MALAYSIA

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Ministry of International Trade and Industry Malaysia

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FOREWORD

Malaysia's trade and investment overall performance in 2008 remained quite impressive despite the onset of the global economic crisis. Malaysia's total trade reached RM1.2 trillion, an increase of 6.8 per cent from 2007. Exports rose by 9.6 per cent to RM663.5 billion, while imports increased by 3.3 per cent to RM521.50 billion, resulting in a trade surplus of RM142 billion. In May 2009, Malaysia recorded the 139th month of consecutive trade surplus.

Approved investments of RM59.9 billion in 2008 exceeded the average annual investment target of RM27.5 billion set under Malaysia's Third Industrial Master Plan. Foreign investments rose to an all-time high of RM46.1 billion with the approval of several large projects involving foreign participation. Malaysia continues to attract capital and technology-intensive and high value-added projects with capital investment per employee ratio in approved projects reaching RM620,571.

The global economic crisis nevertheless impacted on Malaysia's Gross Domestic Product (GDP) especially towards the later part of 2008. Malaysia's economic growth fell to 4.6 per cent from 6.3 per cent in the previous year, contributed mainly by a moderate growth of the manufacturing sector, at 1.3 per cent compared to 3.1 per cent recorded in 2007.

To mitigate the impact of the global economic slowdown, the Government has implemented two stimulus packages amounting to RM67 billion. In addition, in November 2008, MITI announced several measures to improve the investment environment, reduce the cost of doing business and facilitate business operations. These measures include among others automatic issuance of manufacturing licence, import duty exemption on selected raw materials and intermediate goods and extending approval for operation of new Representative Offices/Regional Offices to five years from three years previously.

The development of the services sector is a major priority of the Government. In April 2009, the Government announced the liberalisation of 27 services sub-sectors in the areas of health and social services, tourism, transport, business services and computer and related services as well as the financial sector tofurther invigorate the economy as well as to enhance the delivery and competitiveness of the services industry including with the infusion of foreign capital and up-to-date technology.

Going forward, the Government will continue to further intensify the development of the services industry, promote investments in new growth areas including renewable energy industry, which are high value-added and technology-intensive. The new growth strategies adopted will be in line with the high income growth model driven by creativity and innovation.

I am hopeful that the private sector especially is ready to respond to the challenge of the new Government growth initiative, as well as to capitalise on the opportunities from the emerging economic recovery.

DATO' MUSTAPA MOHAMED
Minister of International Trade and Industry
Malaysia

30 June 2009

CONTENTS

BOX ARTICLES

CHAPTER 8

CHAPTER 9

TABLES

CHAPTER 1

CHAPTER 2

CHAPTER 4

CHAPTER 5

CHAPTER 6

CHAPTER 7

CHAPTER 9

CHAPTER 10

CHARTS

CHAPTER 2

CHAPTER 4

CHAPTER 6

CHAPTER 7

APPENDICES

CHAPTER 1 : WORLD ECONOMIC, TRADE AND INVESTMENT DEVELOPMENTS

OVERVIEW

The world economy in 2008 was marked by economic and financial turbulence that severely impacted trade and investment. What had initially started in August 2007 as a localised sub-prime lending crisis in the United States of America (USA) rapidly escalated into full-blown global financial fallout by September 2008, sending several developed economies into recession and eroding the strong economic performance of emerging economies many of which had insignificant exposure to the US sub-prime market.

In 2008, world Gross Domestic Product (GDP) hit a low of 3.2 per cent from 5.2 per cent a year earlier. This was the lowest ever recorded since 2002. **Developed economies** registered a mere 0.9 per cent growth in 2008 compared to 2.7 per cent in 2007, while **developing economies** expanded by 6.1 per cent, a decline from 8.3 per cent a year before.

The world economy took a severe battering in **the fourth quarter of 2008** with the collapse of business and consumer confidence, plummeting industrial production and shrinking merchandise trade and services. Global GDP was estimated to have contracted by 6.3 per cent (annualised) in the fourth quarter of 2008, a stark contrast from the positive 4 per cent growth registered a year earlier. While the downturn inflicted damage on all economies worldwide, **advanced economies** were the hardest hit with a record 7.5 per cent decline in the fourth quarter of 2008.

Emerging economies were also badly affected, contracting by 4 per cent in the fourth quarter. Economies in Asia especially, were put under severe stress. As a consequence of Asia's heavy dependence on manufacturing exports to developed markets, the region suffered an even sharper downturn than the G-2 area (consisting of the United States and Euro area), the very origin and epicentre of the global financial crisis. In the last quarter of 2008, Asia's GDP excluding the People's Republic of China and India, plunged almost 15 per cent on a seasonally adjusted annualised basis, far deeper than the contraction of less than 5 per cent in the G-2 area. Asia's economic battering was largely attributed to the region's deep integration and exposure to the markets of advanced economies, and when demands from these economies collapsed and both financial and trade channels dried up, Asia's economy buckled. However, countries like the People's Republic of China and India, with a strong domestic demand, resilient internal consumption and lower dependence on exports escaped relatively unscathed.

In tandem with falling demand and sluggish production output, **world merchandise trade growth in volume terms** (excluding the price and exchange rate fluctuations) slowed, especially in the last quarter of the year, to post a low positive growth of 2 per cent for the 12 months of 2008 (WTO forecast issued in March 2008 was a 4.5 per cent growth for 2008). This was a sharp deterioration from the 6 per cent growth registered in 2007 and was below the 5.7 per cent average attained in the last 10 years (1998 – 2008).

In dollar value terms, for the 12 months of 2008 world total merchandise trade amounted to US$32.5 trillion, a 15.1 per cent increase from US$28.3 trillion registered in 2007.

Since September 2008, many developed and developing economy markets recorded consistent monthly declines in trade

Table 1.1:
World Real GDP Growth

Selected Countries	2008		2007
	Change (%)	GDP Value [1] (US$ billion)	Change (%)
World	**4.9**		**5.0**
USA	**1.1**	**14,264.6**	**2.0**
ASEAN			
Singapore	1.1	181.9	7.8
Philippines	4.6	168.6	7.2
Indonesia	6.1	511.8	6.3
Malaysia	**4.6**	**222.2**	**6.3**
Thailand	2.6	273.2	4.9
East Asia			
People's Republic of China	9.0	4,401.6	13.0
Taiwan	0.1	392.6	5.7
Republic of Korea	2.2	947.0	5.1
Japan	-0.6	4,923.8	2.4
South Asia			
India	7.3	1,209.7	9.3
Pakistan	6.0	167.6	6.0
Bangladesh	5.6	81.9	6.3
West Asia			
Egypt	7.2	162.2	7.1
Iran	4.5	344.8	7.8
Saudi Arabia	4.6	481.6	3.5
Africa			
Angola	14.8	83.4	20.3
Kenya	2.0	30.2	7.0
Nigeria	5.3	214.4	6.5
South Africa	3.1	277.2	5.1
Canada	**0.5**	**1,511.0**	**2.7**
Australia	**2.1**	**1,010.7**	**4.0**
New Zealand	**0.3**	**128.5**	**3.2**
EU			
Netherlands	2.0	868.9	3.5
Germany	1.3	3,667.5	2.5
UK	0.7	2,674.1	3.0
France	0.7	2,865.7	2.1
Italy	-1.0	2,313.9	1.6
Latin America			
Peru	9.8	127.6	8.9
Argentina	7.0	326.5	8.7
Venezuela	4.8	319.4	8.4
Colombia	2.5	240.7	7.5
Brazil	5.1	1,572.8	5.7
Chile	3.2	169.6	4.7
Mexico	1.3	1,088.1	3.3

Source : International Monetary Fund, World Economic Outlook, April 2009
Note : [1]GDP value at current price

figures. This synchronized deceleration in unison, between developed and developing economies is contrary to the widely accepted claim of 'a decoupled world economy', a belief held by many that emerging markets with booming domestic demand will trade more with each other and will be less dependent on demand from developed economies like the USA and Europe. The present scenario of falling trade numbers, economic slowdown and contraction in many emerging economies especially in Asia reaffirms the interdependence and degree of integration between developed and developing economies.

Total world merchandise exports in dollar value terms (includes price changes and exchange rate fluctuations) grew by 15.2 per cent to US$16.1 trillion in 2008, from $14 trillion in 2007. **World merchandise imports** amounted to US$16.4 trillion, a similar 15 per cent rise from the US$14.3 trillion recorded a year earlier. The increase in world merchandise trade in 2008 was mainly due to the positive trade performance of developing economies especially in the first half of 2008, before the impact of the financial crisis caused growth to falter in the fourth quarter. The overall share of developing economies to world merchandise trade surged in 2008, with exports from developing economies rising to 38 per cent of the world total, and imports increasing to 34 per cent. The annual trade figures in dollar terms were greatly influenced by fluctuations in commodity prices and exchange rates in 2008. Average oil prices in 2008 were 40 per cent higher than in 2007, which contributed to the higher merchandise import values for many countries.

Taken as a region, total world merchandise trade by value was led by Europe, followed by Asia and North America. The **ranking of top exporters and importers** remained unchanged in 2008. Germany retained the top exporter position with exports valued at US$1.5 trillion, accounting for a 9.1 per

Table 1.2:
Merchandise Trade Performance

	Exports			Imports		
	2008 (US$ billion)	Change (%)	2007 (US$ billion)	2008 (US$ billion)	Change (%)	2007 (US$ billion)
World	**16,127.0**	**15.2**	**13,998.0**	**16,415.0**	**15.0**	**14,270.0**
Asia	**4,708.5**	**13.9**	**4,134.9**	**4,542.5**	**19.3**	**3,806.1**
People's Republic of China	1,428.5	17.2	1,218.6	1,133.0	18.5	956.0
Japan	782.3	9.5	714.3	762.0	22.5	622.2
ASEAN-5	**990.1**	**14.6**	**863.7**	**935.8**	**20.7**	**775.5**
Singapore	338.2	13.0	299.3	319.8	21.5	263.2
Malaysia	**199.5**	**13.2**	**176.2**	**156.9**	**6.7**	**147.0**
Thailand	177.8	16.9	152.1	178.7	27.6	140.0
Indonesia	139.3	18.1	118.0	126.2	36.0	92.8
Philippines	49.0	-3.0	50.5	59.2	2.1	58.0
West Asia / Middle East	**1,046.8**	**36.0**	**768.9**	**575.5**	**23.0**	**468.0**
USA	**1,300.5**	**11.9**	**1,162.5**	**2,166.0**	**7.2**	**2,020.4**
Mexico	**291.8**	**7.4**	**271.8**	**323.2**	**9.5**	**295.2**
Europe	**6,456.5**	**11.5**	**5,788.2**	**6,833.0**	**12.3**	**6,086.0**
EU-27	5,913.0	10.8	5,335.5	6,268.4	12.0	5,599.0
Latin America	**800.2**	**14.3**	**700.1**	**866.2**	**23.0**	**704.5**
MERCOSUR	278.9	24.7	223.7	259.3	40.8	184.1
Africa	**561.4**	**29.2**	**434.5**	**466.1**	**26.6**	**368.1**

Source: World Trade Organization, 2009

cent share of total world exports. Following very close behind was the People's Republic of China (with US$1.4 trillion exports and a 8.9 per cent share of total global exports), the USA (US$1.3 trillion, 8.1 per cent share) and Japan (US$782 billion, 4.9 per cent share).

The **top importing economy** globally was the USA with imports of US$2.2 trillion and accounting for the lion's share or 13.2 per cent of total world imports. Other major importers in descending order were Germany (US$1.2 trillion, 7.3 per cent share), the People's Republic of China (US$1.1 trillion, 6.9 per cent share) and Japan (US$762 billion, 4.6 per cent share).

World trade in services grew 11.3 per cent to US$7.2 trillion in 2008 from US$6.5 trillion in 2007, much lower than the 18.9 per cent growth attained in the previous year. As with merchandise trade, world services trade also fell in the fourth quarter of 2008, largely due to the global downturn which severely affected international shipping, transport and travel.

World exports of commercial services grew by 11 per cent to US$3.7 trillion, (2007: US$3.4 trillion) albeit slower than merchandise exports (15 per cent to US$15.8 trillion). The sector which grew the fastest among the three services sectors which make up commercial services exports was transport with a 15 per cent

Table 1.3:
Leading Exporters and Importers in World Merchandise Trade, 2008

Rank	Exporters	Value (US$ billion)	Share	Annual % Change		Rank	Importers	Value (US$ billion)	Share	Annual % Change
1	Germany	1,465	9.1	11		1	USA	2,166	13.2	7
2	People's Republic of China	1,429	8.9	17		2	Germany	1,206	7.3	14
3	USA	1,301	8.1	12		3	People's Republic of China	1,133	6.9	19
4	Japan	782	4.9	10		4	Japan	762	4.6	23
5	Netherlands	634	3.9	15		5	France	708	4.3	14
6	France	609	3.8	10		6	UK	632	3.8	1
7	Italy	540	3.3	10		7	Netherlands	574	3.5	16
8	Belgium	477	3.0	10		8	Italy	556	3.4	10
9	Russia	472	2.9	33		9	Belgium	470	2.9	14
10	UK	458	2.8	4		10	Republic of Korea	435	2.7	22
11	Canada	456	2.8	8		11	Canada	418	2.5	7
12	Republic of Korea	422	2.6	13		12	Spain	402	2.5	3
13	Hong Kong SAR	370	2.3	6		13	Hong Kong SAR	393	2.4	6
14	Singapore	338	2.1	13		14	Mexico	323	2.0	9
15	Saudi Arabia	329	2.0	40		15	Singapore	320	1.9	22
16	Mexico	292	1.8	7		16	Russia	292	1.8	30
17	Spain	268	1.7	6		17	India	292	1.8	35
18	Taiwan	256	1.6	4		18	Taiwan	240	1.5	10
19	United Arab Emirates	232	1.4	28		19	Poland	204	1.2	23
20	Switzerland	200	1.2	16		20	Turkey	202	1.2	19
21	**Malaysia**	**200**	**1.2**	**14**		21	Australia	200	1.2	21
22	Brazil	198	1.2	23		22	Austria	184	1.1	13
23	Australia	187	1.2	33		23	Switzerland	184	1.1	14
24	Sweden	184	1.1	9		24	Brazil	183	1.1	44
25	Austria	182	1.1	11		25	Thailand	179	1.1	28
26	India	179	1.1	22		26	Sweden	167	1.0	10
27	Thailand	178	1.1	17		27	United Arab Emirates	159	1.0	20
28	Poland	168	1.0	20		**28**	**Malaysia**	**157**	**1.0**	**7**
29	Norway	168	1.0	23		29	Czech Republic	142	0.9	20
30	Czech Republic	147	0.9	30		30	Indonesia	126	0.8	36

Source: World Trade Organization, 2009 growth, valued at US$872.7 billion, followed equally by travel (10 per cent, US$947.2 billion) and other commercial services (10 per cent, US$1.9 trillion). In terms of value, other commercial services*, (which includes financial services) dominate with a 51 per cent share of total world exports of commercial services, while travel and transport each has a 25 per cent and 23 per cent share respectively.

The USA with 14 per cent share of world exports of commercial services, remained the leading exporter with exports rising 10 per cent to US$522 billion, followed by United Kingdom (7.6 per cent share, 2 per cent growth, US$283.5 billion), Germany (6.3 per cent share, 11 per cent growth, US$235 billion), France (4.1 per cent share, 6 per cent growth, US$153.5 billion) and Japan (3.9 per cent share, 13 per cent growth, US$143.7 billion). These top services exporters reported lower export growth in 2008 as compared to the year before, except for Japan. (The services export growth in 2007 for the USA: 16 per cent, United Kingdom: 20 per cent, Germany: 16 per cent, France: 15 per cent and Japan: 10 per cent).

Similar to exports, **world imports of commercial services** in 2008 grew by 11 per cent to US$3.5 trillion from US$3.1 trillion in 2007. For imports, the USA which held a 10.5 per cent share of world imports of commercial services, led in top position with imports that grew 7 per cent to US$364.3 billion in 2008. Germany was the second largest importer (8.2 per cent share, 11 per cent import growth, US$284.6 billion), followed by United Kingdom (5.7 per cent share, 1 per cent growth, US$198.9 billion), Japan (4.8 per cent share, 11 per cent growth, US$165.6 billion) and the People's Republic of China (4.4 per cent share, 17.6 per cent growth, US$152 billion).

REGIONAL AND COUNTRY PERFORMANCE

Asia

Contrary to global expectations that Asia would be relatively protected from the financial crisis because of Asia's lower exposure to American securitized assets, in reality Asian economies were severely impacted. These include the more **advanced Asian economies** of Japan, Singapore, the Republic of Korea (ROK), Hong Kong Special Administrative Region (Hong Kong SAR), Taiwan, Australia and New Zealand which collectively posted a GDP growth of 1.1 per cent. Japan's economy contracted by 12 per cent (annualised) in the fourth quarter of 2008 resulting in a negative GDP of 0.6 per cent for the whole year.

Asia's newly industrialised economies **(NIEs - Hong Kong SAR, ROK, Singapore, Taiwan)** posted sharp declines of between 10 – 25 per cent in the fourth quarter of 2008. Collectively, the four-nation NIEs posted a GDP growth of 1.5 per cent in 2008, as compared with 6.3 per cent growth recorded in 2007.

ASEAN-10 economies also suffered, albeit **to a lesser degree, posting a stronger growth** in the first half of the year before faltering in the third and fourth quarters to ultimately record an overall growth of 4.1 per cent in 2008, from 7.1 per cent registered in the previous year.

However, when only the **GDP of developing Asia** (including Oceania and excluding NIEs) were taken into account, the growth recorded were a more positive 5.3 per cent (2007: 6.8 per cent). This higher growth was largely due to the **People's Republic of China**, which had registered a 9 per cent growth for 2008 – the fastest growth recorded for any major economy in 2008. While this was an achievement in

** Note : Other commercial services include communication, construction, insurance, financial and computer and information services.*

Table 1.4:
Leading Exporters and Importers in World Commercial Services Trade, 2008

Rank	Exporters	Value (US$ billion)	Share	Annual % Change		Rank	Importers	Value (US$ billion)	Share	Annual % Change
1	USA	522	14.0	10		1	USA	364	10.5	7
2	UK	283	7.6	2		2	Germany	285	8.2	11
3	Germany	235	6.3	11		3	UK	199	5.7	1
4	France	153	4.1	6		4	Japan	166	4.8	11
5	Japan	144	3.9	13		5	People's Republic of China	152	4.4	..
6	Spain	143	3.8	11		6	France	137	3.9	6
7	People's Republic of China	137	3.7	..		7	Italy	132	3.8	12
8	Italy	123	3.3	12		8	Spain	108	3.1	10
9	India	106	2.8	..		9	Ireland	103	3.0	9
10	Netherlands	102	2.7	8		10	Republic of Korea	93	2.7	12
11	Ireland	96	2.6	8		11	Netherlands	92	2.6	10
12	Hong Kong SAR	91	2.4	9		12	India	91	2.6	..
13	Belgium	89	2.4	16		13	Canada	84	2.4	5
14	Switzerland	74	2.0	15		14	Belgium	84	2.4	16
15	Republic of Korea	74	2.0	20		15	Singapore	76	2.2	6
16	Denmark	72	1.9	17		16	Russia	75	2.2	29
17	Singapore	72	1.9	3		17	Denmark	62	1.8	16
18	Sweden	71	1.9	13		18	Sweden	54	1.6	13
19	Luxembourg	68	1.8	5		19	Thailand	46	1.3	22
20	Canada	62	1.7	2		20	Australia	45	1.3	18
21	Austria	62	1.7	12		21	Brazil	44	1.3	28
22	Russia	50	1.3	29		22	Hong Kong SAR	44	1.3	7
23	Greece	50	1.3	16		23	Norway	44	1.3	12
24	Norway	46	1.2	13		24	Austria	42	1.2	8
25	Australia	46	1.2	15		25	Luxembourg	40	1.2	8
26	Poland	35	0.9	20		26	Switzerland	37	1.1	10
27	Turkey	34	0.9	22		27	United Arab Emirates	35	1.0	..
28	Taiwan	34	0.9	8		28	Saudi Arabia	34	1.0	..
29	Thailand	33	0.9	11		29	Taiwan	34	1.0	-2
30	**Malaysia**	**30**	**0.8**	**5**		30	Poland	30	0.9	25

Source: World Trade Organization, 2009 the bleak global scenario of 2008, it was the People's Republic of China's slowest growth recorded after a five-year stretch of consecutive double-digit growth averaging 11 per cent since 2003. Despite the fact that the economies of the People's Republic of China and India can be less dependent on trade and somewhat insulated by the dynamic presence of domestic demand, both the People's Republic of China and India were still affected by the global downturn, albeit to a lesser extent. Both economies experienced a slowdown in exports to their main trading partners especially in the fourth quarter of 2008, many of whom were in recession. India's GDP in 2008 grew 7.3 per cent, slowing slightly after growing robustly at an average of 9.4 per cent annually in the last three years.

In 2008, Asia's **total merchandise trade** with the world amounted to US$9.3 trillion, an increase of 16.5 per cent from US$7.9 trillion in 2007. Asia's **total merchandise exports** increased 13.9 per cent to reach US$4.7 trillion, (2007: US$4.1 trillion) while total merchandise imports rose 19.3 per cent to US$4.5 trillion from US$3.8 trillion a year ago.

Asia's total trade in commercial services for 2008 reported a growth of 12.2 per cent to US$1.7 trillion from US$1.5 trillion in 2007. Asia's **imports of commercial services** outpaced exports, with imports valued at US$858 billion (2007: US$763.2 billion) and **exports of commercial services** reporting a slightly lower total at US$837 billion (2007: US$747 billion). Japan, the People's Republic of China and India were the top three economies that continued to lead Asia's trade in commercial services.

Japan

Japan's output which had been growing steadily at an average rate of 2.1 percent annually since 2005 fell sharply to -0.6 per cent in 2008 as a spill-over effect of the global economic crisis. The pre-crisis GDP in 2007 was 2.4 per cent.

Japan's export mix of advanced manufacturing which includes passenger motor vehicles, high technology electronic goods and machinery as well as big-ticket items that require financing made it extremely vulnerable to swings in demand and uncertain availability of credit. Especially hard-hit was Japan's automotive sector which saw auto exports shrivel by nearly 70 per cent between September 2008 and December 2008. Japan's automotive exports to the USA plummeted by 30 per cent in the fourth quarter of 2008 while exports to the rest of the world sank by 18 per cent. The drop in global demand for automobiles, electronics, electrical and other durable consumer goods caused Japan's exports and industrial production to fall resulting in a contraction of the economy by 12 per cent in the last quarter of 2008.

Total merchandise trade in 2008 amounted to US$1.5 trillion, an increase of 15.5 per cent from US$1.3 trillion in the year before. Japan's **merchandise exports** grew slower by 9.5 per cent to US$782.3 billion in 2008 from US$714.3 billion in 2007, compared with **merchandise import** growth of 22.5 per cent which pushed imports to US$762 billion from US$622.2 billion in the previous year.

In 2008, **Japan's total trade in commercial services** increased 12.2 per cent to US$309.3 billion from US$275.7 billion. **Exports of commercial services** amounted to US$143.7 billion rising 13.1 per cent from US$127.1 billion in 2007. **Imports of commercial services** also increased 11.4 per cent to reach US$165.6 billion from US$148.7 billion in the year before.

The People's Republic of China

The People's Republic of China's **GDP growth** in 2008 remained strong at 9 per cent, the highest growth attained by a major economy, in spite of the decline in performance of most of its trading partners. The People's Republic of China's **total**

merchandise trade in 2008 totalled US$2.6 trillion, an increase of 17.8 per cent from US$2.2 trillion in 2007. Total merchandise exports grew 17.2 per cent to US$1.4 trillion from US$1.2 trillion the year before. The People's Republic of China's **total merchandise imports** grew by 18.5 per cent even faster than exports to reach US$1.1 trillion from US$956 billion in 2007.

After being ranked as the world's third largest exporter for several years, the People's Republic of China's intensified exports in 2007 propelled it to the second position, displacing the USA. In 2008, while in the midst of the global economic downturn, the People's Republic of China crept closer to the top contender Germany, by expanding its share of world exports albeit slightly, to 8.9 per cent from 8.8 per cent in 2007. The People's Republic of China shipment of total merchandise exports reached US$1.4 trillion in 2008, and was just below Germany's exports of US$1.5 trillion. In terms of total merchandise imports, the People's Republic of China retained its position as the world's third largest importer behind the USA and Germany, increasing its market share of total global imports from 6.7 per cent in 2007 to 6.9 per cent in 2008.

In world **commercial services trade** for 2008, the WTO estimated that the People's Republic of China's position remained unchanged as the world's seventh largest exporter with exports valued at US$137 billion (2007: US$122 billion) and the world's fifth largest importer of commercial services trade with imports overtaking exports to reach US$152 billion (2007: US$129 billion). The People's Republic of China's share of **global commercial services exports** fell in 2008 to 3.7 per cent from 3.9 per cent in the previous year while its share of **global commercial services** imports increased from 4.2 per cent in 2007 to 4.4 per cent in 2008.

India

India's **economy continued to grow in 2008** but at a slower pace of 7.3 per cent, a decline of two percentage points from the 9.3 per cent growth charted in 2007. This marked India's first slowdown after growing at an average rate of 9.1 per cent annually for the last four years.

India retained its ranking as the 26th largest exporter in merchandise trade, increasing its share of world exports to 1.1 per cent compared with 1 per cent in 2007. In terms of imports, India moved up one position in ranking, from being the world's 18th largest importer with a 1.5 per cent share of world imports to the 17th position, garnering a larger slice of the world import market with a 1.8 per cent share.

The Association of South East Asian Nations (ASEAN)

ASEAN as a collective group of 10 economies posted a **GDP** growth of 4.1 per cent, as compared with 7.1 per cent recorded in 2007. All 10 economies posted declines from 2007, attributed mainly to effects of the global downturn.

While all ASEAN economies are to various extents dependent on export trade for economic growth, some member economies are more deeply entrenched in Asia's integrated global manufacturing chain to produce high and medium technology goods as well as big-ticket consumer items such as automobiles and electronics for developed nations. Member economies in this segment such as Singapore where trade is 350 per cent of its GDP, Malaysia (160 per cent of GDP), Viet Nam (140 per cent of GDP), Thailand (120 per cent of GDP) and the Philippines (75 per cent of GDP) were among the hardest hit in ASEAN when demand for their exports from developed nations dried up.

Singapore's GDP plummeted from 7.8 per cent in 2007 to 1.1 per cent in 2008. Similarly, Malaysia's growth fell from 6.3 per cent to 4.6 per cent while Thailand declined from 4.9 per cent in 2007 to 2.6 per cent in 2008. The Philippines contracted from a growth of 7.2 per cent to 4.6 per cent in 2008.

Global merchandise trade of the ASEAN Members amounted to US$1.9 trillion an increase of 17.5 per cent from US$1.6 trillion in 2007. The largest contributor to ASEAN's total trade was Singapore, with total merchandise trade worth US$658 billion, accounting for 34.2 per cent of ASEAN's total trade. Next was Thailand, contributing US$356.5 billion (18.5 per cent share), followed by Malaysia with total trade of US$356.4 billion (18.5 per cent share) of ASEAN's total merchandise trade.

In 2008, ASEAN's **global merchandise exports** increased to US$990.1 billion from US$$863.7 billion, a healthy gain of 14.6 per cent over the 12.2 percent increase in 2007. ASEAN's **merchandise imports** surged a whopping 20.7 per cent in 2008, from 12.7 per cent in 2007 pushing imports to US$935.8 billion from US$775.5 billion registered the year before. From the strong growth in exports and even stronger rise in imports, ASEAN's overall trade performance for 2008 did not show any evidence of negative impact from the global slowdown.

The trade performance of individual ASEAN Members however showed a deceleration in the fourth quarter of 2008. Partly because the downturn started only at the tail end of the year for ASEAN economies, the negative impact was effectively masked and diffused by the relatively high commodity prices and buoyant trade environment prevalent during the first half of the year.

The top three exporters among ASEAN were Singapore with total global exports of US$338.2 billion, Malaysia (US$199.5 billion) and Thailand (US$177.8 billion). The leading importers were Singapore with total global imports of US$319.8 billion, Thailand (US$178.7 billion) and Malaysia (US$156.9 billion).

The same three ASEAN members were also listed in WTO World's top 30 Leading Exporters and Importers for 2008. Singapore was ASEAN's top international trader, ranked as the 14th leading exporter and 15th leading importer in the world, unchanged from the rankings in 2007. Malaysia was placed as the 21st leading exporter and the 28th leading importer globally. Malaysia fell two positions from its 19th place ranking as an exporter, overtaken by the United Arab Emirates and Switzerland. In terms of global imports, Malaysia slipped from its 25th ranking in 2007 to the 28th position, losing out to Thailand, Brazil and the United Arab Emirates. In 2008, Thailand was overtaken by India and Australia and fell in ranking to the 27th largest exporter, from its 25th position in 2007. In terms of world imports Thailand moved up in rank to the 25th position from the 26th place in 2007, displacing Sweden.

Compared with merchandise trade, ASEAN's global trade in commercial services was far smaller. In 2008 **total trade in commercial services** amounted to US$36.6 billion, an increase of 8.5 per cent from US$33.7 billion in the previous year. Imports growth outstripped exports, growing by 10.4 per cent to US$198 billion from US$179.4 billion in 2007.

Singapore was the largest exporter of commercial services in ASEAN with US$71.9 billion, accounting for 42.9 per cent share while Thailand was the second largest services exporter accounting for a 19.9 per cent share with exports valued at US$33.4 billion.

Singapore was the main driver of ASEAN's **total imports of commercial services**, accounting for US$76.3 billion imports or 38.6 per cent share while Thailand ranked second with imports valued at US$46.4 billion or 23.5 per cent share of imports of commercial services.

North America

The United States of America

The United States of America (USA) economy contracted by 6.3 per cent in the fourth quarter, but managed to post a cumulative **GDP** growth of 1.1 per cent for the full year of 2008. Growth was largely contributed by gross fixed investments which increased by 16.1 per cent and by government consumption which rose 11.7 per cent. This was the lowest growth registered for the USA since 2001.

The USA's **total merchandise trade** increased by 8.9 per cent to US$3.5 trillion from US$3.2 trillion in 2007. In value terms, **total merchandise imports** reached US$2.2 trillion from US$2 trillion while **total merchandise exports** grew 11.9 per cent to US$1.3 trillion from US$1.2 trillion in the year before. Growth of total merchandise imports had been robust throughout all the three quarters of 2008, but slowed down in the fourth quarter to bring the full year merchandise import growth to 7.2 per cent.

The USA retained its ranking as the world's top importer and third largest exporter in 2008. The economy however saw its share of world imports decline to 13.2 per cent from 14.2 per cent in 2007, while its share of global exports fell to 8.1 per cent in 2008 from 8.4 per cent in 2007.

In 2008 the **total trade in commercial services** for the USA grew 8.8 per cent to US$886.3 billion from US$814.4 billion in 2007. **Exports of commercial services** totalled US$522 billion, an increase of 10.4 per cent from US$472.7 billion recorded a year ago. **Imports of commercial services** amounted to US$364.3 billion, a growth of 6.6 per cent from US$341.7 billion the year before. Globally, the USA is the world's leading exporter and importer of commercial services, accounting for 14 per cent and 10.5 per cent of the world's total commercial services exports and imports respectively.

Canada

Canada's economy grew marginally by 0.5 per cent in 2008 as compared to 2.7 per cent growth recorded in 2007.

Total merchandise trade amounted to US$874.8 billion, a 7.9 per cent increase from US$810.6 billion recorded in 2007. **Total merchandise exports** rose 8.5 percent to US$456.4 billion from US$420.7 billion the year before, while **total merchandise imports** grew 7.3 per cent to US$418.3 billion from US$390 billion.

Canada was ranked the world's 11th largest exporter garnering a 2.8 per cent share of global exports in 2008. This was a fall from its 10th position held in 2007 as well as a decline in its share of 3 per cent of world exports in 2007.

In terms of imports, Canada stood as the world's 11th largest importer with a 2.5 per cent share of world imports in 2008. This too was a contraction from its performance in 2007, where it held the 10th place and netted a 2.7 per cent share of global imports.

Canada's **total trade in commercial services** grew 3.7 per cent to US$146.5 billion in 2008 compared with US$141.2 billion in 2007. **Exports** amounted to US$62.3 billion, an increase of 1.5 per cent from US$61.4 billion posted in 2007. The **import of commercial services** amounted to US$84.2 billion, a rise of 5.4 per cent from US$79.8 billion the year before.

Canada was the 20th largest exporter of commercial services in 2008, with a 1.7 per cent share of the world's exports of commercial services, and the world's 13th largest importer of commercial services, garnering a 2.4 per cent share of world commercial services imports.

Europe

Germany

Germany's **output** grew by 1.3 per cent in 2008, well below the 2.5 per cent growth recorded in 2007. Germany was among the economies that were badly affected by the global financial and economic crisis, due mainly to its large exposure to manufacturing. Germany's manufacturing sector accounted for 27 per cent share of GDP, higher than the 16 per cent in France and 18 per cent in Spain. In the fourth quarter of 2008, Germany reported a GDP fall of 2.1 per cent and a contraction in industrial production by more than 7 per cent quarter on quarter.

Total merchandise trade increased 12.3 per cent to US$2.7 trillion in 2008 from US$2.4 trillion in 2007. **Total merchandise exports** amounted to US$1.5 trillion, a 10.8 percent rise from US$1.3 trillion reported the year before. Germany's **total merchandise imports** also grew strongly by 14.2 per cent to reach US$1.2 trillion from US$1.1 trillion posted in the previous year.

Germany was ranked as the world's top merchandise exporter in 2008, accounting for a 9.1 per cent share of the world's merchandise exports. In merchandise imports, Germany was placed as the world's second largest merchandise importer with a 7.3 per cent share of global merchandise imports.

Germany's total trade in commercial services increased 11 per cent to US$519.6 billion in 2008 from US$467.9 billion in the year before. **Exports of commercial services** in 2008 amounted to US$235 billion, an 11.5 per cent increase from US$210.8 billion recorded in 2007. Germany's **imports of commercial services** also rose by 10.7 per cent to US$284.6 billion in 2008 compared with US$257.1 billion registered the previous year. Germany was ranked as the world's third largest exporter of commercial services with a 6.3 per cent share of global exports of commercial services. In terms of imports of commercial services, Germany was placed second in the world with a share of 8.2 per cent of global imports of commercial services.

The Netherlands

The Netherlands' **output** growth in 2008 was 2 per cent, a decline from 3.5 per cent registered in 2007. The decline in global demand due to the financial and economic crisis caused the Netherlands' exports and industrial production to fall resulting in a contraction of the economy by 0.8 per cent in the **last quarter of 2008.** Nonetheless, the GDP growth recorded by the Netherlands in 2008 was the second highest (after Greece's GDP growth of 2.9 per cent) among the more developed economies of Western Europe.

The Netherlands' total merchandise trade in 2008 amounted to US$1.2 trillion, an increase of 15.6 per cent compared with US$1 trillion in the year before. **Total merchandise exports** grew by 14.9 per cent to US$634 billion in 2008 from US$551.7 billion in 2007. **Total merchandise imports** for the Netherlands rose 16.3 per cent to US$573.9 billion from US$493.3 billion in the previous year. As economic activity in much of advanced Europe began to contract in 2008, the growth of total merchandise trade for the Netherlands slowed accordingly, falling 3 percentage points from 18.6 per cent in 2007 to 15.6 per cent in the following year.

The Netherlands was ranked as the world's fifth largest merchandise exporter accounting for 3.9 per cent share of global exports as well as the world's seventh largest merchandise importer with 3.5 per cent share of global imports in 2008.

Total trade in commercial services for the Netherlands increased 9 per cent to US$194 billion in 2008 from US$178 billion in 2007. **Exports of commercial services** amounted to US$102 billion rising 8.3 per cent from US$94.2 billion the year before. The Netherlands' **imports of commercial services** also increased by 9.7 per cent to reach US$91.9 billion in 2008 from US$83.8 billion in the previous year.

In terms of trade in commercial services, the Netherlands was placed as the world's 10th largest exporter with a 2.7 per cent share; and was also ranked as the world's 11th largest importer of commercial services holding a 2.6 per cent share of global imports of commercial services in 2008.

The United Kingdom

The UK economy, the fifth largest in the world and second largest in Europe grew marginally by 0.7 per cent in 2008 after contracting 1.6 per cent in the fourth quarter – on top of credit constraints and slowdown in their financial, housing and equity sectors.

Total merchandise trade in 2008 increased 2.6 per cent to US$1.09 trillion from US$1.06 trillion in 2007. **Total merchandise exports** grew 4.2 per cent to US$458 billion from US$439.3 billion, while **merchandise imports** rose 1.4 per cent to US$631.9 billion from US$623.2 billion in the year before.

In 2008, the United Kingdom was ranked the world's 10th largest exporter with a 2.8 per cent share of global exports, falling from eighth position held in 2007. For imports, the UK was ranked the sixth largest globally, garnering a 3.8 per cent share of world imports, a decline from its fifth ranking in 2007.

Total trade in commercial services amounted to US$482.4 billion, an increase of 1.6 per cent from US$474.8 billion registered in 2007. **Exports of commercial services** grew 2.1 per cent to US$283.5 billion from US$277.6 billion the year before. **Imports of commercial services** rose 0.9 per cent to US$198.9 billion, from US$197.2 billion recorded in the previous year. The United Kingdom was ranked second in the world for exports of commercial services and third for imports. In 2008, it held a 7.6 per cent and 5.7 per cent share for exports and imports of commercial services, respectively.

In 2008, Europe's **total export in commercial services** increased by 11 per cent to $1.9 trillion, while **imports** grew 10 per cent to US$1.6 trillion. The UK remained as the second largest exporter with a 7.6 per cent world share worth US$283.5 billion from US$277.6 billion in 2007. The UK was the third largest importer in 2008 with imports valued at $198.9 billion or 5.7 percent of world trade compared with US$197.2 billion in 2007. The impact of the financial crisis was also evident in the case of Europe. Based on available data, the region's exports of commercial services, which were growing by 19 per cent in the first nine months of 2008, dropped 11 per cent in the last quarter.

Australasia/Oceania

Australia

Australia's **output** growth rate which had been on an average of 3.4 per cent from 2004 - 2007 fell to 2.1 per cent in 2008. This compares with the 4 per cent growth recorded in the previous year.

Australia's **total merchandise trade** in 2008 amounted to US$387.7, an increase of 26.4 per cent from US$306.7 billion in 2007. **Merchandise exports** recorded an increase of 32.6 per cent to US$187.4 billion in 2008 from US$141.4 billion in 2007. In terms of **merchandise imports**, Australia posted an increase of 21.1 per cent to US$200.3 billion from US$165.3 billion in 2007.

In 2008, Australia's **total trade in commercial services** increased 16.3 per cent to US$91 billion from US$78.2 billion in 2007. **Exports of commercial services** amounted to US$45.6 billion, an increase of 14.9 per cent from US$39.7 billion in 2007. **Imports of commercial services** increased 17.7 per cent to reach US$45.4 billion from US$38.5 billion in the year before.

Australia's global trade is forecasted to contract by 9.7 per cent in 2009. Trade surplus will also suffer in 2009 as prices for Australia's exports of industrial raw materials decline in 2009 – 2010 due to weaker global demand.

New Zealand

New Zealand's **GDP** grew by 0.3 per cent in 2008, a decline from growth of 3.2 percent in 2007. This marked the weakest annual growth since 2004.

Total merchandise trade in 2008 amounted to US$64.9 billion, an increase of 12.3 per cent from US$57.8 billion in 2007. New Zealand's **merchandise exports** recorded an increase of 13.6 per cent to US$30.6 billion in 2008 from US$26.9 billion in 2007. Total **merchandise imports** for New Zealand increased 11.3 per cent to US$34.4 billion from US$30.9 billion in 2007.

West Asia/Middle East

The United Arab Emirates (UAE)

The UAE posted an impressive **output** growth of 7.4 per cent in 2008, as compared with 6.3 per cent recorded in the previous year. One of the major factors that had contributed to the growth was the hike in oil prices, which peaked to a high of US$145.08 per barrel in July 2008.

The UAE's total merchandise trade in 2008 amounted to US$390.5 billion, an increase of 24.6 per cent from US$313.4 billion in 2007. The UAE's **merchandise exports** increased by 28 per cent to US$231.6 billion in 2008 from US$180.9 billion in 2007. **Merchandise imports** posted an increase of 19.9 per cent to US$158.9 billion from US$132.5 billion in 2007.

Saudi Arabia

Saudi Arabia's **GDP** grew by 4.6 per cent in 2008, increasing from the 3.5 per cent registered in 2007, mainly due to the high oil prices recorded in 2008. The petroleum sector accounted for approximately 75 per cent of budget revenues and 45 per cent of GDP.

Saudi Arabia's **total merchandise trade** in 2008 amounted to US$440.8 billion, an increase of 35.6 per cent from US$325.2 billion in 2007. Saudi Arabia's **merchandise exports** increased by 40 per cent to US$328.9 billion in 2008 from US$235 billion in 2007. Total **merchandise imports** for Saudi Arabia recorded an increase of 24 per cent to US$111.9 billion from US$90.2 billion in 2007.

Latin America

Brazil

Brazil's **GDP** fell in 2008 to 5.1 per cent from 5.7 per cent recorded in 2007. Brazil's **total merchandise trade** in 2008 totalled US$380.8 billion, an increase of 32.6 per cent from US$287.2 billion in 2007. Brazil's **merchandise exports** recorded an increase of 23.2 per cent to US$197.9 billion in 2008 from US$160.6 billion in 2007. **Total merchandise imports** recorded an increase of 44.4 per cent to US$182.8 billion in 2008 from US$126.6 billion in 2007.

In 2008, Brazil's **total trade in commercial services** increased 27.7 per cent to US$73.2 billion from US$57.3 billion in 2007. **Exports of commercial services** amounted to US$28.8 billion, an increase of 27.4 per cent from US$22.6 billion in 2007. **Imports of commercial services** increased 27.9 per cent to US$44.4 billion from US$34.7 billion in the year before.

Mexico

Mexico's **GDP** fell slightly to 1.3 per cent in 2008, from 3.3 per cent recorded in 2007. **Total merchandise trade** in 2008 amounted to US$615 billion, an increase of 8.5 per cent from US$567 billion in 2007. Mexico's **merchandise exports** increased by 7.4 per cent to US$291.8 billion in 2008, from US$271.8 billion in 2007. In terms of **merchandise imports**, Mexico registered an increase of 9.5 per cent to US$323.2 billion from US$295.2 billion in 2007.

In 2008, Mexico's **total trade in commercial services** increased 5.1 per cent to US$43 billion from US$40.9 billion in 2007. **Exports of commercial services** amounted to US$18.3 billion, an increase of 3.9 per cent from US$17.6 billion in 2007. **Imports of commercial services** increased by 5.9 per cent to US$24.6 billion from US$23.2 billion in the year before.

Africa

South Africa

South Africa's **GDP** which had recorded an average growth of 5.1 per cent in the period 2004 - 2007 fell to 3.1 per cent in 2008. **Total merchandise trade** in 2008 amounted to US$180.3 billion, an increase of 13.9 per cent from US$158.2 billion in 2007. South Africa's **merchandise exports** recorded an increase of 15.8 per cent to US$80.8 billion in 2008 from US$69.8 billion in the year before. In terms of **merchandise imports,** South Africa registered an increase of 12.5 per cent to US$99.5 billion from US$88.5 billion in the previous year.

INVESTMENT DEVELOPMENTS

Foreign Direct Investment Inflows

In 2008, global foreign direct investments (FDI) inflows decreased by 14.5 per cent to US$1.7 trillion, from US$1.9 trillion in 2007 due to the impact of the ongoing worldwide financial and economic crisis. The inflow of FDI into developed countries declined by 25.3 per cent while FDI inflows into developing countries grew by 7.2 per cent in 2008. South-East Europe and the Commonwealth of Independent States (CIS) registered a 23.8 per cent increase in FDI inflows for the total in 2008. The increase in world FDI flows was the result of high investment returns of multinational corporations and the robust economic performance by developing countries. A substantial portion of these FDI flows were attributed to high value cross-border mergers and acquisitions (M&As).

Developed countries continued to be the major recipients for FDI in 2008 attracting US$1 trillion or 60.4 per cent share of world FDI. Developing countries and countries in transition, namely South-East Europe and the CIS, accounted for 33.1 per cent and 6.5 per cent respectively of the total world FDI.

Foreign Direct Investments in Developed Countries

In 2008, the EU as a region remained the largest recipient of FDI attracting investments totalling US$554.9 billion or 32.9 per cent of total world FDI. France and UK, however, registered a significantly lower level of FDI compared with 2007. France registered a decrease of 20.2 per cent in FDI to US$126.1 billion (2007:

Table 1.5:
World FDI Inflows Region / Economy

Region/Economy	2008 [a]			2007 [1]	
	US$ billion	Share (%)	Change (%)	US$ billion	Change (%)
World	**1,658.5**	**100.0**	**-14.5**	**1,940.9**	**37.6**
Developed Economies	**1,001.8**	**60.4**	**-25.3**	**1,341.8**	**42.6**
Europe	**559.0**	**33.7**	**-39.3**	**920.9**	**53.7**
European Union	*544.9*	*32.9*	*-36.9*	*864.0*	*53.6*
Austria	*12.4*	*0.7*	*-58.2*	*29.7*	*380.0*
Belgium	*94.2*	*5.7*	*34.6*	*70.0*	*8.7*
Czech Republic	*10.9*	*0.7*	*2.6*	*10.6*	*76.3*
Denmark	*10.9*	*0.7*	*-7.8*	*11.8*	*226.4*
Finland	*-4.2*	*-0.3*	*-134.0*	*12.4*	*126.2*
France	*126.1*	*7.6*	*-20.2*	*158.0*	*102.2*
Germany	*24.9*	*1.5*	*-55.8*	*56.4*	*2.2*
Hungary	*6.6*	*0.4*	*7.7*	*6.1*	*-10.2*
Ireland	*-12.3*	*-0.7*	*-140.2*	*30.6*	*-652.1*
Italy	*13.3*	*0.8*	*-66.9*	*40.2*	*2.4*
Netherlands	*-3.5*	*-0.2*	*-130.0*	*118.4*	*1,383.3*
Poland	*16.5*	*1.0*	*-28.0*	*23.0*	*19.8*
Romania	*13.3*	*0.8*	*34.1*	*9.9*	*-12.9*
Spain	*65.5*	*3.9*	*-4.8*	*68.8*	*155.9*
Sweden	*40.4*	*2.4*	*83.1*	*22.1*	*-4.6*
United Kingdom	*96.8*	*5.8*	*-50.7*	*196.4*	*32.5*
USA	**320.9**	**19.3**	**37.8**	**232.8**	**-1.6**
Japan	**19.0**	**1.1**	**-15.6**	**22.5**	**-445.8**
Developing Economies	**549.1**	**33.1**	**7.2**	**512.2**	**24.0**
Africa	**72.0**	**4.3**	**34.7**	**53.5**	**16.9**
Egypt	*9.5*	*0.6*	*-18.0*	*11.6*	*15.5*
Morocco	*2.0*	*0.1*	*-20.5*	*2.6*	*6.1*
South Africa	*9.0*	*0.5*	*58.0*	*5.7*	*346.0*
Latin America and the Caribbean	**139.3**	**8.4**	**9.4**	**127.3**	**37.0**
Argentina	*7.3*	*0.4*	*27.9*	*5.7*	*13.2*
Brazil	*45.1*	*2.7*	*30.3*	*34.6*	*83.8*
Chile	*16.8*	*1.0*	*33.5*	*12.6*	*71.2*
Colombia	*10.6*	*0.6*	*16.7*	*9.0*	*39.2*
Mexico	*18.6*	*1.1*	*-31.6*	*27.2*	*41.0*
Peru	*4.1*	*0.2*	*-24.8*	*5.4*	*55.8*
Asia and Oceania	**337.8**	**20.4**	**1.9**	**331.4**	**20.8**
West Asia	*61.4*	*3.7*	*-14.2*	*71.5*	*11.7*
Turkey	18.0	1.1	-18.4	22.0	10.1
South, East and South-East Asia	*275.2*	*16.6*	*6.4*	*258.7*	*23.8*
People's Republic of China	92.4	5.6	10.6	83.5	14.8
Hong Kong SAR	63.0	3.8	5.2	59.9	33.0
India	46.5	2.8	85.1	25.1	27.7
Indonesia	8.3	0.5	20.4	6.9	40.4
Malaysia	**8.0**	**0.5**	**-5.6**	**8.5**	**40.5**
Singapore	22.7	1.4	-28.0	31.6	27.7
Thailand	10.1	0.6	-10.2	11.2	24.3
South-East Europe and the Commonwealth of Independent States	**107.6**	**6.5**	**23.8**	**86.9**	**52.0**
Russian Federation	70.3	4.2	34.0	52.5	62.1
Ukraine	10.7	0.6	8.1	9.9	76.7

Source: United Nations Conference on Trade and Development
[a] – Preliminary estimates   [1] – Revised Data

US$158 billion) and the UK, a 50.7 per cent decrease to US$96.8 billion (2007: US$196.4 billion).

The USA continued to rank as the single largest FDI recipient where FDI inflows have risen by 37.8 per cent to US$320.9 billion, compared with US$232.8 billion in 2007. This accounted for 19.3 per cent of the world FDI inflows in 2008.

Foreign Direct Investments in Developing Countries

The growth rate of FDI inflows to most developing countries remained high mainly due to positive and relatively high economic growth rates that still prevailed in several developing and transition economies including Brazil, the People's Republic of China and India.

In 2008, Asia and Oceania continued to be the largest recipient of FDI for developing countries, attracting investments totalling US$337.8 billion and accounting for 20.4 per cent of total world FDI or 61.5 per cent of total FDI inflows to developing countries. FDI inflows within Asia were mainly to South, East and South-East Asia, increasing by 6.4 per cent to US$275.2 billion in 2008 from US$258.7 in 2007. The major recipients of FDI inflows in the sub-region were the People's Republic of China totalling US$92.4 billion, Hong Kong SAR (US$63 billion) and India (US$46.5 billion). These countries collectively accounted for 73.4 per cent of total FDI inflows to the sub-region. In 2008, FDI inflows to Malaysia decreased by 5.9 per cent to US$8 billion from US$8.5 billion in 2007.

In West Asia, overall FDI inflows in 2008 declined by 14.2 per cent to US$61.4 billion (2007: US$71.5 billion). Turkey and the oil-rich Gulf States continued to account for most of the FDI inflows to the sub-region.

FDI inflows to Latin America and the Caribbean increased by 9.4 per cent to US$139.3 billion in 2008 (2007: US$127.3 billion). Within this region, a significant increase in FDI was recorded by Brazil with investment inflows growing by 30.3 per cent to US$45.1 billion in 2008, from US$34.6 billion in 2007. FDI inflows to Mexico declined by 31.6 per cent to US$18.6 billion (2007: US$27.2 billion), while investment flows to Chile increased by 33.3 per cent to US$16.8 billion (2007: US$12.6 billion).

In 2008, total FDI inflows to Africa amounted to US$72 billion (2007: US$53.5 billion). Main destinations of FDI inflows in this region include Egypt (US$9.5 billion), South Africa (US$9 billion) and Morocco (US$2 billion).

Foreign Direct Investments in South-East Europe and the CIS

FDI inflows to South-East Europe and the CIS reached a record level with investment inflows increasing by 23.8 per cent to US$107.6 billion in 2008 (2007: US$86.9 billion). Russia remained the largest FDI recipient among economies in transition with investment inflows increasing by 34 per cent to US$70.3 billion (2007: US$52.5 billion).

OUTLOOK

Advanced economies are projected to remain in recession with economic growth contracting 3.8 per cent in 2009. In 2010 the economies are expected to recover but will post zero growth.

Among the major economies, the USA, the very epicentre of the crisis, is projected to continue to suffer in recession, contracting by 2.8 percent in 2009 and recovering slowly to zero growth in 2010. Credit constraints, housing corrections, and high unemployment will continue to loom throughout these periods. Japan's contraction at 6.2 per cent is exceptionally severe due to the economy's heavy reliance on manufacturing exports and lacklustre domestic consumption.

Emerging and developing economies will fare slightly better with a modest projected growth of 1.6 per cent in 2009. Growth will be largely led by developing Asia, mainly the People's Republic of China, which is projected to grow by 6.5 per cent and 7.5 per cent in 2009 and 2010 respectively. India, forecasted to grow by 4.5 per cent and 5.6 per cent in 2009 and 2010 respectively, will also contribute to hasten the recovery of developing Asia.

However, real GDP is expected to decline across the regional economies of the Commonwealth of Independent States (CIS) by 5.1 per cent and by 3.7 per cent respectively in Central and Eastern Europe. The withdrawal of external financing, credit and capital coupled with diminishing demand in the developed markets of Western Europe will negatively impact export revenues in 2009. The economies of Latin America which collectively grew by 4.2 per cent in 2008, will also see a contraction of 1.5 per cent in 2009 before recovering to a positive growth of 1.6 percent in 2010.

Africa and the Middle East (West Asia) are expected to grow by 2 per cent and 2.5 per cent respectively in 2009. For 2010, Africa is projected to post a slightly higher growth of 3.9 per cent while the Middle East or West Asia will reach 3.5 percent.

The fall in global FDI in 2008 - 2009 is the result of two major factors affecting domestic as well as international investment. According to UNCTAD these two factors are that the capability of firms to invest has been reduced by a fall in access to financial resources and the propensity to invest has been affected negatively by economic prospects, especially in developed countries that are hit by the most severe recession of the post war era.

CHAPTER 2 : MALAYSIA'S EXTERNAL TRADE

OVERVIEW

Malaysia's total trade in 2008 reached RM1.2 trillion, an increase of 6.8 per cent from RM1.1 trillion in 2007. The increase was broad-based with growth contributed by the manufacturing, agricultural and mining sectors. Malaysia recorded a trade surplus for the 11th consecutive year with a value of RM142 billion in 2008.

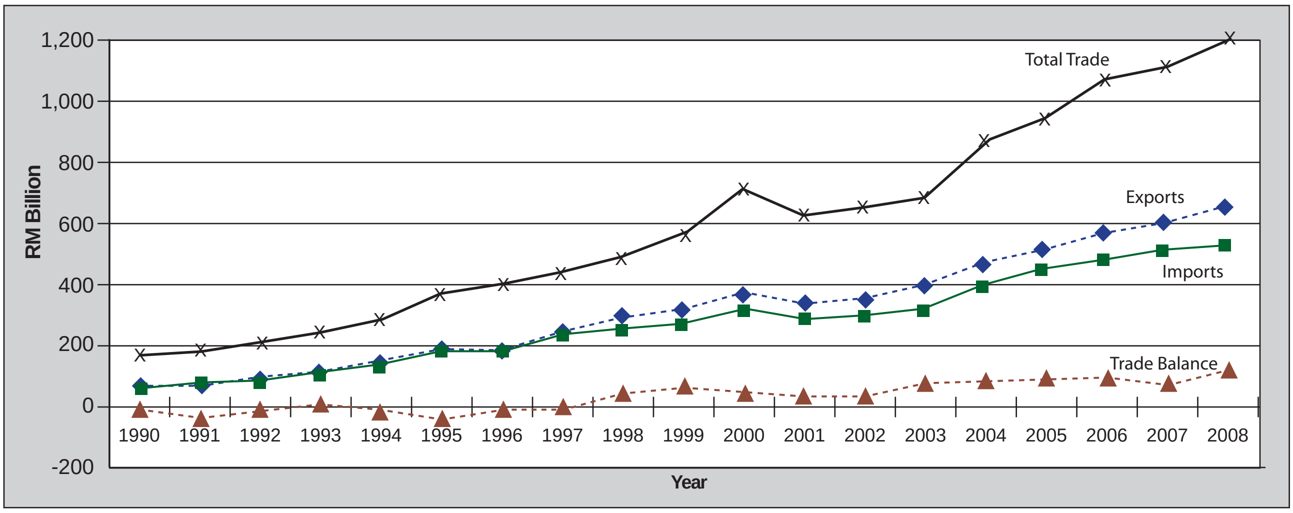
As a result of diversification in both products and markets, as well as continuous external demand in selected major markets, exports increased by 9.6 per cent to RM663.5 billion, compared with RM605.2 billion in 2007. Imports grew by 3.3 per cent to RM521.6 billion in 2008, from RM504.8 billion in 2007.

Table 2.1:
External Trade

Description	2008		2007
	RM (billion)	Change (%)	RM (billion)
Total Trade	**1,185.1**	**6.8**	**1,110.0**
Exports	663.5	9.6	605.2
Imports	521.6	3.3	504.8
Trade Balance	141.9	41.5	100.4

Compiled by Malaysia External Trade Development Corporation

Chart 2.1:
Malaysia's Trade Performance, 1990-2008



Compiled by Malaysia External Trade Development Corporation

Singapore, the United States of America (USA), Japan, the People's Republic of China and Thailand remained Malaysia's top five trading partners in 2008. Collectively, these countries accounted for 52.5 per cent of Malaysia's total trade.

Regionally, Malaysia's top three major trading partners in 2008 were North-East Asia, the Association of South East Asian Nations (ASEAN) and North America. Malaysia's total trade with North-East Asia and ASEAN increased by 6.9 per cent and 6.7 per cent respectively while trade with North America decreased by 6.1 per cent compared with 2007. Total trade with these regions accounted for 58.9 per cent of Malaysia's total trade in 2008.

In 2008, Malaysia's trade with North America contracted by 6.1 per cent to RM145.7 billion. Exports to the USA which accounted for 96.3 per cent of Malaysia's exports to North America declined by 12.5 per cent for the year. The main reason for the decline was lower exports of electrical and electronic (E&E) products which contracted by 19.5 per cent compared with 2007.

Table 2.2:
Top 20 Trading Partners

Country	2008 *i*				2007		
	Rank	RM (billion)	Share (%)	Change (%)	Rank	RM (billion)	Share (%)
Total Trade		**1,185.0**	**100.0**	**6.8**		**1,109.9**	**100.0**
Singapore	1	155.1	13.1	5.9	2	146.5	13.2
USA	2	139.2	11.7	-6.7	1	149.2	13.4
Japan	3	136.9	11.6	13.3	3	120.8	10.9
People's Republic of China	4	130.1	11.0	10.3	4	117.9	10.6
Thailand	5	61.0	5.1	7.1	5	57.0	5.1
Republic of Korea	6	50.1	4.2	4.4	6	48.0	4.3
Indonesia	7	44.9	3.8	14.8	9	39.1	3.5
Hong Kong	8	42.0	3.5	-1.6	8	42.6	3.8
Taiwan	9	41.3	3.5	-8.5	7	45.2	4.1
Germany	10	37.8	3.2	-1.1	10	38.2	3.4
Australia	11	36.2	3.1	18.2	11	30.6	2.8
India	12	35.0	3.0	28.5	12	27.3	2.5
Netherlands	13	27.1	2.3	0.9	13	26.9	2.4
United Arab Emirates	14	20.9	1.8	43.9	17	14.6	1.3
United Kingdom	15	17.1	1.4	-0.1	15	17.2	1.5
Philippines	16	16.7	1.4	-9.8	14	18.5	1.7
Viet Nam	17	15.8	1.3	10.4	18	14.2	1.3
France	18	13.9	1.2	-7.7	16	15.1	1.4
Saudi Arabia	19	11.1	0.9	19.7	19	9.2	0.8
Italy	20	7.9	0.7	-4.5	20	8.3	0.7

Compiled by Malaysia External Trade Development Corporation
Note : i interim figures

Malaysia however recorded a double digit growth in trade with new and emerging markets. Trade with West Asia grew by 37 per cent to RM54.4 billion, followed by South Asia (29.8 per cent to RM45.7 billion), Oceania (22.7 per cent to RM43.6 billion), Africa (14.5 per cent to RM18.9 billion) and Latin America (11.1 per cent to RM20.3 billion).

The increase in the utilisation of the preferential access under Free Trade Agreements (FTAs) also contributed to Malaysia's total trade in 2008. Under the ASEAN-China Free Trade Agreement (ACFTA), a total of 13,723 preferential Certificates of Origin (CO) were issued in 2008. Exports under this Agreement increased by 13 per cent to RM6.3 billion, from RM5.6 billion in 2007. In addition, Malaysia's exports under the ASEAN Common Effective Preferential Tariff (CEPT) Scheme increased by 19.1 per cent in 2008 to RM16.1 billion, from RM13.5 billion in 2007. A total of 139,894 COs under the CEPT Scheme were issued in 2008, compared with 130,137 in 2007. In 2008, preferential COs issued under the Malaysia-Japan Economic Partnership Agreement (MJEPA) was valued at RM8.4 billion, an increase of 24 per cent from RM6.7 billion in 2007.

EXPORTS

In 2008, the structure of exports was relatively unchanged, and all export sectors registered growth. The manufacturing sector continued to dominate Malaysia's exports with a 70 per cent share of total exports. Manufactured exports totalled RM464.5 billion, an increase of 1.8 per cent from RM456.1 billion in 2007. Mining exports increased by 42.4 per cent to RM120.7 billion or

18.2 per cent share, while agricultural exports grew by 32.3 per cent to RM71.7 billion or 10.8 per cent share.

Almost all sub-sectors within the manufacturing sectors registered increases in exports in 2008, except for E&E products, jewellery as well as iron and steel products. Significant increases were recorded for chemicals and chemical products, which grew by 10.3 per cent to RM40.5 billion, followed by processed food (grew by 39.9 per cent to RM12.1 billion) and rubber products (grew by 21 per cent to RM12.8 billion).

Major Export Products

In 2008, exports of E&E products, Malaysia's leading export accounting for 38.3 per cent share of total exports, decreased by 3.4 per cent to RM255.4 billion, from RM266.5 billion in 2007. Decrease in exports was registered mainly to the USA, Singapore, the Netherlands, Thailand and the Republic of Korea (ROK). The fall in exports of E&E products was attributed to lower exports of automatic data processing (ADP) machines and parts, as well as electrical machinery, apparatus, and appliances and parts, especially to the USA and the European Union (EU). However, higher exports of E&E products to the People's Republic of China, Australia, Japan and Germany which recorded growths of 19.3 per cent, 10.4 per cent, 2.6 per cent and 3.6 per cent respectively, to some extent moderated the decline.

The largest export category for E&E products was electrical machinery, apparatus, appliances and parts, which declined by 6.2 per cent to RM120.1 billion in 2008 from RM128.3 billion in the previous year. Semiconductor devices, integrated circuits (ICs), micro assemblies, transistors and valves, which constituted 75 per cent of this product category however, decreased by 6.9 per cent to RM89.8 billion in 2008.

E&E products that recorded decreases were ADP, which declined by 16.6 per cent to RM46.3 billion from RM55.5 billion in 2007, followed by parts and accessories for office machines and ADP machines (0.8 per cent to RM36.5 billion), telecommunication equipment and parts (9.2 per cent to RM26.2 billion), electrical apparatus for electrical circuits and printed circuits (2 per cent to RM13.8 billion), as well as electrical machinery and apparatus (11.5 per cent to RM7.7 billion).

Exports of E&E products that recorded strong growth were office machines, which grew by 469.3 per cent to RM4.9 billion in 2008 from RM862.6 million in the previous year, followed by TV reception apparatus, monitors and projectors (75.8 per cent to RM8.2 billion), electro-diagnostic apparatus, medical and radiological apparatus (55.7 per cent to RM552.9 million), sound recorders (21 per cent to RM6.5 billion) and radio broadcast receivers (5.5 per cent to RM6.6 billion).

