MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
REPORT 2013

DRIVING **TRANSFORMATION**
POWERING GROWTH

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY REPORT 2013

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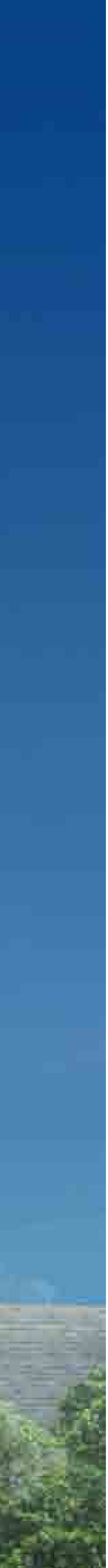

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Foreword

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

DRIVING TRANSFORMATION, POWERING GROWTH

Malaysia's economy grew **4.7** per cent in 2013 in the face of challenging economic conditions worldwide. The manufacturing sector grew by **3.4** per cent while the services sector grew by **5.9** per cent. Trade volume reached **RM1.3** trillion, an increase of **4.6** per cent compared with 2012. Despite the modest pace of the world economy, exports increased to a new high of **RM719.8** billion while imports reached **RM649.1** billion.

Overall, we maintained our attraction as a preferred destination for many investors, and our industrial base registered a shift towards the production of higher value-added products and services, consistent with the strategic direction set by the Economic Transformation Programme.

Transformation: A Strategic Perspective

MITI's core mission is to increase national competitiveness. The Ministry's initiatives have focused on increasing productivity, promoting innovation and creating an environment that is conducive to doing business. Our overriding objective in international trade has been to establish fair and beneficial trading relationships with our trading partners worldwide. In 2013, the Malaysia-Australia Free Trade Agreement came into force. At home, we focused on promoting investments in high technology and knowledge-based industries, particularly in the services sector. We also engaged with small and medium entrepreneurs through our *turun padang* activities to gather feedback and to address problems on the ground.

Moving up the Global Value Chain

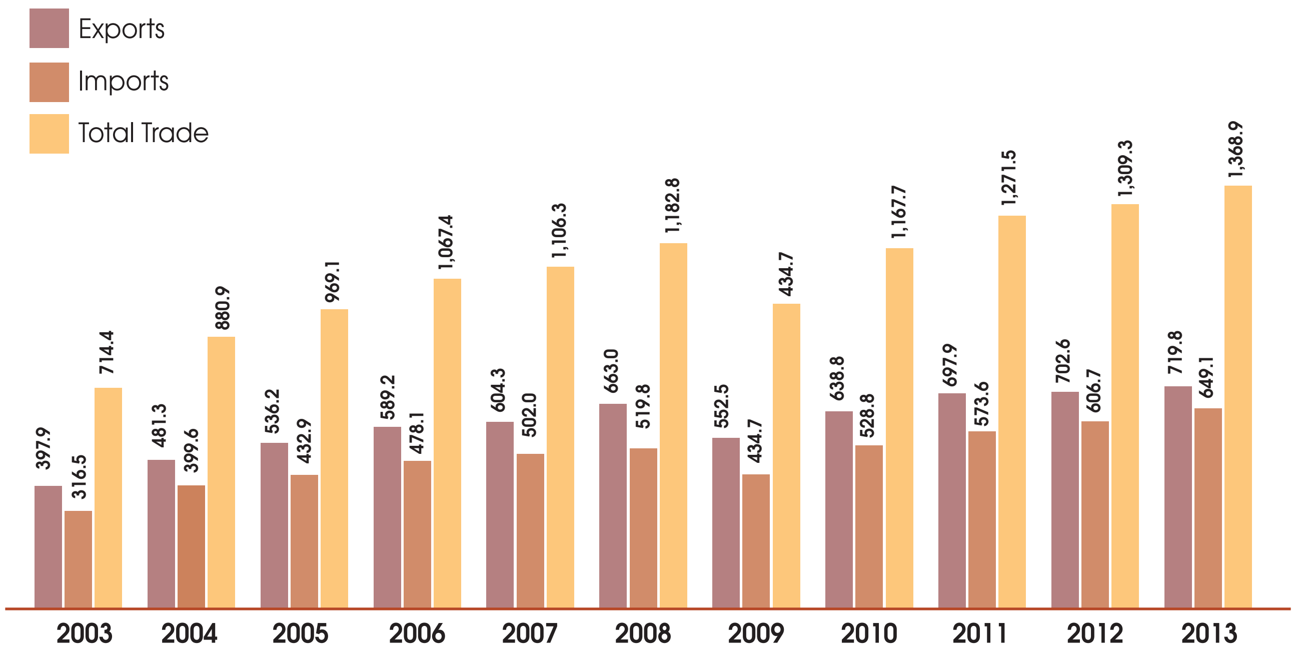
MITI will continue to spearhead efforts to further integrate Malaysia's products and services into the global value chain. Our initiatives will encourage greater entrepreneurship, innovation and productivity at all levels of economic activities. To highlight MITI's role more effectively, we will increase engagement with the public through media channels, including the social media. We will continue to further develop industries connected to the National Key Economic Areas (NKEAs).

MITI will contribute towards the nation's effort in creating a high income economy that is knowledge-driven and high technology industry-based. Focus will be on attracting quality investments and encouraging existing industries to shift from lower value-added products and services to reinvesting in higher value-added and knowledge-intensive products and services. Emphasis will be on creating quality jobs, establishing linkages with local suppliers and making significant contribution to export growth. These efforts are in line with the objective of the New Economic Model (NEM) to transform Malaysia into a high income nation by 2020.

Going forward, improving the nation's overall economic competitiveness remains our highest priority. Both the Government and the private sector will have to continue to work together to ensure that we remain viable players in the global economic market place.

At a glance

Malaysia's Trade Performance 2003 - 2013 (RM billion)



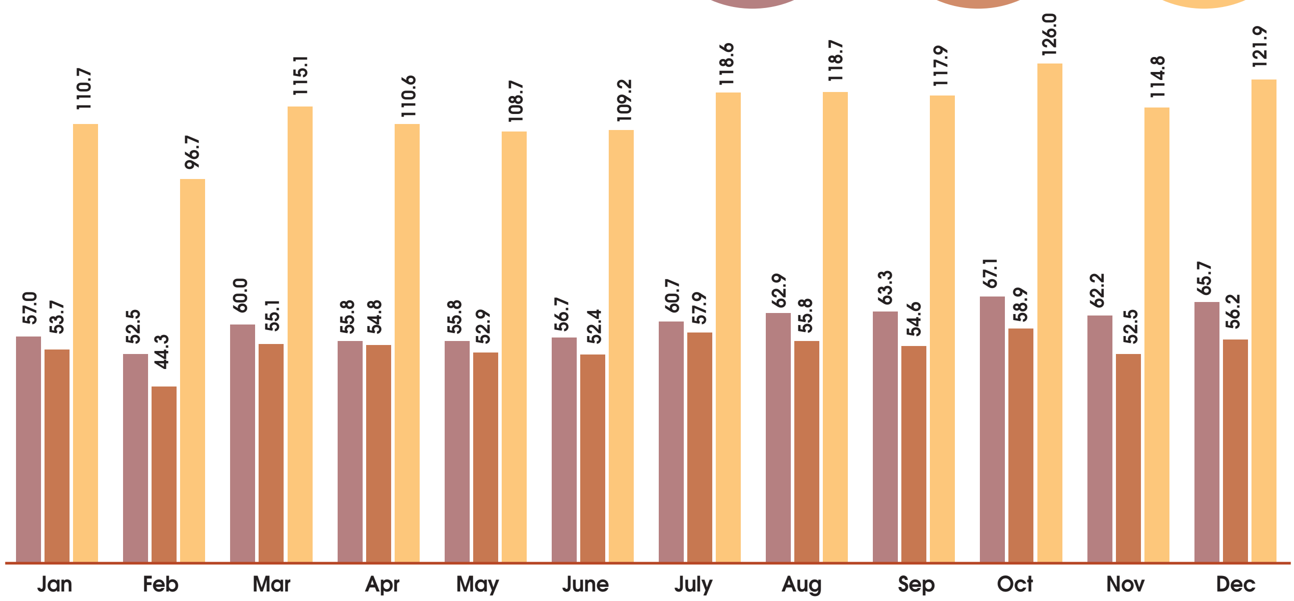
Source: Department of Statistics, Malaysia

Total Trade 2013 (RM billion)

719.8 EXPORTS

649.1 IMPORTS

1,368.9 TOTAL TRADE

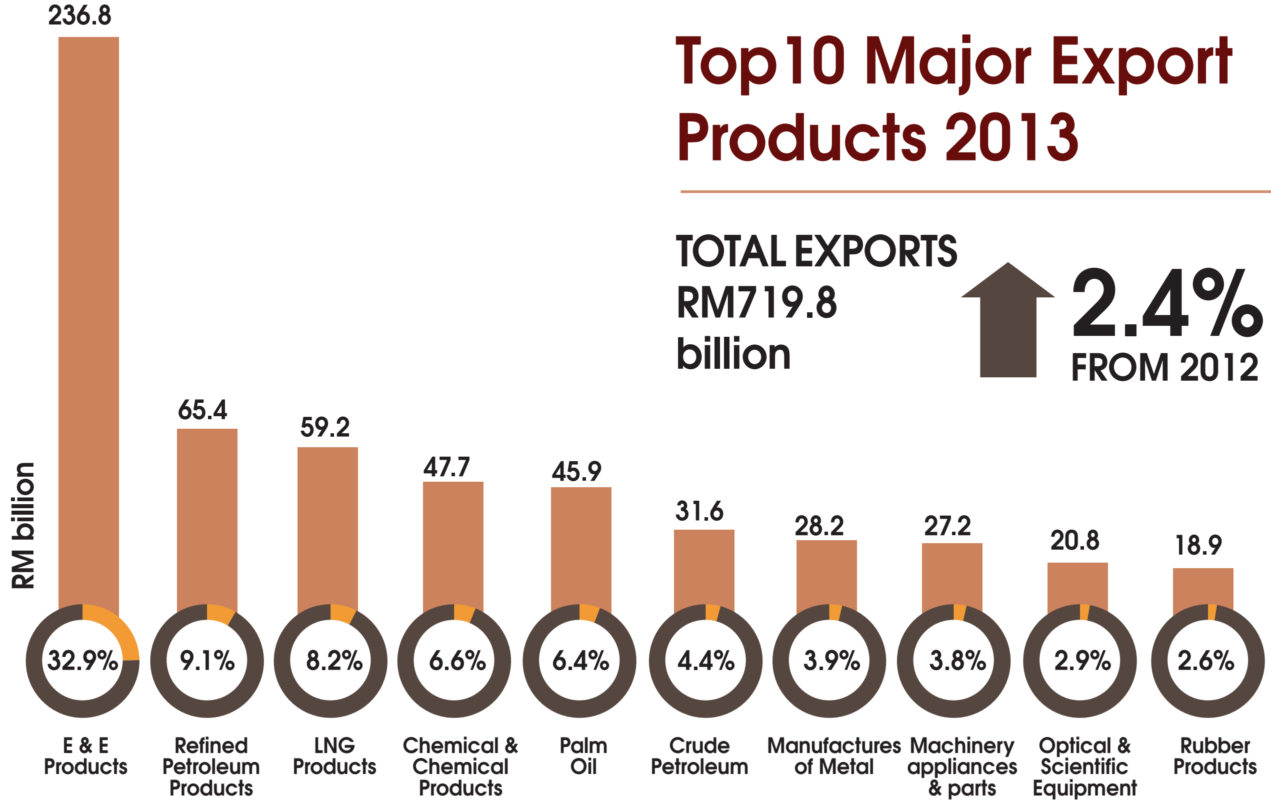


Source: Department of Statistics, Malaysia

Top10 Major Export Products 2013

TOTAL EXPORTS RM719.8 billion

2.4% FROM 2012

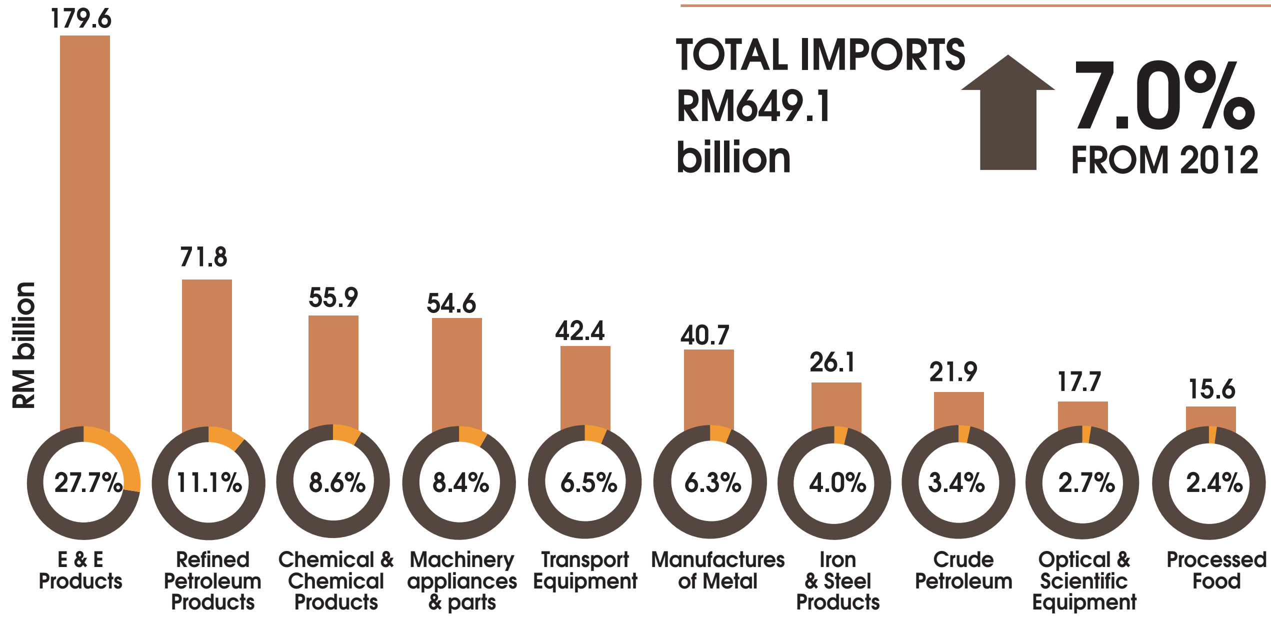


Source: Department of Statistics, Malaysia

Top10 Major Import Products 2013

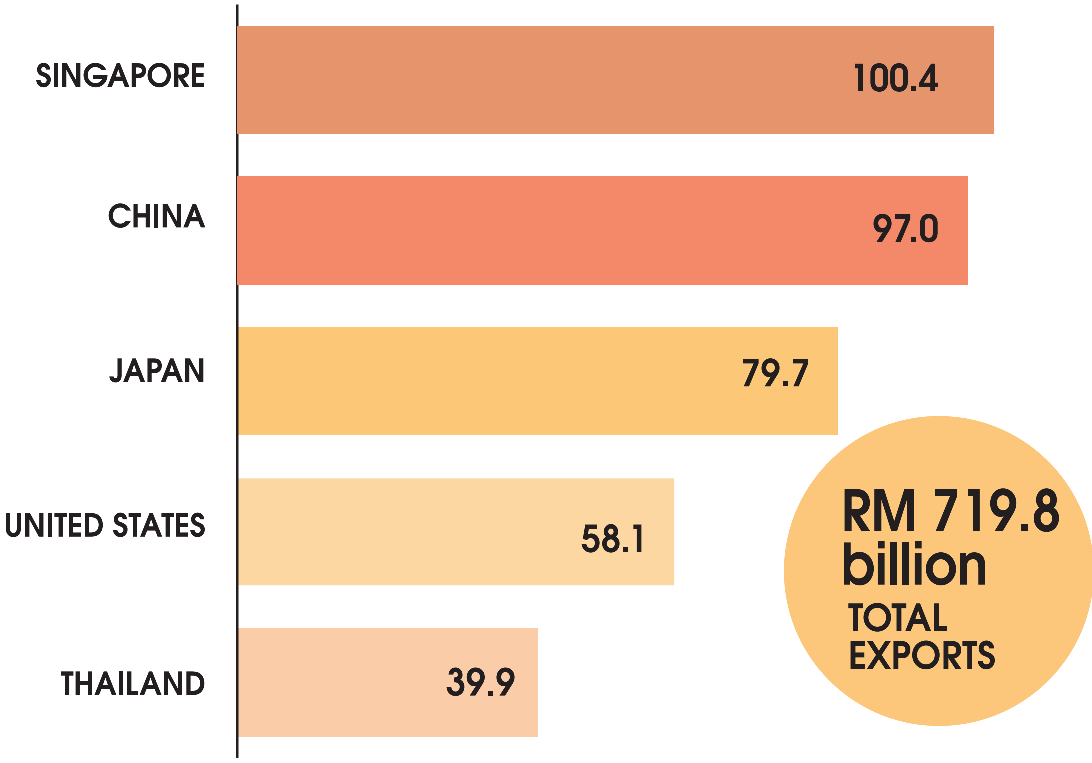
TOTAL IMPORTS RM649.1 billion

7.0% FROM 2012



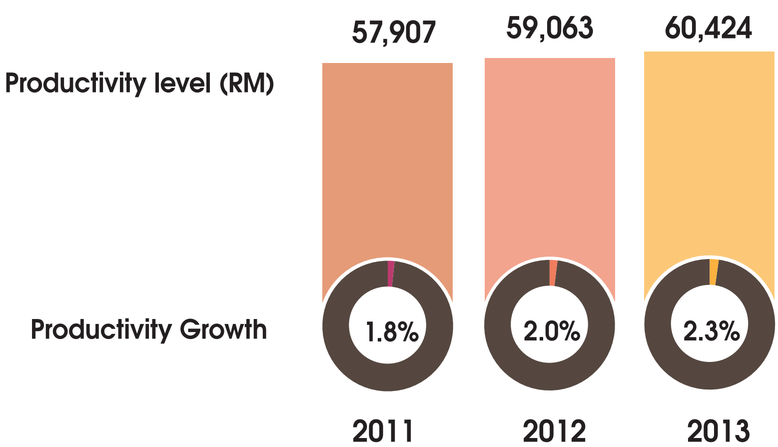
Source: Department of Statistics, Malaysia

Top Five Export Destinations 2013 (RM billion)



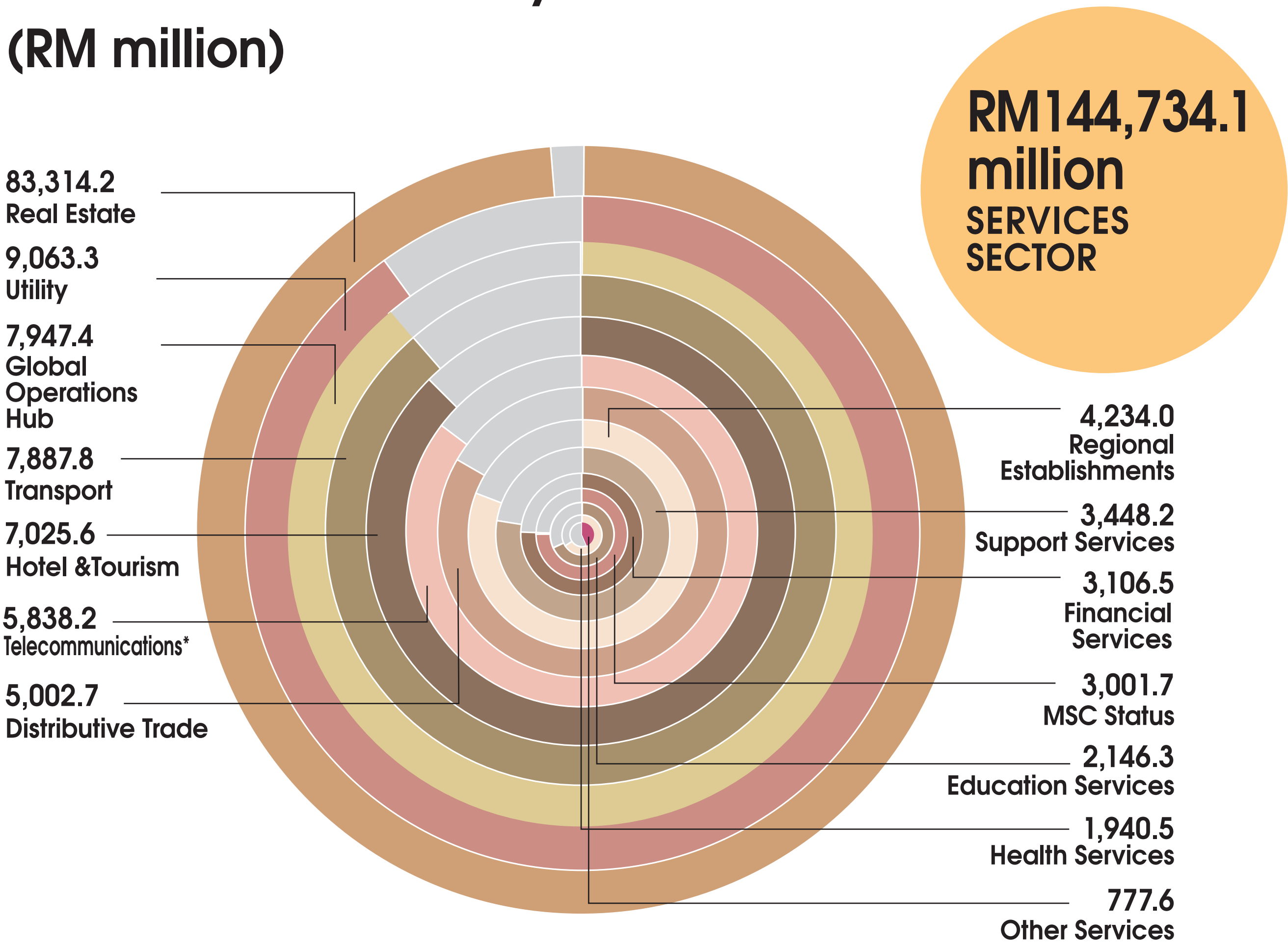
Source: Department of Statistics, Malaysia

Malaysia's Productivity Level and Growth 2011-2013



Source: Malaysia Productivity Corporation

Investments into Malaysia's Services Sector 2013 (RM million)



Note : * : Data up to January-September 2013

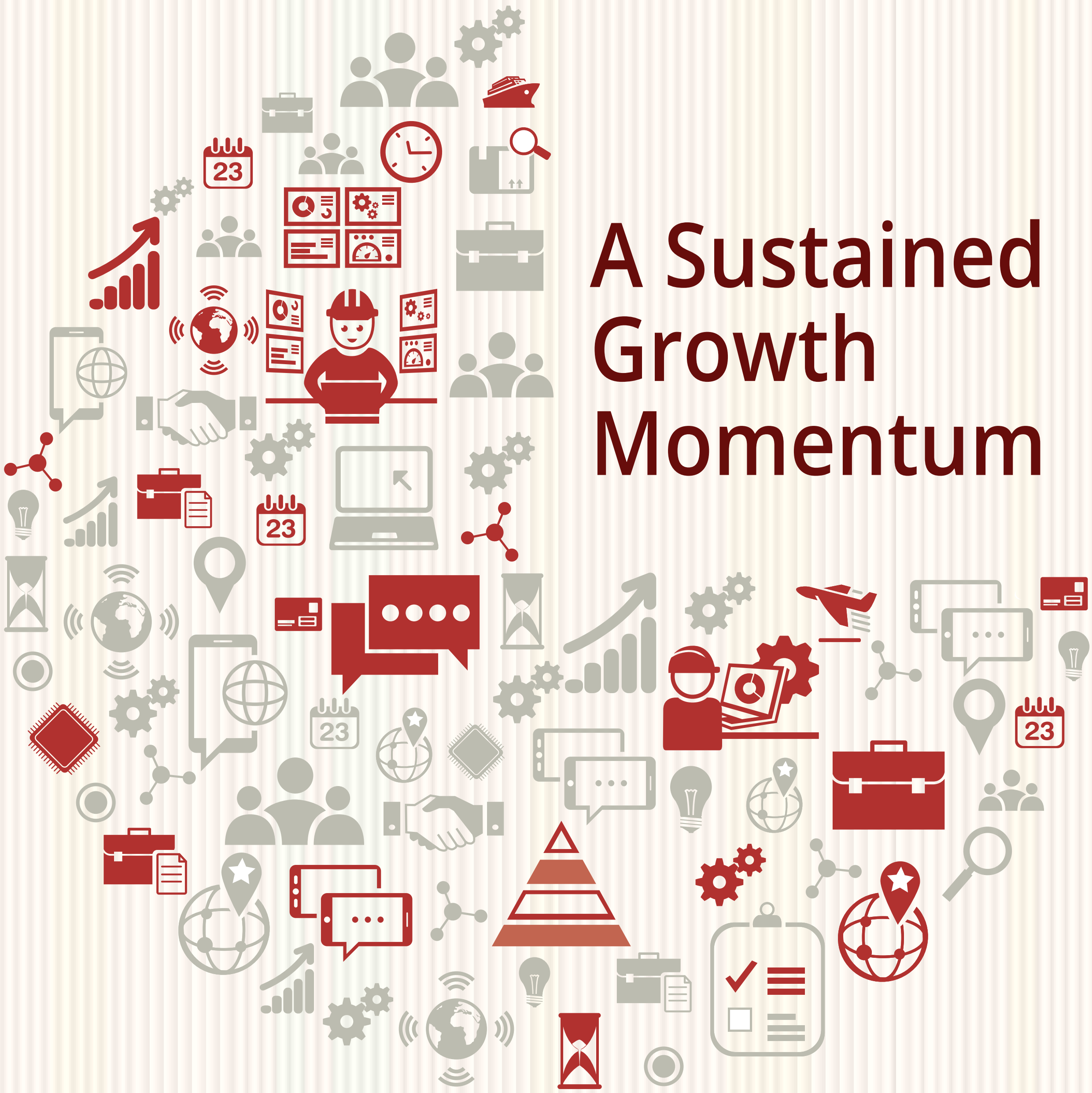
Source : Malaysian Investment Development Authority

Domestic and Foreign Investments in Approved Projects 2012 & 2013 (RM billion)

	2013	2012
Total Investments	216.5	167.8
Domestic Investments	157.0	133.0
Foreign Investments	59.5	34.9

Source : Malaysian Investment Development Authority

A Sustained Growth Momentum



A Sustained Growth Momentum

Year 2013 once again saw domestic demand taking the lead in driving Malaysia's economy, as the external environment remained on a moderate recovery path. The amount of private approved investments achieved in 2013 also reached a new record high. Favourable employment conditions and wage growth, partly due to the effect of the Minimum Wage Policy, were key factors in 2013 that propelled private consumption and domestic demand. Exports are projected to grow by 5.8 per cent, and Malaysia's economic outlook in 2014 is expected to be positive with a projected growth of 4.5 to 5.5 per cent.

Bolstered by the continued robust growth of domestic demand, Malaysia's economy recorded a 4.7 per cent growth in 2013. Private consumption growth was at 7.6 per cent, contributed by improved employment conditions and wage growth. The Government's Minimum Wage Policy helped to boost employment conditions in 2013. Unemployment rate hovered at 3.1 per cent and employment grew by 4.8 per cent. A notable growth of 6.3 per cent was seen in public consumption, with higher expenditure on supplies and services.

Private investment registered a double-digit growth of 13.6 per cent, a slight moderation from the stronger growth in 2012, yet continuing to assure investors of the investment potential and opportunities in Malaysia. Foreign and domestic investments in the mining, services and manufacturing sectors were the main drivers to this growth. In terms of total approved investments in 2013, Malaysia achieved a commendable outcome with approved investments totalling RM216.5 billion. These investments were channelled into 5,669 projects, with the majority of investments coming from the services sector (66.8%). Domestic sources constituted 72.5 per cent with foreign investments making up the remainder. The labour market will benefit greatly from the investments 192,000 employment opportunities created for the economy.

Growth in public investment moderated to 0.7 per cent. This was a result of the Federal Government cutting back on development expenditure. However, increased capital spending by public enterprises helped to make up for this decline, with investments mainly in the oil and gas, transportation and energy sectors.

Despite the weaker global economic environment, Malaysia's current account surplus in 2013 remained healthy at RM40.0 billion. Exports registered an increase of 2.4 per cent, spurred by demand for both manufactured and mining goods from markets within Asia and Europe. Overall export performance was further supported by increasing demand for Malaysia's products and services in new and emerging markets in Africa, West Asia and South Asia. Imports rose by 7.0 per cent in 2013 from a year earlier, on account of strong domestic demand.

Headline inflation in 2013 recorded a modest 2.1 per cent, whilst core inflation recorded 1.8 per cent. During the year, inflation rates spiked as a result of domestic cost and supply factors, but were moderated at the same time by adequate productive capacity, which helped to offset price and demand pressures.

Steady Growth for the Malaysian Economy in 2014

Malaysia's economy is projected to chart a steady growth in 2014 with an expansion of 4.5 to 5.5 per cent. As in 2013, domestic demand will continue to underpin this growth. Private consumption is expected to grow further with favourable labour market conditions and sustained wage growth. Public consumption, on the other hand, will see a smaller increase as a result of the Government's fiscal consolidation efforts.

