products led to the capital structure contribution of 39.4 per cent to TFP growth. The favourable expansion of manufacturing exports, coupled with strong domestic demand had enhanced the TFP component of demand intensity contribution to 12.1 per cent. Technical progress contributed 6.1 per cent to TFP growth, indicating increased effectiveness and efficiency brought about by better management skills and systems, application of best practices and a culture of excellence.

Within the manufacturing sub-sector, the E&E and chemicals sub-sectors registered TFP growth of 4.3 per cent and 3.8 per cent, respectively, higher than the manufacturing sub-sector's average. This was attributed to the diversification of these two sub-sectors into

Chart 8.10:
Growth in Labour Cost per Employee of the Manufacturing Sub-Sectors, 2006



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

high value-added and high-end products, as well as improving operations, increased innovation through R&D and application of new technologies.

PRODUCTIVITY PERFORMANCE OF THE SERVICES SECTOR

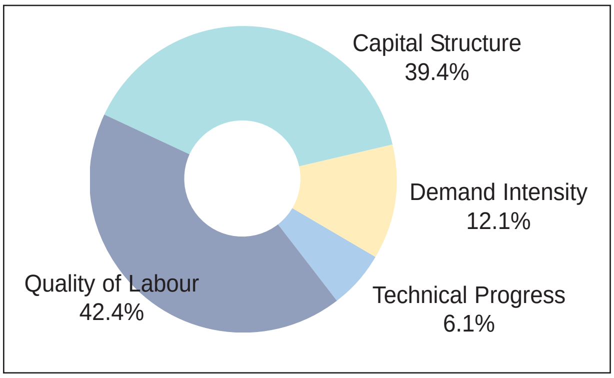
In 2006, the services sector recorded productivity growth of 2.6 per cent. The utilities, transport and finance sub-sectors were the main contributors to the growth.

The transport sub-sector recorded productivity growth of 4.1 per cent in 2006. Increased value-added activities provided by sea and air transportation, as well as the telecommunications industry has resulted in the growth. For the telecommunications industry, increased competition among telecommunications service providers has resulted in the provision of more efficient services.

In 2006, the productivity of the finance sub-sector grew by 4.1 per cent. Improvement in business processes, as well as trained and skilled workforce contributed to increased productivity. Intense competition in the sub-sector led to the introduction of new innovative products and services, as well as delivery channels, which in turn resulted in improved performance.

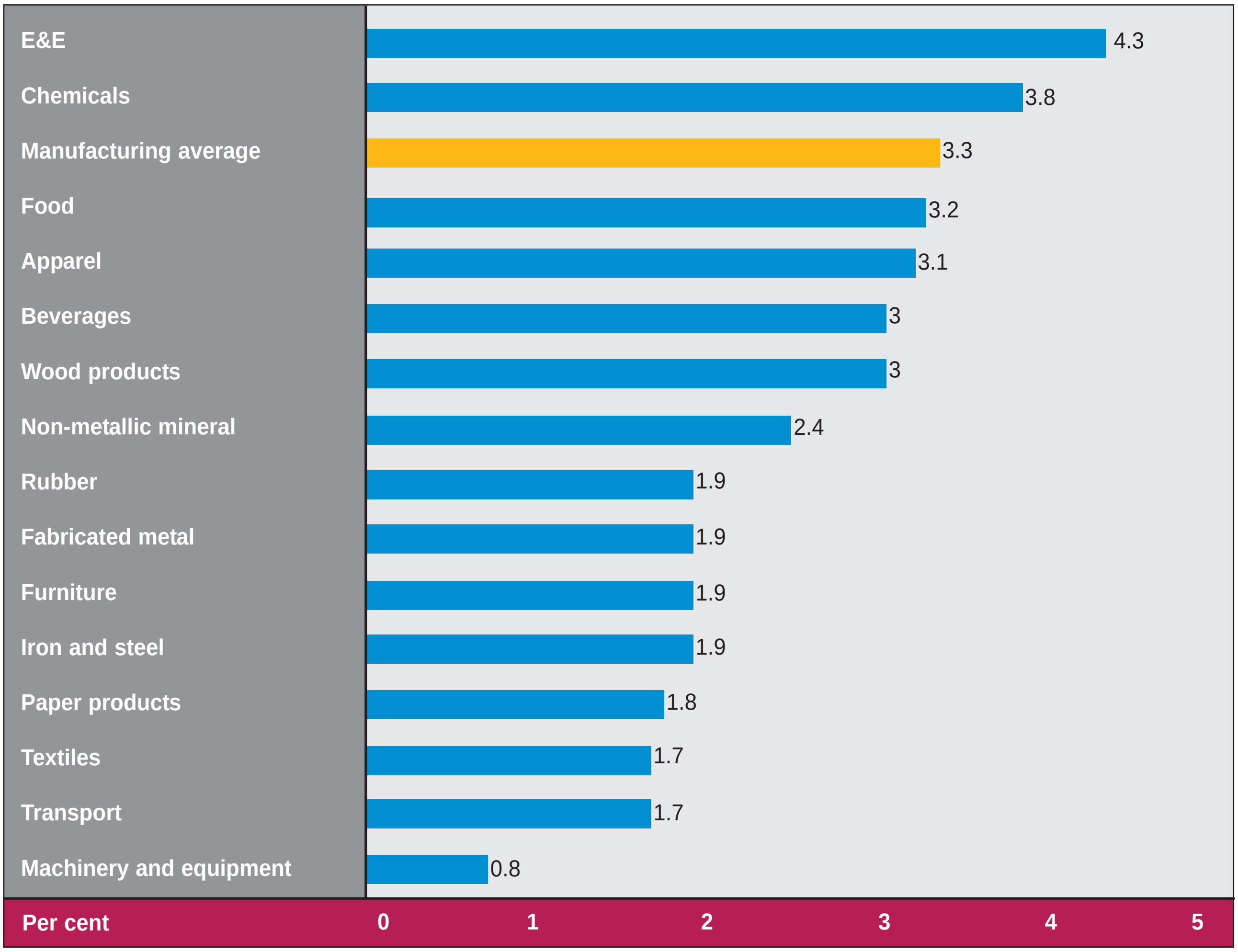
Productivity in the commerce and trade sub-sector grew by 2.2 per cent in 2006.

Chart 8.11:
Contribution to TFP Growth, 1997-2006



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia, various years.

Chart 8.12:
TFP Growth of the Manufacturing Sub-Sectors, 1997-2006

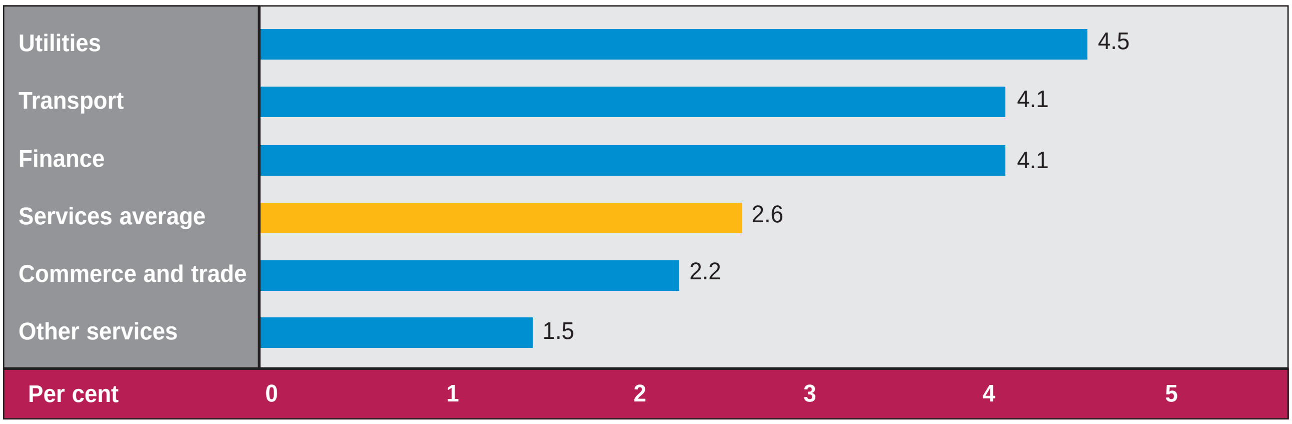


Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia, various years

The retail and wholesale sub-sector have become more efficient, with increased participation of larger, foreign-owned retail chains in the local market.

As for the tourism industry, the performance was attributed to higher number of tourist arrivals and spending, and longer duration of stay.

Chart 8.13:
Productivity Growth of the Services Sub-Sectors, 2006



Computed from: Economic Report, Ministry of Finance, Malaysia and Economic Planning Unit, Malaysia

Note: Transport sub-sector comprises transport, storage and communication; Finance sub-sector comprises finance, insurance, real estate and business services; Commerce and trade comprises wholesale, retail, hotel and restaurants; Utilities comprises electricity, gas and water services and other services comprises community, social and personal services.

In 2006, the utilities sub-sector experienced productivity growth of 4.5 per cent. This was due to improved operational efficiency to meet the increased demand for electricity and water from the commercial, industrial and domestic segments of the market.

TOTAL FACTOR PRODUCTIVITY OF THE SERVICES SECTOR

During the period 1997-2006, the services sector registered annual TFP growth of 1.4 per cent. The TFP growth contributed 24.5 per cent to output growth of the sector, while capital and labour contributed 38.5 per cent and 37 per cent, respectively.

Among the services sector, the utilities sub-sector recorded the highest TFP growth of 1.9 per cent. The growth was attributed to overall efficiency of the sub-sector in ensuring secure and reliable utilities supply to meet increased demand.

In the transport sub-sector, TFP grew by 1.7 per cent, contributing 26.5 per cent to output growth. The growth was attributed to the increase in demand for transport and communications services due to expansion in trade-related activities and telecommunications services. Other contributing factors included improvements in the integration of the transport services, increased employment of skilled and knowledge workers, and effective and efficient utilisation of capital.

The commerce and trade sub-sector registered an annual TFP growth of 1.2 per cent during the period 1997-2006. The growth was due to better utilisation of ICT for business transactions, higher demand for consumer products and changing consumer preferences. Contribution from the tourism industry through availability of new tourist products, such as eco-tourism, health-tourism, education-tourism and agro-tourism also contributed to the favourable performance.

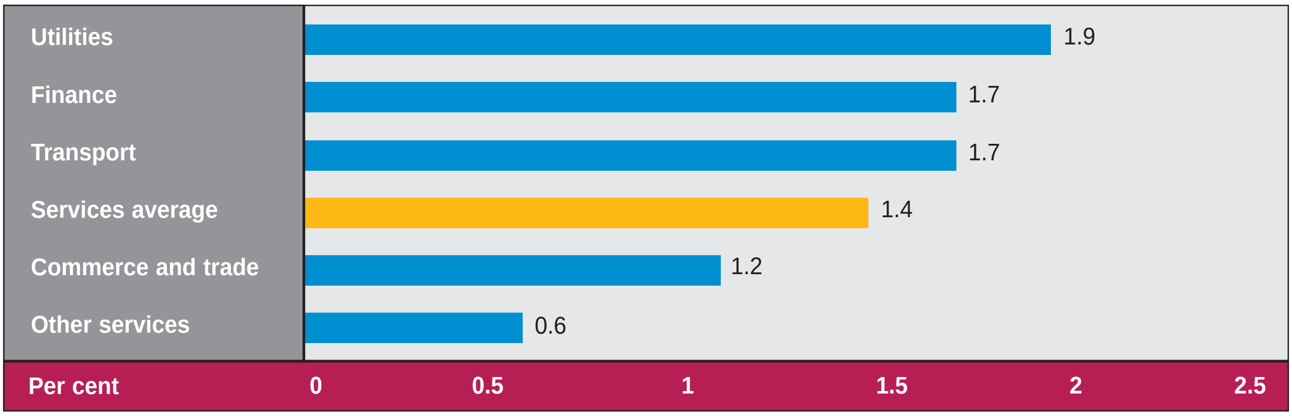
The finance sub-sector recorded a TFP growth of 1.7 per cent. The growth was attributed to initiatives taken, which included improving the cost and risk management practices, enhancing service delivery through application of ICT and promoting continuous development of human capital.

OUTLOOK

The economy is targeted to achieve a productivity growth of more than 3.5 per cent in 2007. Productivity improvement initiatives, such as improving human capital development by emphasising on enhancement of human resource capabilities, nurturing creativity and innovativeness, as well as bridging the gap between industry needs and skills availability will facilitate the achievement of the productivity growth targets.

The productivity of the manufacturing sector is projected to grow by more than 3.4 per cent,

Chart 8.14:
TFP Growth of the Services Sub-Sectors, 1997-2006



Computed from: Economic Report, Ministry of Finance, Malaysia, Economic Planning Unit, Malaysia, and Department of Statistics, Malaysia benefiting from sustained domestic demand and further improvement in the external market, particularly for E&E products. Industries poised to register relatively higher productivity growth are fabricated metals, E&E, machinery and equipment, industrial chemicals, plastics and food manufacturing products.

The services sector comprising the trade, transport and finance sub-sectors is expected to continue the growth momentum. The productivity of the transport sub-sector is expected to grow by more than 4 per cent, while the finance and trade sub-sectors are expected to grow by more than 4 per cent and 2.1 per cent, respectively.

Chapter 9 World Trade Organisation

OVERVIEW

The results of the Sixth Ministerial Conference in Hong Kong in 2005 added impetus to the Doha Development Agenda (DDA) negotiations, with renewed expectations that the Doha Round could be successfully concluded by end of 2006. However, continued wide divergences of positions on the key issues between major World Trade Organisation (WTO) Members resulted in the negotiations not meeting the deadlines agreed at the Conference.

The Informal Ministerial meeting held in Geneva in June 2006 could not produce breakthroughs on modalities in the key areas of Agriculture and Non-Agriculture Market Access (NAMA). This prompted the WTO General Council to suspend indefinitely the DDA negotiations on 27 July 2006. However, the Informal Ministerial Meeting in Davos in January 2007 enabled the negotiations to be resumed. Progress in the DDA would call for change in entrenched positions especially by the major Members.

RESUMPTION OF THE DOHA ROUND

The suspension in negotiations was deemed detrimental to the multilateral trading system, with potentially serious consequences, especially for developing and least-developed countries. World leaders raised concerns about the fate of the DDA and the multilateral trading system. They expressed desire and high political will for the resumption of negotiations. This was reflected in international fora, such as the Asia Pacific Economic Leaders (APEC) Meeting, in November 2006, and the ASEAN Summit, in December 2006. There was concern that without a strong multilateral trading system as embodied by the WTO rules, there could be the danger of unilateral protectionist actions by the major countries.

As chairman of the Trade Negotiation Committee, the Director General of the WTO assumed a key role in bridging the gaps in positions, especially between the major Members. At the WTO Informal Ministerial Meeting held on 27 January 2007, in Davos, the Ministers agreed that the Doha Round negotiations should be revived. They agreed that negotiations should resume in all areas towards achieving a balanced outcome. On 7 February 2007, the General Council agreed to a full resumption in all areas of the negotiations.

AGRICULTURE

In 2006, Members' positions on agriculture negotiations remained largely unchanged. The negotiations were dominated by two contentious issues, namely, tariff reduction for market access and reductions in domestic support.

The Sixth Ministerial Conference had set a deadline of 30 April 2006 to establish modalities on tariff reductions for Agriculture. Agreement had been reached on a four band tariff reduction structure. However, Members would have to negotiate the details relating to threshold levels for each band, quantum of tariff reductions and flexibilities. A deadline of 31 July 2006 was also established for Members to submit comprehensive draft schedules for tariff reductions based on these modalities.

The United States of America (USA), for example, had proposed reducing tariffs of developed countries by an average of 67 per cent, while the Group of 20 (G-20) suggested a reduction of 54 per cent. The European Union (EU), on the other hand, offered an average cut of 51.5 per cent, an improvement over their original offer of 39 per cent made in October 2005. Many countries, in particular the USA, wanted the EU to further improve its offer. The G20 and the EU agreed that developing countries would be allowed to undertake two-thirds of the cuts made by developed countries. As there were divergent views on the modalities, both the 30 April and 31 July 2006 deadlines were not met.

On domestic support, the Sixth Ministerial Conference agreed that there would be three bands for reduction of trade-distorting subsidies. The EU, which has the highest level of permitted support would be in the first band, while the USA and Japan would be in the second band. Developing and other developed countries would be in the third band.

In 2006, negotiations revolved around thresholds for the bands and domestic subsidies cut. There continued to be divergence in positions, particularly between the USA and the EU, on the quantum of cuts in domestic support. The EU wanted the USA to substantially reduce domestic support in agriculture, that is by 75 per cent. The USA, on the other hand, was only prepared to cut overall domestic support, by 53 per cent. The USA sought deeper tariff cuts by the EU. The EU indicated their willingness to undertake greater reduction in market access, provided the USA was prepared to undertake deeper cuts in domestic support than currently proposed.

As an initiative to progress the negotiations, Australia had proposed a '5-for-5' approach, whereby the USA would reduce their domestic support by US$5 billion and the EU is to increase tariff cuts further by 5 per cent. However, an agreement remained elusive as both sides were not prepared to move from their current positions.

Special Products and Special Safeguard Mechanism

Under the July 2004 Framework Agreement, on the basis of food security, livelihood security and rural development, developing countries were given the flexibility to self-designate an appropriate number of tariff lines, as Special Products. These products would be subject to minimal or smaller tariff cuts and given the right to have recourse to a Special Safeguard Mechanism, based on import quantity and price triggers. The Special Safeguard Mechanism would enable Members to temporarily raise their tariffs on agriculture products above the bound rates when there is a surge in import volume or a fall in import price beyond a certain level.

The G-33, comprising developing countries, proposed that 20 per cent of a Member's tariff lines could be designated as Special Products. The USA wanted the number of products which could be designated as Special Products to be limited to only five tariff lines. There were concerns that too much flexibility in the designation of Special Products might hinder market access in developing countries. These differences prevented agreement from being reached on these issues, especially as an extended flexibility for Special Products and Special Safeguard Mechanism could hinder market opening in developing countries.

NON-AGRICULTURE MARKET ACCESS

Negotiations for Non-Agriculture Market Access (NAMA) in 2006, focused on modalities on three key issues, namely, tariff reduction formula, flexibilities for developing countries, and treatment of unbound tariffs. The Sixth Ministerial Conference set a deadline of 30 April 2006 to establish modalities for NAMA. Members were required to submit by 31 July 2006, their comprehensive draft schedules for tariff reductions, based on the agreed modalities.

Modalities

Prior to the June Informal Ministerial Meeting, the Chair of the NAMA negotiating group, tabled a draft text on NAMA modalities. The text highlighted the outstanding issues on the structure of the tariff reduction formula, namely the Simple Swiss or the Argentina-Brazil-India Formula (see Box Article), the coefficients, flexibilities, sectoral liberalisation, treatment of unbound tariffs, small vulnerable economies and recently acceded Members.

Tariff Reduction

One of the most contentious issues in the negotiations on the tariff reduction formula pertains to the coefficient to be used in the formula. The USA, Canada, Hong Kong, Taiwan, New Zealand and Switzerland, as a group, proposed for a difference of five points between the coefficients to be used by developed and developing countries, respectively. The proponents argued that the tariff reduction to be undertaken by developing countries should result in tariff harmonisation among all Members. Many developing countries, including Malaysia, strongly opposed this proposal, as it does not take into account the principle of less than full reciprocity in reduction commitment accorded to developing countries.

Flexibilities

Paragraph 8 of the July 2004 Framework Agreement, also provides flexibilities to developing countries in the application of the formula. The flexibility is either in the form of an exemption from tariff reduction for up to 5 per cent of a Member's total tariff lines, or reduction of tariffs at rates lesser than the agreed formula for 10 per cent of tariff lines. These flexibilities had been agreed as an integral part of the modalities.

Treatment of Unbound Tariffs

For tariff lines that are currently unbound, agreement had been reached that there would be a mark-up by a certain absolute percentage point above the applied rates before any reduction. Proposals on the quantum of mark-up ranged between 5 and 30 points. There is no agreement yet on the quantum of mark-up points, with many developing countries insisting on a mark-up of 30.

Sectoral Initiatives

Sectoral initiatives seeking for full tariff liberalisation continued to be pursued for a number of products, such as automotives and related parts, bicycles, chemicals, electrical and electronics products, fish and fish products, forest products, pharmaceuticals and medical devices, gems and jewellery, raw materials, sports equipment, hand tools, and textiles, clothing and footwear. Participation in these sectoral negotiations is on a voluntary basis. Key issues discussed in these initiatives relate to product coverage, implementation schedule, critical mass and special and differential treatment for developing countries.

SERVICES

The Sixth Ministerial Conference called for improved market access offers and set a deadline of end-July 2006 for submission of second revised offers. Members were also encouraged to undertake plurilateral negotiations to progress work in this area.

The decisions adopted at the Sixth Ministerial Conference were intended to provide direction and guidance to the negotiations. While the current bilateral request-offer remains the main approach to services liberalisation, the plurilateral approach also complements this process.

Under the plurilateral approach, Members interested in liberalisation of a particular sector could mutually agree to pursue common interests in that sector. The negotiations involve a group of interested Members identifying their interests in a particular sector or mode of supply for market openings. These collective requests would be submitted to the targeted countries, with a view to securing commitments in that sector.

Three rounds of plurilateral negotiations were conducted in the first half of 2006. These sessions had enabled Members to engage in detailed and substantive exchanges on improving services commitments.

Bilateral request-offer negotiations continued to be seen as more valuable, as they afforded Members greater specificity in making requests and eliciting responses from a specific country, rather than a group of countries. Malaysia had engaged in various bilateral negotiations with countries in which Malaysian services providers have major export interests.

A total of 20 plurilateral groups were formed:

- Modes 1 (cross border supply) and 2 (consumption abroad);
- Mode 3 (commercial presence);
- Mode 4 (movement of natural persons);
- Architectural and engineering services;
- Construction services;
- Environmental services;
- Computer related services;
- Energy services;
- Education services;
- Financial services;
- Legal services;
- Logistics services;
- Maritime transport;
- MFN exemptions;
- Postal/Courier services; and
- Telecommunications services.

Malaysia received requests from 16 of these plurilateral groups:

- Removal of restrictions on Modes 1, 2, 3 and 4;
- MFN exemptions;
- Environmental services;
- Audiovisual services;
- Telecommunications services;
- Energy services;
- Construction services;
- Architectural and engineering services;
- Distribution services;
- Financial services;
- Logistic services;
- Maritime transport services; and
- Postal and courier services.

Malaysia had made requests in two plurilateral groups:

- computer-related services; and
- education services.

A total of 69 Members have submitted initial offers and 30 countries, including Malaysia, have submitted revised offers. While the plurilateral approach was fruitful, it achieved limited progress due to the deadlock in Agriculture and NAMA negotiations.

The suspension of the Doha negotiations in July 2006 resulted in the postponement of the submission of the second revised offers by Members. It was, however, understood that only improved quality of offers could form a basis for a successful conclusion of the services negotiations.

Discussions were also focused on the technical and procedural issues relating to rule-making on Emergency Safeguard Measures (General Agreement on Trade in Services (GATS) Articles X), Subsidies (Article XIII) and Government Procurement (Article XV), as well as formulation of disciplines on domestic regulation.

Emergency Safeguard Measures

The negotiations on Emergency Safeguard Measures (ESM) are intended to formulate provisions which would enable Members to take safeguard measures to protect domestic suppliers from injury caused by liberalisation.

In the negotiations, Brunei Darussalam, Indonesia, Malaysia, Myanmar, the Philippines and Thailand, as a group, had tabled in April 2006 a discussion paper focusing on issues relating to the definition of domestic industry, vested rights, determination of injury, and special and differential treatment. While some Members continued to question the desirability and feasibility of ESM, Malaysia and the other ASEAN countries maintained that an ESM mechanism is needed to ensure the viability of a strong and thriving domestic services industry.

Subsidies

The discussions on subsidies focused on information exchange regarding the use of subsidies by Member countries. These subsidies refer to financial and non-financial support, provided by the Government to services providers. The discussions are expected to lead to disciplines to address trade-distortive effects caused by subsidies.

Government Procurement in Services

Discussions were less advanced as not many Members were ready to discuss Government procurement in services. Many Members, including Malaysia, continued to reiterate that the mandate for negotiating Government procurement in services did not include market access issues.

Domestic Regulation

Progress was made in negotiations on disciplines regarding domestic regulation. The issues being addressed include qualification requirements and procedures, technical standards and licensing requirements imposed which should not be used as a protectionist tool to domestic services suppliers. A consolidated working paper containing possible elements of disciplines governing licensing and qualifications procedures and requirements was presented for discussion by the Chairman of the Working Group in July 2006. The paper includes elements relating to:

- necessity test - domestic regulations shall be in place only as necessary and not be burdensome or constitute restrictions on the supply of a service;
- transparency of licensing and qualifications regime;
- adoption of international standards;
- need for prior consultations and notification of new rules; and
- administration of licensing procedures, such as conduct of examinations, applications, and fee payments to be reasonable.

Presently, there are divergent views among Members on these elements and they are not prepared to make any commitments on this issue.

TRADE FACILITATION

Trade Facilitation negotiations showed promising progress during the first half of 2006. The negotiations were on track to meeting the mandate of strengthening and improving:

- Article V of General Agreement on Trade and Tariffs (GATT) 1994 on freedom of transit of goods;
- Article VIII of GATT 1994 on fees and formalities connected with importation and exportation; and
- Article X of GATT 1994 on publication and administration of trade regulations.

Although negotiations have moved into draft legal texts on the elements of the three Articles, special and differential (S&D) treatment and technical assistance, and capacity building, there is no consolidated text which could be used as a basis for negotiations. A total of 142 proposals, including provisions on S&D treatment had been tabled on the various issues under negotiations.

As mandated in the July Framework, provisions on S&D treatment is an integral part of the negotiations for developing and least-developed countries. In contrast to the developed countries, developing countries wanted to accord priority to S&D treatment, technical assistance and capacity building. Developing countries were urged by developed countries to explicitly identify the technical assistance and capacity building needs to implement the commitments of the agreement.

During negotiations in 2006, Malaysia continued to raise specific issues of concern, that is, on the definition of traffic in transit, non-discrimination on means of transport and routes, time period between the publication of new or amended fees and charges and their entry into force, notification and prior consultation before adoption and implementation of new laws and regulations. This is to ensure that any commitment by Malaysia would not adversely affect revenue and national legislations. WTO commitments should not be a burden on resources of developing and least-developing countries. In this context Malaysia and a group of developing countries tabled a proposal on S&D treatment, which would require Members to only notify commitments that they are able to undertake.

Malaysia continued to support negotiations leading to an agreement on trade facilitation, as it would afford transparency and reduce transaction costs, thus facilitating international trade.

To assist developing and least-developed countries implement the expected commitments, the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), World Customs Organisation (WCO) and World Bank have provided financial and technical assistance for capacity building programmes. The World Bank had conducted six technical assistance studies to assist Members understand and implement commitments on Customs modernisation.

SPECIAL AND DIFFERENTIAL TREATMENT

In 2006, the Committee on Trade and Development in Special Session (CTDSS) continued to discuss the remaining special and differential treatment proposals by developing and least-developed countries, in order to:

- improve preferential access to markets of industrialised countries;

- include mandatory provisions for flexibility for exemptions in the implementation of WTO-specific rules; and

- improve and make mandatory the existing provisions on technical and financial assistance to assist developing countries in implementing multilateral rules and benefiting from negotiated rights.

Other outstanding issues in the CTDSS are the scope of monitoring mechanism for special and differential treatment provisions, cross-cutting issues and the implementation of duty-free quota-free market access for products originating from least developed countries. Developed and developing countries have been urged to notify their implementation of the Duty-Free Quota-Free commitment to the Committee on Trade and Development (CTD).

Malaysia supports the need to improve special and differential treatment provisions to make them more precise, effective and operational but does not want any move that can lead to differential treatment among developing countries. On the implementation of duty-free quota-free market access, Malaysia stressed the need to accord flexibilities for developing countries, whereby commitments should be on a best endeavour basis.

TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

In 2006, the Trade-Related Aspects of Intellectual Property Rights (TRIPs) Council continued its work on the:

- review of Article 27.3(b) of the TRIPs Agreement, including examining the relationship between the TRIPs Agreement and the Convention on Biological Diversity (CBD), and the protection of traditional knowledge and folklore;
- ratification of an amendment on TRIPS and Public Health; and
- border enforcement of intellectual property.

TRIPs and Convention on Biological Diversity

Discussions centred on a proposal by India, Brazil and other mega-diverse countries to amend the TRIPs Agreement. The amendment entails adding a new article, which will require patent applicants to:

- include disclosure of source and country of origin of any biological resource or traditional knowledge used in their inventions;
- demonstrate proof of prior informed consent; and
- provide indication of fair and equitable benefit sharing arrangements.

This proposal is aimed at protecting countries' sovereign rights over their biological resources, consistent with CBD provisions. However, there were divergent views regarding the amendment to the TRIPs Agreement towards fulfilling this objective. The alternative proposals were to:

- provide disclosure requirements under national patent legislations; and
- use contractual arrangements to enforce benefit sharing.

Malaysia supported the notion of putting into place mechanisms to protect the use of biological resources in inventions. Negotiations on this issue should result in an outcome that safeguards sovereign rights over biological resources.

Compulsory Licensing

On the ratification of an amendment to Article 31(f) regarding the relationship between TRIPs and Public Health, El Salvador, the Republic of Korea, Norway, Switzerland and the USA had notified acceptance of the Protocol Amending the TRIPs Agreement. This amendment allows third countries to export pharmaceutical products produced under compulsory licensing to those countries that lack or have insufficient manufacturing capacity. Currently, the TRIPs Agreement only allows products manufactured under compulsory licensing to be supplied mainly for use in the domestic market.

Border Enforcement

The TRIPs Council is examining a proposal from the USA to ensure more effective enforcement by Customs authorities. Some Members do not consider these discussions necessary, as the TRIPs Agreement already provides for flexibility in determining the appropriate enforcement measures.

TRADE AND ENVIRONMENT

In 2006, negotiations centred on possible approaches to reduce tariff and non-tariff barriers on environmental goods and services. Three proposals had been tabled:

- listing of environmental goods;
- scheduling of environmental projects; and
- a combined list of both environmental goods and projects.

Progress was minimal, as there was no agreement on the definition of environmental goods. Some proposed definitions included end-use characteristics, that is, the goods are used for a particular environmental purpose. Other definitions include goods which are produced in an environment-friendly manner, or cause significantly less environmental harm at some stage of their life-cycle, compared with alternative products that serve the same purpose. Most developing countries considered that products in the environmental goods list should not be for dual/multiple use.

Involvement of Multilateral Environmental Agreements Secretariat

While there had been information exchange exercises on an ad hoc basis between the Multilateral Environmental Agreements (MEAs) Secretariat and the WTO Committee on Trade and Environment (CTE), some Members were of the view that there was a need to establish formalised procedures for these engagements. There had also been proposals that such information exchange sessions be institutionalised and become a formal feature of the CTE regular work. Others, including Malaysia, have indicated that a certain degree of flexibility in the organisation of such sessions should be maintained in order to adapt to evolving needs.

RULES

The negotiations on Rules encompass anti-dumping, subsidies and countervailing measures, as well as regional trade agreements.

Anti-Dumping

The anti-dumping negotiations continued to focus on definition of dumped imports, determination of injury, lesser duty rule, transparency and due process, use of facts available, initiation and completion of investigation and abolishment of sunset review provisions.

Malaysia supports the strengthening of anti-dumping rules which address the needs of the developing countries. These include increasing the *de minimis* level, formulation of guidelines, and abolition of sunset review provisions and the lesser duty rule. Malaysia is of the view that amendments should only be made to the extent necessary to clarify provisions and that text-based negotiations be commenced only based on prioritised issues.

On 27 July 2006, Malaysia initiated an anti-dumping case on corrugating medium paper against Australia, Taiwan, the EU, Japan, Indonesia, the Republic of Korea, the Philippines and Thailand. The case is currently being investigated.

Subsidies and Countervailing Measures

Malaysia is supportive of clarifying the provisions of the Subsidies and Countervailing Measures Agreement, without making any amendments to the agreement. Issues being discussed include the definition of a subsidy, the meaning of specificity under the Subsidies and Countervailing Measures Agreement, prohibited subsidies, serious prejudice, export credits and guarantees and allocation of benefits over time.

Fisheries Subsidies

Negotiations on new disciplines of fisheries subsidies continued to deal with issues relating to use of subsidies for national fisheries management system to prevent over-fishing, making notification of fish subsidies mandatory, that is, subsidies not notified can be challenged, and provisions of special and differential treatment for developing countries. Two approaches had been identified, namely, the top-down negative listing of prohibited subsidies, which is limited to identification of a small number of subsidies, leaving the rest as prohibited, and categorisation of subsidies into Red (prohibited), Green (permitted) and special and differential subsidies by developing countries.

Malaysia supports the need for disciplines in fisheries subsidies provided that special and differential treatment is made available for small scale fishing. Malaysia also supports the positive list approach for notification of subsidies. This lends clarity as to which subsidies are permitted and which are not.

Regional Trade Agreements

Negotiations cover substantive areas regarding systemic issues and development aspects of Regional Trade Agreements (RTAs). Main proposals tabled pertain to transparency, that is, the notification of RTAs, quantitative benchmarks for defining 'substantially all trade' and the development provisions.

On 14 December 2006, the General Council approved a provisional transparency mechanism for all RTAs, with the following elements:

- early announcement and notification of any RTA to the WTO;

- review of RTAs concluded under Article XXIV of the GATT 1994 and Article V of the GATS by the Committee on Regional Trade Agreements (CRTA); and

- review of RTAs concluded between developing countries under the Enabling Clause by the Committee on Trade and Development (CTD).

Malaysia emphasised that new rules in the discussions on systemic issues should not impose additional obligations, which will affect RTA negotiations. In addition, Malaysia opposes any numerical definition of 'substantially all trade' under Article XXIV of GATT 1994, which relates to regional trading arrangements.

DISPUTE SETTLEMENT UNDERSTANDING

In 2006, the Dispute Settlement Understanding (DSU) Special Session continued with informal consultations on amendments to the procedural aspects of the dispute settlement mechanism:

(i) Article 4.11 on Third Party Participation in Consultation

The consultations are aimed at amending the Article, so that Members do not have to show 'substantial trade interest' when requesting to join as a third party in the consultations. Under the current provision, parties have the right not to accept third parties by citing reason of lacking in 'substantial trade interest'. Hence, if a third party is rejected there is no need to provide reasons for rejection.

(ii)Remand (referral) Procedure

The discussions relate to situation where the Appellate Body finds that there is insufficient factual basis to complete their analysis in delivering a decision, in which case a disputed issue can be referred to the Panel of the Dispute Settlement Body (remand procedure). Brazil, India, Canada, New Zealand, Norway and Argentina (the Panel G6 countries) had proposed for the remand procedure to take place after the adoption of the Appellate Body report. The USA on the other hand opposed this proposal, as it would delay the dispute settlement process and hinder the outcome of the decision. Malaysia and Pakistan, although recognising the benefits that can be achieved, had expressed concern about the potential burden which can be incurred in terms of cost and resources to developing countries. The Panel G6 would continue to undertake further study on their proposal to address the concerns of developing countries.