For chemicals and chemical products, major categories that registered increases in exports were organic chemicals which grew by 7 per cent to RM16.5 billion, followed by plastics in primary form (4.6 per cent to RM9.9 billion), chemical materials and products (6.9 per cent to RM5.2 billion), as well as essential oils and perfume materials, and toilet and cleansing preparations (28.7 per cent to RM3 billion).

Major categories that registered increases in exports for manufactures of machinery, appliances and parts were heating and cooling equipment and parts which grew by 2.7 per cent to RM5.3 billion, followed by civil engineering and equipment (13.4 per cent to RM1.2 billion).

Crude petroleum, liquefied natural gas (LNG) and refined petroleum products were the major exports of the mining sector, with a total value of RM117 billion. These

Table 2.3:
Exports by Sector

Description	2008 i			2007		
	Value RM (Million)	Share (%)	Change (%)	Value RM (Million)	Share (%)	Change (%)
Total Exports	**663,494.00**	**100.0**	**9.6**	**605,153.20**	**100.0**	**2.7**
MANUFACTURED GOODS	**464,469.00**	**70.0**	**1.8**	**456,099.20**	**75.4**	**0.3**
Electrical & Electronic Products	253,826.30	38.3	-3.4	262,694.00	43.4	-5.4
Chemicals & Chemical Products	40,538.10	6.1	10.3	36,739.80	6.1	15.1
Machinery, Appliances & Parts	21,922.10	3.3	0.2	21,871.10	3.6	10.2
Manufactures of Metal	19,635.40	3	17.6	16,696.50	2.8	17.6
Wood Products	16,628.20	2.5	2.1	16,294.10	2.7	-2.4
Optical & Scientific Equipment	14,943.70	2.3	9.8	13,611.90	2.2	0.4
Rubber Products	12,806.10	1.9	21.0	10,583.10	1.7	13.4
Processed Food	12,131.80	1.8	39.9	8,670.40	1.4	19.5
Textiles & Clothing	10,497.20	1.6	2.3	10,263.00	1.7	-3.2
Iron & Steel Products	10,465.80	1.6	-0.5	10,523.00	1.7	12.4
Transport Equipment	9,530.90	1.4	13.5	8,397.10	1.4	-3.4
Manufactures of Plastics	9,341.50	1.4	11.5	8,380.40	1.4	6.7
Non-metallic Mineral Products	5,311.60	0.8	34.9	3,936.20	0.7	12.6
Jewellery	4,922.20	0.7	-1.7	5,006.80	0.8	29.3
Petroleum Products	3,867.30	0.6	33.6	2,895.20	0.5	16.4
Paper & Pulp Products	2,863.70	0.4	12.7	2,540.90	0.4	17.2
Beverages & Tobacco	2,406.60	0.4	9.6	2,195.00	0.4	14.2
Other Manufactures	12,830.40	1.9	-13.3	14,800.60	2.4	9.1
AGRICULTURAL GOODS	**71,709.70**	**10.8**	**32.2**	**54,230.50**	**9**	**24.5**
Palm Oil	49,690.10	7.5	45.6	34,117.40	5.6	48.1
Crude Rubber	8,111.70	1.2	10.6	7,335.30	1.2	-10.9
Saw Logs & Sawn Timber	5,896.00	0.9	-5.0	6,208.50	1	-5.8
Other Vegetable Oil	2,735.30	0.4	45.0	1,886.70	0.3	18.3
Seafood, Fresh, Chilled or Frozen	2,000.30	0.3	3.2	1,938.00	0.3	16.7
Live Animals & Meat	638.4	0.1	19.4	534.6	0.1	17.9
Vegetables, Roots, Tubers	466.9	0.1	22.8	380.1	0.1	-1.6
Hides, Skins and Fur Skins, Raw	27.6	0	6.1	26.1	0	-3.4
Cereal	10.1	0	28.3	7.9	0	-52.6
Other Agricultures	2,133.20	0.3	18.8	1,796.10	0.3	15.4
MINING GOODS	**120,700.20**	**18.2**	**42.4**	**84,748.60**	**14**	**6.9**
Crude Petroleum	44,088.40	6.6	31.5	33,524.30	5.5	2.9
Liquefied Natural Gas (LNG)	40,731.90	6.1	55.7	26,157.30	4.3	12.3
Refined Petroleum Products	32,214.10	4.9	38.9	23,193.90	3.8	5.2
Tin	1,976.60	0.3	98.7	994.8	0.2	43.3
Metalliferous Ores and Metal Scrap	829.6	0.1	143.0	341.5	0.1	14.4
Crude Fertilisers & Crude Minerals	813.1	0.1	59.0	511.3	0.1	57.3
Other Mining	46.4	0	81.9	25.5	0	26.2

Compiled by Malaysia External Trade Development Corporation
Note : i - interim

products accounted for 97 per cent of mining exports and 17.6 per cent of Malaysia's total exports. The average export unit price of crude petroleum in 2008 increased by 9.8 per cent to RM2,778 per tonne, while LNG increased by 6.7 per cent to RM1,153 per tonne. The export volume of crude petroleum decreased by four per cent to 16.2 million tonnes, while LNG increased by one per cent to 22.9 million tonnes.

For the agriculture sector, exports of crude palm oil registered a significant growth of 45.6 per cent valued totalling RM49.7 billion in 2008, from RM34 billion in 2007. The increase in the average price of crude palm oil by 9.8 per cent to RM2,777.50 per tonne in 2008 had contributed to the significant increase in the value of agricultural exports to RM71.7 billion, from RM54.2 billion in 2007. Export volume of palm oil increased by 12.1 per cent to 15.4 million tonnes in 2008, from 13.7 million tonnes in 2007.

Indonesia, the Philippines and Viet Nam remained as one of Malaysia's top 20 export destinations.

For seven consecutive years since 2002, Japan remained as Malaysia's third largest export destination while the People's Republic of China maintained its position as the fourth largest, with exports to these countries increasing by 30 per cent and 19.2 per cent respectively.

Table 2.4:
Top 20 Export Destinations

Country	2008 [i]				2007		
	Rank	RM (billion)	Share (%)	Change (%)	Rank	RM (billion)	Share (%)
Total		**663.5**	**100.0**	**9.6**		**605.2**	**100.0**
Singapore	1	97.8	14.7	10.5	2	88.5	14.6
USA	2	82.7	12.5	-12.5	1	94.5	15.6
Japan	3	71.8	10.8	30.0	3	55.2	9.1
People's Republic of China	4	63.2	9.5	19.2	4	53.0	8.8
Thailand	5	31.7	4.8	5.9	5	30.0	5.0
Hong Kong SAR	6	28.3	4.3	1.3	6	28.0	4.6
Republic of Korea	7	25.9	3.9	12.4	8	23.0	3.8
India	8	24.7	3.7	22.4	10	20.2	3.3
Australia	9	24.4	3.7	19.7	9	20.4	3.4
Netherlands	10	23.4	3.5	-0.7	7	23.6	3.9
Indonesia	11	20.7	3.1	16.7	11	17.7	2.9
Taiwan	12	16.2	2.4	-1.4	12	16.5	2.7
Germany	13	15.4	2.3	3.6	13	14.8	2.5
United Arab Emirates	14	12.5	1.9	24.0	14	10.1	1.7
Philippines	15	9.8	1.5	11.7	16	8.7	1.4
United Kingdom	16	9.5	1.4	-4.2	15	9.9	1.6
Viet Nam	17	8.1	1.2	1.2	17	8.0	1.3
France	18	6.4	1.0	-13.5	18	7.4	1.2
Pakistan	19	5.7	0.9	33.0	19	4.3	0.7
Mexico	20	5.4	0.8	33.7	20	4.0	0.7

Compiled by Malaysia External Trade Development Corporation
Note : i - interim

Major Export Destinations

In 2008, Malaysia's top 10 export destinations were Singapore, the USA, Japan, the People's Republic of China, Thailand, Hong Kong Special Administrative Region (Hong Kong SAR), ROK, India, Australia and the Netherlands, seven of which are in Asia.

Within ASEAN, Singapore was Malaysia's largest export destination while Thailand,

The countries that recorded significant increases in exports were Mexico, Pakistan, Japan, the United Arab Emirates (UAE) and India. Malaysia's most significant export growth in 2008 was to Mexico which registered a growth of 33.7 per cent to RM5.7 billion, with its main product being E&E products. This was followed by Pakistan (33 per cent to RM5.73 billion) mainly for palm oil, Japan (30 per cent to RM71.8 billion) mainly for LNG, the UAE

(23.9 per cent to RM12.7 billion) mainly for jewellery and India (22.4 per cent to RM24.7 billion) mainly for crude petroleum.

IMPORTS

Malaysia's total imports in 2008 grew by 3.3 per cent to RM521.6 billion, from RM504.8 billion in 2007. The growth was attributed mainly to higher imports of intermediate and capital goods. Imports of intermediate and capital goods accounted for 86.1 per cent of Malaysia's total imports.

Imports of intermediate goods grew by 5.6 per cent from 2007. Higher demand for intermediate goods was in response to the expansion of manufacturing activities in Malaysia.

The largest import source in 2008 was the People's Republic of China followed by Japan, Singapore, the USA and Thailand. Major imports from the People's Republic of China were E&E products, machinery, appliances and parts, chemicals and chemical products, iron and steel products, as well as manufactures of metal. The top five imports from Japan comprised E&E products, machinery, appliances and parts, iron and steel products, transport equipment and manufactures of metal.

Table 2.5 :
Imports by End-Use

Description	2008 [i]			2007	
	RM (million)	Share (%)	Change (%)	RM (million)	Share (%)
Gross Imports	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**
Intermediate Goods	**378,996.8**	**72.7**	**5.6**	**358,755.5**	**71.1**
Parts and accessories	**164,037.7**	**31.5**	**-5.1**	**172,809.8**	**4.2**
Semiconductors, printed circuits and parts	96,895.7	18.6	-8.5	105,949.8	21.0
Parts for office machines	21,867.6	4.2	-11.4	24,679.0	4.9
Electrical apparatus and resistors	16,260.4	3.1	4.5	15,558.1	3.1
Parts for checking instruments	657.81	0.1	-20.6	828.1	0.2
Processed industrial supplies	**120,204.1**	**23.0**	**8.5**	**110,787.5**	**21.9**
Iron and steel	22,193.4	4.3	24.9	17,765.0	3.5
Plastics in primary forms (excluding scrap)	9,928.2	1.9	-3.3	10,264.6	2.0
Copper products	8,875.2	1.7	-10.4	9,900.8	2.0
Organic chemicals	9,541.9	1.8	-1.5	9,688.4	1.9
Paper and paperboard	4,603.9	0.9	0.3	4,589.2	0.9
Ferrous waste and scrap	4,539.6	0.9	6.9	4,246.7	0.8
Manufactures of base metals	4,394.4	0.8	6.3	4,132.2	0.8
Fertiliser, except crude fertilisers	6,779.5	1.3	111.0	3,213.4	0.6
Inorganic chemicals (excluding spent fuel elements of nuclear reactors)	3,523.8	0.7	12.6	3,130.7	0.6
Plastics in non-primary forms	2,470.4	0.5	3.9	2,397.7	0.5
Dying, tanning and colouring materials (excluding artists' colours)	2,081.6	0.4	21.1	1,718.9	0.3
Primary fuels and lubricants	**29,092.1**	**5.6**	**36.7**	**21,276.6**	**4.2**
Primary industrial supplies	**17,531.4**	**3.4**	**18.3**	**4,820.8**	**2.9**
Other processed fuels and lubricants	**17,463.8**	**3.3**	**24.8**	**13,992.8**	**2.8**
Parts and accessories for transport equipment	**14,284.7**	**2.7**	**14.8**	**12,447.6**	**2.5**

Description	2008 *i*			2007	
	RM (million)	Share (%)	Change (%)	RM (million)	Share (%)
Processed food and beverages, mainly for industry	**8,989.5**	**1.7**	**28.4**	**7,002.6**	**1.4**
Primary food and beverages, mainly for industry	**7,393.5**	**1.4**	**31.6**	**5,617.7**	**1.1**
Capital Goods	**69,957.1**	**13.4**	**0.03**	**69,934.1**	**13.9**
Capital goods (except transport equipment)	**61,424.4**	**11.8**	**2.3**	**60,055.6**	**11.9**
Automatic data processing machines	8,204.6	1.6	-16.1	9,779.2	1.9
Electrical machinery and apparatus (exclude parts)	8,214.5	1.6	-11.7	9,299.3	1.8
Telecommunications equipment (exclude parts)	7,249.7	1.4	52.0	4,770.9	0.9
Other machinery specialised for particular industry	3,377.5	0.6	-19.7	4,206.7	0.8
Transformer and other electric power machines	2,814.8	0.5	-15.1	3,316.5	0.7
Rotating electric plants and parts	2,832.5	0.5	-5.3	2,989.4	0.6
Measuring, checking and analysing equipment	1,482.6	0.3	-11.1	1,667.7	0.3
Medical, dental and surgical instrument	1,315.9	0.3	11.3	1,182.7	0.2
Transport equipment for industries	**8,532.7**	**1.6**	**-13.6**	**9,878.6**	**2.0**
Consumption Goods	**32,272.9**	**6.2**	**11.6**	**28,906.5**	**5.7**
Non-durable consumer goods	8,799.9	1.7	8.5	8,107.3	1.6
Processed food and beverages for household consumption	8,944.4	1.7	39.7	6,403.9	1.3
Semi-durable consumer goods	5,893.2	1.1	5.2	5,599.7	1.1
Durable consumer goods	4,442.9	0.9	0.2	4,435.8	0.9
Primary food and beverages for household consumption	3,637.0	0.7	-8.6	3,978.8	0.8
Transport equipment for non-industries	555.5	0.1	45.8	380.9	0.1
Dual Purpose Goods	**14,121.0**	**2.7**	**13.7**	**12,421.2**	**2.5**
Processed motor spirits	8,973.3	1.7	8.2	8,292.1	1.6
Passenger motor cars	5,147.7	1.0	24.7	4,129.0	0.8

Compiled by Malaysia External Trade Development Corporation
Note : i - interim

DIRECTION OF TRADE

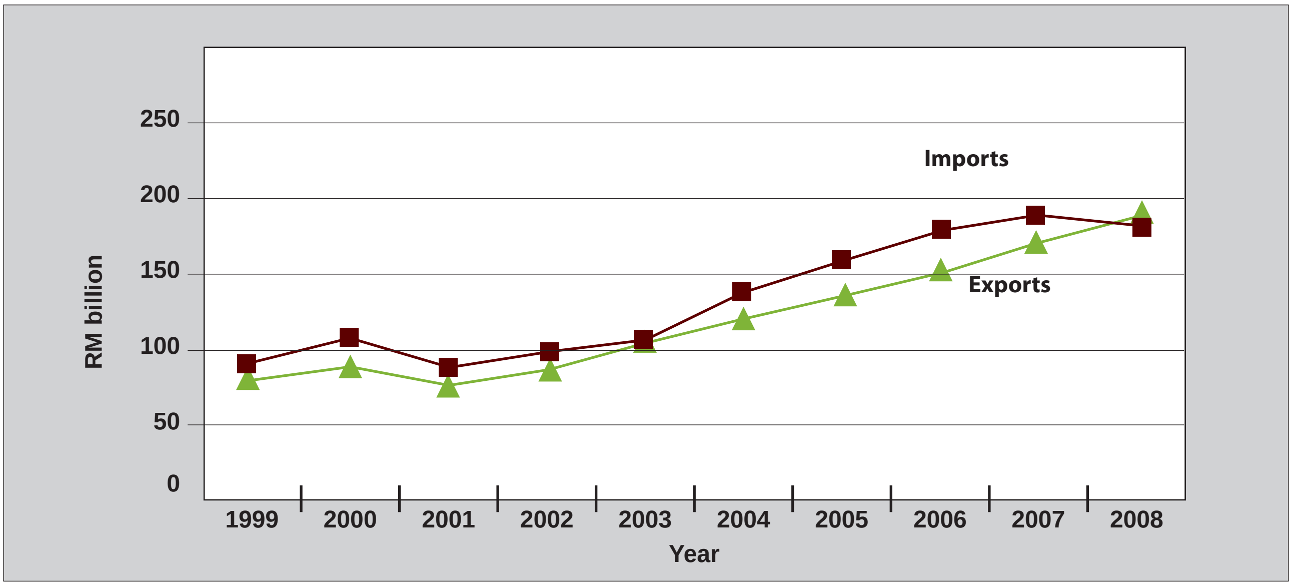
In 2008, Malaysia's total trade with all regional markets, except for North America and the EU, recorded growths. The North East Asian region continued to be Malaysia's largest trading partner, accounting for 33.8 per cent of Malaysia's total trade. This was followed by ASEAN (25.1 per cent) and North America (12.3 per cent).

North East Asia

For the period 1999-2008, bilateral trade between Malaysia and the North East Asian region showed an upward trend with an annual average growth of 10.5 per cent. Total trade increased by 125.8 per cent to RM400.6 billion in 2008, compared with RM177.4 billion in 1999.

Malaysia's total exports to North East Asia in 2008 accounted for 31 per cent of

Chart 2.2:
Malaysia's Trade with North East Asia, 1999 - 2008



Compiled by Malaysia External Trade Development Corporation

Malaysia's global exports. Exports to the region recorded an increase of 16.9 per cent to RM205.6 billion, compared with RM175.87 billion in 2007. Major exports to the region were E&E products, LNG, palm oil, chemicals and chemical products and crude petroleum. These products constituted 74.3 per cent of Malaysia's total exports to North East Asia. In 2008, imports from the People's Republic of China were valued at RM66.9 billion, accounting for 34.3 per cent share of imports from the region. This was followed by Japan (33.4 per cent), Taiwan (12.9 per cent), the ROK (12.4 per cent) and Hong Kong SAR (7 per cent). These countries remained as Malaysia's main sources of imports from the region.

The main product imports from the North East Asian region were E&E products, valued at RM96.5 billion or 49.5 per cent of Malaysia's imports from the region. This was followed by machinery, appliances and parts (RM18.9 billion or 9.7 per cent), iron and steel products (RM16.1 billion or 8.3 per cent), chemicals and chemical products (RM13.4 billion or 6.9 per cent), and manufactures of metal (RM11.6 billion or 5.9 per cent).

People's Republic of China

Malaysia's total trade with the People's Republic of China in 2008 increased by 10.3 per cent from RM117.9 billion in 2007 to RM130.1 billion, accounting for 11 per cent of Malaysia's global trade.

Malaysia continued to record a positive growth over the last 10 years averaging 24.6 per cent annually. Malaysia's exports to the People's Republic of China amounted to RM63.2 billion, an increase of 19.2 per cent from RM53 billion in 2007.

Malaysia's main exports to the People's Republic of China were E&E products. Exports of E&E products to the People's Republic of China increased by 19.3 per cent to RM29.7 billion. The increase was mainly attributed to higher exports of semiconductor devices, ICs, transistors and valves. Malaysia was ranked fifth after the ROK, Taiwan, Japan and the USA as the major import source of E&E products for the People's Republic of China in 2008. It represented 6.5 per cent of the People's Republic of China's total imports of E&E products.

Table 2.6:
Top 20 Import Sources

Country	2008 *i*				2007		
	Rank	RM (billion)	Share (%)	Change (%)	Rank	RM billion (billion)	Share (%)
Total Imports		**521.6**	**100.0**	**3.3**		**504.8**	**100.0**
People's Republic of China	1	66.9	12.8	3.0	2	64.9	12.9
Japan	2	65.1	12.5	-0.7	1	65.5	13.0
Singapore	3	57.3	11.0	-1.1	3	58.0	11.5
USA	4	56.5	10.8	3.2	4	54.7	10.8
Thailand	5	29.3	5.6	8.4	6	27.0	5.4
Taiwan	6	25.1	4.8	-12.6	5	28.7	5.7
Republic of Korea	7	24.2	4.6	-2.9	7	24.9	4.9
Indonesia	8	24.2	4.6	13.1	9	21.4	4.2
Germany	9	22.5	4.3	-4.1	8	23.4	4.6
Hong Kong SAR	10	13.7	2.6	-6.9	10	14.7	2.9
Australia	11	11.8	2.3	15.3	11	10.2	2.0
India	12	10.3	2.0	45.8	15	7.1	1.4
United Arab Emirates	13	8.4	1.6	89.2	20	4.4	0.9
Viet Nam	14	7.7	1.5	22.0	17	6.3	1.3
United Kingdom	15	7.7	1.5	5.3	14	7.3	1.4
France	16	7.6	1.4	-2.1	13	7.7	1.5
Saudi Arabia	17	7.5	1.4	11.4	16	6.8	1.3
Philippines	18	6.9	1.3	-29.0	12	9.8	1.9
Ireland	19	5.0	1.0	82.2	21	2.7	0.5
Italy	20	4.8	0.9	6.6	19	4.5	0.9

Compiled by Malaysia External Trade Development Corporation
Note : i - interim

Exports of palm oil, which was Malaysia's second largest export product to the People's Republic of China, expanded by 29 per cent in 2008. The People's Republic of China continued to be the largest importer of palm oil from Malaysia, in value terms at RM12.4 billion. Palm oil export volume to the People's Republic of China declined by 1.2 per cent to 3.8 million tonnes in 2008.

Other major exports to the People's Republic of China were chemicals and chemical products, which increased by 4.9 per cent to RM5.3 billion, crude rubber (decreased by 0.7 per cent to RM2.6 billion) and rubber products (increased by 47.5 per cent to RM2.6 billion).

The People's Republic of China was Malaysia's largest source of imports in 2008, as compared to a second position in 2007. Malaysia's imports from the People's Republic of China comprised of E&E products which declined by 2.1 per cent to RM35.5 billion, followed by machinery, appliances and parts which grew by 10.7 per cent to RM6.3 billion, chemicals and chemical products (25.6 per cent to RM4.8 billion), iron and steel products (14.4 per cent to RM3.9 billion), as well as manufactures of metal which declined by 2.1 per cent to RM2.9 billion. These products accounted for 79.6 per cent of Malaysia's total imports from the People's Republic of China.

Under the ACFTA, exports increased by 13 per cent to RM6.3 billion, from RM5.6 billion in 2007. Major export products under ACFTA in 2008 were compound rubber, vegetable fats and oils, stearic acid, palm kernel and acetic acid.

Japan

Total trade between Malaysia and Japan in 2008 registered an increase of 13.3 per cent to RM136.9 billion, from RM120.8 billion in 2007. In the last five years, Malaysia's trade with Japan recorded an upward trend with an annual average growth of 7.4 per cent. The growth in trade was contributed mainly by higher exports which grew by 11.5 per cent, compared with imports of 4.1 per cent annually.

Malaysia's total exports to Japan in 2008 amounted to RM71.8 billion, an increase of 30 per cent, compared with RM55.2 billion in 2007. This represented 10.8 per cent of Malaysia's total exports in 2008. The significant increase in exports was attributed to an increase in the utilisation of the MJEPA. Major export products under this Agreement were refined, bleached and deodorised palm oil, stretch film, polyethylene film, polyethylene bags and palm kernel oil.

Exports of LNG to Japan increased by 75.1 per cent to RM28.5 billion in 2008. This was followed by E&E exports which grew by 2.6 per cent to RM16.5 billion. The lower growth in E&E exports was related to a weaker global demand especially for telecommunications and sound equipment, office machines, as well as ADP machines and parts. Other exports were wood products which increased by 0.3 per cent to RM4 billion, refined petroleum products which increased by 80.3 per cent to RM2.7 billion, as well as chemicals and chemical products which increased by 9.5 per cent to RM2.6 billion.

In 2008, Malaysia's imports from Japan decreased by 0.6 per cent to RM65.1 billion, compared with RM65.5 billion in 2007. Japan ranked as the second largest source of imports for Malaysia, with a share of 12.5 per cent of Malaysia's total imports. The leading imports from Japan were E&E products, which decreased by 3.5 per cent to RM23.3 billion in 2008, followed by machinery, appliances and parts which decreased by 1.6 per cent to RM8.9 billion. Other major imports that recorded gains were iron and steel products which increased by 12.5 per cent to RM6.7 billion, transport equipment which increased by 2.9 per cent to RM6.2 billion, and manufactures of metal which increased by 9.6 per cent to RM5.6 billion. Collectively, imports of these products accounted for 77.9 per cent of Malaysia's total imports from Japan.

ASEAN

Since the implementation of AFTA in January 2003, Malaysia's trade with ASEAN grew significantly. Over the last decade, Malaysia's trade with the ASEAN region registered an annual average growth of 10 per cent, accelerated by the implementation of AFTA.

In 2008, trade with ASEAN accounted for 25.1 per cent of Malaysia's total trade; an increase of 6.7 per cent to RM297.6 billion, from RM279 billion in 2007. ASEAN was Malaysia's second largest regional trading partner in 2008. Within ASEAN, Singapore remained as Malaysia's largest trading partner, with a 52.1 per cent share of total trade. This was followed by Thailand with 20.5 per cent, Indonesia (15.1 per cent), the Philippines (5.6 per cent) and Viet Nam (5.3 per cent).

Exports to ASEAN increased by 10.1 per cent to RM171.2 billion, which accounted for 25.8 per cent of Malaysia's total exports. The three major export markets in ASEAN in 2008 were Singapore, Thailand and Indonesia, which together accounted for 39.3 per cent of Malaysia's total exports to the region. Significant increases were recorded for Malaysia's exports to Indonesia and Myanmar. The increase in exports to both countries were evident largely in iron and steel products, chemicals and

Table 2.7:
Malaysia's Trade with ASEAN

Country	2008 [i]							2007		
	Total Trade	Exports			Imports			Total Trade	Exports	Imports
	RM (million)	RM (million)	Share (%)	Change (%)	RM (million)	Share (%)	Change (%)	RM (million)	RM (million)	RM (million)
ASEAN	297,585.4	171,196.6	100.0	10.1	126,396.8	100.0	2.4	278,981.8	155,560.5	123,421.2
Singapore	155,086.6	97,765.2	51.2	10.5	57,321.4	45.4	-1.1	146,463.5	88,508.0	57,955.5
Thailand	61,024.1	31,754.9	18.5	5.9	29,269.3	23.2	8.4	56,990.2	29,983.9	27,006.3
Indonesia	44,905.5	20,719.1	12.1	16.7	24,186.5	19.1	13.1	39,128.7	17,749.5	21,379.2
Philippines	16,700.6	9,760.7	5.7	11.7	6,939.9	5.5	-29.0	18,513.8	8,738.8	9,774.9
Viet Nam	15,771.7	8,080.3	4.7	1.2	7,691.4	6.1	22.0	14,289.7	7,985.6	6,304.1
Brunei Darussalam	1,823.4	1,484.4	0.9	7.5	339.0	0.3	3.4	1,709.2	1,381.3	327.9
Myanmar	1,635.9	1,044.3	0.6	44.9	591.6	0.5	23.7	1,199.0	720.8	478.1
Cambodia	598.9	551.0	0.3	19.6	48.0	0.0	-34.5	533.8	460.6	73.2
Lao PDR	38.7	28.9	0.0	-9.8	9.8	0.0	-92.0	153.9	32.0	122.0

Compiled by Malaysia External Trade Development Corporation
Note : i - interim

chemical products, E&E products, as well as machinery, appliances and parts.

E&E products remained Malaysia's major exports to ASEAN, accounting for 32.8 per cent of total exports to the region. Exports of these products decreased by 2.7 per cent to RM56.2 billion, compared with RM57.7 billion in 2007. Other major exports to ASEAN were refined petroleum products valued at RM21.3 billion, crude petroleum (RM16.7 billion), chemicals and chemical products (RM13.4 billion) as well as machinery, appliances and parts (RM9 billion).

In 2008, Malaysia's exports under the ASEAN CEPT Scheme accounted for 9.4 per cent of Malaysia's total exports to ASEAN. Major export products were refined, bleached and deodorised palm oil, air conditioners, controlling instruments, polymers of ethylene and cathode-ray tubes.

Table 2.8:
Malaysia's Export Destinations under the CEPT Scheme, 2008

Export Destination	2008 [i]			2007	
	RM (million)	Share (%)	Change (%)	RM (million)	Share (%)
Total	**16,063.46**	**100.0**	**19.07**	**13,490.70**	**100.0**
Thailand	4,715.93	29.4	13.72	4,147.10	30.7
Indonesia	4,270.03	26.6	32.75	3,216.60	23.8
Viet Nam	3,383.77	21.1	6.03	3,191.40	23.7
Philippines	2,622.25	16.3	16.54	2,250.10	16.7
Singapore	850.02	5.3	30.85	649.6	4.8
Brunei Darussalam	36.89	0.2	88.23	19.6	0.1
Myanmar	169.79	1.1	1,291.74	12.2	0.1
Cambodia	13.62	0.1	339.39	3.1	*neg.*
Lao PDR	1.16	*neg.*	15.57	1	*neg.*

Compiled by Malaysia External Trade Development Corporation
Note: neg. - negligible
Note : i - interim

Table 2.9:
Malaysia's Major Exports under the CEPT Scheme, 2008

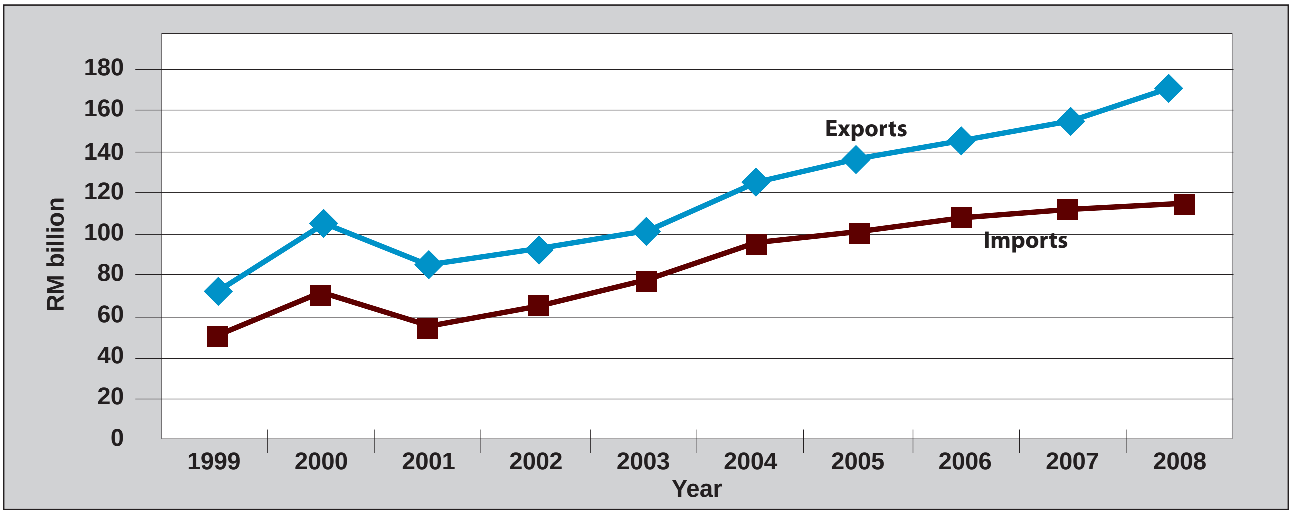
Product	RM million	Share (%)
Total Export Under CEPT scheme	**16,063.0**	**100.0**
Palm Oil (Not Chemically Modified)	891.1	5.5
Window Or Wall Types Of Air Conditioning Machines	319.2	2.0
Automatic Regulating Or Controlling Instruments	237.9	1.5
Polymers Of Ethylene	231.2	1.4
Cathode-Ray Tubes, Colour	231.2	1.4
Blended Tobacco	177.6	1.1
Urea, Whether Or Not In Aqueous Solution	163.8	1.0
Monitors And Projectors	155.1	1.0
Industrial Fatty Alcohols	141.1	0.9
Flat Rolled Product	132.0	0.8

Compiled by Malaysia External Trade Development Corporation

Imports from ASEAN grew by 2.4 per cent to RM126.4 billion, from RM123.4 billion in 2007. ASEAN remained as Malaysia's second largest source of imports with a 24.2 per cent share of Malaysia's total imports. Major import sources were Singapore, Thailand, Indonesia, Viet Nam and the Philippines. In 2008, these countries accounted for 59.8 per cent of Malaysia's imports from the region.

E&E products were the largest imports accounting for 24.3 per cent of Malaysia's total imports from the region, valued at RM30.8 billion. Other major imports were refined petroleum products valued at RM21 billion, followed by chemicals and chemical products (RM11.2 billion), machinery, appliances and parts (RM6.5 billion) and transport equipment (RM6.1 billion).

Chart 2.3 :
Malaysia's Trade with ASEAN, 1999 - 2008



Compiled by Malaysia External Trade Development Corporation

North America

Malaysia's largest regional trading partner after North East Asia and ASEAN is North America which comprises of the USA and Canada. In 2008, exports to the USA and Canada decreased by 12.2 per cent due to a decline in the exports of E&E, textiles and apparel, and wood products.

Total exports to North America, Malaysia's third largest regional export destination, amounted to RM86 billion in 2008. The USA and Canada accounted for 96.3 per cent and 3.8 per cent of Malaysia's exports to North America respectively. In 2008, E&E products continued to be the leading export to North America, accounting for 67.9 per cent of total exports to the region. Their export value decreased by 19.2 per cent to RM58.3 billion, compared with RM72.1 billion in 2007.

Other major exports to North America were palm oil, valued at RM4 billion, optical and scientific equipment (RM3.4 billion), rubber products (RM3.1 billion) and wood products (RM2.8 billion). Exports of rubber gloves (surgical and non-surgical) to North America grew by 24.7 per cent in 2008 to RM2.8 billion compared with RM2.2 billion in 2007. The main contributor to the export of wood products to North America was wooden furniture which increased by 2.8 per cent to RM2.3 billion in 2008 from RM2.2 billion in the previous year.

Malaysia's imports from the region grew by 4.3 per cent to RM59.7 billion from RM57.3 billion in 2007. Imports from the USA were valued at RM56.5 billion, while those from Canada were RM3.3 billion. The main imports from North America were E&E products, which accounted for 53.2 per cent followed by machinery appliances and parts (10.7 per cent), chemicals and chemical products (9 per cent), optical and scientific equipment (5.3 per cent), as well as iron and steel products (3.8 per cent).

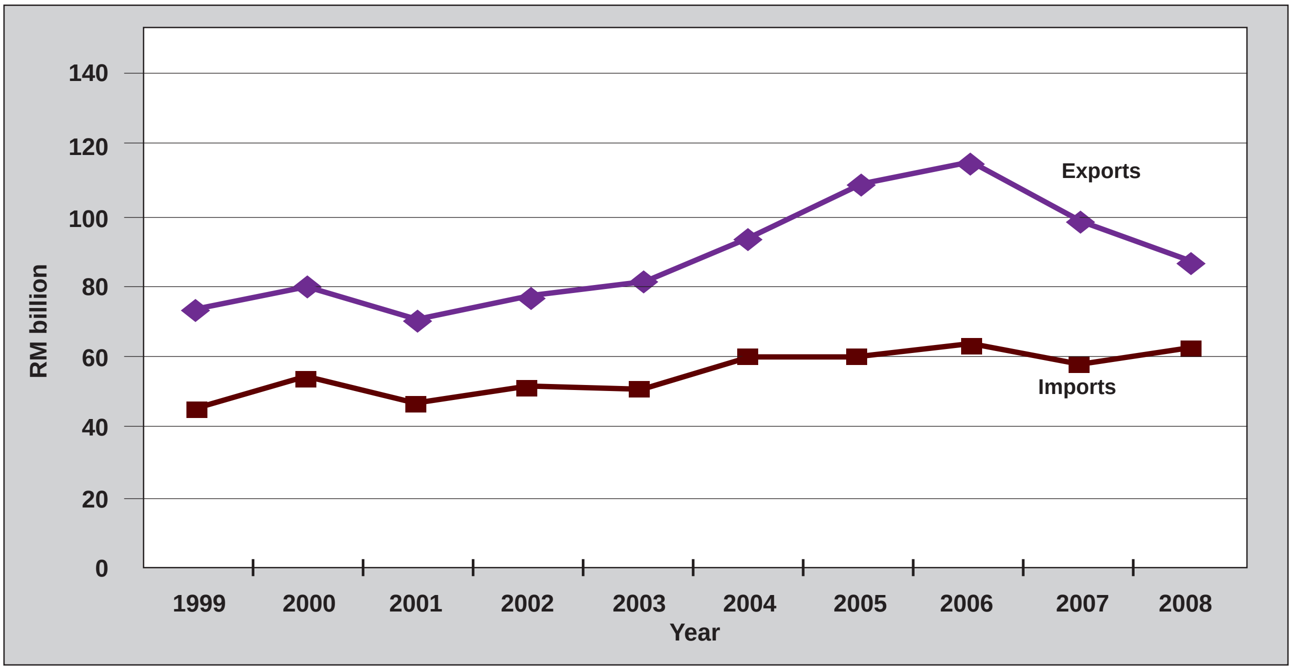
United States of America

Malaysia's trade with the USA in 2008 recorded a decrease of 6.7 per cent compared with 2007. The USA was Malaysia's second largest trading partner in 2008, accounting for 11.7 per cent of Malaysia's global trade. Malaysia was the USA's 18th largest trading partner in 2008.

In 2008, the USA was Malaysia's second largest export destination with a 12.5 per cent share of Malaysia's total exports. Among ASEAN countries, Malaysia continued to be the largest source of imports for the USA. Globally, Malaysia was the 15th largest source of imports for the USA in 2008, accounting for 1.5 per cent of the USA's total imports. In 2008, exports to the USA, however, decreased by 12.5 per cent to RM82.7 billion, compared with RM94.5 billion in 2007. This decline was due to the slowdown in the USA economy caused by the financial crisis.

Malaysia's major exports to the USA were E&E products, which accounted for 68.5 per cent of Malaysia's total exports.

Chart 2.4 :
Malaysia's Trade with North America, 1999 - 2008



Compiled by Malaysia External Trade Development Corporation

E&E exports declined by 19.6 per cent to RM56.7 billion in 2008. Other major exports to the USA were palm oil (increased by 85.1 per cent to RM3.9 billion), optical and scientific equipment (increased by 14.6 per cent to RM3.2 billion), rubber products (increased by 22 per cent to RM2.9 billion) and wood products (decreased by 9.3 per cent to RM2.5 billion).

Imports from the USA increased by 3.2 per cent in 2008 to RM56.5 billion, compared with RM54.7 billion in 2007. The USA was Malaysia's fourth largest source of imports after the People's Republic of China, Japan and Singapore, with a share of 10.8 per cent of Malaysia's total imports.

Imports from the USA comprised mainly E&E products which accounted for 55.6 per cent of Malaysia's imports, with a value of RM31.4 billion. This was followed by machinery, appliances and parts with 11 per cent share, valued at RM6.2 billion, chemicals and chemical products (6.7 per cent, RM3.8 billion), optical and scientific equipment (5.4 per cent, RM3.1 billion), as well as iron and steel products (4 per cent, RM2.3 billion).

European Union

Malaysia's total trade with the European Union (EU), Malaysia's fourth largest trading partner, was valued at RM136.6 billion in 2008, a decrease of 0.9 per cent from RM137.8 billion in 2007. The region accounted for 11.5 per cent of Malaysia's total trade in 2008. Malaysia's top five trading partners within the EU were Germany, accounting for 27.7 per cent of Malaysia's total trade with the region, followed by the Netherlands (19.9 per cent), the United Kingdom (UK) (12.6 per cent), France (10.2 per cent) and Italy (5.8 per cent).

In 2008, exports to the EU decreased by 3.8 per cent to RM74.9 billion, from RM77.8 billion in 2007. Malaysia was the 18th largest exporter to the EU. Among ASEAN nations, Malaysia was the largest source of imports for the EU, accounting for 1.1 per cent of the EU's total imports.

Malaysia's exports to the Netherlands, Malaysia's main export market in the EU, registered declined by 0.7 per cent to RM23.4 billion. Other major export destinations were Germany, which recorded an increase in exports of 3.6 per cent to RM15.4 billion, the UK (decreased by 4.1 per cent to RM9.5 billion), France (decreased by 13.5 per cent to RM6.4 billion) and Italy (increased by 17.7 per cent to RM3.1 billion).

Apart from Germany, increase in exports was recorded for Spain, by 7.2 per cent. Major export products to Germany were E&E products, crude rubber, rubber products, optical and scientific equipment, as well as manufactures of metal. Top export products to Spain were E&E products, chemicals and chemical products, palm oil, rubber products, as well as iron and steel products.

Malaysia's main exports to the EU in 2008 were E&E products, accounting for 51.8 per cent of Malaysia's total exports to the EU, with a value of RM38.8 billion. This was followed by palm oil, with a share of 7.4 per cent, valued at RM5.5 billion, chemicals and chemical products (5.1 per cent share, RM3.8 billion), machinery, appliances and parts (3.9 per cent, RM2.9 billion) and rubber products (3.9 per cent, RM2.9 billion). These products accounted for 72.1 per cent of Malaysia's total exports to the region.

In 2008, Malaysia remained as the sixth largest supplier of E&E products to the EU, accounting for 4.3 per cent of the EU's total imports of E&E products. Major E&E suppliers to the EU were the People's Republic of China with a 41.9 per cent share, the USA (10.7 per cent), Japan (7.7 per cent), the ROK (7.2 per cent) and Taiwan (6 per cent).

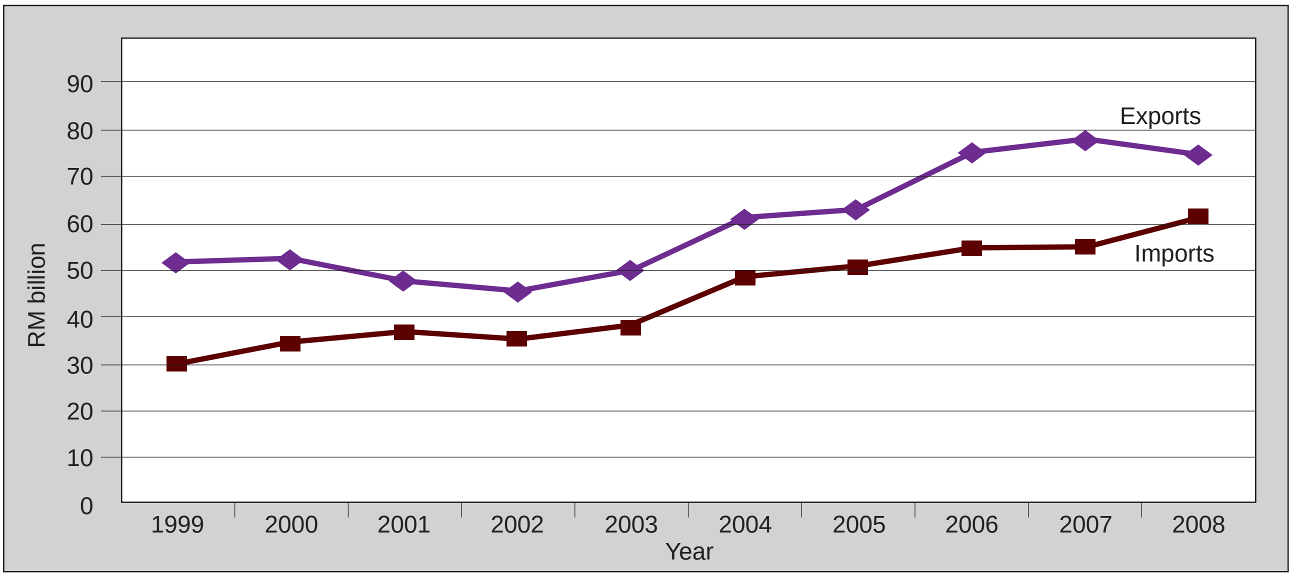
Malaysia's total imports from the EU increased by 2.9 per cent to RM61.7 billion in 2008 from RM59.9 billion in 2007, with Germany, the UK, France, Ireland and Italy as the top five import sources.

Table 2.10 :
Malaysia's Trade with the European Union

Country	Total Trade	2008 i						2007		
		Exports			Imports			Total Trade	Exports	Imports
	RM (million)	RM (million)	Share (%)	Change (%)	RM (million)	Share (%)	Change (%)	RM (million)	RM (million)	RM (million)
EU 27	**136,548,732**	**74,867,671**	**100.0**	**-3.8**	**61,681,062**	**100.0**	**2.9**	**137,765.1**	**77,823.6**	**59,941.5**
Germany	37,830,271	15,361,208	20.5	3.6	22,469,063	36.4	-4.1	38,254.8	14,831.6	23,423.2
Netherlands	27,126,654	23,443,495	31.3	-0.7	3,683,159	6.0	12.2	26,881.3	23,599.4	3,281.9
United Kingdom	17,141,080	9,487,081	12.7	-4.2	7,653,999	12.4	5.3	17,164.7	9,898.8	7,265.9
France	13,915,335	6,361,430	8.5	-13.5	7,553,905	12.2	-2.1	15,069.0	7,351.8	7,717.2
Italy	7,921,434	3,117,769	4.2	-17.7	4,803,665	7.8	6.6	8,293.0	3,786.5	4,506.4
Ireland	6,365,528	1,370,392	1.8	-12.5	4,995,136	8.1	82.2	4,425.0	2,654.6	1,770.4
Spain	4,372,443	3,145,248	4.2	7.2	1,227,195	2.0	-15.0	4,378.0	2,934.8	1,443.2
Belgium	4,187,208	2,338,767	3.1	-11.9	1,848,441	3.0	4.4	4,307.8	1,566.9	2,740.9
Sweden	3,567,353	1,320,457	1.8	0.5	2,246,896	3.6	1.6	3,525.1	1,313.3	2,211.8
Finland	2,557,933	1,628,784	2.2	-21.1	929,149	1.5	-6.2	3,055.7	2,065.5	990.3
Austria	1,991,105	422,163	0.6	7.8	1,568,941	2.5	27.1	1,983.1	1,734.1	249.0
Hungary	1,816,086	1,593,701	2.1	-8.1	222,385	0.4	-10.7	1,871.7	649.1	1,222.6
Denmark	1,452,081	894,383	1.2	0.5	557,698	0.9	-5.2	1,625.8	391.7	1,234.0
Poland	1,394,698	1,184,866	1.6	2.9	209,832	0.3	-36.0	1,479.1	1,151.0	328.1
Portugal	1,387,433	571,044	0.8	-12.0	816,389	1.3	-33.2	1,477.6	889.5	588.1
Czech Republic	713,346	493,715	0.7	-28.8	219,631	0.4	3.4	905.7	693.2	212.5
Greece	672,598	635,784	0.8	0.5	36,814	0.1	-56.6	717.6	632.7	84.9
Malta	412,759	152,783	0.2	28.3	259,975	0.4	-0.5	499.9	447.3	52.5
Slovakia	360,047	322,637	0.4	-27.9	37,410	0.1	-28.8	416.0	345.8	70.3
Romania	289,380	211,189	0.3	-38.9	78,191	0.1	11.3	380.5	119.1	261.4
Bulgaria	246,019	189,913	0.3	29.7	56,106	0.1	-15.3	247.4	222.3	25.1
Estonia	236,465	207,881	0.3	-6.5	28,584	neg.	13.9	212.6	146.4	66.2
Lithuania	171,411	87,119	0.1	-1.7	84,291	0.1	19.4	159.2	88.6	70.6
Slovenia	126,506	83,403	0.1	62.2	43,103	0.1	-11.6	135.7	124.7	10.9
Latvia	117,613	112,077	0.1	45.3	5,536	neg.	8.7	116.7	56.5	60.2
Cyprus	109,895	96,647	0.1	-22.5	13,248	neg.	21.2	100.1	51.4	48.7
Luxembourg	66,055	33,734	neg.	-40.3	32,320	0.1	-46.3	82.2	77.1	5.1

Compiled by Malaysia External Trade Development Corporation
Note : i - interim

Chart 2.5 :
Malaysia's Trade with European Union (EU27), 1999 - 2008



Compiled by Malaysia External Trade Development Corporation

E&E products remained as Malaysia's leading imports from the EU, valued at RM23.9 billion, which accounted for 38.7 per cent of Malaysia's total imports from the region. This was followed by machinery, appliances and parts, valued at RM8.9 billion or 14.5 per cent of total imports, chemicals and chemical products (RM6.5 billion or 10.6 per cent), transport equipment (RM5.8 billion or 9.5 per cent), as well as iron and steel products (RM3.7 billion or 6.1 per cent).

TRADE PRACTICES INTRODUCED BY MALAYSIA'S TRADING PARTNERS

United States of America

Airborne Toxic Control Measures by the California Air Resources Board

Airborne Toxic Control Measures (ATCM) was introduced by California State to reduce formaldehyde emissions from composite wood products including hardwood plywood, particleboard, medium density fibreboard, thin medium density fibreboard, furniture and other finished products made with composite wood products.

Formaldehyde is produced on a large scale worldwide. One major use includes the production of wood binding adhesives and resins. The Air Resources Board (ARB) evaluated formaldehyde exposure in California and found that one of the major sources of exposure is from inhalation of formaldehyde emitted from composite wood products containing urea-formaldehyde resins. The International Agency for Research on Cancer (IARC) reclassified formaldehyde from 'probably carcinogenic to humans' to 'carcinogenic to humans' in 2004, based on the increased risk of nasopharyngeal cancer. Formaldehyde was also designated as a toxic air contaminant (TAC) in California in 1992 with no safe level of exposure. The new limitations will be implemented officially on 1 January 2009.

Manufacturers, distributors, importers, fabricators, retailers and third party certifiers of composite wood products and finished goods that contain composite wood products destined for the California market, must comply with the applicable emission standards.

The rule affects not only the Malaysian furniture industry, but also to homebuilders, kitchen cabinetmakers, flooring companies and door manufacturers who are looking to sell their products in California, USA.

European Union

Common Agricultural Policy

Most imported agricultural product are governed by the Common Agricultural Policy (CAP) which was introduced in December 2007, under which many items including agricultural components, are subject to various levies designed to equalize the prices of imported commodities with those produced in the EU. The levy varies according to the type of the products.

Apart from tariffs imposed on agricultural products, most agricultural products are subjected to regular Customs and health controls.

Flammability Test of the Netherlands

There are currently no EU laws on flammability of clothing. As per 1 May 2008, the following criteria are used by the Dutch Food and Consumer Product Safety Authority (VWA) to assess the fire safety of clothing; clothing (other than nightwear) sold within the Netherlands has to comply with the flammability test.

The test should be performed in accordance with the ASTM D12301 standard with a flame contact time of one second. A so-called flame spread of 127 mm must be for not less than four seconds. The following materials are assumed to comply with the mentioned requirements; cloth with a smooth surface and a density of 88 grams per square meter or above, and all cloth which are fully manufactured using (a combination of) the following materials: acryl, modacryl, nylon, olefin, polyester and wool. Excluded from the requirements described are swimwear, hosiery, underwear and baby clothes (smaller than size 80).

Malaysian exporters of textiles and garments must adhere to additional requirements on flammability of clothing, which are not required when exporting to other EU countries.

Kenya

Import Standardization Mark

The Kenya Bureau of Standards has introduced a product certification scheme which was implemented in October 2008 requiring both local and imported goods to have a standardization mark. Initially, the Import Standardization Mark (ISM) will be required for imported products that affect health and safety including foodstuffs, electrical products, infant wear and toys. The dateline for the application of ISM was on 1 March 2009. Products already on the shelves in market outlets before the deadline will be treated as dead stock and will be allowed to sell out to exhaustion.

Local companies will have to pay between US$70.00 to US$285.00 for the marks in addition to US$107.00 per product. The new requirements will result in higher prices for imported products and may reduce import volumes of those products targeted by the scheme including those from Malaysia.

OUTLOOK

The international economic environment is currently very volatile which makes it difficult to make a credible projection. In 2009, Malaysia’s exports are expected to experience a negative growth in tandem with the continuation of the global economic slowdown in 2008. The International Monetary Fund (IMF) forecast that the world growth in 2009 is expected to fall to 0.5 per cent. The volume of global trade is expected to shrink in 2009 for the first time since 1982 according to the World Bank. According to the IMF, growth in emerging and developing markets is expected to slow sharply from 6.3 per cent to 3.3 per cent in 2009.

Despite the economic slowdown in Japan, the USA and the EU, Malaysian exports to these countries will remain significant. E&E, chemicals and chemical products, machinery, appliances and parts will continue to be Malaysia’s major export products.

Malaysia’s emerging regional export markets, which include West Asia, Africa and South Asia are expected to maintain their demand for Malaysia’s export of E&E products, chemicals and chemical products, jewellery and processed food and thus continue as important export destinations for Malaysia in 2009.

The manufacturing sector will continue to be the leading export sector which has contributed to 70 per cent of total monthly exports throughout 2008. E&E products will remain as Malaysia’s largest contributor to total exports despite the negative growth in 2008. Other Malaysia’s mainstay export products in 2009 are crude and refined petroleum, LNG, palm oil and crude rubber.

During these challenging times, industries need to take various measures to reduce operational and production costs, improve efficiency and productivity and intensifying promotional activities to seek new export opportunities in new and niche markets. This will gear up industries when the world economy composes its performance in the future. Implementation of all these measures is necessary in order for Malaysia to minimize the impact of the global economy slowdown.

CHAPTER 3 : MALAYSIA'S ENGAGEMENT IN BILATERAL FREE TRADE AGREEMENTS

OVERVIEW

Malaysia's economic growth and development have long been driven by international trade and investment mainly in the manufacturing and services sectors. As Malaysia endeavours to position itself as one of the world's top ten trading nations by 2020, it promotes and supports efforts to create a more liberal and fair global trading environment. One of the objectives of Malaysia's trade policy is to maximise benefits by securing market access through multilateral, regional and bilateral approaches.

Malaysia continues to focus on trade liberalisation initiatives of the rules-based multilateral trading system under the World Trade Organization (WTO). Malaysia is also pursuing regional and bilateral free trade agreements (FTAs) to complement the multilateral approach to trade liberalisation.

Malaysia's involvement in FTAs began with the establishment of the ASEAN Free Trade Area (AFTA) in 1993. Since then, Malaysia has concluded bilateral FTAs with Japan and Pakistan, while actively negotiating with the United States of America (USA), Chile, India, Australia and New Zealand. Together with other ASEAN members, Malaysia has concluded regional FTAs with the People's Republic of China, the Republic of Korea (ROK), Japan, India and Australia and New Zealand together and is currently negotiating with the European Union.

Malaysia has also concluded preferential trading arrangements with member countries of the Organisation of the Islamic Conference (OIC). The Trade Preferential System-OIC (TPS-OIC) and the Developing Eight Preferential Tariff Arrangement (D8-PTA), is awaiting implementation as the required number of signatories and ratifications has yet to be met. Malaysia has signed and ratified both the agreements.

Malaysia's main objectives in negotiating bilateral and regional FTAs include:

- improving access for Malaysian goods through preferential tariff arrangements and other trade facilitation measures;
- creating market access opportunities for Malaysian service suppliers through liberalisation and facilitation measures;
- enhancing Malaysia's attractiveness as an investment destination and production hub to serve the global market;
- opening up overseas investment opportunities for Malaysian businesses;
- providing a platform to address health, sanitary and technical regulations; and
- building domestic capacity via economic and technical cooperation and collaboration.

Malaysia is pursuing comprehensive FTAs that cover liberalisation, facilitation and economic cooperation in areas such as:

- goods and services;
- investments;
- customs cooperation;
- standards and technical regulations;
- information and communication technology;
- small and medium enterprises (SMEs) development; and
- intellectual property rights.

IMPORTANCE OF FTAs

FTAs help to strengthen Malaysia's presence in key markets and to gain access into new or emerging markets through the establishment of preferential arrangements. These preferential arrangements provide Malaysian businesses an advantage over their competitors who do not enjoy similar arrangements.

The most immediate benefit from having an FTA is the preferential tariff arrangement it accords. Malaysian producers will be able to export their products to the FTA market at preferential tariff rates, making exports more competitive vis-à-vis their competitors from countries which are not enjoying similar privileges. Similarly, products from the FTA partner will also enjoy preferential treatment, thus enabling Malaysian consumers to enjoy a wider selection of imported consumer products at lower prices.

FTAs help to create bigger markets which allow Malaysian manufacturers to operate at economies of scale, thus lowering unit cost and making exports more competitive. The creation of bigger markets through FTAs will contribute greatly to positioning Malaysia as a competitive production hub and attracting foreign direct investments (FDIs). Foreign investors would choose to establish operations in Malaysia to enjoy preferential access into these markets.

For the Malaysian investor venturing overseas, an FTA can open up opportunities through the liberalisation commitments made. In addition, FTAs will allow Malaysian investors to enjoy fairer and more equitable treatment similar to domestic investors. Malaysian investors will also enjoy protection under the domestic laws of the FTA partner and would be able to seek recourse through the agreed dispute settlement mechanism.

FTAs also facilitate trade through harmonisation of customs procedures and mutual recognition arrangements (MRAs) that exempt Malaysian exporters from conducting multiple tests to obtain market entry. The FTAs also provide an avenue to resolve issues related to standards, technical regulations (Technical Barriers to Trade-TBTs) and health and sanitary measures (Sanitary and Phytosanitary-SPS). These undertakings in the FTAs complement the provisions that are already stipulated under the WTO.

Malaysian manufacturers will also be able to source imports of raw materials and intermediate goods at a lower cost, thus contributing to their overall competitiveness globally. Competitiveness in the area of services will be further enhanced as liberalisation enables Malaysian service providers to collaborate and share best practices with foreign providers.

There is also a provision for Economic and Technical Cooperation (ECOTECH) in Malaysia's FTAs which will allow for capacity building programmes through training, information sharing, technology exchange, human resource development and trade promotion activities.

IMPLEMENTED AGREEMENTS

To date, Malaysia has concluded two bilateral FTAs namely with Japan and Pakistan and, together with other ASEAN members, Malaysia has signed regional FTAs with the People's Republic of China, the ROK, Japan, India and Australia and New Zealand jointly.

Malaysia-Japan Economic Partnership Agreement

Background

Formal negotiations between Malaysia and Japan on the Malaysia-Japan Economic Partnership Agreement (MJEPA) commenced in 2004 and were concluded in 2005. This first bilateral FTA by Malaysia was signed on 13 December 2005 and entered into effect on 13 July 2006.

Areas of Coverage

The MJEPA provides for legally binding commitments in the areas of:

- **Market access for trade in goods and services**

  Under Trade in Goods, Malaysia and Japan have committed to eliminate or progressively reduce tariffs on substantially all agricultural and industrial products within a time frame of 5 - 10 years. However, for textiles and clothing, agriculture and wood products tariffs have been eliminated immediately since July 2006. Tariff concessions for highly sensitive products such as birds' eggs, food preparations and alcoholic beverages will be fully implemented by 2021.

  In 2008, duties for agricultural and food products such as ducks, fish and fish products, fresh and processed vegetables, fruits and nuts, and manufactured items including petroleum products, chemicals, plastic and leather products and footwear have been reduced between 0.3 to 32.5 per cent.

  Malaysian exporters have been enjoying duty free treatment for more than 6,000 industrial products, tropical fruits and forestry products including rubber products, electrical and electronic products, footwear, chemical and petrochemicals, plastic products, furniture and automotive parts and components.

  For Trade in Services, Japan has unconditionally accorded market access in areas of interest to Malaysia such as:

  - business and professional services;
  - education services;
  - communication services;
  - tourism and travel related services; and
  - health related and social services.

The Agreement provides for future rounds of negotiations to further liberalise the services markets of both countries.

- **Investment**

  The MJEPA provides a framework for the expansion and facilitation of freer cross-border investment between Malaysia and Japan. The Agreement also provides for:

  - non-discrimination in the treatment of investors and investments in the manufacturing and services sectors in which commitments had been made; and
  - enhanced protection for investors and investments.

- **Technical regulations, standards and conformity assessment procedures**

  Closer collaboration in the area of standards between both countries can be effected through the establishment of MRAs on testing and conformity assessment procedures. These MRAs would facilitate and improve market access for Malaysia's goods that need to conform to Japanese standards and technical regulations.

- **Sanitary and phytosanitary (SPS) measures**

  The Agreement provides an avenue for exchange of information, consultation and cooperation on issues pertaining to the implementation of SPS measures. Malaysia can avail itself of the opportunity to seek technical assistance from Japan to meet the health, sanitary and phytosanitary requirements imposed on Malaysia's exports to Japan.

- **Economic cooperation**

  The Agreement provides for economic cooperation to build capacity through the exchange of information and sharing of experience, training, joint research and human resource development in areas such as education, tourism, environment, small and medium enterprises (SMEs).

Cooperation in the Automotive Industry

A major area of cooperation is in the automotive industry where bilateral industrial collaboration under the MJEPA complements progressive liberalisation. The individual collaboration would help to enhance the competitiveness of the Malaysian automotive industry as well as, Malaysia as an attractive investment destination and production hub for the industry.

The cooperation and collaboration is effected through the Malaysia-Japan Automotive Industry Cooperation (MAJAICO) programme. A joint committee comprising government and industry representatives of both countries had been established to implement, coordinate and monitor the progress of the following projects:

- **Automotive Technical Experts Assistance Programme**

  Malaysian automotive parts and components manufacturers or companies are assisted by technical experts from Japan to enhance the productivity through improved manufacturing and quality management processes;

- **Enhancement of the Mould and Die Centre in Malaysia**

  The existing mould and die centre at SIRIM is enhanced through the attachment of experts from Japan for a term of five years;

- **Capacity Building for Auto Parts Suppliers in the area of Vehicle Type Approval**

  A Vehicle Type Approval (VTA) facility is being developed in Malaysia with Japanese experts assisting to formulate training programmes for VTA personnel. It also aims to enhance their ability to ensure compliance with VTA;

- **Automotive Skill Training Centre in Malaysia**

  A Japanese coordinator and five short-term experts will be attached to Advanced Technology Centre, Shah Alam (ADTEC) to provide skills training for automotive personnel;

- **Exposure to the latest technology and production system in Automotive Skill Training Centre in Japan**

  Malaysian automotive industry personnel undergo industrial training in Japan to enhance their automotive manufacturing skills;

- **Establishment of a Components and Parts Testing Centre in Malaysia**

  A capacity building initiative to enhance the Components and Parts Testing Centre in Malaysia that enables Malaysian parts and components manufacturers to produce quality products;

- **Business Development Programme**

  Joint collaboration activities to increase market access in both Japan and Malaysia through business matching and trade missions in the automotive industry;

- **Cooperation in Automotive Market Information**

  An exchange and dissemination of relevant market information programme between Malaysia and Japan for mutual benefits;

- **Consultation on Joint-Venture contracts**

  The programme provides for consultation on territorial restrictions between Japanese automotive manufacturers and Malaysian parts and components manufacturers who have joint-venture contracts; and

- **Cooperation in Auto Exhibition**

  Collaboration between the Malaysia External Trade Development Corporation (MATRADE) and the Japan External Trade Organisation(JETRO) in co-organising trade fairs to enable greater market exposure for Malaysian automotive manufacturers as well as parts and components manufacturers.

Status of Implementation

A Joint Committee (JC) comprising representatives from both countries had been established to monitor the overall implementation of the MJEPA. The First Malaysia-Japan JC Meeting of the MJEPA was held on 13 July 2006 in Tokyo, Japan. At this meeting, the JC adopted :

- Rules and Procedures, and Financial Arrangements of the Joint Committee;
- Operational Procedures to implement the Rules of Origin necessary to confer preferential tariffs under the MJEPA; and
- Decision on the Implementation of Tariff Rate Quota (TRQ).

In December 2008, the Second Malaysia-Japan JC Meeting was convened in Kuala Lumpur to:

- adopt the amended product specific rule (PSR) of origin for *yarn*;
- exchange views on implementation issues; and
- discuss ways to maximise benefits arising from the MJEPA.