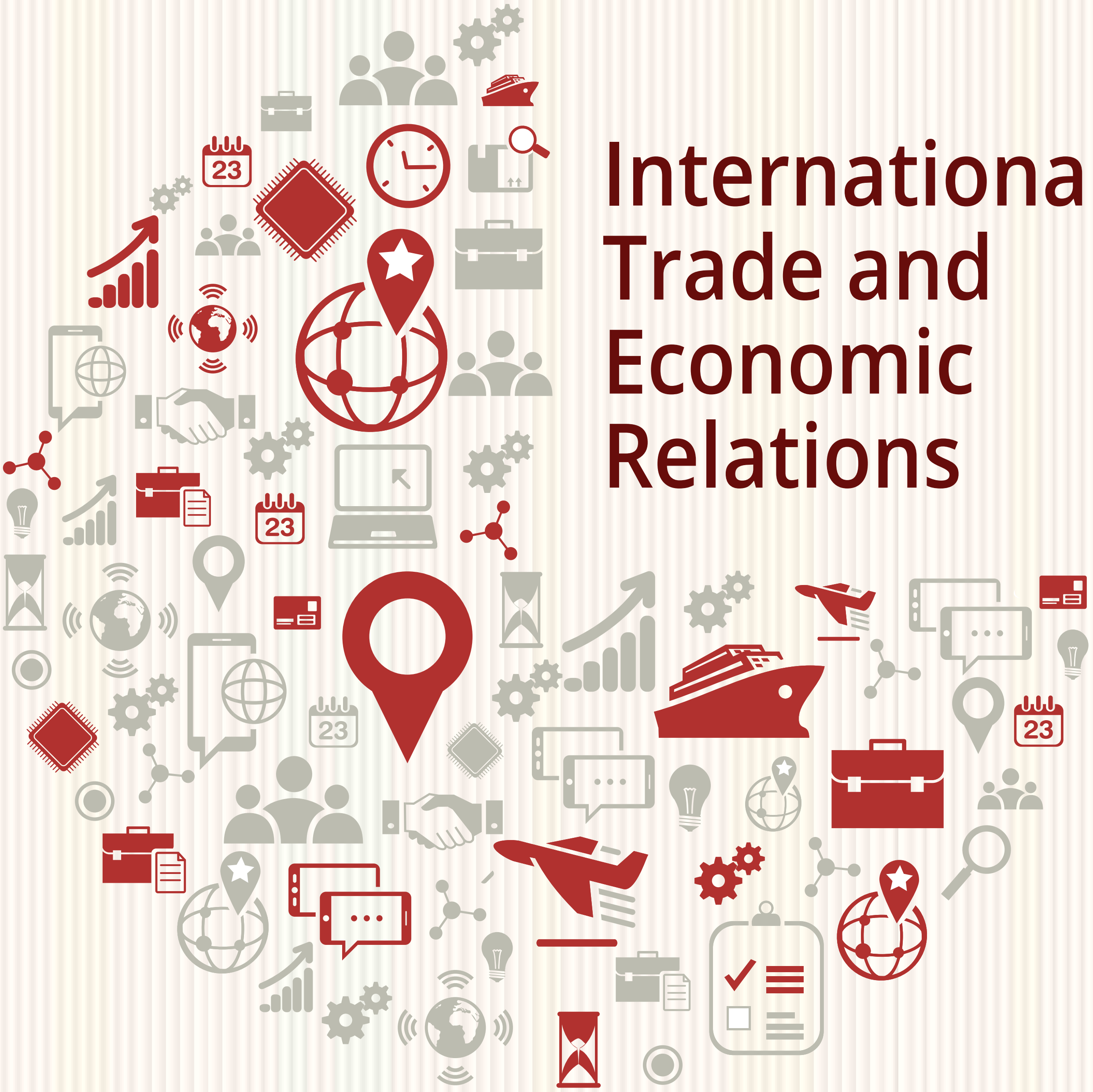
Private investment will continue to register a healthy growth for the fifth consecutive year, and public investment will improve with higher capital spending by the Government and public enterprises. With the creation of an ASEAN single market in 2015 under the ASEAN Economic Community (AEC) Blueprint, foreign investments from the ASEAN economies will be more eager to leverage on investment opportunities in Malaysia, and domestic investors will likewise be attracted by investment opportunities in neighbouring ASEAN economies.

As external demand recovers, Malaysia's export performance in most product categories will see an improvement, with a projected export growth of 5.8 per cent. This growth will be supported by higher production of energy and petrochemical products and exports of commodities and services. Imports will however grow at a faster rate as a result of higher local demand of intermediate goods.

Headline inflation is anticipated at an average of 3.0 to 4.0 per cent. The Government's action in subsidy rationalisation leading to recent price readjustments is expected to cause continued domestic cost hikes. However, moderating factors such as the continued expansion of domestic capacity and the cooling-down of domestic demand will help rein in cost pressures and ease inflation.

Economic risks that Malaysia may face in 2014 include a potentially weak recovery of the global economy and higher inflation. However, these are expected to be offset by an improvement in exports particularly in the E&E sector, a recovery in external trade and the government's financial policies, which includes the Goods and Services Tax (GST) scheduled to enter into force in April 2015. These factors will provide the necessary impetus and capacity for improving the country's economic and trade scenarios.

International Trade and Economic Relations



International Trade and Economic Relations

Malaysia's trade performance remained resilient in 2013 with stable growth in international trade as well as a healthy trade surplus. The country has engaged actively in trade with countries across regions, further propelling the country's economic progress under a steadily recovering global economy. Trade liberalisation efforts continued to take place with the country participating in milestone talks and negotiations in key free trade agreements such as the Trans-Pacific Partnership Agreement (TPPA) and the Regional Comprehensive Economic Partnership (RCEP) Agreement, while the Malaysia-Australia Free Trade Agreement (MAFTA) has entered into force.

As the global economy embarked on a steady recovery, Malaysia's trade grew by 4.6 per cent in 2013 with total trade registering RM1.37 trillion as compared with RM1.31 trillion in 2012.

Exports increased by 2.4 per cent to RM719.8 billion. The second half recorded a significant growth of 8.9 per cent. Growth was contributed by demand for both manufactured and mining goods from markets within Asia and Europe. Encouraging demand for Malaysia's products and services in new and emerging markets in Africa, West Asia and South Asia further supported the overall export performance.

Imports rose by 7.0 per cent in 2013, from a year earlier, to RM649.1 billion. This was buoyed by higher manufacturing activities, investments and domestic consumption. This increase in imports is a driver to the economy as the country's trade surplus still remained high at RM70.6 billion, making it the 16th consecutive year of trade surplus achieved since 1998.

Malaysia also participated actively in the conclusion of the Bali Package during the Ninth World Trade Organization (WTO) Ministerial Conference in Bali, Indonesia in December 2013.

Strong ties remain in a tight-knit ASEAN market

Benefitting from greater cross-border investments, more inter-company linkages and outsourcing activities as well as growing trading activities within **ASEAN**, total trade with ASEAN expanded by 4.8 per cent to RM374.7 billion. ASEAN accounted for 27.4 per cent of Malaysia's total trade, and was the largest regional trading partner. Exports to ASEAN increased from RM188.2 billion to RM201.8 billion, expanding its share from 26.8 per cent to 28.0 per cent. The largest export markets and import sources within ASEAN were Singapore, Thailand and Indonesia.

Trade with **Singapore**, our largest ASEAN trading partner, grew by 2.6 per cent. Exports increased by 5.1 per cent and imports contracted by 0.3 per cent. Singapore remained the largest export destination with a 14.0 per cent share of Malaysia's total exports, valued at RM100.4 billion. However, Malaysia's imports from Singapore decreased by 0.3 per cent to RM80.2 billion.

Trade with **Thailand**, Malaysia's second largest ASEAN trading partner, expanded by 7.2 per cent with exports and imports registering an increase of 6.1 per cent and 8.4 per cent respectively. Exports of E&E products to Thailand saw an increase in 2013, contributed

Malaysia's Trade with ASEAN Countries 2013 (RM million)

Countries	Total Exports	Total Imports	Total Trade
TOTAL ASEAN	**201,810.7**	**172,902.7**	**374,713.4**
Singapore	100,439.0	80,226.5	180,665.5
Thailand	39,924.2	36,682.5	76,606.7
Indonesia	33,109.7	27,955.6	61,065.3
Viet Nam	13,330.8	19,016.0	32,346.9
The Philippines	9,342.7	4,742.6	14,085.3
Brunei Darussalam	2,589.0	1,038.0	3,627.0
Myanmar	2,260.7	624.3	2,885.0
Cambodia	742.4	613.3	1,355.7
Lao PDR	72.1	4.0	76.1

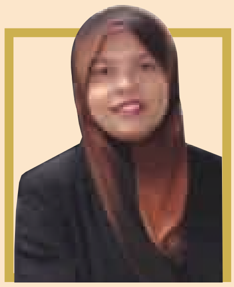
Source: Department of Statistics, Malaysia

by higher exports of parts and accessories for automatic data processing machines to meet the rising demand of Thailand's ICT sector. Malaysia's imports from Thailand increased by 8.4 per cent to RM38.7 billion, comprised mainly E&E products such as parts and accessories for computers.

MITI Geneva

MITI Geneva continued to assume an active negotiating role in 2013, towards finalising a small package of deliverables for the Ninth Ministerial Conference (MC9). For Malaysia, MC9 was an important milestone in the WTO process as it provides renewed resolve for other outstanding areas of the Doha Development Agenda (DDA). Apart from facilitating Malaysia's participation in the DDA negotiations, MITI Geneva continues to be fully involved in the regular work of the WTO including preparation of Malaysia's Sixth Trade Policy Review (TPR). The review was critical as it provided Members an understanding of Malaysia's current trade policies and practices since the last review in 2009.

Mariam Md. Salleh



Mastura Ahmad Mustafa

Nik Mohd Salihin Nik Mustafa

Fakhrurrazi Mohd Noor

Zahari Md. Ali

Indonesia maintained its ranking as Malaysia's third largest trading partner within ASEAN. Malaysia's total trade with Indonesia expanded by 4.0 per cent to RM61.1 billion. It is encouraging to note that exports were up by 19.9 per cent to RM33.1 billion.

This trade performance is a response to the commitment made to increase bilateral trade to US$30 billion by 2015. The ambition was set during the Ninth Annual Leaders' Consultation between Malaysia and Indonesia in December 2012.

Meeting with Board of Directors and members of Malaysia-Thai Chamber of Commerce (MTCC), Bangkok

MITI Bangkok

Fary Akmal Osman

Ahmad Kamal Mohamad

The Fifth Malaysia-Thailand Annual Consultation was held on 28 February 2013. The Prime Ministers of both countries set a target for bilateral trade to reach US$25.0 billion by 2015. In addition, the Malaysia-Thailand Business Council (MTBC) was established following the signing of the Memorandum of Understanding between the Asian Strategy & Leadership Institute (ASLI) and the Board of Trade of Thailand, Federation of the Thai Industries (FTI) and Thai Bankers' Association.

Among the major bilateral meetings held in 2013 was the Roundtable Meeting with Captains of Industry from Malaysia and Thailand, held during the official visit to Thailand by Malaysia's Deputy Prime Minister Tan Sri Muhyiddin Yassin. MITI Bangkok also facilitated three working visits to Thailand by the Minister of International Trade and Industry and the Prime Minister's Department.

Global Trade Partners

Accounting for 14.8 per cent of Malaysia's total trade in 2013, **China** for the fifth consecutive year remained Malaysia's largest trading partner. Trade with China grew by 12.5 per cent to RM203.2 billion. Exports to China increased by 9.2 per cent to RM97.0 billion. Main exports to China were

International Standardisation Seminar on Strengthening Indonesia National Standards for AEC 2015

MITI Jakarta

Indonesia hosted two international trade meetings in 2013. They were the APEC 2013 Meetings and the Ninth WTO Ministerial Meeting (MC9). MITI Jakarta focused on facilitating Malaysia's participation and contribution in both events.

During the year, MITI Jakarta had continuously engaged the Indonesian government and members of Indonesia's and Malaysia's business communities to help resolve trade and investment issues faced by Malaysian businesses in Indonesia. MITI Jakarta facilitated the establishment of a joint bilateral working group to coordinate economic issues between the two countries.

The rebranding of Malaysian Club Jakarta to the Malaysian Chambers of Jakarta was endorsed by the Minister of International Trade and Industry to reflect the organisation's dynamic role in representing the voice of Malaysian industries and businesses, particularly in Jakarta and generally in Indonesia.

Muhammad Zulhilmi Ahmad

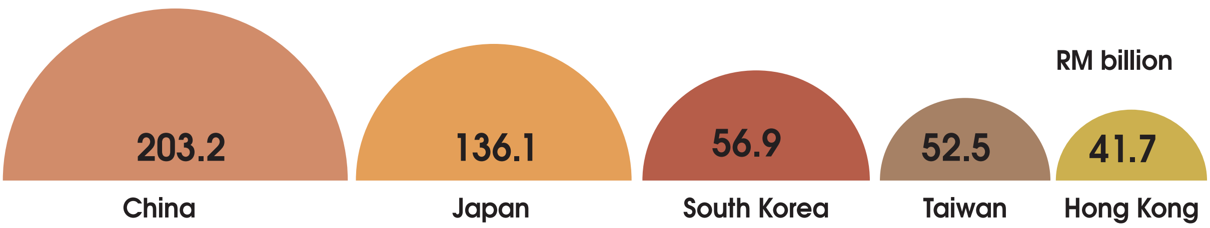
Fahrulrazy Othman

E & E products, chemical & chemical products and palm oil. Imports rose by 15.7 per cent to RM106.3 billion, making China the largest import source for Malaysia.

Higher exports to **Japan** were seen in transport equipment which expanded by 39.5 per cent, boosted by higher demand for aircraft-associated equipment and parts as well as parts and accessories for motor vehicles. This is despite trade with Japan declined by 6.6 per cent to RM136.1 billion and exports declined by 4.4 per cent to RM79.8 billion. Imports from Japan, registered a decrease to RM56.4 billion.

In 2013, Malaysia's trade with **South Korea** expanded by 13.7 per cent to RM56.9 billion compared to RM50.0 billion in 2012. Exports to South Korea increased by 3.0 per cent to RM26.1 billion. Main products exported were LNG,

Malaysia's Trade with North East Asia 2013



Source: MATRADE

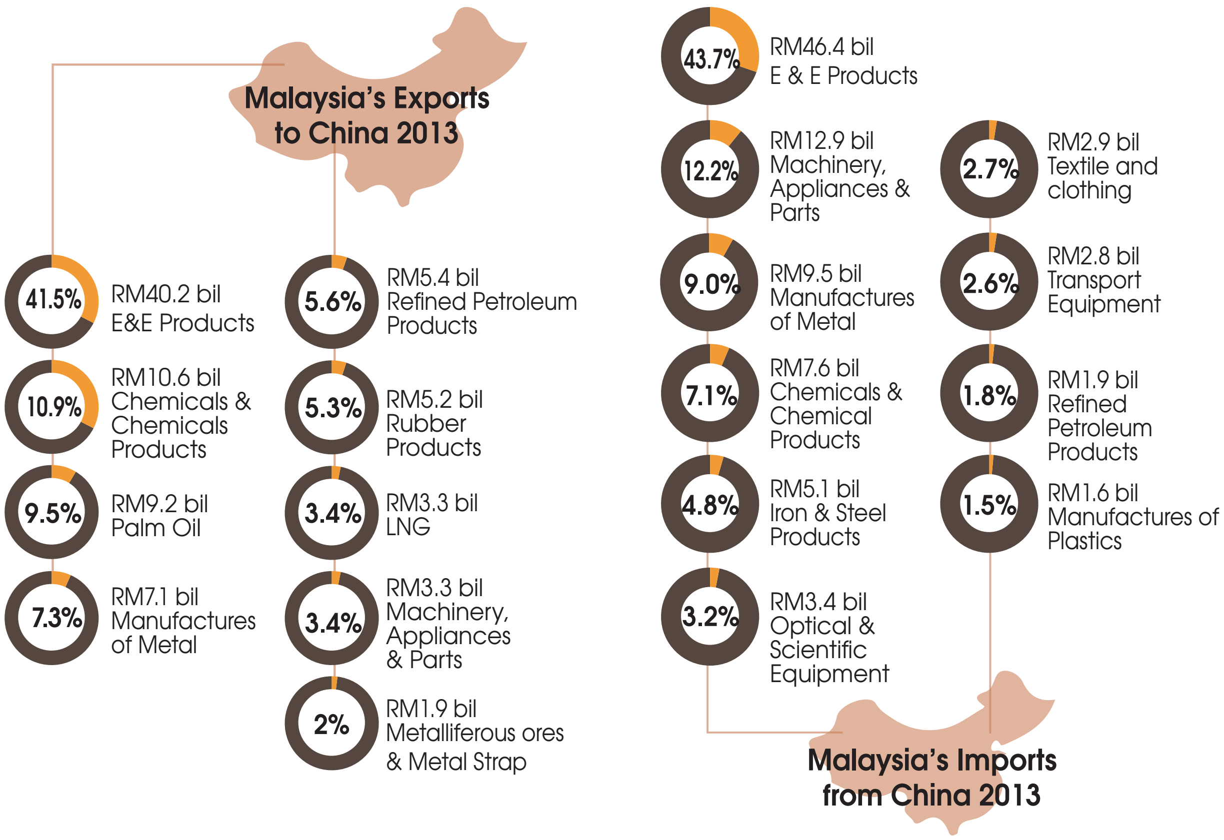
MITI Beijing

During the year, MITI Beijing engaged actively with the media to raise the profile of Malaysia in China. MITI Beijing was invited to deliver a keynote address at the launching of the Xinhua Net Malaysia Channel in Xiamen organised by the Chinese News Service. Xinhua and China News Services are the largest state-owned news agencies in China. MITI Beijing established good rapport with prominent Chinese business associations including the China-ASEAN Business Council, China Top 500 Foreign Trade Enterprises Club, China International Trade Association, China Asian SME Development Council and China Building Materials Federation.


Ong Chong Yi

MITI Beijing continued to establish close contact with more provincial and municipal officials to explore collaborative opportunities. MITI Beijing promoted bilateral economic cooperation through several media articles and spoke at business forums to promote the "Two Country, Twin Park" project in several provinces.

Malaysia's Trade with China 2013



Source: Department of Statistics, Malaysia

E&E products and refined petroleum products. Malaysia's imports from South Korea recorded an increase of 24.7 per cent to RM30.8 billion.

Trade with the **European Union (EU)** increased by 6.3 per cent, accounting for 9.9 per cent of Malaysia's total trade. Germany was Malaysia's top trading partner, followed by the Netherlands, France, the UK and Italy.

Exports to the EU increased by 5.0 per cent to RM65.3 billion. A significant increase in exports was seen to the Netherlands, Germany and Austria. Major contributors to the increase in exports were E&E products, refined petroleum products, optical and scientific equipment and rubber products. Imports from the EU remained strong with a 7.6 per cent growth, valued at RM70.5 billion.

MITI Washington

In June 2013, the Minister of International Trade and Industry, Malaysia, participated in the **ASEAN Economic Ministers' Road Show** in three major cities in United States, deepening Malaysia's strong economic and trade relations with United States. Malaysia's key trade negotiations with United States, the Trans Pacific Partnership (TPP), was given a boost when Malaysia's Ambassador to United States participated in the inaugural TPP Ambassadors' tour in United States, facilitated by MITI Washington. Malaysia's presence in Washington DC was further enhanced through a number of speaking events participated by the Secretary-General of MITI and MITI Washington, Minister Counsellor. MITI Washington also coordinated Malaysia's engagement with the World Bank, in particular its Doing Business Report team. Malaysia achieved its best performance when it was ranked sixth easiest place to do business among 189 economies.

YB Dato' Sri Mustapa Mohamed with other ASEAN Economic Ministers on a visit to Computer History Museum in Silicon Valley, California during the ASEAN Economic Ministers' Road Show in the U.S. in June 2013

Hairil Yahri Yaacob

Siti Harlena Harris Lee

United States accounted for an 8.0 per cent share or RM109.0 billion of Malaysia's total trade, registering a marginal decrease of 0.8 per cent from 2012. Exports to United States decreased by 4.5 per cent to RM58.1 billion, particularly for E&E products, rubber products, optical and scientific equipment, palm oil and wood products. However, an increase in exports was registered for textiles and clothing, chemicals and chemical products, and machinery, appliances and parts. Imports from United States expanded by 3.9 per cent to RM51.0 billion.

Trade with **Africa** was valued at RM26.4 billion and recorded a 1.9 per cent share of Malaysia's total trade. Exports were valued at RM17.5 billion, showing an increase of 4.9 per cent. Significant growth was seen in Benin, Angola and Nigeria. Main exports to the region were palm oil, refined petroleum products and chemicals and chemical products. Imports from Africa contracted by 17.6 per cent to RM8.9 billion in 2013. This was mainly due to a decrease in imports of crude petroleum and processed food. Main import sources within the region were South Africa, Cote d'Ivoire and Nigeria.

Trade with **India** was valued at RM42.1 billion, registering an expansion of 2.4 per cent. Exports were valued at RM25.7 billion. Major exports were crude petroleum, palm oil and E&E products. Imports increased by 38.8 per cent to RM16.4 billion. India improved its position as Malaysia's 10th largest trading partner from 11th in 2012, with a 3.1 per cent share of Malaysia's total trade.

Malaysia's exports to **Australia** in 2013 grew marginally by 0.2 per cent to reach RM29.2 billion. The increase in exports to Australia was due to higher exports of manufactures of metal, processed food, textiles and clothing, manufactures of plastics, and chemicals and chemical products. Imports from the country were up by 12.9 per cent, reaching RM16.5 billion.

TPP - 18th Round in Kota Kinabalu

Malaysia's bilateral trade with member states of the **Gulf Cooperation Council (GCC),** have multiplied over the last ten years from RM16.5 billion in 2004 to RM46.7 billion in 2013. Malaysia's total trade with GCC member states saw a decrease of 0.7 per cent as compared to 2012. Total exports were valued at RM18.3 billion, a decrease of 1.4 per cent as compared to 2012. A decrease of 0.2 per cent to RM28.4 billion was also recorded in imports.

Active trade between Malaysia and the GCC remained within a specific range of products. Main exports to the GCC consisted of palm oil, E&E products and chemical and chemical products. Hence, there is potential for expanding Malaysia's trade with the GCC.

Briefing session on the role of Malaysian Missions abroad to IDFR's Diploma in Diplomacy course participants

MITI New Delhi

During the year, MITI New Delhi focused on facilitating the implementation of both the ASEAN-India FTA (AIFTA) and the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA). Ministry of International Trade and Industry Malaysia, the Indian Ministry of Commerce and Malaysian and Indian Customs authorities managed to achieve a higher level of clarity and coordination in relation to the documentation and procedures under those Agreements. In gearing up for the Ninth WTO Ministerial Conference in Bali, Malaysia and India regularly exchanged views on issues, particularly in Trade Facilitation and Agriculture.

Aida Shafinaz Allias

Wan Ahmad Iskandar Wan Adnan

Trans-Pacific Partnership Agreement (TPPA)

Proposal of the **TPPA** originated from the Trans-Pacific Strategic Economic Partnership Agreement (also known as the P4). It was a trade agreement between four APEC economies, namely Brunei, Chile, New Zealand and Singapore signed in 2005.

As a building block towards the formation of the Free Trade Agreement of Asia Pacific (FTAAP) comprising 21 APEC economies, the first round of TPPA negotiations began in March 2010 with the participation of eight economies, namely Brunei, Chile, New Zealand, Singapore, the United States, Australia, Peru and Viet Nam.

Malaysia decided to join as the ninth member in the third Round of negotiations (October 2010) in Brunei Darussalam. Since then, Canada, Mexico and Japan have also joined the TPPA. Together, these twelve countries command a combined market size of 800 million people with a combined GDP of US$27.5 trillion.

The TPPA is an ambitious and comprehensive 21st century agreement as it consists of non-traditional trade issues such as labour, environment and state-owned enterprises which are not common in conventional FTAs. The TPPA also encompasses issues that are trade-facilitative to businesses such as regulatory coherence, competitiveness and business facilitation and SMEs, which would assist SMEs in integrating into the global supply chain.

Malaysia had the privilege to host two Rounds of negotiations - the 10th Round in Kuala Lumpur in 2012 and the 18th Round in Kota Kinabalu in 2013. The 18th Round was also particularly significant where Japan formally joined the negotiation as the 12th member country.

Malaysia's Six Bilateral FTAs

Major developments in trading agreements

The **Malaysia-Australia Free Trade Agreement (MAFTA)** was signed on 22 May 2012 and came into effect on 1 January 2013. It complements and enhances the existing ASEAN-Australia-New Zealand-FTA (AANZFTA) and signals a major step forward in further liberalising trade between Australia and Malaysia.

With MAFTA's entry into force, tariffs for all Malaysian goods entering Australia have been eliminated. Malaysia has offered zero tariffs for 97.6 per cent of Australian goods exported to Malaysia, with the coverage extending to 99.0 per cent in 2017.

Trade in services also received increased boost under MAFTA. Malaysia offers Australian service providers the right to majority equity ownership in companies that supply services in sectors such as education, finance, telecommunications and professional services in Malaysia. A 70.0 per cent ownership is allowed in investment banking and direct insurance services as well as telecommunications services, whereas a 100 per cent ownership is allowed in accounting, auditing and bookkeeping services.

The two countries agreed on economic and technical cooperation (ECOTECH) in areas such as the automotive industry, tourism, agriculture, e-commerce and clean coal technology. Under MAFTA, technology-sharing, personnel training and overall development will be carried out in these areas between the countries.

In particular, ECOTECH for the automotive sector will be further boosted under MAFTA. Malaysia Automotive Institute (MAI) and the Automotive Cooperative Research Centre

(AutoCRC) of Australia will collaborate in the areas of automotive research, development of new technologies and human capital development. In order to enhance the engagement and cooperation between Malaysian and Australian automotive industries, both institutions have agreed to establish an Automotive Industry Dialogue.

Developments in multilateral trade negotiations

Year 2013 was significant for all WTO Members as intensified work by negotiators finally brought some progress to the Doha Development Agenda (DDA) negotiations. During the Ninth WTO Ministerial Conference which was held in Bali, Indonesia in December 2013, negotiations on a package of deliverables, also known as "the Bali Package", were concluded. The Package encompasses trade facilitation and some elements of agriculture and development, including issues of interest to Least Developed Countries (LDCs).

One of the key agricultural issues agreed in the Bali Package was in relation to the public stockholding programmes for food security in developing countries. Members agreed to put in place an interim solution which will remain in force until a permanent solution is agreed upon. This interim solution aims to shield the public stockholding programmes from being legally challenged at the WTO Dispute Settlement mechanism, should members breach their agreed limit of trade-distorting domestic support. A work programme has been set up in order to produce a permanent solution within four years.

Ninth Ministerial Conference, Bali Indonesia

The 19th Asean Economic Ministers' Retreat

Another important element of the Bali Package is the Trade Facilitation Agreement. This Agreement clarifies the key provisions of the General Agreement on Tariffs and Trade (GATT).

The Agreement contains provisions that will facilitate trade and improve effective cooperation between the Customs Authorities and other appropriate authorities on trade facilitation and customs compliance. These will expedite the flow of goods and reduce red tape in trade between all member nations, as well as provide more flexibility in the Special and Differential (S&D) treatment for developing countries.

It is noteworthy that Malaysia has been active in implementing trade facilitation initiatives in line with the spirit of the WTO Trade Facilitation Agreement, which include customs transformation initiatives, in order to become a world-class Customs administration by 2015. Efforts towards improving declaration, such as the Self-Certification mechanism, will cater to the latest developments surrounding global trading trends. All these initiatives will provide balance to both trade facilitation and compliance, in line with the National Single Window (NSW) and ASEAN Single Window (ASW) aspirations.

The adoption of the Bali Package has provided a positive momentum to the WTO in restoring confidence among members and the private sector in the multilateral trading system. This is the first step towards a full Doha Package deal, with a post-Bali agenda to be formulated for its conclusion.

Developments in economic groupings

The main objective of ASEAN is to create a comprehensively integrated economic region by 2015. In this context, the **ASEAN Economic Community (AEC**) Blueprint was adopted by ASEAN leaders in 2007.

ASEAN has progressively implemented various initiatives in the Blueprint over four phases beginning 2008, covering some 500 economic measures. AEC Blueprint measures from Phase I (2008-2009), Phase II (2010-2011) and

Phase III (2012-2013) have been substantially implemented. With less than two years to achieve the AEC, ASEAN Member States are intensifying their efforts in completing the remaining outstanding measures under the first three phases and the final phase, covering the period of 2014-2015.

"I am confident that ASEAN will emerge as a dynamic region in 2020 with the existence of the ASEAN Economic Community"

Mustapa Mohamed, Minister of International Trade and Industry, Malaysia Business Award

To date, customs import duties have been substantially eliminated and beginning 2015, 97.3 per cent of the products traded in the region will be duty-free, subject to the products fulfilling criteria of the rules of origin. Cambodia, Lao PDR, Myanmar and Viet Nam collectively are given some flexibility to maintain duties at 1.0 – 5.0 per cent on 2.7 per cent of the total tariff lines. The duties on these products will be eliminated on 1 January 2018.

In facilitating and realising a free flow of services and to promote intra-ASEAN investments in the services sector, ASEAN has completed liberalisation of over 100 services sub-sectors under the 9th Package of the ASEAN Framework Agreement on Services (AFAS), covering the period from 1995 to 2013. Negotiations are ongoing to complete the final or 10th Package in 2015.

Malaysia Business Award 2013

APEC Indonesia 2013

Mutual Recognition Arrangement (MRA) on professional services is another liberalisation aspect in the services integration process under AFAS. MRAs enable professional service providers who are registered, certified and recognised in their home country, to be equally recognised and to provide their services in other signatory Member States. ASEAN has concluded seven MRAs, which are in various stages of implementation.

ASEAN Member States have also signed the ASEAN Agreement on the Movement of Natural Persons (ASEAN MNP) on 19 November 2012. It aims to facilitate the movement of natural persons engaged in trade and investment within Member States, as well as to establish transparent immigration procedures and protect the integrity of Member States' borders and domestic labour force.

The AEC Blueprint lays the foundation for ASEAN's economic resilience. As at December 2013, ASEAN has implemented 72.2 per cent of the measures under the AEC Blueprint and Malaysia has implemented 80.0 per cent of the measures. As the Chair of ASEAN in 2015, Malaysia is also taking the lead in working closely with the other ASEAN Member States to develop a 10-year plan for economic integration beyond 2015. This Plan will outline the ASEAN vision for further economic integration by taking into account global challenges.

ASEAN has concluded five free trade agreements (FTAs) covering six of ASEAN's major trading partners: China, Japan, South Korea, India, Australia and New Zealand. In deepening regional economic integration, the Regional Comprehensive Economic Partnership (RCEP) Agreement is being negotiated between ASEAN and these six economies. The objective of RCEP negotiations is to achieve a comprehensive, high-quality and mutually beneficial economic partnership agreement. RCEP negotiations aim to add further value to the existing ASEAN+1 FTAs by undertaking comprehensive liberalisation of trade in goods and services as well as investments. RCEP negotiations also include areas such as economic and technical cooperation, intellectual property, competition and dispute settlement. RCEP negotiations are expected to conclude by the end of 2015.

Leaders in the **Asia-Pacific Economic Cooperation (APEC)**, in their 2013 statement in Bali, recognised the role of APEC in creating a resilient Asia-Pacific region that remains as an engine of global growth. During the year, APEC economies worked together to take forward the implementation of their commitment to reduce tariffs on the APEC List of Environmental Goods, increase the transparency of services trade-related regulations as well as identify good practices to facilitate services trade and investment. Leaders agreed to enhance cross- border education with a specific target to achieve enrolment of one million intra-APEC university-level students per year by 2020 and enhance the mobility of students, researchers and education providers.

In an effort to promote physical connectivity and the supply of viable infrastructure projects in the region, APEC in collaboration with the APEC Business Advisory Council developed the multi-year plan on infrastructure development and investment. The plan aimed to assist economies in improving their investment environment for public infrastructure projects, promoting public-private partnerships, and enhancing government capacity and coordination in preparing and executing infrastructure projects.

In its commitment to empower, engage and open opportunities for stakeholders to fully participate in economic growth, Malaysia has been participating actively in APEC work. This has contributed towards creating an enabling environment for women's participation in the economy, supporting entrepreneurship, accelerating the growth of business start-ups and enhancing SMEs' global competitiveness particularly on ways to improve their access to finance, international markets and global supply chains.