A Dispute Settlement Understanding case of major interest is the Genetically Modified Organisms (GMOs) Case against the EU on measures affecting the approval and marketing of bio-tech products.

The USA, Canada and Argentina in 2003, complained against the EU in the WTO Dispute Settlement Body on the prohibition of export of bio-tech products containing GMOs (GMOs products) into the EU market and the moratorium on the approval of GMO products. The measures were claimed to be inconsistent with the EU obligations under the Sanitary and Phytosanitary Agreement (SPS Agreement).

The EU had argued that the moratorium pertains to the operation of human and environmental safety laws, as Article 8 of the SPS Agreement gives Members the right to impose measures that are reasonable and necessary to protect human and environmental safety. However, Article 8 also stipulates that these measures should not cause any delays in the approval procedures.

The Panel had found that there had been delays in the decisions on approvals of GMO products and that the EU could not prove that the measures imposed were reasonable and necessary to protect human and environmental safety. The Panel had ruled that the measures imposed by the EU were inconsistent with Article 8 of the SPS Agreement.

The Panel had also concluded that the bans on certain GMO products were inconsistent with WTO rules because the EU had failed to prove that they had conducted risk assessment to provide sufficient scientific evidence as required by Article 5.1 of the SPS Agreement.

ACCESSION TO THE WORLD TRADE ORGANISATION

On 11 January 2007, Viet Nam was officially admitted as the 150th Member of the WTO. Viet Nam applied to accede into the WTO on 4 January 1995 and ratified its membership agreement with the WTO on 12 December 2006.

As a result of the accession, Viet Nam had agreed to undertake a series of commitments to further liberalise its trade regime and accelerate its integration into the multilateral trading system. Some of the commitments include:

- WTO agreements to be applied uniformly throughout Viet Nam's Customs territory;

- review of fees charged for the authentication of trade documents and to conform with WTO rules within two years of accession;

- specific commitments in 108 services sectors;

- elimination of export subsidies on agriculture products; and

- full implementation of TRIPs, Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Agreements.

In 2006, a total of 28 countries continued their accession process into the WTO. They are Afghanistan, Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Cape Verde, Ethiopia, Iran, Iraq, Kazakhstan, Lao PDR, Lebanon, Libya, Montenegro, the Russian Federation, Samoa, Sao Tome and Principe, Serbia, Seychelles, Sudan, Tajikistan, Ukraine, Uzbekistan, Vanuatu and Yemen.

TRADE POLICY REVIEWS

In 2006, a total of 17 Members underwent the WTO Trade Policy Review. The Trade Policy Review mechanism is a periodic review of individual WTO Members' trade policy regime and practices. The review is done every four years for developing Members, and biannually for developed Members.

Malaysia underwent its fourth trade policy review from 18-20 January 2006. The last review was held in 2001. The review highlighted that Malaysia had recovered from the Asian financial crisis and was pursuing policies aimed at strengthening and diversifying its economy, liberalising trade and investment, building knowledge industries and services, and carrying out structural reform in key areas, including the financial sector. Members applauded Malaysia's effort to reduce its applied tariff rates autonomously. Members also appreciated the constructive role assumed by Malaysia in the Doha negotiations and its efforts to achieve progress and consensus.

Apart from Malaysia, trade regimes of 16 other Members were also examined under the Trade Policy Review Mechanism. These Members were Angola, Djibouti, the USA, the People's Republic of China, United Arab Emirates, Uruguay, Iceland, Taiwan, Togo, Nicaragua, Bangladesh, Congo, Kyrgyz Republic, Kenya/Tanzania/Uganda, Colombia and Hong Kong.

TECHNICAL ASSISTANCE

In 2006, Malaysia participated in six technical assistance programmes organised by the WTO. The programmes involved areas of negotiations on agriculture, services, dispute settlement understanding, intellectual property rights and negotiations skills.

Two technical assistance programmes were conducted in Malaysia, namely:

- National Seminar on Scheduling of Commitments under the GATS and Domestic Regulation, 26-28 July 2006; and
- National Seminar on the WTO Understanding of Dispute Settlement Mechanism, 13-15 November 2006.

OUTLOOK

Resumption of the Doha Round as pronounced by the WTO General Council in February 2007 augurs well for the multilateral trading system. The focus of the renewed negotiations was on reaching breakthroughs on the key issues in the negotiations especially among the key participants. The results of the bilateral, plurilateral and multilateral engagements since then, had provided new sense of optimism on a successful conclusion of the negotiations.

Malaysia as a trading nation, is highly dependent on world markets for its industrial and agricultural products and to a considerable degree for, its services exports. The Doha Round should inject further disciplines on international trade in agriculture, which has remained distorted and biased towards the richer countries with the financial means to subsidise production and exports. The elimination of export subsidies, substantial reduction of trade distorting domestic subsidies and enhanced market access can provide better opportunities for developing and least developed countries to serve the global market and integrate into the multilateral trading system.

Further market access for Malaysia's industrial goods are limited by the imposition of high tariffs especially by developing countries, as well as tariff peaks and tariff escalation by many developed countries. Addressing these tariff issues and also non-tariff barriers will help to see expansion of the country's industrial exports both in the developing and developed countries.

Box 9.1: Swiss Formula

In 2006, non-agriculture products accounted for almost 90 per cent of the world merchandise exports. The Uruguay Round had produced significant improvements in market access for such products in the developed country markets, with reduction of average tariffs on them from 6.3 per cent to 3.8 per cent. In the case of developing countries, the most important contribution made was in the form of new tariff bindings. Binding coverage for non-agriculture products in developing countries increased from 21 per cent to 73 per cent, which considerably increased the predictability of world trade for these products.

Despite the significant improvements in market access for non-agriculture products, tariffs remain a major issue as tariff peaks, high tariffs and tariff escalation continued to pose barriers to world trade.

On 1 August 2004, the WTO General Council adopted the non-agriculture framework under the July Package and agreed on the use of a formula, which would effect non-linear reduction of industrial tariffs. The tariff cut would be based on a Member's bound tariff rates, not its applied tariff. Bound tariff refers to the binding level of a particular tariff made by a WTO Member in its Schedule of Concessions in the WTO. Applied tariff rate refers to the actual import duty imposed on an imported product. Countries are obligated not to increase tariff rates beyond the agreed bound level. Applied tariffs can be lower than the bound rate.

The Sixth WTO Ministerial Conference in 2005 agreed on the use of non-linear Swiss formula for the reduction of industrial tariffs on a line-by-line basis. Two alternatives under this formula are being considered, namely, the simple Swiss formula and the Swiss-type formula. The latter is also referred to as the Argentina-Brazil-India (ABI) formula.

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Simple Swiss Formula
The simple Swiss formula was first introduced by Switzerland in 1973, during the Tokyo Round negotiations (1973-1979). The Swiss formula is a non-linear formula and would be applied on a line-by-line basis. The application of this formula results in higher tariffs being subject to deeper cuts. The level of tariff cut is determined by the coefficient that is used in the formula. A higher coefficient results in lower tariff reduction.

The details of the formula:

$$T_1 = \frac{T_o \times c}{T_o + c}$$

where,

T_o = bound tariff rate
T_1 = final tariff rate
c = coefficient

The level of final tariff rate will be dependent on the value of parameter c. Table 1 illustrates the final tariff rates using different levels of c in the simple Swiss formula.

Table 1:
Results of the Simple Swiss Formula

Bound Tariff Rate (%)	Final Tariff Rates (%)			
	c=5	c=10	c=25	c=50
80	4.7	8.9	19.1	30.7
40	4.4	8.0	15.3	22.2
20	4.0	6.7	11.1	14.3
10	3.3	5.0	7.1	8.3
5	2.5	3.3	4.2	4.6

From the table, it can be seen that a coefficient of 25 results in bound tariff of 80 per cent being reduced significantly to 19.1 per cent, compared with a reduction of bound tariff of 10 per cent to 7.1 per cent. A lower coefficient results in even steeper cuts. For instance, a coefficient of 10 reduces bound tariff of 80 per cent to 8.9 per cent.

There is agreement that different coefficients in the formula would be used for the developed and developing countries respectively. However, negotiations are still on-going on the actual coefficients. The coefficient for developing countries will take into account the principle of less than full reciprocity in reduction commitment for developing countries.

Swiss-type Formula
The Swiss-type formula was proposed by Argentina, Brazil and India (ABI) in April 2005 as a modification of the simple Swiss formula. The formula now commonly referred to as the ABI formula was previously also known as the Girard formula.

Unlike the simple Swiss formula, the ABI formula incorporates the overall average of bound tariffs of a country into the equation as an additional element. As a consequence of this additional element, the ABI formula results in higher tariff being subjected to lower cuts.

The details of the formula:

$$t_1 = \frac{(B \times t_a) \times t_0}{(B \times t_a) + t_0}$$

where:

t_0 = bound tariff rate
t_1 = final bound tariff rate
t_a = average bound tariff rate
B = coefficient

Continued...

The level of final bound tariff will be dependent on the value of the parameter B and the overall average bound tariff rate as indicated in Table 2.

Table 2:
Results of the ABI formula

	Country A	Country B
Coefficient (B)	5	5
Average bound tariff rate (t_a)	14.9%	35.6%
Bound tariff rate (t_0)	40%	40%
Final bound tariff rate (t_1)	26.0%	32.7%

From Table 2, it can be seen that for the same coefficient B, a country with a higher average bound tariff rate will undertake lesser tariff cut. For example, if a coefficient of 5 is used for country A which has an average tariff rate of 14.9 per cent, a tariff of 40 per cent would be reduced to 26 per cent. However, for country B, which has an average tariff rate of 35.6 per cent, a tariff of 40 per cent would be reduced to 32.7 per cent.

Simple Swiss or ABI?
The simple Swiss formula results in higher tariffs being reduced more steeply, compared with lower tariffs.

The ABI formula, on the other hand would disfavour countries with lower average bound tariffs. It discriminates against Members who have already bound their tariffs at relatively low levels in the Uruguay Round.

Chapter 10 ASEAN Economic Cooperation

OVERVIEW

The primary focus of Association of South East Asian Nations (ASEAN) in 2006 was to continue to intensify work towards economic integration within the region, as well as to complete the various free trade agreement (FTA) negotiations with its dialogue partners. The 12th ASEAN Summit in Cebu, the Philippines from 11-13 January 2007, reaffirmed ASEAN's intention in moving towards a single market and production base, by bringing forward the date for realisation of ASEAN Economic Community (AEC) from 2020 to 2015. An implementation blueprint with specific timelines and measures is being developed to achieve the AEC over the next eight years.

Several agreements and protocols were signed by the ASEAN Economic Ministers in 2006. These were aimed at further integrating the region. These agreements/protocols included:

- Protocol on ASEAN Framework (Amendments) Agreement for the Integration of Priority Sectors;
- Protocol on ASEAN Sectoral Integration (Amendments) Protocols for the Integration of Priority Sectors;
- Mutual Recognition Arrangement (MRA) on Nursing Services; and
- the Protocol to Implement the Fifth Package of Commitments under ASEAN Framework Agreement on Services.

The various measures taken at creating a competitive environment for business in the region have contributed to ASEAN member countries' recording positive economic growth in 2006, ranging from 5-7 per cent. The region also saw an increase in the inflow of foreign direct investment (FDI). This can be attributed to the region's stable macro-economic environment.

ASEAN and the United States of America (USA) have also renewed their efforts to strengthen trade and investment relations, with the signing of the ASEAN-US Trade and Facilitation Arrangements in August 2006. Specific projects are being identified for implementation, particularly in the areas of trade and investment facilitation and capacity building activities.

ASEAN and the People's Republic of China reached another milestone in strengthening cooperation, with the signing of the ASEAN-China Services Agreement on 14 January 2007, with the view to facilitating trade in services.

Currently, both ASEAN and the European Union (EU) are exploring the modalities to launch free trade agreement negotiations in 2007.

Despite the efforts made in strengthening cooperation with some dialogue partners, it is noted that the results of negotiations on free trade agreements with India, Japan, Australia and New Zealand have not been as expected and there are still areas where consensus have yet to be reached. Notwithstanding this, all parties have reaffirmed their commitments to conclude the FTAs, if possible by the end of 2007.

While there have been proposals for establishing a wider free trade area, covering ASEAN, the People's Republic of China, Japan, the Republic of Korea, India, Australia and New Zealand, ASEAN's priority is to see to the completion of the ASEAN plus one FTAs before a wider regional FTA can be considered.

Intra-ASEAN Trade

ASEAN's trade continued to record significant growth over the last 14 years. In 2006, ASEAN's total trade amounted to US$1,341.5 billion, an increase of 9 per cent, from US$1,230.4 billion in 2005. Of this total:

- intra-ASEAN trade accounted for 25 per cent share, amounting to US$335.9 billion; and
- extra-ASEAN trade accounted for 75 per cent share, amounting to US$1,005.5 billion.

In 2006, intra-ASEAN trade recorded a 9.2 per cent increase to US$336 billion, from US$307.8 billion in 2005. Intra-ASEAN exports increased by 10.3 per cent to US$181.4 billion in 2006, from US$164.4 billion in 2005.

Cambodia experienced the highest intra-ASEAN export growth, at 62.9 per cent. This was followed by Myanmar (37.8 per cent), Brunei Darussalam (22 per cent), Lao PDR (20.2 per cent) and Singapore (16.1 per cent).

Intra-ASEAN imports in 2006 were valued at US$154.6 billion, an increase of 7.8 per cent from US$143.4 billion in 2005. Viet Nam recorded a significant increase of 33.4 per cent, followed by Myanmar (31 per cent), Singapore (19.1 per cent) and Malaysia (10.7 per cent).

ASEAN Free Trade Area

Common Effective Preferential Tariff

As of 1 January 2007, Common Effective Preferential Tariff (CEPT) duties on nine goods sectors of the ASEAN Priority Integration Sectors (PIS) were eliminated in line with the commitments agreed to in November 2004. The nine goods sectors are:

- agro-based;
- automotive;
- e-ASEAN;
- electronics;
- fisheries;
- healthcare;
- rubber products;
- textile and apparel; and
- wood products.

In addition to the elimination of duties under the PIS, ASEAN member countries were also required to eliminate duties on additional products to meet the 80 per cent threshold of commitments by 1 January 2007.

To meet the commitments of eliminating duties on 80 per cent of the products under the CEPT Scheme, Malaysia eliminated duties on 3,368

Table 10.1:
Intra-ASEAN Trade for 2005 and 2006

Country	Exports				Imports			
	2006 (US$ mil.)	2005 (US$ mil.)	Change		2006 (US$ mil.)	2005 (US$ mil.)	Change	
			US$ mil.	%			US$ mil.	%
Total	**181,379.3**	**164,395.1**	**16,984.3**	**10.3**	**154,595.4**	**143,359.8**	**11,235.5**	**7.8**
Singapore	83,564.1	71,976.5	11,587.6	16.1	62,123.6	52,148.7	9,974.8	19.1
Malaysia	**40,979.6**	**36,633.7**	**4,345.9**	**11.9**	**32,290.7**	**29,164.0**	**3,126.7**	**10.7**
Thailand	27,040.0	24,007.5	3,032.5	12.6	23,379.2	23,396.8	-17.6	-0.1
Indonesia	13,739.5[1]	15,823.7	-2,084.2	-13.2	14,342.1[1]	17,329.5	-2,987.4	-17.2
Viet Nam	6,214.0	5,423.1	790.9	14.6	12,543.7	9,402.4	3,141.3	33.4
Philippines	5,414.0[1]	7,149.9	-1,735.9	-24.3	6,829.6[1]	8,874.3	-2,044.7	-23.0
Myanmar	2,149.7	1,559.7	590.0	37.8	1,174.6	896.6	277.9	31.0
Brunei Darussalam	1,865.7	1,529.0	336.7	22.0	546.3	758.3	-212.0	-28.0
Cambodia	235.4	144.5	90.9	62.9	991.2	1,026.8	-35.7	-3.5
Lao PDR	177.4[1]	147.6	29.8	20.2	374.5[1]	362.4	12.1	3.3

Source: ASEAN Secretariat and respective MITI offices in ASEAN
Note: [1]The figures are for the period of January-September 2006

Table 10.2:
Tariff Lines at Zero Per cent (Under the Priority Integration Sectors)

Country	Percentage	
	0%	>0%
Total ASEAN-6	**76.82**	**23.18**
Brunei Darussalam	79.64	20.36
Indonesia	73.14	26.86
Malaysia	**72.90**	**27.10**
Philippines	72.27	27.73
Singapore	100.00	0.00
Thailand	64.24	35.76

Source: ASEAN Secretariat
Based on ASEAN Harmonised Tariff Nomenclature (AHTN) 2002

tariff lines, effective 1 January 2007. Duties on another 2,291 tariff lines will be eliminated on 1 January 2010 to complete the commitments under the CEPT Scheme. These cover products such as automotive, iron and steel, glass and glassware, ceramic and paper products.

CEPT duties on 66 tariff lines covering tropical fruits, sugar and tobacco will be gradually reduced to 5 per cent in 2010, while duties for rice will be reduced to 20 per cent. This is in accordance with Malaysia's commitments under the Protocol for Sensitive and Highly Sensitive Lists of the CEPT Scheme.

A total of 89 tariff lines, involving alcoholic beverages and arms and ammunition are in the General Exception List and are not offered by Malaysia for tariff concessions under the CEPT Scheme.

The CEPT duties on completely built-up (CBU) motor vehicles were also reduced from 15-20 per cent to 5 per cent, effective 23 March 2006. With this reduction of CEPT duties, Malaysia is now entitled to the CEPT tariff concessions for exports of CBU motor vehicles to other ASEAN countries.

The remaining ASEAN-4 countries (Brunei Darussalam, Malaysia, Thailand and Singapore) and Viet Nam have included all products into the CEPT Scheme. Indonesia and the Philippines have yet to offer rice and sugar for concessions under the CEPT scheme.

Table 10.3:
Malaysia's Commitment under the CEPT Scheme

Status	No. of Tariff Lines	Threshold Compliance[1] (%)
Total	**12,581**	**-**
CEPT duties at zero per cent (As of 31 December 2006)	6,767	54.17[2]
CEPT duties eliminated by 1 January 2007 (including PIS products)	3,368	26.96
CEPT duties to be eliminated by 1 January 2010	2,291	18.34
CEPT Duties to be maintained at 5 per cent/20 per cent by 1 January 2010 *(tropical fruits, sugar, tobacco and rice)*	66	-
Products not offered for tariff concessions under the CEPT Scheme (General Exception List) *(alcoholic beverages and arms and ammunition)*	89	-

Source: Ministry of International Trade and Industry
Based on ASEAN Harmonised Tariff Nomenclature (AHTN) 2002
Notes: [1] Calculation of the threshold compliance is made based on the number of tariff lines divided by 12,492 tariff lines (12,581 minus 89 in the General Exception List).
[2] Malaysia complied with the 60 per cent threshold commitment in 2003 as the assessment of compliance was originally made based on Harmonised System (HS) Nomenclature 2002.

A separate arrangement is currently being discussed to cater for the difficulties of Indonesia and the Philippines to the phasing-in these products into the CEPT Scheme.

Cambodia, Lao PDR and Myanmar have also phased-in all products into the CEPT Scheme, except for 54 tariff lines of Cambodia, 203 tariff lines of Lao PDR and 27 tariff lines of Myanmar, which are still placed under their respective Sensitive Lists. These products are to be transferred into the CEPT Scheme not later than 1 January 2008 for Lao PDR and Myanmar and 1 January 2010 for Cambodia.

Apart from the tariff liberalisation initiative, ASEAN is also simplifying the rules and procedures for using the CEPT Scheme in

Table 10.4:
Tariff Lines in the 2007 CEPT Package

Country	Percentage of Tariff Lines (%)				
	Inclusion List	Temporary Exclusion List	General Exclusion List	Sensitive List/Highly Sensitive List	Total
Brunei Darussalam	99.03	-	0.97	-	100
Indonesia	98.88	-	0.90	0.22[1]	100
Malaysia	99.29	-	0.71	-	100
Philippines	99.59	-	0.24	0.17[1]	100
Singapore	100.00	-	-	-	100
Thailand	100.00	-	-	-	100
ASEAN-6	**99.46**	**-**	**0.48**	**0.07**	**100**
Cambodia	98.66	-	0.83	0.51[2]	100
Lao PDR	96.73	-	1.38	1.90[2]	100
Myanmar	99.27	-	0.48	0.25[2]	100
Viet Nam	98.45	-	1.55	-	100
CLMV	**98.28**	**-**	**1.06**	**0.66**	**100**
ASEAN-10	**99.00**	**-**	**0.70**	**0.30**	**100**

Source: ASEAN Secretariat
Based on ASEAN Harmonised Tariff Nomenclature (AHTN) 2002
Notes: [1] Refer to rice and sugar products which is still maintained under the Highly Sensitive List
[2] Refer to products under the Sensitive List

order to further encourage the utilisation of the Scheme by the ASEAN business community.

Rules of Origin

The third review of the CEPT Rules of Origin (ROO) and Operational Certification Procedures (OCP) is currently being undertaken to take into account the developments in various ROO negotiations with Dialogue Partners, such as the People's Republic of China and the Republic of Korea. The revised ROO and OCP is expected to be endorsed by the ASEAN Economic Ministers in August 2007.

In addition, ASEAN has also endorsed the usage of product specific rules (PSR) for 1,453 tariff lines, effective 1 January 2007. Apart from these newly endorsed PSRs, ASEAN has also adopted PSR for:

- 839 tariff lines of textiles and apparel (1 January 1996);
- wheat flour (27 April 2005);
- 23 tariff lines of wood and wood based products and 36 aluminum products (28 September 2005); and
- 35 tariff lines of iron and steel (1 September 2006).

Negotiations are on-going to complete the development of PSR for the remaining 2,838 tariff lines by December 2007. With the adoption of the PSR under the CEPT Scheme, ASEAN exporters/manufacturers can now choose the most convenient ROO, that is, either the existing 40 per cent local/regional value content or the relevant PSR, in order to enjoy the CEPT tariff concession.

To apply the PSR, ASEAN exporters/ manufacturers must ensure that the non-originating or non-ASEAN materials used in producing their finished products undergo substantial transformation.

Work Programme to Eliminate Non-Tariff Barriers

Recognising that Non-Tariff Barriers (NTBs) can impede market access, despite the low tariff rates offered under the CEPT Scheme, ASEAN has adopted a work programme to eliminate these barriers. The elimination of NTBs of member countries will be conducted in three packages:

- 2008, 2009 and 2010 for Brunei Darussalam, Indonesia, Malaysia, Thailand and Singapore;
- 2010, 2011 and 2012 for the Philippines; and
- 2013, 2014 and 2015/2018 for Cambodia, Lao PDR, Myanmar and Viet Nam.

The NTBs will be classified according to Green, Amber and Red boxes. Those NTBs falling under the Green box can be retained, while those in the red box will have to be eliminated. Elimination of NTBs in the Amber Box will be subject to negotiations.

The ASEAN Secretariat has compiled an initial list of NTBs of all ASEAN member countries, which has been posted on the ASEAN Website (www.aseansec.org).

In addition, ASEAN member countries are also required to notify other members and the ASEAN Secretariat when a specific Non-Tariff Measures (NTMs) are being introduced, in line with the commitments made under the ASEAN Protocol on Notification Procedures. A peer review process has been put in place to ensure that the implementation of NTMs is justifiable and accepted by the rest of the member countries.

ASEAN member countries are currently discussing the establishment of a surveillance mechanism to monitor the implementation of NTMs. The ASEAN Secretariat is proposed to act as a surveillance body to monitor the adherence of elimination of NTBs according to the agreed timeline and compliance to other related NTBs decision by member countries.

Malaysia's Exports under CEPT Scheme

Malaysia's exports under the CEPT Scheme in 2006 increased by 28.1 per cent to RM14.2 billion, compared with RM11.1 billion in 2005. Exports to almost all ASEAN countries recorded increases, with exports to Singapore recording an increase of 264.4 per cent, followed by Brunei Darussalam (149 per cent) and Viet Nam (116.2 per cent). Exports to Myanmar and Indonesia decreased by 89.1 per cent and 24.9 per cent, respectively.

In 2006, Thailand remained Malaysia's largest export destination, with a market share of 32.9 per cent of Malaysia's total exports under CEPT. Total exports to Thailand using the CEPT Scheme in 2006 was RM4.7 billion, followed by Viet Nam (RM3 billion), Singapore (RM2.6 billion), the Philippines (RM2 billion) and Indonesia (RM1.9 billion).

Malaysia's major exports under the CEPT Scheme in 2006, include, machinery and mechanical appliances (20.5 per cent), chemical products (15.1 per cent), plastic

Table 10.5:
Malaysia's Exports under CEPT

Export Destination	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**14,164.6**	**100.0**	**28.1**	**11,060.2**	**100.0**
Thailand	4,661.5	32.9	0.3	4,645.4	42.0
Viet Nam	3,012.3	21.3	116.2	1,393.2	12.6
Singapore	2,610.2	18.4	264.4	716.3	6.5
Philippines	1,997.7	14.1	10.2	1,812.1	16.4
Indonesia	1,851.9	13.1	-24.9	2,465.1	22.3
Brunei Darussalam	26.4	0.2	149.0	10.6	0.1
Cambodia	2.1	neg.	10.5	1.9	neg.
Myanmar	1.7	neg.	-89.1	15.6	0.1
Lao PDR	0.8	neg.	neg.	neg.	neg.

Source: Ministry of International Trade and Industry
Note: neg. – negligible

Table 10.6:
Malaysia's Main Exports under the CEPT Scheme in 2006

Product Category	RM million	Share of Total Exports Under CEPT (%)
Machinery and mechanical appliances	2,905.4	20.5
Chemical products	2,137.1	15.1
Plastic products	1,584.4	11.2
Food seasoning and preparations	1,236.1	8.7
Electrical and electronics products	1,123.1	7.9
Vegetable oils and fats	1,041.5	7.4
Iron and steel	794.8	5.6
Cereals and pastry products	402.6	2.8
Textile and textile products	380.4	2.7
Wood and wood products	373.0	2.6

Source: Ministry of International Trade and Industry

products (11.2 per cent), food seasoning and preparations (8.7 per cent) and electrical and electronics (E&E) products (7.9 per cent).

In 2006, a total of 116,761 Form D (Certificate of Origin under the CEPT Scheme) were issued, compared with 94,626 Form D in 2005, an increase of 23.4 per cent.

ASEAN Integration System of Preferences

The ASEAN Integration System of Preferences (AISP) is a scheme where ASEAN-6 accord unilateral duty exemption to products of export interest to Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV).

As at December 2006, ASEAN-6 has offered duty exemptions on 3,195 products from the CLMV. Myanmar is the biggest preference-receiving country, with 1,681 products, followed by Cambodia (632), Lao PDR (494) and Viet Nam (388).

In 2006, Malaysia extended duties exemptions on nine additional products involving agriculture, iron and steel and manufactured goods, as requested by Myanmar. No request for duty exemption on additional products was received from Cambodia, Lao PDR and Viet Nam in 2006.

In total, Malaysia has granted duty exemption on 793 products, with Myanmar as the biggest preference-receiving country with 293 products, followed by Viet Nam (237), Cambodia (180) and Lao PDR (83). These duty exemptions are given to products such as:

- fruits and vegetables;
- chemical products;
- rubber products;
- wood-based products;
- paper products;
- electrical and electronics;
- plastic products;
- footwear;
- furniture;
- textiles and apparel; and
- iron and steel.

Despite the increasing number of products granted AISP duty exemption by ASEAN-6, the utilisation of the Scheme by CLMV can be considered low. In 2005, the share of imports using AISP Scheme over the total imports from CLMV was 1.2 per cent for Indonesia, 0.46 per cent for Thailand and 0.05 per cent for the Philippines.

For Malaysia, imports using AISP Scheme only accounted for 2.7 per cent of total imports from CLMV in 2003, 3.5 per cent in 2004, 1.4 per cent in 2005 and 1.9 per cent in 2006.

Various initiatives are currently being undertaken by ASEAN to further promote the utilisation of AISP among the CLMV. These include:

- issuance of the Legal Enactments (to effect the duty exemption) by ASEAN-6 to be done on an open-ended basis, instead of yearly expiration;

- harmonisation of the ROO in accordance with the 40 per cent local/regional value content implemented under the CEPT Scheme;

- translation of respective Legal Enactments of ASEAN-6 into English;

- establishment of a hotline or one-stop centre in relevant ministries of CLMV countries; and

- regular outreach programmes and distribution of AISP brochures to relevant organisations.

INVESTMENT

Investment Flows

In 2005, FDI inflows into ASEAN outpaced increase in global FDI, reinforcing the attractiveness of ASEAN as an investment destination. In 2005, FDI inflows into ASEAN increased by 48 per cent, from US$25.7 billion in 2004 to US$38.1 billion in 2005, compared with global FDI inflows, which increased by 29 per cent. The FDI increase achieved for the region is the highest since 1997. FDI inflows were mainly to Singapore, with 52.8 per cent share of total FDI into the region, followed by Indonesia (16 per cent), Thailand (10.5 per cent), Malaysia (10.4 per cent) and Viet Nam (5.3 per cent).

In 2005, the major sources of investments were the USA, totalling US$8.7 billion, followed by the United Kingdom (UK) (US$4.4 billion), Cayman Islands (US$4.4 billion) and Japan (US$3.2 billion). These countries, cumulatively accounted for 54.4 per cent of total FDI inflows into ASEAN.

ASEAN Outward Investment

Total ASEAN outward investment decreased by 18.4 per cent, to US$12 billion in 2005, from US$14.7 billion in 2004. Outward investments were mainly from Singapore, which accounted for 46.1 per cent of total ASEAN outward investment.

Malaysia's outward investment in 2005 increased to US$3 billion, from US$2.1 billion in 2004. Major investment destinations were ASEAN countries, which accounted for about half of the total direct investment abroad. Other major destinations include the People's Republic of China, the USA and Hong Kong.

Table 10.7:
Intra-ASEAN Investment Flows, 2005

Source Country	Host Country (US$ million)										
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	**Malaysia**	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
Total	**19.4**	**129.2**	**40.5**	**6.7**	**572.9**	**2.0**	**(13.6)**	**957.1**	**341.5**	**164.7**	**2,220.4**
Singapore	4.0	32.6	77.3	0.4	575.4	-	(13.6)	-	300.6	80.0	**1,056.7**
Malaysia	**14.1**	**46.3**	**(39.8)**	**0.04**	**-**	**0.03**	**2.1**	**627.4**	**28.7**	**40.1**	**718.9**
Indonesia	1.1	-	-	-	(19.7)	1.8	(0.01)	163.9	1.3	1.0	**149.5**
Philippines	0.2	-	-	-	4.2	-	-	53.2	11.2	-	**68.9**
Thailand	0.03	50.2	3.0	5.2	13.0	0.1	(2.1)	83.0	-	35.8	**188.2**
Brunei Darussalam	-	-	-	-	-	-	-	13.7	1.9	2.0	**17.6**
Myanmar	-	-	-	-	-	-	-	10.4	0.03	-	**10.4**
Viet Nam	-	-	-	1.1	-	-	0.02	5.3	1.3	-	**7.7**
Cambodia	-	-	-	-	-	-	-	0.2	1.7	-	**1.9**
Lao PDR	-	-	-	-	-	-	-	-	(5.3)	5.9	**0.6**

Source: FDI Database, ASEAN Secretariat

Notes:
(1) Data compiled from respective ASEAN Central Banks and Central Statistics Offices. Unless otherwise indicated, the figures include equity and inter-company loans.
(2) Cambodia figures are estimated figures.
(3) Figures for Brunei Darussalam, Cambodia, Malaysia, Myanmar, Singapore and Viet Nam include reinvested earnings.
(4) Philippines' data on reinvested earnings and Singapore's data on inter-company loans by source country are not available.
(5) ( ) Indicates net outflows which include disinvestments of equity and repayment of inter-company loan.

Intra-ASEAN Investment

Intra-ASEAN investment amounted to US$2.2 billion in 2005, a decrease of 15.4 per cent, from US$2.6 billion in 2004. Singapore remained the leading source of outward intra-ASEAN investment accounting for 50 per cent share or US$1.1 billion, followed by Malaysia (US$718.9 million), Indonesia (US$149.5 million) and Thailand (US$188.2 million).

Malaysia's intra-ASEAN investment outflows in 2005 were mainly to Singapore, Cambodia and Viet Nam, followed by Thailand and Brunei Darussalam. Investments were mainly in the services, real estate, manufacturing and plantation sectors.

Malaysia was the second largest recipient of intra-ASEAN investment, after Singapore (US$957.1 million). The intra-ASEAN investments into Malaysia accounted for US$572.9 million in 2005. The largest investments into Malaysia were from Singapore (US$575.4 million), followed by Thailand (US$13 million).

Other major host countries for inward intra-ASEAN investment flows were Thailand, totalling US$341.5 million, followed by Viet Nam (US$164.7 million) and Cambodia (US$129.2 million).

ASEAN Investment Area

ASEAN continued to enhance its effort to attract FDI inflows into the region. To further enhance the investment environment in ASEAN, various measures were undertaken in 2006, under the ASEAN Investment Area (AIA) initiative. The measures included work on the improvements or revision to Temporary Exclusion List and Sensitive List for the manufacturing, agriculture, fishery, forestry, mining and quarrying, as well as services incidental to these five sectors. The revision is expected to be finalised and published in 2007.

Apart from the liberalisation initiatives, ASEAN continued to undertake facilitation and cooperation programmes to promote investments. In 2006, ASEAN convened consultations with Japan to exchange and share information on promoting FDI to Japanese investors and formulate measures and strategies for increasing ASEAN's competitiveness to attract FDI. In addition, the publication of the 'Statistics on Foreign Direct Investment in ASEAN, Eighth Edition 2006' in CD-ROM was undertaken. This publication provides investors and policy makers with a better understanding of FDI developments in ASEAN.

ASEAN also embarked on capacity building programmes to equip ASEAN officials in promoting FDI. The capacity building programmes include:

- best practices for investment promotion agencies, focussing on the experiences of Ireland;
- programmes to enhance the capacity of Cambodia, Lao PDR, Myanmar and Viet Nam in formulating and implementing policies, which will help improve their investment climate and increase FDI; and
- programmes to enhance the knowledge of ASEAN officials in charge of statistics in compiling data on outward investment.

The projects which ASEAN are currently undertaking for completion in 2007, include 'Facts and Figures: Cost of Investing and Doing Business in ASEAN', 'ASEAN Investment Brochure' and 'ASEAN Investment Map', which will enhance transparency and facilitate investments into ASEAN.

ASEAN Industrial Cooperation Scheme

ASEAN Industrial Cooperation (AICO) Scheme is aimed at promoting resource sharing by ASEAN-based companies, through industrial cooperation. As of 9 February 2007, a total of 145 AICO applications have been approved within ASEAN totalling US$1,802 million. Of these, 128 approvals were related to the automotive sector, namely exchange of automotive completely knocked-down (CKD) packs, with 108 approvals, automotive components (18) and automotive CBU with two approvals.

Malaysia approved a total of 71 projects, valued at US$781.2 million. Projects approved were mainly in the automotive, agriculture, food processing and E&E sectors. Malaysia has a total of 34 AICO arrangements, with Thailand, followed by Indonesia (20), the Philippines (16) and Viet Nam (1).