In addition, various Sub-committees had been created to discuss implementation issues in specific areas of the Agreement, namely :

(i) Rules of Origin (ROO);

(ii) Sanitary and Phytosanitary (SPS);

(iii) Intellectual Property (IP);

(iv) Improvement of Business Environment;

(v) Technical Regulations, Standards and Conformity Assessment Procedures;

(vi) Trade in Services;

(vii) Economic and Technical Cooperation;

(viii) Trade in Goods;

(ix) Customs Procedures; and

(x) Investment.

Among substantive issues discussed by these sub-committees were:

- **Amendment to the PSR of yarn and cocoa products**

  The Sub-committee Meeting on ROO which met in October 2008, mutually agreed and revised the PSR on yarn to allow importation of carded/combed wool from outside Japan, Malaysia and ASEAN as currently most carded/combed wool is obtained from Australia.

  The recommendation to amend the PSR for yarn was later adopted at the Second JC Meeting in December 2008. Both Malaysia and Japan also agreed to discuss in the next Sub-committee Meeting on ROO, the issue of revising the PSR on cocoa products to permit the importation of cocoa beans from a third party outside ASEAN (as the current rules allow use of cocoa beans from an ASEAN member on the condition it represents 50 per cent of the weight of the product).

- **ROO certification matters**

  Japan raised the issue of Certificates of Origin (COs) related to the third party invoicing which are not consistent with the instructions for MJEPA form that had created uncertainties. Currently, the exporter is not required to fill in the invoice number and date (i.e. field 7 on the MJEPA form) unless the invoice of the third party is known. Japan requested for Malaysian exporters to adhere to the rules.

  Japan reaffirmed its readiness to accept MJEPA forms with electronically printed signature issued by Malaysia, as currently stipulated in Field 10 of the overleaf notes to the MJEPA form.

- **List of prohibited plants from Malaysia to Japan**

  Malaysian fresh citrus fruits, carambola, tomato, mature banana, eggplant, papaya, red pepper and watermelon are prohibited from entering Japan given quarantine pests associated with the plants.

  However, fruits, vegetables and cut flowers such as fresh immature banana, pineapple, orchids and chrysanthemums; frozen durian, jackfruit, cempedak and mangosteen; and disinfested harumanis mango are allowed to be imported into Japan on the conditions that they are free from pests and accompanied with Phytosanitary Certificate.

- **Import of horse from Japan to Malaysia and import of fruits from Malaysia to Japan**

  Japan had requested for the removal of the import restriction on Japanese horses due to the Equine Influenza (EI) occurrence in Japan in 2007. Malaysia allowed bringing in racing horses from Japan on a temporary basis, but Japan must be declared free from EI for Malaysia to lift the ban completely.

  On import of fruits from Malaysia, Malaysia had been requested to provide the necessary data and documents as well as prioritise its requests for import plant quarantine with priorities order of papaya, carambola, watermelon, rambutan, mangosteen and bell pepper.

- **Ban on Malaysian products due to melamine contamination**

  Malaysia raised the issue of inspection order on Malaysian products due to melamine contamination during the Sub-committee Meeting on Improvement of Business Environment held in December 2008. It also requested clarification on the conditions imposed by Japan on the level of melamine allowed in food products, referring to the Japanese regulation which does not allow any melamine-contaminated food products to be imported to Japan; contrary to the World Health Organisation's (WHO) recommendation allowance of up to 2.5 part per million (ppm).

  The Japanese side classified that food safety is given high priority in Japan and Japan's Food and Sanitation Law does not allow certain tolerance level. It further explained that the inspection order is issued for food products using ammonium bicarbonate from the People's Republic of China. These measures are not targeting Malaysian products, but additives using specifically ammonium bicarbonate produced by certain companies in the People's Republic of China. Malaysia requested Japan to accept certain tolerable level of melamine contamination as implemented by some other countries, and proposed that the relevant authorities of both parties to discuss the matter further.

Under economic cooperation, both parties are in constant contact to oversee the implementation of projects agreed. The cooperation projects implemented are mainly human resource training programmes in the areas of:

- Agriculture, Forestry, Fisheries and Plantation;
- Education and Human Resources Development;
- Science and Technology;
- Small and Medium Enterprises; and
- Tourism.

Under these projects, a total of 178 Malaysian trainees had completed their training courses in Japan for the three years of implementation since 2006. Another 53 trainees were being considered under Japan's fiscal year 2008 (end of March 2009).

Cooperation projects in the automotive industry under the MAJAICO programme had produced positive results since its commencement in 2006. 127 auto companies and 327 personnel had participated and benefited from the MAJAICO programme since 2006. Initial reviews and proposed improvements of the programme were made at the annual consultations between both parties.

At the fourth MAJAICO Consultation on 22 January 2008, Japan agreed on Malaysia's proposals:

- review the existing curriculum in line with the needs of the Malaysian automotive industry;
- increase the participation of Malaysian vendors who do not have technical tie-ups;
- dedicate at least 40 per cent of the training programme in Japan to on-site training; and
- Japan to consider new training programmes apart from advisory and consultation services by Japanese experts.

The Fifth MAJAICO Consultation was held on 3 March 2009 to monitor and review the implementation of the MAJAICO projects. Details of the progress of the ten activities under MAJAICO as of 2008 are as in Appendix A.

Progress in the Area of Trade

Malaysia's bilateral trade with Japan for the past five years has recorded continued growth, especially exports since the implementation of the MJEPA in 2006.

For 2008 alone, overall trade with Japan amounted to RM136.9 billion which is a 13.4 per cent increase over 2007. This comprised of exports to Japan valued at RM71.8 billion (30 per cent increase) and imports from Japan worth RM65.1 billion (0.6 per cent decrease). This is the first trade surplus with Japan that Malaysia has ever registered in the last two decades.

Since July 2006, Malaysia has issued a total of 113,217 MJEPA COs with an export value of RM18.2 billion. The COs confirm that the exports comply with the agreed ROO and enable exporters to enjoy preferential duty treatment.

In 2008, a total of 45,714 COs with exports valued at RM8.4 billion were issued for Malaysian exports to Japan, an increase of 25.4 per cent in value of exports over 2007. Major exports enjoying preferential treatment include:

- palm oil;
- plastics;
- chemicals;
- wood;
- cocoa butter, fat and oil; and
- work gloves made of fabric.

Imports from Japan receiving preferential treatment for July 2006 - December 2008 totalled RM3.3 billion. In 2008, imports from Japan under the MJEPA totalled RM2.7 billion. Major imports include:

- vehicles other than railway and tramway rolling stocks and parts and accessories;
- boilers, machinery and mechanical appliances;
- iron and steel;
- articles of iron and steel;
- electrical machinery and equipment and parts; and
- rubber products.

For 2009, Japan is expected to further reduce import duty on more agricultural and food products such as ducks, fish and fish products, fresh and processed vegetables, fruits and nuts, and manufactured items including petroleum products, chemicals, plastic and leather products and footwear.

Malaysia will further reduce import duty on products such as chemicals, pesticides, rubber products, iron and steel, copper and aluminium in 2009. In addition, import duty on synthetic rubber will be eliminated under the MJEPA.

Malaysia-Pakistan Closer Economic Partnership Agreement

Background

Negotiations of the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA) commenced in February 2005 and were concluded in May 2007.

Malaysia and Pakistan implemented the Early Harvest Programme (EHP) for trade in goods in January 2006 to accelerate the trade liberalisation process of the MPCEPA. EHP provides for an early tariff reduction and elimination prior to the implementation of the comprehensive FTA for selected mutually agreed products.

MPCEPA was signed on 8 November 2007 in Kuala Lumpur and came into force since 1 January 2008. This was Malaysia's first bilateral FTA with a member of the OIC.

Areas of Coverage

Commitments under the Agreement include:

- **Market access for trade in goods and services**

  For trade in goods, Malaysia and Pakistan will progressively reduce or eliminate tariffs on agricultural and industrial products over a timeframe of seven years. Import duties on most products will be eliminated by 2012 while tariffs on the more sensitive products will be reduced by 2014.

  Among Malaysian exports that benefit from duty elimination and reduction are palm oil, fruits, natural rubber, leather, tea, cocoa and coffee, processed food, machinery and equipment, chemical and chemical products, plastics, pharmaceuticals, textiles, footwear, sporting goods, furniture, electrical and electronic (E&E) products, medical equipment, building materials, paper products , iron and steel products and musical instruments .

  In addition, selected Malaysian products exported to Pakistan such as palm oil, margarine and cocoa powder will be accorded a Margin of Preference (MoP) of up to 15 - 50 per cent by 2011. In return, Malaysia will reduce and eliminate tariffs on products such as fabrics and textiles, cotton linens, yarn, cotton yarn, gelatin, mattress supports, mangoes and copper wires imported from Pakistan by 2011.

  For Trade in Services, Malaysian service providers in Pakistan can hold 60 per cent equity in committed areas that include professional, communication construction distribution, education, environment, finance, health and tourism services. Under the MPCEPA, Malaysia enjoys new and more liberal market access than what other countries are able to obtain multilaterally from Pakistan, through the WTO. These new and more liberal areas are:

  - Professional Services such as legal, accounting, auditing and bookkeeping, architectural and veterinary services;
  - Business Services;
  - Telecommunications;
  - Distribution Services;
  - Education;
  - Environmental Services;
  - Medical and Dental Services;
  - Recreational, Cultural and Sporting Services; and
  - Rail and Road Transport.

- **Investment**

  The MPCEPA provides the framework to enhance predictability, stability, security and transparency of the investment regime that would further facilitate cross-border investments between Malaysia and Pakistan. The Agreement provides for non-discrimination in the treatment of investors and investments in the manufacturing and services sectors given commitments. The Agreement also provides for enhanced protection for investors and investments through the incorporation of provisions in the

Malaysia-Pakistan Investment Guarantee Agreement (IGA) signed on 7 July 1996.

- **Economic Cooperation**

  Economic Cooperation is a key aspect in the MPCEPA as Malaysia and Pakistan agreed to work collaboratively in undertaking technical cooperation as well as capacity building in the areas of:

  - tourism (joint promotion and marketing);
  - construction (sharing of expertise and technical knowledge);
  - healthcare (healthcare training); and
  - telecommunications (human resource development and manufacturing of telecommunications equipment).

Status of Implementation

Since the coming into force of this more comprehensive Agreement on 1 January 2008, the existing bilateral trade agreement and the IGA are no longer in effect.

The MPCEPA offers opportunities to the business community of both countries to further expand their bilateral trade and investment linkages. The growth of trade between Malaysia and Pakistan since the MPCEPA entered into force demonstrates that the business communities in both countries have benefited from the Agreement.

Trade Performance

Since the EHP and MPCEPA came into force, trade with Pakistan has further expanded by more than 30 per cent in 2007 and 2008, as compared to less than 10 per cent growth in the preceding years.

For 2008, overall trade with Pakistan amounted to RM6.2 billion which is a 33.9 per cent increase over 2007. This comprises exports to Pakistan valued at RM5.7 billion (33 per cent increase) and imports from Pakistan worth RM422 million (47.5 per cent increase).

Malaysia has issued a total of 3,513 COs with exports valued at RM4.1 billion, since the EHP was implemented in 2006.

In 2008, a total of 3,026 COs with exports totalling RM4 billion were issued for Malaysian exports to Pakistan compared to 290 COs worth RM55.4 million of exports in 2007. Major exports include:

- palm oil;
- butyl acrylate;
- refined, bleached, and deodorised palm stearin;
- soap products;
- vulcanised rubber threads; and
- chemicals.

Imports from Pakistan under preferential trade were valued at RM6.5 million for January 2007 - December 2008. In 2008, imports utilising COs from Pakistan totalled RM6.2 million. Major imports include cotton and yarn.

For 2009, Pakistan will eliminate duties on more than 1,600 items such as parts and accessories for machineries, digital processing units, natural rubber, sawn wood, industrial chemical products, fruits and nuts, insecticides, and butter and other fats and oil. Through preferential treatment under the MPCEPA, Malaysian exporters will have an edge over their competitors who will be paying duties ranging from 5 - 35 per cent for these products.

Similarly, in 2009, Malaysia will further reduce or eliminate tariffs on products such as iron and steel products, textiles, wool, yarn, cotton, knitted and crocheted fabrics, wood products, fruits and nuts, flour, animal/vegetable fats and oils, cocoa products, ceramic products, imitation jewellery, machinery and mechanical appliances, E&E, auto vehicles, parts and components and hand tools.

ON-GOING NEGOTIATIONS

Malaysia-Australia Free Trade Agreement

Malaysia and Australia commenced negotiations on the Malaysia-Australia FTA (MAFTA) in May 2005 in Kuala Lumpur with the establishment of a Trade Negotiating Committee (TNC). Four working groups were established to address the areas of Trade in Goods, Services, Investment and other areas including dispute settlement, intellectual property and economic cooperation.

However, negotiations on the FTA were put on hold in 2006 to enable both parties to concentrate on concluding negotiations on the regional ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). Parties agreed to resume negotiation after the conclusion of the AANZFTA in 2009.

Australia is Malaysia's 11th largest trading partner. Total trade in 2008 amounted to RM35.2 billion with exports valued at RM23.8 billion and imports at RM11.4 billion. Australia is a major market for Malaysia for crude petroleum, E&E products, refined petroleum products, chemical and chemical products and iron & steel. Major imports from Australia were manufactures of metal, processed foods, iron and steel products, crude petroleum and other mining products.

The MAFTA is an important step towards enhancing and strengthening the long term bilateral economic relationship through expansion of trade in goods and services as well as encouraging foreign direct investment (FDI) cross flows, i.e. by

- implementing tariff liberalisation for products of export interest which for Malaysia include E&E products,textiles and apparel and auto parts;

- creating opportunities for service providers to enhance their presence in the market, especially in the areas covered under services commitments including through MRAs and movement of professionals; and

- establishing a more conducive environment for investments under the MAFTA in order to increase two-way investment flows, especially in areas of common interest such as agriculture, agro-based industries and biotechnology.

Malaysia-New Zealand FTA

The Prime Ministers of Malaysia and New Zealand agreed to enter into bilateral negotiations on the Malaysia-New Zealand Free Trade Agreement (MNZFTA) on 30 March 2005. After six subsequent rounds of negotiations, agreement was reached on five main areas, namely Intellectual Property Rights, SPS, TBT, Economic and Technical Co-operation and Competition Policy.

The negotiations were temporarily put on hold in April 2006 to enable officials to focus on concluding negotiations on the regional AANZFTA. Following the conclusion of the AANZFTA negotiations, both parties resumed MNZFTA negotiations in September 2008. Negotiations were concluded on 30 May 2009.

Bilateral total trade in 2008 amounted to RM6.2 billion with exports valued at RM3.6 billion and imports at RM2.6 billion. Malaysia's major exports to New Zealand were machinery, petroleum, electrical machinery, food waste, fats and oils. Major imports from New Zealand were dairy products, mineral fuel, oil, baking related products, meat, iron and steel products. Although New Zealand is a small market for Malaysia, exports have increased by 37.6 per cent from RM2.6 billion in 2007 to RM3.6 billion in 2008.

The MNZFTA is expected to further expand bilateral trade in goods and services as well investments between the two countries.

Malaysia-Chile FTA

During a bilateral meeting at the APEC Leaders' Summit in Ha Noi in November 2006, the Prime Minister of Malaysia and the President of Chile agreed to launch FTA negotiations between both countries. Negotiations officially commenced in June 2007 in Kuala Lumpur. The Six Working Groups (WGs) covering trade in goods and services, investments, legal issues, trade remedies and cooperation continued to register progress in their work in 2008. The respective WGs had begun discussions on the approaches to be taken. Draft texts of the various Chapters had also been exchanged.

The negotiations will continue in 2009 on modalities for trade in goods, particularly the reduction of tariff rates, timeframe for liberalisation and removal of NTBs. On services and investment, discussions will focus on whether these areas would be concluded within the same timeframe as trade in goods or as a separate undertaking.

In addition to negotiating tariff liberalisation, both parties also discussed trade facilitation particularly on harmonization of customs procedures, SPS and TBTs.

Malaysia's bilateral trade with Chile had been recording positive growth since 1990, increasing by more than six folds from RM150 million in 1990 to RM1 billion in 2008. Malaysia's total trade with Chile in 2008 amounted to RM1 billion with exports valued at RM291.2 million and imports at RM761.2 million. Malaysia's main exports to Chile included rubber gloves and mittens, vegetable fats and oils, wooden furniture and video recording apparatus. Major imports from Chile were non-ferrous metal, copper and pulp of wood.

For the long term, an FTA between Malaysia and Chile offers opportunities for Malaysia to strengthen trade and investment linkages with one of the most dynamic economies in Latin America. Chile is a potential market for Malaysia which offers market access opportunities not only in the areas of trade in goods but also in the area of services, especially construction, finance and banking.

Malaysia-India Comprehensive Economic Cooperation Agreement

The decision to explore the feasibility of a Malaysia-India Comprehensive Economic Cooperation Agreement (CECA) was made during a visit to India by Malaysia's Prime Minister on 20 December 2004. Two rounds of negotiations had been held with the first one in February 2008. Both parties have resolved to negotiate an agreement that will be facilitating and mutually beneficial to both parties' business and investment communities.

The WGs on trade in goods, trade in services, investment, legal issues and economic cooperation have agreed on the modalities and elements to be covered under the respective areas of the agreement. Discussions on the draft proposals for each chapter are ongoing.

India has grown to be one of Malaysia's major export markets over the last decade. Trade with India increased by more than seven folds from RM2.5 billion in 1994 to RM19.1 billion in 2005. In 2008, Malaysia's trade with India increased by 28.5 per cent to RM35 billion from RM27.3 billion in 2007. Malaysia's exports to India increased by 22.4 per cent to RM24.7 billion in 2008 from RM20.2 billion in 2007 while Malaysia's imports increased by 45.8 per cent to RM10.3 billion in 2008 from RM7.1 billion in 2007. India was Malaysia's 12th largest trading partner and tenth largest export destination. Malaysia's main exports to India include crude petroleum, E & E products, chemicals & chemical products, palm oil and saw logs & sawn timber. Major imports from India were manufactures of metal, cereal, chemicals & chemical products, refined petroleum products and live animal & meat.

The preferential market access through the CECA will allow Malaysia to enhance exports of goods and services to India. By 2012, bilateral exports between Malaysia and India under this arrangement are expected to increase 1.3 times to US$11.9 billion for Malaysia, and 2.5 times to US$4.6 billion for India. Bilateral trade between Malaysia and India increased almost 11 folds to RM27.3 billion in 2007 from RM2.5 billion in 1994.

The CECA will enable Malaysia to expand and strengthen cooperation and collaboration activities in areas such as biotechnology, software development, science and education. It would also enable Malaysian service providers to tap the huge potential in the Indian market for construction related activities and infrastructure development.

Malaysia-US FTA

Negotiations on the Malaysia-USFTA (MUSFTA) commenced in June 2006 where both parties explored common grounds and assessed the different views and approaches on issues proposed for inclusion in the FTA. 19 WGs were established to discuss proposed issues such as trade in goods and services, investment, agriculture, government procurement, legal issues, environment, competition policy, intellectual property rights and customs procedures. As of December 2008, eight rounds of negotiations had been held. Intersessional discussions on technical issues had also been held through video conference and tele-conference.

While the negotiations have advanced on issues related to market access in goods, customs procedures and TBT, progress has been slow in other areas such as services, investment, environment and labour. There is no agreement yet on the inclusion of issues such as government procurement and competition policy.

The United States is Malaysia's largest trading partner and the biggest market for Malaysia's exports. Malaysia's total trade with the USA amounted to RM139.2 billion in 2008 with exports amounting to RM82.7 billion and imports totalling RM56.5 billion. Through the FTA, Malaysia can seek further market access for products of export interest to Malaysia such as textiles and apparel, wood, ceramic, iron and steel products, chemicals and chemical products and rubber products.

The FTA negotiations provide an opportunity for both countries to further strengthen existing bilateral trade and investment relations, as well as explore new areas of cooperation and collaboration. The FTA arrangement will also address non-tariff measures, in particular technical barriers, including stringent SPS measures as well as collaborate and cooperate to enhance the capacity and competitiveness in specific sectors.

The USA remains an important source of foreign direct investment in the manufacturing sector in Malaysia. The FTA can be used to attract more foreign direct investment from the USA and third countries which intend to use Malaysia as their manufacturing base for their exports to the USA.

OUTREACH

Several outreach programmes have been undertaken in order to ensure that the FTAs that have been negotiated bring the desired benefits to the business community. These were in the form of briefings, seminars and workshops involving government departments and agencies as well as the private sector.

In 2008, 46 outreach programmes were organised by MITI and its agencies, MIDA, MATRADE and SMIDEC. Among the programmes conducted were seminars on 'ASEAN and ASEAN FTAs with Dialogue Partners and the Implications on Malaysia' held in March and 'Opportunities under Malaysia Free Trade Agreements (FTAs)' held in November. These outreach programmes were organised to create awareness and educate the public particularly the business community on the opportunities available as well as to prepare them for competition in a more liberalised business environment.

In addition, FTA Service Units have also been established in MIDA, MATRADE and SMIDEC as frontline of the Ministry. They are staffed with experienced FTA Resource Persons to answer any queries the public may have about FTAs.

Implementation of the liberalisation package in each FTA is progressive, providing room for local producers to adapt to the increased competition. Updates are continually announced either through the mass media or on MITI's website to inform the public on latest developments.

OUTLOOK

The pace of trade and investment liberalisation is intensifying at an unprecedented rate. The increased competition in the global market would certainly have an impact on Malaysia's trade and industry. Malaysia will find ways to remain competitive vis-à-vis other emerging economies.

The Government will ensure that Malaysia remains a competitive location for trade and investments through various initiatives including through the conclusion of ongoing FTA negotiations at bilateral and regional levels in the shortest time possible. In addition, proactive efforts will also be undertaken to expand market access and boost business opportunities for exporters and businesses by engaging new FTA partners particularly in regions that have potential for expansion of trade and investment. These efforts are in line with Malaysia's vision to be among the top 10 trading nations by 2020.

Appendix A

MAJAICO Project	Relevant Ministry/ Agency	Status
Automotive Technical Experts Assistance Programme	SMIDEC	• To date, 87 Malaysian auto companies have participated with the guidance of 24 Japanese experts. • Six meetings were organised in 2008 with the Joint Task Force (JTF) of MAJAICO. 44 companies have presented their progress reports on the activities conducted and the benefits achieved. • Among others, overall participating companies reported significant improvements in productivity; reduction in quality defect; and inventory and production line improvement in space utilisation and housekeeping.
Enhancement of the Mould and Die Centre in Malaysia	SIRIM	• As of December 2008, three experts have been dispatched by Japan Overseas Development Corporation (JODC) to SIRIM to train a total of 13 SIRIM staffs (i.e. engineers, draftsmen and technicians). The experts also provided advisory services to companies and conducted study visits to factories.
Capacity Building for Auto Parts Suppliers in the area of VTA	Road Transport Department, (RTD) Malaysia	• Currently, RTD is still in the process of developing the VTA facility. Since the programme has yet to begin, the duration of the programme may be extended beyond 2011.
Automotive Skill Training Centre in Malaysia	Ministry of Human Resources, (MOHR) Malaysia Japan External Trade Organization (JETRO)	• 171 modules in specialized training course will be developed to cover up to 80 per cent of relevant training needs from basic to advanced level in the Malaysian automotive industry. 71 modules have been successfully developed and implemented until February 2009. • In 2008, JETRO has dispatched a total of 27 Japanese experts to assist in the programme. Another 30 permanent skilled Master Trainers (from Malaysia) are needed to develop and implement the 171 modules.

MAJAICO Project	Relevant Ministry/ Agency	Status

Automotive Skill Training Centre in Malaysia (cont'd)		• As of December 2008, only 13 Master Trainers have joined this program since there is no designated post in MAJAICO. ADTEC, Shah Alam has taken an initiative to provide staffing proposal for the MAJAICO programme to MOHR where the main targeted industry players are PROTON, PERODUA, vendors and SMEs.
		• Participation from industry has increased over time. In 2007, a total participation of 84 trainees were recorded and the number increased two-fold to 169 in 2008.
		• To promote this programme, various promotional activities have been conducted in 2008 such as:
		  • Luncheon Talk – April 2008;
		  • Open Day – June 2008;
		  • Seminar – October 2008; and
		  • Industrial Visit – 24 visits throughout 2008.

Automotive Skill Training Centre in Japan	MOHR	• To date, 45 participants had benefited from the training programme in Japan and these include personnel from PROTON, PERODUA, MIYAZU and 17 non tied-up companies.

Establishment of a Components and Parts Testing Centre in Malaysia	SIRIM	• Three SIRIM staffs were given a trainers training in Japan to accommodate as future trainers of vibration test.
		• From July 2008 to September 2008, a specialist from Japan was dispatched to SIRIM and the basic training program for vibration test was conducted through lectures and on-the-job-training on:
		  • basic knowledge;
		  • test planning & doing; and

MAJAICO Project	Relevant Ministry/ Agency	Status
		• outcome feedback. • By March 2009, SIRIM will have three Qualified and Competence Testers and trainers.
Business Development Programme	Malaysia-Japan Automotive Industry Cooperation (MAJAICO) Joint Task Force (JTF) on Business Development	• For the Japanese fiscal year 2008, a Malaysian trade mission to Japan was organised in October 2008 and a Japanese mission to Malaysia was held in January 2009. • Nine Malaysian companies participated in the mission to Japan, where 100 Japanese businessmen attended the seminar held in Nagoya and 60 individual business meetings were arranged in Nagoya, Osaka. • For the reciprocal Japanese mission to Malaysia, seven Japanese companies visited Malaysia to meet with potential partners as well as to obtain an overview of Malaysian automotive and parts industries. • Among the seven companies, six were participants in the seminars or individual business meetings in October 2008 in Japan. • During a January 2009 mission, 39 individual business matching meetings were held at either the plants of the Malaysian companies or the Malaysian Automotive Component Parts Manufacturers (MACPMA) office. • Since the programme commenced in 2006, three successful cases of business contracts have been recorded.
Cooperation in Automotive Market Information	Malaysian and Japanese Governments, in cooperation with MIDA, JETRO and auto industry and trade associations of both	• A Memorandum of Understanding (MoU) was signed in October 2006 to outline the purpose of the project as well as methods, content and contacts of the information exchange.

MAJAICO Project	Relevant Ministry/ Agency	Status
	countries including Japan Automobile Manufacturers Association, Inc. (JAMA), Japan Auto Parts Industries Association (JAPIA), Japan Automobile Research Institute (JARI), Malaysian Automotive Association (MAA), PROTON Vendors Association and PERODUA Vendors Club	• In conjunction with the MoU, MIDA and JAMA continue to exchange auto-related data on a regular as well as case-by-case basis, and strive through exchanges of views at the Joint-Taskforce semi-annual meetings. • MIDA has submitted the annual automotive brief 2007. • JAMA has submitted automotive reports such as Asian Automotive Business Review, Journal of Society of Automotive Engineers of Japan, The Directory of Japanese Auto Manufacturer's Worldwide Purchasing Contacts and The Motor Industry of Japan 2008. • MIDA and JAMA representatives have met three times to exchange views and information relating to automotive industry developments such as future technology and trends and area of cooperation.
Consultation on Joint-Venture (JV) contracts	MIDA	• MoU was signed in June 2006 and understanding was reached that JV contracts are out of governments' purview. • MIDA will forward requests from local companies that wish to review territorial restrictions to respective auto companies in Japan through METI. • However, there has been no request for assistance from any local company as yet.
Cooperation in Auto Exhibition for Malaysian Auto Manufacturer	MATRADE JETRO	• 'Malaysian Auto Industry Exhibition' was held during the Sixth International Auto Aftermarket Expo (IAAE) 2007 from 16 – 18 March 2007. 12 companies including PROTON participated in the exhibition. • In 2008, the 'Malaysian Auto Industry Exhibition' was held during the Seventh IAAE 2008 from 13 – 15 March 2008 at Tokyo Big Sight. 14

MAJAICO Project	Relevant Ministry/ Agency	Status
		companies (PROTON and 13 auto-part manufacturers) participated in this exhibition. • Besides the exhibition, ‘Malaysian Auto Industry Seminar’ was also organised on opening day of IAAE 2008 with more than 120 participants.

CHAPTER 4 : THE MANUFACTURING SECTOR

OVERVIEW

In 2008, several new policy initiatives and measures were undertaken to enhance the business environment. The initiatives were part of the Budget 2009 and Stimulus Package introduced in the last quarter of 2008 to mitigate the negative impact of the global economic and financial crisis.

These policies and measures, which were supported by an improved delivery system and efficient infrastructure, contributed to Malaysia maintaining its position as an attractive destination for investments. This was reflected by an increase in investment approvals for the manufacturing sector to RM62.8 billion in 2008 from RM59.9 billion in 2007, exceeding the annual target of RM27.5 billion for the manufacturing sector under the Third Industrial Master Plan (IMP3).

Initiatives were also undertaken in other areas to promote the overall growth of the manufacturing sector. These included efforts to:

- formulate and enforce mandatory standards and encourage compliance of domestic manufacturers with international standards, to enhance the competitiveness of domestic industries and to promote international acceptance of Malaysia's goods and services;
- encourage the greater use of ICT and enhance trade facilitation programmes and initiatives at the domestic and regional levels, such as the National Single Window, ASEAN Single Window and other training and outreach programmes;
- intensify Malaysia's position as the regional hub for *halal* products and services;
- enhance human resource development to address industry needs;
- encourage domestic industries to improve energy efficiency and develop more environment friendly sources of fuel;
- promote branding and R&D activities; and
- promote environment friendly practices.

To further expand opportunities for trade and investments regionally and globally, as well as improve bilateral investment climate, MITI continued to negotiate free trade agreements and investment guarantee agreements (IGAs). In 2008, negotiations for the ASEAN Comprehensive Investment Agreement, ASEAN-China Investment Agreement, ASEAN-Australia-New Zealand Investments Chapter and the IGA with Syria were concluded.

INITIATIVES FOR ENHANCING INVESTMENTS

To promote investments, improve the business environment and facilitate business, the Government introduced various measures throughout the year.

Budget 2009

The 2009 Budget introduced several new incentives and improved existing ones, including:

- Accelerated Capital Allowance for:
  - business premises installed with security control equipment, which is fully claimable within one year;

- all assets in the form of plant and machinery in the years of assessment 2009 and 2010 for SMEs; and

- expenses incurred on ICT equipment, including computer and software, currently claimed over two years to be accelerated to one year.

• Incentives to enhance energy efficiency activities:

  - full exemption of import duty and 50 per cent exemption of excise duty on new hybrid CBU cars, with engine capacity below 2,000 cc;

  - exemption of import duty and sales tax on solar photovoltaic system equipment and intermediate goods, such as high efficiency motors and insulation materials; and

  - exemption of sales tax on locally manufactured solar heating system equipment and energy efficient consumer goods, such as refrigerators, air-conditioners, lightings, fans and television sets;

• enhancing group relief by allowing losses for the purpose of offsetting to be increased from 50 per cent to 70 per cent; and

• additional allocation of RM300 million for the Strategic Investment Fund to further strengthen private investments in the Iskandar Malaysia region.

Stimulus Package

To curb the impact of the global economic crisis and promote investments and businesses, several measures were introduced in the Stimulus Package and subsequent announcements made by the Government in the last quarter of 2008. These included:

• the establishment of a RM1.5 billion Investment Fund to promote private investments, particularly those in strategic sectors, high value-added and high impact projects, as well as high technology and knowledge workers. The fund will be disbursed in the form of grants, soft loans and equity capital to investors;

• waiver of import duty for cement, iron and steel (long products) for the construction and manufacturing sectors Requirement for Approved Permits for iron and steel (long products) was also abolished;

• an additional fund of RM200 million was made available for the micro credit scheme administered by Bank Negara Malaysia;

• automatic issuance of Manufacturing Licence under the Industrial Coordination Act, 1975, effective 1 December 2008, except for certain sensitive sectors that would require evaluation and approval before the issuance of licence. The Manufacturing Licence fee was abolished effective 1 June 2008;

• full import duty exemption on raw materials and intermediate goods to be used for domestic manufacturing activities, including:

  - iron and steel products;

  - chemical products;

  - textiles and apparel;

  - machinery and equipment; and

  - food products.

- approval for the operation of Representative Offices/Regional Offices is given for five years compared with three previously. This provides a longer timeframe for companies to undertake market and business feasibility studies; and

- formulation of mandatory standards for certain products. These standards would be enforced to ensure that products imported conform to requirements specified.

PEMUDAH

PEMUDAH, the Special Task Force to Facilitate Business which was established in 2007 as a private-public sector partnership to improve the Government delivery system, continued to undertake various initiatives in 2008. These included:

- development of the Business Licensing Electronic Support System (BLESS), launched on 5 September 2008. The system involves three phases:

  - the first phase includes electronic application of licences in the manufacturing and construction sectors and hotel sub-sector in the Klang Valley;

  - the second phase includes other sectors, such as distributive trade (hypermarkets) and private higher education industry within the Klang Valley; and

  - the third phase is to be implemented nationwide.

- establishment of a One-Stop Centre at SMIDEC in August 2008 to facilitate the registration of businesses;

- reduction in the time taken to register freehold properties from 144 days to 41 days via e-STPH and the Valuation Information System and 61 days through manual processing;

- encouragement of on-line payment, for which 89 Government agencies have started accepting on-line payments for 148 services;

- launching of 'The Guidebook on Registering of Property (Freehold)' in July 2008. A total of 47 provisions under the National Land Code, 1965 was being amended to improve land management; and

- development of a computerised system for land registration.

Cabinet Committee on Investments

The Cabinet Committee on Investments (JKMP), which was established in 2006, continued to consider investment applications and facilitate the implementation of high impact projects. In 2008, JKMP approved eight projects with total investments of RM22.9 billion, mainly in the transport, petrochemical, aviation services and ICT sub-sectors. Since its establishment, JKMP had approved a total of 22 projects with investments amounting to RM122.4 billion.

Investment Agreements

To promote and protect investments, the Government continued negotiations for seven new IGAs, namely with Mexico, Ukraine, Oman, Mauritius, Tunisia, Syria and Kenya, and also continued the review of five existing IGAs with Canada, Czech Republic, Germany, Finland and France in 2008. Negotiations for the IGA with Syria were concluded in December 2008 and the agreement signed in January 2009.

To date, Malaysia had concluded 73 IGAs with countries from Europe, Asia, Africa, and two regional organisations, namely ASEAN and the Organisation of the Islamic

Conference (OIC). IGAs will make the investment environment more conducive and instil confidence in local and foreign investors to invest capital in the respective countries.

The Government also concluded and signed the ASEAN Comprehensive Investments Agreement (ACIA) in December 2008. ACIA is an enhancement of the ASEAN IGA signed in 1987 and the Agreement on the ASEAN Investment Area (AIA) signed in 1998. Negotiations on the ASEAN-Australia-New Zealand FTA Investments Chapter and the ASEAN-China Investments Agreement were concluded in 2008 and the agreements will be signed in 2009.

PRIVATE SECTOR INITIATIVES

The private sector undertook a major role in collaborating with the Government to promote investments and industrial growth. The public sector, on its part, endeavoured to further improve the business and regulatory environment and provide the necessary infrastructure support. The roles of the private and public sectors are complementary and interdependent.

Through the chambers of commerce and trade and industry associations, efforts were made to facilitate business and promote trade and investments. In 2008, the Federation of Malaysian Manufacturers (FMM) organised Malaysia's participation in several international trade fairs, such as the Middle East Electricity Fair 2008 (in collaboration with MATRADE) in Dubai, Hannover Fair in Germany, Power Generation and Water Middle East 2008 in Abu Dhabi, and International Autumn Trade Fair 2008 in Dubai. At these events, the Malaysian private sector had the opportunity to promote their businesses and products in various sectors, including water, power generation, lighting, renewable energy, building and construction, and consumer products.

Trade missions were also undertaken, namely the FMM Mission to the 2nd APEC SME Summit, Export-to-China Sourcing Fair in Hangzhou, China and FMM Trade and Investment Mission to Hong Kong and Shenzhen. In addition, FMM also produced several industry directories, such as the FMM-MATRADE Industry Directory for Electrical and Electronics (Third Edition) 2007/08 and FMM-MATRADE Industry Directory for Chemicals (First Edition) 2008/09. The directories which feature comprehensive profiles of manufacturers are useful guides for importers, exporters and potential purchasers.

To enhance knowledge and awareness of investment and business opportunities, seminar programmes were organised by the private sector. The Association of Chartered Certified Accountants, the British Malaysian Chamber of Commerce and the Business Council for Sustainable Development Malaysia jointly organised a seminar for SMEs to promote business sustainability through global standards. The American Malaysian Chamber of Commerce also organised a talk entitled 'Effective Business Plans for SMEs' in 2008. The National Chamber of Commerce and Industry of Malaysia regularly participated in various Government committees, where inputs were conveyed and trade-related issues were raised to the committees to facilitate businesses.

The various business councils established in Malaysia also assumed an important role in promoting cooperation among private sector entities from different countries. Through these business councils, the private sector participated in various meetings with entities, such as the ASEAN Chamber of Commerce and Industry, ASEAN Business Advisory Council, APEC Business Advisory Council, US-ASEAN Business Council, Indonesia-Malaysia-Thailand Growth Triangle Joint Business Council and Brunei-Indonesia-Malaysia-

Table 4.1:
Malaysian Standards, as of 31 December 2008

Sectors	MS Developed (No.)	Mandatory Standards (No.)	Standards Aligned Internationally (No.)
Total	**5,518**	**173**	**3,226**
Power generation, transmission and distribution of electrical energy	776	nil	624
IT, telecommunications and multimedia	653	6	600
Chemicals	713	11	388
Plastics and plastic products	365	nil	193
Medical devices	183	nil	167
Agriculture and food and food products	628	38	158
Mechanical engineering	304	3	135
Occupational health and safety	148	nil	131
Rubber and rubber products	189	nil	125
Quality management and quality assurance	123	nil	116
Road vehicles	181	7	107
Petroleum and gas	205	4	107
Civil engineering and construction	262	37	65
Textiles	258	nil	58
Packaging	99	nil	55
Iron and steel	103	3	51
Environment management	65	nil	48
Consumer products and safety	71	nil	32
Fire safety and fire protection	87	7	30
Electrical equipment and accessories	93	57	28
Tourism, exhibition and hospitality services	6	nil	6
Organisational management	2	nil	2
Halal products	4	nil	0

Source: Department of Standards, Malaysia

Thailand East ASEAN Growth Area Council. These meetings provided an additional channel of communication for the private sector to submit inputs and raise issues to the Ministerial, Senior Officials and Working Groups meetings.

DEVELOPMENT OF STANDARDS

Mandatory standards are important to ensure that only products of acceptable quality are imported or locally produced to meet health, safety and environment requirements and ensure Malaysian manufacturers are able to produce high quality products which conform to international standards.

As of 31 December 2008, a total of 5,518 Malaysian Standards (MS) had been developed and of these, 3,226 were aligned with international standards, while 173 were made mandatory. In 2008, 43 standards were made mandatory, namely in the agricultural sector (35), chemicals and materials industry (seven) and iron and steel industry (one). Details of the standards are as follows:

The current structural mechanism to oversee the standard and technical regulations across all economic sectors is through the Central Coordinating Body (CCB), chaired by the Economic Planning Unit (EPU). Issues pertaining to the identification of potential products to be imposed with mandatory standards are addressed at the Committee on Mandatory Industrial Standards (CMIS), chaired by MITI. The four task forces under the CMIS are:

- building materials;
- machinery and equipment;
- automotive parts and components; and
- wires and cables.

Mandatory Standards identified by CMIS in 2008, among others were:

- MS 1918:2006 - Safety Rules for the Construction and Installation of Escalators and Passenger Conveyors;
- MS 2021-1:2006 - Safety Rules for the Construction and Installation of Lifts;
- MS 2021-2:2007 - Safety Rules for the Construction and Installation of Lifts - Part 2: Hydraulic Lifts; and
- MS 1544 Part 1:2002 - Cranes for Safe Use.

MITI is also a member of various committees on standards, including:

- Malaysia Standards and Accreditation Council;
- Malaysia National Accreditation Committee;
- Malaysia National Standards Committee;
- Malaysia Electrotechnical National Committee;
- Malaysia National Medical Testing Committee; and
- National Council on Measurement.

Social Responsibility

ISO 26000 is the designation of future international standard, providing guidance on social responsibility (SR). It is intended for use by organisations to assist them in their efforts to operate in a socially responsible manner, which societies increasingly expect. Principles of SR should not be used to restrict trade.

The National Mirror Committee on Social Responsibility, chaired by the Department of Standards Malaysia, is responsible for developing ISO 26000 in Malaysia and had been involved in the activities of the ISO Working Group on SR since 2001. SIRIM, as the Secretariat for the national committee, provides the infrastructure and administrative support. Under the joint leadership of ISO members, 54 countries and 33 organisations with liaison status participate in the Working Group on Social Responsibility. Experts and observers from six stakeholder categories are consumers; government; industry; labour; non-governmental organisations; and service, support, research and others.

Industries are realising that adopting an effective approach to SR can reduce the risks of business disruptions, open up new opportunities and enhance brand and company reputation. Companies complying with SR standards will have increased ability to attract foreign investors and improve access to capital as SR promotes the growth of international trade through enhanced consumer confidence in global market mechanisms.

INITIATIVES TO PROMOTE ICT

National Single Window for Trade Facilitation

The National Single Window (NSW) was initiated in 2006 to facilitate cargo clearance and assist in enhancing efficiency through an integrated electronic system. In 2008, the following four core services were made available, utilising the existing Sistem Maklumat Kastam-Dagang Net (SMK-DNT) system, for the first stage of the implementation:

- e-Declare - electronic submission of customs declarations;
- e-Permit - electronic submission and processing of export/import permits by Permit Issuing Agencies (PIAs);
- Electronic Fund Transfer (EFT) - for electronic customs duty payment; and
- e-Preferential Certificates of Origin (E-PCO) - for electronic submission of applications for Preferential Certificates of Origin.

In 2008, the lead agency responsible for the implementation of NSW was reassigned from MITI to the Ministry of Finance (MoF). This was due to:

- a new business model proposed by MoF and Customs for NSW implementation;
- ensure that the Government had proprietary control over the whole NSW System, including the front-end and back-end systems, compared with the privatisation concept;
- enable ease of system integration with the systems of free zone authorities (FZAs), which are under the jurisdiction of MoF, directly to the NSW without costs to the trading community; and
- enable the NSW system to be integrated with the Customs Golden Client portal, currently being implemented by Customs.

Several committees had been formed to study different aspects of implementation of the NSW. The NSW Business Process Working Group is led by MITI, with membership comprising stakeholders from both Government agencies and the private sector involved in import/export processes, including industry associations, forwarding agents, port operators and Customs. The Working Group will study the process flows for export, import and transit business.

ASEAN Single Window

The ASEAN Single Window (ASW) is an initiative to further facilitate trade among ASEAN members. The ASW will serve as an environment where the National Single Windows of ASEAN member countries will operate and integrate electronically, using a set of standardised information parameters, procedures, formalities and international best practices to facilitate the clearance and release of cargo. The ASW will also serve to integrate processing and decision making by Customs authorities and relevant ministries.

Malaysia chairs the ASW Working Group on Technical Matters (ASW TWG), which was established to bridge technical gaps in the implementation of ASW. The ASW TWG held four meetings in 2008, where various technical issues related to the implementation of the ASW were discussed, including ASEAN Data Set, identifying documents to be exchanged, defining the process flow and the ASW Pilot Project.

The ASW Working Group on Legal and Regulatory Matters was formed to identify and harmonise the existing legislations and regulations to allow for the unhindered functioning of ASW. To date, the Working Group had discussed the legal framework for electronic exchange of data through the ASW and the Memorandum of Understanding (MoU) of the ASW Pilot Project.

Currently, only Singapore had started operating its NSW, while Malaysia, Indonesia, Brunei Darussalam, the Philippines and Thailand are in the midst of implementing their respective NSWs. Cambodia, Lao PDR, Myanmar and Viet Nam will start operating their NSWs by 2012.

RosettaNet Standard

The RosettaNet grant, administered by SMIDEC, was introduced in 2005 to encourage companies to implement the RosettaNet Standard. As of 2008, a total of 50 SMEs had been approved grants worth RM2.7 million to implement the RosettaNet Standard. To date, 692 companies had adopted the RosettaNet Standard, an increase from 670 companies in 2007, with a high proportion of the companies consisting of local SMEs.

Trade Facilitation Issues

MITI had resolved issues raised by the industry with regard to trade facilitation. These issues had been raised in various fora, including the MITI Annual Dialogue 2008. Among the issues resolved, which were related to Customs operational issues, included:

- improvements to the SMK;
- the Customs paperless transactions;
- the Customs Verification Initiative (CVI) and physical examination;
- Border Checkpoint operating hours at Bukit Kayu Hitam and Tanjung Puteri; and
- claims for contribution/sponsorship.

DEVELOPMENTS IN THE HALAL INDUSTRY

The *Halal* Industry Development Corporation (HDC), which was established in 2006, continued to undertake initiatives towards achieving the country's objective to be the 'Global *Halal* Hub'. In 2008, HDC launched its *Halal* Industry Development Master Plan to further complement the 11 strategic thrusts outlined in the IMP3 to make Malaysia the hub for the production and trade in *halal* goods and services. Several strategic thrusts and enablers were identified and outlined in the HDC master plan with the objective of positioning Malaysia as the:

- global reference centre for *halal* integrity know-how; and

- global leader in the innovation, production and trade of a number of *halal* related sectors, for example *halal* ingredients.

In 2008, the Government through HDC also introduced new incentives for *halal* park, halal logistics and *halal* industry operators which qualify as '*Halal* Malaysia status companies', which should be located within HDC-designated *Halal* Parks or Logistics Cold Hub. These incentives were:

- Pioneer Status with tax exemption of 100 per cent of statutory income for 10 years; or

- Investment Tax Allowance of 100 per cent of qualifying capital expenditure offset against 100 per cent of statutory income within five years; and

- exemption from import duty on equipment directly used in cold room operations.

Halal Certification

In April 2008, HDC was appointed as the *halal* certification authority for Malaysia, taking over the certification programme from the Department of Islamic Development Malaysia (JAKIM) Improvements in the certification process included:

- 30 days for processing applications (from three months previously);

- intensifying on-line *halal* application (e-*halal*);

- setting renewal alert of two months prior to expiry date through an automated *halal* portal;
  and

- indicating brands along with product names in the certifications, based on requests by applicants.

In 2008, a total of 1,761 applications for *halal* certification was received from various industries, of which 1,200 were approved.

Table 4.2:
***Halal* Certification Applications and Approvals, 2008**

Category	Applications (No.)	Approvals (No.)
Total	**1,761**	**1,200**
Products	1,512	1,108
Food premises	224	76
Abattoirs	25	16

Source: Halal Industry Development Corporation

R&D in the *Halal* Industry

The increasing demand for *halal* products had prompted the Government to set up or dedicate laboratories for testing *halal* products. Laboratories presently available for testing are:

- the *Halal* Product Research Institute in Universiti Putra Malaysia; and

- the Department of Chemistry Malaysia, which HDC is using for certification process.

Halal Parks

HDC was tasked to monitor the development of *halal* parks funded under the Ninth Malaysia Plan and *halal* parks initiated by the private sector. *Halal* parks in Kedah, Kelantan, Pahang, Perlis and Terengganu are under development and are expected to be in operation in 2010. HDC is currently focusing on five flagship *halal* zones, namely:

- Port Klang Free Zone *Halal* Park in Selangor;

- Tanjung Manis *Halal* Park in Sarawak;

- Padang Besar *Halal* Park in Perlis;

- Gambang *Halal* Park in Pahang; and

- Iskandar Malaysia in Johor.

Development of Standards for *Halal*

Malaysian Standards which are available for *halal* include:

- Malaysian *Halal* Standard MS 1500: 2004 *Halal* Food - Production, Preparation, Handling and Storage - General Guidelines (First Revision);

- MS 1900:2005 Quality Management Systems - Requirements from Islamic Perspective; and

- MS 2200:2008 Islamic Consumer Goods - Part 1: Cosmetics and Personal Care - General Guidelines.

The International *Halal* Integrity Alliance (IHI Alliance), an international non-profit organisation, was established to undertake similar functions of the International Standards Organisation in upholding the integrity of the *halal* market. IHI Alliance is formulating a comprehensive series of *halal* standards covering sectors along the *halal* value chain, by using the Malaysian Standard (MS) as a framework. IHI Alliance is in the process of developing several modules of the global *halal* standards, including for logistics, food services, animal slaughter and processing, cosmetics and toiletries, and pharmaceuticals.

Malaysia, through the Department of Standards, had also participated in the development of OIC *halal* standards by offering its expertise and experience. Currently, the OIC draft standard is using the MS 1500:2004 as its benchmark.

Initiative to Collate Statistics for *Halal* Food Products

In 2008, MITI undertook an initiative to collate statistics for *halal* food products, in collaboration with other agencies, namely the Department of Statistics, Customs and HDC. The compilation is expected to be completed in 2009. Previously, exports and imports of processed food were used as an estimation of Malaysia's exports and imports of *halal* foods.

Promotional Efforts on *Halal*

Promotional activities undertaken in 2008 included:

- the 5th Malaysia International *Halal* Showcase (MIHAS) in May 2008, with participation by 507 companies from 25 countries which attracted 41,862 visitors from 69 countries. An Incoming Buying Mission (IBM) was also organised together with MIHAS 2008. Total sales generated from the IBM were RM2.2 billion;

- the World *Halal* Forum 2008, hosted by HDC, with the theme 'Sustained Development through Investment and Integration' attracted 1,390 participants, of whom 1,190 were delegates from 52 countries and 200 from the local and international media;

- Specific Project Mission (SPM) to Japan in October 2008;

- participation in 17 International Trade Fairs to promote the national *halal* industry, such as PRODEXPO in Mexico, GULFOOD in Dubai and FOODEX in Tokyo; and

- organising of seminars and awareness programmes in Indonesia, Brunei, the People's Republic of China, Thailand and Turkey.

HUMAN RESOURCE AND SKILLS DEVELOPMENT

Human Resource Development Fund

To promote life-long learning and allow more flexibility in the implementation of the Human Resource Development Fund (HRDF), the coverage of the fund was extended to include apprenticeship, industrial attachments, internship schemes, and Masters and PhD programmes in December 2007.

In 2008, under HRDF:

- total trainees trained - 736,410;
- total employers registered - 1,504;
- total training providers registered - 160; and
- total grant reimbursed - RM288 million.

Table 4.3:
Human Resource Development Fund, 1992 - 2008

Year	Total			
	Trainees (No.)	Employers (No.)	Training Providers (No.)	Grant Reimbursed (RM mil.)
1992-2008	6,940,540	11,793	690	2,063
2008	736,410	1,504	160	288

Source: Human Resource Development Fund

Training Institutes and Grants

In 2008, the Ministry of Human Resources (MOHR) continued to provide practical training under its various training institutes. The number of trainees in MOHR's training institutes, namely the Advanced Technology Centre (ADTEC), Centre of Instructor and Advanced Skill Training (CIAST), Industrial Training Institutes (ITIs) and Japan Malaysia Technical Institute (JMTI), totalled 22,916, an increase of 19.8 per cent, compared with 19,122 in 2007.

Apart from the training institutes under MOHR, other institutes, such as the German-Malaysian Institute (GMI) and MARA, also provided practical training. GMI trained a total of 689 trainees in 2008, compared with 642 in 2007. The 207 GIATMARA Centres nationwide trained 15,824 trainees in 2008, compared with 14,559 in 2007.

Under the pre-packaged incentives scheme by MITI, training grants were provided to companies. In 2008, the amount of training grants approved under the scheme totalled RM122.9 million, involving 18 projects. From 2002 to 2008, the accumulated amount for the approved training grants amounted to RM655.9 million for 112 projects.

Table 4.4:
Number of Trainees, 2007- 2008

Training Institutions	Institutions (No.)		Trainees (No.)	
	2008	2007	2008	2007
Total	**28**	**27**	**22,916**	**19,122**
ADTEC	4	4	3,255	2,867
CIAST	1	1	745	770
ITI	22	21	18,287	14,824
JMTI	1	1	629	661

Source: Ministry of Human Resources

National Advisory Council on Education and Training

Under the National Advisory Council on Education and Training (NACET), established in 2007, the Blueprint for National Skills Development in Malaysia (2008 - 2020) with the theme 'Skilled Workforce - Driving Global Competitiveness for Malaysia' was launched in 2008. The aims of the Blueprint are to:

- develop a highly skilled and knowledgeable workforce, imbued with positive attitudes and values, to enable Malaysian industries to be competitive domestically and internationally; and
- promote the development and improvement of the quality of life for Malaysians through skills training, with regard to the potentials of individual abilities.

Five focus groups were established under NACET:

- Focus Group on Human Capital Requirement, chaired by the MOHR;
- Focus Group on Education, chaired by the Ministry of Education (MOE);
- Focus Group on Higher Education, chaired by the Ministry of Higher Education (MOHE);
- Focus Group on Skills Training, chaired by the MOHR; and
- Focus Group on Lifelong Learning, co-chaired by the MOHR and MOHE.

MITI is a member of the Focus Group on Skills Training. The focus group formulate action plans to expedite the implementation of the National Dual Training System (NDTS). MITI had been appointed as a coordinator to collaborate with MOHE and MOHR to identify training programmes for SMEs.

National Dual Training System

The NDTS was introduced in 2005 to produce k-workers to meet industry needs. A total of 251 Government-linked companies, 152 Multi-national companies and 461 SMEs had participated in the NDTS from 2005 to 2008. In 2008, a total of 5,172 trainees and 339 companies participated in the NDTS.

The NDTS Coordinating and Monitoring Committee was established in MOHR in 2008, with representation from Government agencies and the private sector. The Committee is responsible for determining the direction, as well as improving the efficiency of NDTS implementation to further contribute to skilled human capital development and fulfil industry requirements.

Table 4.5:
NDTS Participation by Trainees and Companies

Year	Trainees (No.)	Companies (No.)
Total	**7,464**	**864**
2005	71	45
2006	132	155
2007	2,089	325
2008	5,172	339

Source: Ministry of Human Resources

National Human Resource Policy

In 2008, MOHR initiated consultations to formulate the National Human Resource Policy. The rationale for the policy is to address the challenges and changes in human capital development and management at the national and international levels. This policy is being drafted and will replace the National Labour Policy.

Retrenched Workers Training Scheme

To assist companies affected by the economic downturn, the Government approved an allocation of RM100 million to implement the Retrenched Workers Training Scheme (SLPD) in November 2008. The objectives of SLPD are to:

- re-skill and re-train workers to acquire new skills needed by industry;
- stabilise the employment market in Malaysia; and
- help ease the burden of retrenched workers.

All retrenched workers registered with the Department of Labour are eligible to apply for this scheme.

The Job Retrenchment Monitoring Committee was also established in MOHR in late 2008 to address the issue of retrenchment following the economic slowdown. The Committee consists of representatives from Government agencies, and employee and employer unions.

BRANDING

The Government had initiated various programmes to encourage local companies to focus on branding and undertake branding initiatives to enhance the value and perception of their products and services.

Brand-SME Development Programme

This programme is for SMEs which seek to enhance the visibility of their products and services, both in the local and international markets Currently, there are three main projects implemented under the programme:

- Pilot Project and Assessment Criteria for the National Mark;
- Logo Design Competition for the National Mark; and
- Soft Launch of the National Mark and Brand Entrepreneur Conference 2009.

National Mark

National Mark is one of the deliverables of the Brand-SME Development Programme. SMIDEC, together with its partners, developed the National Mark which depicts assurance, quality and excellence for SME products and services. Through this effort, the Government aims to enhance the perception of SME products and services as being of high quality and reliable.

For the first year upon launching (2009), the target is for at least 30 brand owners to be awarded the National Mark. Companies awarded the National Mark will display attributes of excellence, quality and distinction.

Brand Promotion Grant

Since its introduction in 2004, the Brand Promotion Grant (BPG) under MATRADE had assisted companies, including SMEs, to develop and promote brand names owned by Malaysian companies for products and services in the international market. In 2008, a total of 69 local companies was approved the BPG, amounting to RM118 million. Of this, 33 were SMEs with approvals totalling RM48.9 million, while 36 were non-SMEs with approvals amounting to RM69 million.

Soft Loan Scheme for International Branding

The scheme is to assist companies and enterprises to enhance the competitiveness of their products or services in international markets. In 2008, two applications were approved amounting to RM6 million. These applicants were providers of business and legal advisory services, as well as distributors of electrical appliances. Up to 31 December 2008, RM1.3 million had been disbursed.

RESEARCH AND DEVELOPMENT

Malaysia's Gross Expenditure on R&D (GERD) had been on an increasing trend since 1996. The GERD amounted to RM3.8 billion in 2006, compared with RM2.8 billion in 2004. The percentage GERD/GDP increased slightly to 0.64 per cent in 2006 from 0.63 per cent in 2004. It is targeted that in 2010, the percentage for GERD/GDP should increase to 1.5 per cent.

Based on IMD World Competitiveness Yearbook 2008, Malaysia was ranked

Table 4.6:
BPG Approvals by Industry in 2008

	Industry	Companies (No.)
1.	Prepared food	13
2.	Consumer and industrial electrical and electronics products	7
3.	Beverages	4
4.	Rubber products	4
5.	Automotive parts and components	4
6.	Computer software	3
7.	Gifts, souvenirs and jewellery	3
8.	Furniture	3
9.	Pharmaceuticals, toiletries and cosmetics	3
10.	Building and construction materials and hardware	2
11.	Wood products	1
12.	Chemicals, minerals and alloys	1
13.	Footwear	1
14.	Household products	1
15.	Machinery and equipment	1
16.	Apparel, garments and accessories	1
17.	Services	
	-ICT	6
	-Franchise	4
	-Professional services	2
	-Tourism and hospitality	2
	-Business services	1
	-Education services	1
	- Architectural services	1

Source : Malaysia External Trade Development Corporation

39 out of 55 countries surveyed. The GERD/GDP of Malaysia in 2006 of 0.64 per cent was low, compared with the top three countries, namely the USA, where R&D expenditure was 2.6 per cent of GDP, Japan (3.3 per cent) and Germany (2.5 per cent) in 2006.

In its efforts to promote R&D, the Government provided various financial assistance schemes, in the form of grants, loans and tax deductions. Special R&D grants are provided under MITI pre-packaged incentive schemes. In 2008, a total of 10 projects were approved R&D grants, valued at RM125.5 million.

In 2008, MITI undertook an Impact Study of the R&D Grants approved under the pre-packaged incentives. Based on the study, it was found that:

- the R&D Grant reduced the financial burden of the cost borne by companies at an average of 30 per cent;
- companies recorded significant increase in sales after conducting the R&D;
- personnel had enriched their knowledge and skills through capacity building activities and acquiring new and latest technologies;
- there was an increase of high quality projects (high value added/high technology/capital intensive);
- there were new job opportunities at the management, technical and supervisory levels;
- transfer of foreign technologies to local industries, providing opportunities to local entrepreneurs to expand their businesses; and
- there was an enhancement of supporting industries.

Automation

To promote automation and modernisation in the manufacturing sector, the Soft Loan Scheme for Automation and Modernisation (SLSAM), introduced in 2007, continued to be promoted in 2008. The scheme, with an allocation of RM150 million under the Ninth Malaysia Plan, had received encouraging response, including from SMEs.

In June 2008, to enable more companies to have access to the fund, the

Table 4.7:
Malaysia's Competitiveness in R&D

Country	Ranking		Total Expenditure of R&D	
	Ranking for GERD	Ranking for GERD/GDP	in US$ million (RM million)	% of GDP
USA	1	7	343,745 (1,306,242)	2.6
Japan	2	4	151,432 (575,441)	3.3
Germany	3	9	73,054 (277,605)	2.5
Malaysia	39	40	994 (3,777)	0.6

Source: IMD World Competitiveness Yearbook 2008

Table 4.8:
Approvals under SLSAM, as at 31 December 2008

Sub-sectors	Applications Approved (No.)	Amount Approved (RM million)
Total	**37**	**109.7**
Automotive	7	39.2
Electrical and electronics	6	11.1
Textiles and apparel	6	8.8
Metal	6	12.7
Plastics and chemical products	5	13.9
Iron and steel	3	8.6
Wood products and furniture	3	10.9
Rubber	1	4.5

Source: Malaysian Industrial Development Finance Berhad

Government reviewed some of the criteria, whereby:

- the coverage was expanded to include all sub-sectors in the manufacturing sector and include the purchase of energy saving equipment; and

- the margin of financing was increased from 85 per cent to 90 per cent.

As at 31 December 2008, a total of 37 loans, valued at RM109.7 million, had been approved under SLSAM and RM49.8 million had been disbursed. The main beneficiaries of the scheme were from the E&E, automotive and textiles sub-sectors.

In 2008, MITI, in collaboration with the Malaysian Productivity Corporation (MPC), undertook a study to evaluate the effectiveness and impact of the scheme on industries. From the study, benefits observed arising from the scheme included:

- an increase in productivity, largely due to a reduction in cycle time and an increase in production rate;

- an increase in sales, attributed to higher value added products being produced by new machinery;

- growth in exports;

- an improvement in the quality of products; and

- a reduction in production cost.

ENVIRONMENT

In 2008, the Cabinet Committee on Climate Change, chaired by the Prime Minister, was established to address issues related to climate change. The Ministry of Natural Resources and Environment had also established the National Coordinating Committee on Climate Change, which consists of four technical working groups, namely:

- Policies and Measures, led by the Ministry of Natural Resources and Environment;
- Science and Technology, led by the Ministry of Science, Technology and Innovation;
- Development, led by the Economic Planning Unit; and
- Industries and Investments, led by MITI.

Clean Development Mechanism (CDM)

The three flexible mechanisms allowed under the Kyoto Protocol to reduce Green House Gases (GHG) emissions are:

- emission trading between industrialised countries;
- joint implementation between industrialised countries and economies in transition; and
- CDM between industrialised and developing countries.

CDM represents a trade opportunity for Malaysia to collaborate with investors from industrialised countries to develop new industries and technologies and assist in creating a cleaner environment. Investors from a developed country supplies capital or technology based on the future value of certified emission reduction units (CERs) or carbon credits. These CERs are a measurement of the reduction of GHGs achieved by the project/company in a particular developing country. Malaysia can voluntarily participate in reducing emissions of GHGs through the CDM. Malaysia approved nine CDM projects in 2008, of which 439,321 tonnes of carbon dioxide are expected to be reduced through these projects.

OUTLOOK

In 2008, investment approvals for the manufacturing sector were the highest recorded to date and was more than double the annual target of the RM27.5 billion set under the IMP3. Factors which contributed to the surge in investments included proactive public policies, a favourable investment environment, structural reforms, prompt economic stimulus response to the economic crisis by the Government and a liberal policy on FDIs.

For 2009, a preliminary report by UNCTAD released in January 2009, had indicated that the negative impact of the financial and economic crisis may contribute to a fall in overall global FDIs. Malaysia too is expected to be affected by the global economic slowdown and lower investor confidence. As 2009 will be a challenging year, the Government priority will be to improve the delivery system and foster a conducive environment for doing business. Various measures will be undertaken by the Government, including review and further liberalisation of policies in respect of investments, improving public infrastructure and utilities and reducing the costs of doing business. These initiatives will be undertaken in collaboration and consultation with the private sector.

As outlined in the IMP3, efforts will also continue to be made to promote investments in new growth areas and capital intensive, knowledge-based, high value-added and technology intensive projects. The Government will also focus on enhancing support to industries and investors through trade facilitation measures, adoption of new technologies, including ICT, and promoting standards and R&D activities for product and process improvements.