In 2013, Malaysia continued its active participation in the **Organisation of Islamic Cooperation (OIC).** Malaysia attended the 29th Session of the Standing Committee for Economic and

Commercial Cooperation of the Organisation of Islamic Cooperation (COMCEC) held in Istanbul, Turkey on 18 – 21 November 2013.

The main highlight of the 29th COMCEC was the COMCEC Strategy and its implementation, which seeks to enhance economic and commercial cooperation further among the Islamic countries. To implement the COMCEC Strategy, two main instruments were introduced, namely the Working Groups and Project Cycle Management.

The **Developing 8 Organisation for Economic Cooperation (D-8)** was established as a platform to discuss cooperation in areas such as trade, investment, rural development, human resource development, science and technology, energy, agriculture and health in order to improve the economic status of member states. Members of D-8 include Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey.

The D-8 Preferential Trade Agreement (D8 PTA), signed on 13 May 2006 in Bali, Indonesia, aims to enhance trade among contracting parties, which comprise Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. The D8-PTA was targeted for implementation on 1 November 2013, where Malaysia has gazetted its offer list on 5 December 2013.

Going forward: leveraging on regional trade, strengthening global ties

Malaysia has much to look forward to in terms of regional trade with the AEC and RCEP which is targeted to be finalised and completed by 2015. The AEC and RCEP strives to further eliminate trade barriers and enchance closer economic integration. Regional integration is gradually taking form, and ASEAN and the wider East Asian region will continue to serve as a robust support to Malaysia's economy. It seeks to strengthen existing relations with nations recovering from the global financial crisis and forge new ties with those beyond its traditional circle of trade partners.

World growth and trade is expected to improve steadily beyond 2013. Malaysia as an export-dependent country should see a measured upturn in its export performance after a relatively subdued export outcome in 2013. Domestic consumption and investment remains healthy and strong, which is underpinned by factors such as overall income growth and low interest rates. Domestic demand will again continue to contribute significantly to Malaysia's overall trade and economy. All these indicators point to a bright outlook for Malaysia's global and regional trade in 2014-2015.

MITI Brussels

In 2013, MITI Brussels continued to provide policy analysis and advice on the EU's initiatives that could have an effect on Malaysia's trade and economy. The office also assumed an active role in the ongoing Malaysia-EU Free Trade Agreement (MEUFTA) negotiations. During the second half of 2013, the office assumed an advisory role within the ASEAN trade diplomacy circuit in Brussels, and led a number of key engagements with selected EU member states and institutions, ASEAN Dialogue Partners as well as European business associations. MITI Brussels continued to represent Malaysia at key OECD Dialogues, including the Freedom of Investment Roundtable.

Arividya Arimuthu

Siti Arfah Kamaruzaman

ASEAN Brussels' Committee - Sub-Committee on Trade (ABC-SCoT) engagement with EU's Directorate-General Industry and Enterprise

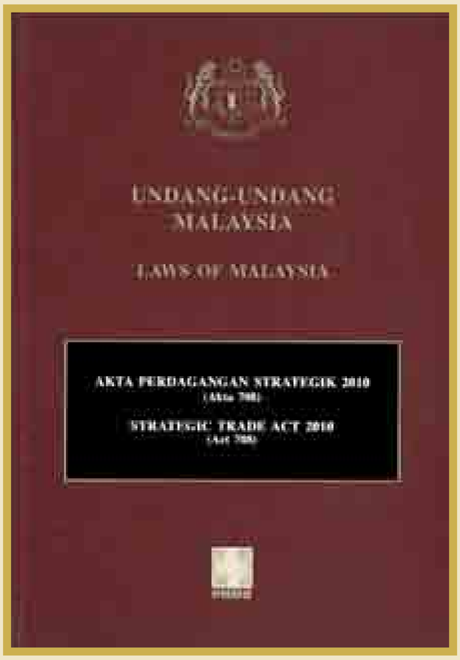
Bridging the Gap between Policy and People

A series of **FTA** Pocket Talks were held in 2013 at MITI Headquarters and MITI State offices. The FTA Pocket Talks were aimed at raising the awareness of members of the Malaysian business community on various benefits and opportunities offered by FTAs entered into by Malaysia with countries around the world.

Benefits of FTAs include zero or lower preferential import duties which Malaysian exporters would be able to enjoy in achieving more competitive prices for their exported goods. Similarly, Malaysian importers may also be able to take advantage of zero or lower import duties for their imported goods. FTA Pocket Talks also address practical aspects of FTAs by guiding participants on the process of applying for a Preferential Certificate of Origin (PCO), which is a requirement for preferential import duties.

Based on the 2013 survey conducted on participants of FTA Pocket Talks, 83.0 per cent agreed that the programme improved their knowledge on FTAs and 76.8 per cent indicated that they would recommend this talk to others.

Recognising the parallel importance of trade promotion and security, the Strategic Trade Act 2010 (STA 2010) was fully implemented in April 2011. Since then it has gained a reputation as one of the most comprehensive strategic trade management laws in the world. The **Strategic Trade Secretariat (STS)** in MITI has managed to implement STA 2010 in a trade-facilitative manner by successfully taking on-board the industry's feedback. Malaysia is frequently referred to as an



effective model in strategic trade management within ASEAN due to the balanced approach that distinguishes its vibrant trading environment in the region.

Multiple engagements and programmes with the private sector and Government departments were organised in 2013 to ensure effective and efficient implementation of STA 2010.

STA's online permit application system or e-Permit is a unique integrated system that allows companies to utilise a single online gateway to submit their STA permit applications to all four permit issuing agencies. Once approved, details of the STA permit is then transferred to the Customs Information System for use in verifying against the actual shipment declaration at all ports. This low-cost convenient process not only enables companies to receive real-time status of the permit applications, but also strengthens enforcement.

In an effort to provide further understanding of strategic trade management, STS together with APEC organised the APEC Conference on Facilitating Trade In a Secure Trading Environment in Kuala Lumpur on 28-29 October 2013. The Conference brought together prominent experts around the world to share and highlight issues relevant to strategic trade management with specific focus on trade-facilitative measures that could assist APEC economies in their own implementation process.

Economic and Trade Cooperation: Malaysia and China

In October 2013, Malaysia and China agreed to a Five-Year Programme for Economic and Trade Cooperation, 2013-2017. The signing ceremony of the Programme was witnessed by the Prime Minister of Malaysia and the President of the People's Republic of China on 4 October 2013 at the Malaysia-China Economic Summit. This was in conjunction with the latter's visit to Malaysia on 3 - 6 October 2013.

The Programme maps out areas in which economic and trade cooperation between Malaysia and China is to be enhanced in the next five years. This will involve bilateral cooperation in sectors such as agriculture, halal industry, tourism, infrastructure, SMEs and industrial parks.

Although the Programme is a bilateral cooperation between the two governments, its emphasis is on providing business and investment opportunities to private sector players. Its objectives include promoting respective comparative advantages and achieving bilateral trade of US$160 billion by the end of 2017.

Two project categories have been established under this Programme, namely the Early Harvest projects (EHPs) and New Cooperation projects (NCPs). EHPs that have been identified for immediate implementation include the Malaysia-China Kuantan Industrial Park, Qinzhou Industrial Park and the Kuantan Port Expansion Project.

NCPs are projects that are identified for public and private sector players to explore on a "rolling plan" basis, where new projects will be added for policy support in line with prevailing trends and needs. An example of NCPs is encouraging enterprises of both countries to establish halal industrial parks and leverage on existing ones in Malaysia.

Megatrends and Opportunities for Manufacturing

Megatrends and Opportunities for Manufacturing

Performance in the manufacturing industries for 2013 was generally encouraging, with positive export and investments results recorded across most major sectors. Current trends in urban connectivity and mobility continue to stay strong with the progressive implementation of the Greater Kuala Lumpur/Klang Valley initiative.

Throughout the year, the manufacturing sector expanded due to the sustained growth of domestic demand. The external environment in the second half of 2013 improved and contributed to the growth of export-oriented manufacturing industries. Manufactured goods continued to dominate exports with a share of 67.1 per cent of total exports or RM483.0 billion. In 2013, the top five export products were E&E products, refined petroleum products, LNG, chemicals and chemical products, and palm oil.

Exports of E&E products increased by 2.4 per cent to RM236.8 billion in 2013 following a recovery in the E&E cycle. The growth was backed mainly by the increase in exports of semiconductor devices and integrated circuits (ICs). In the oil & gas sector, exports of refined petroleum products increased by 26.9 per cent from RM51.5 billion in 2012 to RM65.4 billion in 2013. Singapore remained the main export destination with a share of 42.3 per cent of total exports of refined petroleum products. Exports of LNG increased by 5.5 per cent, valued at RM59.2 billion compared to RM56.2 billion last year. The increase was contributed by higher exports to Japan, South Korea and China. Japan remained the main destination for LNG exports, consuming 67.9 per cent of Malaysia's total LNG exports. Malaysia was ranked the world's second largest exporter for LNG after Qatar.

Automotive assembly

Investments in the Manufacturing Sector

Malaysia continued to attract a significant level of investments in 2013 as a dynamic and profitable hub for business and investment. In 2013, the manufacturing sector attracted investments worth RM52.1 billion in 787 projects, 26.8 per cent more than the RM41.1 billion achieved in 2012.

Despite global slowdown, Malaysia continued to attract a significant amount of new investments. In 2013, investments in new projects amounted to RM38.1 billion (463 projects), representing 73.1 per cent of the total investments approved. Of this, RM15.3 billion or 40.1 per cent were domestic investments and RM22.8 billion (59.9%) were foreign investments.

Existing companies in Malaysia continued to expand and diversify their operations, reflecting their continued confidence in the country's investment environment. A total of 324 expansion or diversification projects with investments amounting RM14.0 billion were approved in 2013, accounting for 26.9 per cent of total approved investments.

The E&E sector recorded the highest investments approved in 2013, amounting to RM9.8 billion. This was followed by transport equipment, petroleum products including petrochemicals, chemicals and chemical products, basic metal products, food manufacturing, rubber products and non-metallic mineral products. These eight industries accounted for RM44.5 billion or 84.9 per cent of the total industrial investments approved.

In 2013, a total of 272 export-oriented projects were approved involving investments of RM27.8 billion, with a proposed export of at least 80.0 per cent of their output. Of the total investments approved, foreign investments amounted to RM19.0 billion or 68.2 per cent and domestic sources amounted to RM8.8 billion or 31.8 per cent.

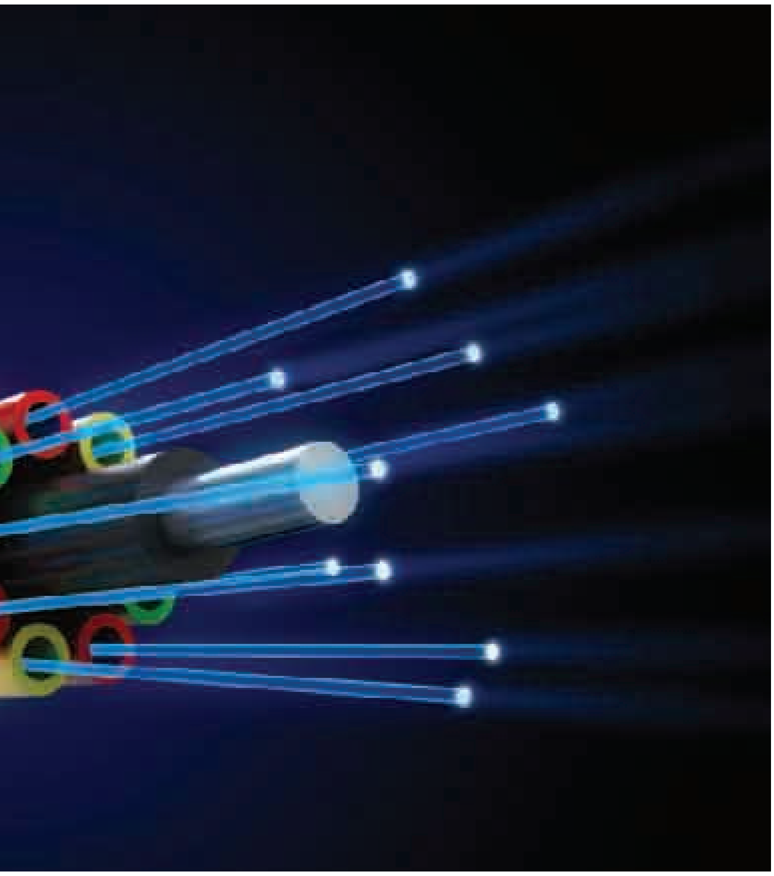
Malaysia has adopted a more focused and targeted approach in attracting quality investments in new growth areas for emerging technologies; high value-added industries; and high technology, **capital-intensive and knowledge-intensive industries,** which is in line with the Government's effort to become a high-income nation by 2020. In this regard, capital-intensity, as measured by the capital investment per employee (CIPE) ratio of projects approved in 2013, was at RM560,299. The industry with the highest CIPE ratio was petroleum products (including petrochemicals), followed by basic metal products and chemical and chemical products.

Projects approved in 2013 were expected to create **employment opportunities** for 92,988 people. Of these, 15,647 or 16.8 per cent would be in the managerial, technical and supervisory (MTS) category, 60,093 (64.6%) were in the category of skilled workers and 17,248 (18.6%) in unskilled workers, sales personnel, clerical personnel and others. Most of the employment opportunities created were in the E&E sector (25,380 jobs) followed by rubber products (12,711 jobs) and transport equipment (9,169 jobs).

Based on the current state of the global economy, as well as increasing competition for global FDIs, it is pertinent for **domestic investments** to assume a stronger role in driving Malaysia's investment agenda in transforming the economy. Domestic approved investments in 2013 amounted to RM21.6 billion, accounting for 41.5 per cent of the total investments approved during the year. Domestic investments were mainly in transport equipment, petroleum products (including petrochemicals), rubber products, food manufacturing and chemical and chemical products.

Fibre Optic Cable National broadband

Malaysia remained a competitive destination for FDIs in the region and continued to attract encouraging levels of foreign investments in the manufacturing sector despite risks and uncertainties in the global economic scenario. Malaysia has adopted a more focused and targeted approach in attracting quality



Solar panel

foreign investments in high technology, knowledge-intensive industries; high value-added industries; and R&D activities. Foreign investments in approved manufacturing projects in 2013 amounted to RM30.5 billion and accounted for 58.5 per cent of the total investments approved for the year.

E&E sector accounted for the largest amount of foreign investments, totalling RM8.5 billion. Other industries with high levels of foreign investments were basic metal products, chemical and chemical products, petroleum products including petrochemicals and food manufacturing.

Major sources of foreign investments in 2013 were United States (RM6.3 billion), South Korea (RM5.5 billion), Singapore (RM4.5 billion), Japan (RM3.6 billion) and China (RM3.0 billion). These five countries jointly accounted for 75.1 per cent of total foreign investments approved during the period.

A large number of projects were approved to be located in Selangor (228 projects), Johor (197 projects) and Penang (119 projects) which continued to be the leading States in terms of number of projects approved. A total of 544 projects or 69 per cent of the projects approved will be located in these three States.

In terms of investments approved, the State of Johor received the largest amount, with investments amounting to RM14.4 billion. Selangor ranked second with investments of RM9.8 billion, followed by Sarawak (RM8.3 billion), Penang (RM3.9 billion) and Sabah (RM3.4 billion). These five States contributed 77.0 per cent of the total investments approved in 2013.

Investment target for the period of 2011-2015 under the 10th Malaysia Plan is RM148 billion per annum. In 2013, approved investments reached RM216.5 billion (46.3% higher than the annual target), and realised investments were RM161.1 billion.

A total of 4,113 manufacturing projects were approved during the period from 2009 to 2013. Of these, 3,124 projects were implemented, with 2,845 projects in production as at 31 December 2013 and 279 projects at the stage of factory construction and machinery installation. The total capital investment of the 3,124 projects that were implemented amounted to RM130.2 billion.

In addition, 77 projects with investments of RM31.5 billion had acquired sites for factories, and 720 projects (RM54.1 billion) were in the active planning stage.

Megatrends for Manufacturing

A manufacturing trend that has emerged recently and promises great commercial potential is the popularisation of **light-emitting diodes (LED)**. This is an initiative introduced by the Government via the Green LED/Solid State Lighting (SSL) Programme, launched in 2012 as one of the entry point projects (EPP) for the NKEA on Electrical & Electronics under the Economic Transformation Programme (ETP). The Programme seeks to promote the use of LED in replacing traditional incandescent light bulbs, which are less cost- and energy-efficient as well as less environmentally friendly.

Automotive LED headlights

MITI Singapore

In 2013, MITI Singapore facilitated a series of high-level visits by Malaysian Leaders, Ministers and officials to Singapore, such as the visit by Malaysia's Prime Minister to Singapore for the Malaysia-Singapore Annual Leaders' Retreat in February 2013 and the five working visits by the Minister of International Trade and Industry to Singapore.

The working visits to Singapore by the Minister have been highly focused on enhancing interactions with the Singapore Government agencies and private sector, as well as enhancing interaction with potential high-quality investors for Malaysia. In November 2013, a Roundtable Meeting with Singapore investors was held at the sidelines of the annual Malaysia Business Forum 2013.

MITI Singapore has also been promoting what seems to be a growing interest among Singapore and Singapore-based companies to look for investment opportunities in Malaysia. Most significantly, these investment interests are no longer limited to Iskandar Malaysia but have extended to other parts of the country.

Recent major Singapore investments in Malaysia include the joint venture projects between Khazanah Nasional Berhad and Temasek Holdings Pte Ltd in Iskandar Malaysia, Singapore Aerospace Manufacturing (SAM) Pte Ltd's new manufacturing facility in Penang and the investment in the Sutera Harbour Resort in Sabah.

MITI Singapore continued its engagement programmes with stakeholders, including Singapore-based Malaysian professionals, through the Malaysia-Singapore Professionals and CEO Forum established by MITI.

Wan Suraya Wan Mohd Radzi

Md Zakuan Arief Hj. Alias

The Greater Kuala Lumpur/Klang Valley initiative started in 2010 as one of the NKEAs under the ETP. The EPPs for Greater Kuala Lumpur/Klang Valley (Greater KL/KV) encapsulates the major urbanisation trend currently taking place in the global urban environment. The High Speed Rail EPP seeks to build a high-speed railway system connecting Greater KL/KV and Singapore, reducing the overall travel time between the two Southeast Asia's top economic hubs to less than two hours.

MITI Sarawak

The highlight of 2013 for MITI Sarawak was the *"Peluang Bumiputera Dalam Peruntukan Saham Khas MITI dan Analisis Pelaburan Dalam Syarikat Berhad"* programme held on 12 December 2013. This programme was a collaborative effort between MITI Sarawak, the State counterparts and MITI Putrajaya. It created a platform for nearly 100 local SMEs to showcase their latest products and services.

In 2013, MITI Sarawak also conducted various outreach programmes to assist SMEs and industries that make up the majority of business establishments in the State. Numerous handholding programmes were conducted across the State including in the towns of Sibu, Bintulu and Miri.

In the final quarter of 2013, MITI Sarawak began to intensify its FTA Outreach Programmes and ePCO system. The aim of these programmes is to increase awareness of the business communities on benefit they can reap from Malaysia's involvement in FTAs. Programmes were also undertaken to correct public misconceptions on FTAs, such as the issue on local contents.

Abdul Aziz Mohamad Sharkawi

LED light bulb

National Automotive Policy (NAP) 2014

The Policy is aimed at transforming Malaysia's automotive industry into one of the important components of the country's economy. In 2013, the automotive industry contributed RM30.0 billion to the GDP and currently employs about 550,000 employees.

The Policy is a review of the initial National Automotive Policy introduced on 22 March 2006, carried out to foster a more competitive local and international market for the automotive industry. NAP 2014 outlines key directions and strategies in preparing local automotive players for the liberalisation of the industry.

NAP 2014 focuses on structural issues affecting the domestic automotive industry and outlines measures to meet global quality, cost and delivery requirements. The Policy is set to provide an environment conducive for investment in value-added activities driven by high and advanced technology. NAP 2014 is set to make Malaysia the production hub for energy-efficient vehicles (EEVs) with high technology uptakes among the industry players for domestic, regional and international exports.

NAP 2014 will be driven by three main directions, namely investment, technology and engineering, as well as market expansion. This is further supported by three strategies, namely human capital development, supply chain development and safety, as well as security and environment.

Automotive Megatrends

The global automotive industry has experienced rapid development despite experiencing sluggish economic recovery due to the euro zone sovereign debt crisis, currency devaluation and higher degree of market uncertainties. The global automotive industry is mostly driven by three major factors, namely energy security, environmental preservation and market access.

In terms of **energy security**, the shift in automotive power trains from normal internal combustion engines (ICE) towards fuel-efficient ICE engines, hybrid engines, and electric or alternative fuel source propulsion will reduce the demand for energy generated from crude oil and petroleum products. Currently, it is estimated that more than 80.0 per cent of vehicles on the road are petrol-driven.

Kuala Lumpur International Automotive Conference (KLIAC) 2013

Officiating the opening of new Boon Siew Honda manufacturing facilities and operations factory

The remaining are powered by diesel, natural gas, LPG or hybrid-driven.

In the area of **environmental preservation**, automotive manufacturers are now responding to the need for environment friendly vechicles. Light-weight and fuel-efficient designs in vehicles that consume less fuel per mileage and less polluting are being introduced. Vehicles are designed to remain salvageable in their "after-life" so that good parts and components can be reused. Polluting and wasteful manufacturing processes have been replaced by more efficient and clean technology that, among other things, avoids discharging pollutants into the environment.

Market liberalisation presents local original equipment manufacturers (OEMs) with both opportunities and challenges in **market access**. A borderless ASEAN will open up huge market opportunities but competition will also heighten as an outcome. It is therefore vital for the local OEMs and parts manufacturers to adopt global best practices and to improve their productivity and competitiveness, in order to sustain business and move up the global value chain. Those that are unable to improve their competitiveness will find it very difficult to survive in the borderless market scenario. Several FTAs committed by the Government such as the Malaysia Australia Free Trade Agreement have resulted in collaborative programmes being implemented with the aim of enhancing the level of competitiveness amongst local vehicles and parts manufacturers.

Developments across industries

The establishment of the **Malaysia Steel Institute (MSI)** in late 2013 is expected to be a catalyst to accelerate policy formulation that could bring Malaysian iron and steel industry to a higher level and increase its competitiveness in the global market. MSI will be a think tank that focuses on the areas of research and development, information dissemination, formulation of standards and human resource development.

Exports of **iron and steel products** dropped 24.8 per cent from RM9.9 billion in 2012 to RM7.4 billion. Imports increased by 3.4 per cent to RM26.1 billion as compared to RM25.2 billion in 2012. Sales decreased from RM44.2 billion to RM42.5 billion. However, contribution to employment saw an increase from 80,406 in 2012 to 81,112 in 2013. A total of 104 projects were approved with investments of RM6.9 billion. Thirty five projects were in the basic metal sub-sector with investments of RM5.5 billion, and 26 projects were in the fabricated metal products sub-sector with investments of RM878.0 million.

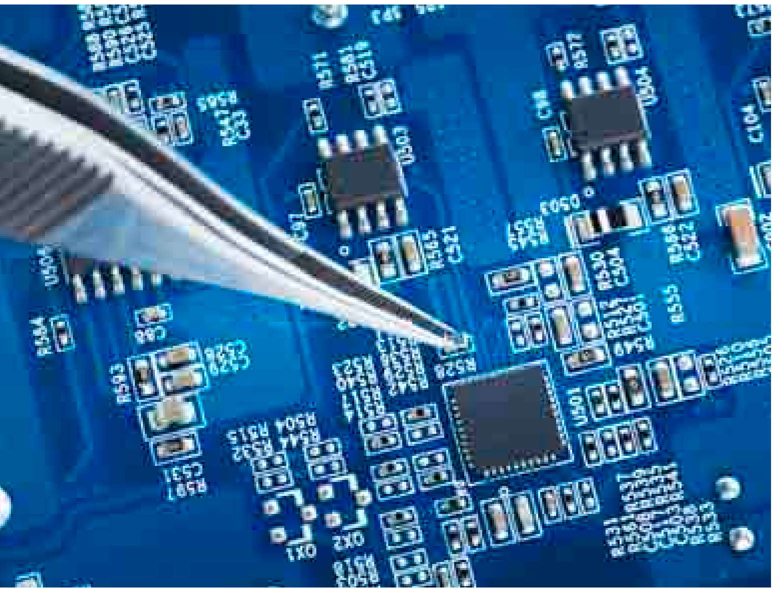
In 2013, Malaysia introduced the requirement of **Certificate of Approval (COA)** for the importation of selected iron and steel products. Implementation of required standards on iron and steel products is to ensure raw materials used in end-products meet quality and safety requirements and to prohibit importation of sub-standard materials or products.

Textiles and apparel industry emerged as the ninth export earner for the country with a significant increase of 7.9 per cent, recording a RM10.3 billion worth of exports compared to the previous year. US was the largest export destination. Imports increased by 14.7 per cent to RM7.7 billion due to increasing demands from international and domestic buyers. Total investment in the industry increased by 62.3 per cent through 16 approved projects worth RM764.6 million. This achievement is in line with the Government's effort to encourage greater investments in higher-value upstream sub-sectors such as the spinning and weaving of yarn and fabrics.

Malaysia's total exports of **wood and paper products** in 2013 decreased by 1.9 per cent to RM22.8 billion. However, sales of wood and wood-based products increased by 0.8 per cent. Major export destinations for wood products were Japan, US and Singapore. In terms of investments approved, furniture led the highest investments with 41 projects worth RM259.4 million, contributing 44 per cent to the wood-based industry.

Steel parts

Total exports of **rubber products** decreased by 5.9 per cent. This may be attributed to natural rubber facing competition from synthetic rubber industry, which has become a substitute raw product for several products that initially used natural rubber such as gloves and automotive parts. Total capital investments for approved manufacturing projects improved significantly from RM1.4 billion in 2012 to RM3.6 billion. Major investments were in tyres and tyre-related products, synthetic latex and industrial and general rubber products, providing a total of 12,711 jobs. Employment performance for the industry also increased by 4.7 per cent to 70,049 workers as compared to 2012.



Circuit board

Trade in the **E&E products** recorded a 2.6 per cent growth in 2013, reaching RM416.4 billion as compared with RM405.9 billion in 2012. Exports saw an increase of 2.4 per cent to RM236.8 billion and imports climbed by 2.8 per cent to RM179.6 billion from RM174.4 billion. The E&E industry attracted a total of 118 projects with approved investments of RM9.8 billion in 2013. E&E industry is recognised as one of the NKEAs under the ETP. The E&E NKEA is aimed at moving the industry up the value chain and enabling it to attain higher profits and create high-income and highly skilled workers. Fifteen EPPs were established under the E&E NKEA, which encompasses four areas - semiconductors, solar photovoltaics, LED and industrial electronics.

On 23 March 2013, the **E&E 2.0** was introduced as an extension to the E&E NKEA (E&E 1.0), spurred by the weak performance of the global E&E industry and shifts in demand accelerated by technological advancement in the area of new and emerging technologies. E&E 2.0 will lead local companies towards high-value activities such as IC design and packaging, and towards cluster development involving supporting industries, services and enablers to strengthen the eco-system of E&E. Five new EPPs have been introduced under E&E 2.0, in the areas of solar photovoltaics, embedded systems,vehicle component manufacturing, regional rail maintenance, repair and overhaul (MRO) services and nanotechnology.

For **medical devices**, a total of 43 projects with investments of RM4.7 billion were approved in 2013. Twenty two of these new projects carried investments amounting to RM3.3 billion. The others were expansion or diversification projects worth RM1.4 billion. Year 2013 saw an increase in employment for the manufacturing of medical devices, especially in the areas of surgical and orthopaedic appliances. Medical devices sub-sector provided employment for 9,409 workers. With the entry into force of the Medical Devices Act 2012, the industry is required to undertake compulsory clinical trials and other relevant procedures for products that will be produced and marketed locally. The Act will provide a boost in buyers' confidence on the credibility of the medical devices industry.

Malaysia's exports of **pharmaceutical products** amounted to RM981.2 million, as compared with RM954 million from the year before. The pharmaceutical industry provided employment for 7,862 workers. Twelve projects with investments amounting to RM539.0 million were approved in 2013. A total of RM371.1 million of investments were for new projects. The remainder was attributed to expansion or diversification projects. In order to produce generic drugs, pharmaceutical companies are required to undertake bioequivalence studies, failing which generic drugs could not be produced. The challenge faced by the companies here is that bioequivalence studies are costly. However, such regulatory requirements will set the industry on the right path for greater growth in the future, as product confidence and the industry's competitiveness will increase as a result of these regulatory safeguards.

The Malaysian Aerospace Council (MAC) has decided that the **aerospace** industry's development should focus only on niche areas that Malaysia can excel. Under the ETP, two EPPs under the NKEA for Business Services have been identified for the industry. These EPPs are "Growing MRO Services" and "Growing Large Pure Play Engineering Services" (aero-manufacturing). They are expected to contribute RM16.0 billion to gross national income (GNI) and create about 32,000 job opportunities by 2020. Six projects were approved in

MITI PERAK

In 2013, MITI Perak continued to organise numerous awareness talks and seminars for stakeholders especially state exporters and the private sector. MITI Perak had jointly organised a half-day seminar with CyberSecurity Malaysia and SME Corp on **"Business Online – New Opportunities"** in March 2013. This seminar exposed small and medium enterprises (SMEs) and budding entrepreneurs to the potential of online businesses and the best methods to optimise business opportunities. CyberSecurity Malaysia successfully received 13 applications for Malaysia Trustmark as a result of this seminar.

Shuhardi Turaz Radzik Aznan

Airplane engineering services

the aerospace industry in 2013 with a total investment of RM387.3 million. Foreign investments recorded RM196.7 million (51%) and domestic investments amounted to RM190.6 million (49%). Exports of aircrafts and associated equipment and parts increased to RM2.4 billion as compared to RM2.2 billion in 2012. Imports increased to RM17.3 billion as compared to RM13.1 billion in 2012, largely boosted by deliveries of new fleets of aircrafts.

In the **shipbuilding and ship repair** industry, exports of ships, boats and floating structures amounted to RM1.1 billion, recording a decrease from RM2.1 billion in 2012. Imports increased to RM2.8 billion in 2013 compared to RM 2.2 billion in 2012. There are about 70 shipyards operating in Malaysia and many of them are operating on a small-scale basis. There are currently six large shipyards in the country which have repairing capabilities of more than 600 tons in displacement. In terms of shipbuilding capability, Malaysia has a capability of building vessels up to 30,000 DWT. Under the ETP, one EPP under the NKEA for Business Services has been identified for the industry, titled **"Emerging Malaysia as Shipbuilding and Ship Repair Hub"**. The EPP is expected to contribute RM0.66 billion to GNI and create more than 3,000 job opportunities by 2020. Two projects were approved in the shipbuilding and ship repairing industry in 2013 with a total investment of RM33.5 million. Foreign investments amounted to RM21.0 million (63%) and domestic investments totalled RM12.5 million (37%). The approved projects would generate a total of 434 employment opportunities.