Companies exporting under the AICO Scheme are exempted from import duty. In August 2006, the ASEAN Economic Ministers extended the waiver of the 30 per cent national equity requirement criteria until 31 December 2009.

SERVICES

Liberalisation of trade in services in ASEAN has been given special emphasis to complement the satisfactory progress made in the area of tariff reduction for trade in goods. To date, ASEAN has concluded five packages of commitments under the ASEAN Framework Agreement on Services (AFAS), signed by the ASEAN Economic Ministers through four rounds of negotiations since 1 January 1996. These packages detailed the commitments of each ASEAN country in various services sectors and sub-sectors.

The Protocol to Implement the Fifth Package of Commitments was signed on 8 December 2006. Under this package, ASEAN member countries will offer better market access to services suppliers from the region in the areas of business, healthcare, tourism, maritime transport and construction. The scope of offers under the Fifth Package is beyond commitments made under the General Agreement on Trade in Services (GATS) in the World Trade Organisation (WTO).

In line with the 2005 decision of ASEAN Leaders to fast track the liberalisation of the sector to 2015 from 2020, the ASEAN Economic Ministers endorsed the principles for mapping and moving forward ASEAN's services liberalisation towards 2015. The conditions to progress liberalisation include:

- staging of services liberalisation every two years until 2015;
- no back-loading of commitments to the last years of the timeline;
- flexibility for member countries to determine their own pace of liberalisation, but this flexibility shall not be used as an escape clause in undertaking commitments;
- setting mid-point targets to map out the services liberalisation programme; and
- exploring the possibility of developing safeguard mechanisms for trade in services.

Apart from liberalisation of services sector, work is also being conducted to establish mutual recognition arrangement (MRA). These would enable the qualifications of professional services suppliers to be mutually recognised by signatory member countries, hence facilitating easier movement of professional service providers within the region.

The MRA on Engineering Services and MRA on Nursing Services were concluded and signed by the ASEAN Economic Ministers on 9 December 2005 in Kuala Lumpur, Malaysia, and on 8 December 2006, in Cebu, the Philippines, respectively. Other MRAs being negotiated include those for Architecture, Accountancy, Surveying, Medical Practitioners and Tourism.

SECTORAL COOPERATION

Agriculture

Various initiatives on agricultural cooperation were undertaken throughout 2006. Measures are being implemented to realise the 2005 Strategic Plan of Action for Palm Oil, Rubber, Cocoa and Pepper.

Food Cooperation

In the areas of food cooperation, ASEAN+3 countries (the People's Republic of China, Japan and the Republic of Korea) have agreed to extend the implementation of the pilot projects of the East Asia Emergency Rice Reserve (EAERR) Management System for another year until March 2008. The parties are in the process of finalising the draft Agreement to support the implementation of the pilot projects, as well as other related initiatives which go beyond the scope of the pilot projects.

ASEAN and the International Rice Research Institute (IRRI) have agreed to establish national rice knowledge banks to encourage information sharing on issues relating to the main food supply of ASEAN.

In 2006, ASEAN also endorsed an additional 117 Maximum Residue Limits (MRLs) for 19 pesticides. In total, ASEAN has adopted MRLs for 52 pesticides for 59 vegetables, 24 fruits and 15 cash crops.

To enhance safe food supply within the region, ASEAN adopted the following standards in 2006:

- ASEAN Good Agricultural Practices (ASEAN GAP) for the production, harvesting and handling of fresh fruit and vegetables;

- ASEAN Standards for Mango, Pineapple and Durian, to ensure the freshness of the products after preparation and packaging; and

- ASEAN Standard for Inactivated Canine Parvovirus Vaccine to control canine viral diarrhoea.

Forestry

In 2006, ASEAN reviewed the implementation of Memorandum of Understanding (MoU) on ASEAN Cooperation in Agriculture and Forest Products Promotion Scheme, which has been in place since 1994. A number of products have been taken out from the promotion scheme due to the current regional market situation and the availability of existing agencies undertaking such promotion. This includes products such as frozen prawns, frozen chicken, canned pineapple and tuna, as well as natural rubber.

In forestry cooperation, ASEAN has implemented the ASEAN Wildlife Law Enforcement Network (ASEAN-WEN), an integrated network between ASEAN law enforcement and Customs authorities. This will facilitate the implementation of the ASEAN Regional Action Plan on Trade in Wild Fauna and Flora.

In addition, the Second East Asia and the Pacific Forest Law Enforcement and Governance (FLEG) Ministerial Meeting to be held in 2007 will continue to address forestry related issues, such as illegal logging and sustainable forest management practices.

Animal Health

Measures are being implemented in line with the ASEAN Regional Framework for Control and Eradication of Highly Pathogenic Avian Influenza (HPAI) (2006-2008). These include:

- strengthening collaboration with international agencies, such as the Asian Development Bank (ADB), Food and Agriculture Organisation (FAO) and the World Animal Health Oganisation (OIE);

- establishing a disease surveillance and alert system;

- sharing information to enhance public awareness; and

- drawing up an emergency preparedness plan.

ASEAN also signed the Agreement for the Establishment of ASEAN Animal Health Trust Fund (AAHTF), in 2006, to facilitate the management of contributions to address animal diseases, such as avian influenza, foot and mouth disease and swine fever. Each ASEAN member country has pledged to contribute US$100,000 to the Fund for the duration of five years, beginning 2007.

On the external front, ASEAN and Japan have agreed to adopt two new initiatives for implementation in 2007, namely:

- Strengthening of Partnership in the Promotion of Agricultural Cooperatives; and

- South-South Cooperation Promotion Project for Agricultural Productivity Enhancement in Developing Countries.

Transport

Noting that an efficient, secure and integrated transport system is an important factor for the establishment of the ASEAN Economic Community in 2015, ASEAN agreed to intensify regional cooperation by enhancing transport facilitation, promoting multimodal transport and tourism, expanding air travel services liberalisation opportunities and realising a single air transport market in ASEAN.

During the 12th ASEAN Transport Ministers Meeting on 8 February 2007, the Ministers signed two transport agreements, namely:

- Protocol 1 - Designation of Transit Transport Routes and Facilities of the ASEAN Framework Agreement of Facilitation of Goods in Transit; and

- Protocol to Implement the Fifth Package of Commitments on Air Transport Services under the ASEAN Framework Agreement on Services (AFAS).

Protocol 1 is significant in ASEAN's effort to facilitate the transportation of goods within the region where it will provide unhindered access and movement of vehicles over the designated highway routes. The Fifth Package for Air Transport Services covers liberalisation commitments, including leasing of aircraft with or without crew and air forwarding services.

Towards full liberalisation of air freight services, ASEAN also signed the Protocol to Amend the 2002 ASEAN MoU of Air Freight Services. Under this Protocol, the national carriers will operate all-cargo services of up to 250 tonnes weekly, in each direction, with no limitation on frequency and aircraft type.

ASEAN is also working towards finalising the ASEAN Multilateral Agreement of the Full Liberalisation of Air Freight Services and the ASEAN Multilateral Agreement of Air Services. The signing of these agreements will provide a more liberal environment for expanding air freight and passenger services in ASEAN for enhanced trade, investment and tourism opportunities in the region. These Agreements are expected to be signed at the 13th ASEAN Tourism Ministers Meeting at the end of 2007.

Finance

ASEAN made further progress in financial cooperation by broadening and deepening domestic capital markets, especially in the ASEAN-5 member countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand), where bond markets have increased by more than three times since 1997. On-going efforts are being undertaken by Viet Nam and Cambodia to develop their respective capital markets.

Four key priorities were identified to further promote the continued competitiveness and depth of ASEAN's financial sector. These include:

- enhancing and promoting ASEAN financial products and raising ASEAN's profile among international investors;

- reinforcing financial services liberalisation with the fourth round of negotiations among ASEAN Member Countries and with the dialogue partners;

- strengthening capacity building initiatives to fully realise the potential of ASEAN financial markets; and

- enhancing financing infrastructure by setting up a task force to explore the best framework/mechanism and possible instruments to finance infrastructure development in the region.

Following the success of ASEAN Finance Ministers' Investor Seminars, held in New York in 2004, and in London in 2005, Malaysia coordinated the third Investor Seminar on 14 September 2006, in Hong Kong and during the IMF/World Bank Annual Meeting in Singapore on 16 September 2006. These events enabled international investors to gain insight into the investment opportunities in ASEAN, including the financial markets, tourism, infrastructure and other growth sectors.

Information and Communication Technology

In addition to the implementation of ASEAN Information and Communication Technology (ICT) Focus 2005-2010 and the Ha Noi ICT Action Agenda adopted in 2005, ASEAN adopted the Brunei Action Plan in 2006.

The Brunei Action Plan aims to build ASEAN capacity in areas such as ICT literacy, full integration of ICT in education and training and creation of more qualified and skilled ICT professionals and experts.

Priority projects/initiatives under the Brunei Action Plan will be implemented in 2007, with the available funding from the ASEAN ICT Fund, which was established in 2005. Four member countries have initially contributed US$399,980 to the Fund.

The operational plan for the ASEAN ICT Centre (AICTC) was also endorsed, with seconded officials from ASEAN member countries to strengthen the management and coordination mechanism in the implementation of the ASEAN ICT Focus and work programmes. The deployment of the first set of seconded AICTC officials will be done in 2007, with Malaysia being appointed as the Centre's Programme Director, and Indonesia and Viet Nam, as the Deputy Directors.

The e-ASEAN Youth Forum and the e-ASEAN Business Council initiatives are also being revitalised to ensure that the work activities and priorities are relevant and supportive of the ASEAN ICT Focus/Work Programmes.

To achieve synergistic and innovative approaches in enhancing cooperation in the ASEAN ICT sector, ASEAN also had regular dialogues and collaborative projects with the Dialogue Partners, such as the People's Republic of China, the EU, India, Japan and the Republic of Korea, as well as key international organisations, such as the International Telecommunication Union (ITU) and the Asia-Pacific Telecommunity.

The Leaders of ASEAN and the People's Republic of China signed the Plan of Action to Implement the Beijing Declaration on ASEAN-China ICT Cooperative Partnership for Common Development. The Plan of Action covers specific and collective initiatives in the areas of information structure, universal service, network and information security, trade and investment facilitation and human resources development (HRD).

The 'ICT Cooperation for Co-Prosperity in East Asia 2007-2011' and 'Asia Broadband Programme: ICT Cooperation with ASEAN' will be implemented, with the support of the Republic of Korea and Japan, respectively. The Plus Three Countries (the People's Republic of China, Japan and the Republic of Korea) are also committed to further boost human development capacities of ASEAN ICT professionals and experts. An ASEAN-India ICT Ministerial and Industry Forums are also scheduled in 2007.

Tourism

ASEAN has continued to promote the integration of the tourism sector to strengthen ASEAN's appeal as a single attractive holiday/leisure destination. In 2006, ASEAN attracted more than 56 million visitors, growing 8 per cent from 2005 with Cambodia, Lao PDR and Thailand posting double-digit growth. Intra-ASEAN travel accounted for 49 per cent of total tourist arrivals in ASEAN.

Noting the importance of the tourism sector in generating economic growth of the region, the Framework Agreement on Visa Exemption was signed on 25 July 2006 to facilitate intra-ASEAN cross-border travel. ASEAN also activated the Cruise Working Group to strengthen collaboration to improve sea connectivity and enhance cruise tourism in the region. A Cruise ASEAN website was launched to provide details on cruise port and destination information for travellers.

The involvement of private sector in promoting tourism has been expanded by supporting the tourism promotion activities undertaken by the ASEAN Tourism Association (ASEANTA), including branding, production of common ASEAN advertising for in-flight magazines and promotional video material for dissemination to airlines.

ASEANTA is also promoting the 'Visit ASEAN Pass' programme, comprising the ASEAN Air Pass, the ASEAN Hotel Pass and the ASEAN Tour Pass. The Programme aimed to provide travellers with special deals offered by the national airlines and members of the national hotel/travel associations of ASEAN countries. A portal (www.visit ASEAN.travel) has been established to provide general and specific information on the individual ASEAN destinations.

ASEAN also agreed to re-activate the ASEAN Joint Tourism Promotion through the ASEAN Promotional Chapter on Tourism (APCT).

The development of Guidelines of Certification of ASEAN Tourism Standards and its logo have been completed. ASEAN is also currently developing an MRA for Tourism Professionals, which is expected to be ready in 2008.

FACILITATION MEASURES

Standards

ASEAN adopted the Policy on Standards and Conformance in 2005, which provides guiding principles for joint efforts on standards, technical regulations and conformity assessment in both regulated and non-regulated sectors. ASEAN is now working to establish a mechanism to monitor the implementation of the guidelines.

ASEAN is also developing an 'ASEAN Conformity Mark', a regional third-party mark, which indicates that a product is in conformity with certain ASEAN Harmonised Technical Requirements. A Draft Agreement is being developed to govern the establishment of the mark and is expected to be completed by end 2007.

Other key accomplishments on standards and conformance include:

- harmonisation of 140 standards in ASEAN. Another 24 standards for electrical and electronics products will be harmonised in 2007;
- development of a five year action plan to support the implementation of the ASEAN Harmonised Electrical and Electronic Equipment Regulatory Regime Agreement signed in 2005;
- preparations for the implementation of the ASEAN Harmonised Cosmetic Regulatory Scheme Agreement by 1 January 2008;
- adoption of a Post-Marketing Alert (PMA) system to strengthen networking among ASEAN regulatory authorities, to detect unsafe and defective healthcare products;
- establishment of ASEAN Reference Testing Laboratories (ARLs) in the areas of mycotoxins, pesticide residues, veterinary drugs, microbiology, heavy metals and genetically modified organisms; and
- finalisation of the ASEAN Common Food Control Requirements (ACFCR), which comprises common principles and requirements for food control system, labelling of pre-packaged food and food hygiene.

Customs

Various measures have been implemented in 2006 to realise the 15 specific programmes under the Strategic Plan of Customs Development (2005-2010).

Key progress of ASEAN cooperation in Customs include:

- development of an ASEAN Cargo Processing Model to expedite clearance and release of consignments and shipments in the region. The Model will be implemented at the national level;

- standardisation of information parameters and data format for Customs release of consignments. The ASEAN Customs Declaration Document, containing 48 information parameters has been adopted for regional application;

- progressive implementation of the Action Plan of the ASEAN Customs Valuation Guide (ACVG); and

- completion of the development of the Customs Client Service Charters by all ASEAN countries.

ASEAN Harmonised Tariff Nomenclature (AHTN)

The review on the 97 Chapters of the ASEAN Harmonised Tariff Nomenclature (AHTN) Version 2002 has been completed and member countries have been given the flexibility to implement the revised version, that is, AHTN Version 2007, any time within the year due to the technicalities and complexities involved in the transposition and correlation process. Malaysia is expected to implement the revised AHTN latest by 1 January 2008.

AHTN is a harmonised product classification nomenclature implemented by all ASEAN member countries with the aim to further facilitate and promote intra-ASEAN trade.

The revision on the AHTN was conducted to address the technical errors made during the transposition process from Harmonised System (HS) Nomenclature to AHTN in 2004 and to take into account the latest amendments made to the HS Nomenclature classification structure agreed by the World Customs Organisation (WCO) in 2006.

The application of the AHTN is expected to be extended to extra-ASEAN trade by 2011.

ASEAN Single Window

ASEAN has agreed to establish the ASEAN Single Window (ASW) to expedite Customs procedures within the region by setting-up a single clearance channel for goods for ASEAN-6 by 2008, and newer members by 2012. This is in line with the commitments agreed under the Agreement to Establish and Implement the ASEAN Single Window (ASW), which was signed on 9 December 2005.

The ASW Pilot project has been successfully conducted between the Philippines and Thailand, with initial activities focused on the exchange of information of the ASEAN Customs Declaration Document and Certificate of Origin (Form D) under the CEPT Scheme of AFTA.

To date, Indonesia, Malaysia, Myanmar, the Philippines and Thailand have set up respective national working bodies to implement their National Single Window (NSW), which will be integrated to form the ASW.

REGIONAL COOPERATION WITHIN ASEAN

Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

The IMT-GT Roadmap for Development (2007-2011) has been developed and endorsed on 12 January 2007. The objectives of the Roadmap are to:

- facilitate and promote intra and inter-IMT-GT trade and investment;

- promote growth of agriculture, agro-industry and tourism;

- strengthen infrastructure linkages and support to the integration of the IMT-GT region;
- address human resource development environment and natural resource management; and
- strengthen institutional support, including public-private sector collaboration, participation of stakeholders at the national level and the mobilisation of support from other development partners.

In order to realise the objectives, the Roadmap will build on two anchors:

- a policy and regulator anchor to provide an enabling policy and regulatory environment conducive to private sectors activities in the IMT-GT region; and
- an anchor built around major IMT-GT corridors that can serve as the ‘trunk lines’ from which development will radiate to neighbouring areas through transport and economic linkages.

The Roadmap could be the catalyst for more structured economic development and linkages in the IMT-GT areas. For Malaysia, eight States are involved, namely, Kedah, Kelantan, Melaka, Negeri Sembilan, Pulau Pinang, Perak, Perlis, and Selangor. Thailand has included its southern provinces, while Indonesia’s IMT-GT areas cover 10 provinces of the island of Sumatera.

In 2007, Malaysia is expected to host the IMT-GT SME Convention and EXPO on 5-6 December 2007, in Pulau Pinang to promote IMT-GT as a trade and investment destination.

Brunei - Indonesia - Malaysia - Philippines - East ASEAN Growth Area

The Third Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) Summit, held on 12 January 2007 in Cebu, the Philippines, witnessed the signing of the MoU on the Expansion of Air Linkages, including granting of fifth freedom traffic rights for passenger and cargo services in the airports of Balik Papan and Pontianak (Indonesia), Kota Kinabalu and Kuching (Malaysia) and Davoa City and Zamboanga (the Philippines).

The MoU is aimed to strengthen further interstate and transit transport arrangements with the sub-region, as well as to promote an efficient and integrated sea transport system.

ASEAN has also adopted the Declaration on the Heart of Borneo Initiatives to establish a network of protected areas, productive forests, and other land uses that transcends across the borders of Brunei Darussalam, Indonesia and Malaysia. This is to maximise trans-boundary linkages and promote the expansion of protected areas, maintain forest connectivity and ensure sustainable development.

ASEAN-Mekong Basin Development Cooperation

The Eighth ASEAN Mekong Basin Development Cooperation (AMBDC) Meeting held on 26 August 2006, in Kuala Lumpur, exchanged views towards enhancing the effectiveness of the AMDBC Framework.

The Meeting agreed to place the AMBDC under the purview of the ASEAN Economic Ministers’ and to open the membership of the core group to other interested parties and international organisations in efforts to synchronise economic integration activities.

To date, a total of 47 projects, valued at US$51.7 million have been identified for implementation under the AMDBC Framework. These comprised eight major sectors, namely, infrastructure, agriculture, trade and investment, mineral and forestry, industry, tourism, human resources development, science and technology. To date, 31 projects have secured funding amounting to US$11.3 million and are in the various stages of implementation.

Satisfactory progress has been achieved for the AMBDC Flagship Project, that is the Singapore-Kunming Rail Link Project (SKRL). To date, approximately US$5.4 million has been secured as grants and another US$40 million for Cambodia in the form of soft loans by the Asian Development Bank (ADB). Malaysia has contributed 106 km of used rail track to Cambodia on 2 November 2006.

Work has also commenced on the reconstruction of the various missing links of SKRL. Malaysia will continue with the Chairmanship of the Special Working Group on SKRL until 2008.

REGIONAL LINKAGES WITH DIALOGUE PARTNERS

East Asia Summit

The Second East Asia Summit held on 15 January 2007 discussed issues of strategic importance to the East Asian region, including energy, poverty eradication, economic development, finance, education, as well as the future direction of the East Asia region.

To enhance energy cooperation in the region, the Leaders signed the Cebu Declaration on East Asian Energy Security. A task force will be establish to follow up on measures stipulated in the declaration, including mapping out energy resources in the region.

The Summit also agreed that a feasibility study on a Comprehensive Economic Partnership in East Asia (CEPEA) to be undertaken and the outcomes to be reported to the Leaders in November 2007. The Leaders also welcomed Japan's proposal on the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA).

ASEAN Plus Three

To strengthen the ASEAN Plus Three Economic linkages, the Leaders also agreed to launch the Phase II study of the East Asia Free Trade Area (EAFTA). An ASEAN Plus Three Centre for Gifted in Science will also be established.

ASEAN and Plus Three countries have approved five new cooperation projects for implementation in 2007:

- ICT Cooperation towards Co-prosperity in East Asia (2007-2011);
- Website for Customs Information Exchange;
- Logistics Cooperation for Future Trade Facilitation;
- Cooperation for Internationally Comparable Statistics; and
- Agricultural Technology and Management Training Programme for ASEAN Countries.

ASEAN-China

Year 2006 marked another significant milestone in economic relations between ASEAN and the People's Republic of China, with the signing of three key Agreements in Cebu, the Philippines, namely:

- Protocol to Amend the Trade in Goods Agreement (8 December 2006);
- Second Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the People's Republic of China (8 December 2006); and
- Trade in Services Agreement (14 January 2007).

Trade in Goods

The signing of the Protocols to Amend the Framework Agreement and Trade in Goods Agreement signifies the efforts of both parties to further improve the tariff liberalisation mechanism under the ASEAN-China Free Trade Area (ACFTA).

The Protocols clarify the modality of tariff reduction/elimination for the Philippines and Viet Nam, to participate in the Early Harvest Programme and Trade in Goods Agreement in 2006, respectively.

Table 10.8:
Comparison of the Tariff Structure between Malaysia and the People's Republic of China in 2007

Tariff Rate Range	Malaysia		People's Republic of China	
	No. of Tariff Lines	%	No. of Tariff Lines	%
Total Tariff Lines Offered for Tariff Concession (EHP and Normal Track)	**9,840**	**100.0**	**7,195**	**100.0**
0%	6,279	63.81	1,165	16.19
1-5%	877	8.91	2,898	40.28
8%	752	7.64	2,354	32.72
12%	1,932	19.63	778	10.81

Source: Ministry of International Trade and Industry

Effective 1 January 2007, ASEAN-6 and the People's Republic of China have reduced duties to 0-5 per cent on 60 per cent of products offered for tariff concessions under the ACFTA. This is in line with the tariff liberalisation commitment agreed under the Trade in Goods Agreement, which requires:

- duties to be reduced/eliminated to 0-5 per cent on 60 per cent of products, beginning 1 January 2007; and
- duties to be eliminated on 100 per cent products offered for tariff concessions by 1 January 2010 (except for products flexibilities until 2012, and products in the Sensitive and Highly Sensitive Lists).

Satisfactory tariff liberalisation has been undertaken by ASEAN and the People's Republic of China under the ACFTA. Before the inception of tariff liberalisation, only 26.5 per cent of Chinese products had duties between 0-5 per cent, compared with 60 per cent of products, effective 1 January 2007. In the case of Malaysia, 72.7 per cent of products are with duties between 0-5 per cent, beginning 1 January 2007, compared with 70.5 per cent before the inception of the ACFTA.

Continuous improvements were undertaken on the ROO and OCP of the ACFTA to further simplify rules and trading procedures in efforts to promote the utilisation of ACFTA, among ASEAN and Chinese exporters/manufacturers.

Effective 1 January 2007, both ASEAN and the People's Republic of China have implemented the Second Package of (PSRs) for 90 products:

- 48 for plastic products;
- 25 footwear products;
- nine iron and steel products;
- five preserved fish canned products; and
- one each for palm oil, ice cream and jewellery product.

With the adoption of PSR, ASEAN and Chinese exporters/manufacturers would now have the flexibility of choosing the most convenient rule in meeting the origin criteria of the products, that is, either 40 per cent value-added criterion or PSR, to be eligible for the ACFTA preferential tariff rates. In total, ASEAN and the People's Republic of China have adopted PSR for 562 products.

ASEAN and the People's Republic of China are also exploring the possibility of adopting an Electronic Verification System (EVS) to authenticate the Certificates of Origin (Form E) issued by the exporting country. The EVS will electronically link the Customs authorities and relevant ministries of both countries, responsible in issuing Form E. Relevant information about the Form E will be transmitted in advance between relevant authorities before the actual Form E and shipment of goods reach the export destination. In the long run, EVS will reduce the administration costs of the importers and facilitate clearance of goods.

Trade in Services

The ASEAN-China Services Agreement was signed on 14 January 2007 and both parties have agreed to achieve comprehensive liberalisation in a progressive manner. The First Package of the services liberalisation commitment under the ACFTA is expected to be implemented by 1 July 2007, and the negotiations on the Second Package are expected to be completed by 1 July 2008.

Malaysia's initial offer under the First Package of Commitment is based on the existing commitments under the Doha Round of the World Trade Organisation (WTO) and selected sectors under the First, Second and Third Package of the ASEAN Framework Agreement on Services (AFAS). These include sectors, such as architecture, engineering, telecommunications, financial services, education, health and tourism.

The offer by the People's Republic of China under the First Package include sectors, such as computer and related services, management consulting services, construction, environmental services, recretional services and transport services.

Other Areas of Cooperation

To further strengthen cooperation in Intellectual Property Rights (IPRs), ASEAN and the People's Republic of China are exploring the possibility of signing an Agreement on IPRs. The Agreement is expected to provide:

- national treatment for IP protection;
- enhancement of IP cooperation activities and exchange of information and personnel; and
- cooperation in improving the legal system for the protection of IP for genetic resources, traditional knowledge and folklore.

ASEAN and the People's Republic of China are also exploring the possibility of signing an Agreement on Quarantine and Inspection. This would strengthen cooperation in the areas of control, inspection and approval procedures of sanitary and phyto-sanitary (SPS) measures, as well as ensuring conformity with technical regulations and standards.

To further strengthen cooperation, at the 15th ASEAN-China Commemorative Summit, from 30-31 October 2006, the People's Republic of China pledged to contribute US$1 million each to the ASEAN Development Fund (ADF) and Initiative of ASEAN Integration (IAI) projects.

In addition, the People's Republic of China has also offered to train 8,000 ASEAN professionals in the respective fields over the next five years. The ASEAN-China Centre for

Table 10.9:
Malaysia's Exports under the ACFTA

Year	Exports to the People's Republic of China using the ACFTA Arrangement				
	Early Harvest Programme (RM million)	Trade in Goods Agreement (RM million)	Total Export to the People's Republic of China under the ACFTA Arrangement (RM million)	Total Export to the People's Republic of China (RM million)	Share (%)
2006	863.9	2,967.8	3,831.7	42,660.6	8.9
2005	516.4	520.8	1,037.2	35,224.5	2.9
2004	514.1	-	514.1	32,148.5	1.6

Source: Ministry of International Trade and Industry

Trade Promotion, Investment and Tourism will also be established to further promote trade and investment activities between both parties.

A comprehensive approach is also being undertaken to strengthen cooperation in the areas of small and medium enterprises (SMEs), energy, finance and tourism.

Exports under the ASEAN-China Free Trade Area

Malaysian exports to the People's Republic of China under the ACFTA arrangement increased by almost four-fold to RM3.8 billion in 2006, from RM1 billion in 2005. In 2006, exports using ACFTA arrangement, accounted for 8.9 per cent of Malaysia's total exports to the People's Republic of China, compared with 2.9 per cent in 2005.

Table 10.10:
Malaysia's Main Exports under the ACFTA Arrangement in 2006

Product Category	RM mil.	Share of Total Exports Under ACFTA (%)
Chemical products	1,752.6	45.7
Rubber products	1,324.7	34.6
Vegetable oils and fats	393.5	10.3
Cocoa products	90.1	2.4
Glass and glassware	88.0	2.3
Plastic products	65.9	1.7
Fish and crustaceans	30.0	0.8
Mineral fuels and oils	21.7	0.6
Tropical fruits	20.8	0.5
Electrical and electronics products	14.5	0.4

Source: Ministry of International Trade and Industry

A total of 9,695 Form E (Certificates of Origin under ACFTA) were issued in 2006, compared with 5,167 Form E in 2005, an increase of 87.6 per cent.

Malaysia's major exports under the ACFTA arrangement in 2006, include, chemical products (45.7 per cent), rubber products (34.6 per cent), vegetable oils and fats (10.3 per cent), cocoa products (2.4 per cent) and glass and glassware (2.3 per cent).

ASEAN-Japan

The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement negotiations, which commenced in April 2005 are on-going and the AJCEP is expected to be concluded by end of 2007.

In the area of cooperation, Japan has agreed to provide a grant of US$52 million to help bridge the development gap in ASEAN. To support ASEAN in realising the AEC by 2015, the Japan-ASEAN Integration Fund (JAIF) was established in March 2006.

Under the ASEAN Economic Ministers-Minister of Economy, Trade and Industry Economic and Industrial Cooperation Committee (AMEICC), Japan has continued to provide assistance to ASEAN in the areas of automotive, chemicals, consumer electronics, human resource development, SMEs, statistics, and textiles and garment. The AMEICC Working Group on Human Resource Development (HRD) has formulated a standard curriculum/guideline as the basis of common industrial skill qualifications.

To enhance Japanese investment in ASEAN, Japan will undertake the 'ASEAN Common Investment Climate Initiative', a study coordinated by Japan External Trade Organisation (JETRO), Japan Business Federation and Japan Chamber of Commerce and Industry. In addition, Japan has also agreed to enhance the logistics efficiency and projects to strengthen the competitiveness of SMEs.

ASEAN-Korea

The ASEAN-Korea Trade in Goods Agreement has been implemented on 1 June 2007. Under the tariff liberalisation initiative:

- the Republic of Korea has eliminated duties on 70 per cent of products offered for tariff concessions upon implementation, 95 per cent by 2008, and 100 per cent by 2010;

- ASEAN-6, including Malaysia, has reduced duties to 0-5 per cent on 50 percent of the products upon implementation, 90 per cent products by 2009 and 100 per cent by 2010; and

- two years flexibilities are accorded to 5 per cent of products offered for tariff liberalisation, of which duties will be eliminated by year 2012.

For products placed in the Sensitive List, ASEAN-6 and the Republic of Korea will reduce the duties to 20 per cent not later than 1 January 2012 and to 0-5 per cent not later than 1 January 2016. A special modality of tariff cuts has been formulated for products in the Highly Sensitive List.

Various Working Groups and Sub-Committees have been established to facilitate the implementation of the ASEAN-Korea FTA (AKFTA). These include the establishment of the Sub-Committee on Technical Barriers to Trade and Sanitary and Phytosanitary (TBT and SPS), Rules of Origin Sub-Committee (AKSTROO) and the Working Group on Economic Cooperation.

In addition, six economic cooperation projects have been endorsed for implementation, namely:

- Executive Training Programme for ASEAN SMEs;
- ASEAN-Korea Women SMEs Cooperation Network;
- Study visit in the areas of environment to the Republic of Korea on Solid Waste Management, Environmentally Sound Technology and Clean Production, Biodiversity and Environmental Awareness and Education;
- Project on Natural Gas Vehicles;
- Capacity Building on FTA Negotiations for CLMV; and
- ASEAN-Republic of Korea Cooperation Workshop for the Facilitation of Trade of Broadcasting Services in the Digital Economy.

There has been significant progress in the negotiations of the text of the Services Agreement, and the Republic of Korea's proposals related to financial and telecommunications services, as well as co-production of broadcasting programmes.

Due to the significant amount of technical work involved, the target date for completion of negotiations in services and investment have been extended to November 2007.

ASEAN-India

ASEAN and India are working towards a mutually acceptable conclusion of the ASEAN-India Free Trade Agreement. To date, negotiations are focused mainly on trade in goods.

Progress of negotiations has been hampered by differences in position between both parties, particularly on the scope and modality of the FTA, that is, the number of tariff lines for exclusions, depth of tariff cuts, timelines, and treatment of selected sensitive products.

ASEAN-Australia and New Zealand

ASEAN and Australia-New Zealand are continuing the negotiations to conclude a comprehensive free trade agreement by the end of 2007. The agreement is comprehensive in nature covering trade in goods, services, investment and economic cooperation.

Negotiations on the modalities for tariff reduction/elimination are on-going, especially on the scope and coverage of products and the timeline for reduction/elimination of duties.

Both parties have reached substantial agreement on most of the PSRs. Discussions are on-going to finalise the remaining PSRs.

ASEAN-European Union

ASEAN and the EU are now engaged in discussions to strengthen economic partnership, including the modalities to launch the ASEAN-EU FTA negotiations.

In addition, a number of cooperation activities have been implemented under the various ASEAN-EU initiatives, including:

- Trans-Regional EU-ASEAN Trade Initiative (TREATI);

- ASEAN-EU Regional Cooperation Programme on Standards, Quality and Conformance Assessment;

- ASEAN-European Commission (EC) Energy Cooperation Programme/EU-ASEAN Energy Facility (EURASEF); and

- EC-ASEAN Intellectual Property Rights Cooperation Programme (ECAP II).

TREATI activities implemented in 2006 include:

- Workshop on Wood-Based Products, from 24-25 May 2006 in Kuala Lumpur, Malaysia, focusing on trade facilitation and closer cooperation between ASEAN and EU on trade in wood products;

- SPS and Fisheries Workshop, from 12-20 June 2006 in Viet Nam, the Philippines and Thailand; and

- Seminar on Electronics, from 22-30 June 2006 in Thailand, Malaysia and the Philippines. The Seminar in Kuala Lumpur was held from 29-30 June 2006.

ASEAN-Russian Federation

Following the signing of the Joint Declaration of the Heads of State/ Government of ASEAN and the Russian Federation on Progressive and Comprehensive Partnership on 14 December 2005, in Kuala Lumpur, the first consultation between the Senior Economic Officials of ASEAN and Russia was held in Singapore on 19 July 2006.

Both sides are now exploring projects which can be implemented under the existing ASEAN-Russia Working Group on Trade and Economic Cooperation (ARWGTEC).

ASEAN-Canada

ASEAN and Canada are exploring ways to enhance the two-way economic linkages. Initial economic cooperation activities between ASEAN and Canada will be focused on areas identified in the ASEAN-Canada Joint Cooperation Work Plan (JCWP) and adopted by the Foreign Ministers of ASEAN and Canada in July 2006.

Since the JCWP will expire in 2007, ASEAN and Canada agreed to focus on activities of mutual interest or that could achieve immediate and concrete outcomes/results, particularly in the areas of services and investment.

Both sides also agreed to the development of an ASEAN-Canada Trade and Investment Cooperation Arrangement (TICA) to enhance the level of engagement between Canada and ASEAN.

ASEAN-United States of America

ASEAN and the USA have agreed to continue to advance the ASEAN-US Enhanced Partnership and its Plan of Action. The cooperation builds upon the ASEAN-US Trade and Investment Framework Arrangement (TIFA), which was signed on 25 August 2006.

A Joint Council on Trade and Investment will be formed under the TIFA to provide direction on the implementation of the TIFA and the Work Plan.

ASEAN and the USA have resolved to focus on a range of priority areas, including political, security and economic cooperation, health, scholarships, ICT, transportation, energy, and disaster and environmental management.

Specific priority measures for ASEAN-US cooperation in 2007, include, economic cooperation, health cooperation, scholarships, cooperation in ICT, cooperation in transport, energy cooperation, cooperation in disaster management and cooperation in environmental management. The year 2007 also marks the 30th Anniversary of the establishment of ASEAN-US Dialogue relations.