PERFORMANCE OF THE MANUFACTURING SECTOR

OVERVIEW

The manufacturing sector continued to be an important sector to the economy, contributing 29.1 per cent to the Real Gross Domestic Product (GDP) in 2008, compared with 30.1 per cent in 2007. The Industrial Production Index (IPI) of the sector increased by 0.6 per cent to 112.1 from 111.4 in 2007. This increase was due to a higher global demand for manufactured goods in the first three quarters of 2008. Sales increased marginally by 7.9 per cent to RM579.3 billion in 2008 from RM536.8 billion in 2007. Exports of manufactured goods were valued at RM464.5 billion and accounted for 70 per cent of Malaysia's total exports.

Table 4.9:
Manufacturing Sector Performance, 2008

Indicator	2008	2007
Share of Real GDP (%)	29.2	30.2
Production Index (2005=100)	112.1	111.4
Value Added Growth (%)	1.3	3.1
Total Sales (RM billion)	579.3	536.8
Investments Approved (RM billion)	62.8	59.9
Productivity Growth (%) (Added Value per Employee)	6.3	8.0
Share of Total Exports (%)	70.0	75.4
Share of Total Employment (%)	29.0	28.9

Sources : Department of Statistics, Malaysia,
Economic Planning Unit, Malaysia
Malaysian Industrial Development Authority
Malaysia Productivity Corporation
Malaysia External Trade Development Corporation
Ministry of Finance, Malaysia

PRODUCTION

Based on the Monthly Manufacturing Survey by the Department of Statistics, output of export oriented industries expanded by 0.8 per cent, while domestic-oriented industries grew by 3.2 per cent. In 2008, footwear and palm oil were the main contributors to the improvement of the export oriented industries. Transport equipment, animal feeds, non metallic mineral products and processed food and beverages were the major contributors to the growth of the domestic oriented industries.

SALES

Based on the same survey, the sales value of the manufacturing sector increased by 9 per cent to RM579.3 billion in 2008 from RM536.8 billion in 2007. For the export oriented industries, sales value increased marginally by 6.4 per cent to RM440 billion, accounting for 77 per cent of total sales, from RM413.7 billion in 2007. Sales value of the domestic oriented industries increased by 19.5 per cent to RM121.1 billion, accounting for 21.2 per cent of total sales, from RM101.3 billion in 2007.

Within the export oriented industries, the chemicals industry recorded the highest sales at RM199.5 billion, followed by electrical and electronics (E&E) at RM182 billion. Together, these two industries accounted for 66.8 per cent of total sales. Domestic oriented industries which recorded high sales were the metal products industry at RM49.6 billion, followed by transport equipment (RM24.4 billion), and processed food and beverages (RM21.8 billion).

EMPLOYMENT

With 919 investment projects approved in 2008, 101,173 employment opportunities were expected to be created, an increase

Table 4.10:
Production Indices of Selected Manufacturing Industries

Industry	2008	Change (%)	2007
Overall Manufacturing	**112.1**	**0.6**	**111.4**
Export-oriented industries	**104.2**	**0.8**	**103.3**
Medical devices	156.0	-6.3	166.5
Chemicals	112.3	1.0	111.2
Rubber products	128.2	4.7	122.5
Palm oil	117.3	11.3	105.4
Electrical and electronics	106.8	-4.0	111.2
Wood products	89.7	-4.5	94.3
Professional and scientific equipment	74.3	-9.5	82.1
Machinery and equipment	124.1	2.5	121.1
Rubber remilling and latex processing	97.8	-5.8	103.8
Textiles and apparel	102.6	-0.6	103.2
Footwear	65.1	15.9	56.2
Domestic-oriented industries	**119.7**	**3.2**	**116.0**
Metals	133.7	2.2	130.8
Paper products	124.2	-3.4	128.5
Processed foods and beverages	125.3	8.0	116.0
Transport equipment	116.4	23.4	94.3
Non-metallic mineral products	114.9	9.1	105.3
Animal feeds	122.0	11.7	109.2
Tobacco manufactures	93.5	-5.6	99.0

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

of 3.6 per cent from 97,673 jobs created in 2007. In 2008, a total of 42,655 jobs were created in the 371 expansion and diversification projects, an increase of 33.4 per cent from 31,970 jobs created in investment projects in 2007.

Based upon selected manufacturing sub-sectors in 2008, export oriented industries recorded 42,924 job opportunities, an increase of 3.8 per cent from 41,346 in 2007. The E&E industry was expected to create the most number of employment opportunities with 34,196 jobs, followed by the machinery manufacturing industry (5,397). Similarly, domestic oriented industries recorded an almost equal number of employment opportunities, with major contributions by basic metal products with 8,289 jobs, followed by transport equipment (7,732) and food manufacturing (6,029).

Compared with the total job creation of 101,173 retrenchment of workers was recorded at 11,288 mainly in the E&E and textiles sub-sectors, which employed a substantial number of low wage and low skilled foreign workers. As a measure to encourage the greater utilisation of automation to increase productivity, the Government decided to freeze the approval of foreign workers in the E&E and textiles sub-sectors.

The number of expatriate posts approved in the manufacturing sector in 2008 was 14,418; an increase of 44.7 per cent compared with 9,965 in 2007. The expatriates contributed to the transfer of technology and complemented the local pool of managerial, technical and supervisory expertise. In addition, 18,882 posts were created in the managerial, technical and supervisory category.

PRODUCTIVITY

The productivity of the manufacturing sector, measured by Added Value per Employee, improved by 6.3 per cent to RM91,100 in 2008, compared with RM85,700 in 2007. Industries registering higher Added Value per Employee were iron and steel (RM245,400), chemicals (RM187,100) and

Table 4.11:
Sales of Selected Manufacturing Industries

Industry	2008 (RM billion)	Change (%)	2007 (RM billion)
Total Sales	**579.3**	**7.9**	**536.8**
Export-oriented industries	**440.0**	**6.4**	**413.7**
Chemicals	198.8	25.6	158.3
Electrical and electronics	184.2	-8.5	201.4
Wood products	14.8	-8.6	16.2
Rubber products	12.2	2.4	11.9
Professional and scientific equipment	6.8	-35.6	10.6
Rubber remilling and latex processing	9.5	5.9	8.9
Textiles and apparel	7.6	-	7.6
Machinery and equipment	8.2	9.3	7.5
Medical devices	1.0	-3.8	1.1
Footwear	0.5	-	0.4
Domestic-oriented industries	**121.1**	**195**	**101.3**
Metals	49.9	18.7	41.0
Transport equipment	28.7	29.2	22.2
Processed foods and beverages	22.4	24.5	18.0
Non-metallic mineral products	13.3	14.8	11.6
Paper products	6.7	9.2	6.1
Animal feeds	4.0	27.1	3.1
Tobacco manufacturing	1.3	-	1.3

Source: Department of Statistics, Malaysia

machinery and equipment (RM110,600). The labour cost competitiveness for the manufacturing sector improved, as reflected by a decline of 4.7 per cent from that of 2007.

INVESTMENTS

Malaysia continued to remain a competitive destination for FDI inflows in the manufacturing sector in 2008. Approvals in the sector amounted to a record level of RM62.8 billion in 2008 (more than double the annual IMP3 target of RM27.5 billion set in the IMP3), compared with RM59.9 billion in 2007. Foreign investments amounted to RM46.1 billion or 73.4 per cent of total investments approved, while domestic investments amounted to RM16.7 billion or 26.6 per cent.

Of the total of 919 investment projects approved, 548 were new projects, involving investments of RM41.9 billion or 66.8 per cent of the total investments, while the remaining RM20.8 billion were for expansion and diversification. Foreign investments in the new projects amounted to RM34.2 billion and expansion and diversification activities RM11.9 billion. Domestic investments in the new projects amounted to RM7.7 billion and expansion and diversification activities RM8.9 billion.

The significant increase in investments was due to the approval of several capital intensive projects, particularly in the basic metal products, E&E, petrochemicals and transport equipment industries. 12 projects with investments of RM1 billion and above were approved, accounting for RM38.3 billion or 61 per cent of the total approved investments in 2008.

Table 4.12:
Breakdown of Investments in 2008

Description	2008	2007
No. of projects approved	919	949
Total Investments (RM billion)	62.8	59.9
Foreign (RM billion)	46.1 (73.4 per cent)	33.4
Domestic (RM billion)	16.7 (26.6 per cent)	26.6

Source: Malaysian Industrial Development Authority

Major Sources of Foreign Investments

Australia, the USA, Japan and Germany were the major sources of the investments:

- Australia

  Investments increased to RM13.1 billion, representing the highest level of investments recorded over the last five years. A single project in the basic metals industry with investments of RM12.5 billion, accounting for the bulk of the investments.

- USA

  The USA was the second largest investor country, with RM8.7 billion, compared with RM3 billion in 2007. US investments were mainly in the renewable energy, electronics and chemical industries.

- Japan

  Japan was the third largest investor country, with RM5.6 billion. Japanese investments were mainly in basic metals, electronics, wood products and liquefied natural gas industries.

- Germany

  Investments from Germany were valued at RM4.4 billion, mainly in the renewable energy and electronics industries.

Other major sources of FDIs were Spain, Singapore and the Netherlands.

Sub-Sectors With Major Investments

Basic metals and E&E were the sub-sectors with major investments:

- Basic metals

  The industry recorded the highest level of investments, with approvals totalling RM25.8 billion. Two new projects, one for the production of unwrought aluminium, amounting to RM12.5 billion, and the other for hot rolled stainless steel sheets (RM6.9 billion), accounting for the bulk of the approvals.

- E&E

  The industry attracted investments of RM17.8 billion. Major projects approved were for the design, development and manufacture of silicon photovoltaic wafers, cells and ingots, hard disk drives and components, solar cells and modules, printed circuit boards and fabricated wafers for light emitting diodes.

Sustained interest was recorded for investments in the renewable energy sector in 2008. The Government had identified this sector as one of the growth areas for promotion, particularly for the manufacture of solar cells and modules. Other industries which attracted considerable investments were transport equipment, food products, chemicals and chemical products, and petroleum products.

EXPORTS

In 2008, exports of manufactured goods increased by 1.8 per cent to RM464.5 billion, from RM456.1 billion in 2007. The largest contributors were E&E products, accounting for 38.3 per cent of the total exports. Chemicals and chemical products, the second largest export revenue earner, contributed RM40.5 billion (6.1 per cent) to total exports, followed by machinery and equipment (RM21.9 billion), metal products (RM19.6 billion) and wood products (RM16.6 billion).

IMPORTS

Imports of manufactured goods increased marginally by 0.3 per cent to RM419.8 billion in 2008 from RM418.5 billion in 2007, accounting for 80.5 per cent of Malaysia's total imports. E&E products continued to be the main import item,

Table 4.13:
Exports of Manufactured Goods

Product Group	2008			2007	
	RM (billion)	Share (%)	Change	RM (billion)	Share (%)
Total Exports	**663.5**	**100.0**	**9.6**	**605.2**	**100.0**
Exports of Manufactured Goods	**464.5**	**70.0**	**1.8**	**456.1**	**75.4**
Electrical and electronics product	253.8	38.3	-3.4	262.7	43.4
Chemicals and chemical products	40.5	6.1	10.3	36.7	6.1
Machinery, appliances and parts	21.9	3.3	0.2	21.9	3.6
Wood products	16.6	2.5	2.1	16.3	2.7
Manufactures of metals	19.6	3.0	17.6	16.7	2.8
Optical and scientific equipment	14.9	2.3	9.8	13.6	2.2
Processed food	12.1	1.8	39.9	8.7	1.4
Rubber products	12.8	1.9	21.0	10.6	1.7
Textiles and clothing	10.5	1.6	2.3	10.3	1.7
Transport equipment	9.5	1.4	13.5	8.4	1.4
Iron and Steel products	10.5	1.6	-0.5	10.5	1.7
Manufactures of plastics	9.3	1.4	11.5	8.4	1.4
Non-Metallic Mineral Products	5.3	0.8	34.9	3.9	0.7
Jewellery	4.9	0.7	-1.7	5.0	0.8
Beverages and tobacco	2.4	0.4	9.6	2.2	0.4
Petroleum products	3.9	0.6	33.6	2.9	0.5
Paper and pulp products	2.9	0.4	12.7	2.5	0.4
Other manufactures	12.8	1.9	-13.3	2.4	2.4

Compiled by Malaysia External Trade Development Corporation

accounting for RM189.4 billion (36.3 per cent) of total imports. Imports of chemicals and chemical products were valued at RM43.7 billion or 8.4 per cent of total imports, followed by machinery and equipment (RM43.3 billion), iron and steel products (RM28.7 billion) and metal products (RM27.4 billion).

ELECTRICAL AND ELECTRONICS INDUSTRY

The Electrical and Electronics industry is Malaysia's leading and the most liberalised industry. The E&E industry contributes significantly to the country's manufacturing output, exports and employment. This sector experienced a modest growth in 2008 due to slower demand for E&E products in major markets such as the US, Europe and Japan.

Major sub-sectors of the E&E industry include semiconductors and electronic components, computers and computer peripherals, wires and cables, audio and audio visual products.

Production Index

In 2008, the production index for the E&E industry decreased by 4 per cent to 106.8 compared with 111.2 in 2007. This was due to a decrease in global demand for global semiconductor, cables and wires, personal computers and consumer electronics, such as cellular phones, media players (MP3) and digital cameras.

The production index of computers and computer peripherals decreased by 5.8 per cent to 125.5 in 2008 compared with 133.2 in 2007, while the index for semiconductors and other electronic components decreased by 5.1 per cent for the same period. Wires and cables increased by 0.4 per cent, while audio and audio visual products decreased by 1.3 per cent.

Sales

In 2008, total sales decreased by 8.5 per cent to RM184.2 billion compared

Table 4.14:
Imports of Manufactured Goods

Product Group	2008			2007	
	RM (billion)	Share (%)	Change (%)	RM (billion)	Share (%)
Total Imports	**521.6**	**100.0**	**3.3**	**504.8**	**100.0**
Imports of Manufactured Goods	**419.8**	**80.5**	**0.3**	**418.5**	**82.9**
Electrical and electronic products	189.4	36.3	-6.4	202.3	40.1
Chemicals and chemical products	43.7	8.4	11.5	39.1	7.7
Machinery, appliances and parts	43.3	8.3	1.4	42.8	8.5
Iron and steel products	28.7	5.5	15.6	24.8	4.9
Metal products	27.4	5.3	-0.1	27.5	5.4
Transport equipment	22.4	4.3	2.5	21.9	4.3
Optical and scientific equipment	15.9	3.1	20.0	13.3	2.6
Processed food	8.9	1.7	8.9	8.2	1.6
Paper and pulp products	6.2	1.2	-0.6	6.2	1.2
Manufactures of plastics	5.6	1.1	-6.7	6.0	1.2
Textiles and clothing	5.5	1.0	3.3	5.7	1.1
Non-metallic mineral products	3.8	0.7	3.3	3.7	0.7
Rubber products	3.6	0.7	23.3	2.9	0.6
Petroleum products	2.1	0.4	50.9	1.4	0.3
Beverages and tobacco	1.5	0.3	16.9	1.3	0.2
Wood products	1.3	0.2	6.6	1.2	0.2
Jewellery	0.6	0.1	27.1	0.4	0.1
Other manufactures	9.9	1.9	0.3	9.9	2.0

Compiled by Malaysia External Trade Development Corporation

with RM201.4 billion in 2007. The decrease in sales was partly due to a fall in prices of semiconductors and electronic components.

Sales of semiconductors and electronic components decreased by 14.6 per cent to RM70.3 billion in 2008, compared with RM82.3 billion in 2007. However, sales for television and radio sets, television and radio receivers, sound or video recording or reproducing apparatus, and associated goods, increased by 8.1 per cent to RM38.2 billion in 2008, compared

Table 4.15:
Production Indices of Selected E&E Products

Products	2008	Change (%)	2007
E&E Industry	**106.8**	**-4.0**	**111.2**
Computers and computer peripherals	125.5	-5.8	133.2
Semiconductors and electronic components	105.6	-5.1	111.4
Wires and cables	114.1	0.4	113.7
Audio and audio visual products	81.6	-1.3	82.7

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

with RM35.4 billion in 2007. Wire and cable sales recorded an increase of 3.1 per cent to RM9.2 billion in 2008, compared with RM8.9 billion in 2007. The growth was driven by an increased demand for insulated wires and power cables in the construction activities. The sales of computers and computer peripherals also recorded an decrease of 3.9 per cent to RM57.8 billion in 2008, compared with RM60.1 billion in 2007. The shift towards usage of notebook computers and computer peripherals and parts contributed to the increase in sales.

Employment

In 2008, employment in the E&E industry declined by 8.5 per cent to 308,921 compared with 337,443 in 2007. The E&E industry remained the largest employer, contributing 31.1 per cent of the total manufacturing employment in 2008.

Employment in the semiconductors and electronic components sub-sector decreased by 13.6 per cent to 141,136 compared with 163,323 in 2007. This represented 45.7 per cent of total E&E employment.

In 2008, employment in the computers and computer peripherals segment, increased by 3.9 per cent from 54,304 workers to 56,399 in 2008, due to a strong demand for notebook and computer peripherals and parts.

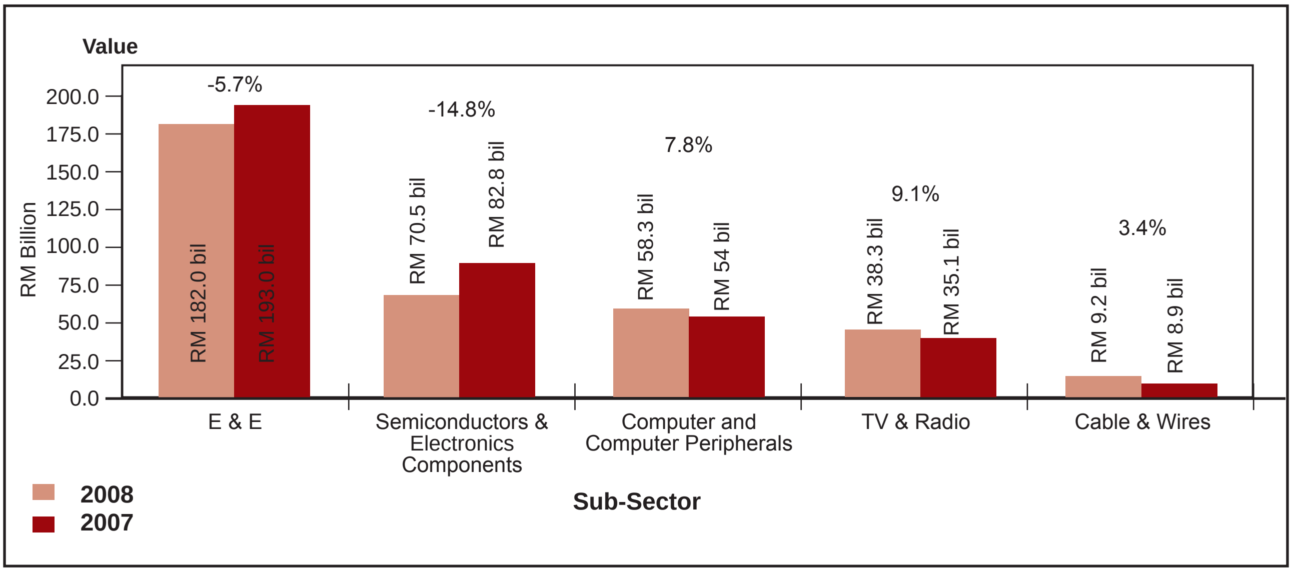
Employment in the cables and wires sub-sector registered a decline of 3 per cent to 13,321 workers in 2008, compared with 13,738 in 2007, due to a wider usage of automation and lower demand in telecommunications sub-sectors and infrastructure projects.

In line with the reduction in the production of audio and audio visual products, employment in this sub-sector also registered a decline of 2.9 per cent to 61,728 workers, compared with 59,990 in 2007.

Productivity

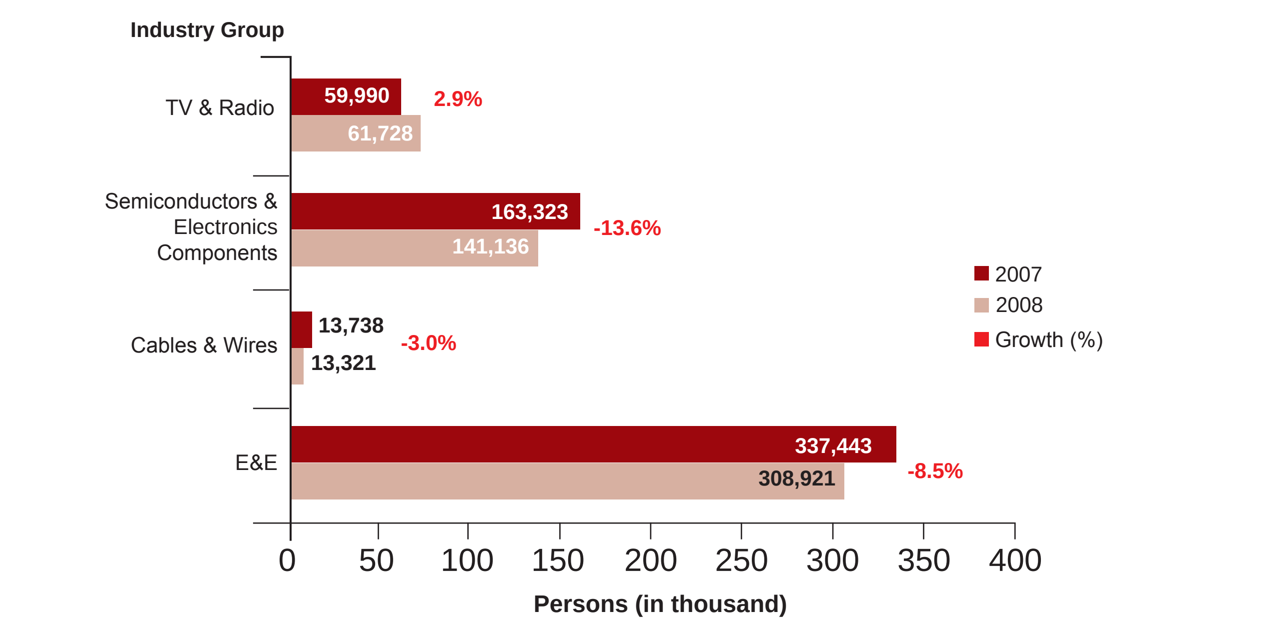
The E&E industry recorded a reduction in orders, due to cancellations or slowdown in the active number of order renewals especially in audio visual products, semiconductor devices and computers and computer peripherals. Productivity dropped by 2.9 per cent from RM93,300 in 2007, compared with RM90,600 in 2008. Electronic components and semiconductor devices, and electronic valves and tubes

Chart 4.1:
Sales of Selected E&E Products



Source: Department of Statistics, Malaysia

Chart 4.2:
Employment in Selected E&E Segments



Source: Department of Statistics, Malaysia

and printed circuit boards experienced a decline in productivity by 2.6 per cent and 4.9 per cent respectively. The unfavourable growth of the industry and sub-sectors was attributed mainly to a decrease in demand which compelled industries to operate below the normal capacity. Productivity for cables and wires, and audio and audio visual sub-sectors grew by 7 per cent and 6.5 per cent respectively.

As a whole, the E&E industry was not able to improve its labour cost competitiveness as its Unit Labour Cost increased by 6.5 per cent. Only audio and audio visual products, and cables and wires sub-sectors were able to sustain their competitiveness in terms of labour cost, as reflected by an improvement of 2.1 per cent and 0.9 per cent respectively, in their Unit Labour Cost.

Investments

Under the IMP3, the industry is targeted to grow at 7.2 per cent or RM5.5 billion a year, with total approved investments of RM82.4 billion by 2020. In 2008, a total of 132 projects were approved, with investments amounting to RM17.8 billion, exceeding the targeted amount outlined under the IMP3. The number of projects declined by 8.3 per cent, compared with 144 projects approved in 2007, valued at RM15.1 billion.

Exports

In 2008, E&E exports recorded a decrease of 4.8 per cent to RM253.8 billion, compared with RM266.5 billion in 2007. The decrease was due to a decline in exports of office machines and automatic data processing machines by 5.9 per cent to RM87.7 billion in 2008 from RM93.1 billion in 2007, and parts and electrical apparatus for electrical circuits and printed circuits by 4.6 per cent to RM118.6 billion in 2008 from RM124.3 billion in 2007.

The global economic crisis across major economies had impacted the performance of Malaysia's E&E sector. Major factors contributing to the slowdown in exports included:

- reduction in orders and cancellation of order renewals;

Table 4.16:
Productivity Indicators of Selected E&E Segments

Sub-sector	Productivity (RM'000)			Labour Cost per Employee(RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
E&E Industry	**90.6**	**-2.9**	**93.3**	**23.8**	**-**	**23.8**	**0.0494**	**6.5**	**0.0464**
Computers and computer peripherals	72.3	-0.4	72.6	21.5	0.5	21.4	0.0301	13.1	0.0266
Semi-conductor devices	138.5	-2.6	142.1	30.6	-1.9	31.2	0.0659	12.4	0.0586
Electronic valves and tubes printed circuit boards and other electronic components	62.1	-4.9	65.3	21.0	-1.4	20.7	0.0578	0.0564	0.0564
Cables and Wires	122.2	7.0	114.2	20.7	6.1	19.5	0.0303	-0.9	0.0306
Audio and audio visual products	63.0	6.5	59.2	24.5	-2.0	25.0	0.0656	-2.1	0.0670

Source: Malaysia Productivity Corporation
Computed from Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Table 4.17:
Investments in the E&E industry

Description	2008	Change (%)	2007
No. of projects approved	**132**	**-8.3**	**144**
Total Investments (RM billion)	**17.8**	**17.9**	**15.1**
Foreign (RM billion)	17.3	26.3	13.7
Domestic (RM billion)	0.5	-64.3	1.4

Source: Malaysian Industrial Development Authority

- downward pressure on consumer electronics prices which continued to depress the sales value, and resulted in declining sales and orders;
- financial crisis in the USA and credit tightening affecting consumer spending limits; and
- weaker consumer spending in the USA, Japan and Europe.

However, exports of telecommunications and sound recording equipment recorded an increase of 5 per cent to RM47.6 billion compared with RM45.3 billion in 2007.

Major E&E exports were the semiconductor devices, integrated circuits, micro assemblies, and transistors and valves segment, which accounted for 34.8 per cent or RM88.3 billion of total E&E exports. This was followed by the automatic data processing machines, with export value of RM46.3 billion (18.2 per cent) and parts and accessories for office machines and automatic data processing machines, with export value of RM36.5 billion (14.4 per cent) and telecommunications equipment and parts, valued at RM26.2 billion (10.3 per cent).

The USA remained the largest export market for E&E products in 2008, with exports of RM56.6 billion or 22.3 per cent of total E&E exports. This is a decrease of 19.6 per cent, compared with RM70.4 billion in 2007.

Other major export markets were Singapore and the People's Republic of China. In 2008, exports to Singapore decreased by 5.4 per cent to RM38.9 billion, compared with RM41.4 billion in 2007, while exports to the People's Republic of China increased by 19.2 per cent to RM29.7 billion, compared with RM24.9 billion in 2007.

Imports

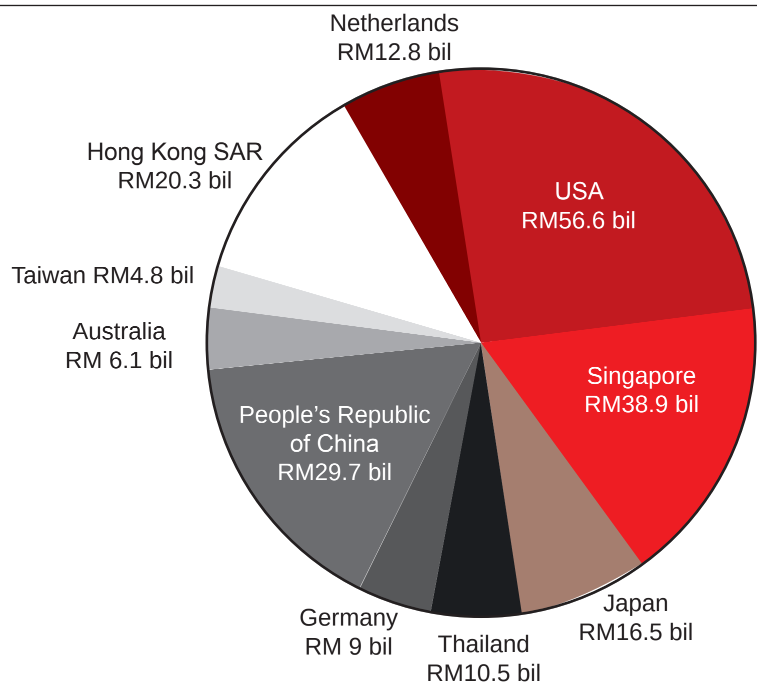
Imports of E&E products decreased by 7.1 per cent to RM189.4 billion, compared with RM203.9 billion in 2007, due to a decline in imports of components for finished products. The People's Republic of China replaced the USA as the main source of imports valued at RM35.5 billion (18.7 per cent), while imports from the USA amounted to RM31.4 billion (16.6 per cent), followed by Japan valued at RM23.3 billion (12.3 per cent).

The imports of electrical machinery, apparatus and appliances declined by 6.8 per cent to RM138.2 billion, compared with RM148.3 billion in 2007. This sub-sector accounted for 73 per cent of total E&E imports. However, the imports of telecommunications and sound recording and reproducing equipment recorded an increase of 12.6 per cent to RM18.9 billion, compared with RM16.8 billion in 2007. The increase was due to a higher demand for telecommunication equipment and parts, such as mobile phones and accessories, network communication, satellites and cable TV equipment, satellite telephones, telecommunication parts, telecommunications equipment, telephones and parts, video phones and parts, and wireless communication.

Developments

A total of 869 Malaysian Standards had been developed in the Electrotechnical

Chart 4.3:
Top Ten Export Destinations in 2008



Source: Malaysia External Trade Development Corporation sector, where 75 per cent or 652 MS are aligned with International Standards (International Electrotechnical Commission - IEC). Out of the 869 standards, 57 had been made mandatory by the Energy Commission (ST).

The Technical Committee on Cables and Wires and Cables Accessories headed by The Electrical and Electronics Association of Malaysia (TEEAM), had prepared the Malaysian Standards. The standards, which are voluntary, will be

Table 4.18:
Exports of Selected E&E Products

Product	2008			2007	
	RM Million	Share (%)	Change (%)	RM Million	Share (%)
Total exports of E&E products	**253,826.3**	**100**	**-4.8**	**266,454.4**	**100**
Office machines and automatic data processing machines and parts:	**87,672.1**	**34.5**	**-5.9**	**93,133.9**	**35.5**
- Office machines	4,910.4	1.9	469.3	862.6	0.3
- Automatic data processing	46,295.7	18.2	-16.6	55,525.3	21.0
- Parts & accessories for office machines and automatic data processing machines	36,466.0	14.4	-0.8	36,746.0	14.0
Telecommunications and sound recording and reproducing equipment	**47,566.0**	**18.7**	**5.0**	**45,296.2**	**17.3**
- TV reception apparatus, monitors and projectors	8,243.3	3.2	75.8	4,688.1	1.8
- Radio broadcast receivers	6,617.0	2.6	5.5	6,272.5	2.4
- Sound recorders	6,527.8	2.6	18.5	5,507.9	2.1
- Telecommunications equipment and parts	26,178.0	10.3	-9.2	28,827.7	11.0
Electrical machinery, apparatus and appliances and parts	**118,588.2**	**46.7**	**-4.6**	**124,263.8**	**47.3**
- Electrical power machinery and parts	1,829.0	0.7	-3.3	1,890.8	0.7
- Electrical apparatus for electrical circuits and printed circuits	13,778.9	5.4	-2.0	14,064.1	5.4
- Equipment for distributing electricity	2,906.8	1.1	-1.7	2,957.1	1.1
- Electro-diagnostic apparatus, medical equipment	552.9	0.2	55.7	355.0	0.1
- Electrical and non-electrical household	3,491.0	1.4	-1.2	3,533.7	1.3
- Semiconductors devices, integrated circuits, transistors, valves, etc	88,285.7	34.8	-4.8	92,710.9	35.3
- Electrical machinery and apparatus	7,7440	3.1	-11.5	8,752.2	3.3

Compiled by the Ministry of International Trade and Industry

made mandatory by relevant regulators such as the Malaysian Communications and Multimedia Commission (SKMM) and Energy Commission (ST). The mandatory standards are on products such as cables and power cables, wires and wire harnesses, telephone cords and power cords.

In 2008, import duties for 36 E&E products were abolished, in line with the liberalisation policy.

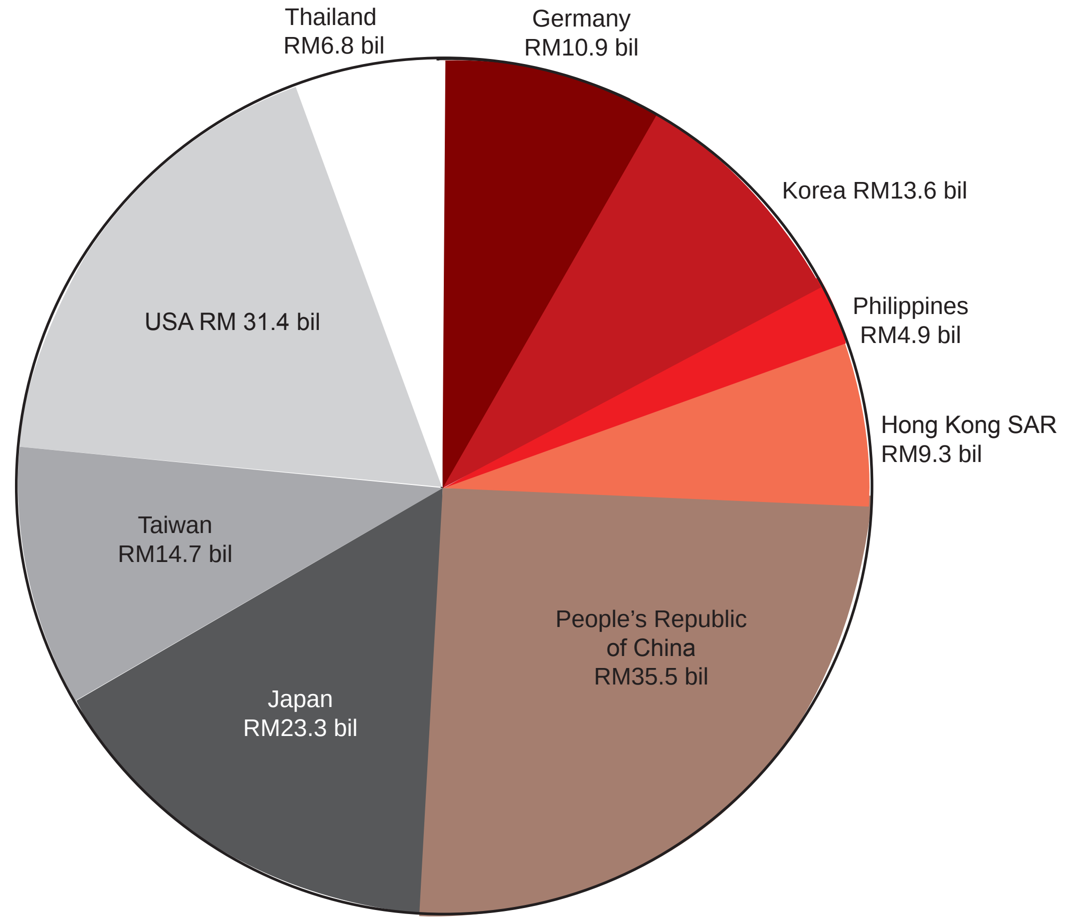
OUTLOOK

Increased exports to the People's Republic of China, India and other countries had offset the slowdown in exports to the USA. Exports to the People's Republic of China increased by 23.6 per cent to RM27.9 billion in 2008, compared with RM22.6 billion in 2007, while exports to India increased by 0.4 per cent to RM3.7 billion from RM3.6 billion in 2007.

Studies conducted by various international bodies indicated that there will be a decline in sales of selected semiconductors and E&E products for 2009 and 2010. Sales projections are as per Table 4.20:

The Information Technology outsourcing industry had shown a promising growth with Malaysia having a competitive

Chart 4.4:
Top Ten Sources of Imports in 2008



Sources: *Department of Statistics, Malaysia*
Malaysia External Trade Development Corporation
Ministry Of International Trade and Industry

Table 4.19:
Imports of Selected E&E Products

Product	2008			2007	
	RM Million	Share (%)	Change (%)	RM Million	Share (%)
Total imports of E&E products	**189,395.0**	**10.0**	**-6.4**	**202,343.9**	**100**
Office machines and automatic data processing machines and parts	**32,175.3**	**17.0**	**-13.3**	**37,112.7**	**18.3**
- Office machines	1,487.6	0.8	287.9	383.5	0.2
- Automatic data processing machines	8,513.5	4.5	-16.4	10,180.6	5.0
- Parts and accessories for office machines and automatic data processing machines	22,174.0	11.7	-16.5	26,548.6	13.1
Telecommunications and sound recording and reproducing equipment	**18,997.8**	**10.0**	**12.6**	**16,872.5**	**8.3**
- TV reception apparatus, monitors and projectors	880.5	0.5	52.4	577.9	0.3
- Radio broadcast receivers	285.6	0.2	-5.4	302.0	0.1
- Sound recorders	1,136.4	0.6	-3.4	1,175.8	0.6
- Telecommunications equipment and parts	16,695.4	8.8	12.7	14,816.9	7.3
Electrical machinery, apparatus and appliances and parts	**138,221.9**	**73.0**	**-6.8**	**148,358.6**	**73.3**
- Electrical power machinery and parts	3,303.1	1.7	-12.4	3,770.9	1.9
- Electrical apparatus for electrical circuits and printed circuits	17,005.6	9.0	4.8	16,227.4	8.0
- Equipment for distributing electricity	2,375.7	1.3	-0.2	2,380.2	1.2
- Electro-diagnostic apparatus, medical and radiological apparatus	491.6		-1.4	484.6	0.2
- **Electrical and non-electrical household equipment**	1,428.4	0.8	14.5	1,247.3	0.6
- Semiconductor devices, integrated circuits, micro assemblies, transistors, valves	100,557.9	53.1	-8.6	109,979.8	54.4
- Electrical machinery and apparatus	13,059.6	6.9	-8.5	14,268.3	7.1

Compiled by the Ministry of International Trade and Industry

advantage in terms of facilities, multi languages and skilled workers. In 2008, the industry was valued at RM300 million.

The ICT industry is expected to grow at a reduced rate of 5 per cent this year, compared with 7 per cent in 2008 and a double digit growth in previous years. *Persatuan Industri Komputer dan Multimedia Malaysia (PIKOM)* had proposed the re-introduction of the EPF Withdrawal for Personal Computer (PC) Purchase Scheme as a measure to enhance consumer spending. It is estimated that the scheme will generate sales of about 300,000 units of PCs

Table 4.20:
Sales Projections of Selected Semiconductors and E&E Products

Source	2008 Revised (%)	2009 (Previous) (%)	2009 (Revised) (%)	2010 (Previous) (%)	2010 (Revised)
iSuppli Corp.	-4 to -5	-	-9.4	-	6.4
SIA (Semiconductor Ind. Association)	0.2 (11 mths)	Flat	-5.6	7.4	7.5
Gartner	-4.4	-2.2	-16.3	14.6	9.4
Broadpoint.AmTech	-	-	-20	-	15
Databeans Inc.	-	-	-6	-	12
SEMI (Semi Conductor Equipment)	-28		-21		31
Average	-	-	-13.1	-	-13.6

Compiled by American Malaysian Chamber of Commerce (AMCHAM)

(including peripherals and broadband subscription) that will contribute about RM700 million to the ICT industry a year. This in turn will see the industry grow at about 7 per cent rather than 5 per cent as earlier projected.

TRANSPORT EQUIPMENT INDUSTRY

The industry comprises three segments:

- automotive, including motor vehicles (passenger and commercial vehicles), motorcycles and parts and components;
- marine transport, comprising ship building, heavy engineering works and ship repairing; and
- aerospace, covering activities such as maintenance, repair and overhaul, manufacture of parts and components, and manufacture of light aircraft.

AUTOMOTIVE SEGMENT

Motor Vehicles Sub-Segment

Production

Total production of passenger and commercial vehicles in 2008 increased by 20.2 per cent to 530,810 units from 441,678 in 2007. Production of passenger cars grew by 20.2 per cent to 484,512 units in 2008 compared with 403,245 in 2007. For commercial vehicles, production grew by 20.5 per cent to 46,298 in 2008, compared with 38,433 in 2007. The increase in production was due to positive market response to the introduction of new models and the enhancement in design for existing models. The increase was also attributed to efforts made by local manufacturers and assemblers to reduce costs to be more competitive.

Within the passenger car sub-segment, production by the national manufacturers increased by 23.7 per cent to 332,490 units in 2008, while production by assemblers increased by 11.6 per cent to 152,022. In terms of total production of passenger cars, the share of national car manufacturers increased to 68.6 per cent, compared with 66.7 per cent in the previous years.

For the commercial vehicles sub-segment, production by national manufacturers registered a decline of 24.3 per cent to 5,699 units in 2008 from 7,495 in 2007. Production by assemblers recorded growth of 31.3 per cent to 40,692 units in 2008 from 30,938 in 2007.

Table 4.21:
Production of Motor Vehicles

Sub-Segment	2008 (Units)	Change (%)	2007 (Units)
Total	**530,810**	**20.2**	**441,678**
Passenger cars[1]	**484,512**	**20.2**	**403,245**
Manufacturers	332,490	23.7	268,791
Assemblers	152,022	11.6	134,454
Commercial vehicles	**46,298**	**20.5**	**38,433**
Manufacturers	5,669	-24.3	7,495
Assemblers	40,629	31.3	30,938

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

The total installed capacity for the production of motor vehicles remained at 963,300 units in 2008. Capacity utilisation rate in 2008 increased to 55.1 per cent, compared with 45.9 per cent in 2007.

Sales

Sales of Malaysia's motor vehicles increased significantly in 2008, recording the second highest sales of 548,115 units, the highest being 552,316 in 2005. Overall sales grew by 19.8 per cent to RM15.7 billion in 2008 from RM13.7 billion in 2007. The performance was mainly due to the economic growth of 5 per cent in 2008, positive consumer sentiments especially during the first nine months of the year, attractive financing schemes for car buyers, introduction of new models at competitive prices and aggressive sales campaigns.

In terms of units, total motor vehicle sales recorded a growth of 12.5 per cent to 548,115 units in 2008, compared with 487,176 in 2007. Passenger cars recorded sales of 497,459 units or 90.8 per cent of total sales in the motor vehicle sub-segment. Sales of national cars continued to dominate the market with 310,535 units sold in 2008, an increase of 9.3 per cent, compared with 284,177 in 2007. Sales of non-national cars recorded growth of 17.8 per cent to 186,927 units in 2008 from 159,708 in 2007.

In terms of market share of passenger cars in 2008, sales by national manufacturers accounted for 62.4

Table 4.22:
Capacity Utilisation in the Motor Vehicles

	2008	Change (%)	2007
Total installed capacity (units)	**963,300**	**-**	**963,300**
Actual production (units)	530,810	20.2	441,678
Capacity utilisation (%)	55.1	20.0	45.9

Source: Malaysian Automotive Association (MAA)

Table 4.23:
Sales of Motor Vehicles

Sub-Segment	2008 (Units)	Change (%)	2007 (Units)
Total	**548,115**	**12.5**	**487,176**
Passenger cars	**497,459**	**12.3**	**442,885**
Manufacturers	310,532	9.3	284,177
Assemblers	186,927	17.8	158,708
Commercial vehicles	**50,656**	**14.4**	**44,291**
Manufacturers	5,270	5.0	5,019
Assemblers	45,386	15.6	39,272

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

per cent, while sales by assemblers accounted for 37.6 per cent of total sales, compared with a share of 35.8 per cent recorded in 2007.

For commercial vehicles, assemblers dominated the market in 2008, with a market share of 89.6 per cent, while sales by national manufacturers increased by 5 per cent to 5,270 units in 2008 from 5,019 in 2007.

Sales of motor vehicles in ASEAN improved by 17.9 per cent to 2,112,368 units in 2008 from 1,791,925 in 2007. Malaysia recorded the highest sales for passenger cars among the six major ASEAN markets in 2008, with total sales of 497,459 units, accounting for 37 per cent of total sales in ASEAN 6. For 2008, sales of passenger cars in Indonesia totalled 425,267 units, Thailand (226,805), Singapore (100,979), Viet Nam (49,356) and the Philippines (44,428). However, in the commercial vehicle sub-segment, Malaysia ranked fifth, recording a share of 6.6 per cent of total sales of commercial vehicles in the region. Thailand recorded the highest sales at 388,465 units, followed by Indonesia (178,507), the Philippines (80,021) and Viet Nam (60,830).

Employment

Total employment in the motor vehicles segment recorded growth of 14.9 per cent to 25,038 in 2008 from 21,794 in 2007. The increase was to meet the growing demand for motor vehicles, reflected by an increase in capacity utilisation for 2008.

Investments

In 2008, a total of 48 projects with investments of RM1.5 billion were approved in the automotive sub-segment, an increase of 33.3 per cent, compared with 36 projects and investments of RM342.6 million in 2007. Domestic investments amounted to RM1.4 billion or 92.4 per cent of total investments, while foreign investments totalled RM112.5 million (7.6 per cent).

Among major projects approved for the motor vehicles segment were the manufacture and assembly of automobiles, with an investment of RM1.1 billion, manufacture of integrated air fuel module (RM41 million), and fabrication of commercial vehicle bodies (RM7.4 million).

Exports

Exports of motor vehicles in 2008 increased by 12.1 per cent to RM865.9

Table 4.24:
Investments in Motor Vehicles

	2008	Change (%)	2007
No. of projects approved	**48**	**33.3**	**36**
Total investments (RM million)	**1,488.3**	**334.4**	**342.6**
Domestic (RM million)	**1,375.8**	**318.6**	**328.7**
Foreign (RM million)	**112.5**	**709.3**	**13.9**

Source: Malaysian Industrial Development Authority

million from RM772.2 million in 2007. Exports of passenger cars increased by 17.3 per cent to RM634.6 million in 2008 from RM541.2 million in 2007. Exports of commercial vehicles increased by 0.1 per cent to RM231.2 million from RM230.9 million in 2007. Major export destinations of passenger cars in 2008 were the People's Republic of China, accounting for RM95.3 million, followed by the Islamic Republic of Iran (RM74.2 million), Thailand (RM69 million), UK (RM65.4 million) and Indonesia (RM65.1 million).

Imports

Imports of motor vehicles grew by 34 per cent to RM7.1 billion in 2008 from RM5.3 billion in 2007. Imports of passenger cars amounted to RM4.9 billion, while commercial vehicles were valued at RM2.4 billion. Passenger cars were mainly imported from Japan, which accounted for RM2.6 billion, Thailand (RM867.6 million), Germany (RM801.1 million), Indonesia (RM156.7 million), and the UK (RM70.9 million).

Motorcycle Sub-Segment

The motorcycle sub-segment is classified into mopeds, scooters, street bikes and cruisers. Currently, there is one local manufacturer for motorcycles and nine assemblers.

Production

Production of motorcycles in 2008 increased by 20.2 per cent to 536,567 units from 446,415 in 2007. The increase was due to the introduction of new and trendy models, especially for motorcycles with engine capacity of below 150c.c.. The national manufacturer produced a total of 64,181 units, accounting for 12 per cent of total production in 2008.

Table 4.25:
Exports and Imports of Motor Vehicles (CBUs[1] and CKDs[2])

Segment		2008 (RM million)	Change (%)	2007 (RM million)
Total	**Exports**	**865.8**	**12.1**	**772.1**
	Imports	**7,196.8**	**36.5**	**5,273.3**
Passenger cars	Exports	634.6	17.3	541.2
	Imports	4,839.7	34.8	3,591.4
Commercial vehicles	Exports	231.2	0.1	230.9
	Imports	2,357.1	40.1	1,681.9

Source : Department of Statistics, Malaysia
Note : [1] CBU - Completely Built Up
[2] CKD - Completely Knocked Down

Capacity Utilisation

Total installed capacity for the production of motorcycles in 2008 was 689,000 units. Total capacity utilisation rate increased to 77.9 per cent in 2008 from 62.8 per cent in 2007.

Sales

Sales of motorcycles registered an increase of 26.3 per cent to RM2.4 billion in 2008 from RM1.9 billion in 2007. The number of motorcycles sold increased by 18.5 per cent to 532,697 units in 2008 from 449,673 in 2007. Sales by the national manufacturer grew by 30 per cent to 62,439 units in 2008 compared with 48,017 in 2007.

Employment

Employment in the motorcycle sub-segment decreased by 3.4 per cent to 6,475 from 6,700 in 2007, due to automation and modernisation activities undertaken by manufacturers and assemblers in the sub-segment.

Exports

Exports of motorcycles decreased by 38.2 per cent to RM104.8 million in 2008 from RM169.7 million in 2007. Major markets were Singapore, valued at RM41.1 million, Sri Lanka (RM30.4 million), Greece (RM14 million) and Egypt (RM13.3 million).

Imports

Imports of motorcycles increased by 97.8 per cent to RM343.7 million in 2008 from RM173.8 million in 2007. Major sources of imports were Japan, at RM103.8 million, Indonesia (RM74.1 million), Thailand (RM68 million) and the People's Republic of China (RM16.9 million).

Automotive Parts and Components Sub-Segment

In 2008, there were more than 690 automotive and about 110 motorcycle and scooter component manufacturers. The automotive component sub-segment produced more than 5,000 components, such as steering wheels and steering columns, rims, bumpers, brakes, radiators, shock absorbers and clutches. Of the component manufacturers, 226 were Proton vendors (32 tier one vendors) and 160 Perodua vendors (some vendors supplied to both Proton and Perodua).

More than 75 per cent of the automotive component companies were Malaysian-owned. A number of these companies had entered into technical collaborations with international automotive component manufacturers. There were also foreign-owned global automotive component manufacturers operating in Malaysia.

Production

The production index of automotive components and parts sub-segment increased by 21.5 per cent to 213.4 in 2008 from 175.6 in 2007. The growth was attributed to an increase in the production of new passenger cars and for the replacement market.

Sales

Sales of automotive components and parts in 2008 increased by 16.4 per cent to RM6.4 billion in 2008 from RM5.6 billion in 2007. The increase was directly related to an increase in the number of new cars sold and the high demand in the overseas market, which was reflected in the total export performance.

Employment

A total of 21,713 were employed in the components and parts sub-segment, registering a marginal decline of 2.4 per cent from 22,246 in 2007.

Investments

In 2008, a total of 41 projects were approved for the manufacture of automotive components and parts with investments of RM304.7 million, compared with 30 projects with investments of RM279.7 million in 2007. Major components and parts included manufacture of air conditioning and parts thereof, manufacture of front corner modules and rear corner modules, manufacture of automotive gear transmission and manufacture and assembly of front and rear bumpers.

Exports

Exports of automotive components and parts decreased by 11.1 per cent to RM2.4 billion in 2008 from RM2.7 billion in 2007. Major export destinations in 2008 were Indonesia with exports valued at RM303.1 million, Taiwan (RM268.8 million), Thailand (RM266.4 million), Singapore (RM205.8 million) and Japan (RM159.1 million). Major components exported included steering wheels and steering columns, rims, bumpers, brakes, radiators, shock absorbers and clutches.

Imports

Imports of automotive components and parts decreased by 8.9 per cent to RM4.1 billion in 2008 from RM4.5 billion in 2007. Major import sources were Thailand with imports amounting to RM1.7 billion, followed by Japan (RM995.5 million), Indonesia (RM436.9 million), Germany (RM308 million) and the People's Republic of China (RM168.4 million).

Productivity

Productivity of the automotive segment increased by 8.4 per cent to RM107,300 in 2008, compared with RM99,000 in 2007. High capacity utilisation due to strong global demand for all segments contributed to the favourable performance. This was effected by the usage of high-tech machinery such as the CNC Machining Centre, and drilling and tapping machines.

The segment was able to sustain its labour cost competitiveness as Unit Labour Cost decreased by 1.6 per cent. All segments were able to improve their labour cost competitiveness as reflected by a decline in their respective Unit Labour Cost.

Developments

Several initiatives were introduced under Budget 2009 to further develop the domestic automotive industry. One of the objectives of National Automotive Policy (NAP) is to promote Malaysia as an automotive regional hub focusing on niche areas. In line with this, an exemption of 100 per cent import duty and 50 per cent excise duty on imported new hybrid cars with engine capacity below 2,000 c.c. were introduced.The promotion of hybrid cars will provide the opportunity to

Table 4.26:
Sales of Motorcycles

Segment	2008 (Units)	Change (%)	2007 (Units)
Total	**532,697**	**18.5**	**449,673**
Manufacturer	**62,439**	**30.0**	**48,017**
Assemblers	**470,259**	**17.1**	**401,656**

Source: Motorcycle and Scooter Association of Malaysia (MASAAM)

Table 4.27:
Productivity Indicators of Automotive Segment

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Automotive	107.3	8.4	99.0	26.8	5.9	25.3	0.0661	-1.6	0.0672
Motor vehicles	144.6	4.0	139.1	32.0	3.6	30.9	0.0534	-1.5	0.0542
Parts and accessories	74.4	8.8	68.4	22.9	7.0	21.4	0.0952	-0.8	0.0960
Motor cycles and scooters	93.6	20.9	77.4	22.4	6.2	21.1	0.0712	-0.4	0.0715

Source : Malaysia Productivity Corporation
Computed from Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

develop Malaysia as a hub for hybrid cars in the region. Another incentive was the reduction of the road tax structure for diesel-powered engine vehicles for private use similar to petrol-fuelled vehicles.

In 2008, Proton signed a CKD Assembly Agreement, Licensing Technical Assistance Agreement and Equipment Purchase Agreement with Zagroos Khodro Holding, Iran, to assemble and distribute Proton cars in Iran. The initiatives undertaken indicated the commitment by Proton to expand their overseas market and in line with one of the strategies under IMP3, to promote strategic linkages with international partners.

In terms of quality certification, more than 60 per cent of local component manufacturers had acquired international standards such as ISO9000, TS16949 and ISO14000. A majority of these companies had technical collaboration with international automotive component companies, enabling the manufacturers to market their products competitively.

The Government continued to complete the adoption of The United Nations Economic Commission for Europe Working Party 29 (UNECE WP29) rules into the Construction and Use Rules 1959 as mandatory standards for vehicles and automotive parts and components in Malaysia, and is expected to be completed in 2009.

In 2008, a total of RM87.4 million involving 20 applications of the Soft Loan Scheme for Automotive Development was approved. The scope of the loan was expanded to cover the refinancing of tooling acquisition, with the maximum loan amount per application increased from RM5 million to RM10 million.

In 2008, a total of 291 participants were trained and 51 modules were developed and implemented under the automotive skills training programme of the Malaysia-Japan Automotive Industry Cooperation (MAJAICO) programmes, conducted at the Advanced Technology Training Centre in Shah Alam.

Aerospace Segment

The segment comprises aviation and space sub-segments. For aviation, local capabilities range from modification and overhaul of engines and components to the maintenance of light and heavy aircrafts. Manufacturing activities related to selected aircraft parts and components are also involved in this sub-segment. The space sub-segment categorises development of telecommunications and entertainment industries, through the launching of satellites as a part of the main activities.

There are two companies involved in the assembly of light aircrafts and seven in the manufacture of aircraft parts and components. In addition, there are 28 companies involved in the maintenance, repair and overhaul activities (MRO), for both civilian and military aircrafts. Out of the 28 companies, 12 are involved in testing, repair and overhaul of aircraft parts and components, 12 provide line and heavy maintenance, while four are in the maintenance of engines and engine parts.

Investments

In 2008, seven projects valued at RM991.6 million were approved in the aerospace segment. Domestic investments totalled RM277 million while foreign investments were worth RM714.6 million. The bulk of investments were from manufacturing/assembling of light aircraft activities, where two joint-venture projects were approved with investments of RM586.1 million.

Exports

In 2008, exports of aircrafts, spacecrafts and parts and components for aircrafts amounted to RM2.7 billion, a decrease of 6.9 per cent from RM2.9 billion in 2007. Major export destinations were Singapore, with exports valued at RM862.7 million, the USA (RM452.7 million) and the UK (RM409.2 million).

Imports

In 2008, imports of aircrafts, spacecrafts and parts and components for aircrafts increased by 9.6 per cent to RM5.7 billion, compared with RM5.2 billion in 2007. Major sources of imports were France amounting to RM3.3 billion, the USA (RM1.3 billion) and Singapore (RM359.2 million).

Developments

In July 2008, a memorandum of agreement (MoA) was signed between local and foreign aerospace companies to set up a joint venture company, to become a key MRO provider for turbo props in this region. Besides servicing the turbo props, the company will explore additional business opportunities in the cargo conversion and specialised activities.

Projects worth RM300 million which included a 5 Star FBO lounge were approved to upgrade and re-brand the present Terminal 3 in Subang for commercial and corporate air operation. This was one of the efforts taken in expanding Malaysia’s general aviation business at the Malaysia International Aerospace Centre (MIAC).

A 30 acre plot alongside RWY 33 of the MIAC is being developed to be transformed into a Regional Aviation Centre (RAC), to house MRO and parking hangars, assembly manufacturing factories and parts/components warehouse. The development works will commence in March 2009.

Marine Segment

The marine segment comprises shipbuilding and ship repairing sub-segments. Shipbuilding includes building of cargo vessels, ferries, tug boats, leisure crafts and yachts and fabrication of offshore and floating structures such as fire-floats, dredgers and floating cranes. The local industry in this sub-segment has the capability to produce vessels up to 30,000 DWT.

Ship repairing which includes maintenance, repair and overhaul of ships, boats and leisure crafts has the facilities to repair vessels of up to 400,000 DWT.

There are 56 companies with manufacturing licences undertaking the building and repairing of commercial and naval vessels. In addition, there are more than 30 smaller shipyards, producing mainly wooden hulls for fishermen and traders, small ferries, tugboats, barges, standby vessels and patrol boats, leisure crafts, yachts, cruisers and speedboats.

Investments

In 2008, 17 new projects with investments amounting to RM410.1 million were approved, compared with 10 projects with total investments of RM346.7 million in 2007. 15 projects were domestic investments to undertake shipbuilding and ship repairing valued at RM384.1 million.

Exports

In 2008, exports for ships, boats and floating structures increased by 10.4 per cent to RM1.1 billion from RM996.6 million in 2007. Major export destinations were Thailand with exports valued at RM420.8 million, Singapore (RM326 million) and the USA (RM93.7 million). Main export items were tankers, floating and submersible drilling or production platforms valued at RM419.6 million.

Imports

In 2008, imports recorded a decrease of 57.1 per cent to RM2.4 billion, compared with RM5.6 billion in 2007. Major sources of imports were Japan valued at RM894.6 million, Singapore (RM388.1 million) and the People's Republic of China (RM349.4 million). Main import items were tankers of more than 4,000 gross tonnage valued at RM987.3 million and other vessels for the transport of both persons and goods valued at RM685.1 million.

Developments

One of objectives under IMP3 is to enhance domestic capabilities in marine segment. In 2008, SME Bank had financed six companies for the construction of 12 vessels worth RM430.1 million, to encourage building of small vessels of 30,000 DWT and below. In addition, a company was financed to undertake a domestic shipyard project worth RM60 million.

The International Maritime Organisation (IMO) requires ships to be double-hulled by 2010. As such, the Malaysian shipping industry would be building ships to comply with this requirement for the export markets.

PETROCHEMICAL AND CHEMICAL INDUSTRY

The petrochemical and chemical industry covers two segments, namely, petroleum products, including petrochemical and plastic products, and basic industrial chemicals and chemical products. The industry retained its position as the second largest contributor to total exports in 2008, with a 6.1 per cent share.

The petrochemicals segment includes:

- commodity grade resins; polyethylene (PE) resins, polypropylene (PP) resins, polyvinyl chloride (PVC) resins, polyester resins and polystyrene (PS) resins;
- engineering grade plastics resins, acrylonitrile-butadiene (ABS) resins, polyoxymethylene (POM) resins, polybutylene terephathalate (PBT) and polyester co-polymer (PETG) resins;
- petrochemical derivatives; ethylene oxide (EO), butanols and acetic acid; and

- specialised and fine chemicals; food additives and raw materials for pharmaceuticals.

Production

The production indices for the petroleum products, including the petrochemicals and plastic products segment, registered a marginal increase of 0.8 per cent from 166.7 in 2007 to 168.0 in 2008. The overall growth was attributed to an increase in demand for plastic blow-moulded products, plastic injection-moulded components and plastic extruded products. Plastic packaging, both flexible and rigid (including bags, films, bottles and containers), remained the largest segment for the plastics sub-segment, accounting for 45 per cent of the total sub-segment output.

Sales

Sales of petroleum products, including petrochemicals and plastic products, increased by 30 per cent, from RM119 billion in 2007 to RM154.7 billion in 2008. The main contributor was refined petroleum products, with a sales value of RM124.8 billion. A total sales value of RM16.1 billion was recorded for plastic products in 2008, compared with RM15.3 billion in 2007, an increase of 5.9 per cent. The increase in the production cost and subsequent sales value was attributed to the high cost of crude oil, the main raw material for the production of plastics in primary forms during the first nine months of 2008.

Employment

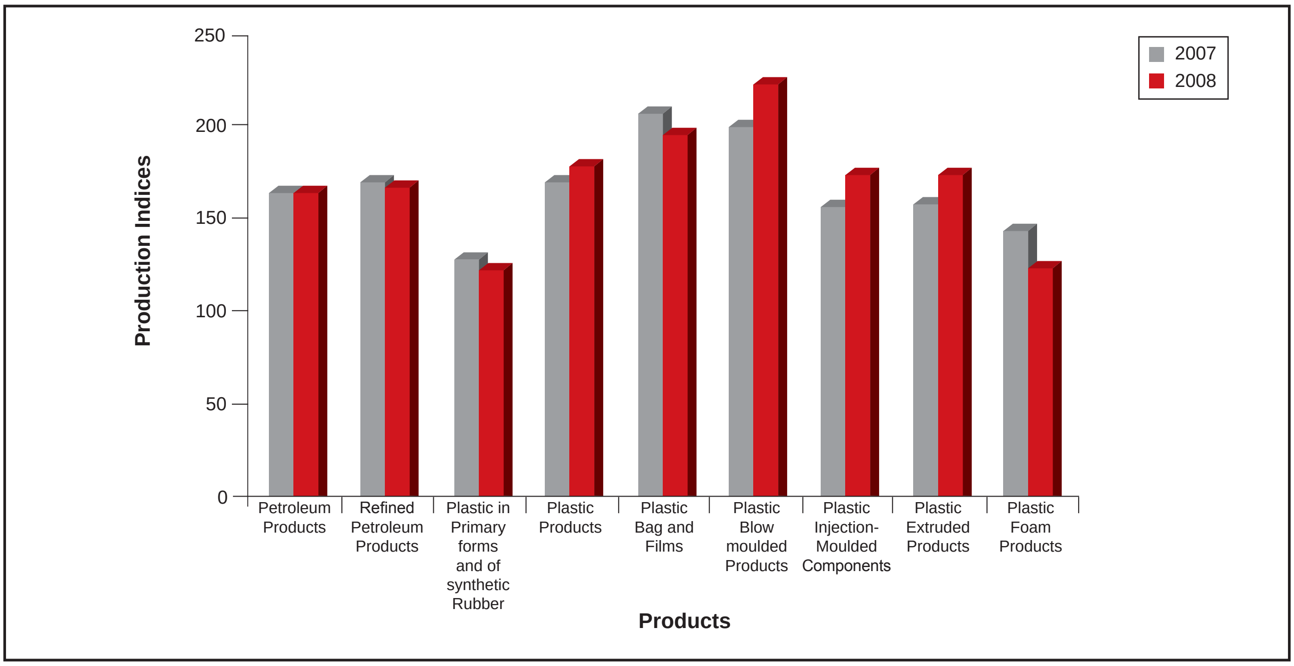
In 2008, employment in the petroleum products industry, including petrochemicals and plastic products segment, recorded a decrease of 1.6 per cent to 88,820 from 90,279 in 2007. The decline in employment was recorded in the plastic products sub-segment, with plastic foam products and plastics injection moulded components registering 18.9 per cent and 6.4 per cent declines respectively. Employment opportunities for the manufacture of refined petroleum products recorded an increase of 6.6 per cent during this period. The plastics injection moulded components sub-segment recorded the highest number of employment, with 41,715, accounting for 47 per cent of total employment, followed by the plastic bags and films sub-segment, with 15,911 or 17.9 per cent of total employment.