Malaysia's total exports of **food and beverages** increased by 9.0 per cent to RM16.9 billion

Petrochemical industry in Malaysia

in 2013, compared to RM15.5 billion in 2012. Malaysia remains a net importer of processed food and beverages in 2013, with imports increased by 15.3 per cent to RM18.8 billion, as compared to RM16.3 billion in 2012. Total investments increased by 21.0 per cent to RM2.9 billion from RM2.4 billion in 2012. Foreign investments totalled RM2.1 billion and domestic investments amounted to RM751.2 million. A total of 66 projects were approved in 2013, as compared to 52 projects in 2012. The industry provided employment for 59,330 workers, which increased by 7.6 per cent from 2012 (55,152 workers).

Malaysia's **chemical and petrochemical** industry continued to contribute significantly to Malaysia's economy. Chemical and petrochemical industry's contribution to GDP increased by 5.5 per cent from 2012. Employment rate grew steadily by 5.1 per cent to 122,652 exceeding that in 2012 (116,736). Chemical and petrochemical products recorded an export value of RM47.7 billion, a 3.1 per cent increase from 2012, and imports increased by 7.3 per cent to RM55.9 billion.

The Fifth Session of the Intergovernmental Negotiating Committee of the **Minamata Convention** was held in Geneva, Switzerland from 13 to 19 January 2013. The session's objective was to prepare a globally binding instrument on mercury (INC5). The new treaty included controls and reduction measures in respect of mercury usage. Over 140 countries including Malaysia have agreed on a range of mercury-containing products. Their production, export and import will be gradually banned by 2020.

The **Rotterdam Convention** was adopted on 10 September 1998 by a Conference of Plenipotentiaries in Rotterdam, Netherlands, and entered into force on 24 February 2004.

The Convention covers pesticides and industrial chemicals that have been banned or restricted for health or environmental reasons by the Parties. There were an additional six chemicals proposed to be listed in Annex III in the sixth meeting of the conference which was held in Geneva from 28 April to 10 May 2013. The adoption of this proposal will strengthen the control of export and the use of these chemicals in the industry.

Machinery and equipment (M&E) industry is an essential industry for the continuous development of Malaysia's manufacturing sector in view of its contribution and extensive linkages to major economic sectors such as manufacturing, construction, transportation and agriculture. The industry contributed RM27.2 billion of manufactured goods exports in 2013 as compared with RM25.3 billion in 2012. Imports of M&E products increased to RM54.4 billion in 2013 from RM52.9 billion in 2012. Out of the total 90 projects approved in 2013, 56 were new projects (RM892.0 million) and 34 were expansion or diversification projects (RM1.1 billion). Domestic investments constituted RM771.2 million and foreign investments constituted RM1.2 billion. Employment in the M&E industry sector increased by 10.9 per cent to 22,782 workers.

Malaysia is a net importer of M&E products, and foreign companies in Malaysia import machinery from their home country for their plant operations. This is an issue faced by the local industry, which has to compete with imported M&E products. As such, the M&E industry in Malaysia is gradually moving up the value chain and increasing its focus on high technology, high value-added and specialised M&E.

Robotic machinery

MITI Johor

Aida Syukrena Mohd Idris

MITI Johor was involved in the visit by H.E. Rustam Minnikhanov, the President of the Republic of Tatarstan, and his 40-member delegation to Johor on 10 January 2013. The three-day visit to Malaysia ended with a presentation by IRDA and the Johor State Government on the fast growing economic development of Iskandar Malaysia.

In January 2013, the Minister of International Trade and Industry officiated the launching of the ATT Tanjung Bin (ATB) oil storage terminal in Tanjung Bin, Johor. ATB is the first VTTI terminal in South-East Asia and is able to handle tankers of all sizes, including very large crude carriers.

Other visits include that of Deputy Minister of International Trade and Industry to Palsgaard Malaysia Sdn Bhd's 20,000-metric-tonne emulsifier factory in Nusajaya, Johor. The factory comprises a high-tech manufacturing plant and R&D facility, laboratory, warehouse and administration centre. It is a highly automated plant with integrated energy saving functionalities.

MITI Johor continues to disseminate information through pocket talks on FTA and Self-Certification. In addition, MITI Johor conducted targeted FTA clinics to assist exporters in tackling specific FTA and technical online issues.

Prospects across sectors in 2014

In its January 2014 update on World Economic Outlook (WEO), the International Monetary Fund (IMF) observed that global activity strengthened during the second half of 2013 and that global economic recovery will pick up pace in 2014-15, largely on account of recovery in the advanced economies. Global growth is projected to expand by 3.7 per cent in 2014, rising to 3.9 per cent in 2015, from 3 per cent in 2013.

According to the IMF, financial conditions in advanced economies have strengthened and business sentiments have improved and these should support acceleration in growth. However, downside risks to financial stability in the advanced economies persist and these include below-target inflation, particularly in the euro area, and increase in corporate leverage. Developing economies are expected to ride on the back of a stronger demand from the advanced economies and show a modest pickup. The key risk for these economies will be the increased financial market and capital flows volatility following United States Federal Reserve's tapering of its quantitative easing (QE) policy.

For ASEAN-5 (Indonesia, Malaysia, the Philippines, Thailand and Viet Nam), the IMF has revised downwards its October 2013 projection of a 5.4 per cent growth for 2014 to 5.1 per cent. Nevertheless, it maintains its earlier projection of a 5.6 per cent average growth rate for the group for 2015.

Scanning equipment in scanner room

According to the Malaysian Iron and Steel Industry Federation (MISIF), with the pickup in demand for domestic steel products through the implementation of various mega-projects under the ETP, coupled with expected lower raw material costs, the **iron and steel** industry is expected to grow at an annual rate of 4.0 per cent in consumption terms, until 2020.

Domestic market for the **medical devices** industry is projected to grow by 15.9 percent per year to attain US$2.8 billion by 2017. There is potential for Malaysia to develop into a medical hub for both R&D activities and manufacturing. Malaysia is considered an ideal investment destination due to its strong intellectual protection regime, industry eco-system and strategic geographic location.

Chemical and petrochemical industry occupies a key position in the ETP. The government introduced 12 EPPs and two business opportunities which are expected to deliver RM131.4 billion of GNI and create an additional 52,300 jobs in the oil, gas and energy sectors.

Malaysia is well-positioned to be a regional hub for **M&E** manufacture, fabrication and services within the oil and gas industry. The industry will continue to focus on high technology and high value-added M&E and modules. High technology and automation is expected to increase efficiency and productivity, it will further reduce dependency on unskilled labour. In order to meet the demands of E&E, oil and gas and transportation industries, the engineering supporting industry is moving forward by producing higher technology and higher value-added products.

Services: Empowering Growth, Energising the Economy

Services: Empowering Growth, Energising the Economy

Driver of Growth

For 2013, export of services registered moderate growth of 7.2 per cent to RM125.5 billion from RM117.0 billion recorded in 2012. Import of services grew by 7.3 per cent to RM140.5 billion. This increase for both exports and imports were driven by business and financial services, maintenance and repair, and telecommunications, computer and information services.

Investment in the services sector rose significantly, with increased investments across the sector. This is in line with the Government's continuous effort in making the services sector the driver of Malaysia's economic growth. The 4,796 projects approved in 2013 are expected to generate 97,017 high-income employment opportunities.

Several key studies were commissioned and leveraged on in policy-making to benefit the services sector. More focused development and liberalisation efforts have been identified with the newly reinvigorated and enhanced Malaysia Services Development Council (MSDC).

Investment in the services sector

Services sector contributed the largest portion of approved investments for the economy last year (RM144.7 billion), exceeding total approved investments of RM122.9 billion in 2012 by 17.7 per cent. Domestic investments of RM125.7 billion accounted for 87.0 per cent with foreign investments making up the remainder.

Real estate continued to be the sub-sector recording the largest approved investments in 2013. Real estate covers the housing industry (excluding commercial buildings) in Malaysia. In 2013, a total of 1,400 projects were approved with total investments amounting to RM83.3 billion, almost all of which (97.4%) came from domestic sources.

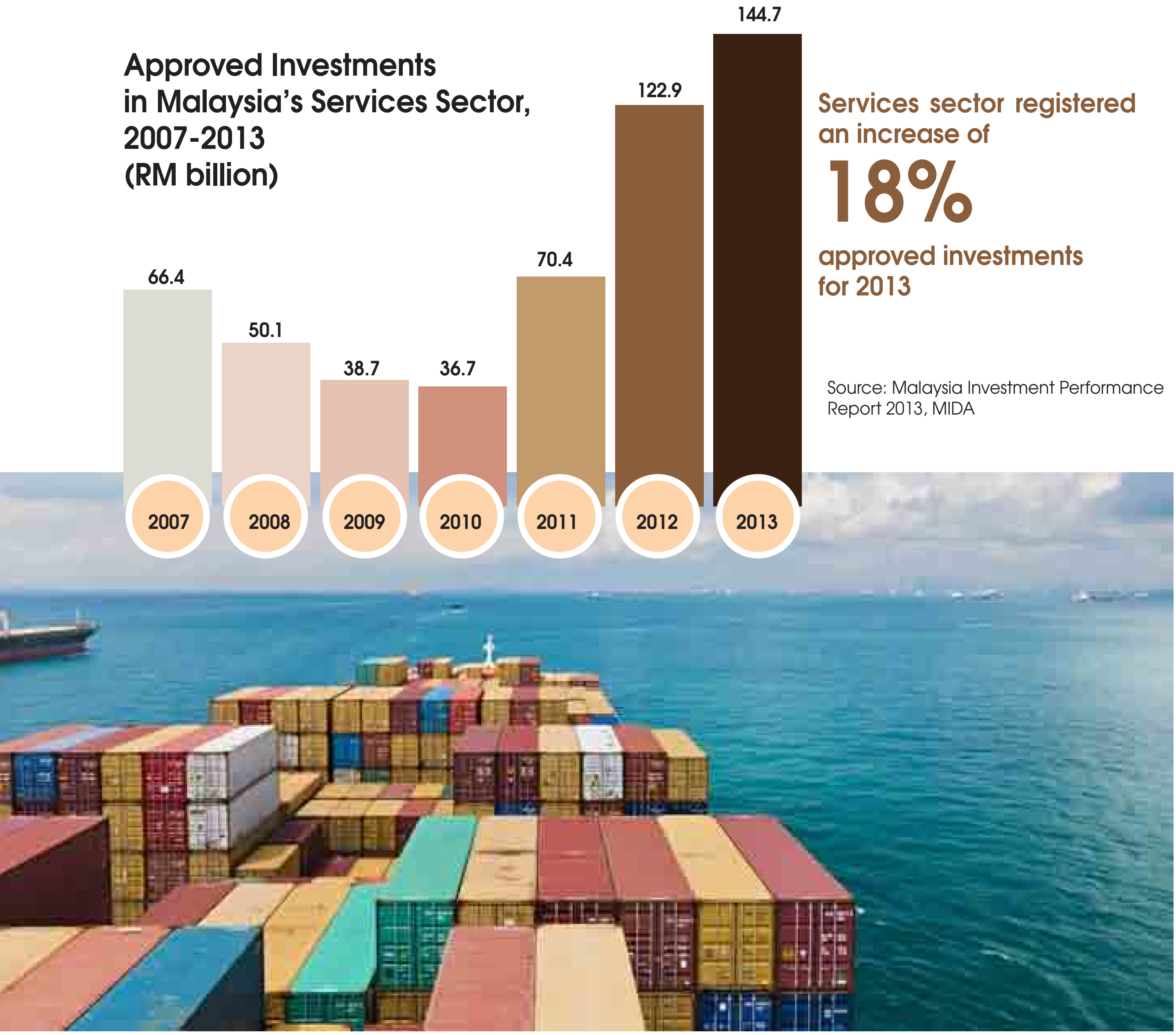
The **power and utilities** sub-sector covers independent power producers (IPPs) as well as generation, transmission and distribution of electricity and water. In 2013, approved investments in this sub-sector were valued at RM9.1 billion, all of which were from domestic

sources. The sub-sector remains a major contributor to investment in the services sector.

A total of 122 projects were approved with total investments of RM7.0 billion in the **hotels and tourism** sub-sector in 2013. Domestic investments totalled RM6.2 billion (88.3%), and foreign investments amounted to RM825.4 million (11.7%).

The **transport** sub-sector covers maritime transport, aviation, and land transportation. In 2013, a total of 63 projects were approved with investments of RM7.9 billion. Domestic investments amounted to RM7.0 billion (88.5%) and foreign investment totalled RM908.3 million (11.5%). A total of 2,165 employment opportunities are expected to be created by this sub-sector.

Approved Investments in Malaysia's Services Sector, 2007-2013 (RM billion)



Services sector registered an increase of

18%

approved investments for 2013

Source: Malaysia Investment Performance Report 2013, MIDA

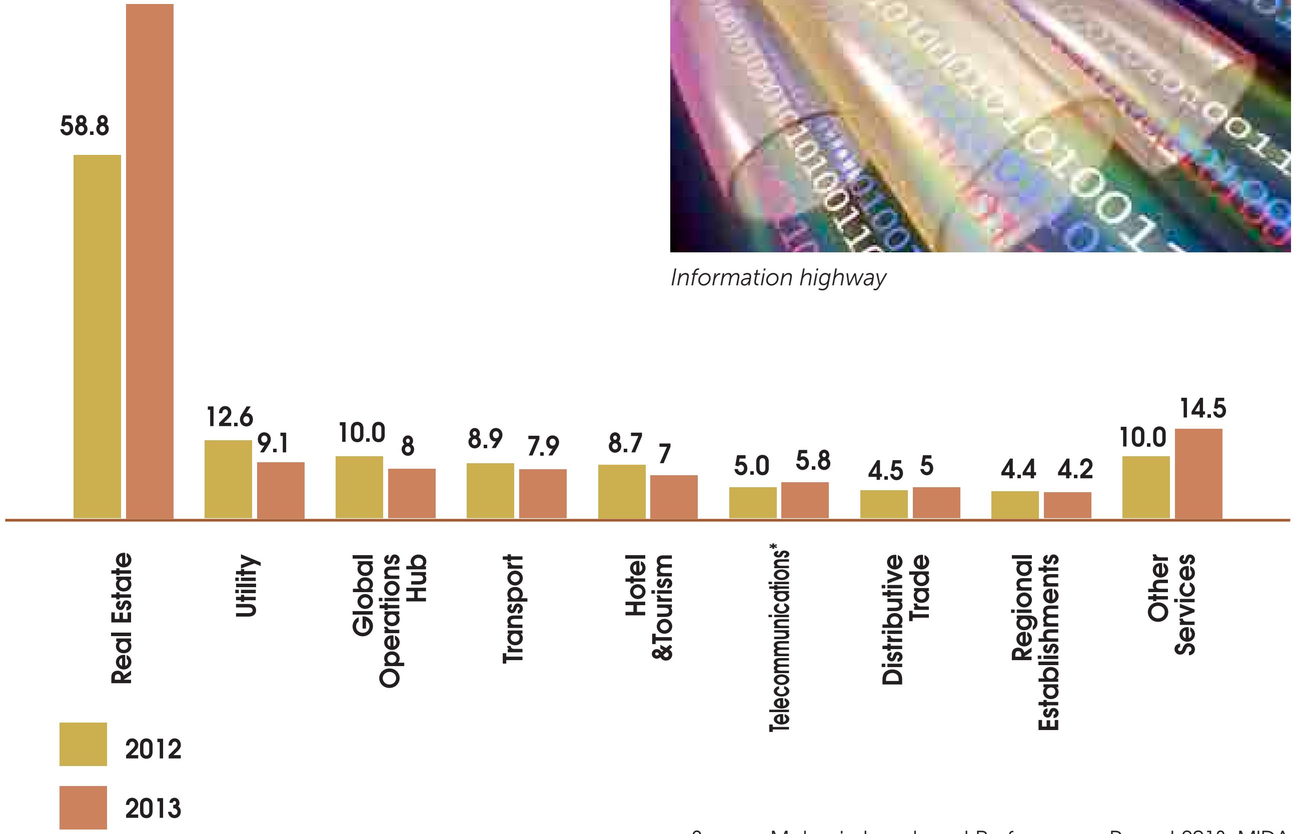
The **communications** sub-sector covers network facilities, network services, application services (including content application services), postal and courier services and broadcasting. In 2013, total investments in this sub-sector amounted to RM5.8 billion, all of which were domestic investment.

Exports of **telecommunication, computer and information services** exceeded RM8.0 billion in 2013. Information and communication technology (ICT) services include computer and telecommunications services as well as information services (computer data and news-related service transactions). Exports of these services were valued at RM8.8 billion in 2013, an increase of 1.4 per cent from RM8.7 billion recorded in 2012. This represents 7.0 per cent of Malaysia's total services exports.

Important markets for Malaysia's ICT services were mainly ASEAN countries such as Viet Nam, Myanmar, Thailand, Indonesia and Laos as well as the Middle East countries, such as Saudi Arabia, Iran and the United Arab Emirates. Services provided were mainly in shared services, creative multimedia content and applications, e-procurement and e-manufacturing applications, Voice-over Internet Protocol (VoIP) and other internet-based telecommunication solutions.

Information highway

Investments in the services sector (RM billion)



Source: Malaysia Investment Performance Report 2013, MIDA

Boosting transformation of energy services

The Government is focused on developing the **energy services** sub-sector in oil and gas, renewable energy, and energy efficiency and conservation. In 2013, MIDA facilitated seven oil and gas companies in their projects with investments of RM5.5 billion. These projects are expected to generate 330 niche job opportunities.

In line with the Government's efforts to encourage greener and more sustainable industrial activities, a total of 49 such projects with total investments of RM1.7 billion were approved in 2013. These projects are expected to generate 969 job opportunities.

Besides increasing the country's renewable energy capacity, the Government also provides support for projects aimed at increasing the efficiency of current energy infrastructure and conserving natural resources. In 2013, a total of 16 projects in energy efficiency with total investments of RM31.7 million were approved and 210 job opportunities were created by these projects.

Emerging destination for business operation hubs

Malaysia's strategic location and its role as a leading economy within ASEAN and Asia have continued to attract global business leaders to set up their **regional business hubs** in the country to strategically grow their businesses in Asia. As at 31 December 2013, a total of 3,350 projects have been approved to establish regional operations in Malaysia.

In 2013, new projects were approved for seven Operational Headquarters (OHQ), five International Procurement Centres (IPCs), two Regional Distribution Centres (RDCs), 68 Regional Offices (ROs), 96 Representative Offices (REs) and four Treasury Management Centres (TMC).

Malaysia continued to be the chosen location for several major multinational companies as their global operations hub due to the country's pro-business and investor-friendly government policies. These policies are complemented by its world-class infrastructural facilities, cost efficiency in doing business, excellent banking and financial services, as well as its highly skilled, multi-cultural and multi-lingual professional and technical workforce.

In 2013, nine global operations hub projects were approved with a total investments of RM7.9 billion and employment opportunities of 15,877 jobs. These projects boast substantial investments with significant spin-off effects to the economy.

Profile of selected sub-sectors

Freight Logistics Operators

Core logistics services offered by freight logistics operators are transportation (inbound and outbound), warehousing (inbound and outbound) and freight forwarding. In Malaysia, 39.0 per cent of freight logistics operators are involved in handling machinery or electrical products and commodities under miscellaneous categories including furniture, sports equipment, medical apparatus and food stuffs.

Kuala Lumpur International Airport (KLIA) and Penang International Airport are the main air cargo hubs in Malaysia with the highest average cargo weight per aircraft. Overall on-time performance of Malaysia's airports is good, with an average rate of over 85.0 per cent in 2013.

For sea transport, vessel calls are mainly concentrated in Port Klang and the Port of Tanjung Pelepas. Except for the Kuantan Port, most of the sea ports are operating on par with the average vessel turnaround time of 22.8 hours.

Land transportation is fragmented with the existence of smaller-sized operators, and the number of goods vehicles in the industry is highly regulated. There is a shortage of professional goods vehicle drivers in the industry. Sabah and Sarawak road infrastructure will require improvement with 46.7 per cent and 62.2 per cent paved roads respectively. Rail transportation can be further improved in terms of on-time delivery and wagon turnaround time.

Education

Beginning 1 February 2013, a two-year moratorium was imposed by the Ministry of Education for the establishment of private higher education institutions. The moratorium was a response to the overwhelming number of private higher education institutions being set up in the country, with many becoming unsustainable due to over-saturation of the education services market.

Nevertheless, this will not prevent high ranking foreign universities from entering and existing colleges from upgrading their status to university colleges or full-fledged universities. This rationalisation involves strategies and programmes that require private higher education institutions to build their capacity and competitiveness. This was to ensure that each institution provides and meets the highest standards of quality in the industry.

Commissioned studies

A number of key studies were commissioned in 2013 to identify new areas of improvement for the development of the services sector.

MITI completed the"Study on Domestic Regulations to Enhance the Competitiveness of Malaysia's Services Sector" in July 2013. The objective of the study was to evaluate the current regulatory regime for businesses in four sectors: **healthcare travel, private higher education, technical and vocational education training (TVET)** and **renewable energy**.

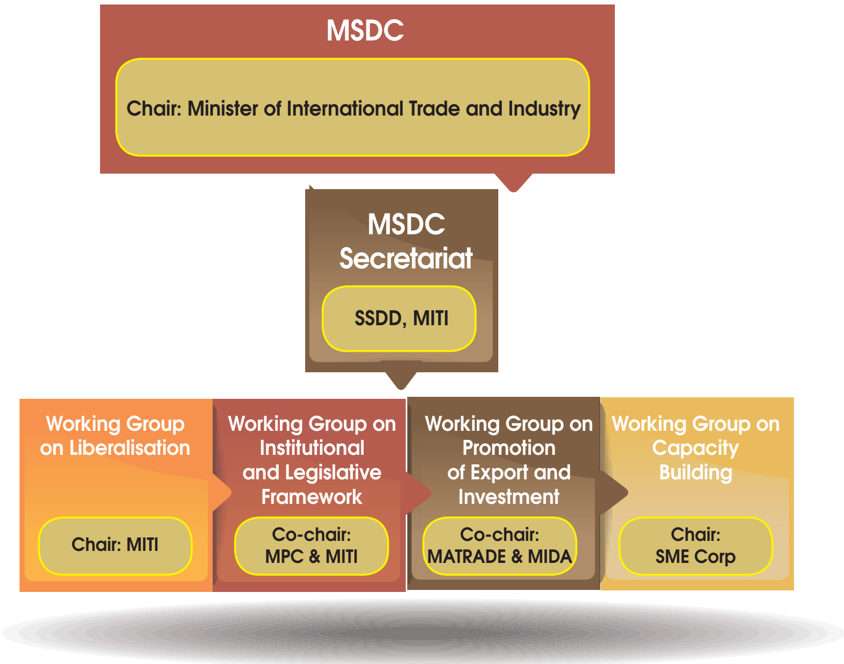
In addition, three key studies were commissioned by the Economic Planning Unit (EPU) in relation to the logistics sub-sector. The studies were "Developing an Empirical and Diagnostic Base to Support Strategic Planning for the Freight Logistics Industry", "Logistics and Trade Facilitation Masterplan", and "National Transport Strategy (NTS)". The studies provide recommendations on issues concerning policies and framework, and will identify gaps and bottlenecks as well as prioritise interventions to be undertaken by the Government.

Liberalisation efforts

Reinvigorated Malaysia Services Development Council (MSDC)

Three MSDC meetings were held in 2013. It was agreed that future MSDC meetings would have as a new focus, more strategic outlook for the services sector. More private sector representatives are now included in the MSDC to add value in achieving targets for the services sector.

Framework of the MSDC Working Groups



This new focus is the result of the consolidation of the findings and recommendations of related services sector studies that were commissioned. It was decided that four working groups are to be established under the ambit of MSDC to deliberate, streamline and coordinate the implementation of the recommendations. These newly established Working Groups are on Liberalisation, Institutional and Legislative Framework, Export Promotion and Investment, and Capacity Building.

Autonomous liberalisation

One of the main focus of MSDC is monitoring the implementation of the autonomous liberalisation initiative that was announced in 2011. Liberalisation of three sub-sectors namely engineering, architectural and quantity surveying has not been implemented pending amendments of the related acts and regulations. In relation to legal services, the Attorney General's Chambers and the Bar Council are drawing up the relevant regulations and guidelines which are expected to be completed by 2014 for its implementation to take effect.

Capacity Building and Outreach Programmes and *"Turun Padang"* Visits

A number of capacity building and outreach programmes were conducted in 2013 in collaboration with services industry associations, regulators and private sector stakeholders. The purpose of these programmes was to assist Malaysia's services industry in understanding and enhancing competitiveness vis-à-vis autonomous liberalisation and FTAs.

Among the many highlights of the programmes in 2013 were the 'Forum on the Liberalisation of the Legal Profession' held on 5 December 2013 in collaboration with Bar Council, the 'Best Practices Exchange 2013' held on 13 November 2013 in collaboration with Malaysian Association of Private Colleges and Universities (MAPCU), and the 'Liberalisation of Forestry and Environmental Services' held on 12 March 2013 in collaboration with *Institut Rimbawan Malaysia* (IRIM).

The Minister of International Trade and Industry has also made three special visits in 2013 to companies involved in diverse areas of the services sector. A visit was made to the INFOVALLEY Group of Companies at the MINES Waterfront Business Park on 10 January 2013 to understand the core business and operation of the company.

On 23 August 2013, MITI and MIDA officials visited Pinewoods Iskandar Malaysia Studios in Iskandar Malaysia, Johor to learn about the developments in the creative industry and to promote closer ties with this important stakeholder. The visit allowed them to be better acquainted with the challenges and issues faced by this newly developed area of the services industry.

Outlook in 2014

The services sector is set for further growth with the liberalisation of the services sector continuing progressively over the next few years. Focus sub-sectors, namely the legal, engineering, architectural and quantity surveying will see much progress in their liberalisation in 2014. The formulation of the regulations and guidelines for the Legal Profession Amendment Act is expected to be completed in 2014. Liberalisation in these sub-sectors is capable of attracting more foreign direct investment, as Malaysia's economy is projected to grow by 4.5 to 5.5 per cent in 2014.

The services sector will remain one of the key drivers of the nation's economy, together with the help of robust domestic demand and consumption. For the other sub-sectors that have been liberalised, more focus will be given to deepening the liberalisation process as well as addressing any impediments that may hinder full implementation of these sub-sectors.

In addition, further liberalisation will also be taking place through bilateral and regional free trade agreements. Under ASEAN, Malaysia is part of the RCEP Agreement negotiations involving 15 other countries. This will be one of the largest free trade agreements in the world and trade in services will be one of the main components of this agreement.

Work on the Services Sector Blueprint has been recently concluded. The Blueprint aims to chart Malaysia's services sector forward direction as the main engine of growth. The implementation process will involve various Ministries and Agencies across all sectors. Currently, action plans are being prepared to ensure that the objectives and recommendations in the Blueprint are met.

Turun padang – INFOVALLEY Group of Companies

INFOVALLEY's core services include molecular screening services, which make use of DNA screening and clinical examinations to establish the illness risk profile (such as cancer) of an individual. This allows for early prevention and intervention.

Other services that infovalley provides include digital autopsy facility. The world's first such facility was established at Hospital Kuala Lumpur. More than 1,000 cases have been registered and scanned since its operation in 2010. INFOVALLEY will establish 18 facilities in the United Kingdom (UK) in four phases. The first facility is in Bradford Municipality. This project has been cited as one of Malaysia's major investments in the UK.

Turun padang – Pinewood Iskandar

Pinewood Iskandar, headquartered in the UK, is the first fully integrated facility in the world for film-making. Pinewood Studios Group is one of the leading providers of studio and related services to the worldwide film and television industries.

The company is venturing into a new industry for Malaysia to attract big-budget international productions. The new studios are expected to position Malaysia as a top film production destination and create 1,500 job opportunities, bringing in investments worth over RM1.8 billion over the next decade.

"Study on Domestic Regulations to Enhance the Competitiveness of Malaysia's Services Sector"

The study was to assess whether Malaysia's domestic regulations in healthcare travel, private higher education, **technical and vocational education training (TVET)** and renewable energy impede or assist the development of the services sector in Malaysia.

Findings of the study include:

- current regulatory regime provides a generally favourable environment to businesses, but improvements are needed in rule-making and regulatory enforcement, particularly to address the elements of transparency, predictability and coherence;
- direct regulatory cost is fair and does not impede business activities; and
- need to ensure regulatory quality to promote innovation and increase productivity.

Recommendations in the study include:

- creating an overarching legislation to improve the quality of regulation and remove regulatory burden;
- setting a mandatory systematic framework for assessing the potential impact of government actions; and
- standardising procedures and structural mechanisms for public consultation.

Myservices Portal

Myservices web portal (www.myservices.miti.gov.my) was launched by the Minister of International Trade and Industry during the MSDC meeting on 10 December 2012. The main objective of this portal is to disseminate information about Malaysia's services sector, services liberalisation efforts as well as other trade in services-related initiatives. The portal provides information on the trade in services commitments that Malaysia has made in the WTO as well as a number of bilateral and regional (ASEAN) free trade agreements.

Enhancements to the portal were made in relation to its usability and accessibility, an easy-to-read user interface and the development of a mobile version. With these improvements. It has helped to ensure that information on services sector can be reached by the public accurately at any time, in line with MITI's role as the focal point for the development of the services sector in Malaysia.

High Impact Programmes for Entrepreneurs

High Impact Programmes for Entrepreneurs

National Mark of Malaysian Brand Meet in the Sky Session 2013

Entrepreneurs are a component of the business community that assume a pivotal role in driving the transformation of Malaysia's economy. Specifically, Small and Medium Enterprises (SMEs) are the catalyst for Malaysia to achieve high-income nation status by 2020. To this end, SME Corp. Malaysia has been responsible for rolling out a host of programmes directed at various aspects of SME development. The Halal Industry Development Corporation (HDC) has been generating positive results in its promotion of Malaysia as a global halal hub, through various efforts, most notably the signing of memoranda of understanding with five countries under the Halal Footprint Programme. SME Bank and Malaysian Industrial Development Finance Bhd. (MIDF) have also been offering financial assistance to selected SMEs to enhance their business performances. The Government, cognisant of the challenges experienced by SMEs in keeping up with the on-going policy reforms, such as the Minimum Wage Policy, has therefore introduced measures to soften the immediate impact of such policies on SMEs.

At a glance: SME performance in 2013

The **SME Competitiveness Rating for Enhancement** (SCORE) is a diagnostic tool to evaluate and rate the competitiveness of SMEs based on a company's current business performance and capabilities in areas such as management, operation, technology adoption, certification, and technical, financial and marketing areas.

The number of SMEs achieving higher star status under SCORE in 2013 increased considerably from 2012, particularly in the 3-Star and 4-Star categories where the numbers rose from 1,148 to 1,411 and 221 to 265 respectively. These numbers have been growing since 2011, which indicate that SMEs are becoming increasingly competitive and are developing capacity towards becoming global players.