ASEAN-Pakistan

In July 2006, ASEAN and Pakistan agreed to conduct a Joint Feasibility Study for the ASEAN-Pakistan FTA, which also includes trade facilitation.

OUTLOOK

Economic integration within the region received a strong political backing with the decision of the 12th ASEAN Summit on 13 January 2007 to accelerate the realisation of the AEC from 2020 to 2015 and the decision to establish an ASEAN Charter. The ASEAN Charter will transform the region to be more rules-based.

The work for the year ahead will focus on the completion of the ASEAN Blueprint for Economic Integration and the ASEAN Charter.

Chapter 11 Developments In Regional Groupings

OVERVIEW

This Chapter contains reports on progress in trade and investment facilitation, and economic and technical cooperation in important regional fora in which Malaysia participates. These fora include the Asia Pacific Economic Cooperation (APEC), the Organisation of the Islamic Conference (OIC), the Group of Developing Eight (D-8), the United Nations Conference on Trade and Development (UNCTAD), the Group of Fifteen (G-15) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

Malaysia also continued to monitor the developments in other formal regional groupings in which Malaysia is not a member, such as the European Union (EU), North America Free Trade Agreement (NAFTA), South Asian Association for Regional Cooperation (SAARC) and Latin American Southern Cone Common Market (MERCOSUR).

The Asia Pacific Economic Cooperation (APEC) forum continued to make efforts to realise freer and open trade and investment, prevent threats to sustainable development, build a secure and favourable business environment and enhance human security.

As Chairman of the Organisation of the Islamic Conference (OIC), Malaysia continued to provide leadership in economic cooperation among the member countries of the grouping. A key task involved moving forward the process for trade liberalisation through the Trade Preferential System among OIC member countries (TPS-OIC) and the Protocol on Preferential Tariff Scheme under the Trade Preferential System among member States of the OIC (PRETAS).

The G-15 helped catalyse South-South cooperation, by according greater focus on management of water resources, rural development and working towards a common position at the Doha Round of negotiations of the World Trade Organisation (WTO).

In the other regional groupings, the major developments of the European Union (EU) for 2006, included the enlargement of the EU membership from 25 to 27 on 1 January 2007; the formulation and adoption of trade regulations, such as the EU Registration, Evaluation and Authorisation of Chemicals (REACH), which entered into force on 1 June 2007; and the New Energy Policy presented to the European Commission on 10 January 2007, which calls for renewable energy to account for 20 per cent of all energy usage in member States by 2020.

The work in UNCTAD focused on the 'Mid-Term Review' of decisions made at the UNCTAD XI Conference. UNCTAD continued to strengthen South-South Cooperation through a more comprehensive Global System of Trade Preferences among Developing Countries (GSTP).

Engagements in the negotiations of free trade arrangement continued to dominate activities of the other regional groupings, such as NAFTA, MERCOSUR, D-8 and SAARC. Malaysia will continue to monitor the developments in these groupings to assess their impact on the country.

ASIA-PACIFIC ECONOMIC COOPERATION

Based on the five-year target set in Shanghai in 2001, APEC continued its economic reform efforts and regional economic integration, as well as addressing human security concerns.

The APEC 2006 work programme was guided by the theme, 'Towards a Dynamic Community for Sustainable Development and Prosperity'. The theme reflected the need for APEC to be dynamic in dealing with the fast changing international environment. The key elements of the work programme are to enhance trade and investment; strengthen economic and technical cooperation; improve the business environment; and promote community linkages. Economic and technical cooperation (ECOTECH) remained the focus of all APEC activities.

The 18th APEC Ministerial Meeting (AMM) and the 14th APEC Economic Leaders' Meeting (AELM) held in November 2006 in Ha Noi, Viet Nam decided, among others to:

- strengthen the multilateral trading system through contribution to the WTO Doha Development Agenda (DDA);
- continue work on promotion of Regional Trade Arrangements/Free Trade Agreements (RTAs/FTAs) initiatives, ECOTECH and capacity building programmes; and
- enhance human security (including counter-terrorism and secure trade, energy security, health security and emergency preparedness initiatives).

The Leaders also endorsed the Ha Noi Action Plan which comprised specific measures, schedules and capacity building initiatives.

The Ha Noi Action Plan

The Ha Noi Action Plan contains concrete measures to:

- support the multilateral trading system;
- promote the Busan Business Agenda;
- promote high-quality RTAs/FTAs; and
- strengthen individual and collective actions towards enhancing trade and investment.

Support for Multilateral Trading System

The APEC Economic Leaders Stand-alone Statement on the DDA served to reflect their commitment towards breaking the deadlock in negotiations. Leaders reiterated APEC's role in assisting developing member economies through capacity building activities to better understand WTO issues, participate in WTO negotiations and implement their WTO obligations.

Busan Business Agenda

The elements of Busan Business Agenda, include trade facilitation, digital economy and intellectual property rights (IPR), investment, transparency and anti-corruption practices, secure trade and structural reforms. Specific measures endorsed by the Leaders in realising Busan Business Agenda, include:

- Framework of Trade Facilitation Action Plan II which aims to further reduce trade transaction costs by an additional 5 per cent by 2010, following the achievement of Trade Facilitation Action Plan I in 2006;
- expanded work program on investment liberalisation and facilitation in collaboration with APEC Business Advisory Council (ABAC) and other relevant international organisations;
- IPR protection and enforcement by endorsement of Model Guidelines for Effective Public Awareness Campaign on IPR and Model Guidelines to Secure Supply Chains against Counterfeit and Pirated Goods; and
- Multi-year Private Sector Development Workplan to minimise red tape and improve the quality of business regulations for small and medium enterprises (SMEs).

Table 11.1:

List of Countries with Concluded Bilateral FTAs among APEC Member Economies

Countries	Australia	Brunei Darussalam	Canada	Chile	Hong Kong	Indonesia	Japan	Republic of Korea	**Malaysia**	Mexico	New Zealand	People's Republic of China	Papua New Guinea	Peru	Philippines	Russia	Singapore	Taiwan	Thailand	USA	Viet Nam
Austraila											●		●				●		●	●	
Brunei Darussalam																					
Canada				●																	
Chile			●					●			●	●		●						●	
Hong Kong												●									
Indonesia																					
Japan									●	●							●				
Republic of Korea				●													●				
Malaysia							●														
Mexico				●			●							●							
New Zealand	●																●		●		
Papua New Guinea	●																				
People's Republic of China				●	●																
Peru				●						●										●	
Philippines																					
Russia																					
Singapore	●						●	●			●									●	
Taiwan																					
Thailand	●										●										
USA	●			●										●			●				
Viet Nam																					

Source: APEC Website

Promoting High Quality Regional Trade Arrangements and Free Trade Agreements (RTAs/FTAs)

While RTAs/FTAs provide opportunities to enhance economic growth and acquire greater market access, they need to be consistent with WTO rules and complement the multilateral trading system to ensure positive impact on global trade and investment. In this regard, APEC has developed model measures for commonly accepted chapters of RTAs/FTAs.

Model measures should serve as guidelines or best practice to achieve comprehensive, transparent and high quality RTAs/FTAs. It should not prejudice the positions of APEC economies in their existing, on-going and future RTAs/FTAs negotiations.

As of 2006, six chapters of model measures have been endorsed. The model measures endorsed are on: trade facilitation; trade in goods; technical barriers to trade; transparency; Government procurement; and economic cooperation. Work is currently on-going to complete other model measures, namely, trade in services, electronic commerce, investment, dispute settlement, rules of origin (ROO) and origin certification procedures, safeguard, sanitary and phyto-sanitary measures, anti-dumping, subsidies and countervailing duties.

Strengthening Individual and Collective Action Plans

Individual Action Plans (IAPs) and Collective Action Plans (CAPs) provide transparency among APEC economies on the unilateral and collective measures on trade and investment initiatives, including useful information for the business community. These Action Plans are a way forward in achieving Bogor Goals towards freer and open trade and investment in the APEC region.

In the 2006 IAPs, Malaysia reported further reduction in simple average applied tariff from 8.07 per cent in 2005, to 7.68 per cent in 2006. This was the result of unilateral effort announced under the 2006 Malaysian Annual Budget on tariff elimination/reduction. All 2006 IAPs can be accessed at APEC e-IAP website: http://www.apec-iap.org.

Unilateral measures in investment and trade liberalisation and facilitation reported in IAPs will be assessed by member economies via the Individual Action Plan Peer Review. Malaysia's IAP was reviewed in 2005 and the next review is scheduled for 2009.

ORGANISATION OF THE ISLAMIC CONFERENCE

Malaysia's chairmanship of the Organisation of the Islamic Conference OIC has been extended until the first quarter of 2008 as Senegal,

Table 11.2:
List of Countries with Concluded Regional RTAs Among APEC Member Economies

Agreements	Countries/Economies
ASEAN Free Trade Agreement (AFTA) (Signed 28 January 1992)	ASEAN
North America Free Trade Agreement (NAFTA) (Signed 17 December 1992)	Canada Mexico USA
Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and People's Republic of China (Signed 4 November 2002)	ASEAN People's Republic of China
Trans-Pacific Strategic Economic Partnership (P4) (Signed 3 June 2005)	Brunei Darussalam Chile New Zealand Singapore

Source: APEC Website

the next chair, requires more time to make preparations to assume the role. As chair, Malaysia will continue to focus on trade and economic cooperation among OIC member States.

Trade Liberalisation

One major OIC economic activity which Malaysia is actively involved in is the implementation of the Framework Agreement of the Trade Preferential System among the member States of OIC (TPS-OIC), which came into force in 2002. The objective of the TPS-OIC is to promote intra-OIC trade through exchange of trade preferences among member States.

The Framework Agreement on TPS-OIC sets out the general principles towards establishing a trade preferential system among the OIC countries. Among the main features of the Agreement are the Most Favoured Nation principle, equal treatment of member States and special treatment for least developed member States. The preferences include tariffs, para-tariffs and non-tariff concessions covering all products, including agricultural products.

The Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS) is a protocol to implement the Framework Agreement on TPS-OIC. It deals mainly with reducing the tariffs of products covered under the scheme, as well as the elimination of para-tariff and non-tariff barriers. It also outlines the optional fast track tariff reduction schedule and tackles issues, such as ROO, anti-dumping, subsidies, countervailing and safeguarding measures. PRETAS was adopted at the 21st Session of the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC) in Istanbul, Turkey, in November 2005.

The Second Round of Negotiations to discuss the ROO and Para-Tariff Measures of the TPS-OIC was launched at the 22nd Session of the COMCEC held from 21-24 November 2006, in Istanbul, Turkey. Malaysia participated in the First Meeting of the Second Round of Negotiations held from 24-26 November 2006 in Istanbul. The Meeting agreed to establish an Expert Group to discuss technical matters on ROO and to complete the Second Round of Negotiations by the 23rd Session of the COMCEC in November 2007.

Malaysia signed the PRETAS on 27 March 2006. Apart from Malaysia, eight other OIC member States, namely Egypt, Jordan, Tunisia, Turkey, Syria, Cameroon, Bangladesh and United Arab Emirates have also signed the PRETAS. However, PRETAS can only come into force after 10 member countries have signed and ratified it. To date, only Malaysia and Jordan have ratified the PRETAS. Malaysia ratified the PRETAS on 11 May 2006.

Visas

For trade facilitation, Malaysia has in principle agreed to the 'open visa' system proposed by the Islamic Chamber of Commerce and Industry (ICCI) for business travellers from OIC member States. Under the system, businessmen in an OIC country will be able to obtain open visas to travel to any of the 57 OIC countries for business and investment reasons. Member States which have expressed support for the system are Turkey, Egypt, Saudi Arabia, Pakistan, Lebanon and Jordan. The terms of reference for the implementation of the System are being drafted by the ICCI.

Poverty Alleviation and Capacity Building

Malaysia continued to be actively involved in projects to alleviate poverty and build capacity in less-developed and low-income countries of the OIC. Malaysia approved an allocation of RM12.1 million in 2006 to provide training and expertise for three projects, while the Islamic Development Bank (IDB) approved US$24 million to co-finance four projects under phase one. The projects are:

- capacity building in the palm oil industry in Sierra Leone;

- fisheries sector in Bangladesh;

- oil and gas sector in Mauritania; and

- development of small scale enterprises and micro development under Shari'ah Banking Scheme for Tsunami-survivors in Nanggroe Aceh Darussalam, Indonesia.

Four new projects have been proposed to be implemented under phase two of the Programme. They are:

- mango plantation in Guinea;

- wind energy investment promotion in Jordan;

- fisheries in Maldives; and

- economic policy planning in Yemen.

Malaysia is also involved in the financing of eight other capacity building projects for OIC under the Malaysian Technical Cooperation Programme (MTCP). Seven of the MTCP projects were implemented in 2006. They were projects on good practices on Customs procedures and trade facilitation, *halal* standards and conformance infrastructure, investment promotion, trade promotion, organisation excellence and competitiveness, knowledge and capacity building for human resource and development of women entrepreneurs.

Anti-Corruption

In 2006, Malaysia hosted the First OIC Anti-corruption and Enhancing Integrity Forum, with the objective of developing and strengthening international cooperation; and building networks among the OIC members to combat corruption and enhancing integrity. Heads of anti-corruption entities and relevant Government departments from 45 OIC member States attended the Forum.

OTHER REGIONAL ARRANGEMENTS

The Group of Developing Eight

A key achievement of the Group of Developing Eight (D-8) in 2006 was the signing of the D-8 Preferential Trade Agreement (D8-PTA) on 13 May 2006, at the Fifth D-8 Summit in Bali, Indonesia.

The D8-PTA covers an agreement on tariff reduction modalities and implementation of a schedule of concessions. Key areas agreed under the D8-PTA include:

- tariff reduction on 8 per cent of the total tariff lines having tariffs above 10 per cent;

- tariff reduction to be implemented in four annual installments for developing countries and in eight annual installments for least developed countries (LDCs);

- immediate elimination of para-tariffs (border charges and fees other than tariffs imposed on foreign trade transactions or a tariff-like effect levied solely on imports) and non-tariff barriers upon entry into force of the PTA and longer transition period of three years for LDCs to eliminate their para-tariffs and non-tariff barriers;

- use of ROO (which are being negotiated); and

- right to initiate safeguard measures, anti-dumping and countervailing measures.

The D8-PTA will be implemented once the ROO are adopted by member countries and the D8-PTA is ratified by at least four member countries. As at December 2006, only Malaysia and Pakistan have ratified the Agreement.

United Nations Conference on Trade and Development

The 53rd Session of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD) was held in Geneva, Switzerland, from 27 September to 10 October 2006.

The Session adopted a report called 'Agreed Outcome of the Mid-Term Review', which comprises three main sections, namely:

- Stock-taking in respect of the implementation of the Sao Paulo Consensus under UNCTAD XI;
- Strengthening the three pillars of UNCTAD (policy analysis, consensus building and technical cooperation); and
- UNCTAD's development and the way forward.

UNCTAD will focus on:

- supporting the full, effective and beneficial participation of developing countries in international trade and trade negotiations;
- assisting LDCs to increase utilisation of duty-free and quota-free market access granted for their products in the market of developed countries and developing countries, which have agreed to provide similar access; and
- providing assistance to developing countries under the Aid for Trade initiative.

Global System of Trade Preferences

Members also decided that UNCTAD should strengthen its work on South-South cooperation, including through supporting a more comprehensive Global System of Trade Preferences (GSTP) among developing countries .

GSTP is an instrument that works to enhance trade among the developing countries by extending a preferential arrangement scheme to its Members. The preferential arrangement scheme reduces import duties by applying a margin of preference to the applied duties of products covered in the Members' individual concessions.

The margin of preference works like a discount which marks down the applied tariffs by a specific percentage. The current round seeks for a comprehensive coverage of products in order to encourage more meaningful market access among the participating Members. As at the end of 2006, 11 countries have submitted applications for accession to GSTP.

The Negotiating Group on Rule-Making met 11 times in 2006 to discuss proposals on the elements of the ROO, as well as the draft 'Arrangement on Operational Certification and Administrative Cooperation'.

The Negotiating Group agreed that the Third Round of GSTP negotiations would conclude by end of 2007 and agreed on a road map and work schedule to achieve this.

Malaysia's participation in the Third Round of GSTP will provide the opportunity to increase and diversify its exports to the non-WTO developing countries, such as Iran, Iraq and Syria, particularly for products of interest to Malaysia, including palm oil, electrical and electronics products, crude petroleum, and chemicals and chemical products. Concluding GSTP negotiations would also open up opportunities for market access to other countries, such as the Latin American countries.

Group of Fifteen

The Group of Fifteen (G-15) held three high-level meetings in 2006, namely:

- the 13th Summit of the Heads of State and Governments on 14 September 2006, in Havana, Cuba;
- the 13th Annual Board Meeting of the G-15 Federation Chambers of Commerce, Industry and Services (FCCIS); and
- the G-15 Business Summit, from 22-24 May 2006, in Kuala Lumpur.

The 13th Annual Board Meeting of the G-15 FCCIS and the G-15 Business Summit hosted by Malaysia were held under the auspices of the National Chamber of Commerce and Industry of Malaysia (NCCIM).

The Business Summit with the theme, 'G-15 On The Move: Enhancing Competitiveness and Opportunities', provided a platform for the business and investment communities of the G-15 member countries to meet and discuss measures for further enhancement in trade, investment and technology cooperation. The Summit which was attended by 300 businessmen from Egypt, Indonesia, India, Iran, Nigeria and Malaysia, provided a conducive environment for business networking among the G-15 business community.

The 13th Summit Meeting with the theme, 'Rural and Agricultural Development and the Management of Water Resources' held in Havana, Cuba, deliberated issues on water resources management and its impact on rural and agricultural development. The Summit also discussed issues of current international interests which impact the economies of the G-15 member countries.

The Meeting also discussed the Doha Development Agenda and:

- urged the developed members of the WTO to demonstrate flexibility and political will to bridge the existing gap between the developing and developed countries in trade negotiations;

- stressed the importance of a high level of ambition in market access for Agriculture and Non-Agricultural Market Access;

- called for the implementation of the Decision of the Sixth Hong Kong Ministerial Conference on duty-free and quota-free market access to products originating from the LDCs; and

- sought support for the G-15 member countries currently negotiating for WTO accession in order to ensure their speedy integration into the multilateral trading system.

The 14th Summit will be hosted by the Islamic Republic of Iran in 2007.

The European Union

European Union Enlargement

The European Union (EU) expanded from 25 member States to 27, on 1 January 2007, with the accession of Bulgaria and Romania. It now has a total population of nearly 500 million. The EU is also in the process of further enlarging its membership to candidate countries, such as Croatia, Republic of Macedonia and Turkey, as well as potential candidate countries, such as Albania, Bosnia and Herzegovina, Montenegro and Serbia.

Turkey's accession is still on-going despite the EU's decision in December 2006 to suspend talks on eight out of 35 chapters in the membership negotiations. This is due to Turkey's refusal to extend the EU-Turkey Customs Union to Cyprus.

EU Strategy for Biomass and Biofuels

A new Energy Policy for Europe was presented by the European Commission on 10 January 2007. The integrated package of proposals sets a series of targets on greenhouse gas emissions and renewable energy sectors, such as biofuels. The Policy calls for renewable energy to account for 20 per cent of all energy usage in member States by 2020. It also sets a binding minimum target of 10 per cent market share for biofuels in 2020, to reduce Europe's dependence on oil.

The Energy Policy was unveiled against the backdrop of Europe's uncertainties over its energy supply sources. These include more emphasis on renewable sources of energy (including biofuels). At the same time, the EU wants to keep the range of raw materials for biofuels wide, with priority on the EU-produced biofuels and less dependence on 'poor-performing' biofuels which are not sustainable.

The new Energy Policy was adopted by the European Council on 8-9 March 2007.

The Commission is expected to present a detailed paper and proposals on biofuels in the second half of 2007, including proposals for a palm oil sustainable certification scheme. Such a scheme may be a disadvantage for biofuel producers, including Malaysia and Indonesia for palm oil, and Brazil for sugar cane.

The recent developments have affected the palm oil industry. A case in point is the announcement of a Dutch energy company to temporarily stop buying palm oil for the purpose of producing environment-friendly electricity.

EU Generalised System of Preferences

The EU's trade with third countries is expected to grow with the implementation of the revised Generalised System of Preferences (GSP) Scheme, from 1 January 2006 to 31 December 2008. The revised Scheme offers increased preferential market access, with the inclusion of nearly 300 additional products for eligible countries under three schemes, namely the General Arrangement; Special Arrangement for LDCs (Everything But Arms Scheme); and the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP Plus Incentive Scheme). Malaysia qualifies for preferential tariffs under the General Arrangement of the EU GSP.

Malaysia's utilisation of the GSP is still relatively low. Only 60 per cent of eligible Malaysian exports benefited from the GSP scheme in 2005. The main products exported under the GSP include chemical products, electro-mechanics, textiles and fishery products.

With effect from 1 January 2006, preferential tariffs were reinstated for consumer electronics, plastic and rubber, wood, clothing, and cereals, malt and starches. Only animal or vegetable fats, oils and waxes, which are palm oil-based remain graduated.

The EU is in the process of drafting new rules of origin criteria for exports under the GSP to be adopted in the second half of 2007.

A revised User Guide for the GSP Rules of Origin was published in January 2007 to incorporate the extension of the GSP Scheme to the two new EU members, namely Bulgaria and Romania.

North America Free Trade Area

In 2006, North America Free Trade Area (NAFTA) endorsed the need to explore common approaches to remove impediments to the freer flow of goods, services and capital. This is to further increase North American competitiveness in an intensely competitive global economy. Towards this, Canada, the USA and Mexico have agreed to examine possible collaborations in the pursuit of FTAs and have identified elements of new FTAs, which might improve NAFTA practices.

Individually, in 2006, the NAFTA member countries continued to pursue trade liberalisation through bilateral FTAs. The US Congress has ratified its FTAs with Bahrain, Oman and the Central American Free Trade Area Agreement (covering Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua). FTAs negotiated and awaiting ratification by the US Congress are those with the Republic of Korea, while on-going negotiations are with Southern African Customs Union (Bostwana, Lesotho, Namibia, South Africa and Swaziland), Panama, Andean Group (Colombia, Peru and Ecuador), Thailand, United Arab Emirates and Malaysia.

Mexico is currently negotiating FTAs with Peru, the Republic of Korea and Singapore. Canada has on-going negotiations with the Republic of Korea, Singapore, the Americas minus Cuba (FTAA), the Central America Four (El Salvador, Guatemala, Honduras and Nicaragua), Dominican Republic, Andean Community, Caribbean Community (CARRICOM) and the European Free Trade Association (EFTA). Canada has launched FTA talks with Japan and the EU.

South Asian Association for Regional Cooperation

The South Asian Free Trade Agreement (SAFTA) signed in January 2004 is aimed at increasing intra-regional trade flows of the South Asian Association for Regional Cooperation (SAARC) member countries, namely, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The SAFTA came into force on 1 January 2006. However, the implementation of the Tariff Liberalisation Programme only commenced on 1 July 2006.

The liberalisation of tariffs is scheduled for completion by 2016, in which tariffs on products from SAARC member countries will be progressively reduced to 0-5 per cent level. The process of tariff reduction is implemented through two different sets of time frames.

The first set covering a two-year period from 1 July 2006 to 1 July 2008 is applicable to India, Pakistan and Sri Lanka. Tariffs of these countries will be reduced to 20 per cent. For products where existing tariff rates are already below 20 per cent, an annual reduction on a margin of preference basis of 10 per cent on the actual tariff rates will be applied. The second set, beginning from the third year of the Tariff Liberalisation Programme, shall be a five-year period for India and Pakistan, and six-year period for Sri Lanka. Tariffs will be reduced from 20 per cent and below to 0-5 per cent.

For Bangladesh, Bhutan, Maldives and Nepal, tariffs are scheduled to be reduced to 30 per cent during the first phase of two years commencing from 1 July 2006 to 1 July 2008. For products where existing tariff rates are already below 30 per cent, there will be an annual reduction on a margin of preference basis of 5 per cent on the actual existing tariff rates. The second phase covers an eight-year period beginning from the third year of the Tariff Liberalisation Programme.

Products under the Sensitive List of each member country will not be subject to any reduction in tariff rates. The number of items under the Sensitive Lists as announced by the member countries were 1,254 items for Bangladesh, Bhutan (157), India (884), Maldives (671), Nepal (1,310), Pakistan (1,183) and Sri Lanka (1,065). The Sensitive Lists will be reviewed every four years or earlier with a view to reducing the number of items in the lists.

All member countries are extending tariff concessions among themselves as provided under the SAFTA. However, in the case of Pakistan, while it has notified that tariff reduction would be applied on imports of 4,872 products from Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka under the SAFTA, similar tariff concessions were not extended to India. Imports from India would be subject to the Import Policy Order of Pakistan of July 2005, which restricts imports of 733 items of goods from India or goods of Indian origin. This system would continue until both countries resolve their political disputes. India has not withdrawn the concessions which it has extended to Pakistan under the SAFTA.

Latin American Southern Cone Common Market

Venezuela signed the membership agreement on 17 June 2006 and became a full member of the Latin American Southern Cone Common Market (MERCOSUR) on 4 July 2006. Venezuela became the fifth member of the grouping. The original members are Argentina, Brazil, Paraguay and Uruguay. Associate member status was granted to Bolivia, Chile, Colombia, Ecuador and Peru, with the signing of Free Trade Agreements (the Economic Complementarity Agreements) between the Andean Community and individual MERCOSUR members.

At the plenary session of the 30th MERCOSUR Summit held from 20-21 July 2006, Mexico expressed interest to become an associate member of the grouping. In 2005, MERCOSUR and Mexico began negotiations for a free trade agreement. There has been no significant progress made since the commencement of negotiations.

MERCOSUR has a market of 220 million consumers and a combined gross domestic product of more than US$1 trillion a year. MERCOSUR is slowly emerging as a grouping with stronger voice in the region.

However, there are also internal problems between member countries of the grouping. In 2006 Argentina and Uruguay clashed over plans to build two large pulp mills along the border. These mills are the biggest foreign investments Uruguay had ever attracted. Argentina raised its apprehension of possible pollution and the impact it would have on tourism and fishing. The dispute was brought to the International Court of Justice, which ruled in favour of Uruguay. Argentina has pledged to continue its fight against the setting up of the pulp mills by Uruguay.

The bloc's smaller members, Paraguay and Uruguay, complained of restricted access to markets in Argentina and Brazil, and have sought to set up bilateral trade deals outside MERCOSUR. However, these are not allowed under the rules of MERCOSUR.

MERCOSUR is becoming increasingly politicised and is moving away from its original objective of promoting freer trade among member countries. Talks to secure a trade accord with the EU have stalled, with farm subsidies and tariffs on industrial goods being among the stumbling blocks. Negotiations on a planned, US-backed Free Trade Area of the Americas are similarly mired, with some MERCOSUR leaders rejecting US free-market policies.

On 17 August 2005, MERCOSUR and Republic of Korea initiated a feasibility study on establishing an FTA. However, there has been no progress made.

Indian Ocean Rim-Association for Regional Cooperation

The Indian Ocean Rim Association for Regional Co-Operation (IOR-ARC) is a multilateral organisation comprising countries that share a shoreline along the Indian Ocean, namely, Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen. The IOR-ARC was formed in 1997 with the aim of promoting economic cooperation among member States.

In 2004 and 2005, the Meeting of the Council of Ministers of the IOR-ARC agreed that a Special Fund be established to finance IOR-ARC projects and programmes. The Sixth Meeting of the Council of Ministers of the IOR-ARC held from 21-22 February 2006, in Tehran, Iran, further discussed the Memorandum and Guidelines of the IOR-ARC Special Fund.

The objectives of the Special Fund are to:

- support facilitation of economic cooperation activities among member States; and
- assist academic research, entrepreneurial development and any intellectual exercise aimed at promoting economic cooperation among member States.

Projects and programmes to be funded upon the Council of Ministers' approval include:

- those that have been identified by member States, such as a feasibility study on tourism;
- projects related to the enhancement of trade and investment implemented by chambers of commerce, trade or industries or non-governmental organisations recognised by the IOR-ARC; and
- programmes proposed by higher academic institutions of the member States.

The Seventh IOR-ARC Council of Ministers Meeting was held from 4-7 March 2007, in Tehran, Iran. The meeting discussed, among others:

- disbursement of the IOR-ARC Special Fund;
- information sharing on foreign direct investment and investment regimes;
- the Preferential Trade Agreement proposed for IOR-ARC;

- facilitation of business travel within IOR-ARC;

- proposals on aid for trade and reviving multilateral trade negotiations of the Doha Round;

- opportunities for construction in IOR-ARC;

- cooperation in Standards and Accreditation;

- Cross-Border Payment Arrangements;

- Tourism Promotion and Development; and

- information sharing on quarantine requirements for:
  - animal and plant products;
  - food inspection requirements;
  - Customs procedures;
  - investment regimes; and
  - supply and demand of oil and gas.

OUTLOOK

Returning to the host of the first meeting in 1989, APEC 2007 in Australia will pursue a conclusion to world trade talks, encourage significant economic reforms, address challenges in energy security and sustainable development, counter terrorism and strengthen APEC with greater integration of the region.

Although development in trade and economic cooperation among the OIC countries has made some progress, including the signing and ratification of the TPS-OIC, the realisation of the benefits of such preferential trade arrangement could only be realised with more active participation from all OIC members. Malaysia as the chair for OIC until the first quarter of 2008 will continue to strive and support efforts of economic cooperation and integration among the OIC member States.

APPENDICES

Appendix 1

Organisations And Groupings - Membership

Organisation/ Grouping	Member Countries/Economies
APEC	Australia, Brunei Darussalam, Canada, Chile, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, People's Republic of China, Peru, Philippines, Republic of Korea, Russia, Singapore, Taiwan, 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, 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 Islands, Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, Saint 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 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, Kyrgyzstan, 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.

Continued ...

Organisation/ Grouping	Member Countries/Economies
NAM	Afghanistan, Central African Republic, Algeria, Angola, Antigua and Barbuda, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, 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, Democratic People's Republic of Korea, Kuwait, Lao PDR, Lebanon, Lesotho, Liberia, Libya, Madagascar, 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, 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.
OECD	Austria, Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, 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, Kyrgyzstan, Lebanon, Libya, 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, Central African Republic, Chad, Chile, People's Republic Of China, 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, European Community, Fiji, Finland, Former Yugoslav Republic of Macedonia, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea Bissau, Guinea, Republic of Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Republic of Korea, Kuwait, Kyrgyzstan, Latvia, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macau, Madagascar, 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, Peru, Philippines, Poland, Portugal, Qatar, Romania, 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, Taiwan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom, United States of America, Uruguay, Venezuela, Viet Nam, Zambia and Zimbabwe.