Table 4.28:
Production Indices of Selected Petroleum Products, including Petrochemicals and Plastic Products

Segment	2008	Change (%)	2007
Total	**168.0**	**0.8**	**166.7**
Petroleum products	**164.7**	**-0.5**	**165.5**
Refined petroleum products	168.7	-0.2	169.0
Plastics in primary forms and of synthetic rubber	122.0	-4.3	127.5
Plastic products	**177.5**	**4.2**	**170.3**
Plastic bags and films	194.9	-5.9	207.2
Plastic blow-moulded products	222.8	11.2	200.4
Plastic injection-moulded components	173.4	10.7	156.6
Plastic extruded products	173.7	9.8	158.2
Plastic foam products	123.2	14.2	143.6

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

Chart 4.5:
Production Indices of Selected Petroleum Products, Including Petrochemicals and Plastic Products



Source: Department of Statistics, Malaysia

Productivity

The petroleum products industry, including petrochemicals and plastic products segment, registered a productivity improvement of 22.5 per cent, from RM121,200 in 2007 to RM148,500 in 2008. The high performance was due to increased sales driven by high petroleum price, especially for plastics in primary forms and synthetic rubber. The industry was able to further enhance its labour cost competitiveness through a 16.6 per cent change in its unit labour cost.

Investments

In 2008, total investments approved for the petroleum products industry, including the petrochemical and plastic products segment were RM3.3 billion, a decrease of 30.3 per cent compared with RM14.9 billion in 2007. Domestic investments amounted to RM1.9 billion or 57.6 per cent of total approved investments, while foreign investments amounted to RM1.4 billion or 42.4 per cent of total approved investments. A total of 76 projects were approved in 2008, compared with 108 in 2007. Major sources of foreign investments were the USA, Germany and Japan.

In the petroleum products sub-segment, a total of 16 projects worth RM2.7 billion were approved, compared with RM13.8 billion in 2007. The approved projects are expected to generate 487 new job opportunities in chemical engineering and process engineering.

In the plastic products sub-segment, 60 projects with investments of RM635.8 million were approved in 2008, of which 37 were for new projects and 23 for expansion and diversification. Of the total, 28 projects were Malaysian-owned. Foreign investments accounted for RM211.4 million and domestic investments were valued at RM424.4 million.

Exports

Exports of petroleum products, including petrochemicals and plastic products amounted to RM96.1 billion in 2008, compared with RM70.1 billion in 2007, an increase of 37.1 per cent. The increase was primarily due to the high crude oil prices, which peaked at US$145 per barrel (RM478) in July 2008.

Exports of petroleum and petroleum related products, which included LNG and refined petroleum products, amounted to RM76.8 billion in 2008, compared with RM52.2 billion in 2007, an increase of 47.1 per cent. Exports of refined petroleum products registered an increase of 38.8 per cent to RM32.2 billion in 2008, from RM23.2 billion in 2007. The major destinations for petroleum and petroleum related products were Japan, accounting for RM32 billion, followed by Singapore (RM16.5 billion) and the Republic of Korea (RM10.7 billion).

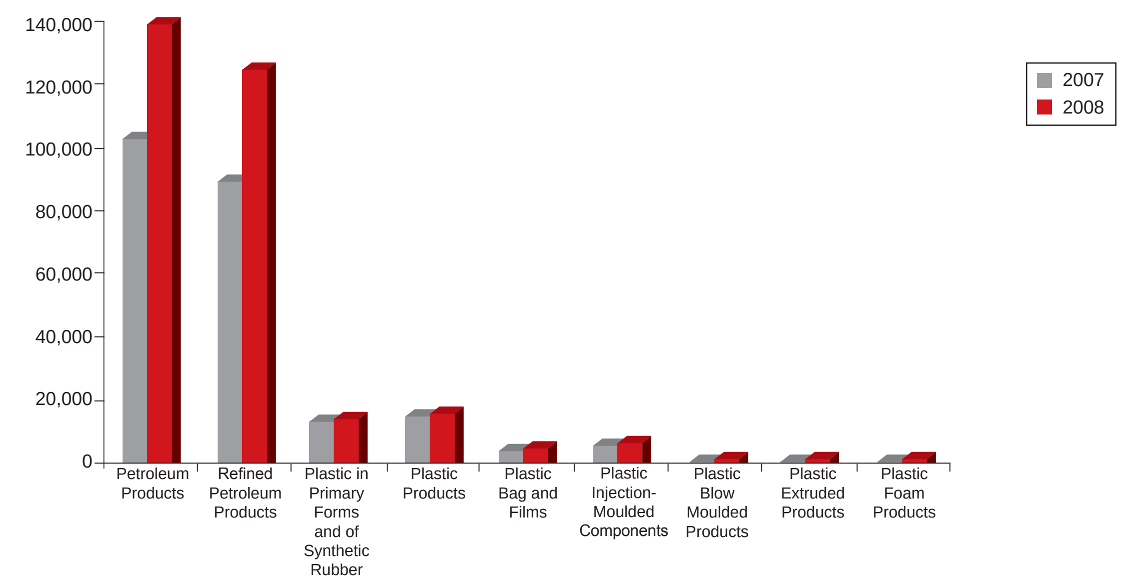
Exports of plastics in primary form (synthetic resins), consisting of polymers of ethylene, polymers of styrene, polyacetals and polycarbonates, and waste, parings

Table 4.29:
Sales of Selected Petroleum Products, Including Petrochemicals and Plastic Products

Segment	2008 (RM million)	Change (%)	2007 (RM million)
Total	**154,699.1**	**-30.0**	**118,956.1**
Petroleum products	**139,126.3**	**33.8**	**103,514.6**
Refined petroleum products	124,268.4	38.4	89,796.2
Plastics in primary forms and of synthetic rubber	14,187.7	3.4	13,718.4
Plastic products	**16,243.1**	**5.2**	**15,441.5**
Plastic bags and films	5,405.3	6.3	5,086.6
Plastic injection moulded components	7,608,4	6.9	7,115.5
Plastic blow-moulded products	418.2	3.9	402.5
Plastic extruded products	718.5	7.3	669.5
Plastic foam products	476.8	-4.0	496.5

Source: Department of Statistics, Malaysia

Chart 4.6:
Sales of Selected Petroleum Products, Including Petrochemicals and Plastic Products



Source: Department of Statistics, Malaysia

and scraps, recorded a growth of 4.6 per cent, with a value of RM9,951.7 million and a share of 24.5 per cent of exports in the petroleum and petroleum related products sub-segment. The major export markets were the People's Republic of China with exports valued at RM1.9 billion, followed by Hong Kong SAR (RM1.4 billion) and Indonesia (RM978 million).

Exports of plastic products totalled RM9.3 billion in 2008, compared with RM8.4 billion in 2007, an increase of 10.7 per cent. Exports comprised mainly plastic bags, bottles and containers, films and sheets. Major destinations were Singapore, which accounted for RM1.8 billion, Japan (RM1.4 billion), UK (RM728 million) and the USA (RM562 million).

Imports

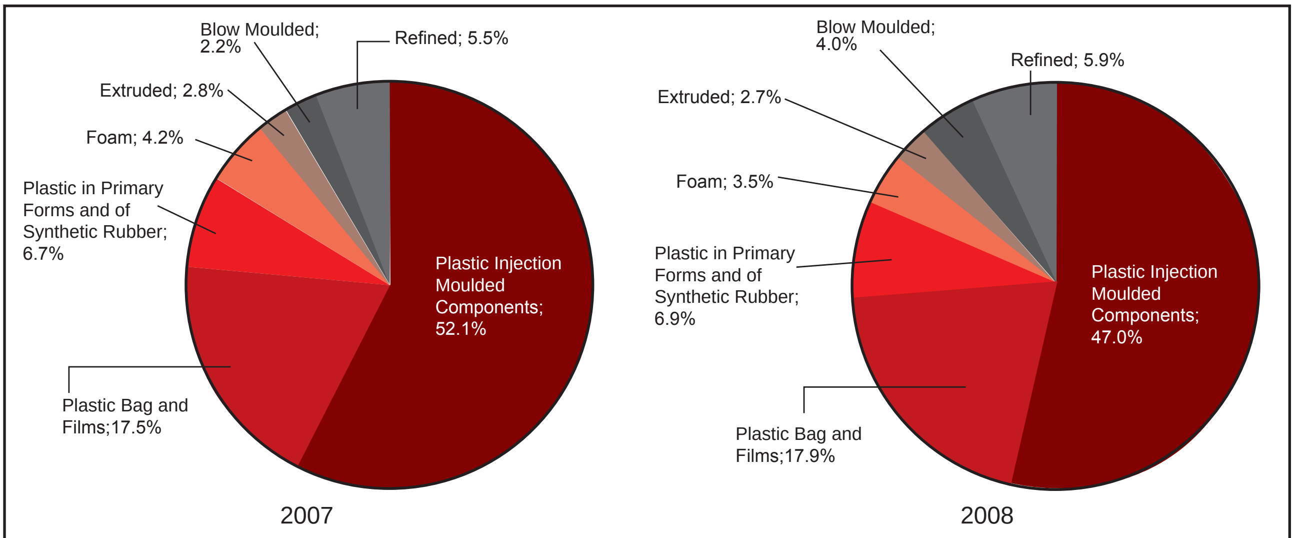
Imports of petroleum including petrochemicals and plastic products, increased by 8.7 per cent, from RM40.4

Table 4.30:
Employment in Selected Petroleum Products, Including Petrochemicals and Plastic Products

Segment	2008 (persons)	Change (%)	2007 (persons)
Total	**88,820**	**-1.6**	**90,279**
Petroleum products	**11,394**	**3.3**	**11,014**
Refined petroleum products	5,260	6.2	4,934
Plastic in primary forms and of synthetic rubber	6,134	0.9	6,080
Plastic products	**77,426**	**-2.4**	**79,265**
Plastic bags and films	15,911	0.9	15,760
Plastics injection moulded components	41,715	-12.8	47,050
Plastic blow moulded products	3,530	45.0	1,943
Plastic extruded products	2,430	-4.3	2,534
Plastic foam products	3,070	-22.8	3,770

Source: Department of Statistics, Malaysia

Chart 4.7:
Employment in Selected Petroleum Products, Including Petrochemicals and Plastic Products (Percentage Share)



Source: Department of Statistics, Malaysia

billion in 2007 to RM43.9 billion in 2008. Presently, Malaysia is a net importer of petrochemicals. The imported petrochemicals are used as raw materials in the manufacture of various products by most industries, which are subsequently exported as intermediate or consumer goods.

Imports of petroleum and petroleum related products increased by 18.6 per cent to RM28 billion in 2008, compared with RM23.6 billion in 2007. Major sources of imports were Singapore, with imports valued at RM21 billion, accounting for 72.6 per cent of total imports,followed by Saudi Arabia (RM1.4 billion), India (RM794 million) and Indonesia (RM771million).

Imports of plastics in primary forms (synthetic resins) stood at RM10.4 billion in 2008, recording a decline of 2.8 per cent from RM10.7 billion in 2007. Malaysia's major sources of imports were Singapore with imports valued at RM2.8 billion, followed by Japan (RM1.8 billion) and Thailand (RM862 million).

Table 4.31 :
Productivity Indicators of Selected Sub-Segments of the Petroleum Products and Plastic Products Segment

Sub-Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Petroleum and plastic products	148.5	22.5	121.2	26.1	8.3	24.1	0.0162	-16.9	0.0195
Petroleum products	946.2	24.9	757.3	86.3	18.1	73.1	0.0072	-6.5	0.0077
Refined petroleum products	1446.2	34.8	1072.7	128.3	24.3	103.2	0.0055	-	0.0055
Plastic in primary forms and of synthetic rubber	520.7	1.2	514.6	50.5	1.2	49.9	0.0224	-0.4	0.0225
Plastic products	39.5	1.3	39.0	17.9	0.6	17.8	0.0969	-1.5	0.0984
Plastic bags and films	67.0	1.1	66.3	19.7	1.0	19.5	0.0581	-2.2	0.0594
Plastics injection moulded components	28.8	4.7	27.5	17.0	1.2	16.8	0.1202	-4.0	0.1252
Plastic blow moulded products	62.4	0.5	62.1	18.6	-3.1	19.2	0.1020	0.3	0.1017
Plastic extruded products	41.2	-5.9	43.8	25.1	2.9	24.4	0.0961	7.9	0.0891
Plastic foam products	47.0	14.1	41.2	17.6	10.7	15.9	0.1216	-0.9	0.1227

Source : Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Imports of plastic products amounted to RM5.6 billion in 2008, compared with RM6 billion in 2007, a decline of 6.7 per cent. The major sources of imports were Japan, amounting to RM1.2 billion, followed by the People's Republic of China (RM857 million) and Singapore (RM796 million). The main items imported were containers of plastics, articles of plastics and plates, sheets, films and foils.

Developments

The petroleum and petrochemical industry covers natural gas, petroleum products and petrochemicals. The industry's progress is in line with the strategic thrusts of IMP3, which cover feedstock availability at competitive price, expanding and enhancing the value added and broadening the range of products, diversifying into manufacturing-related services, and enhancing linkages with downstream industries.

Three new projects approved in the plastic industry in 2008 were:

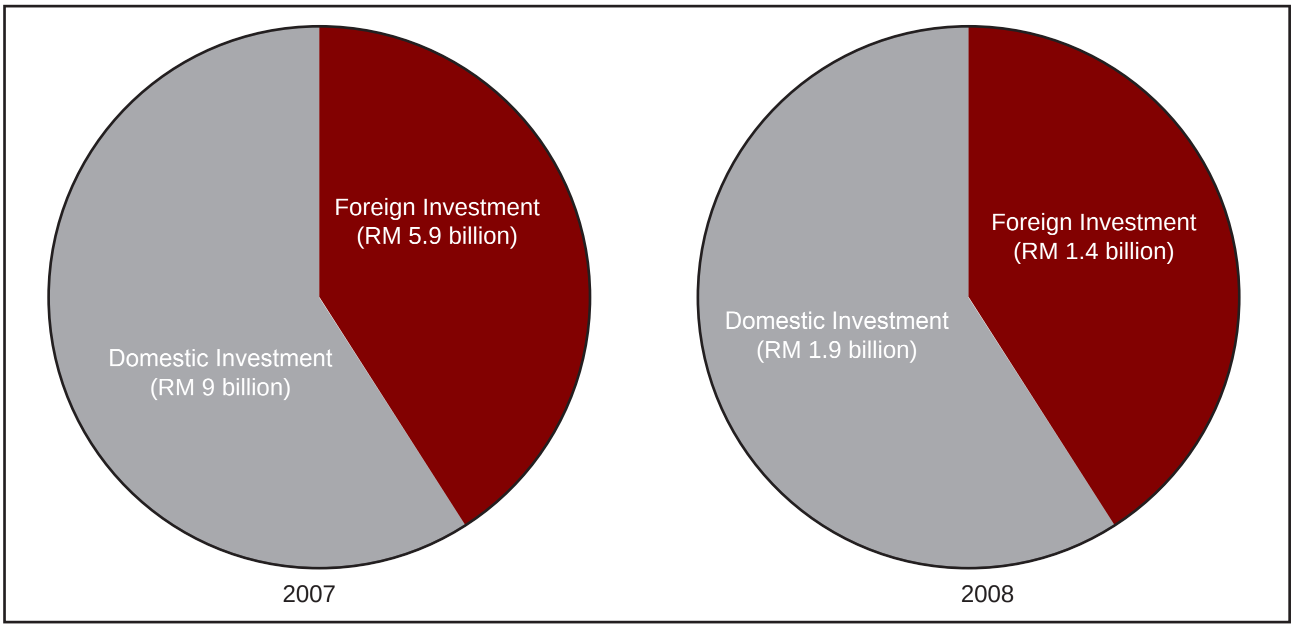
- production of silane monomers, silicone polymers and their derivatives in Selangor;
- blending activities to produce kerosene, gasoline, diesel and fuel oil using tank farm facilities in Tanjung Langsat, Johor; and

Table 4.32:
Investments in Petroleum Products, Including Petrochemicals and Plastic Products

	2008	Change (%)	2007
No. of projects approved	76	-29.6	108
Total investments (RM billion)	3.3	-77.9	14.9
Domestic (RM billion)	1.9	-78.9	9.0
Foreign (RM billion)	1.4	-76.3	5.9

Source: Malaysia Industrial Development Authority

Chart 4.8:
Investments in Petroleum Products, Including Petrochemicals and Plastic Products



Source: Department of Statistics, Malaysia

Table 4.33:
Exports of Petroleum Products, Including Petrochemicals and Plastic Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**96.1**	**37.1**	**70.1**
Petroleum and petroleum related products	76.8	46.8	52.3
Petroleum products	3.9	39.3	2.8
LNG	40.7	55.3	26.2
Refined petroleum products	32.2	39.4	23.1
Synthetic resins	9.9	4.2	9.5
Plastic products	9.3	10.7	8.4

Compiled by the Ministry of International Trade and Industry

- development and manufacture of cyclo-aliphatic epoxy resins in Johor. These materials are mainly used in weather resistant solvent-based coatings for outdoor applications, for example, electrical insulating parts.

Two expansion projects approved in the plastic industry in 2008 are:

- production of acrylonitrile butadiene rubber latex and styrene butadiene rubber latex; and

- expansion of production capacity of ethylene. This material is used as feedstock to produce polyethylene resins, polyvinyl chloride resins and styrene monomers.

In 2008, Malaysia launched its first fully integrated plastics park, the Kertih Plastic Park (KPP), a major project under the Eastern Corridor Economic Region (ECER). This park which is developed on a 140-hectare site will enhance the development of a hub to support plastics and plastics-related manufacturing activities, as well as service providers, and promote further downstream investments by tapping into the potential synergies from integration with the nearby Kertih Integrated Petrochemical Complex (KIPC).

Major projects approved in 2008 included:

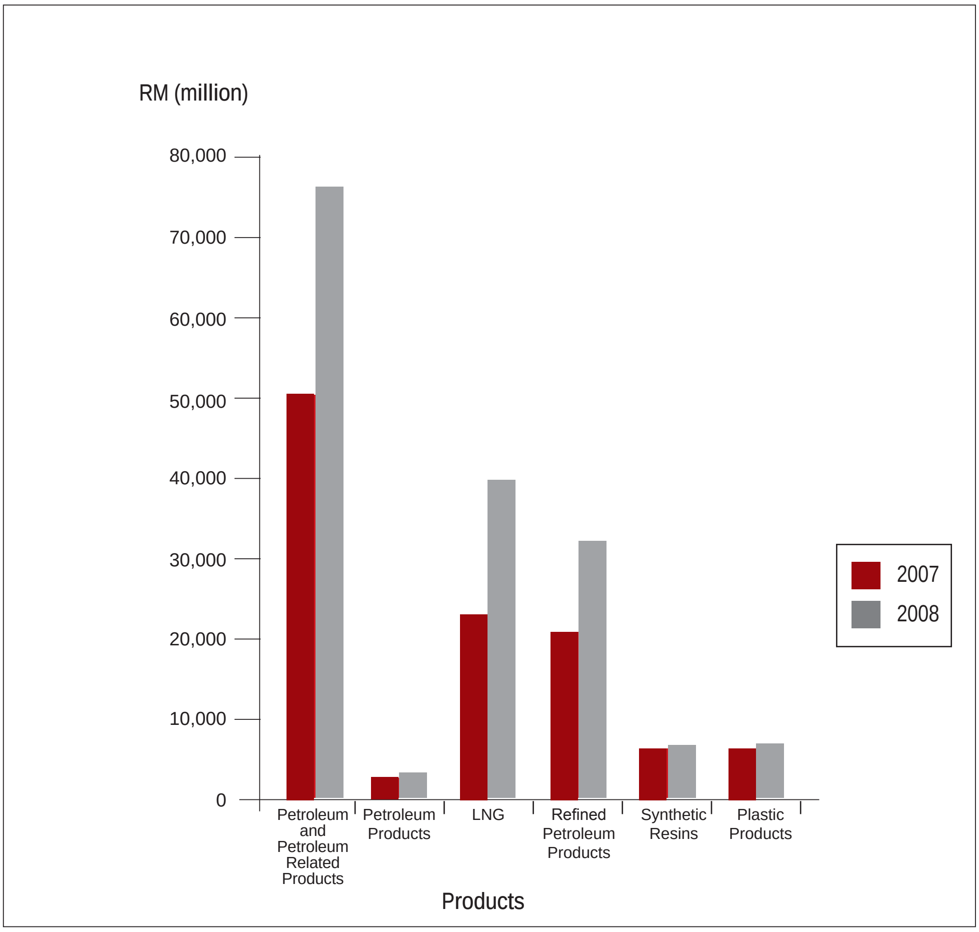
- an expansion project to manufacture plastic injection moulded components and sub-assemblies for the E&E industry in Nilai, Negeri Sembilan and Kulim, Kedah;

- a diversification project to manufacture plastic bags and films and polymeric calcium carbonate master batches, used in the formulation of raw materials in various applications, for example, fillers;

- a new project to manufacture fibreglass reinforced polyester (FRP) sectional panels. About 60 per cent of these products will be exported to the Middle East, South Africa and Europe; and

- a new joint-venture project to manufacture plasticised polyvinylchloride (UPVC) roofing sheets. UPVC roofing sheets have characteristics such as light stabiliser, ultra-violet (UV) absorbers and excellent thermal insulation.

Chart 4.9:
Exports of Petroleum Products including Petrochemicals and Plastic Products



Compiled by the Ministry of International Trade and Industry

Basic Industrial Chemicals and Chemical Products Segment

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

Production

The production index for the segment decreased by 3.8 per cent to 102.7 in 2008 from 106.7 in 2007. The pesticides and other agrochemical group registered an increase of 6.5 per cent. This was attributed to a higher demand for pesticides in the plantation and agricultural sector. However, decreases were recorded for industrial gases, fertilisers and nitrogen compounds, paints and varnishes and similar products. Industrial gases recorded a decrease of 4.7 per cent, from 147.4 in 2007 to 140.5 in 2008, due largely to a decrease in the demand for industrial gases in manufacturing activities such as food processing, steel production, chemical processing and water and sewage treatment. The production index for fertilisers and nitrogen compounds registered a decrease of 9.7 per cent in 2008. The production index of paints, varnishes and similar products decreased by 10.6 per cent in 2008, due to a lower demand by the construction and related industry.

Sales

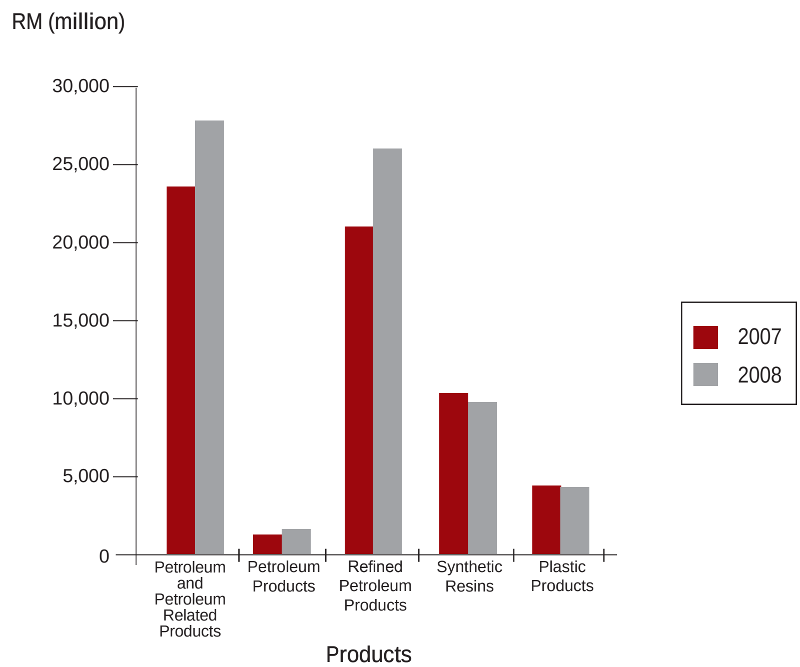
Sales value of the basic industrial chemicals and chemical products segment registered an increase of 11.8 per cent to RM42.7 billion in 2008 from RM38.2 billion in 2007. Products which recorded double

Table 4.34:
Imports of Petroleum Products, Including Petrochemicals and Plastic Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**44.0**	**9.5**	**40.2**
Petroleum and petroleum related products	28.0	18.6	23.6
Petroleum products	2.1	50	1.4
LNG	neg.	neg.	neg.
Refined petroleum products	25.8	16.7	22.1
Synthetic resins	10.4	-2.8	10.7
Plastic products	5.6	-6.7	6.0

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

Chart 4.10 :
Imports of Petroleum Products including Petrochemicals and Plastic Products



Compiled by the Ministry of International Trade and Industry

digit growth in sales value were soaps, cleaning preparations and toiletries (36.7 per cent), pesticides and other agrochemical products (41.8 per cent), and fertilisers and nitrogen compounds (42.8 per cent).

Employment

Employment in the segment registered an increase of 3.6 per cent to 26,929 in 2008 from 25,983 in 2007. Industrial gases and other basic industrial chemicals recorded a growth in employment of 24.6 and 1.5 per cent, respectively.

The demand for workers in the paints, varnishes and similar products sub-segment recorded a decline of 10.5 per cent, due to a decrease in investments for the construction and related industries.

Productivity

The productivity of the basic chemical and other chemical products sub-segment improved, with a double digit growth of 16 per cent to RM337,100 in 2008. All the sub-segments, except industrial gases, registered an increase in productivity growth ranging from 5.5 per cent to 42.6 per cent. The improved productivity performance of these sub-segments was mainly driven by strong demand in both domestic and global markets, as reflected by an increase in exports, particularly pesticides and other agrochemicals, as well as fertilisers and nitrogen compounds products. Labour cost competitiveness for the segment improved by a 3.9 per cent decrease in Unit Labour Cost. The soaps, cleaning preparations and toiletries sub-segment, for instance, were able to sustain its labour cost competitiveness through mass production.

Investments

In 2008, 48 projects with investments worth RM1.9 billion were approved compared with 26 worth RM1.1 billion in 2007. Domestic investments amounted to RM851.3 million, while foreign investments were valued at RM1.1 billion. Major sources of investments were India, Singapore and the USA.

Out of the total projects approved, 22 were new projects worth RM916.2 million, while 26 were expansion and diversification projects worth RM1 billion. The increase was due to investments in the production of fertilisers and industrial gases. 11 projects were for the manufacture of fertilisers and pesticides, followed by 14 which were approved for the production of industrial gases such as oxygen, nitrogen, argon, carbon dioxide and acetylene (RM414.7 million) and nine projects for the manufacture of other chemical products (RM843 million).

Exports

Exports of the basic industrial chemicals and chemical products segment grew by 30.2 per cent to RM30 billion in 2008 from RM26.6 billion in 2007. Major export destinations were the People's Republic of China with exports valued at RM5.32 billion, Indonesia (RM3.8 billion), Thailand (RM3.5 billion), Singapore (RM3.4 billion) and Japan (RM2.6 billion).

In 2008, growth in exports for organic chemicals, which expanded by 7 per cent, with a value of RM16.5 billion. In 2005 growth in exports for organic chemicals expanded by 7 per cent with a value of RM16.5 billion. Other major categories which recorded double digit growth were soaps, cleaning preparations and toiletries, which grew by 28.7 per cent (RM3 billion), fertilisers by 65.3 per cent (RM2 billion) and inorganic chemicals by 41 per cent (RM1.8 billion).

Imports

Imports of basic industrial chemicals and chemical products increased by 18.2 per cent to RM30.1 billion in 2008 from RM25.4 billion in 2007. Imports comprised mainly manufactured fertilisers, with a value of RM6.8 billion, an increase of 111.1 per cent, while imports of soaps, cleaning preparations and toiletries increased by 24.6 per cent, with a value of RM3.3 billion. Major import sources were Singapore, with imports valued at RM5.5 billion, the People's Republic of China (RM4.7 billion), Japan (RM4.4 billion), the USA (RM3.8 billion) and Thailand (RM3 billion).

Development

In 2008, the chemical industry continued to take steps to prepare for compliance with new and emerging chemical regulations for human health and environmental considerations. There had been considerable progress made in the following areas:

- Globally Harmonised System (GHS) of Classification and Labelling of chemicals:-
    - Draft Occupational Safety and Health (Chemicals Classification, Labelling and Safety Data Sheet) Regulations was completed;
    - Malaysian Standards on GHS, based on the Purple Book 2007

version, was accepted by the Malaysian Standards Committee;

- List of Hazardous Chemicals, a list of classified hazardous chemicals, was prepared by the Department of Occupational, Safety and Health;

- Translation of Purple Book into the Malay language was completed;

- The Pesticide Board was waiting for the new FAO Guideline before making amendments to the Pesticide (Labelling) Regulation 1984, to include elements of GHS;

- The Ministry of Transport had started the drafting of a new regulation on transport of dangerous goods and petroleum by road and rail, to reflect the requirements set by GHS; and

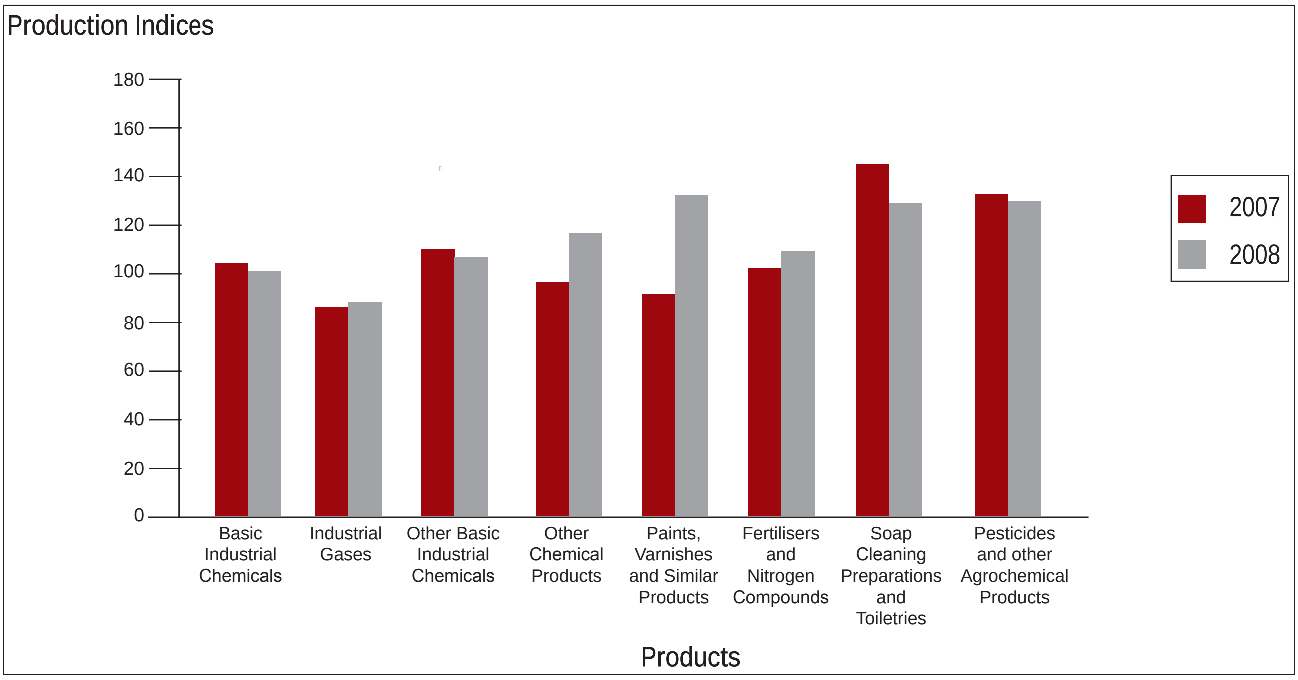
- For consumers, the Ministry of Domestic Trade and Consumer

Table 4.35:
Production Indices of Basic Industrial Chemicals and Chemical Products Segment

Sub-segment	2008	Change (%)	2007
Total	**102.7**	**-3.8**	**106.7**
Basic industrial chemicals	**104.1**	**2.3**	**101.7**
Industrial gases	92.3	-0.1	92.4
Other basic industrial chemicals	112.9	3.9	108.7
Other chemical products	**98.9**	**-17.4**	**119.8**
Paints, varnishes and similar products	94.3	-30.2	135.1
Fertilisers and nitrogen compounds	102.6	-4.5	107.4
Soap, cleaning preparations and toiletries	145.7	11.7	130.4
Pesticides and other agrochemical products	137.1	0.6	136.3

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

Chart 4.11:
Production Indices of Basic Industrial Chemicals and Chemical Products Segment



Compiled by the Ministry of International Trade and Industry

Affairs had started on the Situational and Gap Analysis (SGA and Comprehensibility Testing (CT).

- In 2008, the Malaysia Monitoring Authority (MMA), Standards Malaysia became a provisional adherent to the Organisation of Economic Co-operation and Development (OECD) on Mutual Acceptance Data in the assessment of chemicals from non-OECD countries.

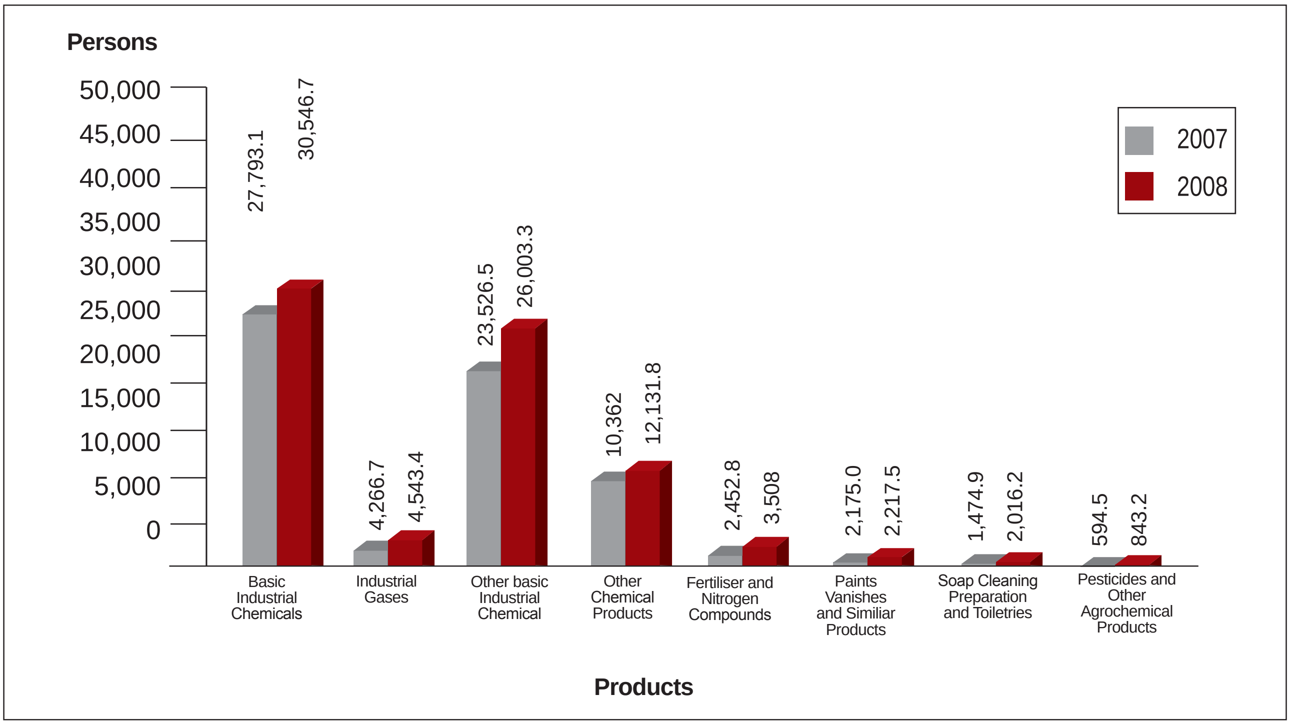
- In compliance with the Chemical Weapons Convention Act, 2005, Malaysia continued to gather data for annual reporting to the Organisation for the Prohibition of Chemical Weapons

Table 4.36:
Sales Of Basic Industrial Chemicals and Chemical Product Segment

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**42,678.5**	**11.9**	**38,155.4**
Basic industrial chemicals	**30,546.7**	**9.9**	**27,793.1**
Industrial gases	4,543.4	6.5	4,266.7
Other basic industrial chemicals	26,003.3	10.5	23,526.5
Other chemical products	**12,131.8**	**17.1**	**10,362.3**
Fertiliser and nitrogen compounds	3,502.3	42.8	2,452.8
Paints, varnishes and similar products	2,217.5	2.0	2,175.0
Soap, cleaning preparations and toiletries	2,016.2	36.7	1,474.9
Pesticides and other agrochemical products	843.2	41.8	594.5

Source : Department of Statistics Malaysia

Chart 4.12:
sales Of Basic Industrial Chemicals and Chemical Product Segment



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(OPCW). In 2008, three inspections involving oleo chemical factories were carried out by international inspection agencies.

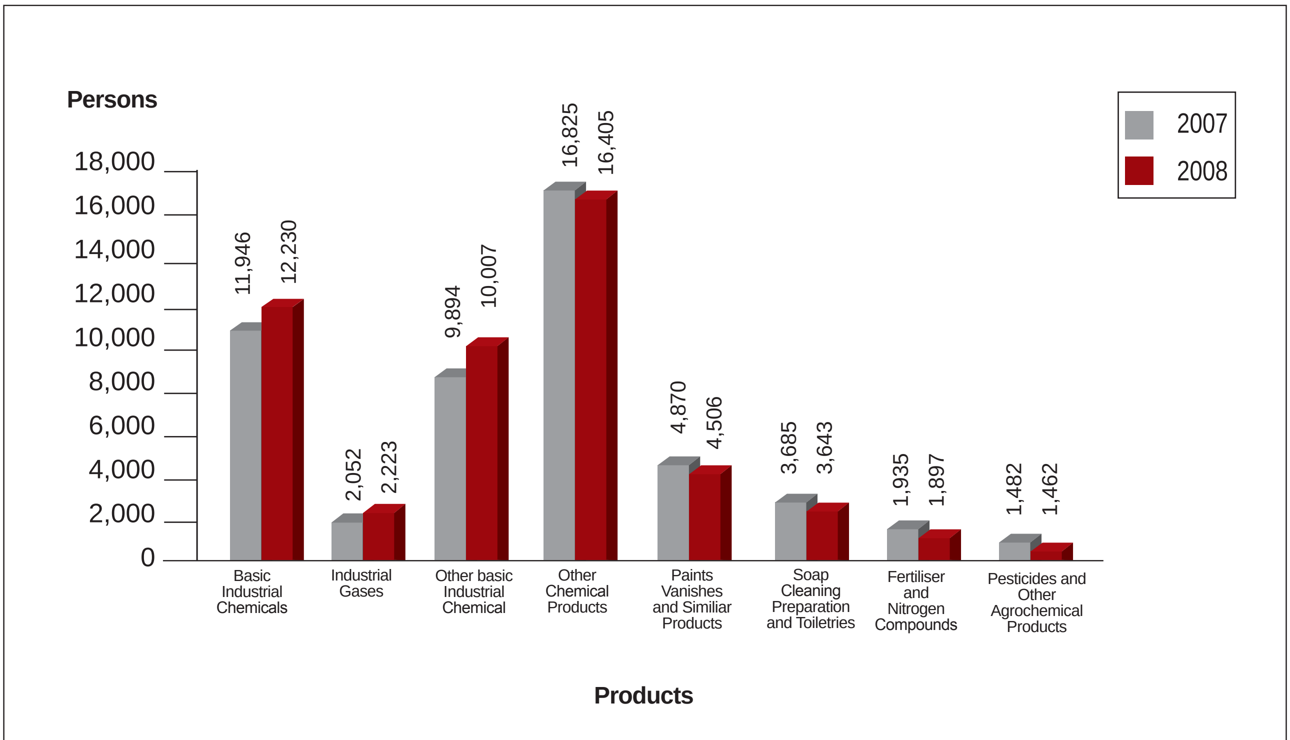
- To assist Malaysian exporters to comply with the new EU chemical regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), a government-private sector National Steering Committee on REACH, led by MITI and involving the Chemical Industries Council Malaysia (CICM) and relevant Government agencies, was established to draw up programmes and activities to

Table 4.37:
Employment in Basic Industrial Chemicals and Chemical Product Segment

Sub-Segment	2008 (persons)	Change (%)	2007 (persons)
Total	**28,635**	**-0.5**	**28,771**
Basic industrial chemicals	**12,230**	**2.4**	**11,946**
Industrial gases	2,223	8.3	2,052
Other basic industrial chemicals	10,007	1.1	9,894
Other chemical products	**16,405**	**-2.5**	**16,825**
Paints, varnishes and similar products	4,506	-7.5	4,870
Soaps, cleaning preparations and toiletries	3,643	-1.1	3,685
Fertilisers and nitrogen compounds	1,897	-2.0	1,935
Pesticides and other agrochemical products	1,462	-1.3	1,482

Source : Department of Statistics Malaysia

Chart 4.13:
Employment in Basic Industrial Chemicals and Chemical Products Segment



Compiled by Ministry of International Trade and Industry

raise awareness on REACH. The committee's activities included:

- Posting of REACH pre-registration tagline to alert all Malaysian Exporters to EU on the web sites of MITI, MIDA, MATRADE and SMIDEC;

- Public Announcement: An advertorial entitled: Industry's Compliance to REACH-New European Union Chemical Regulation 'No Registration, No Market' in the New Straits Times on 9/6/08;

- A series of workshops and seminars to provide chemicals and chemicals related products industries specific guidance on REACH and provide a forum for the chemical industry to seek views and comments on the direction of REACH implementation in Malaysia, as follows:

Table 4.38:
Productivity Indicators of Basic Industrial Chemicals and Chemical Segment

Sub-Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Basic chemical and other chemical products	**337.1**	**16.0**	**290.7**	**50.6**	**6.3**	**47.6**	**0.0347**	**-3.9**	**0.0361**
Basic industrial chemicals	**557.9**	**18.7**	**470.2**	**68.8**	**10.7**	**62.1**	**0.0266**	**-3.3**	**0.0275**
Industrial gases	1,018.2	-3.4	1,054.0	71.3	-6.6	76.3	0.0383	0.3	0.0382
Other basic industrial chemicals	456.5	33.4	342.3	68.2	15.6	59.0	0.0249	-2.5	0.0255
Other chemical products	**177.2**	**11.1**	**159.5**	**37.5**	**1.2**	**37.0**	**0.0580**	**-0.6**	**0.0584**
Fertilisers and nitrogen compounds	326.2	42.1	229.6	62.1	11.3	55.7	0.0386	-11.7	0.0437
Pesticides and other agrochemical products	104.7	42.6	73.5	27.8	17.4	23.7	0.0542	-9.6	0.0600
Paints, varnishes and similar products	127.1	5.5	120.4	36.3	1.1	36.0	0.0781	-2.0	0.0797
Soaps, cleaning preparations and toiletries	128.6	18.1	108.9	38.4	2.9	37.3	0.0906	-5.0	0.0954

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

i) 19 June 2008
(MIDA Hall, Kuala Lumpur)

ii) 2 July 2008
(MPC Hall, Pulau Pinang) and

iii) 9 July 2008
(MPC Hall, Johor Bahru); and

iv) Setting up of a non-EU-REACH national helpdesk at CICM.

The following 48 projects were approved in 2008:

- 14 projects for the production of industrial gases, such as oxygen, nitrogen, argon, carbon dioxide and acetylene;

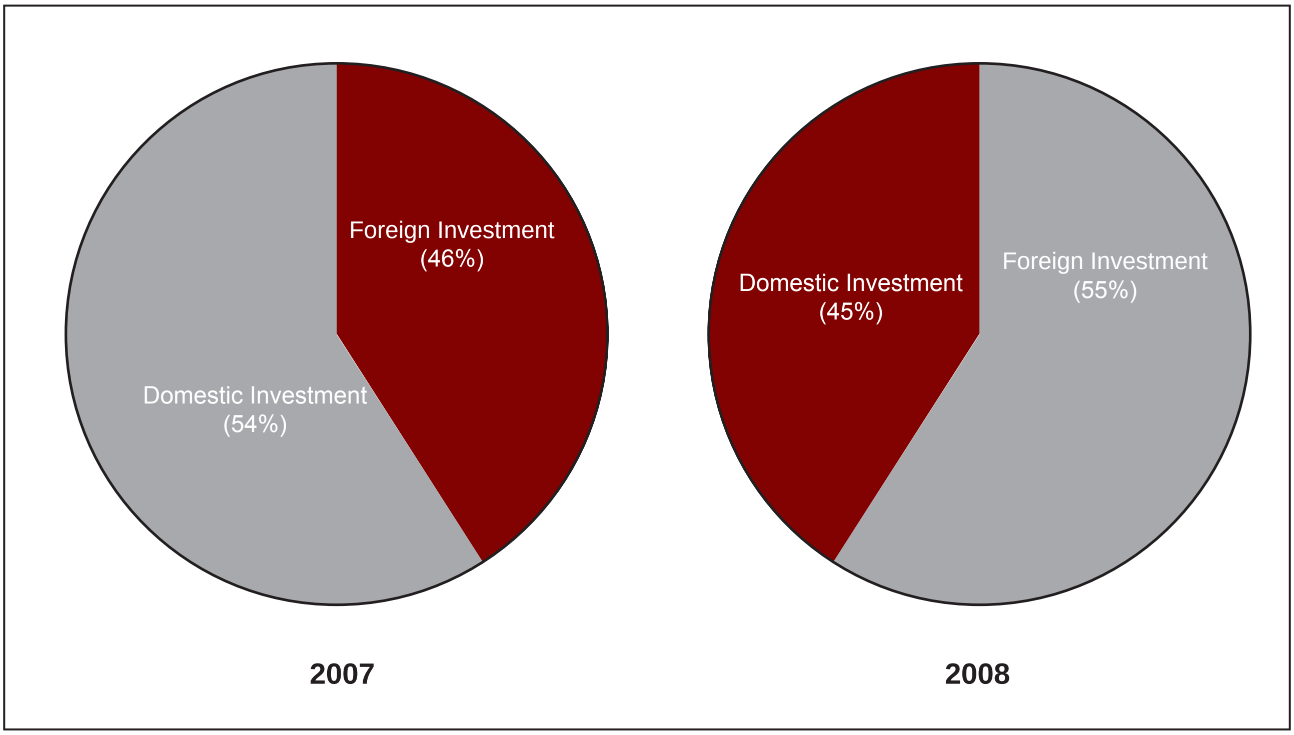
- nine projects for the manufacture of other chemical products such as graphite electrode, tellurium metal, tellurium dioxide, cadmium metal, cadmium telluride, cadmium oxide,

Table 4.39:
Investments in Basic Industrial Chemicals and Chemicals Products Segment

	2008	Change (%)	2007
No. of projects approved	**48**	**84.6**	**26**
Total investments (RM billion)	**1.9**	**73.3**	**1.1**
Domestic investments	851.3	44.6	588.7
Foreign investments	1,048.7	106.6	507.5

Source: Malaysia Industrial Department Authority

Chart 4.14 :
Investments in Basic Industrial Chemicals and Chemicals Products Segment



Compiled by the Ministry of International Trade and Industry

selenium, selenium dioxide, bismuth metal, aluminium chlorohydrate (ACH) and polyaluminium chloride (PAC) copper sulphate;

- 11 projects for the manufacture of fertilisers and pesticides;

- four projects for the manufacture of basic industrial chemical products such as liquid chlorine, sodium hydroxide, sodium hypochlorite hydrochloric acid and calcium carbonate;

- four projects for the manufacture of wood and industrial coatings, decorative and protective paints, automotive paints, lacquers and thinners, powder coatings and toners; and

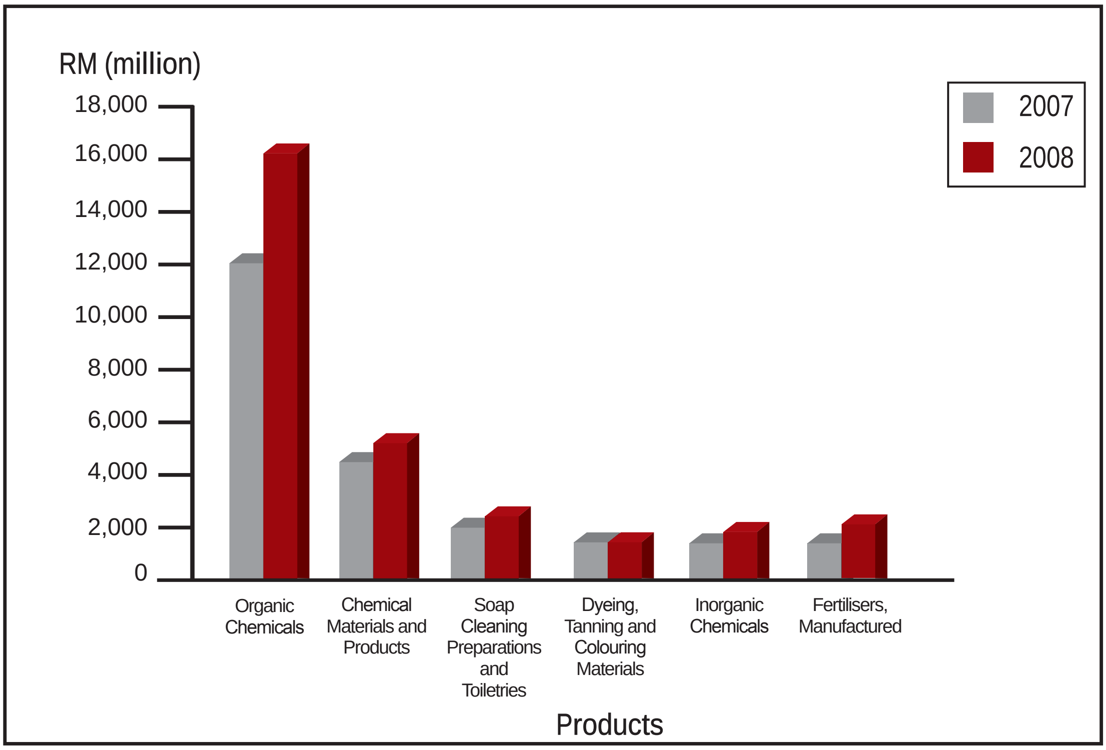
- six projects for the manufacture of personal care products and cleaning preparations and cosmetics.

Table 4.40:
Exports of Basic Industrial Chemicals and Chemical Products Segment

Product	2008 (RM billion)	Change (%)	2007 (RM billion)
Total	**30.0**	**13.0**	**23.0**
Organic chemicals	16.5	7.0	11.9
Chemical materials and products	5.3	6.9	5.0
Soaps, cleaning preparations and toiletries	3.0	28.7	2.3
Dyeing, tanning and colouring materials	1.4	2.5	1.3
Inorganic chemicals	1.8	41.0	1.3
Fertilisers, manufactured	2.1	65.3	1.3

Compiled by The Ministry of International Trade and Industry.

Chart 4.15:
Exports of Basic Industrial Chemicals and Chemical Products Segment



Among the significant projects approved were:

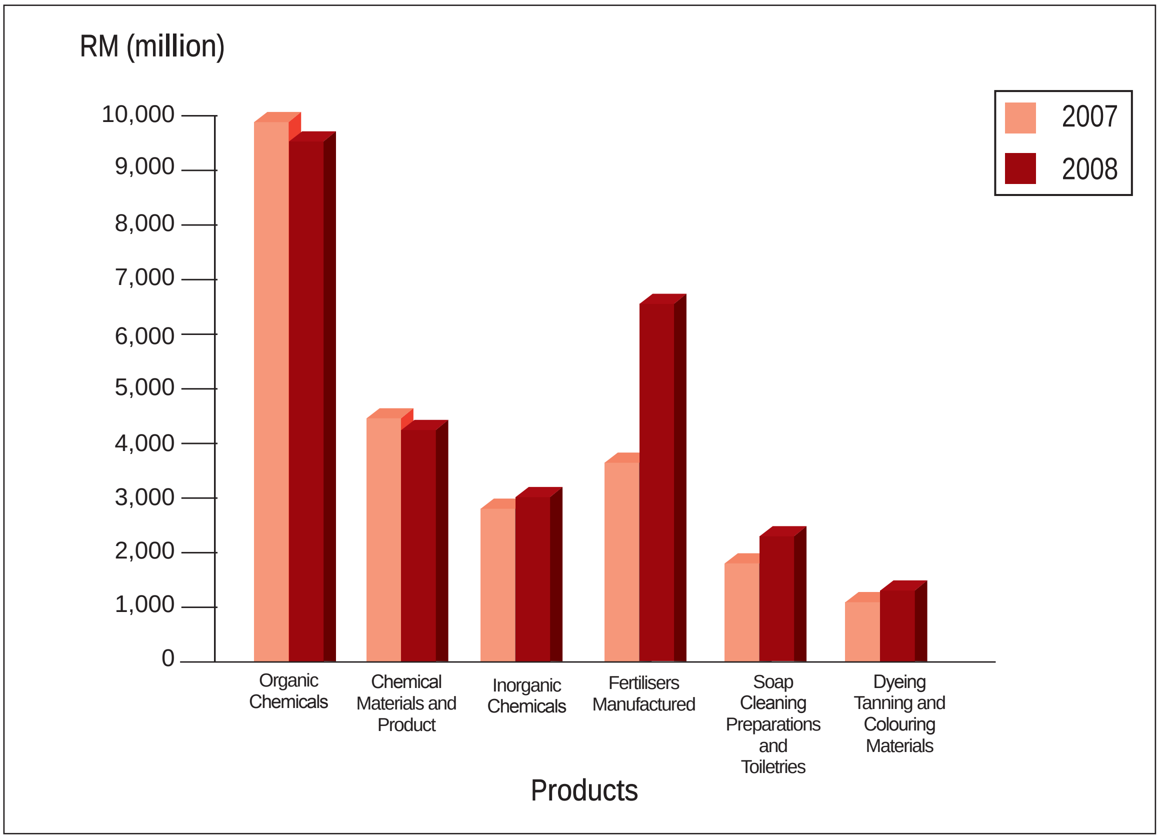
- an expansion project for the production of graphite electrode and eventually into a fully-integrated carbon and graphite hub;
- three new projects to manufacture oxygen, nitrogen, and argon in Melaka, Pulau Pinang and Selangor. The products will be supplied to refineries, the solar cell and semiconductor industries and also to general industries;
- an expansion project in Telok Kalong, Terengganu to produce liquid chlorine, sodium hydroxide, sodium hypochlorite and hydrochloric acid; and

Table 4.41:
Imports of Basic Industrial Chemicals and Chemical Products Segment

Product	2008 (RM billion)	Change (%)	2007 (RM billion)
Total	**30.1**	**18.2**	**25.4**
Organic chemicals	9.8	-1.7	10.0
Chemical materials and products	4.4	-4.9	4.7
Inorganic chemicals	3.6	13.0	3.2
Fertilisers, manufactured	6.8	111.1	3.2
Soaps, cleaning preparations and toiletries	3.3	24.6	2.6
Dyeing, tanning and colouring materials	2.1	20.7	1.7

Compiled by The Ministry of International Trade and Industry.

Chart 4.16:
Imports of Basic Industrial Chemicals and Chemical Products Segment



- a new project by a local company to manufacture NPK compound fertilisers in Lahad Datu, Sabah.

PHARMACEUTICAL INDUSTRY

The pharmaceutical industry is mostly dominated by small and medium-sized enterprises (SMEs) engaged in the production of a wide range of products, from the manufacture of prescription medicines, over-the-counter (OTC) medicines, to herbal preparations and health/food supplements, including traditional medicines.

This industry is an important component of the healthcare sector in Malaysia. In line with increasing awareness for a healthy lifestyle and an ageing population, there is an increasing trend in the demand for pharmaceuticals in the domestic market.

Production

The production index of the pharmaceutical industry expanded by 16.3 per cent to 127.4 in 2008 from 109.5 in 2007. This was largely attributed to the local production of generic drugs, health and food supplements.

Sales

Sales of pharmaceutical products increased by 11 per cent to RM1.4 billion in 2008, from RM1.2 billion in 2007. This was largely due to an increase in demand from the domestic market, arising from better health awareness and ageing population.

Employment

In 2008, employment in the pharmaceutical industry decreased by 15.2 per cent to 6,072 from 7,164. The industry is technology and research-intensive, requiring highly qualified professionals such as pharmacists, chemists, biotechnologists, microbiologists, biologists and chemical engineers, especially at the supervisory level in production, quality assurance and R&D activities.

Table 4.42:
Production Index of Pharmaceutical Industry (2005 = 100)

Industry	2008	change (%)	2007
Pharmaceuticals, medicinal, chemical and botanical products	127.4	16.3	109.5

Source: Department of Statistics, Malaysia

Table 4.43:
Sales in the Pharmaceutical Industry

Industry	2008 (RM billion)	Change (%)	2007 (RM billion)
Pharmaceuticals	1.4	17.6	1.2

Source: Department of Statistics, Malaysia

Table 4.44:
Employment in Medicinal and Pharmaceutical Product

Industry	2008 (persons)	Change (%)	2007 (persons)
Pharmaceuticals	**6,072**	**-15.2**	**7,164**

Source: Department of Statistics, Malaysia

Productivity

Productivity of the pharmaceutical industry grew by 11.6 per cent in 2008. The performance was attributed to intensive R&D and innovation activities, complemented by skills enhancement to support the strong growth in healthcare products. The industry was able to sustain its labour cost competitiveness, as indicated by a decline of 2 per cent in Unit Labour Cost.

Investments

In 2008, approved investments were valued at RM38.1 million, compared with RM98.3 million in 2007. All the projects were wholly owned by Malaysians. Three projects were approved in 2008 compared with 10 in 2007. The approved projects were for the production of bioactive ingredients, food supplements and pharmaceutical formulations in the form of tablets and capsules.

Exports

Exports of pharmaceutical products recorded a decrease of 16.4 per cent totalling RM567 million in 2008, compared with RM678 million in the previous year. Exports of medicaments made up 66 per cent of total pharmaceutical exports.

Table 4.45:
Productivity Indicators of Pharmaceutical Industry

Industry	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Pharmaceutical	**90.1**	**11.6**	**80.7**	**23.3**	**6.5**	**21.9**	**0.1241**	**-2.0**	**0.1266**

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Table 4.46:
Investments in Pharmaceuticals Industry

	2008	Change (%)	2007
No. of projects approved	**3**	**-70**	**10**
Total investments (RM million)	**38.1**	**-61.2**	**98.3**
Domestic (RM million)	38.1	-57.1	88.8
Foreign (RM million)	-	-	9.5

Source: Malaysia Industrial Development Authority

Table 4.47:
Exports of Pharmaceutical Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**567.1**	**-16.4**	**678.0**
Medicaments	375.6	-16.7	451.2
Medicinal and pharmaceutical products, other medicines	191.5	-15.6	226.8

Compiled by the Ministry of International Trade and Industry

Exports to ASEAN countries accounted for about 60 per cent of the total exports of pharmaceutical products. Other major export destinations were Hong Kong SAR (RM36.9 million), Nigeria (RM18.3 million), and Germany (RM17.3 million).

Imports

Imports of pharmaceutical products recorded an increase of 4.8 per cent with a value of RM3.1 billion in 2008, compared with RM3 billion in 2007. Imports of pharmaceutical products accounted for about 60 per cent of the domestic market. Major source of imports were Australia, accounting for 10 per cent of total imports, Germany (RM287 million), France (RM275 million) and the People's Republic of China (RM271 million).

Major types of drugs imported were lifestyle drugs such as cholesterol lowering and hypertension drugs, and a new generation of antibiotics, cardiovascular and oncology drugs. These were mainly branded and patented drugs which were not produced in the country.

Developments

As at December 2008, a total of 245 pharmaceutical companies were licensed by the Drug Control Authority, Ministry of Health Malaysia. Of these, 176 companies were involved in producing traditional medicines and 69 were manufacturing modern medicines.

The modern medicines sub-segment had expanded its range of generic products with the expiry of more patented pharmaceutical drugs. However, the production of patented drugs is still limited and mainly confined to contract manufacturing by a few local companies.

The industry is gradually moving into drug discovery activities, with the entry of three companies from India namely Aurigene, Malladi and Genzant Research. In the traditional medicines sub-segment, herbal products in particular, traditional herbal medicines and herbal supplements were the major products being produced by the industry.

In 2008, Malaysian pharmaceutical manufacturers continued to expand and upgrade their existing facilities to meet local and overseas demand for generic and OTC drugs and food supplement drugs, specialist therapy and medical tourism.

The Malaysian Institute of Pharmaceuticals & Nutraceuticals (IPHARM) in Pulau Pinang continued to complement the activities of research institutions and enable the effective commercialization of research findings. The priority areas identified by IPHARM include the screening of bioactive compounds in pharmacological research, identification and development of bioactive compounds with nutraceuticals and pharmaceutical qualities, development of rapid diagnostic kits for tropical disease and development of advanced drug delivery systems.

In terms of R&D, clinical research activities are expanding in Malaysia. As of 2008, a total of 17 Clinical Research Centres (CRC) had been set up in Government hospitals and clinics nationwide, allowing for clinical trials to be conducted. This was in line with Malaysia's aim to be a regional hub for clinical trials.

METALS INDUSTRY

The metals industry in Malaysia assumes a major role in the development of the manufacturing and construction sectors. The industry is divided into two segments namely, ferrous and non-ferrous metals.

Ferrous metals, commonly referred to as the iron and steel segment, provides basic raw materials and intermediate inputs to other key sectors such as agriculture, construction, machinery and civil engineering. The non-ferrous segment provides materials such as aluminium, copper and zinc, required in the construction, E&E, automotive, and food and packaging industries. Fabricated metal products (except machinery and equipment) such as structural metal products, tanks and household equipment, are the major finished goods using both ferrous and non-ferrous materials.

Ferrous Metals (Iron and Steel) Segment

Presently, the production of iron and steel involves all processes from smelting in blast furnace using primary iron such as scrap iron, direct reduced iron (DRI) and hot briquette iron (HBI) which are transformed into semi-finished products namely ingots, billets, slabs and bars.