STATUS OF SCORE (No. of SMEs)

Rating	2013	2012	2011
5 Star	7	6	9
4 Star	265	221	131
3 Star	1,411	1,148	762
2 Star	1,219	1,300	1,029
1 Star	182	241	330
0 Star	6	13	41

Source: SME Corp (Malaysia)

To cater for the specific needs of micro enterprises, SME Corp. Malaysia has developed an assessment tool called **Micro Enterprise Competitiveness Rating for Enhancement** (M-CORE). Being a simplified version of SCORE, M-CORE emphasises identifying the performance of micro enterprises mainly in four areas: business performance, financial capability, operations and management.The Business Accelerator Programme (BAP) and the Enrichment & Enhancement (E^2) Programme are initiatives that have been implemented to assist SMEs and micro enterprises (MEs) accelerate and develop their businesses using an integrated approach through a variety of components. BAP caters for SMEs that are rated at 2-Star or above under SCORE while E^2 is for MEs and start-ups that are rated at Level 3 or below under M-CORE.

The number of approvals under the programmes are on a steady increase since 2011. This is an indication that SMEs and MEs are becoming increasingly aware of the programmes' benefits and are more prepared to leverage on the opportunities given to enhance their businesses.

STATUS OF M SCORE (No. of MEs)

Rating	2013	2012	2011
Level 1	106	190	127
Level 2	354	285	250
Level 3	20	5	4
Total Number of MEs	480	480	381

Source: SME Corp (Malaysia)

SME Enterprise 50 Award

Pushing SME market access into new frontiers

In line with the Government's vision of moving towards e-commerce and encouraging young entrepreneurship, SME Corp. Malaysia, in collaboration with Multimedia Development Corporation (MDeC), organised a series of seven workshops as part of the Online Business Linkage Programme. The workshops, which attracted 974 participants, were designed to acquaint SMEs with the best practices of online business processes.

In the SME Innovation Showcase known as **SMIDEX 2013**, a total of 302 entities participated with 406 booths set up, of which 189 companies (215 booths) were SMEs. SMIDEX 2013 attracted 8,706 visitors, a marked increase from 7,488 in 2012.

Other participants of SMIDEX 2013 included financial institutions, ministries and agencies and international companies. This makes for an ideal platform for business matching sessions. A total of 165 such sessions were held at the event with negotiations valued at RM322.2 million, an increase from RM233.4 million in 2012.

The business matching platform attracted wider international linkages which saw the participation of SMEs from the UK, South Korea, Japan and Papua New Guinea. These International SMEs were mainly from the aerospace, automotive, machinery and engineering as well as retail and distributive trade sectors. There were 14 linkages held, with potential sales of RM66.0 million generated from a total of 165 sessions.

Promoting SME brand recognition and awareness

SME Corp. Malaysia and its partner, SIRIM QAS International Sdn Bhd, have developed the **National Mark of Malaysian Brand** - a mark of recognition for Malaysian products and services, of the highest quality, excellence and distinction. Since its inception on 2 March 2009 and until December 2013, a total of 133 applications have been received. As at 31 December 2013, a total of 79 companies have been certified with the

National Mark of Malaysian Brand while the others are still being audited.

The **Branding and Packaging Mobile Gallery** was established with the objective of reaching out to rural SMEs to provide awareness of the importance of branding and packaging and to provide training across the country.

In 2013, the Branding and Packaging Mobile Gallery is a 40-footer trailer, which has been refurbished and fitted out with an interactive, user-friendly and innovative display of packaging samples and materials called the "Brand Transformer". Relevant agencies such as Kontena Nasional Berhad, SIRIM Berhad, Design Development Centre (DDEC),

"...entrepreneurs cannot be in a comfort zone and be satisfied with the profits they are making. They must set a higher sales target and a higher profit margin as well as expand and develop their products."

Hamim Samuri, Deputy Minister of International Trade and Industry, MITI Groom Big Programme, 7 November 2013

MITI Groom Big Programme

Limkokwing University of Creative Technology (LUCT), Intelectual Property Corporation of Malaysia (MyIPO) and Federation of Malaysian Manufacturers (FMM) were invited as collaborators and speakers. In 2013, the mobile gallery reached 21 locations and a total of 2,524 participants attended the sessions.

Encouraging technological innovation as a mark of distinction

The **1-InnoCERT Programme** aims to recognise and certify innovative enterprises and SMEs. It encourages entrepreneurs to venture into high technology and innovation-driven industries. In 2013, a total of 90 SMEs were successfully certified after being audited by SIRIM Berhad.

All 1-InnoCERT SMEs are automatically eligible for consideration for the Annual SME Innovation Award as well as incentives under the Green Lane Policy. The latter will enable the company to enjoy benefits including interest rebates for financing facilities and stamp duty exemption on loan agreements; tax incentives; and better access to government procurement.

In 2013, twelve 1-InnoCERT companies applied for incentives under the Green Lane Policy. Seven companies received loan approvals from participating banks amounting to RM28.1 million.

SME Corp. Malaysia has also approved a new incentive for SMEs certified with 1-InnoCERT, called the Innovation Voucher. An Innovation Voucher is a promissory note of reimbursable grant to facilitate 1-InnoCERT SMEs in innovation research and development; advertising and promotion; and certification and quality management systems (QMS) as well as packaging development.

The SME Innovation Award 2013, organised in conjunction with SMIDEX Exhibition, was held from 12 – 14 June 2013 at the Kuala Lumpur Convention Centre (KLCC). The selection and assessment of innovative SMEs for the SME Innovation Award was based on the 1-InnoCert Certification.

SMIDEX Exhibition

Winners of SME Innovation Award 2013

Category	Winner
Top Most Innovative SME Award & Best Innovation Award in Services	Romstar Sdn. Bhd.
Best Innovation Award in Manufacturing	Indkom Engineering Sdn. Bhd.
Best Innovation Award in ICT & Software Development	Datamicron Sdn. Bhd.
Best Innovation Award in Green Technology	Success Alam Sekitar Eco-Technology Sdn. Bhd.
Best Innovation Award in Biotechnology & Agro Technology	Furley Bioextracts Sdn. Bhd.
Best Innovation Award in Engineering & Industrial Design	Gading Kencana Sdn. Bhd.

Developing SME's skills and knowledge capital

SME Corp. Malaysia, in line with the Government's initiatives, seeks to increase the number of knowledged workers and generate a high-income economy through the Skills Upgrading Programme. The Programme aims to enhance the skills and capabilities of employees and the owners of SMEs through short courses on technical and soft skills. A total of 8,138 employees of SMEs were trained between January and December 2013.

Launch of SME@University Programme

SME Corp. Malaysia, in collaboration with Pembangunan Sumber Manusia Berhad (PSMB) and Universiti Kebangsaan Malaysia (UKM), has also established the SME@University Programme. The objective of the SME@University Programme is to provide a structured learning opportunity at universities and develop capable CEOs of SMEs with the required experience and knowledge of entrepreneurship and business tools. Since its inception in 2011, a total of seven universities have embarked on this Programme. The completion of the first batch with five universities has benefited 104 CEOs.

In the 2013 sessions, another 160 Malaysian CEOs of SMEs participated with collaboration from two additional new universities, namely HELP University and Universiti Utara Malaysia.

Based on an impact assessment exercise conducted on the 2012 participants, a total of 76.0 per cent of the respondents indicated that their sales had increased and the highest increment recorded was 100 per cent. In terms of profit margin growth, 95.0 per cent of the respondents indicated that their profit margin had grown between 1.0 to 8.0 per cent.

In order to further intensify the learning curve, two Advanced Courses under the SME@ University initiative were introduced in 2013, namely the Advanced Leadership Programme in the UK and the Advanced Course for SME@ University in Japan.

A total of eight Malaysian CEO-cum-graduates from the SME@University Programme were given the opportunity to attend the Advanced Leadership Programme at renowned universities in the United Kingdom. Five Malaysian CEOs attended the course at the University of Oxford and three Malaysian CEOs attended at Cambridge University.

Twenty selected CEOs from the SME@University Programme attended the Advanced Course for SME@University in Japan. In collaboration with SME Support of Japan and Tokyo SME University, this six-day programme aimed to provide the CEOs with an opportunity to gain experience and knowledge from Japan's SME support agencies and Japanese SMEs. It also served as a platform for networking and business exchange opportunities as well as sharing of experience between Japanese and Malaysian SMEs.

Since its inception, a total of 264 CEOs of SMEs have benefited from the Programme. Moving forward in 2014, the SME@University Programme is looking to increase its level of participation to 160 SMEs with the existing seven universities and a new implementor, Universiti Malaysia Sabah (UMS).

MITI Sabah

In 2013, MITI Sabah organised the Small and Medium Enterprise (SME)-focused Groom Big Showcase in conjunction with the State counterparts and the Ministry of Industrial Development, Sabah. The collaborative effort created a platform for nearly 100 local SMEs to showcase their latest products and services.

MITI Sabah also conducted various outreach programmes to assist SMEs that make up the majority of business establishments in the State. Numerous handholding programmes were conducted across the State including in Semporna and Tawau. In the final quarter of 2013, MITI Sabah began to intensify its Free Trade Agreement (FTA) Outreach Programmes to increase awareness of Malaysia's involvement in FTAs. The programmes were also extended to University students with the UiTM Sabah branch campus being the first beneficiary.

Peter Brian M. Wang

SME Masterplan 2012-2020: catalysing SMEs towards the high-income goal

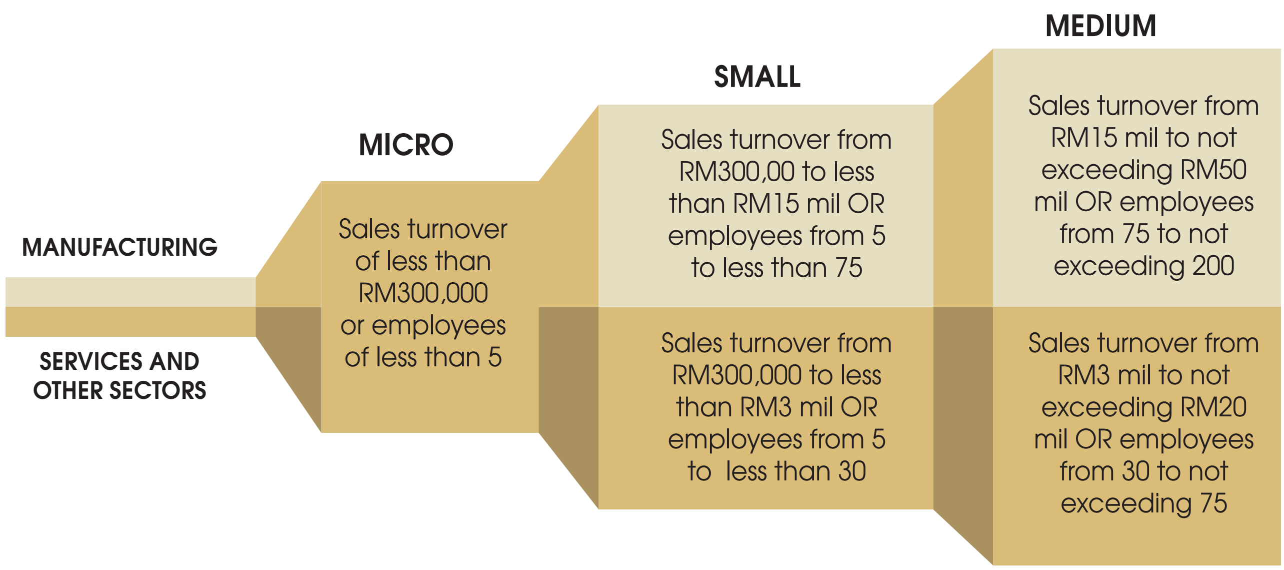
The SME Masterplan that charts the policy direction for SMEs until year 2020 would see the roll-out of the first High Impact Programme (HIP) namely the Technology Commercialisation Platform (TCP) in April 2014. The design, framework and strategy of this programme were endorsed at the **15th National SME Development Council** (NSDC) meeting on 9 December 2013.

TCP aims to enable more SMEs to innovate and commercialise their products and services, by providing end-to-end facilitation across the whole process such as in the advisory, technical assistance, market information, capacity building and financing areas. With the implementation of the HIPs and the other 26 initiatives under the Masterplan, the contribution of SMEs to the economy is expected to increase by 2020 in the forms of: 41.0 per cent of the GDP (32.7% in 2012), 62.0 per cent of employment (57.0% in 2012) and 25.0 per cent of exports (currently estimated at 19.0%).

A new SME definition has been approved by the NSDC in 2013. Given that there have been many developments in the economy since 2005 (when the prior definition was endorsed), a review of the definition was undertaken by SME Corp. Malaysia.

Effective 1 January 2014, the threshold of the qualifying criteria for SMEs has been revised upwards. For the manufacturing sector, SMEs are now defined as firms with sales turnover not exceeding RM50 million (compared to 'less than RM25 million' previously) or employees not exceeding 200 workers (compared to 'less than 150 workers' previously). For the services and other sectors, SMEs are now firms with sales turnover not exceeding RM20 million (compared to 'less than RM5 million' previously) or employees not exceeding 75 workers (compared to 'less than 50 workers' previously).

New Definition of SMEs



Source: SME Corp (Malaysia)

The new definition is expected to result in more firms being classified as SMEs, particularly in the services sector. This facilitates the country's transformation to a high-income nation through the initiatives under the SME Masterplan. As a result of the change in definition, the share of SMEs in the total number of establishments is expected to increase from 97.3 per cent to 98.5 per cent.

Another recently announced policy that has generated substantial impact is the Minimum Wage Policy. Commencing 1 January 2013, the Policy is one of the Government's instruments under the New Economic Model (NEM) to ensure economic inclusiveness by transforming the economy from a middle-income to a high-income economy by 2020. The Minimum Wage has been set at RM900 per month for Peninsular Malaysia and RM800 per month for Sabah, Sarawak and the Federal Territory of Labuan. It covers all employees, local and foreign except those classified as domestic workers, such as domestic helpers and gardeners.

In order to gauge the impact of the policy on SMEs, a survey was undertaken by SME Corp. Malaysia in which a majority of the SMEs cited their lack of financial capability and capacity and the resulting increase in labour costs as the primary reasons for their failure to implement the minimum wage. Feedback also showed that the increase in wage bill differed (from 6% to 40%) depending on the sub-sector and the labour intensiveness of the business.

Recognising the impact of minimum wage on SMEs, particularly micro enterprises, an extension was given until 1 July 2013 to implement the policy. SMEs also received a blanket deferment for foreign workers until 31 December 2013 to allow SMEs to undertake the necessary measures to adjust to the new wage level by reducing reliance on foreign workers. In order to ease the burden of those who have implemented the Minimum Wage Policy, particularly in terms of increased wage bills, the affected establishments are allowed to deduct the levy on foreign workers and RM50.0 per person for accommodation from the wage bill on a monthly basis. In the 2014 Budget Announcement, the Government has further included an integrated package to enhance innovation and productivity as well as to cushion the impact of the Minimum Wage Policy on SMEs.

Strategic policy-making and assessments for SMEs

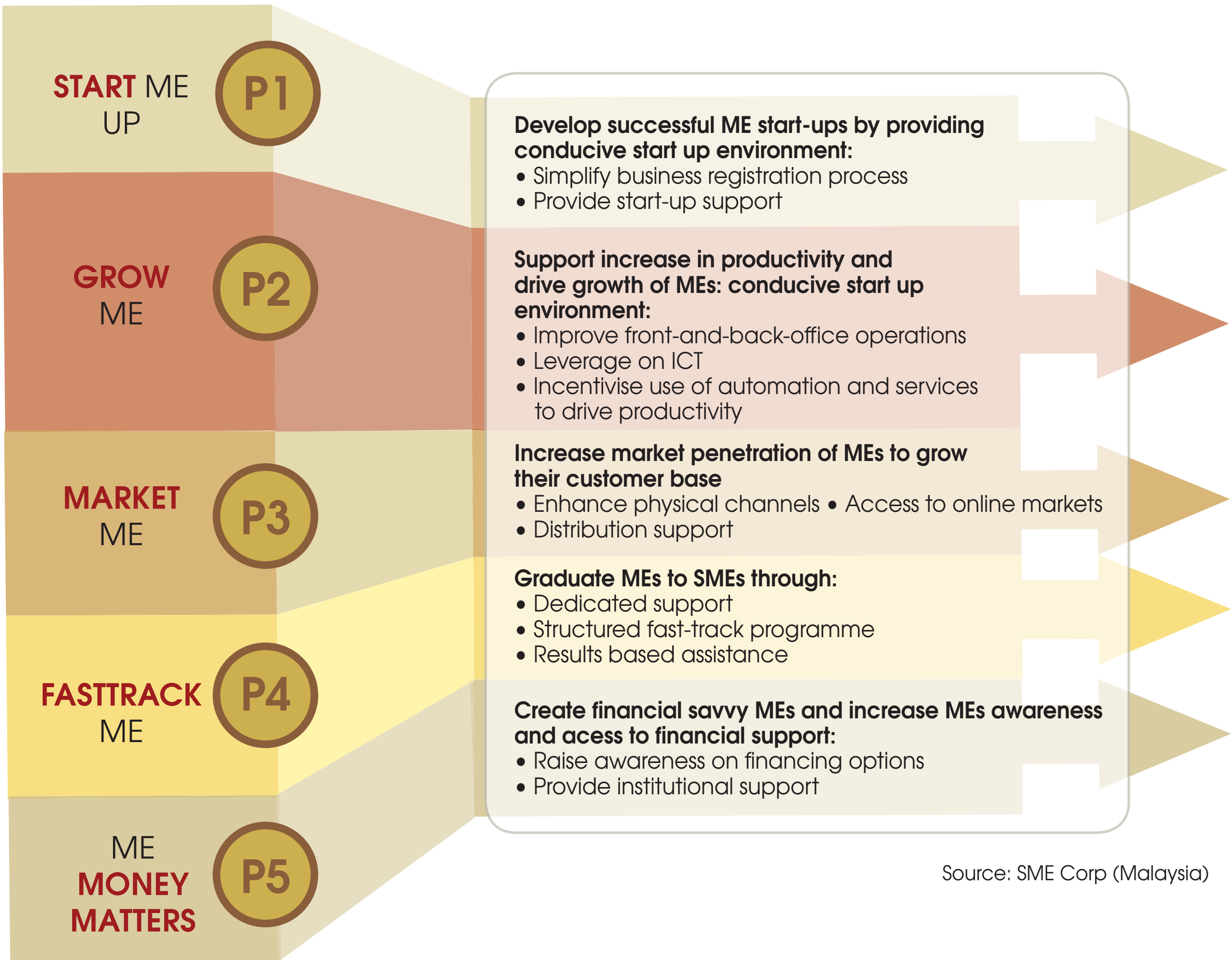
Chaired by the Prime Minister, with representation from key Ministries and Agencies involved in SME development, the National SME Development Council (NSDC) serves as the highest policy-making body for setting the strategic direction of Government policies on SME development. In 2013, the NSDC convened its 14th and 15th Meetings which recommended several key initiatives to further promote a competitive and resilient SME sector.

At the 14th NSDC meeting, the new definition of SMEs was endorsed, and the Council also agreed on the setting up of the SME Business Advisory Panel (SBAP) to provide input on SME development and entrepreneurship strategies in creating world-class companies. The first SBAP meeting was held on 14 November 2013, themed "Internationalisation of SMEs through Branding".

At the 15th NSDC Meeting, the Council agreed on the mechanism of the Breakout Strategy for MEs which is aimed at improving productivity and accelerating the growth of MEs across all economic sectors in Malaysia.

The Breakout Strategy with its fire programmes addresses the needs and development of youth, women and rural communities.

Breakout Strategy



Source: SME Corp (Malaysia)

MITI Pahang

In March 2013, MITI Pahang organised the *"Seminar Memperkasa Usahawan Belia Negeri Pahang"* in collaboration with the National Entrepreneurship Institute (INSKEN). The aim of the Seminar was to educate Malaysian youths on entrepreneurship and disseminate information on available business opportunities.

SME Corp. Pahang and Dewan Perniagaan Melayu Pahang (DPMM) also co-organised the *"Ekspo PKS Dewanita Sempena Minggu PKS 2013 Peringkat Negeri Pahang"* in June 2013. It created public awareness of support quality procedures and products and services,

MITI Pahang facilitated an FTA Pocket Talk in November 2013 in collaboration with the Federation of Malaysian Manufacturers (FMM). Information was provided on ways to fully utilise the benefits of the FTAs as well as the application procedures for Preferential Certificate of Origins (PCOs).

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Rozieyanahayu Ab. Rahman

In the meeting, the Council also endorsed the framework for the Small and Medium Enterprises Act (SME Act). The Act will cover the entire SME ecosystem, including its vital elements, the scope of which shall encompass six areas, namely: General Principle, Institutional Framework, Market Access, Specialised Incentives, Financing for SMEs, and Obligations of Parties under the Act.

Halal entrepreneurship: creating a Global Halal Hub

The halal industry is a sizeable sector with a global halal market estimated at US$2.3 trillion annually and is growing from strength to strength, in tandem with its tremendous growth potential.

Despite the rising demand, the global supply of halal products is still low due to the limited number of halal-producing countries. Malaysia is among the largest exporter of halal goods in the world, with a total of RM32.8 billion worth of halal goods exported in 2013 compared to RM32.0 billion in 2012 (a 2.7% increase). China is the largest importer of halal goods from Malaysia, followed by Singapore, United States, Indonesia and Japan.

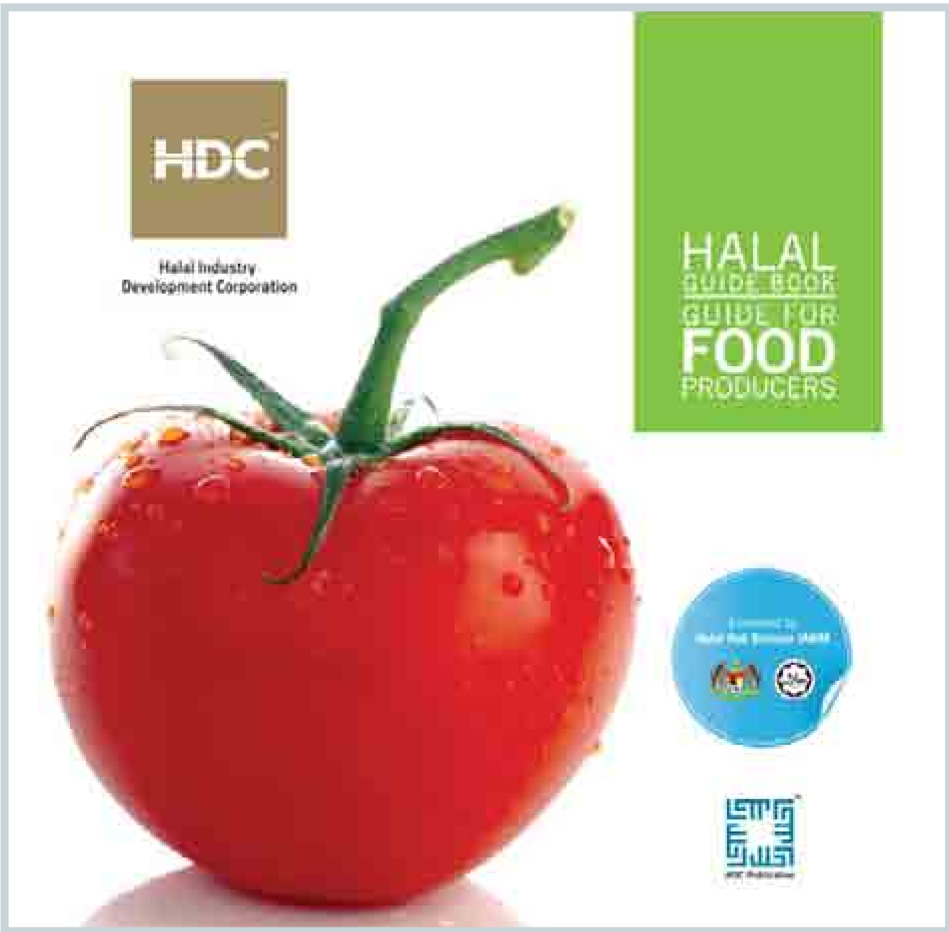
In 2011, the Halal Business Transformation (HBT) programme was launched by the Halal Industry Development Corporation (HDC) as a dedicated programme to assist local halal businesses in enhancing their competitiveness and sales, locally and abroad.

The number of halal companies participating in this Programme increased substantially from 150 companies in 2011 to more than 800 companies as at June 2013. This is a clear indication that the halal business community has been increasingly embracing the opportunities and assistance offered through the HBT. Most importantly, such opportunities have also helped the companies yield significant growth in sales. Total sales secured by HBT companies as at June 2013 had exceeded US$250.0 million (based on data collected from 200 companies) compared to US$35.0 million in 2011.

HDC has to date facilitated over 700 local halal companies in going global through the HBT with multinational hypermarkets and corporations. The positive impact of the HBT is reflected in the increase in sales figures recorded by participating companies.

HDC, on 18 September 2013, signed five memoranda of agreement under the Halal Footprint Programme with international organisations from five countries namely China, Japan, Hong Kong, Taiwan and South Korea, to widen the access of halal companies to the far east Asia region.

Under the Halal Footprint Programme, HDC encourages investors to use Malaysia as a platform to access halal markets such as those of the Middle East and Europe and to position Malaysia as the ideal investment destination. The global Muslim population is



HDC Halal Guide Book for food producers

MALAYSIA'S HALAL INDUSTRY STATISTICS

Halal Companies in Malaysia (2012-2013)

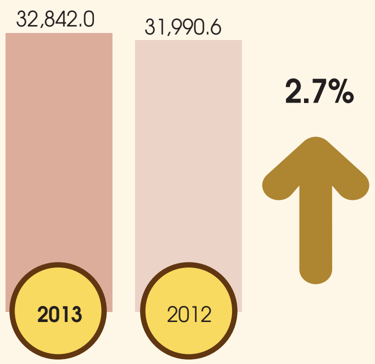
Source: Halal Data Warehouse

Halal Companies in Malaysia by Size (2012-2013)

INDUSTRY	JAN-SEP 2012	JAN-SEP 2013
Small	1345	1658
Medium	1224	1547
MNCs	449	500
Total	3019	3705

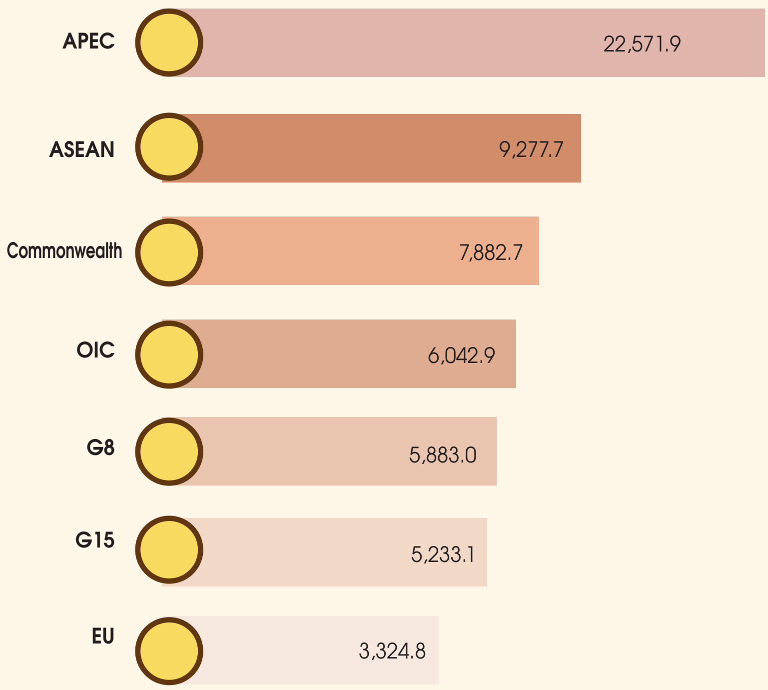
Source: Halal Data Warehouse

Halal Export Performance (2012-2013), RM milion



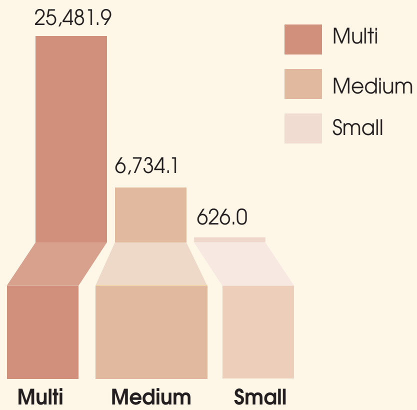
Source: Halal Data Warehouse

Halal Export Performance by World Grouping (2013), RM million



Source: Halal Data Warehouse

Halal Exports Value by Industry Size (2013), RM million



Source: Halal Data Warehouse

Halal Realised Investments (2012)

Total Capital Investment (MYR)	Food manufacturing and Beverages	
RM 8.6 Bil	Total Approved Projects	345
	Employment	29,292
	Foreign Investment (RM)	4,449.4 million
	Domestic Investment (RM)	4,128.2 million

Source: MIDA via Halal Data Warehouse

Halal Industry Human Capital (2013)

Source: HDC

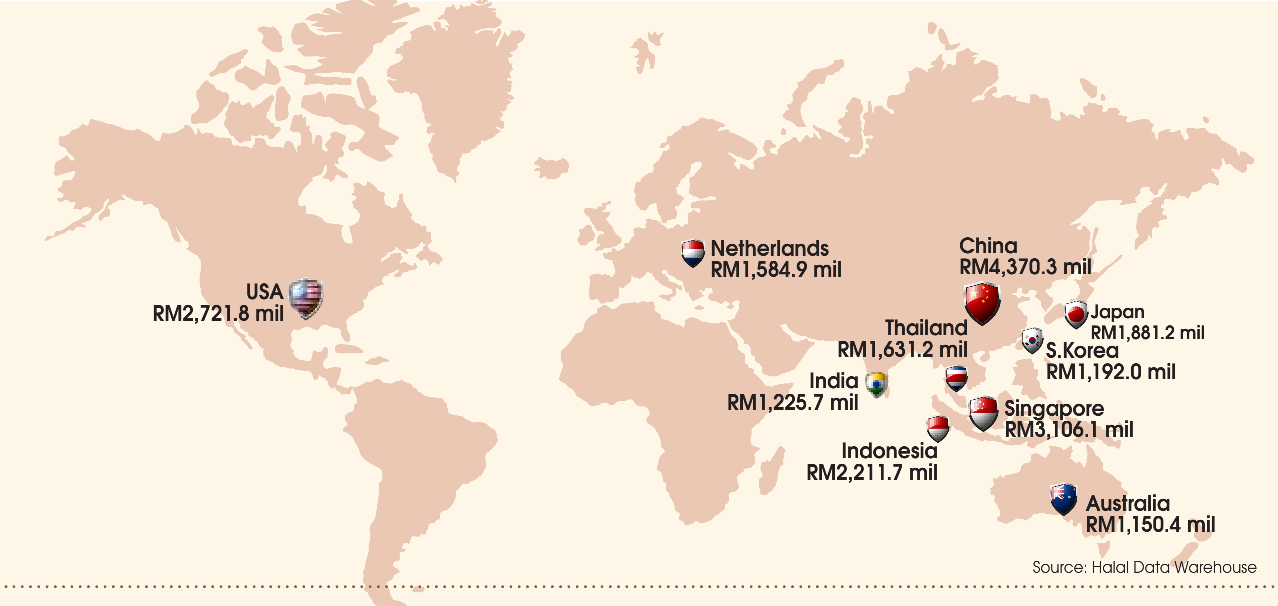
set to grow by 22.0 per cent over the next 18 years, contributing to an increased demand for halal products and services. East Asia alone accounts for a market of 28.0 per cent of the Asian continent and is approximately 15.0 per cent larger than the European market.