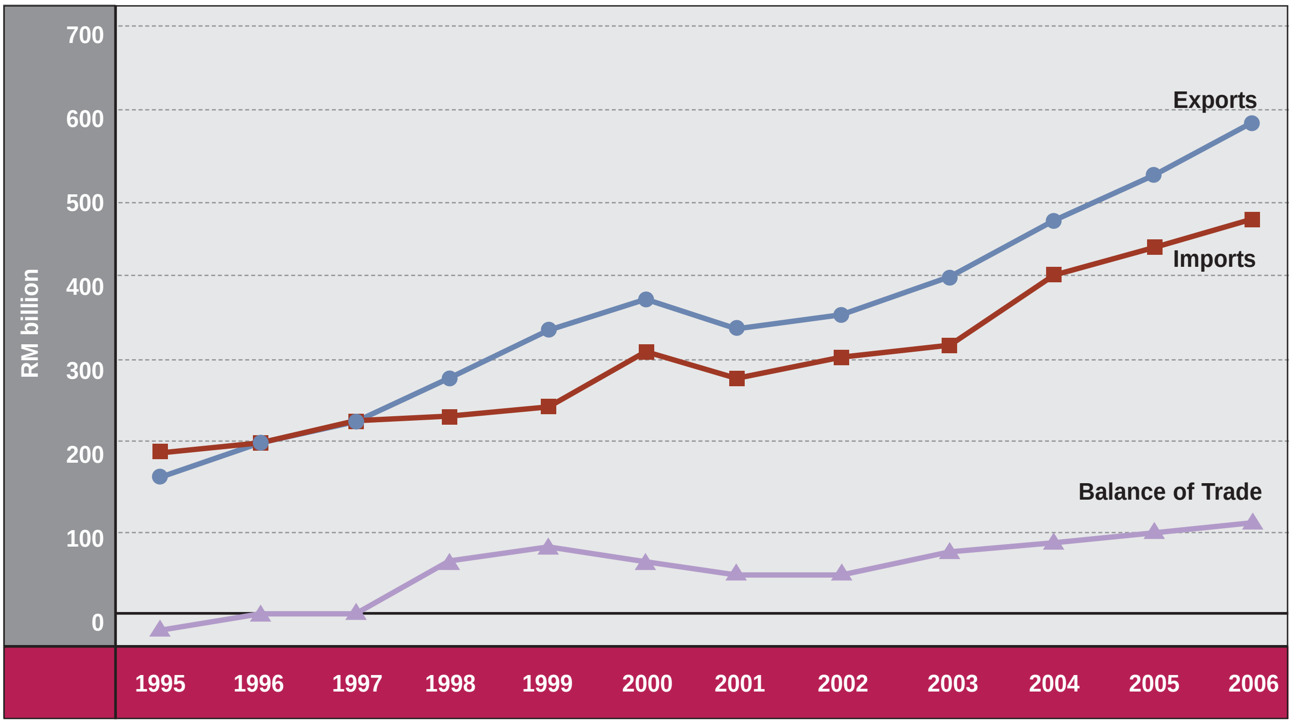
Appendix 2 Statistical Tables - Trade

Table 1:
Annual Trade, 1995-2006

Period	Total Trade	Exports	Imports	Balance of Trade
	(RM million)			
2006	1,069,738.0	588,965.5	480,772.5	108,192.9
2005	967,797.7	533,787.8	434,009.9	99,777.9
2004	880,885.2	481,253.0	399,632.2	81,620.8
2003	714,422.2	397,884.4	316,537.9	81,346.5
2002	660,520.5	357,430.0	303,090.5	54,339.6
2001	614,512.9	334,283.8	280,229.1	54,054.7
2000	684,729.2	373,270.3	311,458.9	61,811.4
1999	570,036.4	321,559.5	248,476.8	73,082.7
1998	514,687.6	286,563.1	228,124.5	58,438.6
1997	441,825.9	220,890.4	220,935.5	-45.0
1996	394,305.9	197,026.1	197,279.8	-253.7
1995	379,331.0	184,986.5	194,344.5	-9,358.0

Compiled by Ministry of International Trade and Industry

Chart 1:
Annual Trade, 1995 - 2006



Compiled by Ministry of International Trade and Industry

Table 2 :
Trade with Major Trading Partners, 2005-2006

Country	2006							2005						
	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	**1,069,738.0**	**100.0**	**588,965.5**	**100.0**	**480,772.5**	**100.0**	**108,192.9**	**967,797.7**	**100.0**	**533,787.8**	**100.0**	**434,009.9**	**100.0**	**99,777.9**
USA	170,796.3	16.0	110,586.2	18.8	60,210.1	12.5	50,376.1	160,951.2	16.6	105,032.9	19.7	55,918.3	12.9	49,114.7
Singapore	146,938.1	13.7	90,750.6	15.4	56,187.5	11.7	34,563.0	134,161.4	13.9	83,333.4	15.6	50,827.9	11.7	32,505.5
Japan	115,783.0	10.8	52,214.6	8.9	63,568.3	13.2	-11,353.7	112,899.4	11.7	49,917.7	9.4	62,981.7	14.5	-13,063.9
PRC	100,886.1	9.4	42,660.4	7.2	58,225.7	12.1	-15,565.3	85,101.4	8.8	35,221.0	6.6	49,880.4	11.5	-14,659.3
Thailand	57,453.1	5.4	31,176.8	5.3	26,276.3	5.5	4,900.5	51,612.0	5.3	28,722.9	5.4	22,889.1	5.3	5,833.7
ROK	47,201.4	4.4	21,290.8	3.6	25,910.6	5.4	-4,619.8	39,548.7	4.1	17,944.7	3.4	21,604.1	5.0	-3,659.4
Taiwan	42,263.3	4.0	16,043.5	2.7	26,219.8	5.5	-10,176.3	38,786.9	4.0	14,813.4	2.8	23,973.5	5.5	-9,160.2
Hong Kong	41,794.1	3.9	29,143.9	4.9	12,650.3	2.6	16,493.6	42,001.8	4.3	31,205.3	5.8	10,796.5	2.5	20,408.8
Germany	33,836.9	3.2	12,774.4	2.2	21,062.5	4.4	-8,288.1	30,524.0	3.2	11,258.5	2.1	19,265.5	4.4	-8,006.9
Indonesia	33,081.5	3.1	14,915.6	2.5	18,165.9	3.8	-3,250.2	29,145.4	3.0	12,579.7	2.4	16,565.7	3.8	-3,986.0
Australia	25,594.4	2.4	16,710.7	2.8	8,883.7	1.8	7,827.0	26,213.2	2.7	18,042.4	3.4	8,170.8	1.9	9,871.6
Netherlands	24,803.7	2.3	21,429.1	3.6	3,374.6	0.7	18,054.5	20,802.3	2.1	17,451.6	3.3	3,350.8	0.8	14,100.8
India	23,667.4	2.2	18,783.2	3.2	4,884.2	1.0	13,899.0	19,135.6	2.0	14,971.8	2.8	4,163.8	1.0	10,808.0
Philippines	18,613.4	1.7	7,973.5	1.4	10,639.9	2.2	-2,666.4	19,667.9	2.0	7,475.9	1.4	12,192.0	2.8	-4,716.1
Ukraine	17,523.1	1.6	10,714.1	1.8	6,808.9	1.4	3,905.2	15,992.1	1.7	9,470.1	1.8	6,522.0	1.5	2,948.1
France	15,637.7	1.5	7,941.9	1.3	7,695.8	1.6	246.1	12,572.7	1.3	6,912.6	1.3	5,660.1	1.3	1,252.5
UAE	11,861.2	1.1	8,311.5	1.4	3,549.8	0.7	4,761.7	9,831.8	1.0	6,993.3	1.3	2,838.5	0.7	4,154.8
Viet Nam	11,635.5	1.1	6,452.4	1.1	5,183.2	1.1	1,269.2	8,257.7	0.9	4,392.1	0.8	3,865.6	0.9	526.5
Saudi Arabia	10,488.9	1.0	1,944.0	0.3	8,544.9	1.8	-6,601.0	7,651.2	0.8	1,792.0	0.3	5,859.3	1.4	-4,067.3
Italy	7,813.7	0.7	3,622.6	0.6	4,191.1	0.9	-568.6	7,368.0	0.8	2,673.8	0.5	4,694.2	1.1	-2,020.3
Switzerland	6,219.8	0.6	1,555.7	0.3	4,664.1	1.0	-3,108.5	5,437.5	0.6	746.4	0.1	4,691.2	1.1	-3,944.8
Canada	6,170.5	0.6	3,766.8	0.6	2,403.8	0.5	1,363.0	4,979.7	0.5	2,846.9	0.5	2,132.8	0.5	714.2
Spain	4,641.9	0.4	3,426.3	0.6	1,215.5	0.3	2,210.8	3,179.5	0.3	2,209.6	0.4	969.9	0.2	1,239.7
Ireland	4,589.0	0.4	1,637.4	0.3	2,951.5	0.6	-1,314.1	4,475.9	0.5	1,789.8	0.3	2,686.1	0.6	-896.3
Brazil	4,367.4	0.4	1,834.2	0.3	2,533.2	0.5	-699.0	3,391.2	0.4	1,413.3	0.3	1,977.9	0.5	-564.5
South Africa	4,154.0	0.4	2,447.2	0.4	1,706.8	0.4	740.4	3,250.2	0.3	2,164.0	0.4	1,086.2	0.3	1,077.8
Mexico	4,151.0	0.4	3,359.1	0.6	791.9	0.2	2,567.2	3,058.0	0.3	2,547.5	0.5	510.4	0.1	2,037.1
Iran	3,752.2	0.4	1,615.9	0.3	2,136.3	0.4	-520.3	2,676.4	0.3	1,357.9	0.3	1,318.5	0.3	39.4
New Zealand	3,712.9	0.3	2,475.2	0.4	1,237.8	0.3	1,237.4	3,316.9	0.3	2,033.5	0.4	1,283.4	0.3	750.1
Belgium	3,706.6	0.3	2,253.9	0.4	1,452.7	0.3	801.2	3,464.1	0.4	2,039.4	0.4	1,424.8	0.3	614.6
Oman	3,609.0	0.3	365.9	0.1	3,243.0	0.7	-2,877.1	2,237.9	0.2	306.8	0.1	1,931.1	0.4	-1,624.2

Continued...

Country	2006							2005						
	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)
Sweden	3,485.5	0.3	1,257.2	0.2	2,228.2	0.5	-971.0	3,272.1	0.3	815.9	0.2	2,456.2	0.6	-1,640.4
Finland	3,430.1	0.3	2,476.8	0.4	953.3	0.2	1,523.5	2,717.1	0.3	1,891.8	0.4	825.3	0.2	1,066.4
Pakistan	3,306.0	0.3	3,088.6	0.5	217.4	neg.	2,871.2	3,017.8	0.3	2,803.6	0.5	214.2	neg.	2,589.5
Argentina	2,702.6	0.3	479.0	0.1	2,223.5	0.5	-1,744.5	2,711.6	0.3	389.1	0.1	2,322.5	0.5	-1,933.4
Turkey	2,577.4	0.2	2,346.9	0.4	230.5	neg.	2,116.4	2,293.7	0.2	2,024.2	0.4	269.5	0.1	1,754.7
Russia	2,530.5	0.2	1,723.1	0.3	807.5	0.2	915.6	3,440.7	0.4	1,803.9	0.3	1,636.8	0.4	167.1
Sri Lanka	2,038.7	0.2	1,958.9	0.3	79.8	neg.	1,879.0	1,700.3	0.2	1,659.6	0.3	40.7	neg.	1,618.9
Denmark	1,838.1	0.2	1,323.4	0.2	514.8	0.1	808.6	1,300.1	0.1	717.6	0.1	582.4	0.1	135.2
Austria	1,769.7	0.2	1,038.9	0.2	730.8	0.2	308.1	1,472.8	0.2	933.8	0.2	539.0	0.1	394.9
Kuwait	1,716.2	0.2	586.1	0.1	1,130.1	0.2	-544.0	1,494.4	0.2	462.7	0.1	1,031.7	0.2	-569.0
Hungary	1,669.9	0.2	1,473.0	0.3	196.9	neg.	1,276.1	1,601.8	0.2	1,425.5	0.3	176.2	neg.	1,249.3
Costa Rica	1,649.4	0.2	140.8	neg.	1,508.6	0.3	-1,367.9	1,038.7	0.1	164.5	neg.	874.3	0.2	-709.8
Bangladesh	1,632.2	0.2	1,548.5	0.3	83.7	neg.	1,464.9	1,632.8	0.2	1,550.2	0.3	82.6	neg.	1,467.7
Brunei Darussalam	1,543.8	0.1	1,267.7	0.2	276.1	0.1	991.6	1,386.2	0.1	1,337.1	0.3	49.1	neg.	1,288.0
Egypt	1,432.5	0.1	1,254.1	0.2	178.4	neg.	1,075.7	1,869.8	0.2	1,730.1	0.3	139.7	neg.	1,590.4
Yemen	1,151.3	0.1	960.2	0.2	191.1	neg.	769.1	636.1	0.1	450.9	0.1	185.3	neg.	265.6
Czech Rep.	1,101.6	0.1	890.8	0.2	210.7	neg.	680.1	957.6	0.1	730.5	0.1	227.1	0.1	503.3
Myanmar	1,064.7	0.1	605.9	0.1	458.8	0.1	147.1	1,435.4	0.1	929.2	0.2	506.1	0.1	423.1
Qatar	975.6	0.1	682.8	0.1	292.7	0.1	390.1	568.2	0.1	363.2	0.1	205.0	neg.	158.2
Poland	940.6	0.1	664.1	0.1	276.5	0.1	387.6	687.0	0.1	479.6	0.1	207.4	neg.	272.2
Portugal	938.5	0.1	659.4	0.1	279.1	0.1	380.2	1,118.6	0.1	682.8	0.1	435.8	0.1	246.9
Chile	927.9	0.1	321.9	0.1	606.0	0.1	-284.1	893.5	0.1	328.9	0.1	564.6	0.1	-235.7
Ukraine	901.1	0.1	626.3	0.1	274.8	0.1	351.5	967.3	0.1	559.5	0.1	407.8	0.1	151.7
Jordan	763.3	0.1	549.4	0.1	213.9	neg.	335.6	530.7	0.1	430.7	0.1	100.0	neg.	330.7
Ghana	726.7	0.1	317.0	0.1	409.8	0.1	-92.8	442.4	neg.	254.8	neg.	187.6	neg.	67.2
Bahrain	714.9	0.1	199.9	neg.	514.9	0.1	-315.0	567.3	0.1	157.9	neg.	409.4	0.1	-251.4
Norway	612.7	0.1	244.9	neg.	367.7	0.1	-122.8	467.7	neg.	198.1	neg.	269.7	0.1	-71.6
Greece	581.6	0.1	490.0	0.1	91.5	neg.	398.5	371.9	neg.	342.8	0.1	29.0	neg.	313.8
Syria	578.3	0.1	572.1	0.1	6.2	neg.	565.9	627.6	0.1	621.9	0.1	5.7	neg.	616.2
Cote D'Ivoire	516.9	neg.	42.6	neg.	474.3	0.1	-431.6	205.8	neg.	22.6	neg.	183.2	neg.	-160.5
Cambodia	471.4	neg.	397.1	0.1	74.3	neg.	322.8	445.1	neg.	413.7	0.1	31.3	neg.	382.4
Papua New Guinea	437.2	neg.	286.4	neg.	150.8	neg.	135.6	404.8	neg.	290.3	0.1	114.5	neg.	175.7
Panama	412.8	neg.	346.1	0.1	66.7	neg.	279.4	407.5	neg.	275.8	0.1	131.8	neg.	144.0
Tanzania	384.2	neg.	248.9	neg.	135.4	neg.	113.5	196.0	neg.	114.0	neg.	82.0	neg.	31.9
Slovak Rep.	368.7	neg.	288.3	neg.	80.3	neg.	208.0	244.0	neg.	119.4	neg.	124.7	neg.	-5.3

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 3 :
Major Export Destinations, 2005-2006

Country	Exports				
	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**
USA	110,586.2	18.8	5.3	105,032.9	19.7
Singapore	90,750.6	15.4	8.9	83,333.4	15.6
Japan	52,214.6	8.9	4.6	49,917.7	9.4
People's Republic of China	42,660.4	7.2	21.1	35,221.0	6.6
Thailand	31,176.8	5.3	8.5	28,722.9	5.4
Hong Kong	29,143.9	4.9	-6.6	31,205.3	5.8
Netherlands	21,429.1	3.6	22.8	17,451.6	3.3
Republic of Korea	21,290.8	3.6	18.6	17,944.7	3.4
India	18,783.2	3.2	25.5	14,971.8	2.8
Australia	16,710.7	2.8	-7.4	18,042.4	3.4
Taiwan	16,043.5	2.7	8.3	14,813.4	2.8
Indonesia	14,915.6	2.5	18.6	12,579.7	2.4
Germany	12,774.4	2.2	13.5	11,258.5	2.1
Ukraine	10,714.1	1.8	13.1	9,470.1	1.8
United Arab Emirates	8,311.5	1.4	18.8	6,993.3	1.3
Philippines	7,973.5	1.4	6.7	7,475.9	1.4
France	7,941.9	1.3	14.9	6,912.6	1.3
Viet Nam	6,452.4	1.1	46.9	4,392.1	0.8
Canada	3,766.8	0.6	32.3	2,846.9	0.5
Italy	3,622.6	0.6	35.5	2,673.8	0.5
Spain	3,426.3	0.6	55.1	2,209.6	0.4
Mexico	3,359.1	0.6	31.9	2,547.5	0.5
Pakistan	3,088.6	0.5	10.2	2,803.6	0.5
Finland	2,476.8	0.4	30.9	1,891.8	0.4
New Zealand	2,475.2	0.4	21.7	2,033.5	0.4
South Africa	2,447.2	0.4	13.1	2,164.0	0.4
Turkey	2,346.9	0.4	15.9	2,024.2	0.4
Belgium	2,253.9	0.4	10.5	2,039.4	0.4
Sri Lanka	1,958.9	0.3	18.0	1,659.6	0.3
Saudi Arabia	1,944.0	0.3	8.5	1,792.0	0.3
Brazil	1,834.2	0.3	29.8	1,413.3	0.3
Russia	1,723.1	0.3	-4.5	1,803.9	0.3
Ireland	1,637.4	0.3	-8.5	1,789.8	0.3
Iran	1,615.9	0.3	19.0	1,357.9	0.3
Switzerland	1,555.7	0.3	*	746.4	0.1
Bangladesh	1,548.5	0.3	-0.1	1,550.2	0.3
Hungary	1,473.0	0.3	3.3	1,425.5	0.3
Denmark	1,323.4	0.2	84.4	717.6	0.1
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3
Sweden	1,257.2	0.2	54.1	815.9	0.2
Egypt	1,254.1	0.2	-27.5	1,730.1	0.3
Austria	1,038.9	0.2	11.3	933.8	0.2
Yemen	960.2	0.2	*	450.9	0.1
Czech Republic	890.8	0.2	22.0	730.5	0.1
Qatar	682.8	0.1	88.0	363.2	0.1
Poland	664.1	0.1	38.5	479.6	0.1

Compiled by Ministry of International Trade and Industry
*Note : * - Not meaningful*

Table 4 :
Major Sources of Imports, 2005-2006

Country	Imports				
	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**
Japan	63,568.3	13.2	0.9	62,981.7	14.5
USA	60,210.1	12.5	7.7	55,918.3	12.9
People's Republic of China	58,225.7	12.1	16.7	49,880.4	11.5
Singapore	56,187.5	11.7	10.5	50,827.9	11.7
Thailand	26,276.3	5.5	14.8	22,889.1	5.3
Taiwan	26,219.8	5.5	9.4	23,973.5	5.5
Republic of Korea	25,910.6	5.4	19.9	21,604.1	5.0
Germany	21,062.5	4.4	9.3	19,265.5	4.4
Indonesia	18,165.9	3.8	9.7	16,565.7	3.8
Hong Kong	12,650.3	2.6	17.2	10,796.5	2.5
Philippines	10,639.9	2.2	-12.7	12,192.0	2.8
Australia	8,883.7	1.8	8.7	8,170.8	1.9
Saudi Arabia	8,544.9	1.8	45.8	5,859.3	1.4
France	7,695.8	1.6	36.0	5,660.1	1.3
Ukraine	6,808.9	1.4	4.4	6,522.0	1.5
Viet Nam	5,183.2	1.1	34.1	3,865.6	0.9
India	4,884.2	1.0	17.3	4,163.8	1.0
Switzerland	4,664.1	1.0	-0.6	4,691.2	1.1
Italy	4,191.1	0.9	-10.7	4,694.2	1.1
United Arab Emirates	3,549.8	0.7	25.1	2,838.5	0.7
Netherlands	3,374.6	0.7	0.7	3,350.8	0.8
Oman	3,243.0	0.7	67.9	1,931.1	0.4
Ireland	2,951.5	0.6	9.9	2,686.1	0.6
Brazil	2,533.2	0.5	28.1	1,977.9	0.5
Canada	2,403.8	0.5	12.7	2,132.8	0.5
Sweden	2,228.2	0.5	-9.3	2,456.2	0.6
Argentina	2,223.5	0.5	-4.3	2,322.5	0.5
Iran	2,136.3	0.4	62.0	1,318.5	0.3
South Africa	1,706.8	0.4	57.1	1,086.2	0.3
Costa Rica	1,508.6	0.3	72.6	874.3	0.2
Belgium	1,452.7	0.3	2.0	1,424.8	0.3
New Zealand	1,237.8	0.3	-3.6	1,283.4	0.3
Spain	1,215.5	0.3	25.3	969.9	0.2
Kuwait	1,130.1	0.2	9.5	1,031.7	0.2
Finland	953.3	0.2	15.5	825.3	0.2
Russia	807.5	0.2	-50.7	1,636.8	0.4
Mexico	791.9	0.2	55.1	510.4	0.1
Austria	730.8	0.2	35.6	539.0	0.1
Chile	606.0	0.1	7.3	564.6	0.1
Bahrain	514.9	0.1	25.8	409.4	0.1
Denmark	514.8	0.1	-11.6	582.4	0.1
Cote D'Ivoire	474.3	0.1	*	183.2	neg.
Myanmar	458.8	0.1	-9.3	506.1	0.1
Ghana	409.8	0.1	*	187.6	neg.
Norway	367.7	0.1	36.4	269.7	0.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 5 :
Trade with ASEAN, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
ASEAN	**153,560.4**	**26.1**	**10.3**	**139,207.8**	**26.1**	**117,442.2**	**24.4**	**9.8**	**106,975.9**	**24.6**	**36,118.1**	**32,232.0**
Singapore	90,750.6	15.4	8.9	83,333.4	15.6	56,187.5	11.7	10.5	50,827.9	11.7	34,563.0	32,505.5
Thailand	31,176.8	5.3	8.5	28,722.9	5.4	26,276.3	5.5	14.8	22,889.1	5.3	4,900.5	5,833.7
Indonesia	14,915.6	2.5	18.6	12,579.7	2.4	18,165.9	3.8	9.7	16,565.7	3.8	-3,250.2	-3,986.0
Philippines	7,973.5	1.4	6.7	7,475.9	1.4	10,639.9	2.2	-12.7	12,192.0	2.8	-2,666.4	-4,716.1
Viet Nam	6,452.4	1.1	46.9	4,392.1	0.8	5,183.2	1.1	34.1	3,865.6	0.9	1,269.2	526.5
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3	276.1	0.1	*	49.1	neg.	991.6	1,288.0
Myanmar	605.9	0.1	-34.8	929.2	0.2	458.8	0.1	-9.3	506.1	0.1	147.1	423.1
Cambodia	397.1	0.1	-4.0	413.7	0.1	74.3	neg.	*	31.3	neg.	322.8	382.4
Lao PDR	20.8	neg.	-12.6	23.8	neg.	180.1	neg.	*	48.9	neg.	-159.4	-25.2

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 6 :
Trade With NAFTA, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
NAFTA	**117,712.0**	**20.0**	**6.6**	**110,427.4**	**20.7**	**63,405.8**	**13.2**	**8.3**	**58,561.5**	**13.5**	**54,306.3**	**51,865.9**
USA	110,586.2	18.8	5.3	105,032.9	19.7	60,210.1	12.5	7.7	55,918.3	12.9	50,376.1	49,114.7
Canada	3,766.8	0.6	32.3	2,846.9	0.5	2,403.8	0.5	12.7	2,132.8	0.5	1,363.0	714.2
Mexico	3,359.1	0.6	31.9	2,547.5	0.5	791.9	0.2	55.1	510.4	0.1	2,567.2	2,037.1

Compiled by Ministry of International Trade and Industry

Table 7:
Trade With EU, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
EU	**75,148.9**	**12.8**	**19.6**	**62,830.0**	**11.8**	**54,757.2**	**11.4**	**8.2**	**50,585.5**	**11.7**	**20,391.7**	**12,244.4**
Netherlands	21,429.1	3.6	22.8	17,451.6	3.3	3,374.6	0.7	0.7	3,350.8	0.8	18,054.5	14,100.8
Germany	12,774.4	2.2	13.5	11,258.5	2.1	21,062.5	4.4	9.3	19,265.5	4.4	-8,288.1	-8,006.9
United Kingdom	10,714.1	1.8	13.1	9,470.1	1.8	6,808.9	1.4	4.4	6,522.0	1.5	3,905.2	2,948.1
France	7,941.9	1.3	14.9	6,912.6	1.3	7,695.8	1.6	36.0	5,660.1	1.3	246.1	1,252.5
Italy	3,622.6	0.6	35.5	2,673.8	0.5	4,191.1	0.9	-10.7	4,694.2	1.1	-568.6	-2,020.3
Spain	3,426.3	0.6	55.1	2,209.6	0.4	1,215.5	0.3	25.3	969.9	0.2	2,210.8	1,239.7
Finland	2,476.8	0.4	30.9	1,891.8	0.4	953.3	0.2	15.5	825.3	0.2	1,523.5	1,066.4
Belgium	2,253.9	0.4	10.5	2,039.4	0.4	1,452.7	0.3	2.0	1,424.8	0.3	801.2	614.6
Ireland	1,637.4	0.3	-8.5	1,789.8	0.3	2,951.5	0.6	9.9	2,686.1	0.6	-1,314.1	-896.3
Hungary	1,473.0	0.3	3.3	1,425.5	0.3	196.9	neg	11.7	176.2	neg.	1,276.1	1,249.3
Denmark	1,323.4	0.2	84.4	717.6	0.1	514.8	0.1	-11.6	582.4	0.1	808.6	135.2
Sweden	1,257.2	0.2	54.1	815.9	0.2	2,228.2	0.5	-9.3	2,456.2	0.6	-971.0	-1,640.4
Austria	1,038.9	0.2	11.3	933.8	0.2	730.8	0.2	35.6	539.0	0.1	308.1	394.9
Czech Republic	890.8	0.2	22.0	730.5	0.1	210.7	neg	-7.2	227.1	0.1	680.1	503.3
Poland	664.1	0.1	38.5	479.6	0.1	276.5	0.1	33.3	207.4	neg.	387.6	272.2
Portugal	659.4	0.1	-3.4	682.8	0.1	279.1	0.1	-36.0	435.8	0.1	380.2	246.9
Greece	490.0	0.1	42.9	342.8	0.1	91.5	neg.	*	29.0	neg.	398.5	313.8
Slovak Republic	288.3	neg.	*	119.4	neg.	80.3	neg.	-35.5	124.7	neg.	208.0	-5.3
Estonia	152.1	neg.	34.3	113.3	neg.	16.8	neg.	23.5	13.6	neg.	135.4	99.7
Romania	138.3	neg.	10.4	125.3	neg.	80.0	neg.	96.9	40.6	neg.	58.4	84.7
Malta	111.4	neg.	20.4	92.5	neg.	151.6	neg.	-18.4	185.9	neg.	-40.2	-93.4
Cyprus	76.6	neg.	35.7	56.4	neg.	13.1	neg.	-7.0	14.0	neg.	63.6	42.4
Luxembourg	76.4	neg.	-72.1	273.4	0.1	35.2	neg.	0.1	35.2	neg.	41.2	238.2
Bulgaria	69.9	neg.	-7.2	75.3	neg.	44.3	neg.	36.0	32.6	neg.	25.6	42.7
Latvia	62.6	neg.	41.7	44.2	neg.	5.4	neg.	-72.6	19.7	neg.	57.2	24.5
Lithuania	60.4	neg.	-0.2	60.6	neg.	62.5	neg.	65.7	37.8	neg.	-2.1	22.8
Slovenia	39.3	neg.	-10.4	43.8	neg.	33.2	neg.	11.8	29.7	neg.	6.1	14.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 8:

Trade With APEC, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
APEC	**453,317.1**	**77.0**	**7.9**	**420,048.4**	**78.7**	**378,423.9**	**78.7**	**9.4**	**345,982.1**	**79.7**	**74,893.2**	**74,066.3**
USA	110,586.2	18.8	5.3	105,032.9	19.7	60,210.1	12.5	7.7	55,918.3	12.9	50,376.1	49,114.7
Singapore	90,750.6	15.4	8.9	83,333.4	15.6	56,187.5	11.7	10.5	50,827.9	11.7	34,563.0	32,505.5
Japan	52,214.6	8.9	4.6	49,917.7	9.4	63,568.3	13.2	0.9	62,981.7	14.5	-11,353.7	-13,063.9
PRC	42,660.4	7.2	21.1	35,221.0	6.6	58,225.7	12.1	16.7	49,880.4	11.5	-15,565.3	-14,659.3
Thailand	31,176.8	5.3	8.5	28,722.9	5.4	26,276.3	5.5	14.8	22,889.1	5.3	4,900.5	5,833.7
Hong Kong	29,143.9	4.9	-6.6	31,205.3	5.8	12,650.3	2.6	17.2	10,796.5	2.5	16,493.6	20,408.8
Republic of Korea	21,290.8	3.6	18.6	17,944.7	3.4	25,910.6	5.4	19.9	21,604.1	5.0	-4,619.8	-3,659.4
Australia	16,710.7	2.8	-7.4	18,042.4	3.4	8,883.7	1.8	8.7	8,170.8	1.9	7,827.0	9,871.6
Taiwan	16,043.5	2.7	8.3	14,813.4	2.8	26,219.8	5.5	9.4	23,973.5	5.5	-10,176.3	-9,160.2
Indonesia	14,915.6	2.5	18.6	12,579.7	2.4	18,165.9	3.8	9.7	16,565.7	3.8	-3,250.2	-3,986.0
Philippines	7,973.5	1.4	6.7	7,475.9	1.4	10,639.9	2.2	-12.7	12,192.0	2.8	-2,666.4	-4,716.1
Viet Nam	6,452.4	1.1	46.9	4,392.1	0.8	5,183.2	1.1	34.1	3,865.6	0.9	1,269.2	526.5
Canada	3,766.8	0.6	32.3	2,846.9	0.5	2,403.8	0.5	12.7	2,132.8	0.5	1,363.0	714.2
Mexico	3,359.1	0.6	31.9	2,547.5	0.5	791.9	0.2	55.1	510.4	0.1	2,567.2	2,037.1
New Zealand	2,475.2	0.4	21.7	2,033.5	0.4	1,237.8	0.3	-3.6	1,283.4	0.3	1,237.4	750.1
Russia	1,723.1	0.3	-4.5	1,803.9	0.3	807.5	0.2	-50.7	1,636.8	0.4	915.6	167.1
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3	276.1	0.1	*	49.1	neg.	991.6	1,288.0
Chile	321.9	0.1	-2.1	328.9	0.1	606.0	0.1	7.3	564.6	0.1	-284.1	-235.7
Papua New Guinea	286.4	neg.	-1.3	290.3	0.1	150.8	neg.	31.7	114.5	neg.	135.6	175.7
Peru	198.0	neg.	10.8	178.8	neg.	28.8	neg.	15.9	24.8	neg.	169.2	153.9

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 9:
Trade with Major Countries in NAM, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
NAM	**205,355.3**	**34.9**	**12.2**	**182,945.1**	**34.3**	**147,895.0**	**30.8**	**14.7**	**128,991.1**	**29.7**	**57,460.3**	**53,954.0**
Singapore	90,750.6	15.4	8.9	83,333.4	15.6	56,187.5	11.7	10.5	50,827.9	11.7	34,563.0	32,505.5
Thailand	31,176.8	5.3	8.5	28,722.9	5.4	26,276.3	5.5	14.8	22,889.1	5.3	4,900.5	5,833.7
India	18,783.2	3.2	25.5	14,971.8	2.8	4,884.2	1.0	17.3	4,163.8	1.0	13,899.0	10,808.0
Indonesia	14,915.6	2.5	18.6	12,579.7	2.4	18,165.9	3.8	9.7	16,565.7	3.8	-3,250.2	-3,986.0
United Arab Emirates	8,311.5	1.4	18.8	6,993.3	1.3	3,549.8	0.7	25.1	2,838.5	0.7	4,761.7	4,154.8
Philippines	7,973.5	1.4	6.7	7,475.9	1.4	10,639.9	2.2	-12.7	12,192.0	2.8	-2,666.4	-4,716.1
Viet Nam	6,452.4	1.1	46.9	4,392.1	0.8	5,183.2	1.1	34.1	3,865.6	0.9	1,269.2	526.5
Pakistan	3,088.6	0.5	10.2	2,803.6	0.5	217.4	neg.	1.5	214.2	neg.	2,871.2	2,589.5
South Africa	2,447.2	0.4	13.1	2,164.0	0.4	1,706.8	0.4	57.1	1,086.2	0.3	740.4	1,077.8
Sri Lanka	1,958.9	0.3	18.0	1,659.6	0.3	79.8	neg.	96.1	40.7	neg.	1,879.0	1,618.9
Saudi Arabia	1,944.0	0.3	8.5	1,792.0	0.3	8,544.9	1.8	45.8	5,859.3	1.4	-6,601.0	-4,067.3
Iran	1,615.9	0.3	19.0	1,357.9	0.3	2,136.3	0.4	62.0	1,318.5	0.3	-520.3	39.4
Bangladesh	1,548.5	0.3	-0.1	1,550.2	0.3	83.7	neg.	1.4	82.6	neg.	1,464.9	1,467.7
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3	276.1	0.1	*	49.1	neg.	991.6	1,288.0
Egypt	1,254.1	0.2	-27.5	1,730.1	0.3	178.4	neg.	27.7	139.7	neg.	1,075.7	1,590.4
Yemen	960.2	0.2	*	450.9	0.1	191.1	neg.	3.1	185.3	neg.	769.1	265.6
Qatar	682.8	0.1	88.0	363.2	0.1	292.7	0.1	42.8	205.0	neg.	390.1	158.2
Myanmar	605.9	0.1	-34.8	929.2	0.2	458.8	0.1	-9.3	506.1	0.1	147.1	423.1
Kuwait	586.1	0.1	26.7	462.7	0.1	1,130.1	0.2	9.5	1,031.7	0.2	-544.0	-569.0
Syria	572.1	0.1	-8.0	621.9	0.1	6.2	neg.	8.7	5.7	neg.	565.9	616.2
Jordan	549.4	0.1	27.6	430.7	0.1	213.9	neg.	*	100.0	neg.	335.6	330.7
Cambodia	397.1	0.1	-4.0	413.7	0.1	74.3	neg.	*	31.3	neg.	322.8	382.4
Oman	365.9	0.1	19.3	306.8	0.1	3,243.0	0.7	67.9	1,931.1	0.4	-2,877.1	-1,624.2
Benin	361.0	0.1	*	100.0	neg.	0.2	neg.	-93.7	3.5	neg.	360.8	96.6
Panama	346.1	0.1	25.5	275.8	0.1	66.7	neg.	-49.4	131.8	neg.	279.4	144.0

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 10 :

Trade with Major Countries in the OIC, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
OIC	**43,406.5**	**7.4**	**13.6**	**38,196.1**	**7.2**	**40,394.2**	**8.4**	**26.7**	**31,874.4**	**7.3**	**3,012.3**	**6,321.7**
D-8	**25,000.1**	**4.2**	**9.9**	**22,742.8**	**4.3**	**21,089.2**	**4.4**	**13.1**	**18,641.2**	**4.3**	**3,910.9**	**4,101.6**
Indonesia[1]	14,915.6	2.5	18.6	12,579.7	2.4	18,165.9	3.8	9.7	16,565.7	3.8	-3,250.2	-3,986.0
United Arab Emirates	8,311.5	1.4	18.8	6,993.3	1.3	3,549.8	0.7	25.1	2,838.5	0.7	4,761.7	4,154.8
Pakistan[1]	3,088.6	0.5	10.2	2,803.6	0.5	217.4	neg.	1.5	214.2	neg.	2,871.2	2,589.5
Turkey[1]	2,346.9	0.4	15.9	2,024.2	0.4	230.5	neg.	-14.5	269.5	0.1	2,116.4	1,754.7
Saudi Arabia	1,944.0	0.3	8.5	1,792.0	0.3	8,544.9	1.8	45.8	5,859.3	1.4	-6,601.0	-4,067.3
Iran[1]	1,615.9	0.3	19.0	1,357.9	0.3	2,136.3	0.4	62.0	1,318.5	0.3	-520.3	39.4
Bangladesh[1]	1,548.5	0.3	-0.1	1,550.2	0.3	83.7	neg.	1.4	82.6	neg.	1,464.9	1,467.7
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3	276.1	0.1	*	49.1	neg.	991.6	1,288.0
Egypt[1]	1,254.1	0.2	-27.5	1,730.1	0.3	178.4	neg.	27.7	139.7	neg.	1,075.7	1,590.4
Yemen	960.2	0.2	*	450.9	0.1	191.1	neg.	3.1	185.3	neg.	769.1	265.6
Qatar	682.8	0.1	88.0	363.2	0.1	292.7	0.1	42.8	205.0	neg.	390.1	158.2
Kuwait	586.1	0.1	26.7	462.7	0.1	1,130.1	0.2	9.5	1,031.7	0.2	-544.0	-569.0
Syria	572.1	0.1	-8.0	621.9	0.1	6.2	neg.	8.7	5.7	neg.	565.9	616.2
Jordan	549.4	0.1	27.6	430.7	0.1	213.9	neg.	*	100.0	neg.	335.6	330.7
Oman	365.9	0.1	19.3	306.8	0.1	3,243.0	0.7	67.9	1,931.1	0.4	-2,877.1	-1,624.2
Benin	361.0	0.1	*	100.0	neg.	0.2	neg.	-93.7	3.5	neg.	360.8	96.6
Togo	263.8	neg.	38.2	190.8	neg.	18.6	neg.	*	5.4	neg.	245.1	185.4
Maldives	246.2	neg.	21.1	203.2	neg.	1.5	neg.	-2.6	1.6	neg.	244.6	201.6
Algeria	245.0	neg.	26.2	194.2	neg.	24.6	neg.	*	3.4	neg.	220.4	190.8
Nigeria[1]	230.4	neg.	-66.9	697.0	0.1	77.1	neg.	51.0	51.1	neg.	153.4	646.0