The structure of the iron and steel segment can be classified into two major product groups:

- flat products such as hot rolled coils (HRCs), cold rolled coils (CRCs), pipes and tubes, and coated coils. These products are used as intermediate raw materials for downstream applications such as E&E, automotive parts and components, oil and gas, furniture, machinery and equipment, and fabricated products; and

- long products such as steel bars, wire products, angles and sections which are primarily used in the construction and civil engineering industries.

Non-Ferrous Metals

Main products of the non-ferrous metals segment consist of copper and aluminium. Copper is mostly used in electrical wiring, automotive, telecommunications and E&E industries,

Table 4.48:
Imports of Pharmaceuticals Products

Product	2008 (RM billion)	Change (%)	2007 (RM billion)
Total	**3,105.4**	**4.8**	**2,964.5**
Medicaments	2,421.4	5.0	2,305.9
Medicinal and pharmaceutical products, other medicines	684.0	3.9	658.6

Compiled by the Ministry of International Trade and Industry

Table 4.49:
Production of Selected Iron and Steel Products

Product	Production		
	2008 ('000 MT)	Change (%)	2007 ('000 MT)
Total	**11,074**	**- 1.9**	**11,283**
Long products	**7,880**	**- 3.1**	**8,133**
Billets	4,662	- 0.7	4,695
Steel bars	1,903	5.7	1,801
Wire rods	1,115	- 21.3	1,417
Sections	200	- 9.1	220
Flat products	**3,194**	**1.4**	**3,150**
HRCs	1,826	- 5.1	1,925
CRCs	744	0.5	740
Galvanised iron (GI)	421	68.4	250
Plates	203	- 13.6	235

Source: Malaysian Iron and Steel Industry Federation (MISIF)

while aluminium is the major material in the building and construction, packaging, consumer products, and machinery and engineering industries.

Production

The production of the iron and steel segment declined by 1.9 per cent to 11.1 million metric tonnes (MT) in 2008 from 11.3 million MT in 2007, due to a reduction in demand for HRCs, plates, billets, wire rods and sections from the domestic and export markets.

Production of the flat products sub-segment registered better performance compared with long products. In 2008, the production of flat products increased by 1.4 per cent to 3.2 million MT, despite a decline in the production of long products by 3.1 per cent to 7.9 million MT. The production of HRCs decreased by 5.1 per cent to 1.8 million MT, while galvanised iron increased by 68.4 per cent to 421,000 MT in 2008.

In the long products sub-segment (billets, bars, wire rods and sections), the installed capacity was 12.4 million MT, while that of flat products (HRCs, CRCs, plates and galvanised iron) the installed capacity was 6.2 million MT. Capacity utilisation of both long products and flat products were 63.3 per cent and 51.3 per cent respectively. The production of steel bars increased by 5.4 per cent to 1.9 million MT, while wire rods decreased by 21.3 per cent to 1.1 million MT.

Sales

The metals industry registered a sales value of RM49.8 billion in 2008, 18.7 per cent higher than sales of RM42 billion in 2007. Of this, the iron and steel segment recorded an 22.9 per cent increase in sales to RM28.4 billion in 2008 from RM23 billion in 2007. Sales of non-ferrous metal products increased by 13.3 per cent to RM7.6 billion in 2008, compared with RM6.7 billion in 2007. Fabricated metal products also registered higher sales by 13.5 per cent to RM13.8 billion in 2008 from RM12.2 billion in 2007.

Employment

Employment in the metals industry increased by 4.2 per cent to 81,892 in 2008 from 78,625 in 2007. The growth was mainly due to the establishment of several new projects and expansion of existing projects and operations.

Employment in the iron and steel segment increased by 11.8 per cent to 19,622 in 2008 from 17,558 in 2007, while the non-ferrous metals segment registered an increase of 14.8 per cent to 8,742 compared with 7,616 in 2007. The fabricated metal industry also registered an increase in employment by 0.7 per cent to 52,112 compared with 51,752 in 2007.

Productivity

The industry registered productivity growth of 8.6 per cent in 2008. The high growth was due to high capacity utilisation, resulting from increased demand from the construction sector in both the domestic and international markets.

The industry was able to manage its labour cost effectively through mass production. This had resulted in improved labour cost competitiveness, reflected by a decline of 0.5 per cent in Unit Labour Cost.

Investments

A total of 53 projects in the metals industry with investments valued at RM25.8 billion were approved in 2008. Of the total projects approved, 31 were new projects with investments totalling RM21 billion, while 22 were expansion and diversification projects valued at RM4.8 billion. Of the approved investments, RM20.5 billion or 79 per cent were foreign investments while RM5.3 billion were domestic investments.

In the iron and steel segment, 36 projects were approved with investments valued at RM11.9 billion in 2008, compared with 37 projects worth RM12 billion in 2007. Major approved investments were in flat products, mainly stainless steel slabs and galvanised steel coils. Foreign investments totalled RM7.1 billion, accounting for 60 per cent of total investments, while domestic investments accounted for RM4.8 billion. Major sources of investments were Spain with investments valued at RM4.2 billion, followed by Japan (RM2.3 billion), Australia (RM237 million), Germany (RM137 million) and India (RM136 million).

In the non-ferrous metal products segment, 17 projects were approved with investments of RM13.9 billion.Of these, foreign investments constituted RM13.3 billion or 96.2 per cent of total investments in the segment. Major investments approved were in the manufacture of unwrought aluminium, copper foils, aluminium billets and aluminium extruded products, and welded pipes. Major sources of foreign investments were Australia with investments valued at RM12.5 billion, Japan (RM716 million), Taiwan (RM77 million) and the Netherlands (RM8 million).

Table 4.50:
Sales in the Metals Industry

Segment	2008 (RM billion)	Change (%)	2007 (RM billion)
Total	**49.8**	**18.7**	**42.0**
Ferrous (iron and steel)	28.4	22.9	23.1
Fabricated metals	13.8	13.5	12.2
Non-ferrous	7.6	13.3	6.7

Source: Department of Statistics, Malaysia

Table 4.51:
Employment in the Metals Industry

Segment	2008	Change (%)	2007
Total	**78,625**	**8.2**	**72,671**
Ferrous (iron and steel)	19,622	11.8	17,558
Fabricated metal	50,261	5.8	47,497
Non-ferrous	8,742	14.8	7,616

Source: Department of Statistics, Malaysia

Table 4.52:
Productivity Indicators of the Iron and Steel

Industry	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Iron and steel	**245.4**	**8.6**	**226.1**	**30.4**	**2.8**	**29.5**	**0.0242**	**-0.5**	**0.0243**

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Table 4.53:
Investment in the Iron and Steel Segment

Item	2008	Change (%)	2007
Total no. of projects approved	**53**	**1.9**	**52**
Total investments (RM million)	**25,726.9**	**111.3**	**12,173.3**
Iron and steel segment			
No. of projects approved	36	- 2.7	37
Total investments (RM million)	11,876.6	- 0.7	11,959.2
Domestic (RM million)	4,751.7	- 33.4	7,136.9
Foreign (RM million)	7,124.9	47.7	4,822.4
Non-ferrous metals segment			
No. of projects approved	17	13.3	15
Total investments (RM million)	13,850.3	6369.1	214.1
Domestic (RM million)	530.4	1030.9	46.9
Foreign (RM million)	13,319.9	7866.4	167.2

Source: Malaysian Industrial Development Authority

Exports

In 2008, the iron and steel segment recorded a reduction in exports by 0.5 per cent, with an export value of RM10.5 billion or 1.6 per cent of total manufacturing exports. Exports of iron and steel continued to perform better in the first three quarters of 2008. Decrease in exports only began in the last quarter of 2008, due to lower global steel demand and consumption. Major export items were billets and steel bars valued at RM2.7 billion, tubes and pipes (RM2.6 billion), HRCs and CRCs (RM2 billion) and wire rods, angles and sections (RM1.8 billion). Major export destinations were Singapore with exports valued at RM1.5 billion, Indonesia (RM1.1 billion), Thailand (RM1 billion), Australia (RM1 billion) and Viet Nam (RM1 billion).

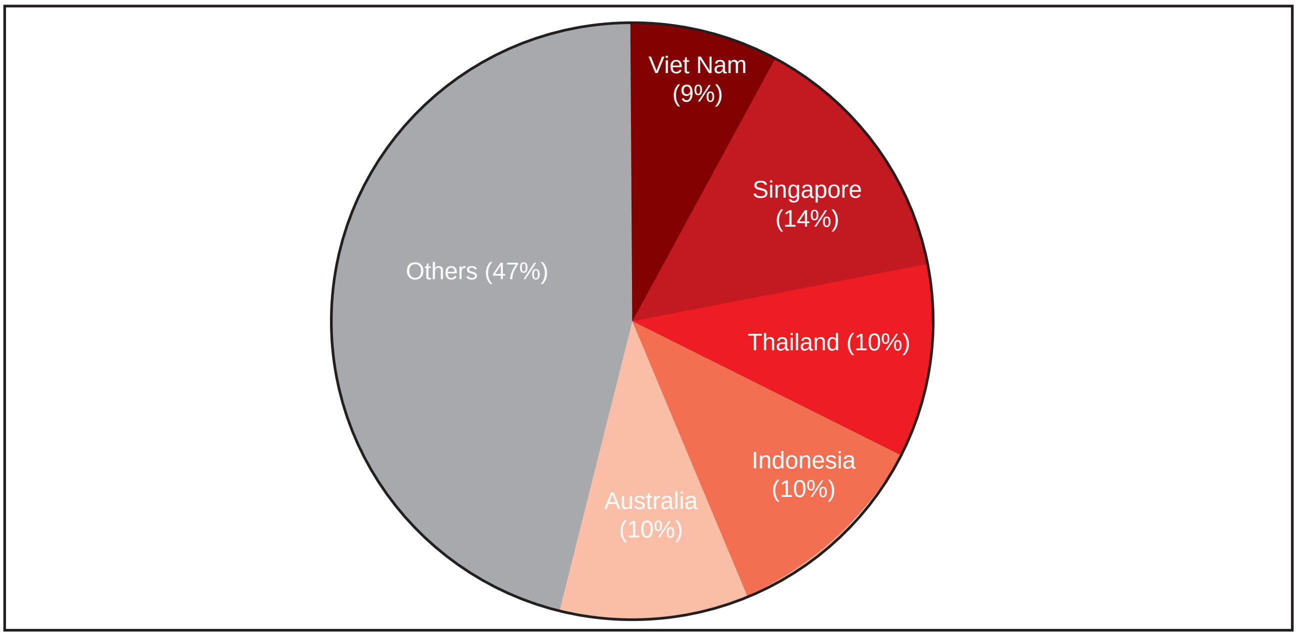
Exports of non-ferrous metal products amounted to RM8.2 billion in 2008, an increase of 7.8 per cent compared with RM7.6 billion in 2007. Major export items were copper valued at RM4.7 billion, aluminium (RM2.5 billion), zinc (RM343 million) and lead (RM196 million). Exports of fabricated metal products totalled RM11.4 billion, an increase of 26.2 per cent from RM9 billion in 2007. Major export destinations were Singapore with exports amounting to RM5.1 billion, Japan (RM1.5 billion), Thailand (RM1.5 billion) and the People's Republic of China (RM1.2 billion).

Table 4.54:
Exports of Metal Products

Product	2008 (RM billion)	Change (%)	2007 (RM billion)
Total	**30.0**	**10.7**	**27.1**
Ferrous (iron and steel)	10.5	-0.5	10.5
Fabricated metals	11.4	26.2	9.0
Non-ferrous	8.2	7.8	7.6

Source: Malaysia External Trade Development Corporation
Department of Statistics, Malaysia

Chart 4.17:
Major Export Destinations for Metal Products



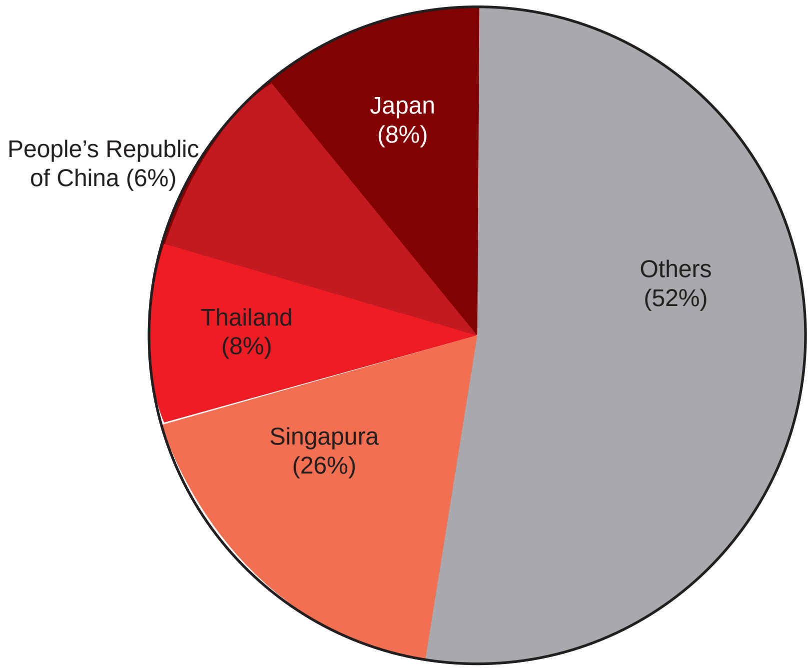
Compiled by the Ministry of International Trade and Industry

Table 4.55:
Exports of Selected Iron and Steel Segment

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**10,461**	**-0.6**	**10,523**
Long products	**4,800**	**27.8**	**3,757**
Billets	1,599	-5.6	1,693
Steel bars	1,148	114.2	536
Wire rods	1,200	32.3	907
Sections	109	45.3	75
Others	744	36.3	546
Flat products	**5,661**	**-16.3**	**6,766**
HRCs	1,085	-35.0	1,671
CRCs	86	-46.9	162
Electro galvanised iron (EGI) and GI	815	2.1	798
Pipes and tubes	2,593	0.4	2,603
Strips	14	-44.0	25
Others	1,068	-29.1	1,507

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

Chart 4.18:
Major Export Destinations for Non-Ferrous and Manufactures of Metals



Compiled by the Ministry of International Trade and Industry

Imports

Imports of iron and steel products in 2008 were valued at RM28.7 billion, an increase of 15.6 per cent, compared with RM24.8 billion in 2007. Imports of iron and steel segment represented 5.5 per cent of total imports of the metals industry.

Major imports of iron and steel segment comprised tubes and pipes valued at RM6.3 billion, HRCs and CRCs (RM5.8 billion), galvanised and electro-galvanised iron (RM2.5 billion), and wire rods, angles and sections (RM2.1 billion). Major sources of imports were Japan amounting to RM6.7 million, the People's Republic of China (RM3.9 billion), Republic of Korea (RM3 billion), the USA (RM2.3 billion) and Taiwan (RM2.2 billion).

Imports of major non-ferrous metal products decreased by 10.3 per cent to RM17.7 billion in 2008 compared with RM18.7 billion in 2007, due to lower demand in the fourth quarter of the year, resulting in high inventories. Major import items were copper valued at RM8.9 billion, aluminium (RM5.6 billion), silver and platinum (RM1 billion), zinc (RM557 million) and lead (RM370 million).

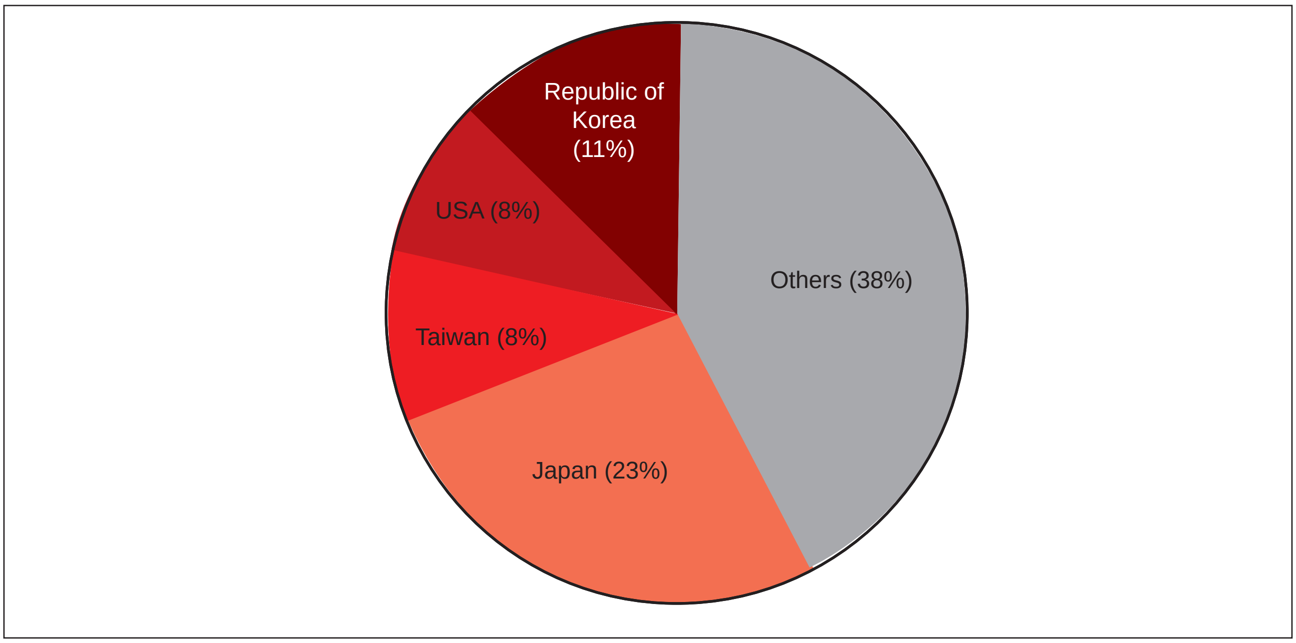
Imports of fabricated metal products amounted to RM9.5 billion in 2008, an increase of 11.5 per cent from RM8.5 billion in 2007. Imports of non-ferrous and fabricated metal products were sourced mainly from Japan, amounting to RM5.6 billion, followed by Australia (RM2.8 billion), the People's Republic of China (RM2.9 billion) and Indonesia (RM2.2 billion).

Table 4.56:
Imports of Metal Products

Segment	2008 (RM million)	Change (%)	2007 (RM million)
Total	**56.0**	**7.2**	**55.2**
Ferrous (iron and steel)	28.7	15.6	24.8
Fabricated metal	9.5	t11.5	8.5
Non-ferrous metal	17.7	-10.3	18.7

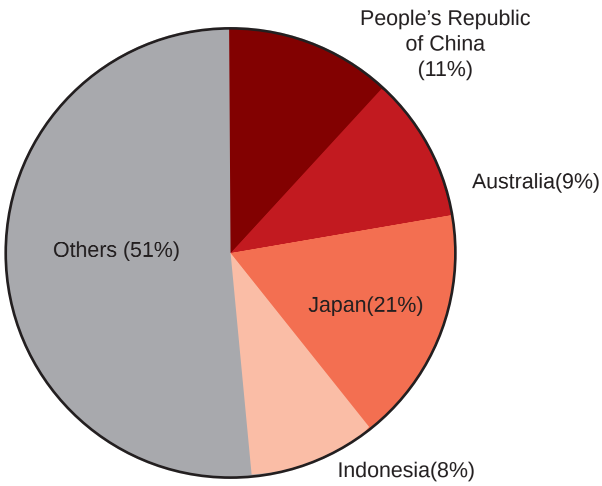
Sources: Malaysia External Trade Development Corporation Department of Statistics, Malaysia

Chart 4.19:
Major Sources of Imports of Metal Products



Compiled by the Ministry of International Trade and Industry

Chart 4.20:
Major Sources of Imports of Non-Ferrous and Fabricated Metal Products



Compiled by the Ministry of International Trade and Industry

Table 4.57:
Imports of Selected Iron and Steel Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**28,714**	**15.6**	**24,832**
Long products	**10,686**	**11.9**	**9,548**
Billets	681	-5.4	720
Steel bars	1,292	3.3	1,251
Wire rods	1,051	26.9	828
Sections	1,029	34.5	765
Others	6,633	10.8	5,984
Flat products	**18,028**	**18.0**	**15,284**
HRCs	3,383	42.7	2,370
CRCs	2,454	46.8	1,672
EGI and GI	2,514	17.2	2,145
Pipes and tubes	6,319	25.1	5,051
Strips	88	-34.3	134
Others	3,270	-16.4	3,912

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

Developments

The global economic downturn, which slowed down construction activities and capital investments, had posed several challenges to the metals industry, such as excess installed capacities, lower international steel prices, as well as fluctuating raw materials and energy prices. Many countries, such as the People's Republic of China, India, Viet Nam and Indonesia, had taken measures to mitigate the impact of the global economic downturn to the metals industry by imposing higher import and anti-dumping duties on imported iron and steel products.

To reduce the costs of production, as well as encourage local manufacturers to compete in the international market, especially for long products, Malaysia had liberalised import licence requirements and import duties on 57 tariff lines of steel products. Among the products involved were billets, steel bars, wire rods and sections.

Mandatory standards on selected iron and steel products had been enforced to ensure that only products of acceptable quality are produced and imported into the country. This is to address issues of sub-standards and low quality of imported products, especially for construction and consumer related products. Imported products are now required to obtain Certificates of Approval (COA) from the Construction Industry Development Board (CIDB) for construction products and SIRIM QAS International Sdn. Bhd. (SIRIM) for manufactured products.

The domestic iron and steel industry fraternity participated in organising conferences and seminars on the development of the industry in Malaysia. A Workshop on Steel and Related Raw Materials under the OECD was hosted by Malaysia in December 2008, to discuss market developments of steel and related raw materials, as well as address issues related to the global economic slowdown. As an observer in the OECD Steel Committee, Malaysia participates in information sharing and deliberations on issues relating to the industry. The committee consists of 30 members, including major steel producing countries, such as Brazil, the People's Republic of China, India, the Russian Federation, the USA and Ukraine.

MACHINERY AND EQUIPMENT INDUSTRY

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

Production

The production index of the M&E industry registered an increase of 2.5 per cent in 2008 to 124.1, from 121.1 in 2007. The production index for air-conditioning, refrigerating and ventilating machinery recorded an increase of 12.7 per cent to 139.5 in 2008, compared with 123.8 in 2007. Production index for the pumps, compressors, taps and valves sub-segments also increased by 1.2 per cent to 69.9 in 2008, from 69.1 in 2007.

Table 4.58:
Production Indices of Selected Segments in the Machinery and Equipment Industry (2005=100)

Segment	2008	Change (%)	2007
M&E Industry	**124.1**	**2.5**	**121.1**
Industrial air-conditioning, refrigerating, and ventilating machinery	139.5	12.7	123.8
Pumps, compressors, taps and valves	69.9	1.2	69.1

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

Sales

In 2008, sales of the M&E industry amounted to RM8.2 billion, compared with RM7.5 billion in 2007. Sales of industrial air-conditioning, refrigerating, and ventilating machinery in 2008 increased by 6.5 per cent to RM4 billion, compared with RM3.8 billion in 2007. However, sales of pumps, compressors, taps and valve products slightly decreased to RM2 billion in 2008 compared with RM2.1 billion in 2007.

Table 4.59:
Sales of Selected Segments in the Machinery and Equipment Industry

Segment	2008 (RM billion)	Change (%)	2007 (RM billion)
M&E Industry	**8.2**	**9.3**	**7.5**
Industrial air-conditioning, refrigerating, and ventilating machinery	4.0	6.5	3.8
Pumps, compressors, taps and valves	2.0	- 4.9	2.1

Source: Department of Statistics, Malaysia

Employment

Employment in the M&E industry increased by 3.1 per cent to 16,250 in 2008, compared with 15,756 in 2007. The increase in employment was more evident in the pumps, compressors, taps and valves segments, which registered a decline of 12 per cent, compared with the industrial air-conditioning, refrigerating, and ventilating machinery segments which recorded a decrease of 4.4 per cent.

Table 4.60:
Employment in Selected Segments in the Machinery and Equipment Industry

Segment	2008 (Persons)	Change (%)	2007 (Persons)
M&E Industry	**16,250**	**-3.1**	**15,756**
Industrial air-conditioning, refrigerating, and ventilating machinery	6,087	-4.4	6,364
Pumps, compressors, taps and valves	3,531	-12.0	4,014

Source: Department of Statistics, Malaysia

Productivity

Productivity of the M&E industry increased to RM110,600 in 2008 by 5.5 per cent from RM105,000 in 2007. In terms of labour cost competitiveness, the M&E industry was able to sustain its competitiveness as reflected by a decline of 2.2 per cent in Unit Labour Cost. Production of higher end machinery and equipment products coupled with intensive R&D and innovation had enabled the industry to sustain its competitiveness. This was because 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.

Table 4.61:
Productivity Indicators of Machinery and Equipment Industry

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Machinery and equipment	110.6	5.4	105.0	30.2	-2.5	30.9	0.0614	-2.2	0.0628
Air-conditioning, refrigerating and ventilating machinery	132.3	9.8	120.5	29.2	1.7	28.7	0.0508	-4.1	0.0530
Pumps, compressors, taps and valves	80.1	-3.9	83.3	31.5	-7.3	34.0	0.0842	5.0	0.0803

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Investments

In 2008, a total of 93 projects with investments of RM1.3 billion was approved for the M&E industry, compared with 98 projects worth RM1.8 billion in 2007. Of the 93 projects approved, 68 projects worth RM919.4 million were for new projects and 25 projects worth RM338.1 million were for expansion and diversification. Foreign investments amounted to RM519.3 million (41 per cent), while domestic investments totalled RM738.2 million (59 per cent).

Table 4.62:
Investments in the Machinery and Equipment Industry

Description	2008	Change (%)	2007
No. of projects approved	**93**	**-5.1**	**98**
Total investments (RM million)	**1,257.5**	**-28.8**	**1,765.3**
Domestic (RM million)	738.2	35.3	545.7
Foreign (RM million)	519.3	-57.4	1,219.6

Source: Malaysian Industrial Development Authority

Out of 93 projects approved, 34 were for the specialised machinery sub-segment with investments of RM465.1 million. The general industrial components and parts sub-segment accounted for 52 projects with investments worth RM563 million, while investments of RM229.4 million involving seven projects were for the power generating segment.

Table 4.63:
Investments in Selected Segments in the Machinery and Equipment Industry

	2008 (RM million)	Change (%)	2007 (RM million)
M&E	**1,257.5**	**-28.7**	**1,765.3**
Specialised machinery	465.1	-62.3	1,235.6
General industrial machinery and equipments	563.0	14.8	490.3
Power generating machinery	229.4	482.2	39.4

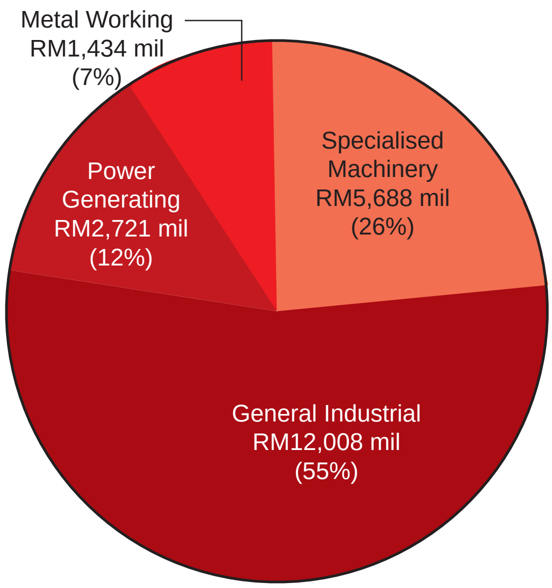
Source: Malaysian Industrial Development Authority

Exports

In 2008, the M&E industry retained its position as the third largest contributor to manufactured exports, contributing RM21.9 billion, the same value in 2007. Exports grew marginally in 2008, mainly contributed by the general industrial components and parts followed by the specialised M&E and power generating segments.

Major export destinations were Singapore with exports valued at RM4.8 billion, Thailand (RM1.5 billion) and the USA (RM1.6 billion). Major M&E exports were in the general industrial machinery and equipment amounting to RM12.1 billion, specialised machinery for particular industries (RM5.7 billion), power generating machinery (RM2.7 billion) and metal working machinery products (RM1.4 billion).

Chart 4.21:
Exports of Machinery and Equipment Products for 2008

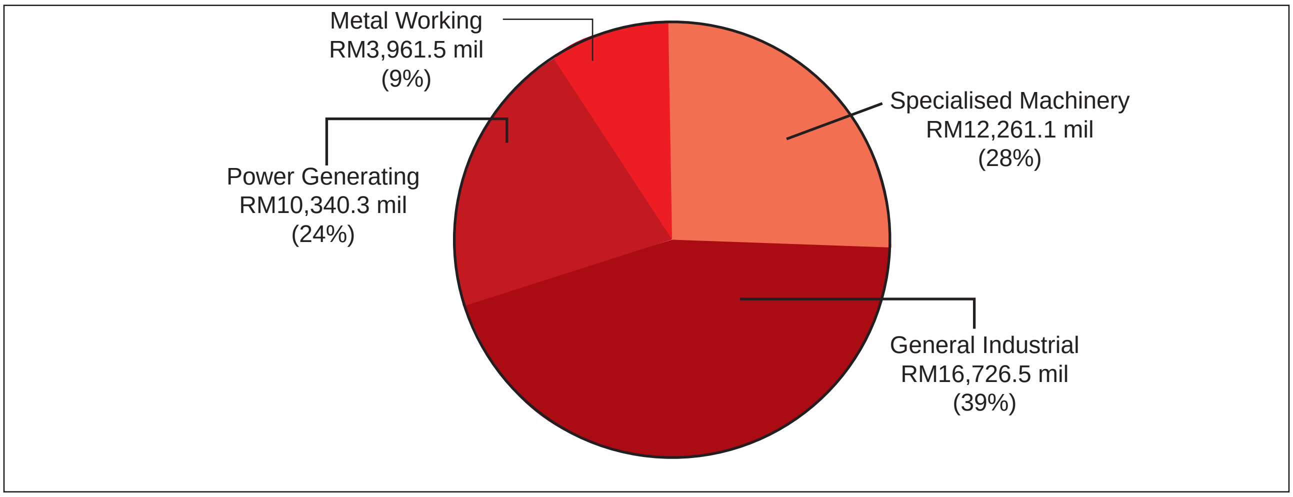


Compiled by the Ministry of International Trade and Industry

Imports

Imports of M&E products increased by 1.4 per cent to RM43.3 billion compared with RM42.8 billion in 2007. Major sources of imports were Japan amounting to RM8.9 billion, the USA (RM6.2 billion) and the People's Republic of China (RM6.3 billion). Major import items were general industrial components and parts that amounted to RM16.7 billion, specialised machinery and parts for particular industries (RM12.3 billion) followed by power generating machinery (RM10.3 billion) and metal working machinery (RM4 billion).

Chart 4.22:
Imports of Machinery and Equipment Products in 2008



Compiled by the Ministry of International Trade and Industry

Developments

In 2008, import licensing of machinery and equipment products were further reviewed by the Government. As a measure to reduce non tariff barriers under the AFTA Agreement, and to facilitate the development of ports, import license for port cranes such as gantry cranes and hydraulic loading cranes and another six tariff lines for heavy machineries were abolished during the budget announcement on 29 August 2008. Import Licence on the following eight products was removed, as announced on 29 August 2008:

HS Code	DESCRIPTION
842619200	Other gantry cranes
842619900	Palfinger fully Hydraulic Compac, Hydraulic Loading Crane, Crawler Crane
842911000	Track-laying, bulldozers and angledozers
842919000	Other bulldozers and angledozers
842920000	Graders and levellers
842940110	Road rollers, vibratory
842940190	Road rollers, others
842951000	Front-end shovel loaders

NON-METALLIC MINERALS INDUSTRY

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

Production

In 2008, the production index for non-metallic mineral products increased by 9.1 per cent to 114.9 from 105.3 in 2007. This was mainly attributed to an increase in the production of the articles of concrete, cement and plaster segment by 9.5 per cent to 101.6 in 2008 from 92.8 in 2007.

Table 4.64:
Production Indices of Selected Segments in the Non-Metallic Minerals Industry (2005=100)

Segment	2008	Change (%)	2007
Non-metallic mineral products	**114.9**	**9.1**	**105.3**
Cement			
Hydraulic cement	120.9	8.9	111.0
Ready-mix concrete	98.8	- 4.7	103.7
Other articles of concrete, cement and plaster	101.6	9.5	92.8
Ceramics			
Refractory ceramic products	90.0	6.3	84.7
Structural non-refractory clay and ceramic products	89.4	-2.2	91.7
Glass and glass products	**146.5**	**18.3**	**123.8**

Compiled by the Ministry of International Trade and Industry

Total installed capacity for cement in 2008 was 28.8 million metric tonne (MT), while total production amounted to 20.6 million MT, resulting in a capacity utilisation rate of 72.3 per cent. Total installed capacity for clinker in 2008 was 18.4 million MT, while total production amounted to 16.3 million MT, with capacity utilisation at 88.6 per cent in 2008.

Table 4.65:
Installed Capacity and Utilisation Rate of Clinker and Cement

Segment	Clinker		Cement	
	2008	2007	2008	2007
Installed capacity (million MT)	18.4	17.8	28.5	28.3
Production (million MT)	16.3	15.3	20.6	19.5
Capacity utilisation (%)	88.6	85.8	72.3	68.8

Source: Cement and Concrete Association

Sales

In 2008, sales of non-metallic mineral products increased by 14.8 per cent to RM13.3 billion, compared with RM11.6 million in 2007. Sales of products under the cement segment increased by 19.4 per cent to RM7.3 billion in 2008 from RM6.1 billion in 2007. Sales of hydraulic cement increased to RM4 billion in 2008 from RM3.3 billion in 2007, while sales of ready-mixed concrete increased by 12.9 per cent to RM1.8 billion in 2008, from RM1.2 billion in 2007. Sales of articles of concrete cement and plaster also increased by 19.5 per cent to RM1.5 billion in 2008, from RM1.2 billion in 2007.

Sales of glass and glass products increased by 17.4 per cent to RM2.8 billion in 2008 from RM2.4 billion in 2007. The improvement in sales was due to a higher usage of glass such as float glass and low emission (Low-E) glass in the construction of commercial and residential buildings.

Sales of ceramic products in 2008 increased by 6.4 per cent to RM2.4 billion from RM2.2 billion in 2007. The increase was due to demand for toiletries products in the construction of buildings and residential interior products, despite local ceramic manufacturers having to compete with imported higher value ceramics products.

Table 4.66:
Sales of Selected Non-Metallic Mineral Industry

Segment	2008 (RM million)	Change (%)	2007 (RM million)
Non-metallic mineral products	**13,317.9**	**14.8**	**11,596.7**
Cement products	**7,327.1**	**19.4**	**6,138.9**
Hydraulic cement	4,041.5	22.5	3,298.7
Ready-mix concrete	1,808.2	12.9	1,601.6
Other articles of concrete, cement and plaster	1,480.3	19.5	1,238.6
Glass and glass products	**2,765.8**	**17.7**	**2,350.5**
Ceramics products	**2,379.1**	**6.4**	**2,235.4**
Non-structural non-refractory ceramic ware	444.8	-6.2	474.2
Refractory ceramic products	438.6	15.1	380.9
Structural non-refractory clay and ceramic products	1,495.7	8.4	1,380.3
Other non-metallic mineral products	**843.0**	**-3.3**	**871.8**

Compiled by the Ministry of International Trade and Industry

Employment

Employment in the non-metallic mineral industry decreased by 0.9 per cent to 39,950 in 2008 from 42,321 in 2007. Employment in the cement segment grew by 9.1 per cent to 13,408, while employment in the concrete, cement and plaster segment expanded by 17.8 per cent to 4,830 in 2008.

Table 4.67:
Employment in Selected Segments in the Non-Metallic Minerals Industry

Segment	2008 (Persons)	Change (%)	2007 (Persons)
Total	**35,694**	**-0.9**	**36,004**
Cement	**11,760**	**9.1**	**10,783**
Hydraulic cement	3,563	4.7	3,403
Ready-mix concrete	3,367	2.6	3,281
Other articles of concrete, cement and plaster	4,830	17.8	4,099
Ceramics	**16,408**	**-7.5**	**17,738**
Non-structural non-refractory ceramic ware	4,621	-18.4	5,664
Refractory ceramic products	3,229	-12.5	3,270
Structural non-refractory clay and ceramic products	8,558	-2.8	8,804
Glass and glass products	**5,759**	**9.7**	**5,248**
Other non-metallic mineral products	**1,767**	**-20.9**	**2,235**

Compiled by the Ministry of International Trade and Industry

Productivity

The non-metallic mineral products industry registered a productivity growth of 12.5 per cent in 2008. All segments recorded a productivity growth ranging from 0.3 per cent to 31.4 per cent, except for other non-metallic mineral products. The industry benefited from expansion in other industries, in particular the construction and transport equipment industries.

The industry was able to improve its labour cost competitiveness, as indicated by a decline of 7.1 per cent in Unit Labour Cost. The Labour Cost per Employee increased by 4.8 per cent due to the employment of more skilled workers by the industry.

Table 4.68:
Productivity Indicators in Non-Metallic Mineral Industry

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Non-metallic mineral products	**88.7**	**12.5**	**78.9**	**25.7**	**4.8**	**24.5**	**0.0859**	**-7.1**	**0.0924**
Cement	**136.2**	**23.2**	**110.5**	**30.0**	**4.1**	**28.8**	**0.0582**	**-8.4**	**0.0636**
Hydraulic cement	322.5	31.4	245.5	48.2	7.2	45.0	0.0435	-8.6	0.0476
Ready-mix concrete	69.7	10.0	63.4	26.9	3.3	26.1	0.0587	-2.8	0.0604
Other articles of concrete, cement and plaster	70.6	10.9	63.7	21.6	0.5	21.5	0.1000	-10.2	0.1114

Compiled by the Ministry of International Trade and Industry

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Ceramics	**39.7**	**10.1**	**36.1**	**19.8**	**6.5**	**18.6**	**0.1666**	**-13.2**	**0.1919**
Non-structural non-refractory ceramic ware	30.3	0.3	30.2	17.4	6.7	16.3	0.2297	10.4	0.2080
Refractory ceramic products	42.3	19.1	35.5	16.6	7.6	15.5	0.1535	-12.0	0.1743
Structural non-refractory clay and ceramic products	44.4	10.6	40.2	23.1	7.3	21.5	0.1514	-20.7	0.1910
Glass and glass products	**116.5**	**1.9**	**114.4**	**31.8**	**1.8**	**31.3**	**0.0937**	**-3.8**	**0.0973**
Other non-metallic mineral products	**120.9**	**-21.7**	**154.3**	**29.2**	**-0.4**	**29.3**	**0.0759**	**14.2**	**0.0664**

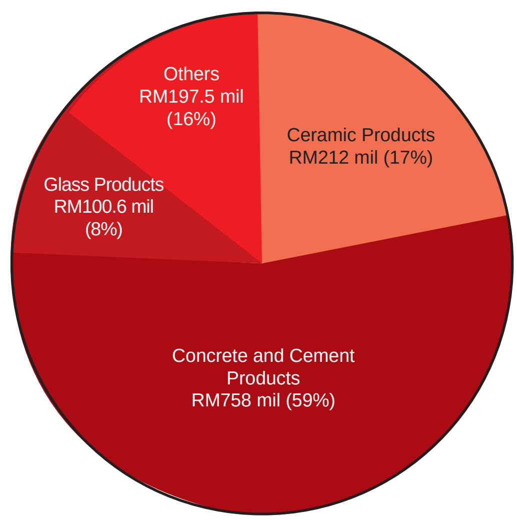
Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Investments

In 2008, approved investments in the non-metallic minerals industry decreased by 2.5 per cent to RM1,268.5 million from RM1,301 million in 2007. Foreign investments amounted to RM521.7 million, while domestic investments was RM746.8 million in 2008, with 28 projects approved in 2008 compared with 16 in 2007.

Approved investments in concrete and cement products amounted to RM758.4 million, accounting for 59 per cent of total investments. Investments in the ceramics segment amounted to RM212 million, while investments in glass products totalled RM100.6 million.

Chart 4.23:
Investments Approved for Non-Metallic Minerals Products

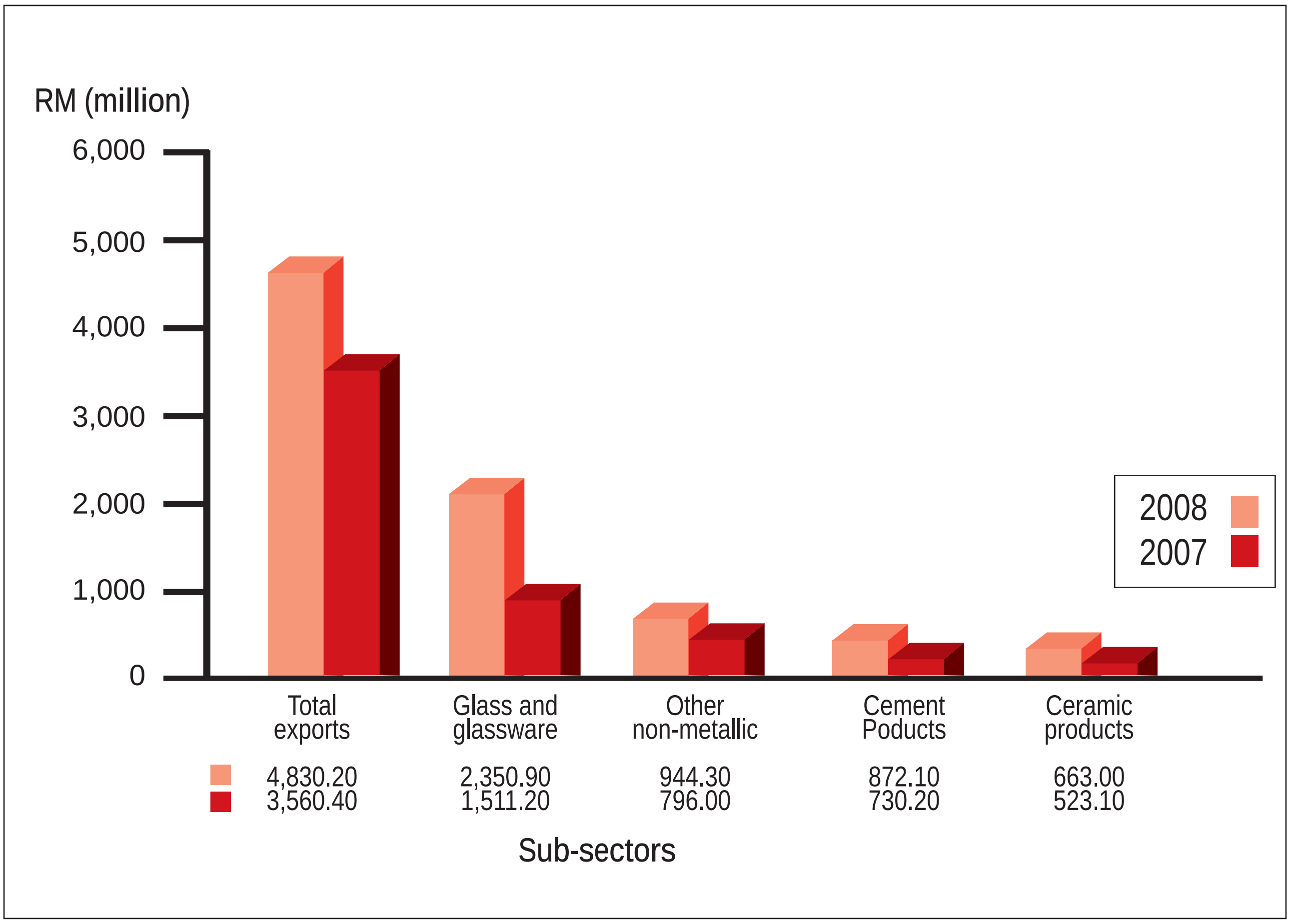


Compiled by the Ministry of International Trade and Industry

Exports

In 2008, total exports of non-metallic mineral products increased by 35 per cent to RM5.3 billion compared with RM3.9 billion in 2007. The increase was mainly due to higher exports of glass and glassware products by 55 per cent. Major export items were glass and glassware amounting to RM2.6 billion, cement and fabricated construction materials (RM961.2 million) and other non-metallic mineral products (RM1 billion). Major export destinations were Singapore with exports valued at RM1.3 billion (25.3 per cent), Japan (RM973.4 million) and Indonesia (RM469.5 million).

Chart 4.24:
Exports of Non-Metallic Mineral Products

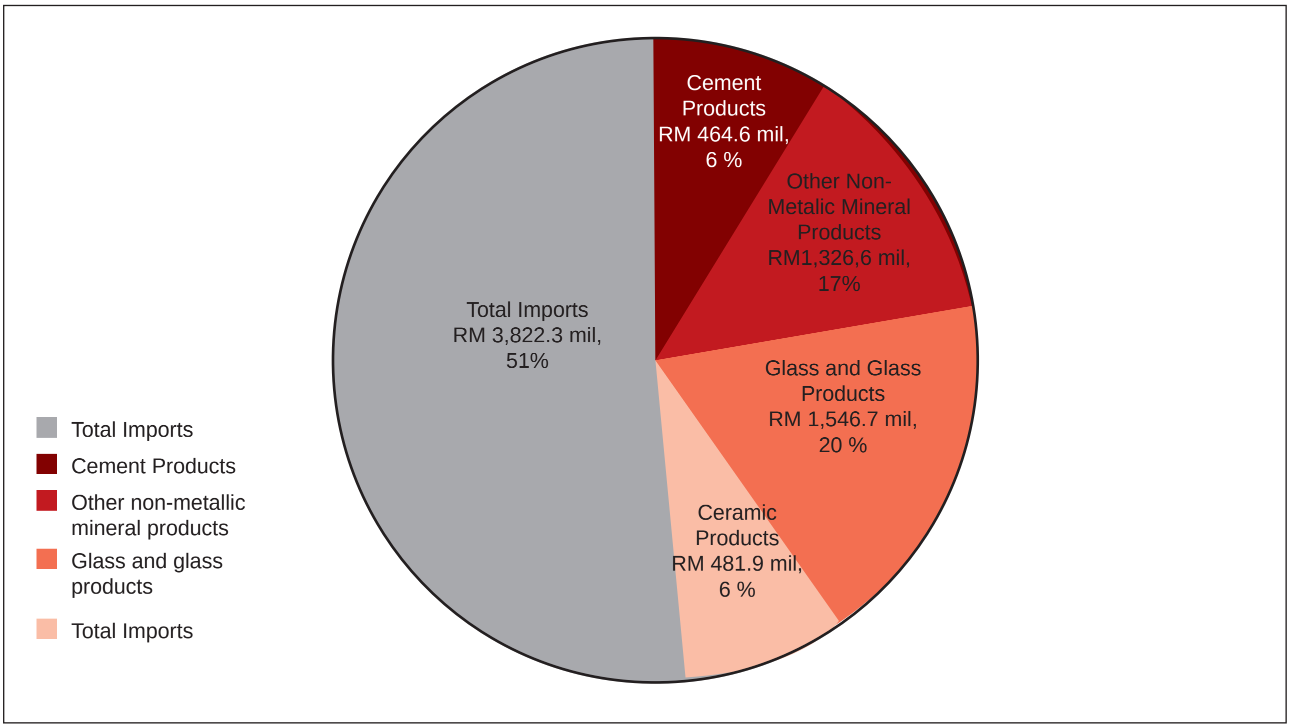


Compiled by the Ministry of International Trade and Industry

Imports

Imports of non-metallic mineral products increased slightly by 3.3 per cent to RM3.8 billion in 2008, from RM3.7 billion in 2007. The increase was mainly due to higher imports of minerals products. Major sources of imports were the People's Republic of China with imports amounting to RM715.3 million (18.7 per cent), Japan (RM689.7 million) and the USA (RM385.6 million).

Chart 4.25:
Imports of Selected Non-Metallic Mineral Industry



Compiled by the Ministry of International Trade and Industry

Developments

Effective 5 June 2008, the Government further liberalised the cement industry by reducing import tariff for ordinary Portland cement (OPC) and hydraulic cement from 50 per cent and 25 per cent respectively, to 10 per cent for both. In addition, the price of cement was no longer controlled by the Government and will be determined by market forces. Simultaneously, Import Licence (AP) was abolished for cement imports into Sabah and Sarawak. On 4 November 2008, to further facilitate the local construction industry to source construction materials at competitive prices, OPC and hydraulic cement were exempted from import duties.

In 2008, the Central Coordinating Body (CCB) in the Economic Planning Unit (EPU), Prime Ministers Department of Malaysia imposed mandatory standards MS1817:2005 Ceramic Tableware-Specification on ceramics tableware. This standard determines the minimum performance levels of ceramic tableware such as water absorption, thermal shock, chipping resistance, glazing, sampling and marking. This standard is imposed to safeguard the health of consumers from negative effects of lead via food consumption. The Ministry of Health was tasked to enforce the standard under the Foods Regulation, 1985.

TEXTILES AND APPAREL INDUSTRY

The textiles and apparel industry consists of four segments, namely primary textiles (polymerisation, spinning, weaving, knitting and wetprocessing), made-up textiles, textiles and clothing accessories, and made-up garments. A total of 662 major companies are involved in the four segments of the industry, while approximately 1,000 SMEs are mainly in made up garments manufacturing.

Production

In 2008, the production index of the textiles segment increased by 8.6 per cent to 102.8 from 94.7 in 2007, while the production of the apparel segment decreased by 9.5 per cent to 102.5 from 113.3. The major decline was in man-made fibre spinning and weaving of textiles, which decreased by 30.7 per cent.

Table 4.69:
Production Index of the Textiles and Apparel Industry (2005=100)

Industry	2008	Change (%)	2007
Textiles and apparel	**102.6**	**-0.6**	**103.2**
Textiles	102.8	8.6	94.7
Apparel	102.5	-9.5	113.3

Source: Department of Statistics, Malaysia

Factors which contributed to the overall slowdown in the industry production:

- Closure of three major textile producers at the end of 2007, which resulted in a loss of total annual production of about 8 million kg of yarns and 25 million metres of woven fabrics, equivalent to a reduction of 35 per cent of the total production of primary textiles.

- Economic slowdown in the USA resulted in a decline in demand, as the USA was Malaysia's major export destination for the industry in particular, the apparel segment.

Sales

In 2008, sales of the textiles segment increased by 4.5 per cent to RM4.6 billion from RM4.5 billion in 2007, while sales in the apparel segment decreased by 9 per cent to RM2.8 billion from RM3.1 billion. In addition to the economic slowdown in the USA which resulted in reduced consumer purchasing power, the continuing increases in the costs of doing business due to higher prices of fuel, raw materials, utility charges and freight charges, also contributed to the drop in sales.

Table 4.70:
Sales of Textiles and Apparel Products

Segment	2008 (RM billion)	Change (%)	2007 (RM billion)
Textiles and apparel	**7.6**	**0.2**	**7.6**
Textiles	4.8	4.5	4.5
Apparel	2.8	-6.3	3.1

Source: Department of Statistics, Malaysia.

Employment

Employment in the textiles and apparel industry declined by 14.3 per cent to 53,071 in 2008, compared with 61,954 in 2007.

Table 4.71:
Employment in the Textiles and Apparel Industry

Segment	2008 (Persons)	Change (%)	2007 (Persons)
Textiles and apparel	**53,071**	**-14.3**	**61,954**
Textiles	18,479	-21.3	23,494
Apparel	34,592	-10.1	38,460

Source: Department of Statistics, Malaysia

Productivity

The textiles and apparel industry registered an increase in productivity of 2.6 per cent to RM24,100 in 2008, compared with RM23,400 in 2007. The industry recorded an improvement in labour cost competitiveness, reflected by a decline of 1.3 per cent in Unit Labour Cost, while Labour Cost per Employee increased by 1.5 per cent.

Table 4.72:
Productivity Indicators for Textiles and Apparel Industry

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Textiles and apparel	**24.1**	**2.6**	**23.4**	**13.1**	**1.5**	**12.9**	**0.1131**	**-1.3**	**0.1146**
Textiles	**41.3**	**8.0**	**38.2**	**16.0**	**2.9**	**15.6**	**0.0752**	**-5.8**	**0.0798**
Natural fibre spinning weaving of textiles	9.8	-0.7	9.8	15.1	0.5	15.0	0.1364	0.1	0.1363
Man-made fibre spinning, weaving of textiles	44.3	5.4	42.0	15.9	-1.5	16.1	0.0521	-6.2	0.0555
Dyeing, bleaching, printing and finishing of yarns and fabrics (except batik)	63.2	2.0	61.9	21.3	6.3	20.0	0.1032	6.9	0.0965
Knitted and crocheted fabrics and articles	33.6	9.6	30.6	13.7	4.2	13.1	0.1086	-4.7	0.1140
Apparel sub-sector	**14.9**	**-4.8**	**15.6**	**11.5**	**0.3**	**11.5**	**0.1810**	**8.5**	**0.1669**

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Investments

In 2008, approved total investments decreased by 70.8 per cent to RM408.4 million, compared with RM1.4 billion in 2007. Domestic investments accounted for RM105.4 million, while foreign investments accounted for RM303 million. A total of 18 projects were approved in 2008, compared with 22 in 2007. Seven projects were approved in growth areas such as the production of integrated textile products (RM289.7 million) and man-made staple fibres (RM54.1 million). Major sources of investments were Germany with a value of RM102.4 million and the USA (RM82.1million).

Table 4.73:
Investments in the Textiles and Apparel Industry

	2008	Change (%)	2007
No. of projects approved	**18**	**-18.2**	**22**
Total investments (RM million)	**408.4**	**- 70.8**	**1,400.9**
Foreign (RM million)	303.0	-76.7	1,300.8
Domestic (RM million)	105.4	5.3	100.1

Source: Malaysian Industrial Development Authority

Exports

Exports of textiles and apparel products grew by 2.7 per cent and 1.9 per cent respectively in 2008 and accounted for RM10.5 billion of total exports. The growth was mainly due to the stronger US Dollar.

In 2008, exports to the USA and Turkey recorded declines. Exports to the USA, valued at RM2.5 billion, registered a drop of 7.8 per cent compared with RM2.7 billion in 2007, while exports to Turkey declined to RM732.9 million from RM748.7 million in 2007. Main export items were men and women clothing valued at RM2.7 billion, textile yarns (RM2.3 billion) and woven fabrics (RM1.3 billion).

Table 4.74:
Exports of Textiles and Apparel Products

Segment	2008 (RM billion)	Change (%)	2007 (RM billion)
Textiles and apparel	**10.5**	**2.3**	**10.3**
Textiles	5.4	2.7	5.3
Apparel	5.1	1.9	5.0

Compiled by the Ministry of International Trade and Industry

Imports

Imports of textiles and apparel products decreased by 3.3 per cent in 2008 to RM5.5 billion, compared with RM5.7 billion in 2007. The growth in imports was mainly due to the outsourcing of both textiles and apparel activities to more cost competitive countries such as Viet Nam, the People's Republic of China and Cambodia.

Major sources of imports in 2008 were the People's Republic of China with imports valued at RM2 billion or 37.4 per cent of total imports of textiles and apparel, followed by Taiwan (RM489.2 million) Thailand (RM412.1 million), Indonesia (RM396.6 million) and Hong Kong S.A.R (RM298.1 million).

Table 4.75:
Imports of Textiles and Apparel Products

Segment	2008 (RM billion)	Change (%)	2007 (RM billion)
Textiles and apparel	**5.5**	**-3.3**	**5.7**
Textiles	4.0	-7.9	4.3
Apparel	1.5	11.8	1.3

Compiled by the Ministry of International Trade and Industry

Developments

In terms of human capital development, GiatMARA, through its 82 training centres, trained a total of 3,950 trainers in courses related to the textiles and apparel industry in 2008. A total of 360 trainers were trained by the Malaysian Textiles and Apparel Centre (MATAC) in courses such as textiles manufacturing, garment designing, pattern making and manufacturing of garments. In addition, 89 students were enrolled by UiTM in textiles and apparel related courses.

A new training centre was established by MATAC in Batu Pahat, Johor, which began operation in April 2008. The centre is equipped with a textile testing and CAD/CAM training laboratories and a resource centre. Training activities by MATAC involve collaborations with international partners, such as JUKI Japan, NIKE Inc. USA, Groz-Beckert of Germany and Coats Plc., UK.

The Ministry of Entrepreneur Development and Co-operative Development (MECD), through MARA, had set up a Design Development Centre (DDEC). DDEC is a one stop design and product development centre to upgrade local SME products through design innovation and development. The centre operates as a service provider, making available technical research facilities, as well as branding and labelling products. To date, one textiles and apparel company had utilised the services provided by DDEC. The industry is urged to take advantage of the services provided by DDEC to enhance product designs.

MEDICAL DEVICES INDUSTRY

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

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

Production

In 2008, the production index of the industry decreased by 6.3 per cent to 156 from 166.5 in 2007. This was due to a drop in demand for catheters, syringes, needles and sutures for the export market.

Sales

Sales in the industry decreased by 3.8 per cent to RM1 billion in 2008, compared with RM1.1 billion in 2007. The drop in sales was mainly attributed to a decrease in demand for catheters, syringes, needles and sutures.

Employment

A total of 6,375 were employed in 2008 by the industry, a decrease of 2.9 per cent, compared with 6,574 in 2007, due to a drop in production for the export market.

Productivity

The industry recorded a decline of 5.8 per cent in productivity to RM72,300 in 2008 compared with RM76,700 in 2007. The labour cost competitiveness of the industry declined, reflected by an increase of 10.5 per cent in Unit Labour Cost.

Table 4.76:
Productivity Indicators of the Medical Devices Industry

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Medical devices	72.3	-5.8	76.7	26.7	0.6	26.6	0.1767	10.5	0.1599

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Industrial Survey, Department of Statistics, Malaysia

Investments

In 2008, a total of 30 projects with investments amounting to RM897.4 million were approved, compared with 25 projects valued at RM526.9 million in 2007. Foreign investments totalled RM463 million (51.6 per cent) while domestic investments amounted to RM434.4 million (48.4 per cent). Projects approved were for the production of biomaterial collagen implants and infection control catheters and radiology kits, orthopaedic implants and instruments blood analysers and blood collection tubes, spectacle lenses, in-vitro diagnostic kits and examination and surgical gloves.

Table 4.77:
Investments in the Medical Devices Industry

Description	2008	Change (%)	2007
No. of projects approved	**30**	**20.0**	**25**
Total investments (RM million)	**897.4**	**70.3**	**526.9**
Domestic (RM million)	434.4	57.8	275.4
Foreign (RM million)	463.0	84.1	251.5

Source: Malaysian Industrial Development Authority

Exports

Exports of medical device products continued to register strong growth in 2008, backed by a rising global demand for better healthcare and medical device products. Exports of medical device products increased by 10.8 per cent to RM8 billion, compared with RM7.2 billion in 2007. Major export items were surgical and examination gloves, dental and ophthalmic instruments and appliances. Major export destinations were Germany with exports amounting to RM1.1 billion, followed by Japan (RM557 million) and Singapore (RM428 million).

Table 4.78:
Exports of Selected Medical Device Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**7,956.1**	**10.8**	**7,180.2**
Surgical and examination gloves	6,261.2	28.9	4,857.1
Catheters, syringes, needles and sutures	226.3	-74.7	895.6
Medical and surgical x-ray apparatus	243.7	8.2	225.2
Sheath contraceptives	189.1	24.6	151.7
Electromedical equipment	236.0	82.1	129.6
Dental and ophthalmic instruments and appliances	577.2	14.9	502.3
Medical furniture	26.6	-29.6	37.8
Other medical instruments, apparatus and appliances	196.0	131.7	84.6 3

Compiled by the Ministry of International Trade and Industry

Imports

Imports of medical device products in 2008 amounted to RM1.8 billion, compared with RM2.2 billion in 2008. Major products imported were medical/surgical or laboratory sterilisers, instruments and appliances used in medical/veterinary sciences, orthopaedic products, hearing aids, pacemakers and other implanted products. Imports were mainly from the USA and European countries.

Table 4.79:
Imports of Selected Medical Device Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**1,754.59**	**-18.6**	**2,156.8**
Surgical and examination gloves	14.4	-82.5	82.3
Catheters, syringes, needles and sutures	120.5	-61.6	313.5
Medical and surgical x-ray apparatus	172.8	-28.7	242.2
Sheath contraceptives	4.34	-71.6	15.3
Electromedical equipment	314.5	30.4	241.1
Dental and ophthalmic instruments and appliances	627.1	7.8	581.7
Medical furniture	38.95	38.1	28.2
Other medical instruments, apparatus and appliances	462.0	-4.7	446.9

Compiled by the Ministry of International Trade and Industry

Developments

To promote the development of the biotechnology industry and life sciences activities, the Government introduced the BioNexus status through Malaysian Biotechnology Corporation Sdn. Bhd. (Biotech Corp.). BioNexus status is a recognition given to companies which undertake manufacturing of healthcare biotechnology products, such as in-vitro molecular diagnostic kits for disease detection and gene-based biochips. In 2008, four medical device companies, with total investments of RM17.7 million, were awarded the BioNexus Status, mainly for the research, development and production of molecular diagnostic kits for food safety testing, computer aided diagnosis (CAD) and a medical device (TelestoCAD) for the detection of various forms of cancers and abnormalities in the human body.

The Medical Devices Bureau (MDB) in the Ministry of Health Malaysia was established in 2005 to oversee the development of the medical devices regulatory system. The first phase of the regulatory system involving voluntary registration of establishments was launched on 12 January 2006. Mandatory registration and full enforcement of the regulation is expected by 2010.

WOOD AND WOOD PRODUCTS INDUSTRY

The wood and wood products industry comprises production of wood and wood products, as well as paper products. The wood products consist of sawn timber, veneer sheets and plywood, builders' carpentry and joinery, laminated boards, particle boards, other panels and boards and wooden furniture and fixtures. Paper products comprise pulp, paper and paperboards, corrugated paper and containers of paper and paperboards.

Production

The overall production index of the industry, as well as indices for wood products and paper products declined:

- for overall production, by 4.5 per cent to 97.3 in 2008, compared with 101.9 in 2007. The decrease was mainly due to a considerable decline in output of wood products from 94.3 in 2007 to 89.7 in 2008;
- for wood products, by 4.9 per cent, resulting from a 43.5 per cent reduction in the contribution to the production index by laminated boards, particle boards and other panels and boards; and
- for paper products, marginally by 3.3 per cent to 124.5 in 2008, compared with 128.5 in 2007. Pulp, paper and paperboard also recorded a reduction of 1.9 per cent to 125.3 in 2008 from 123 in 2007.

Table 4.80:
Production Indices of Selected Wood and Wood Products Industry (2005=100)

Product	2008	Change (%)	2007
Total	**97.3**	**-4.5**	**101.9**
Wood products	**89.7**	**-4.9**	**94.3**
Veneer sheets and plywood	99.0	-8.8	108.5
Laminated boards, particle boards and other panels and boards	94.4	43.5	65.8
Sawmilling and planing of wood	95.0	-4.6	99.6
Paper products	**124.2**	**-3.3**	**128.5**
Corrugated paper, paperboard and paper containers	126.6	-8.2	137.9
Pulp, paper and paperboards	125.3	1.9	123.0

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

Sales

Total sales of wood and wood products recorded a decrease of 34.3 per cent to RM21.5 billion in 2008 from RM22.5 billion in 2007.

Sales of wood products decreased by 8.6 per cent to RM14.8 billion in 2008, compared with RM16.2 billion in 2007. The largest decrease was recorded in builders' carpentry and joinery for the housing industry sub-sector, which decreased by 22.1 per cent to RM973 million in 2008 from RM1.2 billion in 2007. The decrease was mainly attributed to fewer orders from both domestic and international markets.