As a starting point for the Programme, premium showcase areas for halal goods will be established in 2014 in prominent hypermarkets in China and as the largest importer of halal goods from Malaysia, the agreement will allow Malaysia to tap further into the sizeable Muslim market in China.

The **Global Halal Support Centre** (GHSC) is an initiative started by HDC with a view of reinforcing Malaysia as a global reference centre for halal thought leadership as well as information and knowledge on halal-related services for all stakeholders.

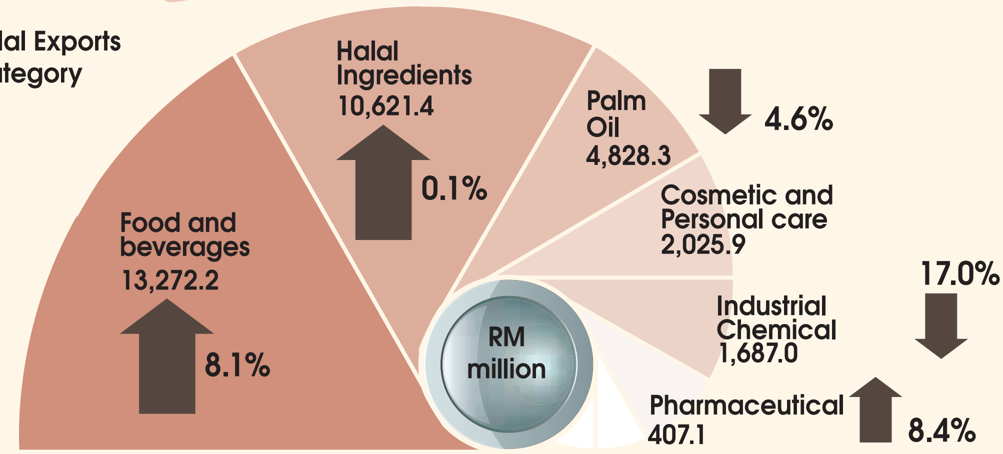
The GHSC is a centralised HDC support service centre that offers a focal point of contact for

Top 10 Export Destinations (2013)



Source: Halal Data Warehouse

Malaysia's Halal Exports by Product Category



Source: Halal Data Warehouse

Bumiputera Entrepreneurs Assembly with Prime Minister

the public, business community, researchers, academicians and government stakeholders. The **'One Touch Point'** (OTP) is the physical centre supported by two delivery channels: the Walk-in Enquiry Centre and the main resource centre known as the Halal Knowledge Centre. Since its inception in June 2012, the OTP has attracted more than 4,500 visitors from 56 countries including representatives from trade and industry associations, business councils, chambers of commerce, multi-national companies, and foreign and local government representatives.

Enhancement programmes for Bumiputera entrepreneurs

The Vendor Development Programme (VDP) aims to develop Malaysian SMEs as manufacturers and suppliers of components and services required by local large companies, multi-national corporations (MNCs) and Government-Linked Companies (GLCs).

Contribution of the VDP in developing and enhancing local manufacturers and suppliers has become increasingly palpable with the number of companies participating in the VDP rising each year. As at December 2013, 68 anchor companies with 1,285 vendors have registered under this programme.

In 2013, various programmes were conducted in collaboration with the Malaysia Productivity Corporation (MPC), SIRIM Berhad and Technology Park Malaysia (TPM). A total of 220 vendors participated in the programmes which benefited five anchor companies namely Tenaga Nasional Berhad (TNB), Telekom Malaysia (TM), PROTON, Boustead Naval Shipyard and PETRONAS.

In order to encourage more anchor companies to develop Bumiputera vendors under the VDP, a new double tax deduction incentive has been introduced for anchor companies' operating expenses under the VDP.

Vendor Development Success Story: AANS Technical & Services Sdn Bhd (Anchor Company – Boustead Naval Shipyard Sdn Bhd)

AANS Technical & Services Sdn Bhd was established in 2002, and was originally known as ANS Technical & Services Enterprise. In the early stage of its inception, the company was involved in the provision of consultancy services and minor plant modification works for Japanese clients. With the robust growth in the maritime and oil and gas industry in Malaysia, the company was later converted to a private limited company on 31 March 2004, AANS Technical & Services Sdn Bhd to cater for the growing demand for construction, maintenance and repairs for naval and oil and gas vessels.

AANS Technical & Services Sdn Bhd is a wholly-owned 100 per cent Malaysian Bumiputera company. The main activities and services of the company include: the provision of Engineering Procurement and Construction (EPC) services for marine piping systems and oil and gas and general industries; fabrication, installation, testing and commissioning for piping systems and accessories; and cabling, termination and panels repair.

The company has been involved in many milestone projects with companies such as Nippon Electric Glass (M) Sdn Bhd, T.I.P.P. (Malaysia) Sdn Bhd, SME Aerospace Sdn Bhd, PSC Nava Shipyard Sdn Bhd and Boustead Naval Shipyard Sdn Bhd (BNS).

AANS has developed a good business relationship with BNS. The company was engaged in a BNS project for the period 2007 to 2010 for the supply of manpower, supervision, equipment, tools and consumables for the piping, fabrication and installation works and boiler maker works for Royal Malaysian Navy (RMN) ships.

With the participation of BNS under the VDP for the ship building and repair industry, AANS registered in the programme in 2008 to provide piping work services. In this programme, AANS was able to foster its capabilities and grow as an SME in the maritime industry. Apart from this, BNS has provided AANS with technical and business management training under Kulim Hi-Tech grants. The VDP has also successfully propelled the company into the international arena with its participation in LIMA's exhibition under the aegis of Boustead Heavy Industries and an overseas visit to the SMM Hamburg Exhibition in 2012 in Germany.

The One District One Industry programme or now better known as ***Satu Daerah Satu Industri*** (SDSI) was implemented almost 20 years ago and has evolved over the years. The concept of this programme is to create an identity for a district by developing a unique product with high potential or to offer a particular service which can be turned into an industry on a commercial scale. Today, the SDSI has evolved into a full-time, viable and equally profitable business model for rural communities.

SDSI Showcase 2013

The **SDSI Showcase 2013** was held from 29 November to 1 December 2013 at the Melaka International Trade Centre (MITC), Ayer Keroh, Melaka. Since 2009, it has been the largest annual event to market and promote local products and services from all districts in Malaysia. The Showcase has also received exhibitors from One Village One Product (OVOP) Countries. In 2013, 20 Cambodian exhibitors under the cluster of accessories and jewelleries participated in SDSI.

SDSI Showcase 2013 saw the active participation of 590 exhibitors from all over Malaysia and attracted a total of 150,000 visitors. Exhibitors in SDSI reported immediate sales of approximately RM6.1 million and contract sales under negotiation of more than RM10.0 million.

MITI with Yayasan Pembangunan Usahawan (YPU) Terengganu registered "Songket Terengganu" under **Geographical Indication** on 22 July 2013, which is currently awaiting confirmation by the World Intellectual Property Organization (WIPO). Currently there are a few SDSI products which have already been acknowledged by WIPO under GI such as the Sarawak Layered Cake, Sarawak Pepper, Labu Sayong, Sabah Tea and Sabah Seaweed.

A **Geographical Indication** identifies any goods as originating from a country or territory, or a region or locality in that country or territory, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin. In the case of registered geographical indications, producers carrying on their activity in the geographical area specified in the Register shall have the right to use the registered geographical indication in their course of trade.

A strategic collaboration programme with Malaysia Airports Holdings Berhad (MAHB) was established to ensure that SMEs and their products have the opportunity to be promoted and marketed in a strategic location such as international airports. Through this collaboration, SMEs have the opportunity to open and operate their businesses in the outlets allocated by MAHB at the Kuala Lumpur International Airport (KLIA).

Two outlets at KLIA have been allocated to Bumiputera entrepreneurs through MITI and this collaboration continues with the KLIA2 project. MAHB has agreed to allocate several marketing outlets at KLIA2 to accommodate entrepreneurs under MITI's programme from various business sectors including retail and food and beverage.

Successful outlets under this programme include Jonker Walk Kopitiam and D'Bazaar.

KLIA Outlet Success Story: Jonker Walk Kopitiam

Jonker Walk Kopitiam (JWK) was incorporated on 30 March 2007 as a Private Limited company. It is fully owned by Bumiputeras and runs an active operation similar to big competitors such as Old Town, Starbucks, Coffee Bean, Gloria Jean's and others. JWK offers a variety of Malaysian traditional cuisine and local delicacies.

JWK has been operating at KLIA since 2008 and has received assistance from MITI in the form of advisory assistance and facilitation in negotiation with MAHB as well as facilitation in promotional and advertising activities through KLIA TV and other media channels.

JWK serves 200 to 300 customers a day, with its sales increasing from RM1.3 million in 2012 to RM1.6 million in 2013 and a targeted sales value of RM2.0 million for 2014. Apart from the success of increasing sales volume over the years, JWK has been recognised and has received numerous awards including the: (i) "KLIA Awards 2012 – F & B Outlet of the Year Highest Growth Percentage of Sale" from Malaysia Airport Holdings Berhad, and (ii) "Most Promising Entrepreneur Award of Asia Pacific Entrepreneur Award 2008" from the Non-Governmental Organisation for Entrepreneurship, Enterprise Asia.

Going forward, JWK plans to open a new outlet with a kiosk concept at Anjung Tinjau KLIA. It also plans to open an express kiosk for young entrepreneurs with a minimum capital of RM50,000.

The **Groom Big** or Products and Services Quality Enhancement Programme was initiated in 2005, with the aim of nurturing, grooming and developing entrepreneurs to be competitive, resilient and sustainable SMEs in the domestic and global market.

In 2013, the Groom Big Programme continued with its success in ensuring the sustainability of Bumiputera entrepreneurs. A total of 200 entrepreneurs benefited from the programme, through workshops that provided training in product quality enhancement, monitoring and guidance, quality improvement certificate programmes and best practices in halal and 5S, and other promotional and marketing programmes. The quality improvement and promotional aspects of these programmes have increased the demand for products under Groom Big.

Throughout the year, the Groom Big Programme focused on strengthening the establishment of the "Groom Big Cooperatives" to address issues of raw material supply, production capacity, and the marketing strategy of Groom Big products.

The Groom Big Cooperative Convention was organised on 17-18 September 2013 as a platform for members of cooperatives to exchange ideas, encourage the development of skills in organisational management through cooperatives as well as to strengthen business networks.

MITI Penang

Azmir Musyabri Abdul Mutallib

In 2013, MITI Penang organised 21 programmes to brief the industry and the public on FTAs, the ASEAN Economic Community (AEC) and Malaysia's trade and industry policies. MITI Penang visited 29 factories in the northern region to better understand the nature of their business processes and to help identify and solve problems faced by the companies. MITI Penang also provided support for programmes relating to Bumiputera, SME and entrepreneurial training to create awareness among entrepreneurs of the functions and roles of MITI and its Agencies.

Groom Big Success Story:
Wann Trading Corporation Sdn Bhd

Wann Trading Corporation Sdn Bhd's business began in 1993 as a small burger kiosk. Subsequently, it established Wan Food Industry to manufacture and market the 'Che Wann' burger buns. In 2008, the company expanded its operations by opening Pasaraya Che Wann, a supermarket that supplies wholesale and retail goods. Today, products sold by the company include burger buns, frankfurter buns and oblong buns.

The company joined the Groom Big Programme in 2008, where it received assistance in the areas of quality improvement, packaging and labelling and halal compliance. The company's product market covers Kelantan, Terengganu and areas in Southern Thailand and it achieved sales of RM15.0 million in 2013, with sales in 2014 targeted at RM17.0 million. Going forward, the company aims to build a second factory in the east coast worth RM2.5 million to support its growing business.

SME cooperation across regions

SME Corp. Malaysia is the focal point representing Malaysia at the 32nd and 33rd ASEAN SME Working Group Meetings in Vientiane, Laos PDR and Yangon, Myanmar respectively. The ASEAN SME Working Group brings together heads of SME Agencies from all ten ASEAN Member States to share experiences and to jointly develop action plans, strategies and policy frameworks in the areas of SME and entrepreneurial development.

SME Corp. Malaysia also represented the country in the 36th and 37th **Asia-Pacific Economic Cooperation (APEC) SME Working Group** Meetings held in Manila, the Philippines and Bali, Indonesia respectively. APEC provided various platforms and funding for more than 12 programmes in 2013. The programmes promoted exchanges of experience and best practices as well as discussions on focus areas such as policy development, access to financing, access to market and capacity building that would contribute towards SME and entrepreneurial development in APEC economies.

The **East Asia SME Round Table Meeting** was initiated with the agenda to create a venue through which SME development agencies from around the East Asia region would be able to share information on business environments and collaborate efforts to achieve common goals. The Eighth East Asia Roundtable Meeting, themed "Realising Visions for SMEs: Implementing Change", was hosted by Malaysia and was participated by SME organisations and agencies from Japan, South Korea, Thailand and Viet Nam. The meeting focused on the experiences, successes and challenges of participating agencies in implementing various SME development initiatives.

Harnessing the force of women entrepreneurs

The **Global Summit of Women** (GSW) is an annual event that gathers inspiring speakers of diverse backgrounds and prominent women leaders from around the world to meet and share experiences, winning strategies and best practices in promoting gender diversity in global prosperity by expanding women's economic opportunities and contributions globally.

Malaysia was chosen to host the 23rd GSW 2013 alongside Globe Women Inc. from 6 to 8 June 2013, with SME Corp. Malaysia as the organising Secretariat.

A total of 1,100 women leaders including Presidents, First Ladies, Ministers, corporate leaders and women entrepreneurs from 72 countries participated in the Summit. The Summit in Malaysia was declared by the organiser, Globe Women Inc. USA, to be the best GSW to date with the highest number of participants.

One of the successful activities held in conjunction with the GSW was the Business-to-Business Matching (B2B), where a total of 140 business matches materialised between Malaysian women entrepreneurs and international entrepreneurs. The three-day session successfully recorded potential sales negotiations valued at RM45.0 million.

The **Netpreneur Pilot Project** is the brainchild of the Panel of Women Entrepreneurs, SME Corp. Malaysia, which took place from 19 February 2013 to 26 April 2013. The project was co-funded by SME Corp. Malaysia and PEMANDU in collaboration with the non-governmental organisation, Gorgeous Geeks.

Global Summit of Women 2013

The Project aimed at guiding women entrepreneurs in leveraging on the internet platform to grow their businesses, by improving their business skills and strategies online. The Project allows entrepreneurs to set up actual technology platforms to begin support for their online businesses, followed by a one-to-one coaching session between the facilitator and the participant. At the end of this Project, participants are expected to leverage on existing internet platforms and to manage their online businesses.

MITI Kelantan

Azran Hj Deraman

MITI Kelantan participated in the Halal Expo 2013 organised by Prince Songkhla University Thailand from 11-12 January 2013. MITI Kelantan brought 20 entrepreneurs from Kelantan to the event to engage in business matching sessions and to expand their markets in Thailand.

In January 2013, MITI Kelantan also received a delegation from Narathiwat led by Mr Apinun Suetanuwong, Governor of Narathiwat, Thailand. The delegation was in Kelantan to discuss the development of SME products within Kelantan and Narathiwat as well as to make preparations for the "Kelantan-Narathiwat Trade Fair 2013" which was organised in Kota Bharu.

MITI Kelantan also co-organised a special programme with the Entrepreneurial Development Unit (BPU) of MITI to recognise Kelantan's entrepreneurs for year 2013.

SME Bank Y-Biz Challenge 2013

SME Bank and MIDF: supporting budding and high-potential SMEs

Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank) is one of the Development Financial Institutions (DFIs) prescribed under the Development Financial Institutions Act 2002 and supervised by Bank Negara Malaysia. SME Bank's mandate is to provide financing and advisory services to SMEs involved in the manufacturing, services and construction sectors. SME Bank's overall approval for financing in 2013 amounted to RM2.7 billion with a total of 1,737 entrepreneurs benefitting from its various funds and programmes.

In 2013, recognising the importance of fostering an interest in entrepreneurship at the early stage, SME Bank took the initiative to offer entrepreneurship programmes and financial assistance targeting the younger generation, namely at secondary school level, for youths and university graduates.

The Y-Biz Challenge (also known as *"Program Inovasi Usahawan Muda"*) is a special programme for grooming and nurturing future entrepreneurs by fostering their interest in entrepreneurship and providing the opportunity for secondary school students to explore their creativity and innovativeness. Through this programme, which takes the form of a competition, students will gain experience and exposure in the field of entrepreneurship, and in turn develop interests in entrepreneurship.

In 2013, a total of 294 students from 81 schools participated in this programme. SME Bank's developmental role in implementing this programme was recognised internationally when it was awarded a 'Plaque of Merit' for Corporate Social Responsibility by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

SME Bank has been mandated under the National Budget 2013 to assist youths who are involved in businesses. The Young Entrepreneur Fund (YEF), of RM50.0 million, was specifically established for youths aged 18 to 30 years. The creation of this fund is one of the Government's ongoing strategies to produce more entrepreneurs among youths in Malaysia. Under this fund, SME Bank offers financing for starting a business as well as meeting the needs of existing businesses. The YEF was launched in mid-February 2013, and since then a total of 228 entrepreneurs have benefited from the YEF.

Since its inception in 2005, SME Bank has been offering a special scheme for graduates under the Graduate Entrepreneur Fund (TUS). The scheme aims to encourage more graduates to go into entrepreneurship. The scheme is open to Diploma or Degree holders from public or private higher education institutions who have graduated not more than 15 years and are not more than 40 years of age at the point of application. From 2005 to January 2014, SME Bank has approved almost RM120.0 million worth of financing under this scheme. A total of nearly 900 enterprises owned by graduate entrepreneurs have benefited from the scheme.

In addition, SME Bank through its subsidiary, the Centre for Entrepreneur Development and Research (CEDAR) also provides entrepreneurial training under the Young Entrepreneur Programme (YEP) and Graduate Entrepreneur Incubator Programme (PIUS). YEP is an entrepreneurial training programme to assist would-be youth entrepreneurs in starting a business which is viable and with commercial value and great potential. PIUS is an entrepreneurship programme that is aimed at preparing graduates who are interested in going

SME Development Scheme and MoU signing ceremony between SME Bank and INTEL Malaysia on 21st February 2013 into business with skills and knowledge that are useful in conducting businesses in an effective manner. In 2013, a total of 515 participants attended PIUS and 349 attended YEP.

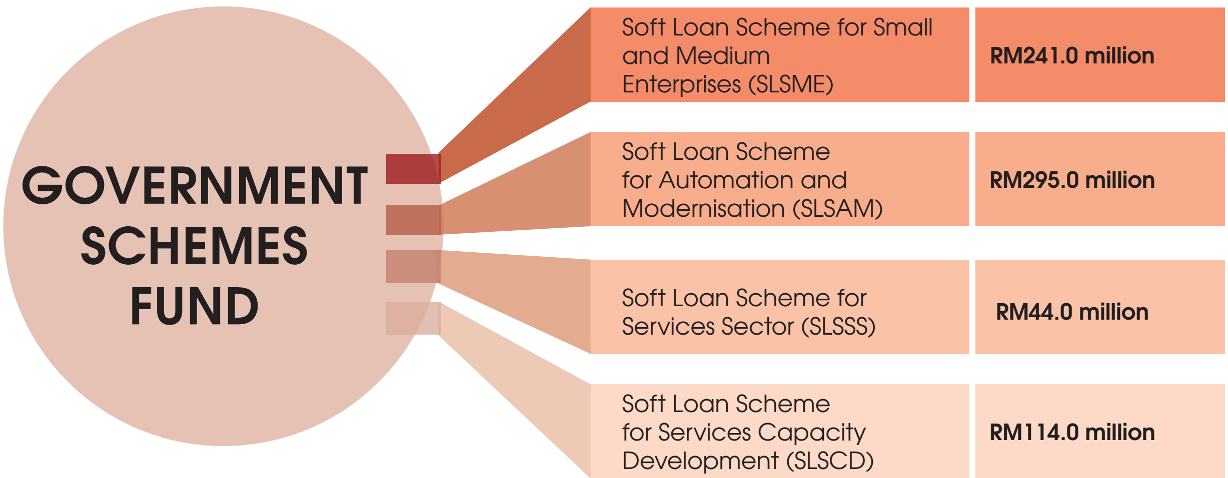
Malaysian Industrial Development Finance Berhad (MIDF) continues to play an important role in facilitating economic growth since its establishment in 1960 as the premier development finance institution in Malaysia. MIDF promotes the development of the economy by extending financial assistance under various Government scheme funds to SMEs and large corporations in the manufacturing and services sectors.

Since the introduction of the Government scheme funds, MIDF has approved financing totalling RM2.8 billion to 2,818 companies, of which RM1.3 billion was approved for 727 Bumiputera companies.

The SLSME assists existing and new start-up enterprises in project, fixed asset and working capital financing. The SLSAM assists manufacturing companies in automating and modernising their processes. Loans under SLSSS are aimed at helping entrepreneurs elevate their services into higher value-added activities and improving their service delivery.

SLSCD seeks to help service providers build up their capacities to withstand competition and increase their competitiveness locally and abroad.

Total Loans Approved under MIDF's Soft Loan Schemes in 2013



Source: MIDF

MIDF's Soft Loan Scheme Success Stories

DNC Asiatic Holdings Sdn Bhd assembles and trades in motorcycles such as moped/cub, scooters and utility series with engine capacities between 50 cc and 150 cc for the domestic market. It also exports semi-knocked-down (SKD) motorcycle parts under the "Demak" brand-name.

Despite strong competition from the more established motorcycle brands, due to their competitive prices, the Demak motorcycles that are assembled in DNC's plant in Kuching, Sarawak have carved a niche position in the domestic market. It has established itself as one of the more popular non-Japanese brand-names in the industry. The assembly plant commenced operations in 2002 and the business expanded regionally when DNC set up a motorcycle assembly facility in Sri Lanka under a joint-venture with local investors there.

MIDF continued to support the growth of DNC's business by providing financial assistance to their subsidiary company under the SLSME in 2013. This financial assistance was provided for the purchase of moulds to manufacture motorcycle parts used by DNC. The Demak motorcycles are making an impact on the lives of low to medium-income motorists by providing them access to an affordable means of transportation.

Seaventures Tours & Travel Sdn Bhd is a Kota Kinabalu-based company founded in 1995, which provides inbound tour and travel services and operates eco-tourism packages primarily in Sabah, including offering the experience of diving at Sabah's world-famous dive sites with a diving facility converted from a decommissioned oil rig located near Pulau Mabul, off Semporna.

Financial assistance received by Seaventures from MIDF under the SLSCD has solved the challenge faced by Seaventures in their access to financing. It has enabled dive boats and boat engines to be acquired at a time when the company needed these assets to expand the business. Seaventures received the Travellers' Choice Award and a Certificate of Excellence from Trip Advisor, as well as the Professional Association of Diving Instructors (PADI) Certificate of Recognition For Excellence In Outstanding Customer Service and Professionalism In PADI Scuba Instructor.

Entrepreneurs Symposium

SME Outlook in 2014

SMEs' GDP contribution was projected to have grown by 5.0 to 6.0 per cent in 2013. The projection took into account the official real GDP growth for the Malaysian economy of 4.7 per cent. Going forward in 2014, SMEs' GDP contribution is projected to continue on a sustained growth path, supported by favourable domestic demand, higher tourism activities and improvement in exports. The Third Quarter 2013 SME survey undertaken by SME Corp. Malaysia showed that more than 50.0 per cent of the respondents expected a better performance in 2014.

SMEs will enjoy some respite from the full impact of on-going policy reforms as the Government has announced measures in the 2014 Budget that would soften the impact of these policies on SMEs. Such policy reforms refer largely to the minimum wage policy introduced in 2013 and the Goods and Services Tax which is scheduled to come into effect on 1 April 2015.

In addition, the 2014 Budget supports the goals of the SME Masterplan 2012-2020, namely promoting innovative and high-growth firms, encouraging business formation and increasing productivity. This will push the SMEs closer to achieving a 41.0 per cent GDP contribution by 2020.

World Halal Week Conference: Creating a global halal interest and momentum

The World Halal Research Summit (WHR) and the World Halal Forum (WHF) are now known as the World Halal Week (WHW) Conference. It was held on 3-4 April 2013 during the World Halal Week (WHW) at the Kuala Lumpur Convention Centre, alongside the biggest international halal trade show - the Malaysia International Halal Showcase (MIHAS), which ran from 3 to 6 April 2013. *"Halal Economy: Creating the Momentum"* was chosen as the theme for the event to reflect its current mission in fostering momentum for the halal industry.

WHW was attended by a range of participants including industry players, technocrats, experts, manufacturers, halal buyers and halal industry stakeholders. The Conference was held over two days, and featured speaker presentations, seminars and question-and-answer sessions. Networking among delegates is another key activity, as a platform for connecting business and academic interests. The Conference attracted the attendance of 621 delegates from 38 countries.

World Halal Week 2013

A Competitive Nation

A Competitive Nation

Malaysia saw a productivity growth of 2.3 per cent in 2013. This is further reflected in the favourable rankings earned by Malaysia on competitiveness, most notably the 6th ranking by the World Bank for ease of doing business globally. The highlight in 2013 for competitiveness-enhancing initiatives was the launch of Good Regulatory Practices (GRP), a key effort to boost business competitiveness through high-quality regulations. Malaysia's participation in the OECD's Network Meetings on Global Value Chains (GVCs) is another important effort undertaken by the Government to move the country towards high-value economic activities.

World Innovation Forum 2013

MALAYSIA PRODUCTIVITY LEVEL AND GROWTH 2011 -2013

	2011	2012	2013
Productivity Level (RM)	57,907	59,063	60,424
Productivity Growth	1.8%	2.0%	2.3%

Computed from: Malaysia Productivity Corporation

Malaysia recorded a labour productivity growth of 2.3 per cent at RM60,424 in 2013 (compared to RM59,063 in 2012). The growth in labour productivity contributed 4.7 per cent to the GDP. Productivity growth was driven by quality employment and investment, spurred by high value chain activities.

The manufacturing sector recorded the highest growth of 5.3 per cent to a value of RM88,288 in 2013 (compared to RM83,822 in 2012). The sector performed well primarily due to strong domestic-oriented industries despite moderate growth in the export-oriented industries.

The services sector posted a growth of 4.8 per cent amounting to a level of RM63,755 (compared to RM60,819 in 2012). The growth was mainly supported by various sub-sectors including ICT, utilities, transport equipment and real estate activities. The accommodation and food services sub-sector recorded a negative productivity growth of -0.1 per cent.

Productivity in the construction sector grew by 4.8 per cent to a level of RM23,902 (compared to RM22,799 in 2012). The growth was partly driven by a gradual increase of medium and highly skilled workforce in the industry, increased mechanisation and the use of more modern site management techniques. The mining sector recorded a positive productivity growth of 1.0 per cent, which was an improvement from the negative growth of -11.1 per cent in 2012. The agricultural sector showed signs of recovery with a negative growth of -2.9 per cent in 2013 as compared to a double-digit decline in productivity growth of -11.1 per cent in 2012. This rise in productivity was due to the improved performance or higher production of crude palm oil and rubber.

Malaysia's **Total Factor Productivity** (TFP) grew by 1.2 per cent during the period 2011-2013 and contributed 23.6 per cent to the economic growth. Capital contributed about 46.4 per cent to the GDP growth over the three-year period from 2011 to 2013. Labour input contributed 1.5 per cent to the output growth and 29.9 per cent to the GDP growth. During the period 2011-2013, the manufacturing sector recorded a TFP growth of 0.1 per cent. The services sector recorded a TFP growth of 3.3 per cent and contributed 51.7 per cent to the output growth.

Competitiveness rankings

Competitiveness performance is assessed by several international organisations. These ranking organisations include the **Institute for Management Development** (IMD), World Economic Forum and World Bank. Malaysia is one of the countries assessed in these reports which serve as first point references that provide Malaysia with benchmarks and best practices on competitiveness. The **World Competitiveness Yearbook** (WCY) published by the IMD, ranked Malaysia the 15th most competitive nation out of 60 in 2013. Malaysia's overall performance in the various assessment sub-factors is encouraging. Malaysia registered a better performance with improved rankings this year in the Economic Performance, Business Efficiency and Infrastructure sub-factors. The major contributing factors to Malaysia's competitiveness performance include good management practices, strong international trade performance, flexible labour market, sound financial system and relatively low prices as compared to other countries.

Malaysia maintained its ranking as the fourth most competitive nation in the Asia Pacific region, after Hong Kong, Singapore and Taiwan. Likewise, in the ASEAN region, Malaysia was again ranked second most competitive after Singapore.

In order to ensure that competitiveness is further enhanced, Malaysia will strive to achieve fiscal balance for economic sustainability. This will be achieved by reducing budget deficit, intensifying regulatory review initiatives, leveraging on flexible skills and talent development, enhancing environmentally sustainable development and other such efforts.