Compiled by Ministry of International Trade and Industry

Note: [1] - Member of D-8

neg. - negligible

** - not meaningful*

Table 11 :
Trade with OECD, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
OECD	**289,000.3**	**49.1**	**9.7**	**263,564.2**	**49.4**	**222,630.6**	**46.3**	**7.0**	**208,044.6**	**47.9**	**66,369.7**	**55,519.6**
USA	110,586.2	18.8	5.3	105,032.9	19.7	60,210.1	12.5	7.7	55,918.3	12.9	50,376.1	49,114.7
Japan	52,214.6	8.9	4.6	49,917.7	9.4	63,568.3	13.2	0.9	62,981.7	14.5	-11,353.7	-13,063.9
Netherlands	21,429.1	3.6	22.8	17,451.6	3.3	3,374.6	0.7	0.7	3,350.8	0.8	18,054.5	14,100.8
Republic of Korea	21,290.8	3.6	18.6	17,944.7	3.4	25,910.6	5.4	19.9	21,604.1	5.0	-4,619.8	-3,659.4
Australia	16,710.7	2.8	-7.4	18,042.4	3.4	8,883.7	1.8	8.7	8,170.8	1.9	7,827.0	9,871.6
Germany	12,774.4	2.2	13.5	11,258.5	2.1	21,062.5	4.4	9.3	19,265.5	4.4	-8,288.1	-8,006.9
United Kingdom	10,714.1	1.8	13.1	9,470.1	1.8	6,808.9	1.4	4.4	6,522.0	1.5	3,905.2	2,948.1
France	7,941.9	1.3	14.9	6,912.6	1.3	7,695.8	1.6	36.0	5,660.1	1.3	246.1	1,252.5
Canada	3,766.8	0.6	32.3	2,846.9	0.5	2,403.8	0.5	12.7	2,132.8	0.5	1,363.0	714.2
Italy	3,622.6	0.6	35.5	2,673.8	0.5	4,191.1	0.9	-10.7	4,694.2	1.1	-568.6	-2,020.3
Spain	3,426.3	0.6	55.1	2,209.6	0.4	1,215.5	0.3	25.3	969.9	0.2	2,210.8	1,239.7
Mexico	3,359.1	0.6	31.9	2,547.5	0.5	791.9	0.2	55.1	510.4	0.1	2,567.2	2,037.1
Finland	2,476.8	0.4	30.9	1,891.8	0.4	953.3	0.2	15.5	825.3	0.2	1,523.5	1,066.4
New Zealand	2,475.2	0.4	21.7	2,033.5	0.4	1,237.8	0.3	-3.6	1,283.4	0.3	1,237.4	750.1
Turkey	2,346.9	0.4	15.9	2,024.2	0.4	230.5	neg.	-14.5	269.5	0.1	2,116.4	1,754.7
Belgium	2,253.9	0.4	10.5	2,039.4	0.4	1,452.7	0.3	2.0	1,424.8	0.3	801.2	614.6
Ireland	1,637.4	0.3	-8.5	1,789.8	0.3	2,951.5	0.6	9.9	2,686.1	0.6	-1,314.1	-896.3
Switzerland	1,555.7	0.3	*	746.4	0.1	4,664.1	1.0	-0.6	4,691.2	1.1	-3,108.5	-3,944.8
Hungary	1,473.0	0.3	3.3	1,425.5	0.3	196.9	neg	11.7	176.2	neg.	1,276.1	1,249.3
Denmark	1,323.4	0.2	84.4	717.6	0.1	514.8	0.1	-11.6	582.4	0.1	808.6	135.2
Sweden	1,257.2	0.2	54.1	815.9	0.2	2,228.2	0.5	-9.3	2,456.2	0.6	-971.0	-1,640.4
Austria	1,038.9	0.2	11.3	933.8	0.2	730.8	0.2	35.6	539.0	0.1	308.1	394.9
Czech Republic	890.8	0.2	22.0	730.5	0.1	210.7	neg.	-7.2	227.1	0.1	680.1	503.3
Poland	664.1	0.1	38.5	479.6	0.1	276.5	0.1	33.3	207.4	neg.	387.6	272.2
Portugal	659.4	0.1	-3.4	682.8	0.1	279.1	0.1	-36.0	435.8	0.1	380.2	246.9

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 12:

Trade with Major Countries in the Commonwealth, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
Commonwealth	**156,290.9**	**26.5**	**9.4**	**142,862.8**	**26.8**	**84,250.9**	**17.5**	**11.5**	**75,566.4**	**17.4**	**72,040.0**	**67,296.4**
Singapore	90,750.6	15.4	8.9	83,333.4	15.6	56,187.5	11.7	10.5	50,827.9	11.7	34,563.0	32,505.5
India	18,783.2	3.2	25.5	14,971.8	2.8	4,884.2	1.0	17.3	4,163.8	1.0	13,899.0	10,808.0
Australia	16,710.7	2.8	-7.4	18,042.4	3.4	8,883.7	1.8	8.7	8,170.8	1.9	7,827.0	9,871.6
United Kingdom	10,714.1	1.8	13.1	9,470.1	1.8	6,808.9	1.4	4.4	6,522.0	1.5	3,905.2	2,948.1
Canada	3,766.8	0.6	32.3	2,846.9	0.5	2,403.8	0.5	12.7	2,132.8	0.5	1,363.0	714.2
Pakistan	3,088.6	0.5	10.2	2,803.6	0.5	217.4	neg.	1.5	214.2	neg.	2,871.2	2,589.5
New Zealand	2,475.2	0.4	21.7	2,033.5	0.4	1,237.8	0.3	-3.6	1,283.4	0.3	1,237.4	750.1
South Africa	2,447.2	0.4	13.1	2,164.0	0.4	1,706.8	0.4	57.1	1,086.2	0.3	740.4	1,077.8
Sri Lanka	1,958.9	0.3	18.0	1,659.6	0.3	79.8	neg.	96.1	40.7	neg.	1,879.0	1,618.9
Bangladesh	1,548.5	0.3	-0.1	1,550.2	0.3	83.7	neg.	1.4	82.6	neg.	1,464.9	1,467.7
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3	276.1	0.1	*	49.1	neg.	991.6	1,288.0
Ghana	317.0	0.1	24.4	254.8	neg.	409.8	0.1	*	187.6	neg.	-92.8	67.2
Mauritius	290.1	neg.	26.9	228.6	neg.	16.9	neg.	*	3.0	neg.	273.1	225.5
Kenya	287.0	neg.	46.2	196.3	neg.	44.4	neg.	65.8	26.8	neg.	242.6	169.5
Papua New Guinea	286.4	neg.	-1.3	290.3	0.1	150.8	neg.	31.7	114.5	neg.	135.6	175.7
Tanzania	248.9	neg.	*	114.0	neg.	135.4	neg.	65.0	82.0	neg.	113.5	31.9
Maldives	246.2	neg.	21.1	203.2	neg.	1.5	neg.	-2.6	1.6	neg.	244.6	201.6
Nigeria	230.4	neg.	-66.9	697.0	0.1	77.1	neg.	51.0	51.1	neg.	153.4	646.0
Malta	111.4	neg.	20.4	92.5	neg.	151.6	neg.	-18.4	185.9	neg.	-40.2	-93.4
Fiji	106.0	neg.	13.1	93.7	neg.	7.6	neg.	*	1.6	neg.	98.4	92.2

Compiled by Ministry of International Trade and Industry

Note: neg. - negligible

** - not meaningful*

Table 13:
Trade with Major South Countries, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
South Countries	**163,852.2**	**27.8**	**17.1**	**139,966.8**	**26.2**	**157,245.5**	**32.7**	**17.3**	**134,072.1**	**30.9**	**6,606.8**	**5,894.7**
PRC	42,660.4	7.2	21.1	35,221.0	6.6	58,225.7	12.1	16.7	49,880.4	11.5	-15,565.3	-14,659.3
Thailand	31,176.8	5.3	8.5	28,722.9	5.4	26,276.3	5.5	14.8	22,889.1	5.3	4,900.5	5,833.7
India	18,783.2	3.2	25.5	14,971.8	2.8	4,884.2	1.0	17.3	4,163.8	1.0	13,899.0	10,808.0
Indonesia	14,915.6	2.5	18.6	12,579.7	2.4	18,165.9	3.8	9.7	16,565.7	3.8	-3,250.2	-3,986.0
United Arab Emirates	8,311.5	1.4	18.8	6,993.3	1.3	3,549.8	0.7	25.1	2,838.5	0.7	4,761.7	4,154.8
Philippines	7,973.5	1.4	6.7	7,475.9	1.4	10,639.9	2.2	-12.7	12,192.0	2.8	-2,666.4	-4,716.1
Vietnam	6,452.4	1.1	46.9	4,392.1	0.8	5,183.2	1.1	34.1	3,865.6	0.9	1,269.2	526.5
Mexico	3,359.1	0.6	31.9	2,547.5	0.5	791.9	0.2	55.1	510.4	0.1	2,567.2	2,037.1
Pakistan	3,088.6	0.5	10.2	2,803.6	0.5	217.4	neg.	1.5	214.2	neg.	2,871.2	2,589.5
South Africa	2,447.2	0.4	13.1	2,164.0	0.4	1,706.8	0.4	57.1	1,086.2	0.3	740.4	1,077.8
Sri Lanka	1,958.9	0.3	18.0	1,659.6	0.3	79.8	neg.	96.1	40.7	neg.	1,879.0	1,618.9
Saudi Arabia	1,944.0	0.3	8.5	1,792.0	0.3	8,544.9	1.8	45.8	5,859.3	1.4	-6,601.0	-4,067.3
Brazil	1,834.2	0.3	29.8	1,413.3	0.3	2,533.2	0.5	28.1	1,977.9	0.5	-699.0	-564.5
Iran	1,615.9	0.3	19.0	1,357.9	0.3	2,136.3	0.4	62.0	1,318.5	0.3	-520.3	39.4
Bangladesh	1,548.5	0.3	-0.1	1,550.2	0.3	83.7	neg.	1.4	82.6	neg.	1,464.9	1,467.7
Brunei Darussalam	1,267.7	0.2	-5.2	1,337.1	0.3	276.1	0.1	*	49.1	neg.	991.6	1,288.0
Egypt	1,254.1	0.2	-27.5	1,730.1	0.3	178.4	neg.	27.7	139.7	neg.	1,075.7	1,590.4
Yemen	960.2	0.2	*	450.9	0.1	191.1	neg.	3.1	185.3	neg.	769.1	265.6
Qatar	682.8	0.1	88.0	363.2	0.1	292.7	0.1	42.8	205.0	neg.	390.1	158.2
Myanmar	605.9	0.1	-34.8	929.2	0.2	458.8	0.1	-9.3	506.1	0.1	147.1	423.1
Kuwait	586.1	0.1	26.7	462.7	0.1	1,130.1	0.2	9.5	1,031.7	0.2	-544.0	-569.0
Syria	572.1	0.1	-8.0	621.9	0.1	6.2	neg.	8.7	5.7	neg.	565.9	616.2
Jordan	549.4	0.1	27.6	430.7	0.1	213.9	neg.	*	100.0	neg.	335.6	330.7
Argentina	479.0	0.1	23.1	389.1	0.1	2,223.5	0.5	-4.3	2,322.5	0.5	-1,744.5	-1,933.4
Cambodia	397.1	0.1	-4.0	413.7	0.1	74.3	neg.	*	31.3	neg.	322.8	382.4

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 14 :
Trade with Major Asian Countries, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
Asia	**359,199.6**	**61.0**	**10.5**	**325,106.9**	**60.9**	**329,574.9**	**68.6**	**11.7**	**295,086.4**	**68.0**	**29,624.7**	**30,020.5**
North East Asia	**161,441.9**	**27.4**	**8.2**	**149,210.8**	**28.0**	**186,654.5**	**38.8**	**10.3**	**169,288.5**	**39.0**	**-25,212.6**	**-20,077.7**
Japan	52,214.6	8.9	4.6	49,917.7	9.4	63,568.3	13.2	0.9	62,981.7	14.5	-11,353.7	-13,063.9
PRC	42,660.4	7.2	21.1	35,221.0	6.6	58,225.7	12.1	16.7	49,880.4	11.5	-15,565.3	-14,659.3
Hong Kong	29,143.9	4.9	-6.6	31,205.3	5.8	12,650.3	2.6	17.2	10,796.5	2.5	16,493.6	20,408.8
Republic of Korea	21,290.8	3.6	18.6	17,944.7	3.4	25,910.6	5.4	19.9	21,604.1	5.0	-4,619.8	-3,659.4
Taiwan	16,043.5	2.7	8.3	14,813.4	2.8	26,219.8	5.5	9.4	23,973.5	5.5	-10,176.3	-9,160.2
ASEAN	**153,560.4**	**26.1**	**10.3**	**139,207.8**	**26.1**	**117,442.2**	**24.4**	**9.8**	**106,975.9**	**24.6**	**36,118.1**	**32,232.0**
West Asia	**18,379.5**	**3.1**	**20.8**	**15,217.6**	**2.9**	**20,207.4**	**4.2**	**41.5**	**14,276.1**	**3.3**	**-1,828.0**	**941.5**
United Arab Emirates	8,311.5	1.4	18.8	6,993.3	1.3	3,549.8	0.7	25.1	2,838.5	0.7	4,761.7	4,154.8
Turkey	2,346.9	0.4	15.9	2,024.2	0.4	230.5	neg.	-14.5	269.5	0.1	2,116.4	1,754.7
Saudi Arabia	1,944.0	0.3	8.5	1,792.0	0.3	8,544.9	1.8	45.8	5,859.3	1.4	-6,601.0	-4,067.3
Iran	1,615.9	0.3	19.0	1,357.9	0.3	2,136.3	0.4	62.0	1,318.5	0.3	-520.3	39.4
Yemen	960.2	0.2	*	450.9	0.1	191.1	neg.	3.1	185.3	neg.	769.1	265.6
Qatar	682.8	0.1	88.0	363.2	0.1	292.7	0.1	42.8	205.0	neg.	390.1	158.2
Kuwait	586.1	0.1	26.7	462.7	0.1	1,130.1	0.2	9.5	1,031.7	0.2	-544.0	-569.0
Syria	572.1	0.1	-8.0	621.9	0.1	6.2	neg.	8.7	5.7	neg.	565.9	616.2
South Asia	**25,682.5**	**4.4**	**20.9**	**21,244.5**	**4.0**	**5,268.0**	**1.1**	**17.0**	**4,504.4**	**1.0**	**20,414.6**	**16,740.2**
India	18,783.2	3.2	25.5	14,971.8	2.8	4,884.2	1.0	17.3	4,163.8	1.0	13,899.0	10,808.0
Pakistan	3,088.6	0.5	10.2	2,803.6	0.5	217.4	neg.	1.5	214.2	neg.	2,871.2	2,589.5
Sri Lanka	1,958.9	0.3	18.0	1,659.6	0.3	79.8	neg.	96.1	40.7	neg.	1,879.0	1,618.9
Bangladesh	1,548.5	0.3	-0.1	1,550.2	0.3	83.7	neg.	1.4	82.6	neg.	1,464.9	1,467.7
Central Asia	**135.4**	**neg.**	**-40.1**	**226.1**	**neg.**	**2.8**	**neg.**	**-93.2**	**41.5**	**neg.**	**132.6**	**184.6**
Kazakhstan	77.0	neg.	-58.0	183.1	neg.	neg.	neg.	-99.9	38.5	neg.	77.0	144.7
Uzbekistan	45.2	neg.	31.2	34.4	neg.	0.2	neg.	69.8	0.1	neg.	45.0	34.3

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 15 :

Trade with Major Countries in the Americas, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
Americas	**122,206.0**	**20.7**	**7.2**	**114,048.8**	**21.4**	**70,715.5**	**14.7**	**9.1**	**64,837.4**	**14.9**	**51,490.5**	**49,211.4**
North America	**114,353.0**	**19.4**	**6.0**	**107,879.9**	**20.2**	**62,613.9**	**13.0**	**7.9**	**58,051.1**	**13.4**	**51,739.1**	**49,828.8**
USA	110,586.2	18.8	5.3	105,032.9	19.7	60,210.1	12.5	7.7	55,918.3	12.9	50,376.1	49,114.7
Canada	3,766.8	0.6	32.3	2,846.9	0.5	2,403.8	0.5	12.7	2,132.8	0.5	1,363.0	714.2
Central America	**4,031.4**	**0.7**	**29.5**	**3,113.3**	**0.6**	**2,495.0**	**0.5**	**60.0**	**1,559.6**	**0.4**	**1,536.4**	**1,553.7**
Mexico	3,359.1	0.6	31.9	2,547.5	0.5	791.9	0.2	55.1	510.4	0.1	2,567.2	2,037.1
Panama	346.1	0.1	25.5	275.8	0.1	66.7	neg.	-49.4	131.8	neg.	279.4	144.0
Costa Rica	140.8	neg.	-14.4	164.5	neg.	1,508.6	0.3	72.6	874.3	0.2	-1,367.9	-709.8
Guatemala	69.8	neg.	92.0	36.4	neg.	50.7	neg.	34.4	37.7	neg.	19.2	-1.3
El Salvador	57.1	neg.	33.4	42.8	neg.	30.4	neg.	*	2.6	neg.	26.8	40.3
Honduras	33.1	neg.	-9.2	36.4	neg.	45.8	neg.	*	1.0	neg.	-12.7	35.5
South America	**3,387.4**	**0.6**	**27.4**	**2,658.4**	**0.5**	**5,503.8**	**1.1**	**7.9**	**5,102.6**	**1.2**	**-2,116.4**	**-2,444.2**
Brazil	1,834.2	0.3	29.8	1,413.3	0.3	2,533.2	0.5	28.1	1,977.9	0.5	-699.0	-564.5
Argentina	479.0	0.1	23.1	389.1	0.1	2,223.5	0.5	-4.3	2,322.5	0.5	-1,744.5	-1,933.4
Chile	321.9	0.1	-2.1	328.9	0.1	606.0	0.1	7.3	564.6	0.1	-284.1	-235.7
Colombia	234.2	neg.	71.9	136.2	neg.	10.4	neg.	48.5	7.0	neg.	223.8	129.2
Peru	198.0	neg.	10.8	178.8	neg.	28.8	neg.	15.9	24.8	neg.	169.2	153.9
Venezuela	164.9	neg.	73.5	95.0	neg.	37.4	neg.	-32.6	55.5	neg.	127.5	39.5
Uruguay	53.1	neg.	95.0	27.2	neg.	43.0	neg.	-66.6	128.8	neg.	10.1	-101.5
Ecuador	40.3	neg.	9.9	36.6	neg.	6.8	neg.	12.1	6.1	neg.	33.5	30.6
Caribbean	**434.3**	**0.1**	**9.3**	**397.2**	**0.1**	**102.9**	**neg.**	**-17.2**	**124.2**	**neg.**	**331.4**	**273.1**

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 16 :

Trade with Major European Countries, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
Europe	**79,502.4**	**13.5**	**20.0**	**66,255.4**	**12.4**	**60,953.1**	**12.7**	**5.8**	**57,622.7**	**13.3**	**18,549.4**	**8,632.8**
EU	**75,148.9**	**12.8**	**19.6**	**62,830.0**	**11.8**	**54,757.2**	**11.4**	**8.2**	**50,585.5**	**11.7**	**20,391.7**	**12,244.4**
Other Europe	**4,353.5**	**0.7**	**27.1**	**3,425.5**	**0.6**	**6,195.9**	**1.3**	**-12.0**	**7,037.2**	**1.6**	**-1,842.4**	**-3,611.7**
Russia	1,723.1	0.3	-4.5	1,803.9	0.3	807.5	0.2	-50.7	1,636.8	0.4	915.6	167.1
Switzerland	1,555.7	0.3	*	746.4	0.1	4,664.1	1.0	-0.6	4,691.2	1.1	-3,108.5	-3,944.8
Ukraine	626.3	0.1	11.9	559.5	0.1	274.8	0.1	-32.6	407.8	0.1	351.5	151.7
Norway	244.9	neg.	23.6	198.1	neg	367.7	0.1	36.4	269.7	0.1	-122.8	-71.6
Belarus	54.2	neg.	*	0.2	neg	36.6	neg.	*	0.3	neg.	17.6	-0.1
Yugoslavia	49.4	neg.	25.5	39.3	neg	1.9	neg.	-45.7	3.5	neg.	47.5	35.9
Croatia	49.1	neg.	48.4	33.1	neg	7.6	neg.	11.0	6.9	neg.	41.5	26.2
Azerbaijan	22.2	neg.	*	8.7	neg	0.2	neg.	*	neg	neg.	22.0	8.7
Iceland	11.3	neg.	-0.3	11.3	neg	11.9	neg.	*	1.3	neg.	-0.6	10.0
Georgia	6.1	neg.	33.4	4.6	neg	5.3	neg.	13.2	4.7	neg.	0.8	-0.1
Albania	2.8	neg.	*	1.0	neg	4.0	neg.	*	0.1	neg.	-1.3	0.9
Armenia	2.4	neg.	-4.7	2.5	neg	0.3	neg.	-58.1	0.8	neg.	2.0	1.7
Macedonia	2.0	neg.	-72.6	7.2	neg	0.1	neg.	50.7	0.1	neg.	1.8	7.1
Montenegro	1.9	neg.	*	0.8	neg	neg.	neg.	-30.1	neg	neg.	1.8	0.8
Liechtenstein	0.6	neg.	65.9	0.4	neg	0.2	neg.	*	0.1	neg.	0.5	0.3
Bosnia-Herzegovina	0.6	neg.	*	0.3	neg	7.1	neg.	*	2.3	neg.	-6.5	-2.0
Moldova	0.5	neg.	17.4	0.4	neg	neg.	neg.	13.9	neg	neg.	0.4	0.4
Faeroe Islands	0.4	neg.	*	nil	nil	nil	nil	nil	nil	nil	0.4	nil
Andorra	0.1	neg.	22.9	0.1	neg	4.7	neg.	47.5	3.2	neg.	-4.5	-3.1
Monaco	0.1	neg.	-97.9	5.3	neg	1.8	neg.	86.7	1.0	neg.	-1.7	4.4

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 17 :

Trade with Major African Countries, 2005-2006

Country	Exports					Imports					Balance of Trade	
	2006			2005		2006			2005		2006	2005
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**	**108,192.9**	**99,777.9**
Africa	**8,102.3**	**1.4**	**5.9**	**7,649.1**	**1.4**	**4,116.3**	**0.9**	**63.9**	**2,511.2**	**0.6**	**3,986.0**	**5,137.9**
South Africa	2,447.2	0.4	13.1	2,164.0	0.4	1,706.8	0.4	57.1	1,086.2	0.3	740.4	1,077.8
Egypt	1,254.1	0.2	-27.5	1,730.1	0.3	178.4	neg.	27.7	139.7	neg.	1,075.7	1,590.4
Benin	361.0	0.1	*	100.0	neg.	0.2	neg.	-93.7	3.5	neg.	360.8	96.6
Ghana	317.0	0.1	24.4	254.8	neg.	409.8	0.1	*	187.6	neg.	-92.8	67.2
Mauritius	290.1	neg.	26.9	228.6	neg.	16.9	neg.	*	3.0	neg.	273.1	225.5
Kenya	287.0	neg.	46.2	196.3	neg.	44.4	neg.	65.8	26.8	neg.	242.6	169.5
Togo	263.8	neg.	38.2	190.8	neg.	18.6	neg.	*	5.4	neg.	245.1	185.4
Tanzania	248.9	neg.	*	114.0	neg.	135.4	neg.	65.0	82.0	neg.	113.5	31.9
Algeria	245.0	neg.	26.2	194.2	neg.	24.6	neg.	*	3.4	neg.	220.4	190.8
Nigeria	230.4	neg.	-66.9	697.0	0.1	77.1	neg.	51.0	51.1	neg.	153.4	646.0
Tunisia	224.8	neg.	51.5	148.4	neg.	48.8	neg.	*	15.7	neg.	176.0	132.7
Equatorial Guinea	198.8	neg.	*	2.7	neg.	neg.	neg.	*	neg.	neg.	198.8	2.7
Sudan	189.5	neg.	-60.9	485.2	0.1	0.8	neg.	69.8	0.5	neg.	188.7	484.7
Morocco	177.3	neg.	37.1	129.4	neg.	124.2	neg.	*	57.4	neg.	53.1	71.9
Angola	152.5	neg.	71.6	88.9	neg.	0.1	neg.	*	neg.	neg.	152.5	88.9
Djibouti	120.9	neg.	46.4	82.6	neg.	1.5	neg.	*	neg.	neg.	119.4	82.6
Libya	116.7	neg.	90.5	61.3	neg.	neg.	neg.	-99.9	42.6	neg.	116.7	18.7
Mauritania	87.4	neg.	79.7	48.6	neg.	0.3	neg.	-94.3	4.9	neg.	87.1	43.7
Mozambique	87.2	neg.	51.4	57.6	neg.	7.1	neg.	*	2.8	neg.	80.1	54.9
Cameroon	84.6	neg.	*	34.9	neg.	153.9	neg.	38.1	111.4	neg.	-69.3	-76.5
Reunion Islands	76.6	neg.	47.7	51.8	neg.	4.2	neg.	*	1.6	neg.	72.4	50.3
Congo	67.0	neg.	6.6	62.9	neg.	1.2	neg.	*	neg.	neg.	65.8	62.9
Gambia	63.0	neg.	4.8	60.1	neg.	5.7	neg.	*	0.9	neg.	57.3	59.3
Ethiopia	45.8	neg.	42.9	32.1	neg.	14.2	neg.	-32.5	21.1	neg.	31.6	11.0
Cote D'Ivoire	42.6	neg.	88.2	22.6	neg.	474.3	0.1	*	183.2	neg.	-431.6	-160.5
Madagascar	41.4	neg.	-18.3	50.6	neg.	1.7	neg.	-78.5	8.0	neg.	39.7	42.7
Zaire	38.3	neg.	16.0	33.1	neg.	13.9	neg.	53.8	9.0	neg.	24.5	24.0

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 18 :
Major Exports of Manufactured Goods to Top Ten Destinations, 2005-2006

Products	2006			2005	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**588,965.5**	**100.0**	**533,787.8**	**100.0**
Manufactured Goods		**451,748.4**	**76.7**	**413,132.6**	**77.4**
Electrical & electronics products	**Total**	**281,017.3**	**47.7**	**264,698.9**	**49.6**
	USA	85,930.5	14.6	81,967.9	15.4
	Singapore	44,949.1	7.6	43,891.8	8.2
	Hong Kong	21,583.8	3.7	24,085.5	4.5
	People's Republic of China	19,171.5	3.3	15,292.0	2.9
	Japan	16,472.7	2.8	16,718.1	3.1
	Netherlands	13,954.2	2.4	11,086.8	2.1
	Thailand	10,582.8	1.8	10,367.5	1.9
	Germany	7,430.2	1.3	6,897.2	1.3
	France	6,087.6	1.0	5,197.0	1.0
	United Kingdom	5,690.1	1.0	4,586.8	0.9
Chemicals & chemical products	**Total**	**29,080.0**	**4.9**	**26,301.3**	**4.9**
	People's Republic of China	4,135.2	0.7	3,899.9	0.7
	Thailand	2,906.0	0.5	2,493.2	0.5
	Singapore	2,580.9	0.4	2,455.0	0.5
	Indonesia	2,451.6	0.4	2,331.7	0.4
	Japan	2,386.2	0.4	2,429.0	0.5
	Hong Kong	2,192.0	0.4	1,933.3	0.4
	India	1,602.6	0.3	1,394.2	0.3
	Republic of Korea	1,414.1	0.2	1,232.4	0.2
	Taiwan	1,265.5	0.2	1,059.6	0.2
	Viet Nam	968.2	0.2	850.2	0.2
Machinery, appliances & parts	**Total**	**19,842.9**	**3.4**	**18,120.6**	**3.4**
	Singapore	4,801.5	0.8	4,248.6	0.8
	USA	1,768.1	0.3	1,607.1	0.3
	Thailand	1,756.6	0.3	1,521.1	0.3
	Indonesia	1,244.3	0.2	1,130.3	0.2
	Japan	1,150.6	0.2	1,106.7	0.2
	People's Republic of China	1,150.3	0.2	1,255.4	0.2
	Australia	655.7	0.1	626.3	0.1
	Taiwan	506.2	0.1	377.8	0.1
	Hong Kong	495.9	0.1	552.0	0.1
	Germany	490.5	0.1	443.7	0.1
Wood products	**Total**	**16,687.5**	**2.8**	**14,638.9**	**2.7**
	Japan	4,813.5	0.8	3,626.7	0.7
	USA	3,362.5	0.6	3,286.8	0.6
	United Kingdom	959.3	0.2	806.2	0.2
	Republic of Korea	868.6	0.1	775.7	0.1
	Australia	672.9	0.1	621.1	0.1
	Taiwan	647.5	0.1	603.5	0.1
	United Arab Emirates	525.0	0.1	423.6	0.1
	People's Republic of China	458.6	0.1	532.2	0.1
	Singapore	409.1	0.1	372.0	0.1
	Canada	283.6	neg.	243.5	neg.

Continued...

Products	2006			2005	
	Country	RM million	Share (%)	RM million	Share (%)
Manufactures of metal	**Total**	**14,157.0**	**2.4**	**10,847.9**	**2.0**
	Singapore	2,826.3	0.5	2,365.0	0.4
	Japan	1,229.1	0.2	1,073.2	0.2
	Thailand	1,180.6	0.2	900.0	0.2
	USA	991.6	0.2	717.6	0.1
	People's Republic of China	876.9	0.1	628.0	0.1
	Republic of Korea	723.1	0.1	379.8	0.1
	Taiwan	614.2	0.1	402.4	0.1
	Hong Kong	585.1	0.1	452.0	0.1
	Indonesia	562.1	0.1	442.9	0.1
	Australia	477.5	0.1	484.9	0.1
Optical & scientific equipment	**Total**	**13,558.0**	**2.3**	**12,317.7**	**2.3**
	USA	2,734.9	0.5	2,755.1	0.5
	Japan	2,074.6	0.4	1,832.0	0.3
	Singapore	1,478.0	0.3	1,673.2	0.3
	People's Republic of China	1,441.4	0.2	982.7	0.2
	Thailand	1,054.6	0.2	813.3	0.2
	Netherlands	959.0	0.2	851.1	0.2
	Germany	569.9	0.1	508.5	0.1
	Taiwan	508.2	0.1	390.4	0.1
	Republic of Korea	468.4	0.1	376.9	0.1
	Hong Kong	406.4	0.1	387.1	0.1
Textiles & apparel	**Total**	**10,601.9**	**1.8**	**10,289.1**	**1.9**
	USA	2,921.4	0.5	2,927.6	0.5
	Turkey	662.7	0.1	638.1	0.1
	Japan	520.6	0.1	451.6	0.1
	Singapore	485.1	0.1	461.9	0.1
	People's Republic of China	412.8	0.1	447.8	0.1
	Viet Nam	400.6	0.1	267.1	0.1
	United Kingdom	368.1	0.1	456.2	0.1
	Hong Kong	340.0	0.1	352.6	0.1
	Germany	332.5	0.1	347.9	0.1
	Syria	308.3	0.1	340.1	0.1
Iron & steel products	**Total**	**9,358.5**	**1.6**	**7,002.8**	**1.3**
	Thailand	1,970.0	0.3	1,281.2	0.2
	USA	1,251.8	0.2	542.7	0.1
	Singapore	992.1	0.2	830.9	0.2
	Australia	648.8	0.1	527.6	0.1
	Yemen	503.5	0.1	1.3	neg.
	Viet Nam	499.7	0.1	410.3	0.1
	Indonesia	430.9	0.1	410.1	0.1
	India	399.3	0.1	148.4	neg.
	Italy	360.9	0.1	3.8	neg.
	Russia	353.0	0.1	319.4	0.1
Rubber products	**Total**	**9,332.7**	**1.6**	**6,985.5**	**1.3**
	USA	2,396.0	0.4	2,103.1	0.4
	People's Republic of China	1,440.1	0.2	290.3	0.1
	Germany	444.3	0.1	296.4	0.1
	Japan	424.2	0.1	383.0	0.1
	United Kingdom	414.4	0.1	368.0	0.1
	Hong Kong	331.3	0.1	205.1	neg.
	Italy	329.5	0.1	255.7	neg.
	Thailand	302.3	0.1	265.4	neg.
	Australia	268.7	neg.	250.7	neg.
	France	248.0	neg.	209.2	neg.

Continued...

Products	2006			2005	
	Country	RM million	Share (%)	RM million	Share (%)
Transport equipment	**Total**	**8,691.0**	**1.5**	**6,997.9**	**1.3**
	Singapore	2,167.1	0.4	1,176.5	0.2
	Viet Nam	1,268.7	0.2	277.0	0.1
	Thailand	738.0	0.1	660.7	0.1
	USA	530.8	0.1	519.7	0.1
	United Kingdom	526.5	0.1	502.6	0.1
	Indonesia	453.0	0.1	473.3	0.1
	Taiwan	330.9	0.1	369.2	0.1
	Germany	219.9	neg.	207.3	neg.
	Equatorial Guinea	194.9	neg.	0.0	neg.
	Japan	188.1	neg.	176.7	neg.

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 19 :
Major Imports of Manufactured Goods from Top Ten Suppliers, 2005-2006

Products	2006			2005	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**480,772.5**	**100.0**	**434,009.9**	**100.0**
Manufactured Goods		**402,033.9**	**83.6**	**367,723.2**	**84.7**
Electrical & electronics products	**Total**	**207,568.7**	**43.2**	**193,181.9**	**44.5**
	People's Republic of China	35,472.0	7.4	30,723.5	7.1
	USA	34,118.2	7.1	34,311.1	7.9
	Japan	25,118.7	5.2	24,293.9	5.6
	Singapore	23,096.1	4.8	20,304.2	4.7
	Taiwan	16,240.7	3.4	14,821.2	3.4
	Republic of Korea	15,592.5	3.2	12,628.1	2.9
	Germany	11,639.3	2.4	9,711.4	2.2
	Thailand	8,512.7	1.8	8,094.3	1.9
	Philippines	8,371.9	1.7	10,482.4	2.4
	Hong Kong	8,314.3	1.7	6,797.0	1.6
Machinery, appliances & parts	**Total**	**37,438.2**	**7.8**	**36,355.1**	**8.4**
	Japan	7,818.7	1.6	9,143.1	2.1
	USA	6,493.1	1.4	5,633.8	1.3
	People's Republic of China	4,278.3	0.9	3,505.9	0.8
	Germany	3,271.3	0.7	2,828.9	0.7
	Singapore	2,506.0	0.5	2,466.0	0.6
	Thailand	2,310.3	0.5	2,142.5	0.5
	Taiwan	1,934.1	0.4	1,931.9	0.4
	Italy	1,008.3	0.2	1,051.2	0.2
	United Kingdom	1,008.2	0.2	842.0	0.2
	Republic of Korea	951.1	0.2	1,165.2	0.3
Chemicals & chemical products	**Total**	**35,073.6**	**7.3**	**31,972.8**	**7.4**
	Singapore	5,677.7	1.2	5,119.4	1.2
	Japan	4,326.5	0.9	4,303.9	1.0
	USA	3,118.8	0.6	3,089.5	0.7
	People's Republic of China	2,830.8	0.6	2,049.3	0.5
	Thailand	2,537.9	0.5	2,387.6	0.6
	Republic of Korea	1,723.2	0.4	1,685.5	0.4
	Taiwan	1,646.1	0.3	1,419.1	0.3
	Indonesia	1,635.8	0.3	1,718.1	0.4
	Germany	1,404.7	0.3	1,289.7	0.3
	India	917.4	0.2	747.0	0.2
Manufactures of metal	**Total**	**24,347.5**	**5.1**	**17,771.9**	**4.1**
	Japan	4,735.8	1.0	3,655.5	0.8
	Australia	2,664.1	0.6	1,979.3	0.5
	People's Republic of China	2,100.7	0.4	1,365.8	0.3
	Indonesia	1,759.4	0.4	1,233.6	0.3
	Singapore	1,699.0	0.4	1,417.7	0.3
	USA	1,442.8	0.3	1,222.5	0.3
	Taiwan	1,293.8	0.3	1,071.8	0.2
	Republic of Korea	1,273.8	0.3	883.1	0.2
	Thailand	996.9	0.2	736.6	0.2
	Philippines	663.6	0.1	279.3	0.1

Continued...