Sales of paper products increased by 9.2 per cent to RM6.7 billion in 2008 from RM6.1 billion in 2007. The sales value of envelopes grew by 32.2 per cent to RM282.5 million in 2008 from RM213.6 million in 2007.

Table 4.81:
Sales of Wood Based Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**21,505.7**	**-3.7**	**22,342.9**
Wood products	**14,831.2**	**-8.6**	**16,228.5**
Veneer sheets and plywood	7,159.3	-2.8	7,863.9
Wooden furniture	4,868.0	-14.0	5,660.6
Laminated boards	1,831.0	-6.4	1,955.6
Builders carpentry and joinery	972.8	-22.1	1,248.7
Paper products	**6,674.6**	**9.2**	**6,114.1**
Corrugated paper	3,442.1	8.7	3,166.0
Pulp and paperboards	2,047.6	9.0	1,804.5
Toilet papers	472.5	-6.4	504.8
Adhesive paper in rolls	429.9	1.1	425.1
Envelopes and plain postcards	282.5	32.2	213.6

Source: Department of Statistics, Malaysia

Employment

Employment in the industry decreased by 11.2 per cent to 118,620 in 2008 from 133,591 in 2007 as a result of the economic slowdown.

Employment in the wooden and cane furniture sub-segment registered a decrease of 18.5 per cent to 36,223 in 2008, compared with 44,454 in 2007. Employment in the paper products segment registered a decrease of 1.3 per cent to 22,365 in 2008, from 22,074 in 2007.

Table 4.82:
Employment in the Wood and Wood Products Industry

Sub-sectors	2008 (Persons)	Change (%)	2007 (Persons)
Total employment	**118,620**	**-11.2**	**133,591**
Wood products	**96,255**	**-13.7**	**111,517**
Veneer sheets and plywood	46,854	-10.8	52,520
Wooden furniture	36,223	-18.5	44,454
Builders carpentry and joinery	7,685	-4.8	8,075
Laminated boards	5,493	-15.1	6,468
Paper products	**22,365**	**1.3**	**22,074**
Corrugated paper	12,275	-5.3	12,963
Pulp and paperboards	4,448	20.6	3,687
Toilet papers	2,808	2.3	2,746
Adhesive paper in rolls	1,452	1.6	1,429
Envelopes and plain postcards	1,382	10.6	1,249

Source: Department of Statistics, Malaysia

Productivity

The industry recorded a marginal decline in productivity of 0.2 per cent to RM35,200 in 2008. The labour cost competitiveness of the industry declined, reflected by the increase of 2 per cent in Unit Labour Cost.

The productivity of wood products decreased by 1.3 per cent to RM30,500, compared with RM30,900 in 2007. The labour cost competitiveness declined, indicated by an increase of 2.8 per cent Unit Labour Cost. Within the segment, only the manufacturers of laminated boards, particle boards and other panels and boards recorded an increase in productivity of 5.8 per cent, resulting in improvement in its labour cost competitiveness.

The paper products segment recorded a decline of 0.5 per cent in productivity. The labour cost competitiveness of the segment declined, reflected by an increase of 0.8 per cent in Unit Labour Cost.

Table 4.83:
Productivity Indicators of the Wood and Wood Products Industry

Industry	Productivity (RM'000)			Labour Cost Per Employee (RM'000)			Unit Labour Cost (Number)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Wood and wood products	**35.2**	**-0.2**	**35.3**	**13.8**	**0.4**	**13.7**	**0.0880**	**2.0**	**0.0863**
Wood products	**30.5**	**-1.3**	**30.9**	**12.2**	**-0.4**	**12.2**	**0.0918**	**2.8**	**0.0893**
Veneer sheets and plywood	29.5	-2.1	30.2	9.8	0.8	9.8	0.0712	2.5	0.0695
Laminated board, particle board and other panels and boards	89.6	5.8	84.7	22.9	5.2	21.7	0.0783	-0.3	0.0785
Builders' carpentry and joinery	34.0	-4.5	35.6	13.8	-5.5	14.6	0.1226	14.6	0.1070
Wooden and cane furniture	22.5	-2.6	23.1	13.1	0.0	13.1	0.1214	5.4	0.1153
Paper products	**57.7**	**-0.5**	**58.0**	**21.2**	**-0.2**	**21.3**	**0.0792**	**0.8**	**0.0786**
Pulp, paper and paperboards	97.2	6.6	91.2	30.2	5.9	28.5	0.0647	-4.3	0.0676
Corrugated and containers of paper and paperboards	49.2	0.1	49.2	19.2	-2.0	19.6	0.0818	-0.4	0.0821
Envelopes/letter cards/ correspondence cards/ plain postcards	34.6	-7.6	37.4	14.5	0.4	14.4	0.0761	13.2	0.0672
Toilet papers, cleansing tissues, towels, serviettes	48.2	-9.0	52.9	18.1	-3.8	18.8	0.1179	16.0	0.1016
Gummed/adhesive paper in strips/rolls and labels, wall paper	58.9	-6.7	63.1	25.3	4.4	24.2	0.0938	20.1	0.0781

Source: Malaysia Productivity Corporation

Investments

In 2008, a total of 87 projects worth RM1.2 billion were approved for the industry, compared with RM933.5 million in 2007. 61 were new projects with total investments of RM753 million (64.5 per cent), while 26 were expansion/ diversification projects, worth RM414 million (35.5 per cent). Domestic investments amounted to RM650.8 million or 55.8 per cent of total investments, while foreign investments were valued at RM516.3 million.

The largest investments were recorded in the panel products sub-segment, with total investments of RM766.5 million or 65.7 per cent out of the total investments in the wood products segment. A total of 19 projects were approved, of which nine were for new projects, valued at RM411.3 million, and 10 were expansion/diversification projects, valued at RM355.2 million. More than half of the investments were foreign owned. Among the projects approved were for the production of medium density fibreboard (MDF), high density fibreboard (HDF) and bamboo panels, the first project of its kind in Malaysia.

In the furniture sub-segment, a total of 45 projects were approved, with investments of RM215.6 million in 2008. Of these, 37 were new projects, valued at RM198.9 million, and eight were for expansion/diversification projects, worth RM16.7 million. Domestic investments contributed RM197.9 million (92 per cent) of the total investments in the sub-segment.

A total of 11 projects were approved in the mouldings and builders' joinery and carpentry sub-segment, with investments of RM95.2 million (8 per cent). Of these, seven were for new projects, with investments of RM65.5 million (68.8 per cent), while four were for expansion/ diversification projects, with investments of RM29.7 million. Foreign investments amounted to RM50.9 million or 53.5 per cent of total investments. Most of the projects approved were for themanufacture of a combination of mouldings and builders' joinery and carpentry products, such as flooring boards, picture frames, and doors and windows.

In the non-wood fibre products sub-segment, nine projects with total investments of RM74 million, were approved. These projects were for the manufacture of veneer, plywood, briquettes, fibre, pellets, laminated boards and flooring boards from oil palm biomass. The alternative raw materials used for the manufacture of pellets and other composite products include kenaf.

In 2008, a total of 26 projects with total investments of RM910.5 million were approved in the paper, printing and publishing industry. Of these, 20 were for new projects with investments of RM872.2 million, while six were expansion/ diversification projects, with investments amounting to RM38.3 million. Domestic investments amounted to RM430.2 million, while foreign investments were valued at RM480.3 million.

Table 4.84:
Investments in the Wood and Wood Products Industry in 2008

	2008	Change (%)	2007
No. of projects approved	**87**	**-6.5**	**93**
Total investments (RM million)	**1,167.1**	**25.0**	**933.5**
Domestic (RM million)	650.8	20.7	539.1
Foreign (RM million)	516.3	30.9	394.3

Source: Malaysian Industrial Development Authority

Exports

In 2008, total exports of wood and paper products increased marginally by 3.5 per cent to RM19.5 billion from RM18.8 billion in 2007.

Exports of wood products increased by 2.1 per cent to RM16.6 billion, compared with RM16.3 billion in 2007. The increase was contributed by an increase in orders from original design manufacturers (OEM) and original brand manufacturers (OBM).

In 2008, total exports of the paper products segment increased by 12.7 per cent to RM2.9 billion from RM2.5 billion in 2007. Exports of paper and paperboard products increased by 10.6 per cent to more than RM1 billion in 2008 from RM912.4 million in 2007, while exports of the paper and paperboard (cut to size) sub-segment increased by 14.9 per cent to RM1.7 billion in 2008, compared with RM1.5 billion in 2007.

In 2008, exports to Japan, Malaysia's leading export destination for wood products, decreased marginally by 0.1 per cent, valued at RM4 billion. Similarly, exports to the USA, the second largest export destination, decreased by 9.3 per cent, with exports valued at RM2.5 billion, as well as the Republic of Korea, which recorded a decrease of 2.6 per cent. The United Kingdom was the sole country in the top five destinations for wood products which recorded an increase of 2.4 per cent, valued at RM989.4 million in 2008. United Arab Emirates emerged as the fifth largest export market, valued at RM806 million (4.9 per cent) for wood products.

Table 4.85:
Exports of Wood and Wood Products

Product	2008 Value (RM '000)	Change (%)	2007 Value (RM '000)
Total export of wood and paper products	**19,491.9**	**3.5**	**18,834.9**
Total exports of wood products	**16,628.2**	**2.1**	**16,294.1**
Veneer and plywood	8,354.5	1.3	8,246.3
Wooden furniture	6,919.4	3.9	6,661.7
Wood manufactures	1,352.6	-2.3	1,384.4
Cork manufactures	1.6	-4.8	1.7
Total exports of paper and pulp products	**2,863.7**	**12.7**	**2,540.9**
Paper and paperboards (cut to size)	1,682.6	14.9	1,464.5
Paper and paperboards	1,009.2	10.6	912.4
Wood in chips	133.5	6.0	125.9
Pulp and waste paper	38.4	0.8	38.1

Compiled by the Ministry of International Trade and Industry

Imports

Total import of wood and paper products increased by 0.6 per cent to RM7.5 billion in 2008 from RM7.4 billion in 2007. The main import items were veneer and plywood, which increased by 16.2 per cent to RM605.2 million in 2008, followed by wooden furniture (RM527.6 million), an increase of 0.6 per cent from 2007.

Imports of paper products decreased by 0.6 per cent to RM6.18 billion in 2008 from RM6.2 billion in 2007. Imports of paper and paperboards increased by 0.4 per cent to RM4.61 billion, compared with RM4.59 billion in 2007.

Imports from Indonesia recorded an increase of 80.9 per cent in wood products, valued at RM265.4 million. Other major import sources for wood products were the People's Republic of China and Thailand, with imports worth RM411.7 million and RM259.7 million respectively.

Table 4.86:
Imports of Wood and Wood Products

Product	2008 Value (RM '000)	Change (%)	2007 Value (RM '000)
Total imports of wood and paper products	**7,468.0**	**0.6**	**7,424.3**
Total imports of wood products	**1,286.2**	**6.6**	**1,207.1**
Veneer and plywood	605.2	16.2	520.9
Wooden furniture	527.6	0.3	526.0
Wood manufactures	148.9	-5.8	158.0
Cork manufactures	4.6	109.3	2.2
Total imports of paper and pulp products	**6,181.8**	**-0.6**	**6,217.2**
Paper and paperboards	4,612.3	0.4	4,595.3
Paper and paperboards (cut to size)	870.9	3.5	841.6
Pulp and waste paper	695.9	-10.7	779.6
Wood in chips	2.7	277.5	0.7

Compiled by the Ministry of International Trade and Industry

Development

In 2008, various improvements were implemented to further streamline the institutional support and delivery system for the wood and wood products industry. These included the introduction of the Malaysian Timber Industry Board (MTIB) Core System (MCS) in January 2008 to facilitate exporters of timber products applying for export licences from MTIB. Through the new online system, the issuance of import licences for those products is delegated to all MTIB offices in the country.

RUBBER PRODUCTS INDUSTRY

The rubber products industry comprises four segments, namely manufacture of rubber gloves, manufacture of rubber tyres and tubes, retreading and rebuilding of rubber tyres and manufacture of latex-based and general rubber products. Latex products include rubber gloves, catheters, latex thread, condoms and foam products.

2008 was a challenging year for the industry due to the volatility of rubber and oil prices, which partly contributed to uncertainty in the costs of manufacturing.

Production

The overall production index for the industry increased by 4.7 per cent to 128.2 in 2008 from 122.5 in 2007. Production of rubber gloves recorded the highest increase of 10.4 per cent, attributed to a rise in the demand for latex-based products.

In 2008, production of rubber tyres and tubes, and retreading and rebuilding of rubber tyres decreased by 2.8 per cent and 19 per cent respectively from 2007. This was due to strong competition from the People's Republic of China and ASEAN countries.

Table 4.87:
Production Indices of the Rubber Products Industry (2005=100)

Segment	2008	Change (%)	2007
Total	**128.2**	**4.7**	**122.5**
Latex-based and general rubber products	152.0	1.9	149.2
Rubber gloves	122.4	10.4	110.9
Rubber tyres and tubes	105.2	-2.8	108.2
Retreading and rebuilding of rubber tyres	76.8	-19.0	94.8

Source: Department of Statistics, Malaysia

Sales

Overall sales for the rubber products industry increased by 2.4 per cent to RM12.2 billion in 2008, compared with RM11.9 billion in 2007. The rubber gloves segment recorded an increase of 5.8 per cent to RM6 billion in 2008, while sales of retreading and rebuilding of rubber tyres registered the biggest decrease to date of 18.4 per cent to RM83.7 million in 2008 from RM102.6 million in 2007, due to a decline in the demand for tyres, in particular from automobile manufacturers affected by the world economic slowdown.

Table 4.88:
Sales of Rubber Products

Segment	2008 (RM million)	Change (%)	2007 (RM million)
Total Sales	**12,162.2**	**2.4**	**11,872.6**
Rubber gloves	6,011.2	5.8	5,679.8
Latex-based and general rubber products	4,147.3	2.8	4,032.8
Tyre and tube industries	1,920.0	-6.7	2,057.3
Retreading and rebuilding of rubber tyres	83.7	-18.4	102.6

Source: Department of Statistics, Malaysia

Employment

Employment in the industry decreased marginally to 59,402 in 2008 from 60,502 in 2007. The rubber gloves segment was the largest employer in the industry with 31,661 in 2008, compared with 30,918 in 2007.

Table 4.89:
Employment in the Rubber Products Industry

Segment	2008 (Persons)	Change (%)	2007 (Persons)
Total employment	**59,402**	**-1.8**	**60,502**
Rubber gloves	31,661	2.4	30,918
Latex-based rubber products	21,843	-5.9	23,213
Tyres and tubes	5,417	-8.0	5,887
Retreading of rubber tyres	481	-0.6	484

Source: Department of Statistics, Malaysia

Productivity

The productivity of the industry increased by 1.3 per cent to RM63,100 in 2008 from RM62,300 in 2007. Labour cost competitiveness for the industry improved, reflected by a decrease of 0.4 per cent in Unit Labour Cost. Among the segments, the manufacture of rubber tyres and tubes recorded the highest productivity of 5.8 per cent.

Table 4.90:
Productivity Indicators of the Rubber Products Industry

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Rubber products	**63.1**	**1.3**	**62.3**	**17.4**	**0.1**	**17.4**	**0.0951**	**-0.4**	**0.0955**
Rubber tyres and tubes	120.9	5.8	114.3	28.6	3.7	27.6	0.0780	-1.1	0.0788
Retreading and rebuilding of rubber tyres	53.2	3.8	51.2	17.9	3.3	17.3	0.1162	-0.9	0.1173
Rubber gloves	64.7	3.6	62.4	15.4	1.0	15.3	0.0897	-1.6	0.0912
Other rubber products	48.3	-4.3	50.5	17.4	-2.1	17.7	0.1117	2.4	0.1092

Source: Malaysian Productivity Corporation

Investments

A total of 25 projects with investments of RM344.4 million were approved in the rubber products industry (excluding medical devices). Of these, 16 were for new projects, worth RM142 million, while nine were for expansion/diversification projects, worth RM202.4 million.

The approved projects involved domestic investments of RM114 million and foreign investments of RM230.4 million. A total of 15 projects approved (RM88.9 million) were wholly Malaysian-owned, one (RM23.2 million) was a joint-venture with Malaysian majority ownership, and two (RM10.7 million) were joint-ventures with foreign majority ownership.

The investments were mainly in latex products (RM212.8 million), industrial and general rubber products (RM107.8 million), tyres and tyre-related products (RM14 million) and recycling of waste tyres into rubber crumb, carbon black, steel tubes, fuel oil and fibres (RM9.8 million).

A total of 10 projects were approved in the latex products segment, of which three were for new projects, worth RM28.2 million, and seven were for expansion/ diversification projects, valued at RM184.6 million. Domestic investments amounted to RM67.4 million, while foreign investments totalled RM145.3 million.

A total of 11 projects with investments of RM107.8 million were approved in the industrial and general rubber products segment. These projects were for the manufacture of products such as moulded rubber products for electrical and electronics, and automotive industries, industrial and hydraulic hoses, anti-vibration dampers, seals, washers, o-rings and rubber defeathering fingers. Domestic investments amounted to RM22.8 million, while foreign investments totalled RM85 million. There were 10 new projects worth RM104 million, while one was for an expansion/diversification project, valued at RM3.8 million. Three new projects, with investments of RM9.8 million, were approved for the recycling of waste tyres into rubber crumbs, carbon black, steel wires, fuel oil and fibres. All these projects were wholly Malaysian owned.

Exports

Exports of rubber products expanded by 21.2 per cent to RM12.8 billion in 2008, compared with RM10.6 billion in 2007. The increase was largely due to a higher global demand for rubber gloves. Exports of rubber products were rubber gloves valued at RM7 billion, followed by industrial rubber goods (RM3.7 billion), tyres and tyre-related products (RM850 million), articles of rubber (RM810.9 million) and synthetic rubber (RM380.3 million).

Table 4.91:
Investments in the Rubber Products Industry

Segment	2008 (RM million)	Change (%)	2007 (RM million)
No. of projects approved	25	-7.4	27
Total investments (RM million)	344.4	-22.0	441.5
Domestic investments (RM million)	114	-43.9	203.2
Foreign investments (RM million)	230.4	-3.3	238.2

Source: Malaysian Industrial Development Authority

The USA remained Malaysia's largest export market for rubber products in 2008, with exports valued at RM2.9 billion, followed by the People's Republic of China (RM2.6 billion), Germany (RM802.2 million), Japan (RM508.4 million) and the UK (RM460.2 million). These five major export destinations constituted 56.7 per cent of total exports for rubber products.

Table 4.92:
Exports of Rubber Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total exports of rubber products	**12,806.1**	**21.0**	**10,583.1**
Rubber gloves	7,030.8	19.6	5,876.2
Industrial rubber goods	3,734.2	29.8	2,876.5
Tyres and tyres related products	850.0	-4.7	891.6
Articles of rubber	810.9	19.4	679.1
Synthetic rubber	380.3	46.4	259.7

Source: Malaysia External Trade Development Corporation

Imports

Imports of rubber products increased by 23.3 per cent to RM3.6 billion in 2008 from RM2.9 billion in 2007. This was mainly due to an increase in non-traditional products, such as articles of rubber (21.5 per cent), industrial rubber goods (30.1 per cent) and rubber gloves (86.6 per cent), as well as imports of synthetic rubber and tyres and tyre related products, as a result of higher demand from the domestic manufacturing industry.

Japan remained the largest source of imports of rubber products, with imports valued at RM850.7 million. Other major sources of imports were Thailand, valued at RM822.5 million, the USA (RM279.9 million), Taiwan (RM255.1 million) and Indonesia (RM197.5 million). These five major import sources accounted for 66.9 per cent of total imports for rubber products. The high import values from these countries were due to raw material used for the production of rubber gloves.

Table 4.93:
Imports of Rubber Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total imports of rubber products	**3,598.9**	**23.3**	**2,919.2**
Synthetic rubber	1,521.3	21.0	1,257.2
Tyres and tyre related products	950.6	19.4	796.3
Articles of rubber	728.7	21.5	599.8
Industrial rubber goods	225.5	30.1	173.3
Rubber gloves	172.8	86.6	92.6

Source: Malaysia External Trade Development Corporation

Developments

The Government recognises that R&D in upstream, midstream and downstream segments are vital to push the industry ahead of other rubber producing countries. Research efforts had resulted in improvements in capacity, capability and knowledge of the industry to produce higher yielding rubber clones, such as its 500, 600 and 2000 series. With better technology, the yield for rubber tappers had increased to 80 grams per tap per tree, compared with 25 to 30 grams before.

In the long run, the industry aims to harvest 4,000 kg per hectare per year, compared with the national average of 1,500 kg per hectare per year. Through R&D, the industry can also produce better rubberwood trees with a volume of 1.4 cubic metres from 0.8 cubic metres before.

Some plantation companies which had mainly grown oil palm due to its higher price, are switching to planting rubber on some of their land bank to cushion the effect of fluctuating prices of both commodities. Plantation firms had expressed interest in growing more rubber trees. The global economic slowdown, which affected major automotive manufacturers, resulted in weak demand for tyres. Falling crude oil prices and weak rubber futures were major factors depressing the price of Standard Malaysian Rubber 20 (SMR20) and latex concentrate to the lowest level at RM3,955 and RM3,090 per tonne respectively.

Three major rubber producing countries, which accounted for almost 80 per cent of the world's natural rubber production, had agreed to reduce output through the Agreed Export Tonnage Scheme (AETS).

On 13 December 2008, the International Tripartite Rubber Council (ITRC), which consists of Thailand, Indonesia and Malaysia, announced measures to be immediately undertaken to ensure that prices of natural rubber remain at a reasonable level. The measures included the implementation of the AETS, which set export price to be at least US$1.35/kg and resolution of any outstanding contracts.

The fall in rubber prices was influenced by the drop in demand from countries which imported Malaysian rubber, such as the People's Republic of China, the USA and the EU member states, due to the economic slowdown. To reduce pressure on the supply of natural rubber, production of natural rubber was reduced to 430,000 tonnes. Another measure taken in 2008 was the accelerated replanting of old and unproductive rubber trees, which would reduce the production of natural rubber by 60,000 tonnes.

PALM OIL INDUSTRY

The palm oil industry comprises palm oil, palm kernel oil, palm kernel cake, oleo-chemicals and finished products.

In 2008, the industry recorded increases in the average price of palm oil products, crude palm oil (CPO) and palm kernel (PK). The average CPO price increased by 9.8 per cent to RM2,777.5 in 2008 against RM2,530.5 in 2007. The average export price for processed palm oil products increased, in line with the increase in the local CPO price. These included refined, bleached and deodorised (RBD), which increased by RM59 or 2.2 per cent to RM2,699, RBD palm olein by RM467 or 18 per cent to RM3,055 and RBD palm stearin by RM40 or 1.6 per cent to RM2,551.

Crude palm oil (CPO) production recovered by 12.1 per cent, while palm oil stocks remained high to close at two million tonnes at the end of 2008. Export earnings of oil palm products rose to a record RM65.2 billion.

The average price of palm kernel (PK) in 2008 increased by 12.7 per cent or RM185.5 to RM1,647 per tonne, from RM1,461.5 in 2007 due to higher crude palm kernel oil (CPKO) prices in the domestic market. The average price of CPKO rose by 22.4 per cent or RM629.5 to RM3,437 from RM2,807.5 in 2007 as a result of firmer lauric oil prices in the world market.

Production

Overall production of the palm oil industry increased by 11.7 per cent in 2008 to 26.8 million tonnes from 24 million in 2007. The increase was due to a rise in the production of crude palm oil (11.7 per cent), palm kernel (12.2 per cent) and crude palm kernel oil (10.5 per cent).

Table 4.94:
Production of the Palm Oil Industry

Product	2008 (million tonnes)	Change (%)	2007 (million tonnes)
Total	**26.8**	**11.7**	**24.0**
Crude palm oil	17.7	12.0	15.8
Palm kernel	4.6	12.2	4.1
Crude palm kernel oil	2.1	10.5	1.9
Palm kernel cake	2.4	9.1	2.2

Source: Malaysian Palm Oil Board

Investments

In 2008, a total 58 projects with investments valued at RM3 billion were approved for the production of oil palm products, compared with 63 projects with investments valued at RM3.2 billion in 2007. Domestic investments amounted to RM1.9 billion of the total investments, while foreign investments accounted for 1.1 billion. The projects included production of palm oil and palm kernel oil products, energy generation from palm biomass, oleochemicals and products from palm biomass.

In the palm kernel oil and palm oil segment, a total of 20 projects with investments of RM1.3 billion were approved in 2008, compared with 17 projects worth RM658.1 million in 2007. Of these, seven were for new projects, worth RM522.6 million, and 13 were for expansion/diversification projects valued at RM814.7 million. Domestic investments amounted to RM605.1 million, while foreign investments accounted for 694.9 million.

The approved projects included six for downstream activities such as production of cocoa butter equivalent (enzymatic process), interesterified oils, margarine, shortening, vegetable ghee, hydrogenated products, confectionery fats and animal feed granules. Other projects included refineries and palm crusher plants.

In the oleochemicals segment, a total of nine projects with investments of RM529.1 million, were approved in 2008, compared with 18 projects, valued at RM955.5 million in 2007. Of these, five were for new projects worth RM245 million and four were for expansion/ diversification projects valued at RM284.1 million. Domestic investments amounted to RM439.1 million while foreign investments totalled RM90 million.

The projects approved were for the production of basic oleochemicals, oleochemical derivatives and downstream products, which include fatty acids, glycerine, fatty alcohol as well as tocotrienols, mixed carotene concentrates and animal feed additives.

The global demand for oleochemicals had been growing at an annual rate of 3 per cent over the years. The increase in demand for oleochemicals was driven by the continuing trend towards the use of natural or plant-based products, biodegradable chemicals and the growing affluence of economies worldwide. Malaysia, with the availability of basic oleochemicals, is expected to further expand the production of oleochemicals derivatives and downstream products. These products include food additives and ingredients, palm carotenoids and palm tocotrienols, polyols, bio-degradable plastics and surfactants.

In the palm biomass segment, a total of 29 projects with investments of RM1,162.8 million were approved in 2008, compared with 19 projects valued at RM479.6 million in 2007. Domestic investments amounted to RM724.4 million while foreign investments totalled RM438.4. In the palm biomass products segment, 29 projects with investments of RM62.8 million were approved in 2008, compared with 12 projects with total investments of valued at RM158.7 million in 2007. Domestic investments amounted to RM50.1 million or 79.7 per cent of the total investments in this segment. The approved projects included the production of pulp, mulching mat, organic fertilisers and fibres and generation of energy from palm biomass.

In addition, 20 projects with investments of RM1.1 billion were approved for the generation of energy from palm biomass, compared with seven projects with investments of RM320.9 million in 2007. Domestic investments contributed 61.3 per cent to the total investments in the palm biomass segment.

Table 4.95:
Investments in the Palm Oil Industry

Segment	2008	Change (%)	2007
No. of projects approved	58	-7.9	63
Total investments (RM million)	3.0	-6.3	3.2
Domestic investments (RM million)	1.9	-13.6	2.2
Foreign investments (RM million)	1.1	10.0	1.0

Source: Malaysian Industrial Development Authority

Exports

Total export earnings of palm oil products increased by 44.4 per cent to RM65.2 million in 2008 from RM45.2 million in 2007. In terms of quantity, total exports increased by 11.2 per cent to 21.8 million tonnes in 2008, compared with 19.6 million tonnes in 2007.

In 2008, exports of palm oil increased by 1.66 million tonnes or 12.1 per cent to 15.41 million tonnes. The People's Republic of China maintained its position as the largest export market for Malaysian palm oil for the seventh consecutive year, with orders totalling 3.8 million tonnes or 24.6 per cent of total palm oil exports, followed by the European Union at 2.1 million tonnes (13.3 per cent), Pakistan at 1.26 million tonnes (8.2 per cent), the USA at 1.1 million tonnes (6.8 per cent), India at 1 million tonne (6.3 per cent), Japan at 0.6 million tonne

(3.5 per cent) and Ukraine at 0.5 million tonne (3.1 per cent). Collectively, these seven markets accounted for 10.2 million tonnes or 65.9 per cent of total Malaysian palm oil exports in 2008.

Table 4.96:
Exports of Palm Oil Products

Products	2008		Change (%)		2007	
	Quantity ('000 tonnes)	RM mil	Quantity	RM mil	Quantity ('000 tonnes)	RM mil
Total	21,762.3	65,206.0	11.2	44.4	19,574.0	45,169.1
Palm oil	15,412.8	47,926.2	12.1	44.4	13,747.0	33,186.7
Palm kernel oil	1,047.4	4,159.8	-1.3	34.0	1,061.0	3,104.9
Palm kernel cake	2,261.3	990.9	8.0	30.1	2,094.0	761.7
Oleochemicals	2,074.0	8,697.1	-3.1	30.2	2,140.0	6,679.6
Finished products	670.6	2,656.6	91.1	141.9	351.0	1,098.3
Biodiesel	182.1	610.7	91.7	141.2	95.0	253.2

Source: Malaysian Palm Oil Board

Exports of most of the oil palm products recorded an increase in 2008, compared with 2007.The major increase was in biodiesel that recorded an increase of 91.7 per cent, while a decline was recorded by oleochemical, which decreased by 3.1 per cent.

Imports

Total volume of imported palm oil products increased by 32.8 per cent to 815,000 tonnes in 2008, compared with 613,000 tonnes in 2007. Palm oil and palm kernel oil were the main palm oil products imported in 2008, although their volumes decreased - for palm kernel oil by 15 per cent to 225,000 tonnes from 264,000 tonnes and for palm kernel by 64.8 per cent to 29,000 tonnes from 81,000 tonnes.

Table 4.97:
Imports of Palm Oil Products

Imports	2008 ('000 tonnes)	Change (%)	2007 ('000 tonnes)
Total	**815**	**32.8**	**613**
Palm oil	561	109.7	268
Palm kernel oil	225	-15.0	264
Palm kernel	29	-64.8	81

Source: Malaysian Palm Oil Board

Developments

The decline of global palm oil prices for the period of August - December 2008 affected the production and export value of palm oil and palm oil products. To further stimulate domestic demand for Malaysian palm oil during the commodity crisis, the Government imposed a mandatory requirement for the use of bio-fuel in government-owned vehicles, public transportation and industries by 2010. The Government also implemented a replanting scheme for palm oil trees above 25 years old to reduce existing stocks.

In addition, the Malaysian palm oil industry was facing a major setback with the EU's move to discriminate palm oil, due to pressure from environmental groups and domestic biofuel producers. The European Commission (EC) was considering measures to restrict imports of biofuels which fail to reduce greenhouse gas emissions or result in social and environmental harm during the production process. Producing countries especially Malaysia, Indonesia, and Brazil, viewed the proposed legislation as an unfair trade restriction which favours biofuels produced in Europe and the USA.

There was a positive trend on the export of Malaysian palm oil arising from the conclusion of Malaysia's Free Trade Agreement (FTA) with Pakistan, which came into effect in January 2008. In 2008, exports of palm oil to Pakistan rose by 17.5 per cent to 1.3 million tonnes, due to an import duty reduction on Malaysian palm oil by a 10 per cent 'Margin of Preference' under the agreement.

PROCESSED FOOD AND BEVERAGES INDUSTRY

In line with the Government's emphasis on the agriculture sector, the processed food and beverages industry had become an important component of the agro-based industry.

Small and medium enterprises represented more than 80 per cent of the total number of establishments in the processed food segment. They are mainly involved in producing fish and fish products, livestock and livestock products, fruits and vegetables, and cocoa-based products. The beverages segment covers the manufacture of soft drinks and mineral water.

Production

In 2008, the overall production index for the selected processed food and beverages products industry increased by 8 per cent to 125.3 from 116.0 in 2007, due to high demand in both the domestic and international markets. The production index of the processed food segment increased by 10.2 per cent to 128.6 from 150.6 in 2007. A high production index was recorded in the manufacturing of cocoa products at 162.3, rice miling at 142.1 and processed food at 128.6.

The production index for beverages products increased by 2.6 per cent to 117.2 in 2008 from 114.2 in 2007. The production index for the manufacture of soft drinks recorded an increase of 13.8 per cent to 229.2 from 201.4 in 2007.

A major decline was recorded by biscuits and cookies, followed by processing and snacks, which decreased by 11 per cent and 7.5 per cent respectively. The decline was due to the melamine issue and an import ban imposed by the EU on fishery products.

Table 4.98:
Production Indices of Selected Processed Food and Beverages Products (2005=100)

Segment	2008	Change (%)	2007
Total	**125.3**	**8.0**	**116.0**
Processed food	**128.6**	**10.2**	**116.7**
Other food products	163.3	21.1	134.9
Cocoa products	162.3	29.2	125.6
Snack	93.7	-7.5	101.3
Chocolate products and sugar confectionery	134.4	1.9	131.9
Processing and preserving fish and fish products	102.1	-5.4	107.9
Flour milling	110.4	1.2	109.1
Biscuits and cookies	100.5	-11.0	112.9
Rice milling	142.1	7.7	132.0
Sugar	106.5	-5.2	112.4
Condensed, powdered and evaporated milk	121.4	11.9	108.5
Beverages	117.2	2.6	114.2
Soft drinks	229.2	13.8	201.4
Malt liquors and malt	93.6	-2.3	95.8

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

Sales

The sales value of processed food and beverages products increased by 24.5 per cent to RM22.4 billion in 2008 from RM18 billion in 2007, due to an increase in domestic consumption and exports. Processed food which recorded high sales were manufacture of condensed, powdered and evaporated milk with RM4.1 billion, cocoa products (RM3.8 billion) and vegetables, animal oils and fats (RM1.3 billion).

Table 4.99:
Sales of Selected Processed Food and Beverages Products

Segment	2008 (RM '000)	Change (%)	2007 (RM '000)
Total	**22,443,742**	**24.5**	**18,022,273**
Processed food	**21,298,547**	**24.7**	**17,078,292**
Condensed, powdered and evaporated milk	4,054,995	11.1	3,649,417
Cocoa products	3,758,837	49.6	2,512,268
Vegetable and animal oils and fats	1,330,077	87.1	1,482,131
Sugar	2,082,004	-6.4	2,225,481
Flour mills	2,050,441	42.3	1,440,513
Food products, not elsewhere classified	1,439,840	35.8	1,059,972
Preserved fish and fish products	1,055,932	0.4	1,051,615
Rice	1,005,087	46.3	687,080
Biscuits and cookies	875,724	4.6	837,480
Chocolate products and sugar confectionery	569,701	-16.3	680,954
Snack	585,595	38.6	422,433
Sauces	502,923	8.2	465,023
Coconut oil	65,573	-0.6	65,987
Pineapple canning	56,980	-20.8	71,966
Beverages	**1,145,195**	**35.8**	**943,981**
Soft drinks	1,021,452	19.4	855,449
Mineral waters	123,743	39.8	88,532

Source: Department of Statistics, Malaysia

Employment

In 2008, employment in the processed food and beverages industry increased by 1.4 per cent to 45,418, compared with 44,778 in 2007. The employment of rice milling recorded the highest growth of 33.3 per cent to 1,802, compared with 1,352 in 2007. Other segments which registered growth in employment were manufacturing of bread, cake and other bakery products at 21.6 per cent, cocoa products (7.9 per cent) and manufacturing of vegetable and animal oils (4.1 per cent).

Table 4.100:
Employment in Processed Food and Beverages Industry

Segment	2008 (Persons)	Change (%)	2007 (Persons)
Total	**45,418**	**1.4**	**44,778**
Processed food	**42,656**	**0.5**	**42,436**
Preserving fish and fish products	7,938	2.1	8,106
Biscuits and cookies	5,043	-12.2	5,747
Condensed, powdered and evaporated milk	3,967	-1.7	4,035
Chocolate products and sugar confectionery	2,860	-16.6	3,859
Snack	3,242	0.3	3,231
Other food products	2,578	18.7	2,172
Sauces	2,261	-3.2	2,335
Cocoa products	1,975	7.9	1,830
Sugar	1,930	-3.4	1,997
Vegetable and animal oils and fats	1,463	4.1	1,406
Flour mills	1,554	2.3	1,519
Rice milling	1,802	33.3	1,352
Pineapple canning	548	-4.5	574
Coconut oil	187	-7.4	202
Beverages	**2,762**	**17.9**	**2,342**
Soft drinks	1,953	16.0	1,684
Mineral waters	809	22.9	658

Source: Department of Statistics, Malaysia

Productivity

Productivity of the food products and beverages industry continued to grow by 19.2 per cent to RM90,000 in 2008, compared with RM75,500 in 2007. Labour cost for the industry remained competitive, as its Unit Labour Cost decreased by 8.2 per cent, reflecting an efficient utilisation and management of resources.

The processed food segment registered an increase in productivity by 20.9 per cent. The highest productivity growth was registered by rice milling, at 65.3 per cent, followed by other vegetables and animal oils and fats, at 44.3 per cent and cocoa products, at 43.5 per cent. These segments were able to sustain their labour cost competitiveness, reflected by declines of 9.3 per cent, 13.5 per cent and 11.3 per cent, respectively in their Unit Labour Costs for 2008.

The productivity of beverage segment registered a decline of 5.8 per cent.The segment was unable to sustain its labour cost competitiveness, as its Unit Labour Cost increased by 4.8 per cent in 2008.

Table 4.101:
Productivity Indicators for the Food Products and Beverages Industry

Industry	Productivity (RM'000)			Labour Cost Per Employee (RM'000)			Unit Labour Cost (Number)		
	2008	Change (%)	2007	2008	Change (%)	2007	2008	Change (%)	2007
Food products and beverages	**90.0**	**19.2**	**75.5**	**22.6**	**6.1**	**21.3**	**0.0456**	**-8.2**	**0.0496**
Food	**89.9**	**20.9**	**74.4**	**22.4**	**6.8**	**21.0**	**0.0446**	**-9.0**	**0.0490**
Condensed, powdered and evaporated milk	169.9	4.2	163.1	39.7	2.5	38.7	0.0409	-0.4	0.0411
Processing and preserving of fish and fish products	27.7	4.5	26.5	11.9	4.0	11.4	0.0873	-0.6	0.0878
Pineapple canning	36.4	1.1	36.0	12.5	0.6	12.4	0.0997	-0.3	0.0999
Coconut oil	18.3	9.1	16.8	15.9	8.0	14.8	0.0450	-0.5	0.0452
Other vegetable and animal oils and fats	106.7	44.3	73.9	37.4	19.2	31.3	0.0293	-13.5	0.0339
Rice milling	132.6	65.3	80.3	20.3	12.0	18.1	0.0312	-9.3	0.0344
Flour milling	259.1	19.5	216.7	38.1	14.8	33.2	0.0316	0.0	0.0316
Biscuits and cookies	42.2	17.7	35.9	15.1	9.3	13.8	0.1019	-1.2	0.1032
Sugar	116.1	13.7	102.1	31.8	7.3	29.6	0.0261	-0.3	0.0262
Cocoa products	183.1	43.5	127.6	33.5	7.9	31.1	0.0196	-11.3	0.0221
Chocolate products and sugar confectionery	59.2	1.7	58.2	20.1	0.4	20.0	0.1213	-3.5	0.1256
Sauces	67.9	4.3	65.1	22.7	3.0	22.0	0.0991	-4.4	0.1037
Snack	39.2	3.8	37.7	14.1	3.2	13.6	0.0841	-11.3	0.0949
Other food products	170.4	15.7	147.2	26.7	-8.4	29.2	0.0606	-9.0	0.0666
Beverages	**90.6**	**-5.8**	**96.1**	**24.9**	**-5.9**	**26.5**	**0.0635**	**4.8**	**0.0606**
Soft drinks	116.8	-5.6	123.6	29.1	-9.0	32.0	0.0581	1.9	0.0570
Production of mineral waters	30.0	1.9	29.5	15.3	15.6	13.2	0.1067	12.5	0.0949

Source: Malaysia Productivity Corporation
Computed from the Monthly Manufacturing Survey and Annual Manufacturing Survey, Department of Statistics, Malaysia

Investments

A total of 70 projects (food processing and beverages) with investments of RM1.5 billion were approved in 2008. The approved projects were for sugar and sugar confectionery, snack food, non-dairy creamer, aquaculture feed, seafood products, processed livestock products, cocoa and chocolate products and other food products.

Of the total investments, domestic investments amounted to RM1 billion, while foreign investments totalled RM488.1 million. Existing food manufacturing companies continued to expand and diversify their operations. Of the 70 projects approved, 31 were for expansion/diversification projects, worth RM723.5 million, while 39 were for new projects, valued at RM808.5 million.

Table 4.102:
Investments in the Food Processing and Beverages Industry

Segment	2008	Change (%)	2007
No. of projects approved	**70**	**4.5**	**67**
Total investments (RM million)	**1,532**	**-14.0**	**1,781.1**
Domestic investments (RM million)	1,043.9	-31.0	1,513.2
Foreign investments (RM million)	488.1	82.2	267.9

Source: Malaysian Industrial Development Authority
Note: Data for 2008 include animal feed and palm oil products

Exports

Exports of selected processed food and beverages products increased by 35.4 per cent in 2008 to RM13.4 billion, compared with RM10 billion in 2007.

Exports of processed food products increased by 39.9 per cent to RM12.1 billion in 2008 from RM8.7 billion in 2007. Main export items were cocoa and cocoa preparations, accounting for RM3.3 billion, followed by prepared cereals, at RM1.3 billion and dairy products, at RM1.1 billion. Major export destinations were Singapore, valued at RM1.7 billion, the USA (RM1 billion), Indonesia (RM935 million), Kuwait (RM563.1 million) and Iraq (RM558.6 million).

In 2008, exports of beverages products increased by 5.7 per cent to RM2.4 billion from RM2.2 billion in 2007. The rise in exports was mainly contributed by non-alcoholic beverages, which increased by 24.2 per cent, valued at RM457.6 million.

Table 4.103:
Exports of Selected Processed Food and Beverage Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**13,499.2**	**35.4**	**9,966.6**
Processed food	**12,131.8**	**39.9**	**8,670.4**
Other processed food	4,835.9	80.2	2,683.9
Cocoa and cocoa preparations	3,280.0	32.5	2,475.1
Prepared cereals	1,284.4	26.1	1,018.3
Dairy products	1,082.9	32.5	817.1
Processed seafood	546.4	-4.1	569.9
Sugar and sugar confectionery	483.9	-27.5	667.3
Prepared vegetables and fruits	421.4	26.7	332.5
Processed meat	149.5	95.7	76.4
Beverages	**2,406.6**	**5.7**	**2,195.0**
Alcoholic beverages	912.6	-1.6	927.7
Non-alcoholic beverages	457.6	24.2	368.5

Compiled by the Ministry of International Trade and Industry

Imports

Total imports of processed food and beverages products increased by 10 per cent to RM10 billion in 2008, compared with RM9 billion in 2007.

Imports of processed food products increased by 8.9 per cent to RM8.9 billion in 2008, compared with RM8.2 billion in 2007. Major import items were dairy products, valued at RM2.6 billion, other processed food (RM2.4 billion) and sugar and sugar confectionery (RM1.7 billion).

New Zealand was Malaysia's largest source of imports for processed food in 2008, valued at RM1.6 billion, accounting for a 17.7 per cent share of Malaysia's total imports of processed food. Other main imports sources were Australia, valued at RM1.3 billion, the USA (RM911.3 million), Thailand (RM858.2 million) and the PRC (RM589.8 million).

In 2008, imports of beverages products increased by 15.4 per cent to RM974.9 million, compared with RM810.1 million in 2007. The rise in imports was contributed by non-alcoholic beverages, which increased by 109.1 per cent, valued at RM90.3 million.

Table 4.104:
Imports of Selected Processed Food and Beverage Products

Product	2008 (RM million)	Change (%)	2007 (RM million)
Total	**9,910.3**	**10.0**	**9,012.50**
Processed food	**8,935.4**	**8.9**	**8,202.4**
Dairy products	2,566.4	3.9	2,470.3
Other processed food	2,357.6	17.2	2,011.9
Sugar and sugar confectionery	1,733.5	-6.2	1,847.5
Prepared cereals and flour	763.0	49.5	510.5
Prepared vegetables and fruits	675.9	13.4	596.1
Processed seafood	383.4	-1.7	390.1
Cocoa and cocoa preparations	320.5	23.5	259.5
Tea and mate	99.4	5.0	94.7
Processed meat	35.6	63.0	21.8
Beverages	**974.9**	**20.3**	**810.1**
Alcoholic beverages	884.6	15.4	766.9
Non-alcoholic beverages	90.3	109.1	43.2

Compiled by the Ministry of International Trade and Industry

Developments

The seafood industry is the second largest food export industry in Malaysia, contributing total exports of more than RM2.5 billion annually, with the European countries being the main export market. In 2008, the Government was concerned on the ban imposed by the EU on the importation of Malaysian seafood products which did not meet the EU health standards.

Among the efforts to ensure adherence to the EU standards, the Government provided an allocation of RM500 million rescue package in the form of soft loan administered by Agro Bank to assist the seafood export industry, with priority to members of the Malaysian Frozen Foods Processors Association (MFFPA). Given the significant contribution of exports of seafood to the EU, valued at RM255.9 million, several measures were also undertaken by fish exporters to improve on their standard of hygiene for fish products exported to the EU.

Exports of the Malaysian biscuits and cookies segment faced a setback, due to melamine contamination on several batches of Malaysian made biscuits and confectionary products. This arose from ammonium bicarbonate found to be contaminated with melamine, which was imported from China by a number of Malaysian biscuit and confectionery manufacturers. A testing and control system, including recalling certain products from retail shelves, was implemented to restore confidence in Malaysia's biscuits and confectionery items.

OUTLOOK

The manufacturing sector is expected to continue to be adversely affected by the global economic downturn. The declining trend in industrial output since the fourth quarter of 2008, due to decreasing demand in the export oriented industries, is expected to continue in 2009. Malaysia's export performance which was sustained up to July 2008, due to revenues from high commodity prices and the high export values of manufactured goods, is expected to register a decreasing trend in 2009.

While the crisis will have a general impact on the sector, the ability to cope with the crisis will differ among industries. Industries which are expected to face less impact from the crisis include wood-based, pharmaceutical, healthcare and medical devices:

- The wood-based industry had moved up the value chain into secondary processing and invested in capital-intensive activities, such as MDF and particleboard manufacturing. The export markets remain challenging, as Malaysia's two major export destinations of wood and wood-based products, namely the USA and Japan, are expected to be in recession in 2009.

- The prospects for the pharmaceutical industry remain positive, despite the weak economic outlook, due to growing healthcare needs, an ageing population and the prevalence of various diseases. Key drivers which are expected to sustain Malaysia's pharmaceutical industry are medical tourism, specialist therapy, and generic and over-the-counter (OTC) drugs and food supplements. The industry is expected to remain resilient in 2009, due to the inelastic demand for medicines, regardless of the economic climate.

- The healthcare industry is anticipated to continue to grow in 2009. Domestic demand for medical devices is expected to remain strong, arising from the expansion of hospitals, particularly in the private sector, and healthcare infrastructure projects.

In contrast, several other industries are expected to face a more difficult business environment. The industries include electrical and electronics, petroleum products and petrochemicals and plastics products, basic industrial chemicals, automotive, iron and steel, textiles and apparel, and cement:

- Generally, the demand for E&E products is expected to be lower in 2009. This will be reflected in a decline in sales, exports and production of selected semiconductors and E&E products for 2009 - 2010.

- The petroleum products, petrochemical, and plastics industry is expected to face weaker export prospects, as the major markets for Malaysian petroleum products, such as the USA, Europe and Japan are in recession. The price of crude oil will exert a strong influence on the outlook of the industry.

- The demand for basic industrial chemicals, which are supplied as intermediate products and inputs to industries such as the electronics, automotive, construction-related industry, personal care and agriculture, is expected to move in tandem with the progress of these industries in dealing with the crisis. Apart from personal care and agriculture, the other industries are expected to continue to be affected by the crisis.

- The automotive industry is expected to face a difficult period in 2009, as slower economic growth will translate into lower sales volume. The volume is expected to be lower, due to slower consumer spending and the difficulty of obtaining financing.

- Demand for iron and steel is expected to remain weak, due to depressed construction activities, slowing down of capital investments and reduction in car production in many countries.

- Exports for garments are expected to decline in 2009, due to the economic slowdown in the USA and competition from other lower cost producing countries, especially Viet Nam, the People's Republic of China, Cambodia and Indonesia.

- The demand for cement and concrete products, which had been facing a slowdown in the first quarter of 2009, is expected to remain sluggish throughout the year.

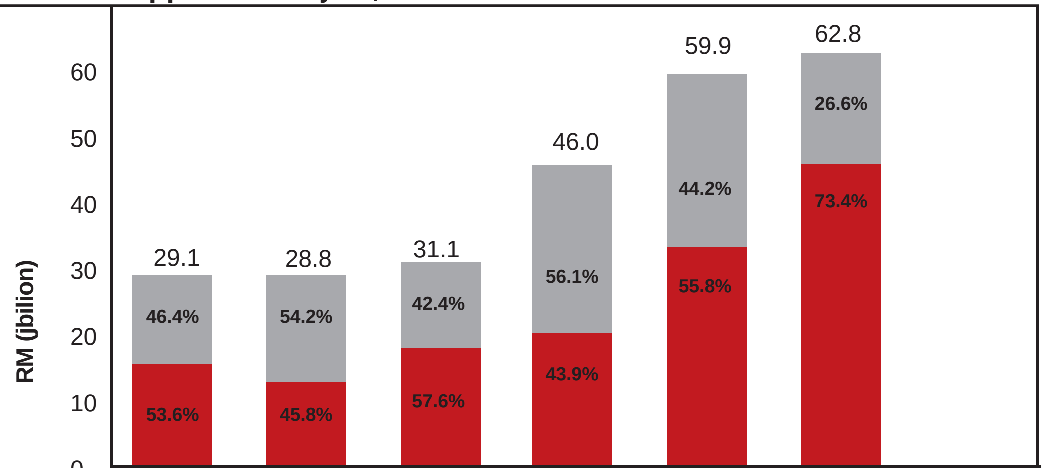
For most industries, 2009 will continue to be a difficult year. Nevertheless, prospects for the recovery of the manufacturing sector are expected to improve in 2010.

INVESTMENTS IN THE MANUFACTURING SECTOR

OVERVIEW

Approved investments in the manufacturing sector reached record levels in 2008, reaffirming Malaysia's status as an attractive investment destination and a competitive manufacturing and export base. A total of 919 manufacturing projects involving investments of RM62.8 billion were approved in 2008, compared with RM59.9 billion (949 projects) recorded in 2007.

Chart 4.26:
Total Investment for Approved Project, 2003 - 2008



	2003	2004	2005	2006	2007	2008	Total
Total (RM bil)	29.1	28.8	31.1	46.0	59.9	65.8	257.7
DI	13.5	15.6	13.2	25.8	26.5	16.7	111.3
FDI	15.6	13.2	17.9	33.4	33.4	46.1	146.4

Source: Malaysian Industrial Development Authority
Note: DIs - Domestic Investments
FDIs - Foreign Direct Investments

Investments approved in 2008 exceeded the average annual investment target of RM27.5 billion set during the Third Industrial Master Plan (IMP3). This was attributed to a greater interest in capital-intensive and high value-added projects among both domestic and foreign investors.

Table 4.105:
Approved Manufacturing Projects

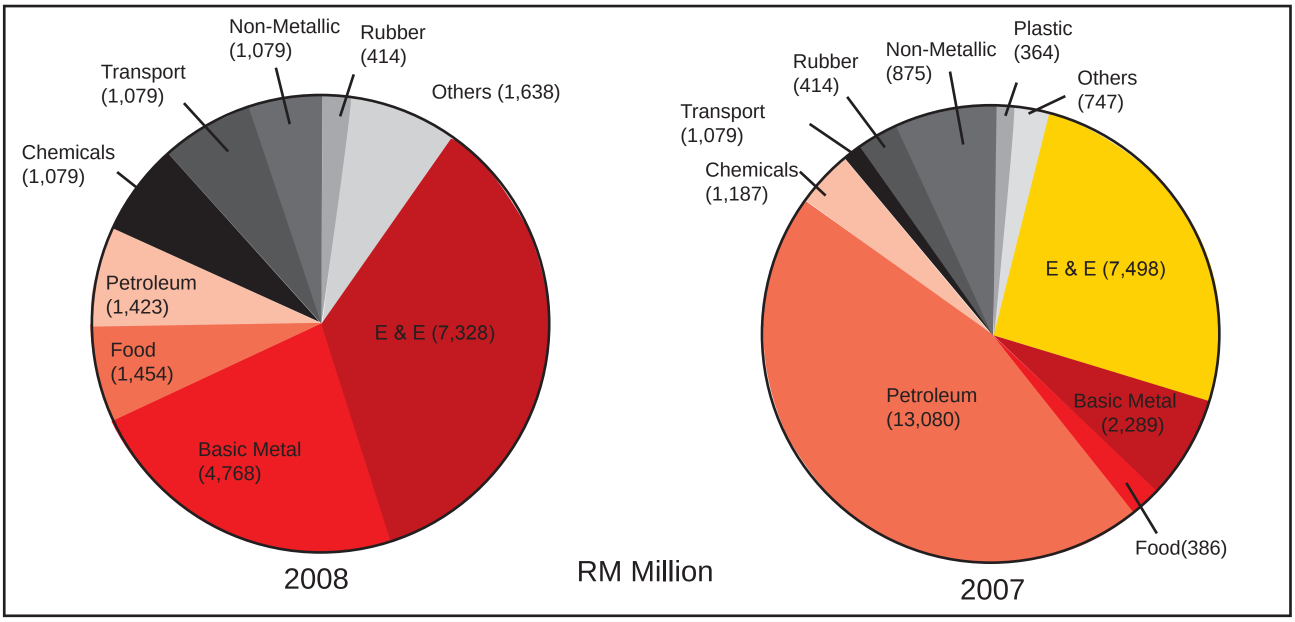
	Total		New		Expansion/ Diversification	
	2008	2007	2008	2007	2008	2007
Number of projects	919	949	548	625	371	324
Potential employment (persons)	101,173	97,673	58,518	65,703	42,655	31,970
	RM million					
Total proposed capital investment	62,785.0	59,932.2	41,992.0	31,150.0	20,793.0	28,782.2
- Domestic	16,686.2	26,506.3	7,769.4	13,875.6	8,916.8	12,630.7
- Foreign	46,098.8	33,425.9	34,222.6	17,274.4	11,876.2	16,151.5

Source: Malaysian Industrial Development Authority

New Projects

In 2008, of the total approved projects, 548 were new projects with investments of RM42 billion or 66.9 per cent of total investments, compared with 625 in 2007, with investments of RM31.1 billion.

Chart 4.27:
Investments in New Projects by Industry, 2008 and 2007



Source: Malaysian Industrial Development Authority

Expansion/Diversification Projects

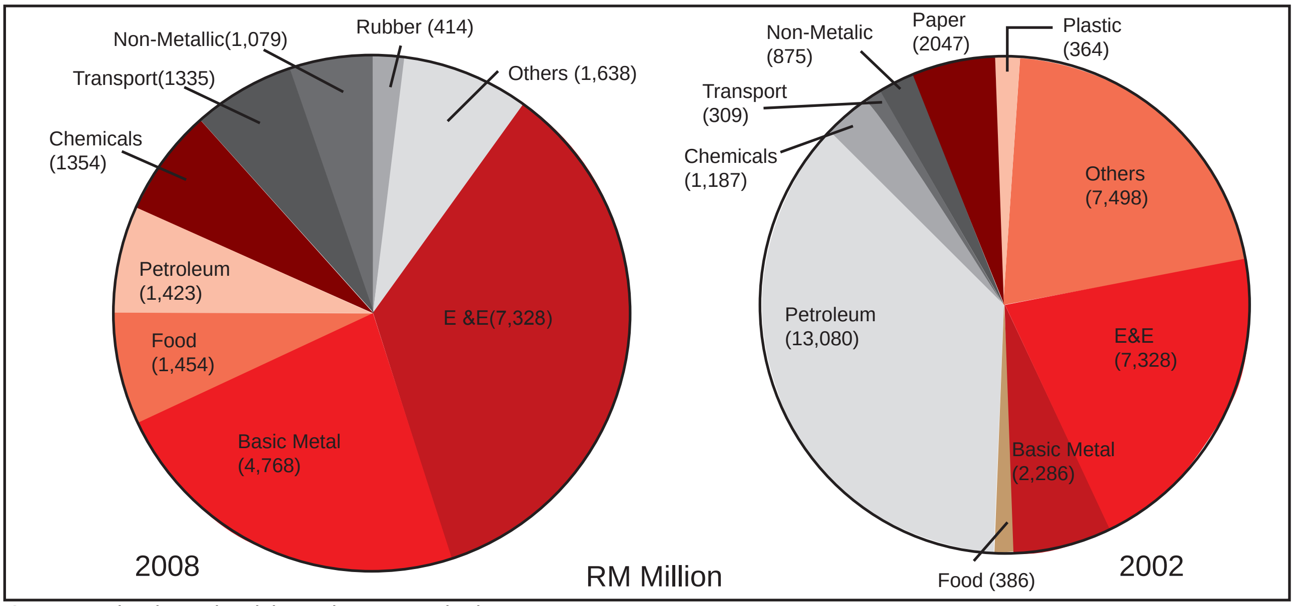
Existing companies continued to expand and diversify their operations in 2008. Of the projects approved, 371 were for expansion/diversification, involving investments of RM20.8 billion or 33.1 per cent of total investments. In comparison, 324 expansion/diversification projects were approved in 2007, involving investments of RM28.8 billion or 48.1 per cent of total investments.

Table 4.106:
Approved New and Expansion/Diversification Manufacturing Projects by Industry, 2008 and 2007

Industry	2008						2007					
	Total		New		Expansion/ Diversification		Total		New		Expansion/ Diversification	
	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects
Total	**62,785.2**	**919**	**41,991.9**	**548**	**20,793.1**	**371**	**59,932.3**	**949**	**31,150.0**	**625**	**28,782.3**	**324**
Basic Metal Products	25,768.2	53	21,000.6	31	4,767.6	22	12,173.4	52	9,884.4	36	2,289.0	16
Electronics and Electrical Products	17,773.0	132	10,445.4	47	7,327.5	85	15,111.6	144	7,613.8	59	7,497.8	85
Transport Equipment	2,890.0	73	1,554.5	48	1,335.5	25	1,196.0	53	886.9	35	309.1	18
Food Manufacturing	2,781.5	87	1,327.6	45	1,453.8	42	2,383.3	75	1,997.5	50	385.8	25
Petroleum Products (inc. Petrochemicals)	2,749.6	16	1,326.3	8	1,423.3	8	13,832.4	17	752.0	12	13,080.4	5
Chemicals and Chemical Products	2,656.5	70	1,302.4	35	1,354.1	35	3,800.8	71	2,614.2	50	1,186.5	21
Non-Metallic Mineral Products	1,268.5	28	189.3	13	1,079.2	15	1,301.0	16	426.2	13	874.8	3
Machinery Manufacturing	1,257.6	93	919.4	68	338.1	25	1,765.3	98	1,637.4	77	127.8	21
Fabricated Metal Products	1,073.4	105	889.0	82	184.4	23	657.5	101	524.4	82	133.1	19
Wood and Wood Products	930.2	37	541.6	21	388.6	16	571.8	33	490.7	23	81.1	10
Paper, Printing and Publishing	910.5	26	872.2	20	38.3	6	2,898.0	36	851.4	28	2,046.6	8
Rubber Products	721.9	37	307.4	23	414.5	14	510.2	33	352.0	21	158.2	12
Plastic Products	635.8	60	460.0	37	175.8	23	1,076.5	92	713.0	50	363.6	42
Scientific and Measuring Equipment	520.1	18	377.9	11	142.2	7	372.2	19	372.2	17	0.0	2
Textiles and Textile Products	408.4	18	171.0	8	237.3	10	1,400.9	22	1,320.0	13	81.0	9
Furniture and Fixtures	215.6	45	199.0	37	16.7	8	309.1	51	211.8	33	97.3	18
Beverages and Tobacco	87.8	3	3.4	1	84.4	2	100.2	10	69.7	5	30.5	5
Leather and Leather Products	-	-	-	-	-	-	4.6	1	4.6	1	-	-
Miscellaneous	136.6	18	104.9	13	31.8	5	467.5	25	427.8	20	39.7	5

Source : Malaysian Industrial Development Authority

Chart 4.28:
Investments in Expansion/Diversification Projects by Industry, 2008 and 2007

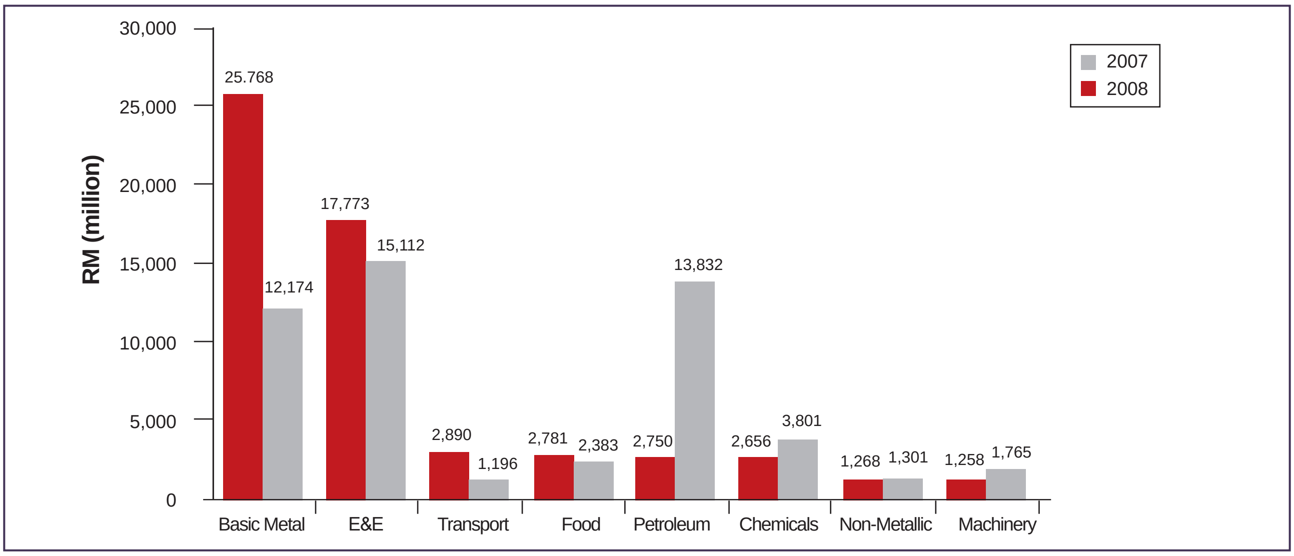


Source: Malaysian Industrial Development Authority

Projects Approved by Industry

The basic metal products industry recorded the highest level of investments approved (RM25.8 billion) in 2008. This was largely due to the approval of two new projects, namely for the production of unwrought aluminium (RM12.5 billion) and the production of stainless steel slabs, stainless steel black coils and hot rolled stainless steel sheets (RM6.9 billion).

Chart 4.29:
Approved Manufacturing Projects by Industry, 2008 and 2007



Source: Malaysian Industrial Development Authority

The E&E industry, which remains the leading industry in terms of number of projects approved (132 projects) in 2008, accounted for the second highest amount of investments (RM17.8 billion). Investments in the transport equipment industry was the third highest, accounting for RM2.9 billion.

Other industries which attracted significant levels of investments included food manufacturing (RM2.8 billion), petroleum products including petrochemicals (RM2.7 billion), chemicals and chemical products (RM2.7 billion), non-metallic mineral products (RM1.3 billion) and machinery manufacturing (RM1.3 billion).