Malaysia's performance in four factors and 20 sub-factors in WCY 2013

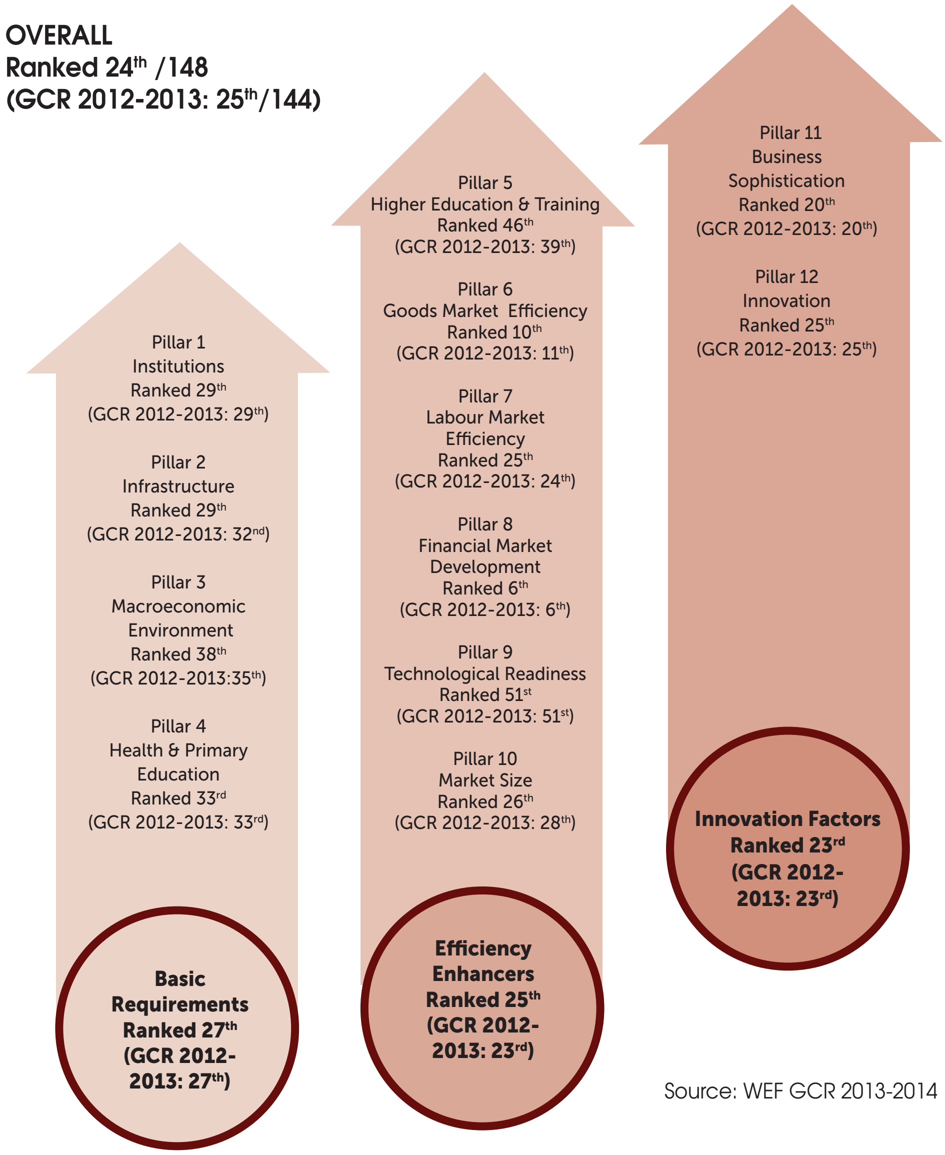
	WORLD COMPETITIVENESS YEARBOOK		CHANGES
	2013 (n=60)	2012 (n=59)	
Overall Scoreboard	15	14	▼
Economic Performance	7	10	▲
Domestic Economy	18	29	▲
International Trade	5	6	▲
International Investment	14	11	▼
Employment	11	25	▲
Prices	10	10	
Government Efficiency	15	13	▼
Public Finance	20	21	▲
Fiscal Policy	11	12	▲
Institutional Framework	15	13	▼
Business Legislation	24	21	▼
Societal Framework	29	25	▼
Business Efficiency	4	6	▲
Productivity & Efficiency	22	23	▲
Labour Market	6	6	
Finance	9	10	▲
Management Practices	4	4	
Attitudes and Values	4	5	▲
Infrastructure	25	26	▲
Basic Infrastructure	12	8	▼
Technological Infrastructure	13	16	▲
Scientific Infrastructure	28	28	
Health and Environment	42	36	▼

n = number of economies Source: IMD WCY 2012 & 2013

In the **Global Competitiveness Report** (GCR) published by the World Economic Forum (WEF), Malaysia was placed at the 24th position out of 148 economies, an improvement from its 25th ranking in 2012. This sustained its position in the transition stage of development from an efficiency-driven to innovation-driven stage, with an increase in GDP per capita to RM26,299 in 2013 from RM25,474 previously. Malaysia was ranked seventh among the Asia Pacific economies and second in ASEAN after Singapore.

The GCR framework comprises of 12 pillars which are organised into three sub-indexes. The "basic requirements sub-index" groups those pillars most critical for countries in the factor-driven stage. The "efficiency enhancers sub-index" includes those pillars critical for countries in the efficiency-driven stage. The "innovation and sophistication factors sub-index" includes pillars critical for countries in the innovation-driven stage. As Malaysia moves towards becoming a high-income nation, it is imperative that more focus be given to business sophistication and innovation. Malaysia's performance in the 12 pillars is shown below:

Malaysia's performance in the 12 pillars in GCR 2013-2014



Source: WEF GCR 2013-2014

Malaysia's most notable performance in this ranking is its efficient and competitive market for goods and services (ranked at 10th), its well-developed and sound financial market (6th) and its business-friendly institutional framework (29th). Malaysia is actively working to address its corruption and red tape issues. The country ranks eighth for burden of government regulation and 33rd in the ethics and corruption component of the index. Malaysia also ranks 15th for the quality of its transport infrastructure, an achievement in this part of the world, where insufficient infrastructure and poor connectivity are major obstacles to development for many countries.

Malaysia achieved a commendable surge to the sixth position in terms of ease of doing business among 189 economies in the latest World Bank Doing Business 2014. It is indeed encouraging that Malaysia achieved this ranking well ahead of its target to be among the top 10 by 2015. At sixth position, Malaysia was placed in the same league as Singapore, Hong Kong, New Zealand, United States and Denmark. This ranking also placed Malaysia ahead of economies such as Korea, Norway, the UK, Australia and Finland.

In the 10 areas for **Doing Business**, Malaysia maintained the same top rankings from last year in Getting Credit and Protecting Investors, at the first and fourth positions respectively. Malaysia made significant leaps in its rankings this year for Starting a Business (54th to 16th) and Dealing with Construction Permits (96th to 43rd). Other improved areas include Getting Electricity, Trading Across Borders, Enforcing Contracts and Resolving Insolvency.

Similarly, Malaysia's Doing Business ranking within the Asia Pacific region also improved from sixth position in 2013 to fourth in 2014. For the ASEAN region, Malaysia's ranking remained second after Singapore.

Top 10 countries of World Bank Doing Business 2014

ECONOMY	2014	2013	2012
Singapore	1	1	1
Hong Kong SAR, China	2	2	2
New Zealand	3	3	3
United States	4	4	4
Denmark	5	5	5
Malaysia	6	12	18
South Korea	7	8	8
Georgia	8	9	16
Norway	9	6	6
United Kingdom	10	7	7

Source: World Bank Doing Business, various years

Good Regulatory Practices: Quality regulations for higher productivity

One of the key drivers of enhancing national productivity is to improve the efficiency of policy and regulatory processes. By improving the quality of existing regulations and ensuring the quality of new regulations, the regulatory burden on businesses will be reduced substantially.

Malaysia is set to become a high-income economy by 2020 and recognises the need to modernise its regulations to attain the goals of a developed nation. This can be achieved through a better and conducive business environment that attracts investments and industries, hence generating quality jobs and enhancing economic growth.

The **Malaysia Productivity Corporation** (MPC) has been mandated under the Tenth Malaysia Plan to spearhead a comprehensive review of business regulations, processes and procedures to increase the productivity and competitiveness of major economic sectors. Under the Economic Transformation Programme, MPC is also tasked with providing support to NKEAs by reviewing and recommending changes to existing regulations and policies.

To ensure the quality of new and existing regulations, ministries and agencies are required to comply with the **Good Regulatory Practices** (GRP) requirements. Public consultation is one of the key regulatory tools promoted to improve transparency, efficiency and effectiveness of regulations. It will improve

GRP Policy and Handbooks

compliance and reduce enforcement costs for both the government and the businesses. A policy has been developed for GRP, namely the **'National Policy on the Development and Implementation of Regulations'** (NPDIR). GRP handbooks have been published (the 'Best Practice Regulation Handbook' and 'Quick Reference Best Practice Regulation Handbook') to serve as a guide for ministries and agencies when they undertake a Regulatory Impact Analysis (RIA).

The Circular on NPDIR issued by the Chief Secretary to the Government of Malaysia on 15 July 2013 formalised the requirement of undertaking RIA be adhered to by all ministries and agencies. Under this Policy, all Federal Government regulators must undertake RIA and present a Regulatory Impact Statement (RIS) to MPC for assessment in the creation of all new regulations or review of existing regulations that relate to or impact businesses, investments and trade.

Efforts to promote RIA among ministries and agencies have been carried out through pilot projects on processes and proposed regulation amendments. The three organisations currently participating in the pilot projects are the Ministry of International Trade and Industry (MITI), the National Water Services Commission (SPAN), and the Federal Agricultural Marketing Authority (FAMA). The organisations involved have been given specific training and guidance on carrying out the RIA processes, and have conducted public consultation and online public surveys in these pilot projects.

The results of these RIA pilot projects will be used as case studies to provide benchmarks, best practices and feedback with which the best practice regulation handbooks and the RIA application process can be continuously improved. A RIS Portal (http://ris.mpc.gov.my/) has also been developed and will be used as a repository and reference point for all regulators, stakeholders and interested parties.

Apart from MPC, MITI is also engaging and collaborating with the **Organisation for Economic Cooperation and Development** (OECD) in obtaining support, advice and technical assistance in implementing GRP. Malaysia participated in the "Fourth Roundtable on Regulatory Reform for Inclusive Growth: The Institutions and Key Players of Regulatory Reform" held in Paris in December 2013. The Secretary General of MITI presented a paper entitled "Securing Engagement and Support" during the Roundtable.

Case Study: Good Regulatory Practice (GRP)

MITI's first pilot project was the review of the Strategic Trade Act (STA) 2010. The main issue identified in the STA was that trade in strategic items cannot be regulated effectively due to the limitations in the existing regulatory framework in the STA and its subsidiary legislations.

This pilot project was targeted at enhancing Malaysia's image as a secure trading nation not only through a robust legal framework but also through its practical implementation and enforcement. Towards this end, some of the solutions identified through GRP for the STA include the reduction in documentation for transit and transshipment permits, inclusion of a voluntary disclosure clause and introduction of administrative or compoundable penalties. The redefinition of brokering, which is an activity controlled under the STA, was also proposed.

Following the first pilot project, the Industrial Coordination Act (ICA) 1975 was also highlighted as a set of regulations requiring review by MITI.

Complaints have surfaced regarding the relevancy of the ICA with the current economic environment, its impediment to business expansion and the long and cumbersome process of obtaining Manufacturing Licenses.

The study was undertaken using the RIA methodology in line with the requirements specified in the GRP handbooks. The review team consists of officers from MITI, MPC and MIDA, who have conducted a series of discussions and extensive literature review in this study. Engagements were carried out with the business community, associations, regulators (ministries and agencies), and consultants on the industry subject matters, and also involved studies of best practices of other countries.

"Our central challenge will lie not only in addressing operational inefficiencies in service delivery but also in reviewing regulations to further reduce the burden of doing business in Malaysia."

Mustapa Mohamed, Minister of International Trade and Industry, 30 October 2013, in relation to Malaysia's ranking in the World Bank Ease of Doing Business Report 2014

MITI in 2013 and beyond

MITI in 2013 and Beyond

MITI continued its active engagement with the public community in 2013 by undertaking various outreach initiatives, addressing public complaints efficiently and fulfilling its corporate social responsibility. As MITI has achieved an overall positive KPI performance in 2013, the year forward will continue to see strong performances across all areas.

Public media outreach

MITI maintained an active media presence in 2013. MITI was covered and featured 1069 times in mainstream newspapers with its online presence accumulating 5,946 likes and 26,560 followers on Facebook and Twitter respectively.

In addition, 15 networking sessions with the media were held throughout the year, and seven visits organised to various media outlets. ***'Turun Padang'*** activities were frequently organised in 2013, with the Minister of International Trade and Industry himself involved in a total of 200 such activities.

A noteworthy achievement is that for two consecutive years, 2012 and 2013, MITI resolved all (100 per cent) public complaints. These accomplishments were given their due recognition and commendation by the Prime Minister's Department. Such achievements are vital in showing that MITI is not out of touch with the public and their concerns.

MITI's Key Performance Indicators (KPIs)

MITI is actively involved in supporting Malaysia's aspiration in moving towards a high-income nation by 2020 through the implementation of the Economic Transformation Programmes (ETP). Since the inception of ETP in 2011, MITI has been involved in four National Key Economic Areas (NKEAs) **- E&E; Oil, Gas and Energy; Greater KL; and Business Services**. In addition, MITI has been involved in two other main areas - Strategic Reform Initiatives (SRIs) and Ministers Key Result Areas (MKRAs).

In 2013, MITI focused on a total of 25 KPIs comprising 11 NKEA KPIs, one SRI KPI and 13 MKRAs KPIs.

Overall, MITI's performance exceeded the target and achieved a total score of 131 per cent in 2013. In terms of MKRAs, which cover investment, export, SME development, halal industry development, productivity and competitiveness, MITI achieved scores of above 90 per cent for attaining 11 out of 13 KPIs. This includes good performance in attracting investments as well as exports. The emphasis on the importance of SME development is reflected in the higher SME Competitive Rating for Enhancement SCORE ratings that companies have received.

For NKEAs, MITI assumes an important role in ensuring the success of NKEA E&E since MITI is anchoring the NKEA with the Ministry of Science, Technology and Innovation. In 2013, MITI surpassed the target of RM4.6 billion, by attracting investments mounting to RM8.8 billion in this sector. The achievement also includes 15 high-impact projects which cut across several Entry Point Projects.

For other NKEAs, MITI has once again surpassed its initial target. It has been successful in attracting 15 multi-national companies (MNCs) to relocate their operational headquarters (OHQs) in Kuala Lumpur under NKEA Greater KL, 50 per cent more than its initial target of 10 MNCs.

For NKEA Oil, Gas and Energy, MITI, with the collaboration of Malaysia Petroleum Resources Corporation, was able to achieve the target KPIs' target, as RM2 billion worth of investment was obtained from Oil and Gas suppliers and Services and Equipment companies.

For NKEA Business Services, MITI is committed to ensuring that the targets for Maintenance, Repair and Overhaul (MRO) and pure play engineering services are met.

Outcome-Based Budgeting

Outcome-Based Budgeting (OBB) is a strategic planning tool that links national priorities and ministries results with available resources in an integrated manner. The core objective is delivering maximum outcome with better utilisation of

KPI 2013

MITI Brainstorming Retreat 2014

money and people. Additionally, under OBB, managers have clear lines of accountability and responsibility, and there is a better oversight for performance.

OBB covers five key areas – Planning, Budgeting, Monitoring & Evaluation and Performance reporting – at the Ministry, Programme and Activity levels. The strategic process in particular requires intensive involvement from top management, and subject matter experts.

OBB was introduced in 2011 with work initially focused on building capacity of officers in all ministries, and at a later stage the development of results framework. Five Ministries were initially selected to be the pilot ministries in implementing OBB – Ministry of Education, Ministry of Finance, Ministry of Health, Ministry of Works and Ministry of Human Resource. MITI volunteered to be the sixth Ministry in the Pilot implementation.

In Budget 2014 speech, the Prime Minister announced that MITI together with the Ministry of Health and the Ministry of Finance have been selected as **Champion Ministries** that will undergo performance evaluation based on OBB. Additionally, the results frameworks of these Ministries would be enhanced and used as examples to be shared with other ministries.

OBB Implementation in MITI – Enhancing Results

MITI Brainstorming is an annual strategic retreat for MITI top management. The Retreat for 2014 was held on 9 January 2014 at Cyberview Lodge with the 'open gallery concept' and Outcome-Based Budgeting approach. MITI is the first Ministry to organise a retreat specifically addressing the implementation of this important initiative.

Exhibit panels with strategic framework (Outcomes, KPIs, touchpoints, and flashpoints) of six Programmes and 21 Activities under MITI were displayed around the hall. All Programme and Activity Owners presented their strategic framework which received comments and feedback from top management and participants. Representative from the OBB Project Team, Ministry of Finance also attended and provided comments on MITI OBB Results Framework.

Experience Sharing *Forum Pegawai-Pegawai Pengawal Tahun 2014*

Experience Sharing –*Forum Pegawai Pengawal Tahun 2014* (Controlling Officers Forum 2014) On 6 March 2014, MITI was invited by Treasury to share its experience in implementing OBB at the *Forum Pegawai Pengawal Tahun 2014*. The forum was held to inform Secretaries General and Heads of Departments of the progress in OBB implementation and the launch of the enhanced MyResults online application. The Second Finance Minister, Dato' Seri Ahmad Husni Mohamad Hanadzlah officiated the Forum.

MITI presented its experience in implementing OBB. MITI's OBB presentation emphasised four critical success factors:

- designing a strategic framework;
- building capacity and capability;
- leadership and buy-in at all levels; and
- enculturation and mindset change.

Corporate Social Responsibity

MITI recognises the importance of preserving the natural environment in order to create a sustainable society for our future generations. Sharing the same objective, MITI members are exercising their role as socially responsible corporate citizens by taking steps further to help maintain a harmonious balance between nature and human activities.

Streamlining our approach for 'going green', MITI cooperates with MATRADE in nurturing a fresh looking park under the overbridge at the junction of Jalan Duta and Jalan Khidmat Usaha. MITI and MATRADE aspire to champion the government's aspiration for civil service members to participate in social activities which would complement our already important contribution to nation building and economic development.

Initially the park was maintained under Dewan Bandaraya Kuala Lumpur but for this purpose, MITI and MATRADE have officially taken over the management of the park since 15 June 2013. The park will be 'crafted' in such a way to create an ambience which can induce MITI citizens to be more conducive and promote healthy environment for all.

Four programmes were organized in 2013 :

i) First Campaign: 6th September 2013

ii) Second Campaign: 4th October 2013

iii) Third Campaign: 8th November 2013

iv) Fourth Campaign: 13th December 2013

In 2013, MITI also launched the braille version of the MITI Report. This is the result of collaboration MITI and to Malaysian Association for the Blind (MAB). MITI is Malaysia's first ministry which publishes an annual report in braille. The braille version of this report seeks to share information of international trade and industry of Malaysia with visually impaired people at home and abroad.

Management Profile

Management Profile

As at 31 December 2013

YB Datuk Jacob Dungau Sagan
Deputy Minister (Industry)
(until 4 April 2013)

YB Dato' Sri Mustapa Mohamed
Minister

YB Datuk Ir. Hj. Hamim Samuri
Deputy Minister
(from 16 May 2013)

YB Dato' Mukhriz Tun Dr. Mahathir
Deputy Minister (Trade)
(until 8 April 2013)

Dato' Nik Rahmat Nik Taib
Deputy Secretary General (Industry)

Datuk Dr. Rebecca Fatima Sta Maria
Secretary General

Mohd Ridzal Mohd Sheriff
Deputy Secretary General (Trade)

Jayasiri Jayasena
Senior Director
Strategy and Monitoring

From left

Dato' Abdul Ghafar Musa
Senior Director
Entrepreneurship Development Division

Dato' Abd Majid Kutiran
Senior Director
Sectoral Policy Division

Mohamed Shahabar Abdul Kareem
Senior Director
Multilateral Trade Policy and Negotiations Division

Ravidran Palaniappan
Senior Director
ASEAN Economic Cooperation Division

Wong Seng Foo
Senior Director
Economic and Trade Relations Division

Kamariah Yeop Abdullah
Senior Director
Trade and Industry Support Division

Dato' Vasudevan Natchimuthu
Senior Director
Asia Pacific Economic Cooperation Division

Nik Abu Bakar Nik Mohamed
Director
National Institute of Entrepreneurship (INSKEN), Entrepreneurship Development Division

Hiswani Harun
Senior Director
Services Sector Development Division

From left

Tay Lee Looi
Senior Director
FTA Policy and Negotiations Coordination Division

Mariam Md Salleh
Permanent Representative of Malaysia to World Trade Organization (WTO)

Khoo Boo Seng
Senior Director
Strategic Planning Division

Hanibah Ab. Wahab
Senior Director
Management Services Division

Harjit Kaur
Senior Director
Investment Policy and Trade Facilitation Division

Muthafa Yusof
Strategic Trade Controller
Strategic Trade Secretariat

Azmir Shah Zainal Abidin (until September 2013)
Legal Advisor
Legal Advisor Office

Norzita Abu Samah (from November 2013)
Legal Advisor
Legal Advisor Office

From left

Shukrie Mohamed Daud
Director
Trade and Industry Support Division

Jaysiwanta Kaur Mangal Singh
Director
ASEAN Economic Cooperation Division

Ho Siew Ching
Director
Services Sector Development Division

Talagavathi R. Karapayah
Director
Multilateral Trade Policy and Negotiations Division

Khiruddin Said
Director
Multilateral Trade Policy and Negotiations Division

Hj. Zamani Desa
Director
Information Management Division

Hj. Amran Sameon
Director
Investment Policy and Trade Facilitation Division

Hj. Zakaria Jaafar
Director
Entrepreneurship Development Division

From left

Normah Osman
Director
ASEAN Economic Cooperation Division

Mohammad Radhi Abdul Razak
Director
Multilateral Trade Policy and Negotiations Division

Isham Ishak
Director
Strategic Planning Division

Bahria Mohd Tamil
Director
Entrepreneurship Development Division

Khalidah Mohd Darus
Director
Entrepreneurship Development Division

Mohd Nor Wan Salleh
Director
Trade and Industry Support Division

Hanafi Sakri
Director
Management Services Division

Noor Wahida Noordin
Director
Sectoral Policy Division

From left

See Chee Kong
Director
Sectoral Policy Division

Datin Che Mazni Che Wook
Director
FTA Policy and Negotiations Coordination Division

Muhammad Razman Abu Samah
Director
Sectoral Policy Division

Muhammad Sanusi Abdul Karim
Director
Economic and Trade Relations Division

Faizal Mohd Yusof
Deputy Strategic Trade Controller
Strategic Trade Secretariat

Mohd Zahid Abdullah
Director
Strategic Planning Division

Ho Soo Quen
Director
Economic and Trade Relations Division

Hj. Akmar Hj. Omar (until August 2013)
Director
Entrepreneurship Development Division

From left

Zabidah Safar
Director
Management Services Division

Gan Mui Huei
Director
Investment Policy and Trade Facilitation Division

Che Nazli Jaapar
Director
Management Services Division

Vimala Murugan
Director
Monitoring and NKEA Division

Mohd Iqbal Mohd Noor
Director
Trade and Industry Support Division

Muhammad Sabri Salleh
Head of Corporate Communications Unit

Shaffie Abdul Hassan
Head of Internal Audit Unit

Che Rohana Che Omar
Head of Resource Centre

Head of Agencies

Dato' Hafsah Hashim
Chief Executive Officer
SME Corp. Malaysia

Datuk Dr. Wong Lai Sum
Chief Executive Officer
Malaysia External Trade Development Corporation (MATRADE)

Dato' Noharuddin Nordin
Chief Executive Officer
Malaysian Investment Development Authority (MIDA)

Dato' Mohd Razali Hussain
Director General
Malaysia Productivity Corporation (MPC)

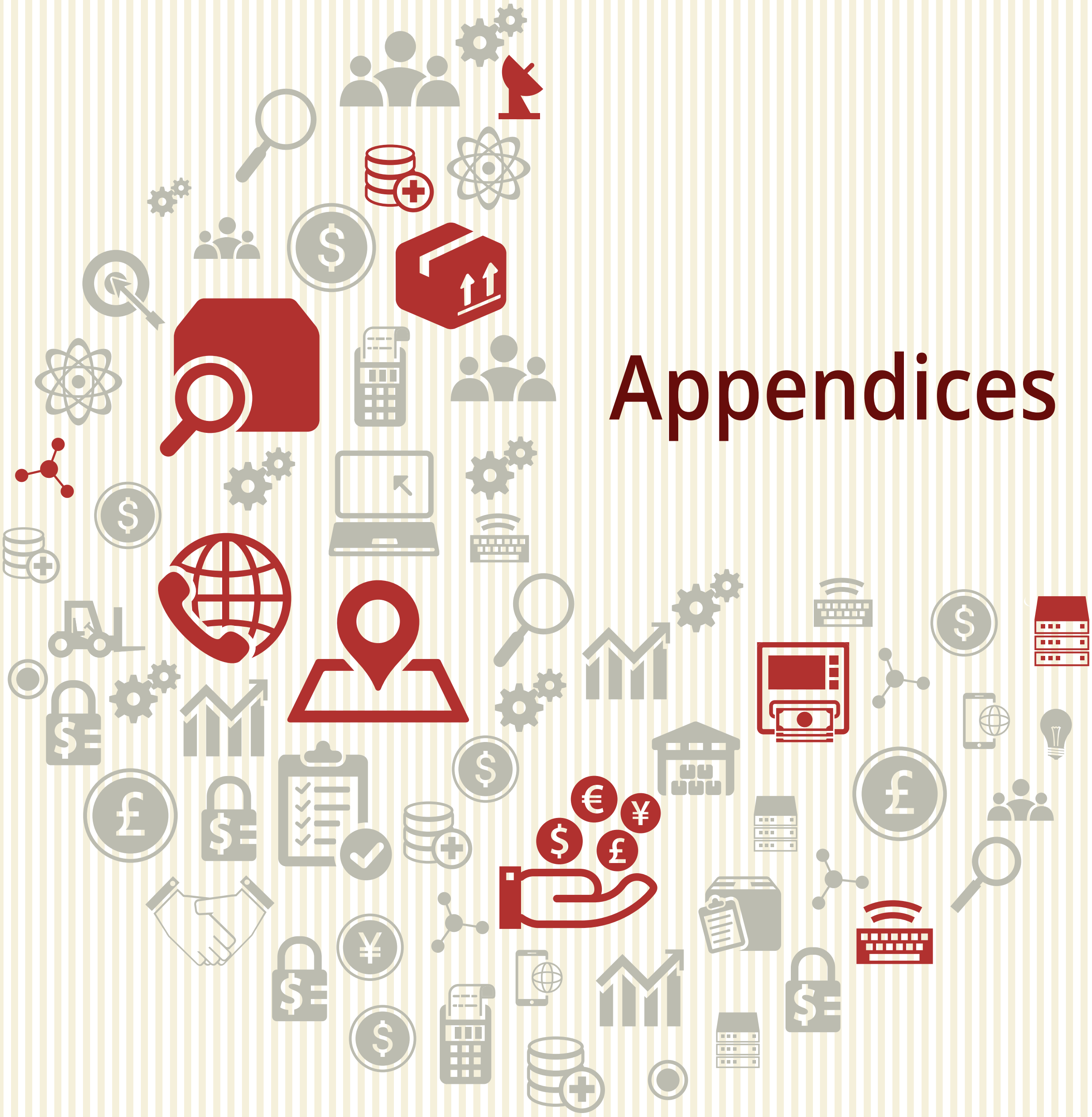
Mohamad Madani Sahari
Chief Executive Officer
Malaysia Automotive Institute (MAI)

Datuk Mohd Radzif Mohd. Yunus
Managing Director
SME Bank

Datuk Mohd. Najib Haji Abdullah
Managing Director
Malaysian Industrial Development Finance Berhad (MIDF)

Dato' Seri Jamil Bidin
Chief Executive Officer
Halal Industry Development Corporation (HDC)

Appendices



Appendix 1 : Statistical Tables - Trade

Table 1 : Annual Trade, 2003-2013

Period	Total Trade	Exports	Imports	Balance of Trade
	(RM million)			
2003	714,422.2	397,884.4	316,537.9	81,346.5
2004	880,885.2	481,253.0	399,632.2	81,620.8
2005	969,104.5	536,233.7	432,870.8	103,362.9
2006	1,067,388.3	589,240.3	478,147.9	111,092.4
2007	1,106,344.3	604,299.6	502,044.6	102,255.0
2008	1,182,817.8	663,013.5	519,804.3	143,209.2
2009	987,187.9	552,518.1	434,669.8	117,848.3
2010	1,167,650.7	638,822.5	528,828.2	109,994.3
2011	1,271,488.3	697,861.9	573,626.3	124,235.6
2012	1,309,318.2	702,641.2	606,676.9	95,964.3
2013P	1,368,883.2	719,814.8	649,068.4	70,746.5

Source : Department of Statistics, Malaysia
Notes : 2012 and before are final data
P - Provisional data

Table 2: Trade with the Association of Southeast Asian Nations (ASEAN), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013P			2012		2013P			2012		2013P	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**95,964.3**	**70,746.5**
ASEAN	**201,810.7**	**28.0**	**7.2**	**188,193.6**	**26.8**	**172,902.7**	**26.6**	**2.1**	**169,273.1**	**27.9**	**18,920.5**	**28,908.0**
Singapore	100,439.0	14.0	5.1	95,552.6	13.6	80,226.5	12.4	-0.3	80,476.3	13.3	15,076.2	20,212.5
Thailand	39,924.2	5.5	6.1	37,633.1	5.4	38,682.5	6.0	8.4	35,677.2	5.9	1,956.0	1,241.7
Indonesia	33,109.7	4.6	19.9	27,609.2	3.9	27,955.6	4.3	-10.1	31,095.1	5.1	-3,485.8	5,154.2
Vietnam	13,330.9	1.9	12.9	11,806.8	1.7	19,016.0	2.9	18.1	16,095.6	2.7	-4,288.8	-5,685.1
Philippines	9,342.7	1.3	-10.8	10,472.4	1.5	4,742.6	0.7	-1.2	4,801.3	0.8	5,671.1	4,600.1
Brunei Darussalam	2,589.0	0.4	21.3	2,134.0	0.3	1,038.0	0.2	539.5	162.3	0.0	1,971.7	1,550.9
Myanmar	2,260.7	0.3	3.9	2,176.4	0.3	624.3	0.1	10.1	566.9	0.1	1,609.5	1,636.4
Cambodia	742.4	0.1	-3.5	769.3	0.1	613.3	0.1	54.4	397.1	0.1	372.1	129.1
Lao PDR	72.1	0.0	81.0	39.8	0.0	4.0	0.0	192.5	1.4	0.0	38.5	68.1

Source : Department of Statistics, Malaysia

Table 3: Top Ten Trade Partners in the European Union (EU), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
EU	**65,292.0**	**9.1**	**5.0**	**62,167.2**	**8.8**	**70,497.2**	**10.9**	**7.6**	**65,528.8**	**10.8**	**-5,205.3**	**-3,361.6**
Netherlands	20,716.0	2.9	11.6	18,558.2	2.6	5,407.7	7.7	7.9	5,010.6	0.8	15,308.3	13,547.6
Germany	16,512.1	2.3	3.1	16,019.9	2.3	22,912.3	32.5	-1.3	23,212.7	3.8	-6,400.2	-7,192.8
United Kingdom	6,848.0	1.0	0.6	6,807.4	1.0	7,316.3	10.4	7.1	6,830.7	1.1	-468.3	-23.3
France	5,466.0	0.8	0.1	5,461.2	0.8	13,462.8	19.1	3.4	13,025.0	2.1	-7,996.8	-7,563.7
Italy	3,205.1	0.4	8.9	2,944.2	0.4	5,872.7	8.3	11.2	5,282.1	0.9	-2,667.6	-2,337.9
Belgium	2,486.9	0.3	9.0	2,280.7	0.3	3,138.1	4.5	17.9	2,661.1	0.4	-651.2	-380.4
Spain	1,453.5	0.2	-7.3	1,567.5	0.2	1,862.5	2.6	44.5	1,288.7	0.2	-409.0	278.8
Sweden	1,341.9	0.2	-3.7	1,392.9	0.2	1,940.9	2.8	-3.1	2,002.0	0.3	-599.0	-609.1
Poland	1,071.7	0.1	14.6	935.0	0.1	895.3	1.3	78.1	502.6	0.1	176.4	432.4
Czech Republic	867.3	0.1	-2.5	889.8	0.1	542.7	0.8	55.8	348.4	0.1	324.6	541.4