Products	Country	2006 RM million	2006 Share (%)	2005 RM million	2005 Share (%)
Transport equipment	**Total**	**20,457.1**	**4.3**	**19,339.9**	**4.5**
	Japan	4,146.5	0.9	6,496.0	1.5
	USA	3,201.9	0.7	1,744.9	0.4
	Republic of Korea	3,112.2	0.6	2,221.6	0.5
	France	2,841.3	0.6	323.7	0.1
	Thailand	2,551.9	0.5	2,052.5	0.5
	Germany	1,193.6	0.2	2,133.5	0.5
	Indonesia	750.6	0.2	881.0	0.2
	People's Republic of China	578.6	0.1	468.5	0.1
	United Kingdom	406.4	0.1	565.4	0.1
	Singapore	313.7	0.1	468.6	0.1
Iron & steel products	**Total**	**20,013.9**	**4.2**	**18,260.9**	**4.2**
	Japan	5,952.7	1.2	5,275.7	1.2
	People's Republic of China	1,976.1	0.4	1,774.0	0.4
	Taiwan	1,889.4	0.4	1,584.5	0.4
	Republic of Korea	1,690.9	0.4	1,500.4	0.3
	USA	1,550.6	0.3	1,101.9	0.3
	South Africa	833.5	0.2	378.3	0.1
	Australia	780.0	0.2	471.4	0.1
	Italy	684.5	0.1	1,459.1	0.3
	United Kingdom	594.6	0.1	435.3	0.1
	Thailand	470.9	0.1	547.1	0.1
Optical & scientific equipment	**Total**	**14,646.2**	**3.0**	**12,468.1**	**2.9**
	USA	4,385.2	0.9	2,967.5	0.7
	Japan	2,361.8	0.5	2,937.2	0.7
	Singapore	1,629.1	0.3	1,474.7	0.3
	People's Republic of China	1,281.7	0.3	999.1	0.2
	Hong Kong	1,168.4	0.2	1,172.4	0.3
	Germany	834.8	0.2	593.0	0.1
	United Kingdom	395.6	0.1	459.0	0.1
	Switzerland	334.4	0.1	308.7	0.1
	Taiwan	315.4	0.1	257.2	0.1
	Thailand	309.8	0.1	156.7	neg.
Manufactures of plastics	**Total**	**7,121.1**	**1.5**	**5,220.7**	**1.2**
	Japan	2,566.0	0.5	1,203.6	0.3
	People's Republic of China	992.2	0.2	755.2	0.2
	Singapore	795.7	0.2	831.2	0.2
	USA	578.6	0.1	560.7	0.1
	Thailand	420.1	0.1	392.1	0.1
	Taiwan	302.9	0.1	304.9	0.1
	Hong Kong	294.4	0.1	133.3	neg.
	Republic of Korea	202.8	neg.	166.5	neg.
	Indonesia	193.8	neg.	185.4	neg.
	Germany	141.8	neg.	116.3	neg.
Processed food	**Total**	**6,764.3**	**1.4**	**6,353.6**	**1.5**
	Australia	1,280.7	0.3	1,324.2	0.3
	Thailand	909.7	0.2	879.1	0.2
	New Zealand	695.0	0.1	667.3	0.2
	Brazil	647.8	0.1	417.5	0.1
	USA	528.8	0.1	482.8	0.1
	People's Republic of China	424.8	0.1	367.7	0.1
	Singapore	319.5	0.1	287.4	0.1
	Netherlands	304.7	0.1	338.7	0.1
	Indonesia	289.5	0.1	265.3	0.1
	Philippines	201.5	neg.	154.9	neg.

Continued...

Products	2006			2005	
	Country	RM million	Share (%)	RM million	Share (%)
Paper & pulp products	**Total**	**5,656.8**	**1.2**	**5,266.0**	**1.2**
	Indonesia	926.0	0.2	955.1	0.2
	Japan	569.1	0.1	534.7	0.1
	Thailand	493.4	0.1	423.1	0.1
	Taiwan	439.4	0.1	450.3	0.1
	People's Republic of China	439.1	0.1	282.9	0.1
	USA	408.8	0.1	411.4	0.1
	Brazil	386.7	0.1	197.3	neg.
	Singapore	294.6	0.1	228.3	0.1
	Germany	268.2	0.1	286.2	0.1
	Republic of Korea	218.2	neg.	252.7	0.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible

Table 20 :

Exports of Top Ten Products to Selected Destinations, 2005-2006

Products	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**588,965.5**	**100.0**	**10.3**	**533,787.8**	**100.0**
Manufactured Goods	**451,748.4**	**76.7**	**9.3**	**413,132.6**	**77.4**
Agricultural Goods	**46,411.4**	**7.9**	**12.7**	**41,178.1**	**7.7**
Mining Goods	**79,299.2**	**13.5**	**12.9**	**70,212.1**	**13.2**
ASEAN	**153,560.4**	**26.1**	**10.3**	**139,207.8**	**26.1**
Manufactured Goods	**114,361.7**	**19.4**	**8.6**	**105,266.6**	**19.7**
Agricultural Goods	**5,568.4**	**0.9**	**4.5**	**5,330.5**	**1.0**
Mining Goods	**28,789.6**	**4.9**	**15.9**	**24,832.5**	**4.7**
Electrical & electronics products	60,860.5	10.3	2.0	59,691.3	11.2
Refined petroleum products	16,278.8	2.8	32.8	12,262.6	2.3
Crude petroleum	12,051.4	2.0	0.7	11,969.7	2.2
Chemicals & chemical products	10,058.4	1.7	10.5	9,104.2	1.7
Machinery, appliances & parts	8,637.3	1.5	12.8	7,657.2	1.4
Manufactures of metal	5,181.6	0.9	24.7	4,155.4	0.8
Transport equipment	4,730.6	0.8	62.4	2,913.2	0.5
Iron & steel products	4,008.7	0.7	26.5	3,168.9	0.6
Optical & scientific equipment	2,921.9	0.5	2.0	2,865.0	0.5
Processed food	2,661.1	0.5	5.4	2,524.6	0.5
USA	**110,586.2**	**18.8**	**5.3**	**105,032.9**	**19.7**
Manufactured Goods	**105,784.6**	**18.0**	**5.6**	**100,221.3**	**18.8**
Agricultural Goods	**2,902.9**	**0.5**	**10.8**	**2,619.3**	**0.5**
Mining Goods	**1,126.0**	**0.2**	**-23.4**	**1,469.9**	**0.3**
Electrical & electronics products	85,930.5	14.6	4.8	81,967.9	15.4
Wood products	3,362.5	0.6	2.3	3,286.8	0.6
Textiles & apparel	2,921.4	0.5	-0.2	2,927.6	0.5
Optical & scientific equipment	2,734.9	0.5	-0.7	2,755.1	0.5
Rubber products	2,396.0	0.4	13.9	2,103.1	0.4
Machinery, appliances & parts	1,768.1	0.3	10.0	1,607.1	0.3
Palm oil	1,699.1	0.3	21.1	1,403.1	0.3
Iron & steel products	1,251.8	0.2	*	542.7	0.1
Manufactures of metal	991.6	0.2	38.2	717.6	0.1
Chemicals & chemical products	934.3	0.2	-2.2	954.8	0.2
EU	**75,148.9**	**12.8**	**19.6**	**62,830.0**	**11.8**
Manufactured Goods	**64,344.4**	**10.9**	**19.3**	**53,956.2**	**10.1**
Agricultural Goods	**9,240.7**	**1.6**	**23.3**	**7,496.1**	**1.4**
Mining Goods	**240.2**	**neg.**	**-58.6**	**580.5**	**0.1**
Electrical & electronics products	44,668.8	7.6	19.6	37,360.4	7.0
Palm oil	4,717.9	0.8	17.3	4,021.9	0.8
Crude rubber	2,418.0	0.4	43.5	1,685.5	0.3
Machinery, appliances & parts	2,313.6	0.4	2.9	2,249.4	0.4
Optical & scientific equipment	2,119.5	0.4	10.6	1,916.9	0.4
Rubber products	2,118.3	0.4	24.8	1,697.1	0.3
Wood products	2,007.3	0.3	19.6	1,678.3	0.3
Textiles & apparel	1,912.5	0.3	5.5	1,812.2	0.3
Chemicals & chemical products	1,738.1	0.3	39.9	1,242.5	0.2
Saw logs & sawn timber	1,384.8	0.2	29.5	1,069.4	0.2

Continued...

Products	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Japan	**52,214.6**	**8.9**	**4.6**	**49,917.7**	**9.4**
Manufactured Goods	**32,394.3**	**5.5**	**5.7**	**30,649.4**	**5.7**
Agricultural Goods	**2,640.4**	**0.4**	**3.7**	**2,546.9**	**0.5**
Mining Goods	**16,481.0**	**2.8**	**2.7**	**16,048.7**	**3.0**
Electrical & electronics products	16,472.7	2.8	-1.5	16,718.1	3.1
LNG	13,214.3	2.2	0.7	13,117.0	2.5
Wood products	4,813.5	0.8	32.7	3,626.7	0.7
Chemicals & chemical products	2,386.2	0.4	-1.8	2,429.0	0.5
Optical & scientific equipment	2,074.6	0.4	13.2	1,832.0	0.3
Crude petroleum	1,965.8	0.3	73.6	1,132.2	0.2
Manufactures of metal	1,229.1	0.2	14.5	1,073.2	0.2
Manufactures of plastics	1,160.5	0.2	18.8	977.2	0.2
Machinery, appliance & parts	1,150.6	0.2	4.0	1,106.7	0.2
Refined petroleum products	1,148.0	0.2	-32.9	1,710.3	0.3
People's Republic of China	**42,660.4**	**7.2**	**21.1**	**35,221.0**	**6.6**
Manufactured Goods	**30,863.0**	**5.2**	**21.0**	**25,501.3**	**4.8**
Agricultural Goods	**9,941.2**	**1.7**	**27.3**	**7,809.3**	**1.5**
Mining Goods	**1,367.9**	**0.2**	**-3.9**	**1,423.3**	**0.3**
Electrical & electronics products	19,171.5	3.3	25.4	15,292.0	2.9
Palm oil	5,817.9	1.0	30.8	4,448.0	0.8
Chemicals & chemical products	4,135.2	0.7	6.0	3,899.9	0.7
Crude rubber	2,949.4	0.5	48.1	1,991.9	0.4
Optical & scientific equipment	1,441.4	0.2	46.7	982.7	0.2
Rubber products	1,440.1	0.2	*	290.3	0.1
Machinery, appliances & parts	1,150.3	0.2	-8.4	1,255.4	0.2
Refined petroleum products	998.5	0.2	7.5	928.5	0.2
Saw logs & sawn timber	991.9	0.2	-15.0	1,166.5	0.2
Manufactures of metal	876.9	0.1	39.6	628.0	0.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 21 :

Imports of Top Ten Products from Selected Sources, 2005-2006

Products	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**480,772.5**	**100.0**	**10.8**	**434,009.9**	**100.0**
Manufactured Goods	**402,033.9**	**83.6**	**9.3**	**367,723.2**	**84.7**
Agricultural Goods	**19,409.5**	**4.0**	**17.0**	**16,590.1**	**3.8**
Mining Goods	**44,555.7**	**9.3**	**22.7**	**36,309.8**	**8.4**
ASEAN	**117,442.2**	**24.4**	**9.8**	**106,975.9**	**24.6**
Manufactured Goods	**82,819.9**	**17.2**	**5.7**	**78,378.3**	**18.1**
Agricultural Goods	**8,969.3**	**1.9**	**27.5**	**7,036.5**	**1.6**
Mining Goods	**22,740.2**	**4.7**	**18.3**	**19,221.1**	**4.4**
Electrical & electronics products	42,462.7	8.8	1.3	41,899.4	9.7
Refined petroleum products	15,878.8	3.3	8.2	14,677.9	3.4
Chemicals & chemical products	10,137.5	2.1	7.0	9,478.5	2.2
Machinery, appliances & parts	5,857.5	1.2	5.2	5,570.6	1.3
Manufactures of metal	5,435.8	1.1	43.0	3,800.3	0.9
Crude petroleum	5,011.8	1.0	*	2,368.3	0.5
Transport equipment	3,806.5	0.8	8.1	3,521.9	0.8
Optical & scientific equipment	2,228.9	0.5	25.6	1,774.1	0.4
Crude rubber	1,895.6	0.4	23.4	1,536.2	0.4
Processed food	1,808.5	0.4	8.0	1,675.1	0.4
Japan	**63,568.3**	**13.2**	**0.9**	**62,981.7**	**14.5**
Manufactured Goods	**59,970.5**	**12.5**	**0.1**	**59,913.2**	**13.8**
Agricultural Goods	**73.0**	**neg.**	**16.7**	**62.5**	**neg.**
Mining Goods	**240.1**	**neg.**	**38.7**	**173.1**	**neg.**
Electrical & electronics products	25,118.7	5.2	3.4	24,293.9	5.6
Machinery, appliances & parts	7,818.7	1.6	-14.5	9,143.1	2.1
Iron & steel products	5,952.7	1.2	12.8	5,275.7	1.2
Manufactures of metal	4,735.8	1.0	29.6	3,655.5	0.8
Chemicals & chemical products	4,326.5	0.9	0.5	4,303.9	1.0
Transport equipment	4,146.5	0.9	-36.2	6,496.0	1.5
Manufactures of plastics	2,566.0	0.5	*	1,203.6	0.3
Optical & scientific equipment	2,361.8	0.5	-19.6	2,937.2	0.7
Rubber products	642.2	0.1	29.8	494.9	0.1
Non metallic mineral products	611.4	0.1	14.0	536.4	0.1
USA	**60,210.1**	**12.5**	**7.7**	**55,918.3**	**12.9**
Manufactured Goods	**57,616.1**	**12.0**	**8.6**	**53,056.0**	**12.2**
Agricultural Goods	**964.2**	**0.2**	**12.8**	**855.1**	**0.2**
Mining Goods	**429.2**	**0.1**	**-51.7**	**888.5**	**0.2**
Electrical & electronics products	34,118.2	7.1	-0.6	34,311.1	7.9
Machinery, appliances & parts	6,493.1	1.4	15.3	5,633.8	1.3
Optical & scientific equipment	4,385.2	0.9	47.8	2,967.5	0.7
Transport equipment	3,201.9	0.7	83.5	1,744.9	0.4
Chemicals & chemical products	3,118.8	0.6	0.9	3,089.5	0.7
Iron & steel products	1,550.6	0.3	40.7	1,101.9	0.3
Manufactures of metal	1,442.8	0.3	18.0	1,222.5	0.3
Manufactures of plastics	578.6	0.1	3.2	560.7	0.1
Processed food	528.8	0.1	9.5	482.8	0.1
Non metallic mineral products	492.3	0.1	71.5	287.1	0.1

Continued...

Products	2006			2005	
	RM million	Share (%)	Change (%)	RM million	Share (%)
People's Republic of China	**58,225.7**	**12.1**	**16.7**	**49,880.4**	**11.5**
Manufactured Goods	**54,486.5**	**11.3**	**18.5**	**45,965.5**	**10.6**
Agricultural Goods	**1,966.4**	**0.4**	**9.5**	**1,796.2**	**0.4**
Mining Goods	**412.0**	**0.1**	**-60.6**	**1,045.0**	**0.2**
Electrical & electronics products	35,472.0	7.4	15.5	30,723.5	7.1
Machinery, appliances & parts	4,278.3	0.9	22.0	3,505.9	0.8
Chemicals & chemical products	2,830.8	0.6	38.1	2,049.3	0.5
Manufactures of metal	2,100.7	0.4	53.8	1,365.8	0.3
Iron & steel products	1,976.1	0.4	11.4	1,774.0	0.4
Textiles & apparel	1,877.3	0.4	24.8	1,504.8	0.3
Optical & scientific equipment	1,281.7	0.3	28.3	999.1	0.2
Manufactures of plastics	992.2	0.2	31.4	755.2	0.2
Vegetables, roots, tubers	680.5	0.1	13.3	600.9	0.1
Transport equipment	578.6	0.1	23.5	468.5	0.1
EU	**54,757.2**	**11.4**	**8.2**	**50,585.5**	**11.7**
Manufactured Goods	**52,743.5**	**11.0**	**8.8**	**48,473.6**	**11.2**
Agricultural Goods	**451.5**	**0.1**	**-12.5**	**516.0**	**0.1**
Mining Goods	**273.4**	**0.1**	**-11.4**	**308.7**	**0.1**
Electrical & electronics products	22,548.6	4.7	6.6	21,154.5	4.9
Machinery, appliances & parts	7,498.2	1.6	9.8	6,828.4	1.6
Chemicals & chemical products	5,611.0	1.2	11.6	5,029.0	1.2
Transport equipment	4,886.9	1.0	32.5	3,688.9	0.8
Iron & steel products	2,782.0	0.6	-14.6	3,259.1	0.8
Optical & scientific equipment	2,029.6	0.4	25.4	1,617.9	0.4
Manufactures of metal	2,020.5	0.4	56.6	1,290.6	0.3
Paper & pulp products	981.3	0.2	-11.8	1,113.0	0.3
Processed food	918.1	0.2	-6.1	977.7	0.2
Manufactures of plastics	441.0	0.1	-2.0	449.9	0.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Appendix 3 Bilateral Agreements On Trade And Investment

Trade Agreements as at December 2006

No.	Country	Date of Signing
	ASEAN	
1.	Cambodia	04.02.1999
2.	Indonesia	16.10.1973
3.	Lao PDR	11.08.1998
4.	Myanmar	09.06.1998
5.	Thailand	06.10.2000
6.	Viet Nam	11.08.1992
	CER	
7.	Australia	26.08.1958
	(New Agreement)	20.10.1997
8.	New Zealand	03.02.1961
	(New Agreement)	17.10.1997
	SOUTH ASIA	
9.	Bangladesh	01.12.1977
10.	India	11.10.2000
11.	Pakistan	05.11.1987
	EAST ASIA	
12.	People's Republic of China	01.04.1988
13.	Japan	10.05.1960
14.	North Korea	09.06.1979
15.	Republic Of Korea	05.11.1962
	AFRICA	
16.	Algeria	11.08.2003
17.	Burkina Faso	23.04.1998
18.	Egypt	08.01.1977
19.	Ethiopia	22.10.1998
20.	Ghana	03.12.1995
21.	Guinea	11.10.1999
22.	Libya	18.01.1977
23.	Malawi	05.09.1996
24.	Mali	16.11.1990
25.	Morocco	10.03.1997
26.	Namibia	12.08.1994
27.	South Africa	07.03.1997
28.	Sudan	14.05.1998
29.	Swaziland	12.10.1998
30.	Tunisia	25.11.1992
31.	Uganda	16.04.1998
32.	Zimbabwe	09.07.1993

No.	Country	Date of Signing
	WEST ASIA	
33.	Iran	19.03.1989
34.	Iraq	17.02.1977
35.	Jordan	02.10.1994
36.	Lebanon	23.03.1995
37.	Syria	17.08.2003
38.	Turkey	13.02.1977
39.	United Arab Emirates	26.02.1962
40.	Yemen	11.02.1998
	NORTH AMERICA	
41.	USA (TIFA)	10.05.2004
	SOUTH AMERICA AND THE CARIBBEAN	
42.	Argentina	01.07.1991
43.	Brazil	26.04.1996
44.	Chile	21.06.1991
45.	Colombia	14.08.1995
46.	Cuba	26.09.1997
47.	Peru	13.10.1995
48.	Suriname	25.05.1998
49.	Uruguay	09.08.1995
50.	Venezuela	26.11.1991
	EASTERN EUROPE	
51.	Albania	24.01.1994
52.	Bosnia-Herzegovina	26.10.1994
53.	Bulgaria	20.05.1968
54.	Croatia	26.10.1994
55.	Macedonia	11.11.1997
56.	Romania	01.03.1991
57.	Ukraine	19.08.2002
58.	USSR (Russia)	03.04.1967
	COMMONWEALTH OF INDEPENDENT STATES	
59.	Kazakhstan	27.05.1996
60.	Kyrgyzstan	20.07.1995
61.	Turkmenistan	13.05.1994
62.	Uzbekistan	06.10.1997

Continued ...

No.	Country	Date of Signing
	FREE TRADE AGREEMENTS	
1.	Japan	13.12.2005
2.	Pakistan	18.02.2005
	Early Harvest Programme (EHP)	01.10.2005
3.	ASEAN-China	04.11.2002
	Early Harvest Programme (EHP)	01.01.2004
	Trade in Goods (TIG)	01.07.2005
4.	ASEAN-Korea	13.12.2005
	Trade in Goods (TIG)	

Source : Ministry of International Trade and Industry

Bilateral Payment Arrangements/Agreements as at December 2006

No.	Country	Date of Signing
	IRANIAN MODEL	
1.	Iran	08.08.1988
2.	Mozambique	27.04.1991
3.	Botswana	06.06.1991
4.	Fiji	12.10.1991
5.	Bosnia-Herzegovina	13.11.1996
	ALADI MODEL	
6.	Venezuela	03.08.1990
7.	Mexico	24.09.1990
8.	Romania	20.05.1991
9.	Zimbabwe	07.06.1991
10.	Chile	21.06.1991
11.	Peru	13.11.1991
12.	Algeria	31.01.1992
13.	Seychelles	21.09.1992
14.	Tunisia	25.11.1992
15.	Viet Nam	29.03.1993
16.	Argentina	03.12.1993
17.	Albania	24.01.1994
18.	Lao PDR	16.04.1994
19.	Turkmenistan	30.05.1994
20.	Philippines	20.05.1999
21.	Kyrgyzstan	05.08.2002
22.	Thailand	20.09.2002
23.	Indonesia	18.06.2004
	REVOLVING CREDIT	
24.	Sudan	04.01.1992
	(New agreement)	18.12.1993
	POCPA	
25.	Algeria	14.06.1992
26.	Pakistan	06.08.1992
27.	Iraq	28.02.1993
	(New agreement)	28.02.1995
28.	Myanmar	21.01.1994
29.	Iran	08.02.1994
30.	Bosnia-Herzegovina	13.11.1996
31.	Cuba	26.03.1998
32.	Sudan	23.07.1999
33.	North Korea	20.12.2000
	(New agreement)	15.04.2002
	(New agreement)	13.07.2006
34.	Russia	10.07.2002

Source : Bank Negara Malaysia

Note: 1. *Iranian Model:- Under this model, the central banks are not involved in the settlement of financial claims arising from trade. The central banks will guarantee its own importers i.e. if foreign importers do not pay, counter party central bank will pay the Malaysian exporters and vice versa.*

2. *ALADI Model:- Under this model, the central banks will guarantee payments to their respective exporters in domestic currency and settle, on a period basis, the net amount due to each other in an agreed currency.*

3. *Revolving Credit:- Under this model, Malaysia extends a two-year credit period on a deferred payment basis to a foreign country for the importation of Malaysian Products.*

4. *POCPA:- Under this scheme, developing countries would be able to import palm oil from Malaysia on deferred payment terms for a period of two years. With effect from August 2001, the POCPA fund has been converted into a revolving fund.*

Agreements On The Avoidance Of Double Taxation as at December 2006

No.	Country	Date of Signing
	ASIA	
1.	Singapore	26.12.1968
	(Supplementary)	06.07.1973
	(New Agreement)	05.10.2004
2.	Japan	30.01.1970
	(New Agreement)	19.02.1999
3.	Sri Lanka	16.09.1972
	(New Agreement)	16.09.1997
4.	India	25.10.1976
	(New Agreement)	14.05.2001
5.	Thailand	29.03.1982
	(Amending Protocol)	10.02.1995
6.	South Korea	20.04.1982
7.	Philippines	27.04.1982
8.	Pakistan	29.05.1982
9.	Bangladesh	19.04.1983
10.	People's Republic of China	23.11.1985
	(Amending Protocol)	05.06.2000
11.	Indonesia	12.09.1991
	(Amending Protocol)	12.01.2006
12.	Mongolia	27.07.1995
13.	Viet Nam	07.09.1995
14.	Uzbekistan	06.10.1997
15.	Myanmar	09.03.1998
16.	Kyrgyzstan	17.11.2000
17.	Morocco	02.07.2001
18.	Kazakhstan	26.06.2006
	MIDDLE EAST	
19.	Iran	11.11.1992
	(Amending Protocol)	22.07.2002
20.	Sudan	07.10.1993
21.	Saudi Arabia	
	(Limited Agreement)	18.07.1993
	(New Agreement)	31.01.2006
22.	Turkey	27.09.1994
23.	Jordan	02.10.1994
24.	United Arab Emirates	28.11.1995
25.	Kuwait	06.04.1997
	(New Agreement)	05.02.2003
26.	Egypt	14.04.1997
27.	Bahrain	14.06.1999
28.	Lebanon	20.01.2003
29.	Syria	26.02.2007
	EUROPE	
30.	Sweden	21.11.1970
	(New Agreement)	12.03.2002
31.	Denmark	04.12.1970
	(Protocol)	03.12.2003
32.	Norway	23.12.1970
33.	United Kingdom	30.03.1973
	(New Agreement)	10.12.1996
34.	Belgium	24.10.1973
	(Amending Protocol)	21.11.1995
35.	Switzerland	30.12.1974
36.	France	24.04.1975
	(Protocol)	31.01.1991
37.	Germany	08.04.1977
38.	Poland	16.09.1977
39.	Romania	26.11.1982
40.	Italy	28.01.1984
41.	Finland	28.03.1984
42.	Russia	31.07.1987
43.	Netherlands	07.03.1988
	(Protocol)	04.12.1996
44.	Hungary	24.05.1989
45.	Austria	20.09.1989
46.	Albania	24.01.1994
47.	Malta	03.10.1995
48.	Czech Republic	08.03.1996
49.	Ireland	28.11.1998
50.	Croatia	18.02.2002
51.	Luxembourg	21.11.2002
52.	Spain	24.05.2006
	OCEANIA	
53.	New Zealand	19.03.1976
	(Amending Protocol)	14.07.1994
54.	Australia	20.08.1980
	(2nd Amending Protocol)	28.07.2002
55.	Papua New Guinea	20.05.1993
56.	Fiji	19.12.1995
	AFRICA	
57.	Mauritius	23.08.1992
58.	Zimbabwe	28.04.1994
59.	Namibia	28.07.1997
60.	Seychelles	03.12.2003
61.	South Africa	26.07.2005
	NORTH AMERICA	
62.	Canada	16.10.1976
63.	USA	
	(Limited Agreement)	18.04.1989
	SOUTH AMERICA	
64.	Argentina	
	(Limited Agreement)	03.10.1997
65.	Chile	03.09.2004
66.	Venezuela	28.08.2006

Source : Ministry of Finance

Investment Guarantee Agreements as at December 2006

No.	Country	Date of Signing
	CENTRAL AND EASTERN EUROPE	
1.	Albania	24.01.1994
2.	Bosnia-Herzegovina	16.12.1994
3.	Croatia	16.12.1994
4.	Czech Republic	09.09.1996
5.	Hungary	19.02.1993
6.	Macedonia	11.11.1997
7.	Poland	21.04.1993
8.	Romania	25.06.1996
	(signed Protocol to amend IGA)	28.04.2006
	WESTERN EUROPE	
9.	Austria	12.04.1985
10.	Belgium-Luxembourg	22.11.1979
11.	Denmark	06.01.1992
12.	Finland	15.04.1985
13.	France	24.04.1975
14.	Germany	22.12.1960
	(amended)	05.11.1965
15.	Italy	04.01.1988
16.	Netherlands	15.06.1971
17.	Norway	06.11.1984
18.	Spain	04.04.1995
19.	Sweden	03.03.1979
20.	Switzerland	01.03.1978
21.	United Kingdom	21.05.1981
	CENTRAL AND SOUTH AMERICA	
22.	Argentina	06.09.1994
23.	Chile	11.11.1992
24.	Cuba	26.09.1997
25.	Peru	13.10.1995
26.	Uruguay	09.08.1995
	ASEAN	
27.	ASEAN	15.12.1987
28.	Cambodia	07.08.1994
29.	Indonesia	22.01.1994
30.	Lao PDR	08.12.1992
31.	Viet Nam	21.01.1992
	COMMONWEALTH OF INDEPENDENT STATES	
32.	Kazakhstan	27.05.1996
33.	Kyrgyzstan	20.07.1995
34.	Turkmenistan	30.05.1994
35.	Uzbekistan	06.10.1997
	SOUTH ASIA	
36.	Bangladesh	12.10.1994
37.	India	03.08.1995
38.	Pakistan	07.07.1995
39.	Sri Lanka	16.04.1982
	NORTH AMERICA	
40.	Canada	01.10.1971
41.	USA	21.04.1959
	EAST ASIA	
42.	People's Republic of China	21.11.1988
43.	Mongolia	27.07.1995
44.	Republic of Korea	11.04.1988
45.	North Korea	04.02.1998
46.	Taiwan	18.02.1993
	WEST ASIA	
47.	Bahrain	15.06.1999
48.	Iran	22.07.2002
49.	Jordan	02.10.1994
50.	Kuwait	21.11.1987
51.	Lebanon	26.02.1998
52.	OIC	30.09.1987
53.	Saudi Arabia	25.10.2000
54.	Turkey	25.02.1998
55.	United Arab Emirates	11.10.1991
56.	Yemen	11.02.1998
	AFRICA	
57.	Algeria	27.01.2000
58.	Botswana	31.07.1997
59.	Burkina Faso	23.04.1998
60.	Djibouti	03.08.1998
61.	Egypt	14.04.1997
62.	Ethiopia	22.10.1998
63.	Ghana	11.11.1996
64.	Guinea	07.11.1996
65.	Malawi	05.09.1996
66.	Morocco	16.04.2002
67.	Namibia	12.08.1994
68.	Senegal	11.02.1999
69.	Sudan	14.05.1998
70.	Zimbabwe	28.04.1994
	OCEANIA	
71.	Papua New Guinea	27.10.1992

Source: Ministry of International Trade and Industry

Appendix 4 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	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 webs for video and sound recording	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, except as worn by motorcyclists or motor-cycle pillion riders	MITI
13.	Rice milling machinery including parts thereof	Ministry of Agriculture and Agro-based Industry
14.	Automatic cassette or cartridge loaders	MITI
15.	Parts of automatic cassette or cartridge loaders	MITI
16.	All single colour copying machines, including Canon PC-10, Canon PC-25, Canon NP 150, Canon NP 155, Mita DC 142RE, U-BIX 1800z, Xerox Copier RX 1025, all multi-colour copying machines including Rank Xerox 6500, Canon NE Colour T and Ricoh Colour 5000 and colour toner cartridges	MITI

No.	Product	Issuing Authority
17.	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
18.	Apparatus of equipment to be attached to or connected to a public telecommunication network or system	SIRIM BERHAD
19.	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
20.	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
21.	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 sub-heading 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, 8703.24 321, 8703.24 322, 8703.31 321, 8703.31 322, 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 sub-heading 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, 8703.23 221, 8703.23 222, 8703.23 223, 8703.23 224, 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, 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	MITI

No.	Product	Issuing Authority
22.	Ships' derricks; cranes, including cable cranes; mobile lifting frame, straddle carriers and works trucks fitted with a crane	MITI
23.	Fork-lift trucks; other works trucks fitted with lifting or handling equipment	MITI
24.	Self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovel, excavators, shovel loaders, tamping machines and road rollers	MITI
25.	Other moving, grading, leveling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; (excluding snow-ploughs and snow-blowers)	MITI
26.	Parts suitable for machinery falling within heading No. 84.31	MITI
27.	Bodies (including cabs), for motor vehicles falling within heading Nos: 87.02, 87.03, 87.04 or 87.05:	MITI
	For ambulance	
	For motor vehicles falling within sub-heading 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 sub-heading Nos: 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122, 8702.90 900	
	For motor vehicles falling within sub-heading 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 sub-heading No. 8703.10	
28.	Motorcycles, auto cycles and cycles fitted within auxiliary motor	MITI
29.	High speed duplicators, including master electronics control, master playback, with or without loop bin and slave recorders, medicine making machines and CD master machines	MITI
30.	Films or tapes for magnetic recording commonly known as 'pancakes', excluding those in cassettes or cartridges	MITI
31.	Parts of high speed duplicators, including master electronic control, master playback and slave recorders	MITI
32.	Arms and ammunition as defined under the Arms Act 1960, other than personal arms and ammunition imported by a bona fide traveler	Police Department
33.	Saccharin and its salt	Ministry of Health
34.	Unmanufactured tobacco; tobacco refuse	Ministry of Plantation Industries and Commodities

No.	Product	Issuing Authority
35.	Road tractors for semi-trailers, completely built-up, old	MITI
36.	Special purpose vehicles falling within heading No. 8705	MITI
37.	Parabolic antenna for outdoor use	SIRIM BERHAD
38.	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	SIRIM BERHAD
39.	Acesulfame K	Ministry of Health
40.	Substances covered by The Montreal Protocol: Annex A to the Protocol: Group I: CFC-11 Trichlorofluoromethane 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: CCI Carbon tetrachloride (Tetrachloromethane) Group III: CHCCI Methyl Chloroform 3 3 (1,1,1, Trichloroethane)	MITI
41.	Liquid milk in any form including flavoured milk, recombined or reconstituted	MITI
42.	Liquid sterilised flavoured milk including flavoured milk, recombined or reconstituted	MITI
43.	Cabbage (round)	FAMA
44.	Coffee, not roasted	FAMA
45.	Cereal flours: of wheat or meslin (including atta flour), in packings not exceeding 5 kg	MITI
46.	Activated clay and activated bleaching earth	MITI

No.	Product	Issuing Authority
47.	Billets of iron or steel	MITI
48.	Bars and rods (including wire-rods), of iron or steel, hot-rolled, forged, extruded, cold-formed or cold-finished (including precision made); hollow mining drill steel: Wire-rod Bars and rods (excluding wire rods) not further worked than hot-rolled or extruded: round Bars and rods, cold-formed or cold-finished (including precision made): round	MITI
49.	Alloy steel and high carbon steel in the form mentioned in heading Nos. 72.06 to 72.17 Wire-rod of high carbon steel, of stainless or heat resisting steel and of other alloy steel Bars and rods (excluding wire rods) and hollow mining drill steel of high carbon steel, of stainless or heat resisting steel of other alloy steel	MITI
50.	Standard wire, cables, cordages, ropes, plaited bands and the like, of aluminium wire but excluding insulated electric wires and cables: of steel reinforced aluminium of unalloyed aluminium of other aluminium alloys	MITI
51.	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
52.	All goods from Serbia, Montenegro and Israel	MITI
53.	Flat-rolled products of iron or non-alloy steel of a width of 600 mm or more, clad, plated or coated within heading No. 72.10	MITI
54.	Flat-rolled products of iron or non-alloy steel of a width less than 600 mm, clad, plated or coated within heading No. 72.12	MITI
55.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	MITI
56.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold reduced), not clad, plated or coated	MITI
57.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	MITI
58.	Tubes, pipes and hollow profiles, of cast iron : sub-heading No. 7303.00. 000	MITI
59.	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel within heading No. 73.04	MITI
60.	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm of iron or steel, within heading No. 73.05	MITI
61.	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	MITI
62.	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

Appendix 5

Temporary Exclusion And Sensitive Lists For Investment 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,

Continued ...

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.

<u>Industries Open with Restrictions to Foreign Investors</u>
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

<u>Industries Closed to Both National and Foreign Investors</u>
Industries manufacturing communication devices:
- Telephone connection boxes.

Business reserved for small-scale enterprises.

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>
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 fire works.
Manufacturing of ammonium nitrate for explosive purposes.
National security.

Continued ...

Food and drink:
- Industries preparing shredded meat, boiled and then fried, and jerked meat; Industries preparing pickled/sweetened fruit, 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 with out 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.

Textiles and apperal:
- traditional weaving industries (non machine woven cloth); industries making hand-written batiks; 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, tire 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 (workshop 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.

Continued ...

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.

<u>Industries Open with Restriction to Foreign Investors</u>
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; cardamon; 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

<u>Industries Closed Only to Foreign Investors</u>
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.

Continued ...

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 utilizing 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. Open for projects in Sabah and Sarawak with source of supply from own plantations.

Sugar Refining.
Closed

Liquors and Alcoholic Beverages.
Closed for projects that do not export 100% of their products.

Tobacco Processing and Cigarettes.
Closed for projects that do not export more than 80% of their products.

Sawn timber, veneer and plywood.
Closed for Peninsular Malaysia and Sabah. Open for Sarawak.

Continued ...

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.
Closed.

Steel Billets/Blooms.
Closed for projects that have capacity of below 350,000 tonnes.

Assembly of motorcycles, passenger cars, and commercial vehicles.
Closed.

<u>Industries Open with Restrictions to Both Foreign and National Investors</u>
Fabrics and Apparel of *Batik*.
Ordinary Portland Cement (Integrated Projects).
Maximum foreign equity ownership allowed is 30%.

<u>Industries Open with Restrictions to Both Foreign and National Investors</u>
Explosives, pyrotechnic products, propellant powders, detonating or safety fuses and the like.
Weapons and ammunition.
Prior approval is required from Ministry of Home Affairs.

MYANMAR

Temporary Exclusion List

<u>Industries Closed for Both National and Foreign Investors</u>
Manufacturing of pulp of all kinds.
Value-added product policy.
Manufacture of paper is required.

<u>Industries Open with Restrictions to Foreign Investors</u>
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

<u>Industries Closed for Both National and Foreign Investors</u>
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.

<u>Industries Closed Only to Foreign Investors</u>
Saw milling and planning of wood.
National policy on forestry.

Continued ...

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 fifty (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.

Firecrackers.
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.

Continued ...

THAILAND

Sensitive List

Industries Closed to Both National and Foreign Investments
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:*
- *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%; and*
- *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.

Continued ...

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 material and export requirements.

Electro-mechanical and refrigeration equipment.
Household electric 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 Investments</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.

Continued ...

D6-D32 mm construction steelrods, and D15-D114 mm seam steel pipe, zinc galvanized and colour sheets.
Production of NPK fertiliser.
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.

Agriculture, Fishery and Mining Sectors

BRUNEI DARUSSALAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

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

Industries Open with Restrictions to Foreign Investors

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.
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

Industries Closed to Both National and Foreign Investors

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.

Continued ...

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

Industries Closed Only to Foreign Investors

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.

Continued ...

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.

<u>Industries Closed Only to Foreign Investors</u>

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.

<u>Industries Open with Restrictions to Foreign Investors</u>

Agriculture
- Food crops; Cassava;

On condition of partnership with the local farmers located in production center of food crop concerned

Continued ...

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 rosela), 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

<u>Industries Open with Restrictions to Foreign Investors</u>
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

<u>Industries Closed to Foreign Investors</u>
Operation of hatcheries in the reservoirs.
Reserved for Lao citizen.

<u>Industries Open with Restrictions to Foreign Investors</u>
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.

Continued ...

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 or 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.

Continued ...

PHILIPPINES

Sensitive List

Industries Closed Only to Foreign Investors
People's Small-scale mining programme.
Mining activities which rely heavily on manual labor 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 ton 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

Industries Open with Restrictions to Foreign Investors

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:*

Continued ...

- *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 helding 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

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 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.
Joint-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.

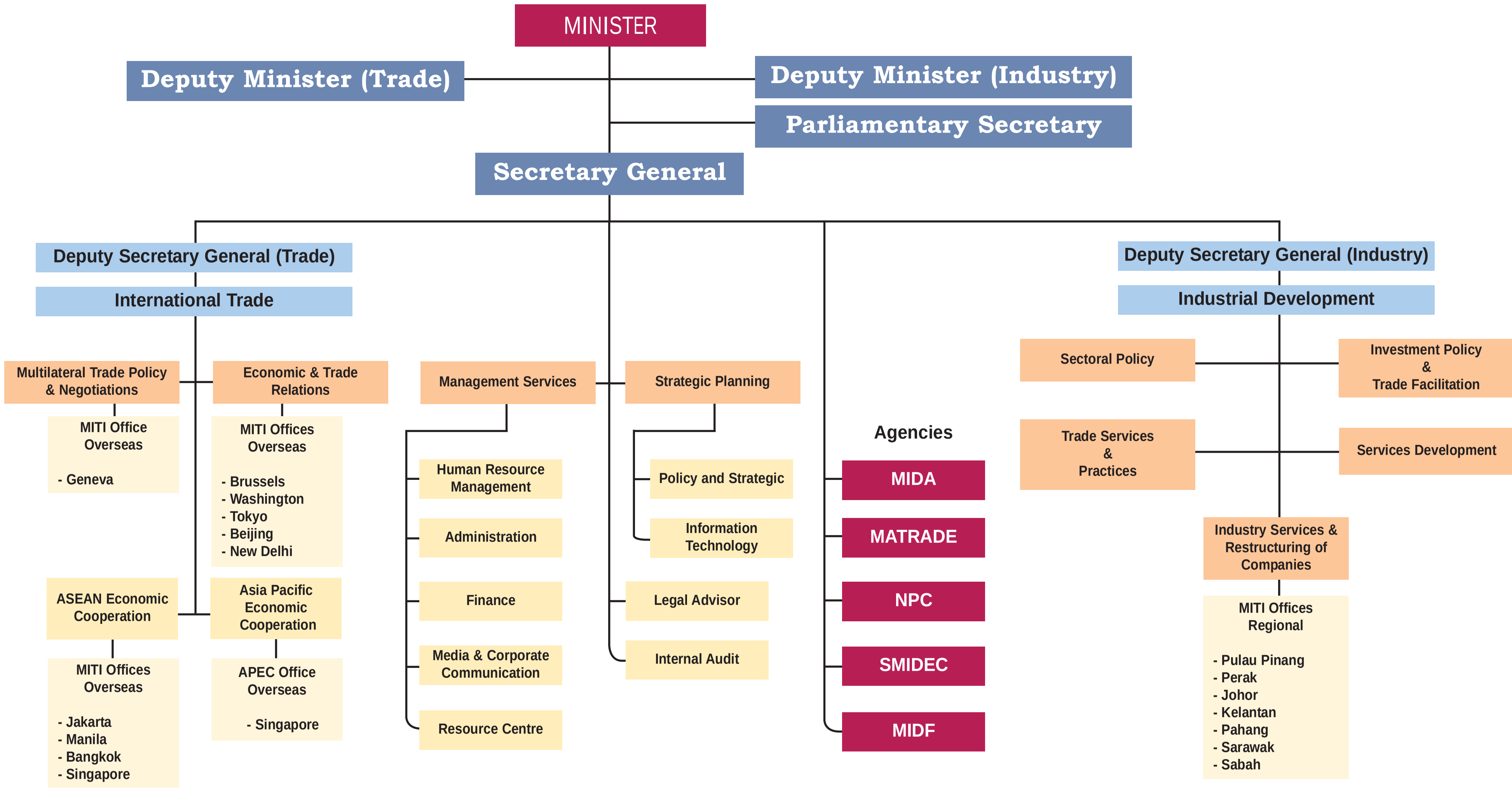
Sensitive List

Industries Closed Only to Foreign Investors.
Fishing.
Foreign investment shall not be licensed.

Exploitation of gemstones.
Fishing-net production.
No new license will be issued.

Industries Open With Restrictions to Foreign Investors
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.

MITI ORGANISATION CHART



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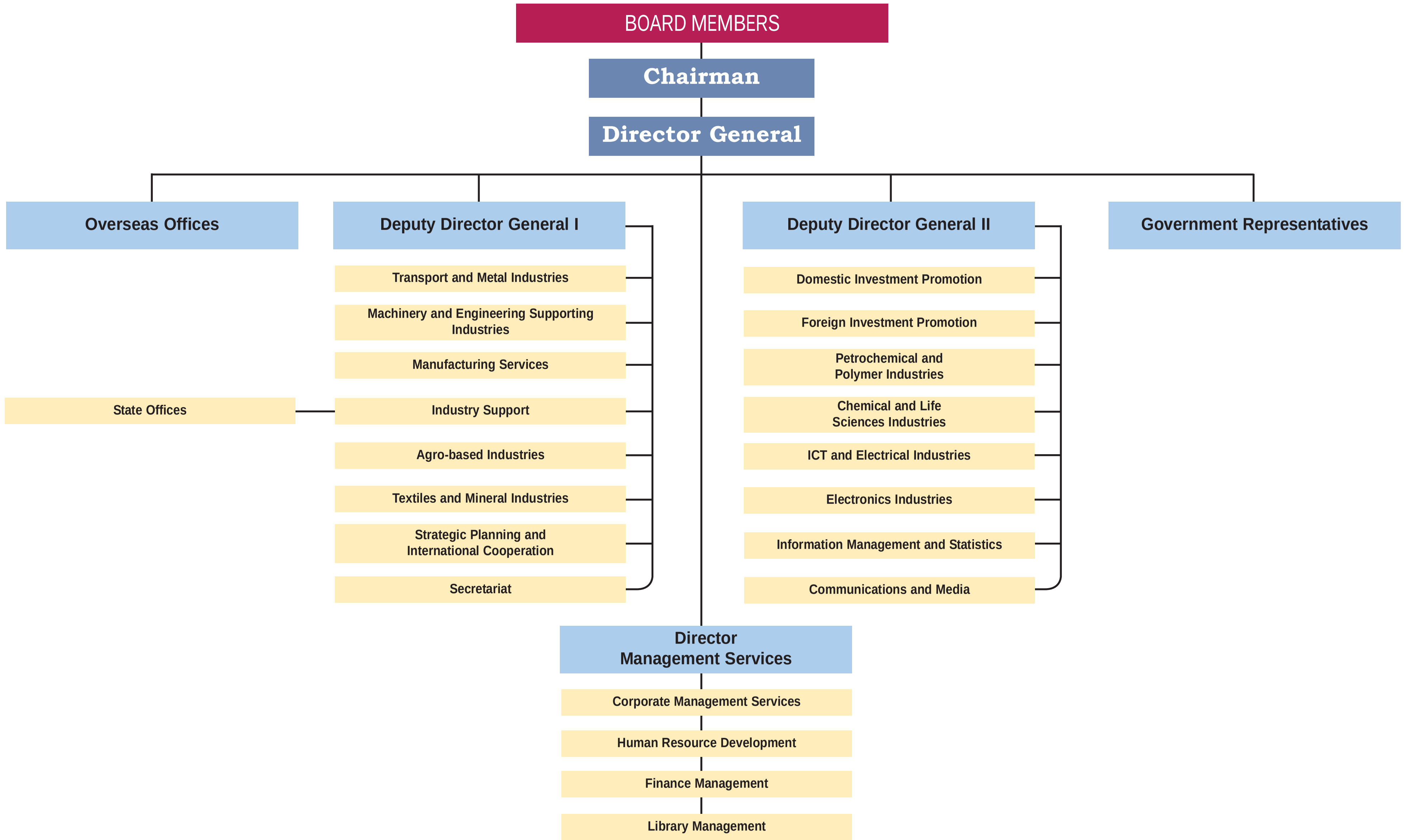
MIDA ORGANISATION CHART



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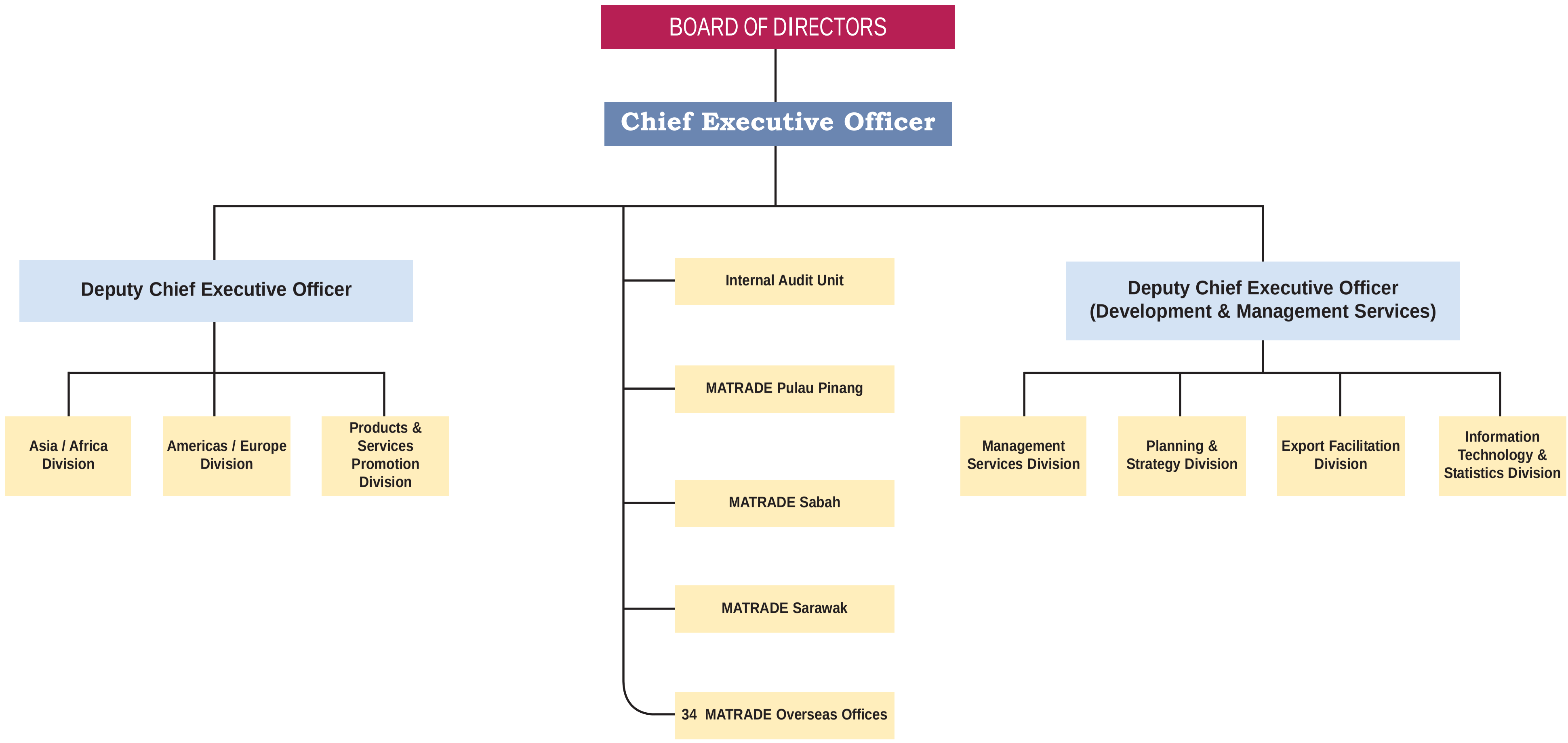

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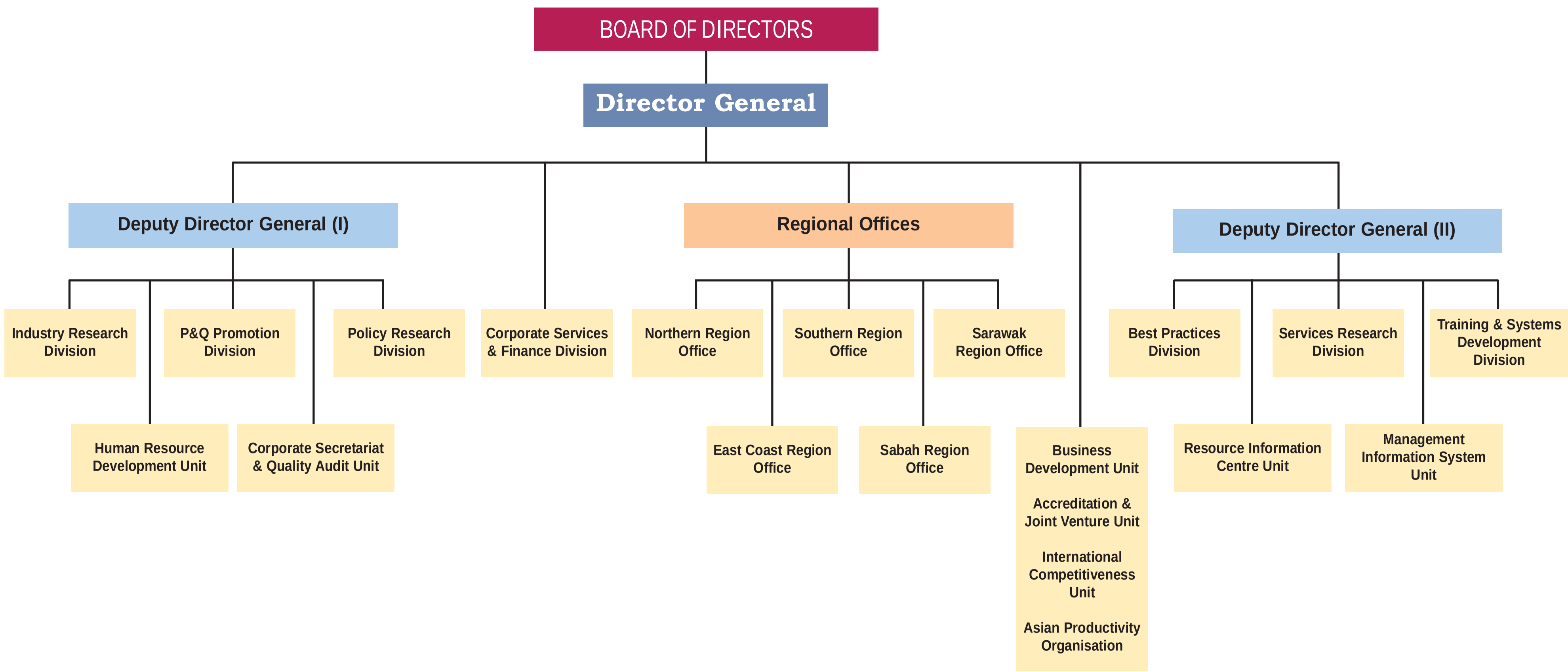
National Productivity Corporation Organisation Chart



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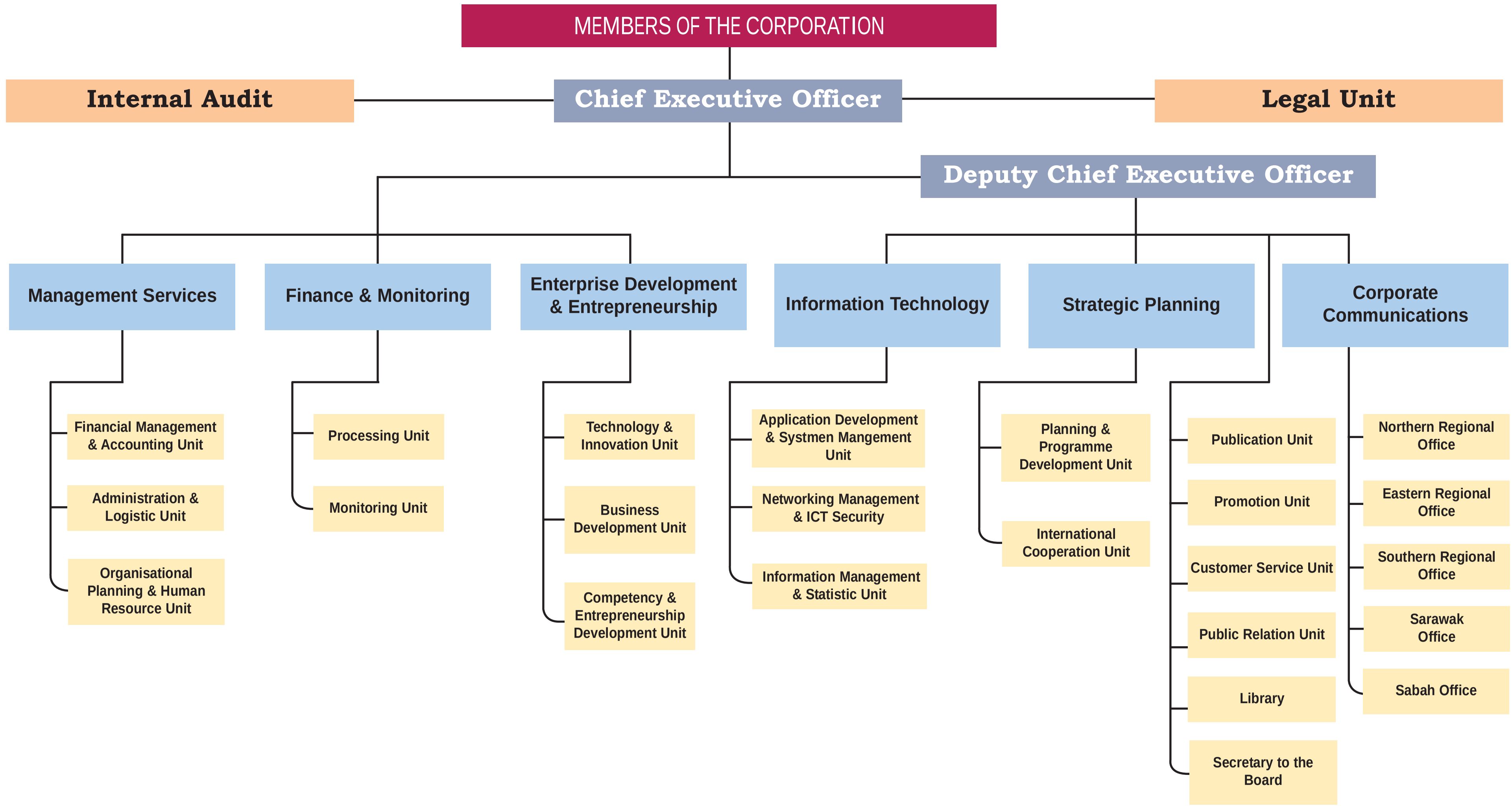
SMIDEC ORGANISATION CHART



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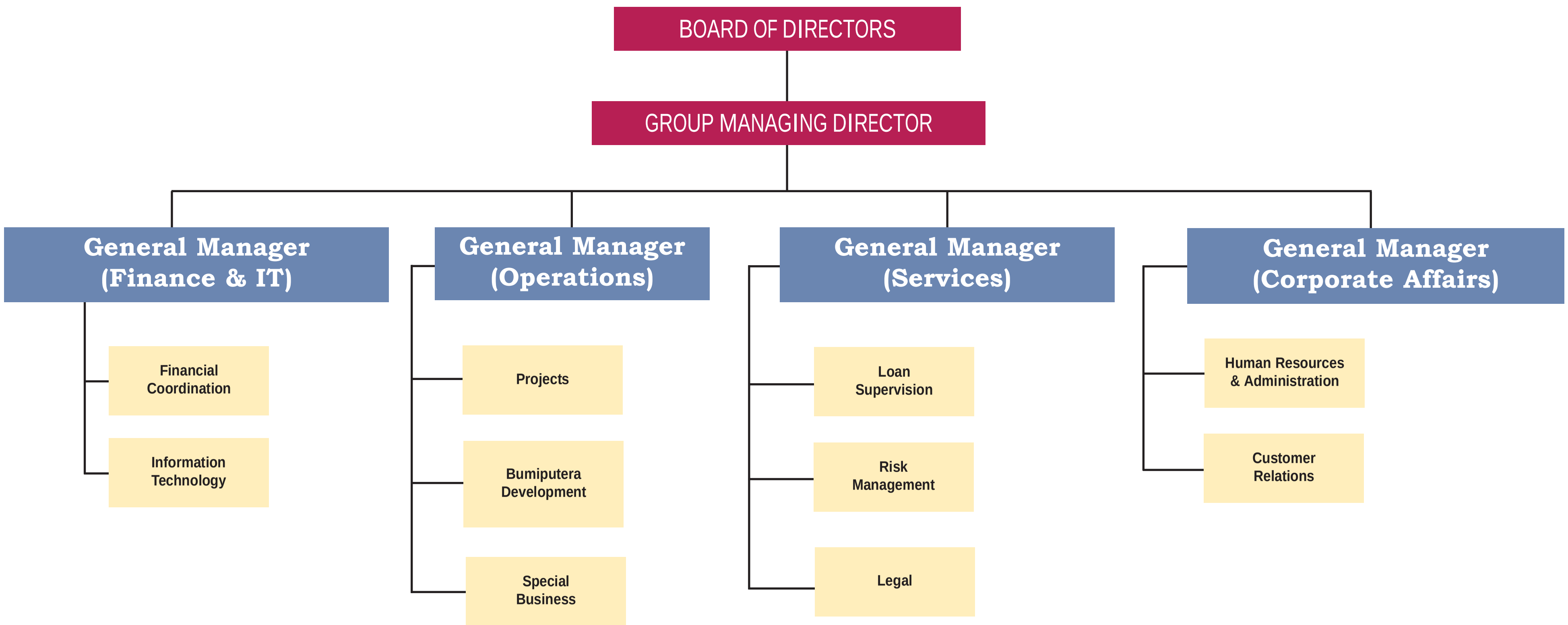

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Appendix 7 Abbreviations And Acronyms

AAHTF	ASEAN Animal Health Trust Fund
AANZFTA	ASEAN-Australia and New Zealand Free Trade Agreement
ABI	Argentina-Brazil-India
ABS	Acrylonitrile-butadiene-styrene
ACFCR	ASEAN Common Food Control Requirements
ACFTA	ASEAN-China Free Trade Agreement
ACVG	ASEAN Customs Valuation Guide
ADF	ASEAN Development Fund
AEC	ASEAN Economic Community
AELM	APEC Economic Leaders Meeting
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AHTN	ASEAN Harmonised Tariff Nomenclature
AIA	ASEAN Investment Area
AICO	ASEAN Industrial Cooperation
AICTC	ASEAN ICT Centre
AIFTA	ASEAN-India Free Trade Agreement
AKFTA	ASEAN-Korea Free Trade Agreement
AMBDC	ASEAN-Mekong Basin Development Cooperation
AMEICC	ASEAN Economic Minister-Minister of Economy, Trade and Industry Economic and Industrial Cooperation Committee
AMM	APEC Ministrial Meeting
APCT	ASEAN Promotional Chapter on Tourism
APEC	Asia Pacific Economic Cooperation
APT	Asia Pacific Telecommunity
ARWGTEC	ASEAN-Russia Working Group on Trade and Economic Cooperation
ASEAN	Association of South East Asian Nations
ASEAN 6	Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand
ASEAN GAP	ASEAN Good Agricultural Practices
ASEAN+3	ASEAN, People's Republic of China, Japan and Republic of Korea
ASEAN-4	Brunei Darussalam, Malaysia, Thailand and Singapore
ASEAN-5	Singapore, Malaysia, Thailand, Indonesia and Philipines
ASEANTA	ASEAN Tourism Association
ASEAN-WEN	ASEAN Wildlife Law Enforcement Network
ASW	ASEAN Single Window
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BP	Building Plan
CAP	Collective Action Plan
CBD	Convention Biological Diversity
CBU	Completely Built-Up
CCC mark	China Compulsory Certification Mark
CDM	Clean Development Mechanism
CD-ROM	Compact Disc Read-Only Memory

CECA	Comprehensive Economic Cooperation Agreement
CEPT	Common Effective Preferential Tariff
CER	Certified Emission Reduction
CFO	Certificate of Fitness for Occupation
CKD	Completely Knocked-Down
CLM	Cambodia, Lao PDR, Myanmar
CLMV	Cambodia, Lao PDR, Myanmar and Viet Nam
COMCEC	Standing Committee on Economic and Trade Cooperation
CRC	Cold-Rolled Coils
CRDF	Commercialisation of R&D Fund
CRTA	Committee on Regional Trade Agreements
CTD	Committee on Trade and Development
CTDSS	Committee on Trade and Development in Special Session
CTE	Committee on Trade and Environment
CTRM	Composite Technology Research Malaysia
CWC	Chemical Weapons Convention
DAGS	Demonstrator Applications Grant Scheme
DDA	Doha Development Agenda
DIIUs	District Industry Implementation Units
DRI	Direct-Reduced Iron
DSM	Department of Standards, Malaysia
DSU	Dispute Settlement Understanding
EAERR	East Asia Emergency Rice Reserve
EAFTA	East Asia Free Trade Area
ECOTECH	Steering Committee on Economic and Technical Cooperation
EHP	Early Harvest Programme
ERIA	Economic Research Institute for ASEAN and East Asia
ESM	Emergency Safeguard Measures
EU	European Union
EVS	Electronic Verification System
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FLEGT	Forest Law Enforcement, Governance and Trade
FMM	Federation of Malaysian Manufactures
FSMI2	Fund for Small and Medium Industries 2
FTAs	Free Trade Agreements
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GHGs	Green Houses Gases
GMI	German Malaysian Institute
GMO	Genetically Modified Organisms
GMP	Good Manufacturing Practice
GSP	Generalised System of Preferences
GSTP	Global System of Trade Preferences
HACCP	Hazard Analysis Critical Control Point
HBI	Hot-Briquetted Iron
HPAI	Highly Pathogenic Avian Influenza
HRC	Hot-Rolled Coils
HRD	Human Resources Development
HS	Customs Harmonised System

IAP	Individual Action Plans
ICCI	Islamic Chamber of Commerce and Industry
ICT	Information and Communication Technology
IDB	Islamic Development Bank
IEFS	Indirect Exporter Financing Scheme
IGM	Institute of Global Management
ILP	Industrial Linkage Programme
ILS	Integrated Logistics Services
IMF	International Monetary Fund
IMP3	Third Industrial Master Plan
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
IOR-ARC	Indian Ocean Rim-Association for Regional Cooperation
IPC	International Procurement Centre
IPI	Industrial Production Index
IPR	Intellectual Property Rights
IRRI	International Rice Research Institute
ISCs	Industry Standards Committees
ISO/TS	International Organisation for Standards/Technical Specification
ITA	Investment Tax Allowance
ITU	International Telecommunication Union
JAIF	Japan-ASEAN Integration Fund
JAKIM	Department of Islamic Development, Malaysia
JCWP	Joint Cooperation Work Plan
JETRO	Japan External Trade Organisation
JMEPA	Japan-Malaysia Economic Partnership Agreement
KFDA	Korean Food and Drug Administration
KISMEC	Kedah Industrial Skills and Management Development
LDCs	Least Development Countries
LNG	Liquefied Natural Gas
MAFTA	Malaysia-Australia Free Trade Agreement
MAJAICO	Malaysia-Japan Automotive Industrial Cooperation
MATRADE	Malaysia External Trade Development Corporation
MBIPV	Malaysia Building Integrated Photovoltaic Programme
MCTF	Multi Currency Trade Finance
MEAs	Multilateral Environmental Agreements
MERCOSUR	Latin American Southern Cone Common Market
MFI	Malaysian France Institute
MFN	Most Favoured Nation
MGS	Multimedia Super Corridor R&D Grant Scheme
MIDA	Malaysian Industrial Development Authority
MIHAS	Malaysian International Halal Showcase
MINT	Malaysian Institute for Nuclear Technology Research
MISDC	Malacca Industrial Skills Development Centre
MITI	Ministry of International Trade and Industry
MJEPA	Malaysia-Japan Economic Partnership Agreement
MLC	Malaysian Logistics Council
MNCs	Multinational Corporations
MNZFTA	Malaysia-New Zealand Free Trade Agreement
MPFTA	Malaysia-Pakistan Free Trade Agreement
MRA	Mutual Recognition Arrangement

MRL	Maximum Residue Limit
MRS	Manufacturing-Related Services
MSDC	Malaysian Services Development Council
MTCC	Malaysian Timber Certification Council
MTCP	Malaysian Technical Cooperation Programme
MUSFTA	Malaysia-US Free Trade Agreement
NAFTA	North America Free Trade Area
NAMA	Non-Agriculture Market Access
NAP	National Automotive Policy
NCCIM	National Chamber of Commerce and Industry of Malaysia
NEF2	New Entrepreneurs Fund 2
NIOSH	National Institute of Occupational Safety and Health
NPC	National Productivity Corporation
NSDC	National SME Development Council
NSSDC	Negeri Sembilan Skills Development Centre
NSW	National Single Window
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
OCP	Operational Certification Procedures
OECD	Organisation for Economic Cooperation and Development
OHQs	Operational Headquarters
OIC	Organisation of Islamic Conference
OIE	World Animal Health Organisation
OSCs	One-Stop Centres
PBDE	Polybrominated diphenyl ethers
PCB	Printed Circuited Board
PESDC	Perak Entrepreneur and Skills Development Centre
PIS	Priority Integration Sectors
PMA	Post-Marketing Alert
PPKS	Sarawak Skills Development Centre
PRETAS	Preferential Tariff Scheme
PS	Pioneer Status
PSR	Product Specific Rules
PTA	Preferential Trading Arrangement
PUSPATRI	Johor Skills Development Centre
R&D	Research and Development
RDCs	Regional Distribution Centres
RE	Representative Offices
REACH	Registration, Evaluation and Authorisation of Chemicals
RIPs	REACH Implementation Projects
RM	Ringgit Malaysia
RMK9	Ninth Malaysian Plan
RO	Regional Offices
RoHS	Restriction of Certain Hazardous Substances in Electrical and Electronics Equipment
ROO	Rules of Origin
RTAs	Regional Trade Arrangements
S&D	Special and Differential
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area

SHRDC	Selangor Human Resource Development Centre
SIC	State Investment Centre
SKRL	Singapore-Kuming Rail Link Project
SMEs	Small and Medium Enterprises
SMIDEC	Small and Medium Industries Development Corporation
SPS	Sanitary and Phytosanitary Standards
SREP	Small Renewable Energy Programme
SSTC	Sabah Skills and Technology Centre
TATI	Terengganu Advanced Technical Institute
TBT	Technical Barriers to Trade
TFP	Total Factor Productivity
TICA	Trade and Investment Cooperation Arrangement
TIG	Trade in Goods
TPM	Technology Park Malaysia
TPS-OIC	Trade Preferential System Among the Member States of the OIC
TREATI	Trans-Regional EU-ASEAN Trade Initiative
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff-Rate Quotas
UAV	Unmanned Aerial Vehicle
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
VPA	Voluntary Partnership Agreement
WCO	World Customs Organisation
WEEE	Waste Electrical and Electronic Equipment
WTO	World Trade Organisation

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