Table 4:Top Ten Trade Partners in the Asia-Pacific Economic Cooperation (APEC), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
APEC	**556,655.9**	**77.3**	**3.0**	**540,695.5**	**77.0**	**486,941.8**	**75.0**	**6.3**	**458,031.3**	**75.5**	**-28,910.5**	**-15,960.4**
Singapore	100,439.0	14.0	5.1	95,552.6	13.6	80,226.5	12.4	-0.3	80,476.3	13.3	249.9	-4,886.4
China	96,965.7	13.5	9.2	88,792.5	12.6	106,263.8	16.4	15.7	91,863.9	15.1	-14,399.9	-8,173.1
Japan	79,747.1	11.1	-4.4	83,401.1	11.9	56,360.1	8.7	-9.6	62,373.5	10.3	6,013.5	3,653.9
United States	58,055.1	8.1	-4.5	60,791.3	8.7	50,979.7	7.9	3.9	49,088.6	8.1	-1,891.1	2,736.2
Thailand	39,924.2	5.5	6.1	37,633.1	5.4	38,682.5	6.0	8.4	35,677.2	5.9	-3,005.3	-2,291.1
Indonesia	33,109.7	4.6	19.9	27,609.2	3.9	27,955.6	4.3	-10.1	31,095.1	5.1	3,139.5	-5,500.5
Hong Kong	31,251.7	4.3	3.9	30,068.8	4.3	10,484.9	1.6	-21.3	13,320.8	2.2	2,835.9	-1,183.0
Australia	29,163.5	4.1	0.2	29,096.6	4.1	16,491.7	2.5	12.9	14,609.0	2.4	-1,882.7	-66.9
South Korea	26,133.3	3.6	3.0	25,368.0	3.6	30,654.1	4.7	24.2	24,671.5	4.1	-5,982.6	-765.2
Chinese Taipei	21,018.5	2.9	-3.7	21,829.2	3.1	31,530.5	4.9	25.0	25,222.3	4.2	-6,308.2	810.6

Source : Department of Statistics, Malaysia
Note: neg. - negligible
* - not meaningful

Table 5: Trade with the North American Free Trade Agreement (NAFTA), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
NAFTA	**64,660.0**	**9.0**	**-5.3**	**68,294.9**	**9.7**	**55,170.3**	**8.5**	**4.4**	**52,834.4**	**8.7**	**9,489.7**	**15,460.4**
United States	58,055.1	8.1	-4.5	60,791.3	8.7	50,979.7	7.9	3.9	49,088.6	8.1	7,075.3	11,702.7
Mexico	4,077.8	0.6	-10.9	4,575.8	0.7	1,038.0	0.2	19.1	871.3	0.1	3,039.8	3,704.5
Canada	2,527.1	0.4	-13.7	2,927.7	0.4	3,152.5	0.5	9.7	2,874.5	0.5	-625.4	53.3

Source : Department of Statistics, Malaysia

Table 6: Trade with European Free Trade Association (EFTA), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
EFTA	**1,158.2**	**0.2**	**-56.6**	**1,332.0**	**0.2**	**7,210.8**	**1.1**	**-37.7**	**5,195.2**	**0.9**	**-6,052.6**	**-3,863.2**
Iceland	4.6	0.0	-31.0	6.7	0.0	20.1	0.0	-48.6	39.2	0.0	-15.5	-32.4
Liechtenstein	0.7	0.0	-18.1	0.9	0.0	0.0	0.0	-98.7	2.8	0.0	0.7	-1.9
Norway	324.0	0.0	12.6	287.8	0.0	1,242.5	0.2	75.9	706.5	0.1	-918.5	-418.7
Switzerland	828.8	0.1	-20.0	1,036.6	0.1	5,948.2	0.9	33.8	4,446.7	0.7	-5,119.4	-3,410.2

Source : Department of Statistics, Malaysia

Table 7: Top Ten Trade Partners in the Organization of Islamic Cooperation (OIC), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
OIC	**83,862.6**	**11.7**	**8.5**	**77,311.7**	**11.0**	**64,667.5**	**10.0**	**-6.2**	**68,920.3**	**11.4**	**19,195.1**	**8,391.5**
Indonesia[1]	33,109.7	4.6	19.9	27,609.2	3.9	27,955.6	4.3	-10.1	31,095.1	5.1	5,154.2	-3,485.8
UAE	12,665.1	1.8	2.0	12,413.2	1.8	15,054.7	2.3	21.4	12,400.0	2.0	-2,389.6	13.2
Pakistan[1]	5,217.3	0.7	-9.0	5,733.1	0.8	689.9	0.1	-11.6	780.0	0.1	4,527.4	4,953.1
Bangladesh[1]	5,007.7	0.7	7.7	4,648.4	0.7	285.6	0.0	24.3	229.8	0.0	4,722.1	4,418.6
Saudi Arabia	3,409.7	0.5	-9.9	3,784.9	0.5	6,221.4	1.0	-17.7	7,556.1	1.2	-2,811.8	-3,771.2
Iran[1]	3,139.7	0.4	-10.9	3,523.0	0.5	128.8	0.0	-87.8	1,059.3	0.2	3,010.9	2,463.7
Turkey[1]	2,820.4	0.4	11.9	2,519.3	0.4	629.6	0.1	0.7	625.3	0.1	2,190.8	1,894.1
Egypt[1]	2,716.7	0.4	-18.2	3,320.3	0.5	585.3	0.1	5.4	555.4	0.1	2,131.4	2,764.9
Brunei Darussalam	2,589.0	0.4	21.3	2,134.0	0.3	1,038.0	0.2	539.5	162.3	0.0	1,550.9	1,971.7
Benin	1,622.0	0.2	54.1	1,052.6	0.1	12.3	0.0	-82.2	69.4	0.0	1,609.7	983.2

Table 8: Top Ten Trade Partners in the Organisation for Economic Co-operation and Development (OECD), 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
OECD	**271,790.9**	**37.8**	**-1.0**	**274,545.6**	**39.1**	**238,618.5**	**36.8**	**4.8**	**227,592.2**	**37.5**	**33,172.4**	**46,953.5**
Japan	79,747.1	11.1	-4.4	83,401.1	11.9	56,360.1	8.7	-9.6	62,373.5	10.3	23,387.1	21,027.6
United States	58,055.1	8.1	-4.5	60,791.3	8.7	50,979.7	7.9	3.9	49,088.6	8.1	7,075.3	11,702.7
Australia	29,163.5	4.1	0.2	29,096.6	4.1	16,491.7	2.5	12.9	14,609.0	2.4	12,671.8	14,487.6
South Korea	26,133.3	3.6	3.0	25,368.0	3.6	30,654.1	4.7	24.2	24,671.5	4.1	-4,520.8	696.6
Netherlands	20,716.0	2.9	11.6	18,558.2	2.6	5,407.7	0.8	7.9	5,010.6	0.8	15,308.3	13,547.6
Germany	16,512.1	2.3	3.1	16,019.9	2.3	22,912.3	3.5	-1.3	23,212.7	3.8	-6,400.2	-7,192.8
United Kingdom	6,848.0	1.0	0.6	6,807.4	1.0	7,316.3	1.1	7.1	6,830.7	1.1	-468.3	-23.3
France	5,466.0	0.8	0.1	5,461.2	0.8	13,462.8	2.1	3.4	13,025.0	2.1	-7,996.8	-7,563.7
New Zealand	4,356.3	0.6	20.6	3,611.4	0.5	2,744.6	0.4	13.3	2,421.9	0.4	1,611.8	1,189.6
Mexico	4,077.8	0.6	-10.9	4,575.8	0.7	1,038.0	0.2	19.1	871.3	0.1	3,039.8	3,704.5

Source : Department of Statistics, Malaysia

Table 9: Major Exports of Manufactured Goods to Top Five Destinations, 2012-2013

Products	Country	2013^p		2012	
		RM million	Share (%)	RM million	Share (%)
Total		**719,814.8**	**100.0**	**702,641.2**	**100.0**
Manufactured Goods		482,972.5	67.1	470,250.4	66.9
Electrical & electronics products	**Total**	**236,764.2**	**32.9**	**231,160.2**	**32.9**
	China	40,224.9	5.6	40,713.5	5.8
	Singapore	35,562.4	4.9	32,265.5	4.6
	United States	32,753.9	4.6	32,864.5	4.7
	Hong Kong	24,979.1	3.5	22,972.4	3.3
	Japan	15,843.3	2.2	16,196.1	2.3
Chemicals & chemical products	**Total**	**47,721.2**	**6.6**	**46,304.1**	**6.6**
	China	10,588.9	1.5	8,976.6	1.3
	Indonesia	5,055.4	0.7	4,955.6	0.7
	Thailand	4,150.3	0.6	4,016.9	0.6
	Singapore	3,692.8	0.5	3,643.8	0.5
	India	2,816.7	0.4	3,105.0	0.4
Machinery, appliances & parts	**Total**	**27,230.1**	**3.8**	**25,310.4**	**3.6**
	Singapore	5,183.9	0.7	4,538.0	0.6
	Indonesia	2,890.0	0.4	2,601.0	0.4
	Thailand	2,288.9	0.3	2,267.0	0.3
	China	1,977.4	0.3	1,609.6	0.2
	United States	1,644.1	0.2	1,464.9	0.2
Transport Equipment	**Total**	**9,627.6**	**1.3**	**10,214.2**	**1.5**
	Singapore	1,334.9	0.2	1,085.5	0.2
	Thailand	1,184.6	0.2	995.3	0.1
	United States	995.3	0.1	1,018.1	0.1
	Indonesia	954.6	0.1	1,122.0	0.2
	UK	690.6	0.1	646.2	0.1
Manufactures of metal	**Total**	**28,169.7**	**3.9**	**20,238.5**	**2.9**
	China	7,063.0	1.0	1,523.7	0.2
	Singapore	4,447.8	0.6	3,682.8	0.5
	Thailand	1,777.8	0.2	1,761.5	0.3
	South Korea	1,554.3	0.2	1,002.2	0.1
	India	1,348.8	0.2	1,064.2	0.2
Iron & steel products	**Total**	**7,464.4**	**1.0**	**9,928.1**	**1.4**
	Australia	1,601.4	0.2	1,835.9	0.3
	Indonesia	1,075.3	0.1	1,496.5	0.2
	Thailand	992.6	0.1	742.9	0.1
	Singapore	929.8	0.1	1,132.7	0.2
	India	379.8	0.1	423.2	0.1
Optical & scientific equipment	**Total**	**20,814.1**	**2.9**	**22,928.5**	**3.3**
	United States	3,190.4	0.4	4,514.4	0.6
	Singapore	2,758.1	0.4	2,727.7	0.4
	Japan	2,268.9	0.3	2,430.6	0.3
	Thailand	2,240.2	0.3	1,878.0	0.3
	Netherlands	1,667.2	0.2	1,807.6	0.3
Processed food	**Total**	**14,241.5**	**2.0**	**13,324.6**	**1.9**
	Singapore	1,975.2	0.3	1,941.1	0.3
	Indonesia	1,414.7	0.2	1,345.9	0.2
	China	1,110.5	0.2	849.9	0.1
	Australia	917.8	0.1	572.2	0.1
	Thailand	796.0	0.1	892.1	0.1
Textiles & clothings	**Total**	**10,255.2**	**1.4**	**9,502.9**	**1.4**
	United States	2,006.4	0.3	1,845.0	0.3
	Japan	809.8	0.1	778.9	0.1
	China	703.1	0.1	552.8	0.1
	Turkey	678.8	0.1	577.9	0.1
	Indonesia	557.4	0.1	598.8	0.1
Manufacture of plastics	**Total**	**10,688.3**	**1.5**	**10,006.2**	**1.4**
	Singapore	2,105.9	0.3	1,971.0	0.3
	Japan	1,280.8	0.2	1,292.0	0.2
	Australia	858.5	0.1	668.3	0.1
	Thailand	789.8	0.1	674.8	0.1
	Indonesia	737.4	0.1	659.3	0.1

Source : Department of Statistics, Malaysia

Table 10 : Major Imports of Manufactured Goods from Top Five Import Sources, 2012-2013

Products	Country	2013p RM million	2013p Share (%)	2012 RM million	2012 Share (%)
Total		**649,068.4**	**100.0**	**606,676.9**	**100.0**
Manufactured Goods		488,242.3	75.2	461,976.1	76.1
Electrical & electronics products	**Total**	**179,620.2**	**27.7**	**174,734.2**	**28.8**
	China	46,390.7	7.1	41,938.3	6.9
	United States	20,368.6	3.1	21,459.1	3.5
	Singapore	17,474.1	2.7	21,867.4	3.6
	Chinese Taipei	16,362.9	2.5	12,883.5	2.1
	Japan	15,394.7	2.4	18,228.7	3.0
Chemicals & chemical products	**Total**	**55,861.0**	**8.6**	**52,052.1**	**8.6**
	China	7,560.9	1.2	6,810.2	1.1
	Singapore	7,250.9	1.1	6,701.6	1.1
	United States	4,498.0	0.7	4,405.2	0.7
	Japan	4,421.1	0.7	4,801.4	0.8
	Thailand	3,628.4	0.6	3,466.9	0.6
Machinery, appliances & parts	**Total**	**54,452.4**	**8.4**	**53,139.3**	**8.8**
	China	12,927.6	2.0	10,617.0	1.8
	Japan	7,484.3	1.2	9,598.6	1.6
	United States	5,468.2	0.8	5,936.1	1.0
	Germany	4,343.7	0.7	4,418.4	0.7
	Thailand	3,937.3	0.6	3,781.3	0.6
Transport Equipment	**Total**	**42,400.6**	**6.5**	**38,596.3**	**6.4**
	France	8,524.8	1.3	8,312.6	1.4
	Japan	7,468.9	1.2	7,927.3	1.3
	United States	7,042.8	1.1	3,335.6	0.5
	Thailand	6,105.1	0.9	5,473.8	0.9
	Germany	3,258.6	0.5	3,156.0	0.5
Manufactures of metal	**Total**	**40,690.0**	**6.3**	**32,082.9**	**5.3**
	China	9,520.1	1.5	5,535.0	0.9
	Australia	6,023.1	0.9	5,061.9	0.8
	Japan	5,524.3	0.9	5,187.2	0.9
	South Korea	2,583.5	0.4	1,576.8	0.3
	Singapore	2,236.4	0.3	2,806.2	0.5
Iron & steel products	**Total**	**26,084.7**	**4.0**	**25,225.3**	**4.2**
	Japan	6,038.4	0.9	6,356.4	1.0
	China	5,111.8	0.8	4,376.9	0.7
	Korea	3,435.6	0.5	3,254.7	0.5
	Chinese Taipei	2,259.5	0.3	2,361.6	0.4
	United States	1,162.5	0.2	1,407.6	0.2
Optical & scientific equipment	**Total**	**17,686.5**	**2.7**	**18,261.8**	**3.0**
	China	3,441.9	0.5	2,778.2	0.5
	United States	2,946.1	0.5	3,412.2	0.6
	Singapore	2,239.5	0.3	2,531.0	0.4
	Japan	1,801.9	0.3	2,472.1	0.4
	Germany	1,129.2	0.2	1,243.9	0.2
Processed food	**Total**	**15,581.2**	**2.4**	**14,117.1**	**2.3**
	Brazil	2,094.6	0.3	1,588.9	0.3
	New Zealand	1,822.0	0.3	1,526.7	0.3
	Thailand	1,608.8	0.2	1,792.3	0.3
	Australia	1,483.6	0.2	1,390.1	0.2
Textile & Clothings	**Total**	**7,720.9**	**1.2**	**6,730.7**	**1.1**
	China	2,863.7	0.4	2,624.1	0.4
	Indonesia	609.5	0.1	511.3	0.1
	Chinese Taipei	534.6	0.1	526.0	0.1
	Viet Nam	451.4	0.1	318.2	0.1
	Thailand	415.9	0.1	396.4	0.1
Manufacture of plastics	**Total**	**6,935.2**	**1.1**	**6,653.3**	**1.1**
	China	1,644.6	0.3	1,583.0	0.3
	Japan	1,143.8	0.2	1,198.1	0.2
	Thailand	646.6	0.1	506.5	0.1
	Singapore	639.7	0.1	697.2	0.1
	United States	623.8	0.1	550.5	0.1

Source **:** Department of Statistics, Malaysia

Table 11 : Top Ten Trade Partners in Africa, 2012-2013

Country	Exports					Imports					Balance of Trade	
	2013p			2012		2013p			2012		2013p	2012
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
TOTAL	**719,814.8**	**100.0**	**2.4**	**702,641.2**	**100.0**	**649,068.4**	**100.0**	**7.0**	**606,676.9**	**100.0**	**70,746.5**	**95,964.3**
Africa	**17,542.0**	**2.4**	**4.9**	**16,725.3**	**2.4**	**8,857.4**	**1.4**	**-17.6**	**10,748.2**	**1.8**	**8,684.7**	**5,977.1**
Egypt	2,716.7	0.4	-18.2	3,320.3	0.5	585.3	0.1	5.4	555.4	0.1	2,131.4	2,764.9
South Africa	2,715.0	0.4	-17.6	3,294.7	0.5	2,678.3	0.4	-6.3	2,858.1	0.5	36.8	436.6
Benin	1,622.0	0.2	54.1	1,052.6	0.1	12.3	0.0	-82.2	69.4	0.0	1,609.7	983.2
Angola	1,470.5	0.2	164.8	555.4	0.1	157.9	0.0	4,191.2	3.7	0.0	1,312.6	551.7
Nigeria	1,222.7	0.2	21.5	1,006.6	0.1	954.0	0.1	220.9	297.3	0.0	268.7	709.3
Togo	1,056.9	0.1	36.0	777.3	0.1	0.0	0.0	-99.9	38.9	0.0	1,056.9	738.3
Kenya	880.0	0.1	124.7	391.7	0.1	16.6	0.0	23.9	13.4	0.0	863.4	378.3
Tanzania	672.4	0.1	31.4	511.8	0.1	81.0	0.0	193.2	27.6	0.0	591.4	484.2
Ghana	552.5	0.1	-29.7	785.7	0.1	439.4	0.1	-55.2	980.9	0.2	113.0	-195.2
Algeria	451.7	0.1	9.5	412.5	0.1	147.2	0.0	24,988.6	0.6	0.0	304.4	411.9

Appendix 2 : Manufacturing Projects Approved with Foreign Participation by Top Ten Countries, 2012-2013

Country	2013p			2012		
	Number	Investment (RM)	Investment (USD)	Number	Investment (RM)	Investment (USD)
United States	19	6,320,610,568	1,927,015,417	16	295,779,636	96,660,012
South Korea	13	5,478,840,221	1,670,378,116	17	1,636,972,599	534,958,366
Singapore	126	4,522,314,186	1,378,754,325	109	2,214,565,561	723,714,236
Japan	55	3,591,876,939	1,095,084,433	62	2,792,900,107	912,712,453
China	22	3,017,650,478	920,015,390	23	1,977,802,063	646,340,543
Netherlands	11	2,382,021,449	726,226,052	18	834,759,905	272,797,355
Germany	17	1,716,996,438	523,474,524	15	693,342,814	226,582,619
United Kingdom	9	489,792,906	149,327,105	10	611,126,863	199,714,661
Hong Kong	9	453,483,541	138,257,177	7	90,888,472	29,702,115
Belgium	8	299,000,000	91,158,537	2	66,705,168	21,799,075

Source : Department of Statistics, Malaysia

Appendix 3 : Import Licensing

No.	Product	Issuing Authority
1.	(1) Motor vehicles for the transport of ten or more persons, including the driver (2) Motor vehicles for the transport of persons less than ten persons (excluding go-karts and ambulance) (3) Motor vehicles for the transport of goods	MITI
2.	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane (excluding palfinger fully hydraulic compact, hydraulic loading crane, gantry cranes and crawler cranes)	MITI
3.	Arsenic trichloride	Pharmaceutical Services Division, Ministry of Health
4.	(1) Acetic anhydride (2) Acetyl bromide (3) Acetyl chloride	Pharmaceutical Services Division, Ministry of Health
5.	(1) Ephedrine and its salts (2) Pseudoephedrine (INN) and its salts (3) Norephedrine and its salts (4) Potassium permanganate (5) Phenylacetone (phenylpropan-2-one) (1-phenyl-2-propanone) (6) N-acetylanthranilic acid (7) Isosafrole (8) 1-(1,3-Benzodioxol-5-yl) propan-2-one (3, 4-methylenedioxyphenyl-2-propanone) (9) Piperonal (10) Safrole (11) Ergometrine (INN) and its salts (12) Ergotamine (INN) and its salts (13) Lysergic acid and its salts (14) Phenylacetic acid and its salts	Pharmaceutical Services Division, Ministry of Health
6.	Caffeine and its salts	Pharmaceutical Services Division, Ministry of Health
7.	Medicaments containing ephedrine or pseudoephedrine	Pharmaceutical Services Division, Ministry of Health
8.	Medicine making machine	Pharmaceutical Services Division, Ministry of Health
9.	Sugar (including cane and beet sugar, chemically pure sucrose, fructose and glucose)	MITI
10.	Rice machinery for milling, grading, sorting, cleaning and parts thereof	Ministry of Agriculture and Agro-Based Industry
11.	(1) Radar apparatus, radio navigational aid apparatus, parabolic antenna including other parts and accessories (2) Parabolic antenna including other parts and accessories	SIRIM Berhad
12.	Motorcyclists' safety helmets (except as worn by motor-cyclists or motor-cycle pillion riders)	MITI
13.	Chassis fitted with engines, for the motor vehicles of heading 87.02, 87.03, 87.04 or 87.05: (1) For motor cars (including station wagons, SUVs and sports cars, but not including vans) CBU, new and old (2) For motor vehicles for the transport of ten or more persons, CBU, new or old (3) For ambulance (4) For special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units) (5) For vehicles specially designed for travelling on snow; golf cars and similar vehicles or four-wheel drive vehicles or motor- homes or motor vehicles for the transport of goods (CBU, new or old)	MITI
14.	Chassis, not fitted with engines, for the motor vehicles of heading 87.02, 87.03, 87.04 or 87.05	MITI
15.	Bodies (including cabs) for the motor vehicles falling within headings 87.02, 87.03, 87.04 or 87.05	MITI
16.	Motor-cycles, auto-cycles (including mopeds), electric powered motorcycles, motorized bicycles and cycles fitted with an auxilliary motor (excluding side cars)	MITI
17.	Road tractors for semi-trailers (including prime mover), completely built-up, old	MITI
18.	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example breakdown lorries, crane lorries, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units) excluding fire fighting vehicles	MITI
19.	(1) Used brakes and servo-brakes including used brake pad, calipers and brake lining, for motor vehicles of headings 87.01, 87.02, 87.03, 87.04, 87.05, 87.09 and 87.11 (2) All kinds of reUnited Statesble batteries (accumulators) for motor vehicles of headings 87.01, 87.02, 87.03, 87.04, 87.05, 87.09 and 87.11	MITI
	(a) motor cars (including station wagon and sports cars but excluding racing cars and go-carts) (b) ambulance (c) van, MPV and other vehicles of heading 87.03	

No.	Product	Issuing Authority
20.	(1) Motor vehicles for the transport of ten or more persons, including the driver of heading 87.02 (2) Motor vehicles for the transport of goods under heading 87.04 (excluding dumpers designed for off highway use under subheading 8704.10) (3) Prime movers of subheading 8701.20 (4) Trailers and semi-trailers of heading 87.16:	MITI
	(a) trailers and semi-trailers of the caravan type, for housing or camping (b) self loading or self-unloading trailers and semi-trailers for agricultural purposes (c) other trailers and semi-trailers for the transport of goods of subheadings 8716.31 000 and 8716.39 000 (d) other trailers and semi-trailers	
	(5) Special purpose motor vehicles, other than those principally designed for the transport of persons or goods of heading 87.05	
21.	Unmanufactured tobacco; tobacco refuse	National Kenaf and Tobacco Board
22.	1, 1, 1,- Trichloroethane (methyl chloroform)	MITI
23.	Optical disc mastering and replicating machines and parts thereof	Ministry of Domestic Trade, Co-operatives and Consumerism
24.	Toxic chemicals and their precursors covered under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction 1993 (CWC), as listed below:	MITI
	Schedule I A. Toxic chemicals: (1) O-Alkyl (C10), including cycloalkyl) alkyl (Me, Et, n-Pr or i-Pr)-phosphono fluoridates e.g. Sarin: O-Isopropyl fluoridate Soman: O-Pinacolyl fluoridate (2) O-Alkyl (≤C10, including cycloalkyl) N, N-dialkyl (Me, Et, n-Pr or i-Pr) - phosphoramidocyanidates e.g. Tabun: O-Ethyl N, N-dimenthyl phosphoramidocyanidate (3) O-Alkyl (H or ≤C10, including cycloalkyl) S-2-dialkyl (Me,Et,n-Pr or i-Pr)-aminoethyl alkyl (Me,Et,n-Pr or i-Pr) phosphonothiolates and corresponding alkylated or protonated salts e.g. VX: O-Ethyl S-2-methydiisopropylaminoethyl phosphonothiolate	
	(4) Sulfur mustards: 2-chloroethylchloroethylsulfide Mustard gas: Bis (2-chloroethyl) sulfide Bis (2-chloroethylthio) methane Sesquimustard: 1, 2-Bis (2-chloroethylthio)ethane 1, 3-Bis (2-chloroethylthio)-n-propane 1, 4-Bis (2-chloroethylthio)-n- butane 1, 5-Bis (2-chloroethylthio)-n- pentane Bis (2-chloroethylthiomethyl) ether O-Mustard: Bis (2-chloroethylthioethyl) ether	
	(5) Lewisites: Lewisite 1: 2-Chlorovinyldichloroarsine Lewisite 2: Bis (2-chlorovinyl) chloroarsine Lewisite 3: Tris (2-chlorovinyl) arsine (6) Nitrogen mustards: HN 1: Bis (2-chloroethyl) ehtylamine HN 2: Bis (2-chloroethyl) Methylamine HN 3: Tris (2-chloroethyl) amine (7) Saxitoxin (8) Ricin	
	B. Precursors: (1) Alkyl (Me, Et, n-Pr or i-Pr) phosphonyldi- fluorides e.g. DF: Methylphosphonyldifluoride (2) O-Alkyl (H or ≤C10), including cycloalkyl) 0-2-dialkyl (Me, Et, n-Pr or i-Pr)-aminoethyl alkyl (Me, Et, n-Pr or i-Pr)-phosphonites and corresponding alkylated or protonated salts e.g. QL: O-Ethyl 0-2-dissopropylaminoethyl methylphosphonite (3) Chlorosarin: O-Isopropyl Methylphosphonochloridate (4) Chlorosoman: O-Pinacolyl Methylphosphonochloridate	
	Schedule 2: A. Toxic chemicals: (1) PFIB: 1, 1, 3, 3, 3-Pentafluoro-2- (trifluoromethyl)-l-propene (2) BZ: 3-Quinuclidinyl benzilate (*)	
	B. Precursors: (1) Chemicals, except for those listed in Schedule 1, containing a phosphorus atom which is bonded one methyl, ethyl or propyl (normal or iso) group but not further carbon atoms e.g. Methylphosphonyl dichloride Dimethyl methylphosphonate Exemption: Fonofos: O-Ethyl S-phenyl ethylphosphono-thiolothionate (2) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) phosphoramidic dihalides (3) Dialkyl (Me, Et, n-Pr or i-Pr)N, N-dialkyl (Me, Et, n-Pr or i-Pr)-phosphoramidates (4) 2, 2-Diphenyl-2-hydroxyacetic acid (5) Quinuclidine-3-ol (6) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) aminoethyl-2-chlorides and corresponding protonated salts (7) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) aminoethane-2-ols and corresponding protonated salts Exemptions: N, N-Dimethylaminoethanol and corresponding protonated salts N, N-Diethylaminoethanol and corresponding protonated salts (8) N, N-Dialkyl (Me, Et, n-Pr or i-Pr) aminoethane-2-thiols and corresponding protonated salts (9) Thiodiglycol: Bis (2-hydroxyethyl) sulfide (10) Pinacolyl alcohol: 3, 3-Dimethylbutane -2-ol	
	Schedule 3 A. Toxic chemicals: (1) Phosgene: Carbonyl dichloride (2) Cyanogen chloride	

No.	Product	Issuing Authority
	B. Precursors: (1) Phosphorus oxychloride (2) Phosphorus trichloride (3) Phosphorus pentachloride (4) Trimethyl phosphite (5) Triethyl phosphite (6) Dimethyl phosphite (7) Diethyl phosphite (8)) Sulfur monochloride (9) Sulfur dichloride (10) Thionyl chloride (11) Ethyldiethanolamine (12) Methyldiethanolamine (13) Triethanolamine	
25.	The following substances structurally derived from Phenethylamine and their salts: (1) Clenbuterol (2) Salbutamol (3) Salmeterol (4) Terbutaline (5) Formoterol	Pharmaceutical Services Division, Ministry of Health
26.	Waste, paring and scrap of plastics	MITI
27.	Hydrochlorofluorocarbons gas (HCFCs) covered under Montreal Protocol, Annex C – Group 1	Department of Environment
28.	Flat-rolled products of other alloy steel, of a width of 600 mm or more	MITI
29.	Wheat or meslin flours (including atta flour)	MITI
30.	Kain sarong batik (by traditional batik process)	MITI
31.	Semi-finished products of iron and steel, including slab, bloom and billets	MITI
32.	(1) Bars and rods, hot-rolled, in wound coil, of stainless or heat resisting steel, circular cross-section (2) Bars and rods, hot-rolled, in straight length of stainless or heat resisting steel, circular cross-section	MITI

No.	Product	Issuing Authority
33.	Stranded wire, cables, cordage, ropes, plaited bands and the like, of aluminium wire, but excluding insulated electric wires and cables: (1) of stainless reinforced aluminium (2) of aluminium alloys or not alloyed	MITI
34.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	MITI
35.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated	MITI
36.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm not clad, plated or coated	MITI
37.	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated	MITI
38.	Flat-rolled products of iron or non-alloy steel, of a width less than 600 mm clad, plated or coated	MITI
39.	Tubes, pipes and hollow profiles, cast iron	MITI
40.	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	MITI
41.	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel	MITI
42.	Other tubes and pipes hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	MITI

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