Table 4.107:
Approved Manufacturing Projects by Industry, 2008 and 2007

Industry	2008					2007				
	Total Capital Investment (RM million)	Foreign Investment (RM million)	Domestic Investment (RM million)	Number of Projects	Employment	Total Capital Investment (RM million)	Foreign Investment (RM million)	Domestic Investment (RM million)	Number of Projects	Employment
Total	**62,785.2**	**46,098.7**	**16,686.4**	**919**	**101,173**	**59,932.3**	**33,426.0**	**26,506.3**	**949**	**97,673**
Basic Metal Products	25,768.2	20,446.6	5,321.6	53	8,289	12,173.4	4,989.6	7,183.8	52	7,133
Electronics and Electrical Products	17,773.0	17,332.1	440.9	132	34,196	15,111.6	13,737.1	1,374.5	144	32,455
Transport Equipment	2,890.0	853.1	2,036.9	73	7,732	1,195.9	306.5	889.4	53	4,581
Food Manufacturing	2,781.5	1,070.2	1,711.2	87	6,029	2,383.3	369.2	2,014.1	75	5,465
Petroleum Products (inc. Petrochemicals)	2,749.6	1,246.6	1,503.0	16	487	13,832.4	5,335.4	8,497.0	17	1,050
Chemicals and Chemical Products	2,656.5	1,221.1	1,435.4	70	2,864	3,800.8	1,560.2	2,240.6	71	3,404
Non-Metallic Mineral Products	1,268.5	521.7	746.8	28	1,150	1,301.0	1,007.6	293.4	16	1,619
Machinery Manufacturing	1,257.6	519.3	738.2	93	5,377	1,765.3	1,219.6	545.7	98	4,437
Fabricated Metal Products	1,073.4	554.6	518.8	105	5,397	657.5	239.2	418.3	101	4,445
Wood and Wood Products	930.2	496.6	433.6	37	5,052	571.8	285.4	286.4	33	3,316
Paper, Printing and Publishing	910.5	480.3	430.2	26	2,237	2,898.0	1,814.6	1,083.4	36	3,191
Rubber Products	721.9	314.5	407.4	37	5,790	510.2	241.8	268.4	33	3,607
Plastic Products	635.8	211.4	424.4	60	5,687	1,076.6	565.9	510.7	92	4,220
Scientific and Measuring Equipment	520.1	378.9	141.1	18	2,056	372.2	175.6	196.6	19	1,310
Textiles and Textile Products	408.4	303.0	105.4	18	3,090	1,400.9	1,300.8	100.1	22	9,487
Furniture and Fixtures	215.6	17.8	197.9	45	4,605	309.1	100.5	208.6	51	5,242
Beverages and Tobacco	87.8	60.2	27.6	3	164	100.2	22.2	78.0	10	630
Leather and Leather Products	-	-	-	-	-	4.6	4.6	0.0	1	77
Miscellaneous	136.6	70.7	66.0	18	971	467.5	150.2	317.3	25	2,004

Source : Malaysian Industrial Development Authority

Export-Oriented Projects

Malaysia continued to attract investments in export-oriented industries. The investments are in respect of new and expansion/ diversification projects, using Malaysia to serve the regional and global markets. Of the total projects approved, 343 projects (37.3 per cent) with investments of RM21.9 billion would involve the exporting of at least 80 per cent of their output. Foreign investments accounted for RM17.7 billion (80.8 per cent) in these projects, while domestic investments amounted to RM4.2 billion (19.2 per cent).

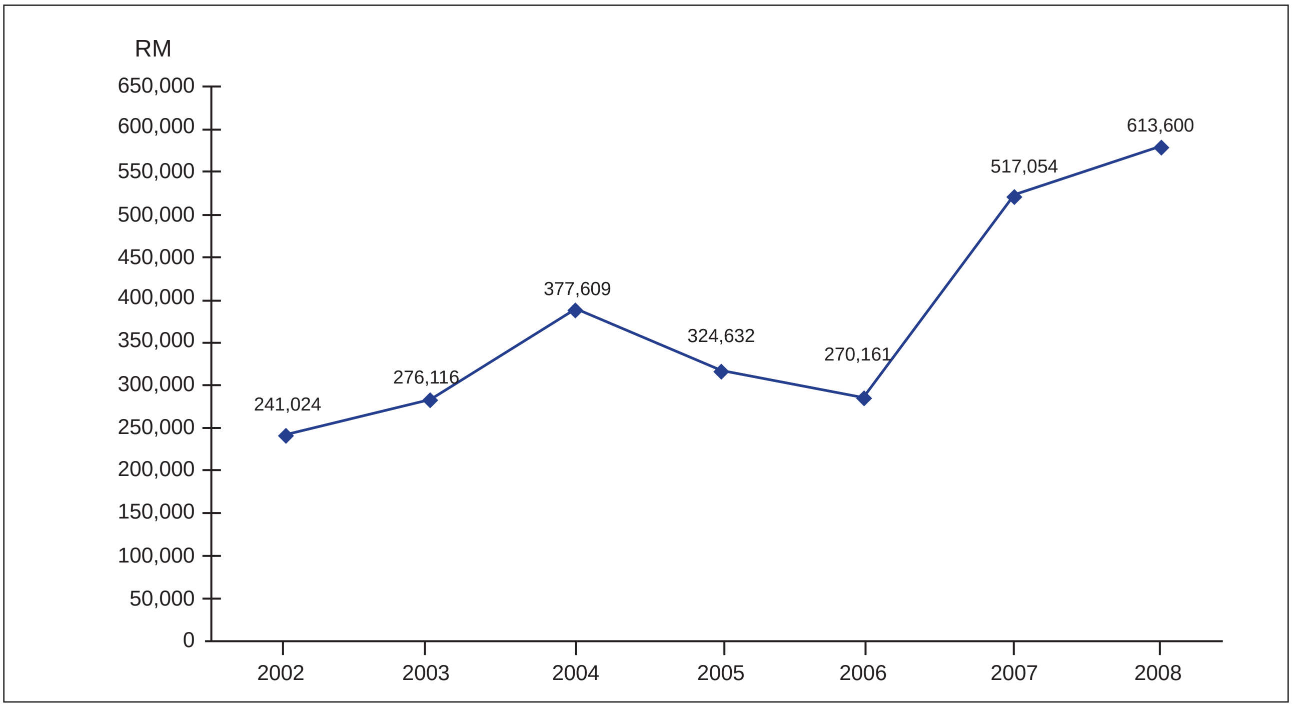
These export-oriented projects were mainly in the E&E (76 projects, RM13.8 billion), fabricated metal products (30 projects, RM432.1 million), machinery manufacturing (30 projects, RM393.9 million), food manufacturing (29 projects, RM1.2 billion) and furniture and fixtures (28 projects, RM148 million) industries.

Capital-Intensive Projects

The capital-intensity (as measured by the capital investment per employee or CIPE ratio) of projects approved in 2008 was RM620,571, compared with RM613,600 in 2007. The higher CIPE ratio was attributed mainly to capital-intensive projects in the basic metal products industry. Generally, the CIPE ratio of manufacturing projects had been an increasing trend since 2001 (RM241,024). This reflects the trend towards more capital-intensive, high value-added and high technology projects.

Of the total projects approved, 61 projects involved investments of at least RM100 million each. These capital-intensive projects were mainly in basic metal products (RM24.9 billion), E&E (RM16.5 billion), petroleum products (RM2.6 billion), transport equipment (RM1.9 billion), and chemicals and chemical products (RM1.7 billion). These projects would have substantial multiplier effects on the economy, in terms of the development of supporting industries, introduction and transfer of new technology, research and development, skills development and foreign exchange earnings.

Chart 4.30:
CIPE Ratio of Projects Approved, 2002 - 2008



Source: Malaysian Industrial Development Authority

Employment Opportunities

Projects approved in 2008 are expected to generate a total of 101,173 employment opportunities, of which 72,056 or 71.2 per cent will be in the managerial, technical, supervisory and skilled manpower categories. The high percentage of managerial, technical, supervisory and skilled manpower jobs highlights the changing industry needs, in line with the focus on higher value-added, higher technology and knowledge-intensive industries.

Industries which would create the largest number of employment opportunities were E&E (34,196), basic metal products (8,289), transport equipment (7,732), food manufacturing (6,029), rubber products (5,790), plastic products (5,687), fabricated metal products (5,397) and machinery manufacturing (5,377).

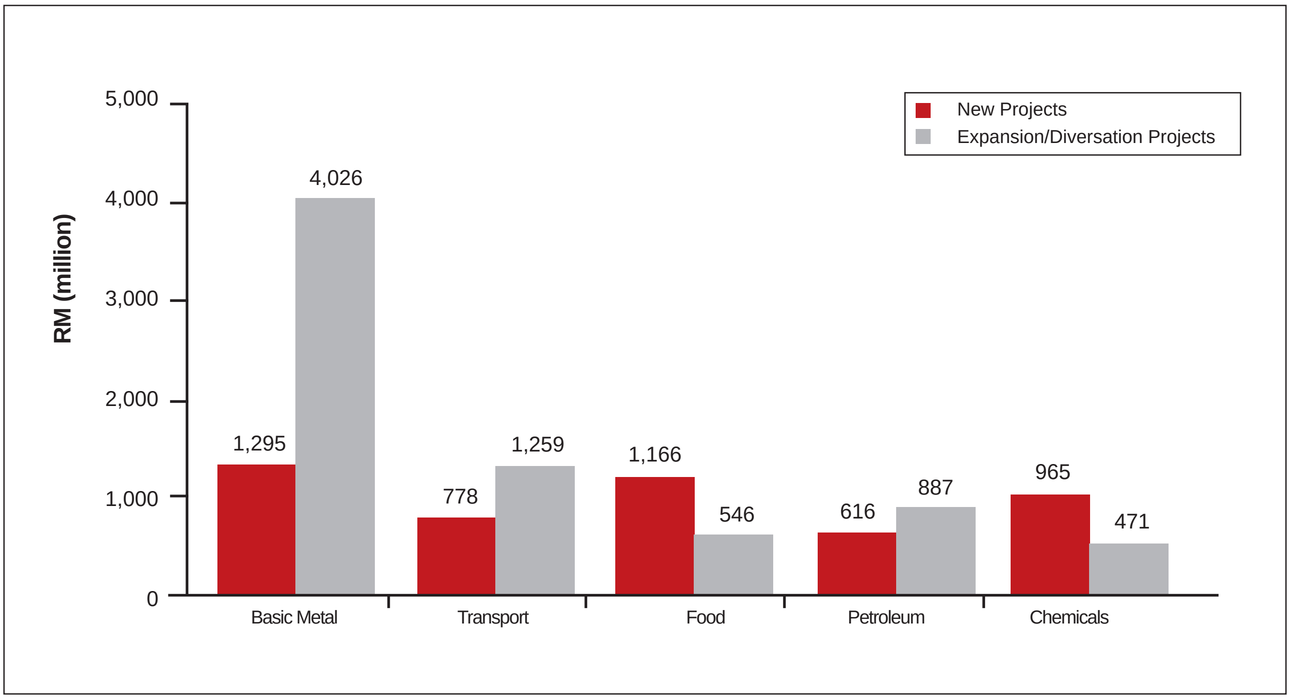
The Government continued to grant approvals for expatriate posts to facilitate technology transfer and supplement the local pool of managerial and technical skills. The posts approved for both Malaysian and foreign-owned companies are particularly for managerial and technical positions. Technical expatriate posts approved were mainly in the engineering supporting industries, such as moulds, tools and dies, and machining. In 2008, a total of 2,188 expatriate posts was approved, of which 574 were key posts which could be permanently filled by foreigners. The remaining 1,614 were term posts, generally granted for 3 - 5 years, where Malaysians are trained to eventually take over the posts.

APPROVED PROJECTS BY OWNERSHIP

Domestic Investments

During the period 2002 - 2006, domestic investments in the manufacturing sector averaged RM14.9 billion per annum. In 2007, a record level of domestic investments amounting to RM26.5 billion was registered, largely due to the approval of several capital-intensive projects, particularly in the petroleum products and basic metal products industry. In 2008, approved domestic investments amounted to RM16.7 billion.

Chart 4.31:
Domestic Investments in Projects Approved by Major Industry, 2008



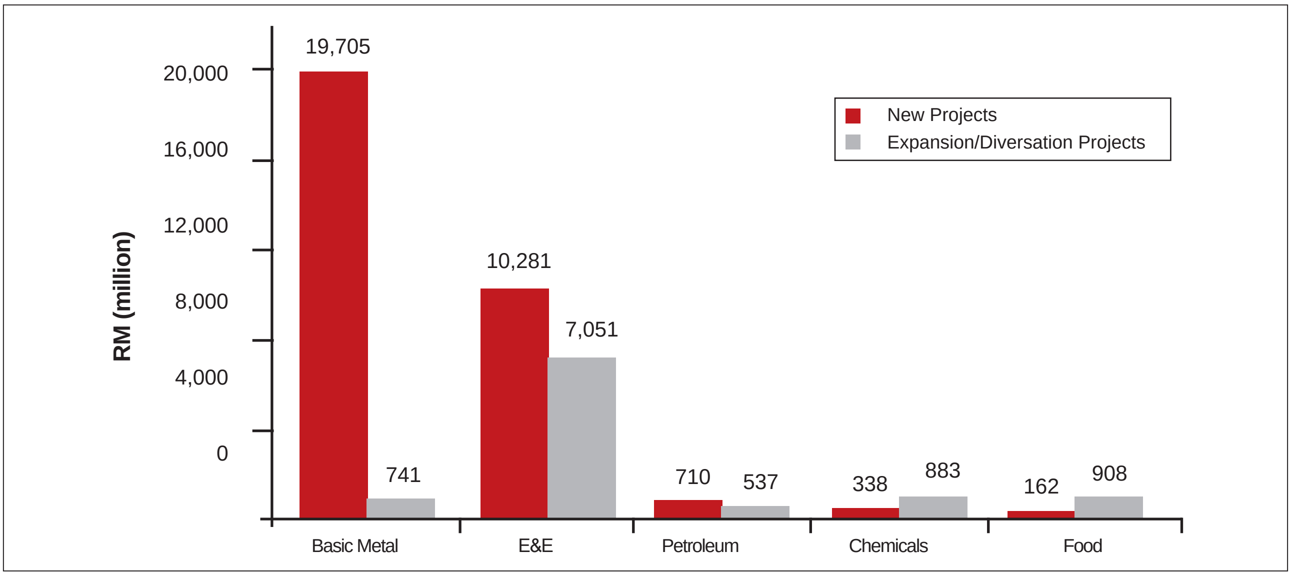
Source: Malaysian Industrial Development Authority

Foreign Investments

Foreign investments increased further and registered a new record level in 2008, reflecting continued confidence among foreign investors in the investment environment in Malaysia. During the year, 480 projects involving foreign participation were approved, with foreign investments accounting for RM46.1 billion or 73.4 per cent of total investments. Foreign investments rose by 38 per cent, compared with RM33.4 billion in 2007.

The substantial increase in foreign investments was largely due to increased investments in the basic metal products industry, which amounted to RM20.4 billion in 2008, compared with RM5 billion in 2007. The E&E industry also attracted substantially higher foreign investments of RM17.8 billion in 2008, compared with RM13.7 billion in 2007.

Chart 4.32:
Foreign Investments in Projects Approved by Major Industry, 2008

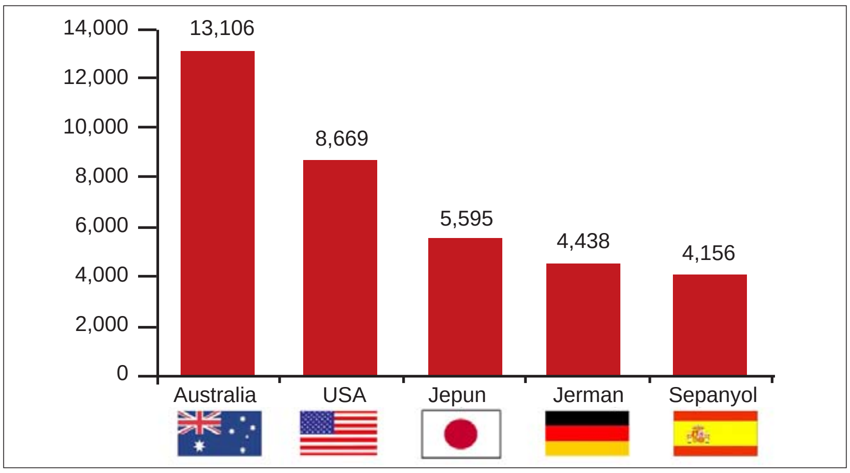


Source: Malaysian Industrial Development Authority

Major Sources of Foreign Investments

The top five sources of foreign investments in 2008 were Australia (RM13.1 billion), the USA (RM8.7 billion), Japan (RM5.6 billion), Germany (RM4.4 billion) and Spain (RM4.2 billion). Together, these five countries accounted for 78.1 per cent of total foreign investments in approved projects.

Chart 4.33:
Major Sources of Foreign Investments in Projects Approved, 2008



Source: Malaysian Industrial Development Authority

Table 4.108:
Approved Manufacturing Projects With Foreign Participation by Major Source

Country	2008		2007	
	Foreign Investment (RM)	Number	Foreign Investment (RM)	Number
Australia	13,105,834,743	20	1,685,051,556	17
USA	8,668,976,778	22	3,019,981,085	33
Japan	5,594,869,207	63	6,522,739,241	60
Germany	4,438,254,903	19	3,756,800,095	26
Spain	4,156,200,000	1	44,057,082	2
Singapore	2,004,260,964	112	2,952,175,965	108
Netherlands	1,795,674,697	19	1,690,415,209	9
British Virgin Islands	1,230,417,087	6	49,352,386	3
Taiwan	911,617,377	32	408,650,978	41
Switzerland	873,227,170	8	61,269,400	7
United Kingdom	850,464,793	23	385,254,150	20
France	250,923,969	9	787,048,319	4
Luxembourg	220,717,315	2	14,500,000	1
Republic of Korea	197,619,840	9	1,118,759,178	23
India	170,975,614	8	2,923,717,459	8
Thailand	144,612,315	6	137,673,197	6
Denmark	123,343,707	7	10,978,776	3
Belgium	105,099,996	5	213,496,294	4
Cyprus	104,308,500	3	-	-
United Arab Emirates	90,877,420	5	42,500,000	2
Hong Kong SAR	83,557,592	7	59,781,174	14
Italy	70,727,000	2	52,153,198	4
Sweden	62,897,601	8	54,000,000	2
People's Republic of China	35,655,186	17	1,883,191,954	13
Austria	35,200,000	1	-	-
Indonesia	22,106,090	2	41,162,472	5
Syria	22,050,000	1	-	-
New Zealand	12,463,736	2	9,273,200	1
Bangladesh	7,921,360	2	-	-
Nigeria	7,322,225	1	-	-
South Africa	6,699,530	1	-	-
Ukraine	6,000,000	1	-	-
Myanmar	4,489,031	1	-	-
Philippines	3,357,500	1	4,461,011	1
Ireland	3,055,140	1	13,707,720	1
Iran	2,863,284	1	3,067,759,766	3
Saudi Arabia	2,000,000	1	-	-

Source: Malaysian Industrial Development Authority

Australia

Australia emerged as the largest source of foreign investments in 2008. Investments from Australia totalled RM13.1 billion (20 projects), representing the highest investments recorded over the last five years, primarily due to a major new project with investments amounting to RM12.5 billion. The project involved the production of unwrought aluminium.

Of the 20 projects approved, 12 were new projects with investments of RM13.1 billion, while eight were expansion/diversification projects involving investments of RM3.4 million. Australian investments were concentrated in the basic metal products (two projects, RM12.7 billion) and transport equipment (three projects, RM278.6 million) industries.

USA

In 2008, the USA was the second largest source of foreign investments, with 22 projects approved, involving investments of RM8.7 billion. In comparison, 33 projects with investments of RM3 billion from the USA were approved in 2007. Of the total investments, RM3.8 billion or 43.7 per cent were for 10 new projects, while RM4.9 billion or 56.3 per cent were for 12 expansion/diversification projects.

Investments from the USA were primarily in the E&E industry (RM8.1 billion). The high level of investments from the USA in the E&E industry was mainly due to a RM3.2 billion new project for the design, development and manufacture of silicon photovoltaic wafer/cells/modules/panels and an expansion project with investments amounting to RM2.3 billion, to produce hard disk drives and components.

Japan

Japan was the third largest source of foreign investments in 2008, with investments of RM5.6 billion in 63 projects, compared with RM6.5 billion in 60 projects in 2007. Of the investments approved, RM3.9 billion or 69.6 per cent were for 22 new projects, while RM1.7 billion or 30.4 per cent were for 41 expansion/diversification projects.

Investments from Japan were concentrated in the basic metal products (RM3 billion) and E&E (RM1.6 billion) industries. Major projects approved with Japanese investments included a new joint-venture project (RM2.3 billion) for the manufacture of stainless steel slabs, stainless steel black coil, hot rolled stainless steel sheets, plates and coils, cold rolled stainless steels and coils. Another major new project (RM1.3 billion) was for the production of printed circuit boards. One large expansion/diversification project involving investments of RM665.6 million was for the production of copper foil.

Germany

Germany continued to be a major source of investments in 2008, with RM4.4 billion in 19 projects approved, more than the investments approved in 2007 (RM3.7 billion). Investments from Germany in new projects amounted to RM2.8 billion (11 projects), while investments in expansion/diversification projects accounted for RM1.6 billion (8 projects). Investments were mainly in the E&E industry (RM3.7 billion).

Major projects approved included a RM2.6 billion new project for the design, development and manufacture of silicon photovoltaic ingots/wafers/cells/modules and thin film solar modules/panel for the solar industry. A major expansion/diversification project approved was for the manufacture of fabricated wafers for light emitting diodes, with an investment of RM1.1 billion.

Spain

Spain was the fifth largest source of foreign investments in 2008, with investments totalling RM4.2 billion in one project. This was a joint venture project, involving the production of stainless steel slabs, stainless black coil, hot rolled stainless steel sheets and coils.

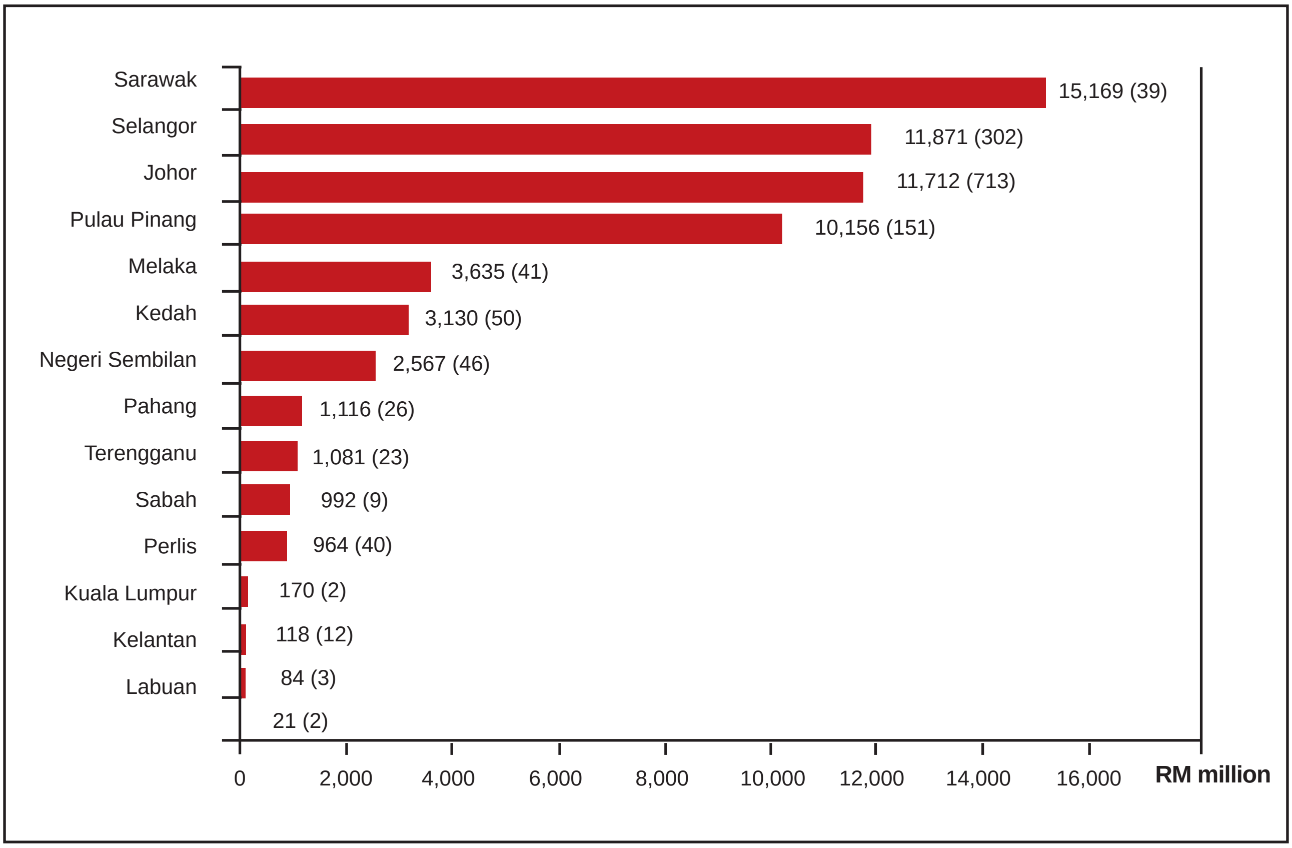
APPROVED PROJECTS BY LOCATION

The states of Selangor (302 projects), Johor (173 projects) and Pulau Pinang (151 projects) continued to attract the majority of projects approved in 2008. A total of 626 projects or about 68.1 per cent of the total number of projects approved will be located in these three states. In terms of the value of investments, the State of Sarawak registered the highest level of investments, totalling RM15.2 billion, followed by Selangor (RM11.9 billion), Johor (RM11.7 billion), Pulau Pinang (RM10.2 billion) and Melaka (RM3.6 billion).

The Government continues to promote balanced industrial development in the country by encouraging the dispersal and development of industries. Incentives are offered to companies locating their projects in the promoted areas namely the states of Kelantan, Terengganu, Pahang, Perlis, Sabah, Sarawak and the district of Mersing in Johor.

In 2008, a total of 116 projects (RM18.5 billion) were approved to be located in these promoted areas. Of these, 79 projects or almost two thirds were proposed to be located in East Malaysia namely the states of Sabah (40 projects) and Sarawak (39 projects). The concentration of the projects in these states was due to the availability of natural resources, which favoured the establishment of resource-based industries.

Chart 4.34:
Investments in Approved Manufacturing Projects by State, 2008



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

Table 4.109:
Approved Manufacturing Projects by State, 2008 and 2007

State	2008						2007					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Number	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)
Total	**919**	**62,785.0**	**548**	**41,992.0**	**371**	**20,793.2**	**949**	**59,932.3**	**625**	**31,150.0**	**324**	**28,782.1**
Sarawak	39	15,168.9	22	13,718.9	17	1,450.0	23	1,034.5	13	518.1	10	516.3
Selangor	302	11,870.9	202	6,353.3	100	5,517.7	318	11,181.5	231	7,021.5	87	4,159.9
Johor	173	11,711.7	93	10,100.1	80	1,611.6	188	9,242.8	102	7,217.0	86	2,025.9
Pulau Pinang	151	10,156.3	84	3,425.7	67	6,730.6	134	4,768.7	84	3,622.0	50	1,146.6
Melaka	41	3,634.5	28	3,554.4	13	80.1	38	3,837.7	19	1,007.0	19	2,830.7
Perak	50	3,130.0	26	2,135.3	24	994.7	59	2,034.6	46	1,510.2	13	524.4
Kedah	46	2,567.3	26	352.5	20	2,214.9	46	13,990.2	27	838.3	19	13,151.9
Negeri Sembilan	26	1,115.8	12	350.6	14	765.1	40	2,675.6	24	1,256.7	16	1,418.9
Pahang	23	1,080.7	11	867.3	12	213.5	28	1,563.8	18	790.0	10	773.8
Terengganu	9	992.3	4	313.2	5	679.1	11	6,163.2	9	6,148.2	2	15.0
Sabah	40	964.4	29	609.8	11	354.6	41	3,257.5	33	1,093.3	8	2,164.3
Perlis	2	170.3	1	79.0	1	91.3	2	7.1	1	7.1	1	0.0
Kuala Lumpur	12	117.8	8	104.0	4	13.8	12	92.4	11	39.4	1	52.9
Kelantan	3	83.6	1	17.6	2	66.0	9	82.7	7	81.2	2	1.5
Labuan	2	20.5	1	10.3	1	10.2	-	-	-	-	-	-

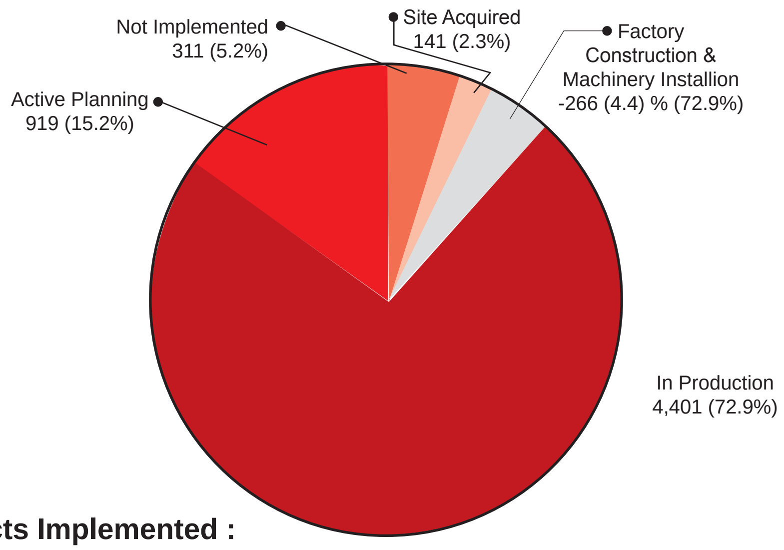
Source : Malaysian Industrial Development Authority

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS

During the period 2003 - 2008, a total of 6,038 manufacturing projects were approved. Of the approved projects, 4,667 had been implemented (which include projects for which production had commenced, factory had been constructed or machinery installed), with a total investment of RM134 billion. Of the implemented projects, 4,401 (72.9 per cent) had commenced production, while 266 (4.4 per cent) were at the stage of factory construction and machinery installation. Of the 4,401 projects in production, 692 had commenced production in 2008.

Apart from the implemented projects, 141 projects with investments of RM35.6 billion were at the stage of acquisition of sites for factories, while 919 (RM74.7 billion) were in active planning stage. When these 1,060 projects are realised, the total investment generated will amount to RM 110.3 billion.

Chart 4.35:
Status of Implementation of Manufacturing Projects Approved during 2003 - 2008, as at 31 December 2008



Investments in Projects Implemented :
RM 134.0 billion

Most of the implemented projects are located in Selangor (1,475 projects), followed by Johor (1,027 projects), Pulau Pinang (715 projects), Perak (262 projects), Kedah (252 projects) and Melaka (244 projects). Significant projects implemented in 2008 covered a broad range of industries such as electrical and electronics products, machinery and equipment, fabricated metal products, plastic products, and chemicals and chemical products.

The 692 projects which commenced production in 2008 resulted in the creation of 63,411 job opportunities. These projects will provide alternative employment opportunities for the 27,078 workers who were retrenched during the same period.

OUTLOOK

Malaysia was able to attract substantial foreign investments into the manufacturing sector amidst the slower global economic growth in 2008. This reflected continued investor confidence in the country's longer term growth potential.

The Government will continue to ensure that the investment environment in the country remains conducive and competitive, particularly in terms of the delivery system, costs of doing business, tax incentives, infrastructure, as well as availability of a skilled and educated workforce. Efforts will be intensified to target and attract investments in high value-added and technology intensive industries and new growth areas, including alternative energy sources.

Malaysia's expanding economic and business links with other developing economies, particularly the People's Republic of China, India and the Middle East, are expected to help reduce the impact of the global economic slowdown in developed countries. The preferential access accorded under the ASEAN Free Trade Area (AFTA) is also expected to boost business and economic activities within this region and this will provide opportunities for foreign and domestic investors to tap into the vast regional market.

BUMIPUTERA BUSINESS DEVELOPMENT UNIT

The development of the Bumiputera Commercial and Industrial Community (BCIC) will be the key towards restructuring society and ensuring greater Bumiputera participation in the economy. The new development will not only look at the quantity of Bumiputera entrepreneurs produced, but more importantly will focus on their overall quality in terms of productivity and competitiveness.

The entry of Bumiputera entrepreneurs into new growth areas will be promoted. The development of entrepreneurs will be implemented in a more systematic and focused manner. The development programmes, with active involvement of the private sector, will focus on expediting the development of self-reliant, sustainable and competitive Bumiputera entrepreneurs and the creation of strong Bumiputera SMEs. The development will be further enhanced by encouraging the growth of business linkages and clusters among Bumiputera enterprises, between Bumiputera and non-Bumiputera enterprises, and between GLCs and Bumiputera enterprises.

MITI has established the Bumiputera Business Development Unit (BBDU) on 29 July 2008. The main objective of the BBDU is to ensure effective participation of Bumiputeras in the manufacturing, services and international trade sectors along the whole value chain, encompassing exports, small and medium enterprises (SMEs), outsourcing, management, research and development, marketing, packaging, rebranding, finance and training.

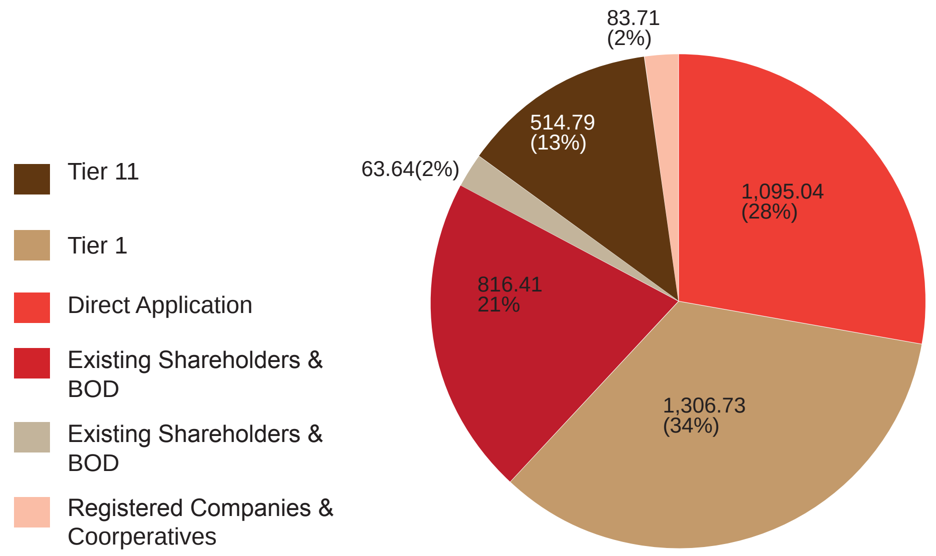
Other objectives of the BBDU, include:

- preparing specific action plans for Bumiputeras in the manufacturing and services sectors;
- disseminating information on available assistance programmes and facilities, as well as business opportunities to Bumiputeras; and
- strengthening the Bumiputera Commercial and Industrial Community (BCIC).

ALLOCATION OF BUMIPUTERA SPECIAL SHARES

The significant contribution of Bumiputera business community in the economy can be achieved via effective equity participation in the corporate sector. In this regard, under the Securities Commission guidelines, 30 per cent of the shares for Initial Public Offering (IPO) is required to be allocated to Bumiputeras in line with the National Development Policy. MITI is the ministry responsible in distributing these Bumiputera special shares. For the period 2004 - 2008, 3,880.3 million special shares with a value of RM3.8 million were allocated to Bumiputera investors. Out of this, Tier I,II and III entities were allocated a total of 36 per cent, existing shareholders and board of directors (BOD) 34 per cent, registered companies and cooperatives, 2 per cent and direct application, 28 per cent.

Chart 4.36:
Allocation of Bumiputera Special Shares by Category, 2004 – 2008

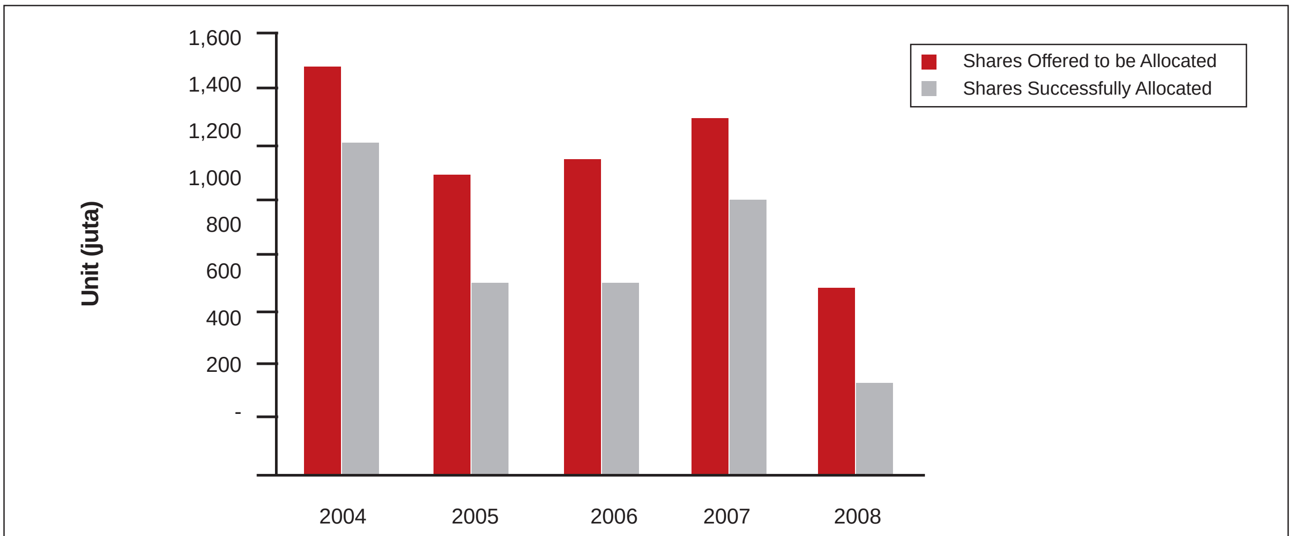


Tier I	-	Permodalan Nasional Berhad, Lembaga Tabung Haji, Lembaga Tabung Angkatan Tentera, Koperasi Polis Di Raja Malaysia
Tier II	-	Unit Trust
Tier III	-	State Foundation
Registered Companies and Cooperatives	-	Companies and Cooperatives Registered under MITI
Direct Application	-	Direct Applications from Bumiputera Individual and Companies

Source: Ministry of International Trade and Industry

For the period 2004 - 2007, on average, 71 per cent of the shares amounting to 888.5 million units offered to Bumiputeras were successfully allocated. In 2008, out of 664.4 million shares available for allocation, only 326 million units were successfully distributed to Bumiputera investors, representing 49 per cent of the total. This decrease was due to the cautious response from Bumiputera investors in view of the impact of the global economic slowdown on the performance of the share market.

Chart 4.37:
Comparison of Shares Offered and Shares Successfully Allocated, 2004 – 2008



Source: Ministry of International Trade and Industry

In order to revitalise the share market, on 12 November 2008 the Securities Commission announced a new policy pertaining to the allocation of Bumiputera special shares. The new ruling comprised three stages involved in the allocation of Bumiputera special shares, as follows:

(i) domestic companies seeking listing will still have to comply with the NDP requirement of 30 per cent Bumiputera equity participation, and will continue to make their shares available to MITI-approved Bumiputera institutions and investors;

(ii) domestic companies which are already listed but have not met the 30 per cent Bumiputera equity requirement due to inability to attract Bumiputera investors will be deemed to have complied if MITI failed to allocate the shares within a year from the date of submission for share allocation; and

(iii) for subsequent fund raising exercise involving placements or offers to the public that result in dilution of the Bumiputera equity ownership, the company will be required to issue sufficient shares to reinstate the Bumiputera equity level.

EQUITABLE DISTRIBUTION UNDER IMP3

In general, in 2008, progress was recorded in the implementation of the action plan to achieve the targets set for the thrust on 'Ensuring Industrial Growth Contributes towards Equitable Distribution and Balanced Regional Development'. The significant progress made include:

- 2,969 Bumiputera companies registered with MATRADE Exporters' Directory representing 20.8 per cent of the total companies registered. In comparison, 2,597 Bumiputera companies were registered in the directory in 2007 or 19.7 per cent of the total companies registered;

- 6,217 new entrepreneurs were developed under the Bumiputera Business Development Programmes compared with 5,524 in 2007;

- 305,321 Bumiputera entrepreneurs participated in the acculturation programmes compared with 300,659 in 2007; and

- 48,173 approvals for the various loan schemes were to Bumiputera SMEs compared with 40,825 approvals in 2007.

PROGRAMMES UNDERTAKEN IN 2008

A number of Bumiputera development programmes were implemented in 2008. A joint-programme, entitled 'Pencapaian Bumiputera Dalam Ekonomi', with the GABEM Academy of Business Excellence (GABEX) was held at MITI on 23 October 2008. The purpose of the programme was to explore further ways for the improvement of Bumiputera through exchange of ideas, drawing from experiences and efforts that have been undertaken by Bumiputera companies. The programme, officiated by the Minister of International Trade and Industry, was attended by 150 officials from MITI and its Agencies.

Online application of the special Bumiputera shares allocated by MITI is now made available on the Ministry's website. The objective is to enhance outreach and awareness to a broader Bumiputera community on the allocation of Bumiputera shares. Applications can be submitted via E-Form, accessible at http://www.miti.gov.my. This initiative was launched by the Minister on 2 December 2008.

The Minister also launched the Directory on 'Peluang dan Kemudahan Perniagaan di MITI dan Agensi untuk Bumiputera' on 2 December 2008. The Directory is a comprehensive compilation of existing assistance programmes and facilities available under MITI and its Agencies, and is also accessible at http://www.miti.gov.my.

The Directory covers aspect relating to:

(i) Financial Assistance;

(ii) Incentives;

(iii) Exporters Development;

(iv) Small and Medium Enterprises; and

(v) Capacity Building and Advisory Services.

Table 4.110:
Financial Assistance

Various financial assistance schemes are provided by MITI and its Agencies. The soft loan schemes available at MIDF include:

Soft Loan Scheme	Eligibility Criteria	Eligible item (Scope of Financing)
Soft Loan Scheme for Small Medium Enterprises (SLSME)	• SMEs incorporated under the Companies Act 1965 or Registration of Business Ordinance 1956; • Subsidiaries of public-listed companies with shareholding not exceeding 20%; • At least 60% equity held by Malaysians; and • Possess a valid premises licence.	• Fixed assets and working capital financing; • Costs incurred for initial store renovation and upgrade of store display for retail trade; and • Working capital for companies with confirmed contracts awarded by GLCs, MNCs and the Government including its agencies.
Soft Loan Scheme for Factory Relocation (SLFR)	• SMEs incorporated under the Companies Act 1965 or Registration of Business Ordinance 1956; • Subsidiaries of public-listed companies with shareholding not exceeding 20%; • At least 60% equity held by Malaysians; and • Companies to be located at approved locations without having to close down the existing operations/premises.	• Purchase of ready-made factories/business premises; • Purchase of factory lot and construction of factories including related infrastructure; and • Purchase of related machinery and equipment due to relocation /expansion.
Soft Loan Scheme for Automation and Modernisation (SLSAM)	• Companies incorporated under the Companies Act 1965 • At least 60% equity held by Malaysians; • Possess a valid business licence; and • In operation for at least 2 years.	I) Industrial Adjustment II) Automation III) Energy Saving

Soft Loan Scheme for Automotive Development (SLSAD)	• Companies incorporated under the Companies Act 1965; • At least 60% equity held by Malaysians; • Possess a valid business licence; • In operation for at least 2 years; and • Registered members of Malaysian Automotive Component Parts Manufacturers Association (MACPMA), PROTON Components and Parts Manufacturers Association or PERODUA Vendors Club.	I) Rationalisation of Components and Parts Manufacturers II) Tooling Acquisition, Development and Production III) Productivity Improvement IV) Export Enhancement Programme
Soft Loan Scheme for Information and Communications Technology Adoption (SLICT)	• SMEs incorporated under the Companies Act 1965 or Registration of Business Ordinance 1956; • Subsidiaries of public-listed companies with shareholding not exceeding 20%; • At least 60% equity held by Malaysians; and • Possess a valid premises licence.	Financing for Purchase of: • Software for upgrading engineering design capabilities; • ERP software or other similar software; • Software such as Point of Sales System, Tracking System, Automated Store Management System and Inventory Management System; • Supporting software for specific industry such as animation, aviation, web hostings and others; and • Related hardware, equipment and training cost.
Soft Loan Scheme for International branding (SLSIB)	• Companies incorporated under the Companies Act 1965; • For professional services – partnerships and sole-proprietorships registered with the Registrar of Business; • With at least 60% equity held by Malaysians; • The applicant is the registered owner of the trademark; • Annual sales turnover not less than RM5 million; and • At least 3 years' sales record, with at least 20% export sales in the previous financial year.	I) Branding and Re-Branding Exercise II) Overseas Distribution Channels III) International Trade Fair Participation IV) Advertisement and Promotion Overseas
Dana Khas Kerajaan Persekutuan for Terengganu – Based Small and Medium Enterprises (DKKP)	• Companies incorporated under the Companies Act 1965 or Business Ordinance 1956; • At least 60% Malaysian equity ownership; and • A licensed / approved factory premises located in Terengganu.	• Machinery and equipment; and/or • Working capital.

Table 4.111:
Incentives

MIDA processes applications for direct tax incentives, Pioneer Status and Investment Tax Allowance. Some of the incentives include:

INCENTIVES FOR INVESTMENT
A)
(i) Incentives for the Manufacturing Sector
• Pioneer Status, Investment Tax Allowance and Reinvestment Allowance
• Incentives for Relocating Manufacturing Activities to Promoted Areas
• Incentives for High Technology Companies
• Incentives for Strategic Projects
• Incentives for Small and Medium-Scale Companies
• Incentives to Strengthen Industrial Linkages
• Incentives for Machinery and Equipment Industry
- Incentives for the Production of Specialised Machinery and Equipment
- Additional Incentives for the Production of Heavy Machinery
- Additional Incentives for the Production of Machinery and Equipment
• Incentives for Automotive Component Modules or Systems
• Incentives for the Utilisation of Oil Palm Biomass
(ii) Incentives for the Agricultural Sector
(iii) Incentives for the Tourism Industry
(iv) Incentives for Environmental Management
• Incentives for Forest Plantation Projects
• Incentives for the Storage, Treatment and Disposal of Toxic and Hazardous Wastes
• Incentives for Waste Recycling Activities
• Incentives for Energy Conservation
• Incentives for Energy Generation Activities Using Renewable Energy Resources
• Incentives for Generation of Renewable Energy for Own Consumption
(v) Incentives for Research and Development
• Contract R&D Company
• R&D Company
• In-house Research
• Second Round Incentives
• Incentives for Commercialisation of Public Sector R&D

(vii)	Incentives for Training
(viii)	Incentives for Approved Service Projects
(ix)	Incentives for Shipping and Transportation Industry
(x)	Incentives for Manufacturing Related Services
(xi)	Other Incentives

B) Fiscal Incentives

- Exemption from Import Duty on Raw Materials / Components
- Exemption from Import Duty on Imported Medical Devices for Purpose of Kitting
- Exemption from Import Duty and Sales Tax on Machinery and Equipment
- Exemption from Import Duty and Sales Tax on Spares and Consumables
- Exemption from Import Duty and Sales Tax for Outsourcing Manufacturing Activities

Table 4.112:
Development Programme For Exporters

MATRADE provides various exporters development programmes to facilitate Malaysian exporters, including Bumiputera, in penetrating the export market. The exporters development programmes available under MATRADE include:

Criteria	Scope of Financing
(i) Bumiputera Exporters Development Programme (BEDP)	
• A Sendirian Berhad (sdn. bhd.) company with at least 51% equities of the company owned by Bumiputera entity and has a valid Malaysian Company Registration Number with Suruhanjaya Syarikat Malaysia (SSM). • Annual sales less than RM 25,000,000. • Total workforce less than 150.	• Entitlement to participate in up to three (3) Export Promotional Activities per year for 3-year programme period. • Export Promotional activities comprise participation in International Trade Exhibition, Specialised Selling Mission, Trade and Investment Mission and Individual Business Mission. • Free participation in any MATRADE's organised seminars at MATRADE headquarters. • Free participation in field trips and visitation programme to selected private and government sectors related to companies business. • 12 months fees waiver for exhibiting products at MATRADE's MECC.

<table>
<tr><th colspan="2">(ii) Market Development Grant (MDG)</th></tr>
<tr><td>

- Incorporated under the Companies Act 1965.
- At least 60% equity held by Malaysians.
- For manufacturing and agricultural sector, having an annual sales turnover not exceeding RM25 million (based on the latest financial report) OR not more than 150 full-time employees.
- For trading companies that meet the following additional conditions:
  - i) Having annual sales turnover of at least RM10 million or export sales of at least RM3 million (Women owned enterprise are exempted from this condition).
  - ii) Exporting Made In Malaysia products especially those manufactured by SMEs.
  - iii) Not more than 20% of the company's annual sales is derived from trading in primary commodities.

</td><td>

Claimable Expenses:

- Participation in International Trade Fairs
- Participation in Trade and Investment Missions and Specialised Marketing Mission
- Participation in In-store Promotion Overseas
- Participation in Industry Related International Conferences Overseas
- Participation in meetings related to negotiations on Mutual Recognition Agreement (MRA), Free Trade Agreement (FTA), ASEAN, World Trade Organisation (WTO) and other market access negotiations by representatives of Trade and Industry Associations and Professional Bodies
- Preparation of Promotional Materials
- Initial Cost of Setting Up Office Overseas
- Promotional activities undertaken with Hypermarkets and Retail Stores Overseas
- Participation in International tenders overseas
- Export Market Research
- Women Owned Enterprise

</td></tr>
<tr><th colspan="2">(iii) Brand Promotion Grant (BPG)</th></tr>
<tr><td>

- Incorporated under the Companies Act 1965
- At least 60% equity is owned by Malaysians
- Company owns the brand and is the registered approved owner of the trademark
- For the Brand Promotion Grant focus market, company must own the trademark or at least have filed for the trademark registration in one of the markets
- Annual sales turnover of not more than RM250 million (based on the latest financial report)
- Growth in export sales of the brand over the last 3 (three) years

</td><td>

The grant will cover the cost of developing and promoting only one brand per company. Companies can apply for the grant for any of the following expenses involved in brand development and promotion:

I) Consultation fees for development of brand strategy and marketing plan

II) Brand Development

III) Brand Promotion

IV) Brand Research

</td></tr>
</table>

• Products/services manufactured in Malaysia. For products manufactured offshore, the brand can be considered if the company undertakes value-added activities in Malaysia such as research and development, designing, packaging, marketing, distribution and invoicing • Product/services are already exported with at least 20% of the sales from export • For companies that do not meet the 20% export condition, the application may be considered based on the export potential and commitment of the company to develop the brand into an international brand.	
(iv) Services Export Fund (SEF)	
• Firms incorporated under the Companies Act 1965 • Sole proprietors and partnerships registered with respective professional bodies • Having at least 60% Malaysian equity • For Grant 1, 2 and 3, applicant must also: - Demonstrate experience and competency as a company or individual person to be an international service provider either individually or in consortia. Company must provide documentary evidence of past projects undertaken by the company or the individual; - Provide documentary evidence of the technical expertise available for undertaking projects overseas; and - Provide evidence of financial capability. • For SMEs that are sole proprietors or partnerships that are registered with the respective professional bodies and do not have audited accounts, the followings can be accepted as evidence of financial capabilities: - Firm's latest 6 months bank statements with the average balance amount not less than 10% of the value of the grant applied; or - Individual partners latest 6 months bank statements with the average balance amount not less than 10% of the value of the grant applied and letter of undertaking to provide personal financing to the company to undertake the tender/ proposal; or	Eligible Activities and Expenses For Grant 1, 2 and 3 • Purchase of bid documents • Travel and accommodation expenses related to bid briefings, technical visits and consultative meetings with potential clients. Expenses covered: • Costs of travel for not more than 15 trips. Air travel will be for economy class. Visa fees, excess baggage claims and insurance are not eligible for claims. • Accommodation for a maximum of 21 nights, for the entire bidding process. Hotel accommodation limited to one room, not exceeding RM1,000 per night. • Reasonable cost of related local expenses, such as car rentals, taxi fares and cost of engaging a local guide and interpreter. Note: For Grant 3, there is no limit on the number of trips for travel and number of days for hotel accommodation. • Approved Costs Related To Fact-Finding and Market Research • Approved Design Costs • Staff Costs • Scale and Mock-Up Model Costs • Printing, Binding and Transmittal Costs Grant 4 - For Export Promotion Activities, MSPs can obtain a 50% reimbursable grant on the approved cost of the eligible activities. Eligible activities are as follows:

- Credit line or loan facility with local or foreign bank with facilities value of not less than 20% of the value of grant applied. • For Grant 4, applicants must submit copy of latest audited account. For firms in operation less than one (1) year, a copy of the management account can be submitted.	• Participation in International Trade Fairs. • Participation in Trade and Investment Missions (T&I) and Specialised Marketing Missions (SMM). • Participation in Industry Related International Conferences Overseas. • Participation in meetings related to negotiations on Mutual Recognition Agreement (MRA), Free Trade Agreement (FTA), ASEAN, World Trade Organization (WTO) and other market access negotiations by representatives of Trade and Industry Associations and Professional Bodies. • Preparation of Promotional Materials. • Participation in In-store Promotion Overseas • Export Market Research • Initial Cost of Setting up Office Overseas

Table 4.113:
Small and Medium Enterprises

Grants available under SMIDEC include:

Grants	Forms of Assistance	Eligible Expenses
Matching Grant For Business Start-Ups	Assistance is given in the form of a matching grant where 50% of the approved project cost is borne by the Government and the remainder by the applicant. For enterprises in the manufacturing sector, incorporated under the Registration of Business Ordinance 1956, assistance is given up to 80% of the approved cost. The maximum grant allocated per application is RM100,000.	• Preparation of Business Planning • Related Feasibility Studies • Rental of incubators and business premises up to 24 months • Rental of equipments and machineries • Development of prototype • Product sample and testing • Purchase of machinery or office equipment • One year broadband subscription fee
Matching Grant For Product and Process Improvement	Assistance is given in the form of a matching grant where 50% of approved project cost is borne by the Government and the remainder by the applicant. The maximum grant allocated per application is RM500,000.	• Technology Feasibility Studies • Fees for technology transfer • Development of prototypes and system design • Product testing • Product registration • Marking and labeling • Machine & equipment testing and calibration • Development & designing of equipment and machinery • Purchase of machinery and equipment • Initial patent registration / patent search / IP Protection • Specific Project Mission • Cleaner Production and Waste Treatment Project including Energy Efficiency Audit

Matching Grant For Certification and Quality Management Systems	Assistance is given in the form of a matching grant where 50% of approved project cost is borne by the Government and the remainder by the applicant. The maximum grant allocated per application is RM250,000.	• ISO 13485, ISO 14000, ISO 22000, ISO 9000 • Product certification • Service cost for related schemes • Halal certification and MS1500:2004 • TS 16949 • Other related costs to comply with requirements of standards and certification
Grant For Enhancing Marketing Skills of SMEs	Assistance is given in the form of a matching grant where 80% of the cost of training is borne by the Government and the remainder by the applicant. For enterprise in the manufacturing sector, registered under business ordinance 1956, assistance is given up to 80 percent of the approved costs.	• Sales Performance Training - Professional Certified Sale Professional(CSP); - Professional Certified Sales Manager (CSM); and - Professional Certified Account Manager (CAM). • Customer Services Training - Professional Certified Customer Service Practitioner (CCSP); - Skill Certificate in Customer Care; and - Skill Certificate in Customer Relationship Management (CRM). • Marketing • Strategic Brand Building; • Analysing Market Opportunities through Market Research; • Developing an Effective Marketing Plan; • Maximising Marketing Communication; and • Developing the Market Driven Organisation.
Matching Grant For Enhancing Product Packages	Assistance is given in the form of a matching grant where 50% of the approved project cost is borne by the Government and the remainder by the applicant. For enterprises in the manufacturing sector, incorporated under the Registration of Business Ordinance 1956, assistance is given up to 80% of the approved cost. The maximum grant allocated per application is RM200,000.	Expenses incurred in acquiring and improving product packaging, design and labelling such as: • Costs and services for designing, packaging, marking and labeling • Trade mark and patent registration • Purchase of related machinery and equipment

Matching Grant For Development and Promotion of Halal Products	Assistance is given in the form of a matching grant where 50% of the approved project cost is borne by the Government and the remainder by the applicant. For enterprises in the manufacturing sector, incorporated under the Registration of Business Ordinance 1956, assistance is given up to 80% of the approved cost. The maximum grant allocated per application is RM150,000.	Expenses incurred in developing and promoting halal products, including: • Product development and product formulation • Sample testing • Acquisition of machinery and equipment related to the approved project • Renovation expenditure for compliance to certification requirement • Other related costs for compliance to requirements of Halal certification • Promotional activities

SMIDEC also provides Grant for RossettaNet. There are two forms of assistance and eligible expenses covered under the grant for RossettaNet:

Forms of Assistance	Eligible Expenses
Rosettanet Direct Model The assistance is given in the form of a matching grant, where 50 per cent of the approved project cost is borne by the Government and the remainder by the applicant. The maximum grant allocated per company is RM100,000. Rosettanet ASP Model i) For SMEs The assistance is given in the form of a partial grant, where 70 per cent of the approved project cost is borne by the Government and the remainder by the applicant. The maximum grant allocated per company is RM30,000. ii) For Non SMEs The assistance is given in the form of a matching grant, where 50 per cent of the approved project cost is borne by the Government and the remainder by the applicant. The maximum grant allocated per company is RM30,000.	• Cost for System Integration / PIPs Implementation including cost for related training. (System Integration is defined as the implementation activities of interfacing the software, hardware and network components and it also covers the cost of customisation); • Cost of acquiring Business to Business Software / Middleware which complies to RNIF1.1 or higher; • Cost of related hardware and connection to internet; • Registration and membership fee for the first year to RosettaNet Malaysia Bhd; and • Subscription fees to ASPs for the first and second year. SMEs are eligible for a 70 per cent grant whilst for non-SMEs would be eligible for a 50 per cent grant. (Funding is not provided for expenses eligible to be claimed from other Government grants)

Table 4.114:
Capacity Building And Advisory Services

The capacity building programmes and advisory services provided by MPC include:

Subject	Activities
Training and e-Learning Management System	a) Leadership and Management Development b) Quality Management System Programmes c) Process Improvement d) Customer Excellence Programmes e) Strategic and Excellence Performance Programmes
System Development	a) Total Quality Management – also known as “Model Company” approach b) Quality Management Systems c) Quality Environment (5S) Practices d) Innovative and Creative Circle (ICC)
Research	a) Productivity and Quality Management b) Total Factor Productivity c) Determinants of Productivity Growth d) National and State Level Competitiveness e) International, National and Sectoral Productivity Performance f) Productivity Performance of Key Economic Sectors (Manufacturing, Services, Agriculture and Construction) g) Performance Based Renumeration System h) Human Capital Management i) Benchmarking and Best Practices
Promotion of Productivity and Quality - Conventions and Seminars	a) Awards and recognitions such as the Quality Management Excellence Awards (QMEA) and Productivity Awards (PA) b) Networking and Partnership with international institutions c) Publication of P&Q resource materials such as productivity journals, productivity primer, quarterly productivity statistics, benchmarking handbooks d) Conventions, seminar, conferences and exhibitions on P&Q • *Mini Konvensyen ICC Wilayah* • *Konvensyen ICC Wilayah* • *Konvensyen ICC Kebangsaan* • *Seminar Penandaarasan Ke Arah Kecemerlangan Organisasi* • Regional 5S Convention • Seminar on Journey Towards Excellence e) Promotion Programmes to nurture creativity and innovativeness
Benchmarking and Best Practices Activities	a) Malaysia Benchmarking Index (MBI) b) Community of Practices (CoPs) c) Projects and field visits

OUTLOOK

In April 2009, the Ministry of Entrepreneur and Cooperative Development (MeCD) functions were absorbed under several ministries, including MITI. The MeCD's functions transferred to MITI relate to the development of the Bumiputera Commercial and Industrial Community (BCIC), National Entrepreneurs Institute (INSKEN) and SME Bank. The addition of these new functions will enable MITI to further enhance and streamline entrepreneurship programmes previously under the MeCD with the existing SMEs development programmes under MITI and its Agencies.

Efforts will also be intensified to improve the participation of Bumiputeras in new growth areas, particularly in the manufacturing, services and agricultural and agro-based sectors. Assistance will be provided for Bumiputera entrepreneurs to move into selected services sub-sectors such as transport and logistics, automotive workshops, distributive trade, professional and business services, tourism as well as resources-based industries. In the manufacturing sector, participation of Bumiputera entrepreneurs will be focused on strategic and high technology industries such as ICT, advanced manufacturing and precision engineering.

The Ministry is currently preparing *'Pelan Induk Pembangunan Bumiputera'*, a five-year strategic plan for the period 2009 to 2013, to increase the involvement and participation of Bumiputeras in the manufacturing and services sectors. The plan will, among others, provide strategic action plan for Bumiputeras to capitalise on opportunities in the domestic and global markets.

Box Article 4.1 : **UPDATES ON THE REGIONAL DEVELOPMENT CORRIDORS**

REGIONAL DEVELOPMENT CORRIDORS

I. INTRODUCTION

The Government has launched five economic corridors to address the regional socio-economic inequality. The objective of the Corridors is to attain a balanced development in the region through concerted and coordinated efforts from the public and private sectors, as well as to generate economic activities. Highlights of the regional development corridors are in Table 1.

Table 1:
Highlights of Regional Development Corridors

Regional Corridors	IM	NCER	ECER	SDC	SCORE
Development Period	**2006 - 2025**	**2007 - 2025**	**2007 - 2020**	**2008 - 2025**	**2008 - 2030**
Area of Coverage	**2,216 square kilometres (District of Johor Bahru and partial district of Pontian –**	**17,816 square kilometres (Penang, Kedah, Perlis and Northern Perak – Districts of**	**66,736 square kilometres (Pahang, Kelantan, Terengganu and district of Mersing,**	**73,997 square kilometres (Whole of Sabah)**	**70,708 square kilometres (Tanjung Manis – Samalaju and hinterland)**

Regional Corridors	IM	NCER	ECER	SDC	SCORE
Corridor Authority	**Iskandar Region Development Authority (IRDA). Established in 2006.**	**Northern Corridor Implementation Authority (NCIA). Established in 2008.**	**East Coast Economic Region Development Council (ECERDC). Established in 2008.**	**Sabah Economic Development and Investment Authority (SEDIA). Established in January 2009.**	**Regional Corridor Development Authority (RECODA) Established in 2006.**

Source : Economic Planning Unit (EPU)
Notes : IM : Iskandar Malaysia
NCER : Northern Corridor Economic Region
ECER: East Coast Economic Region
SDC: Sabah Development Corridor
SCORE: Sarawak Corridor of Renewable Energy

In the Mid-Term Review of the Ninth Malaysia Plan (MTR 9MP), the Government allocated RM10 billion for the implementation of the regional development corridors, as shown in Table 2.

Table 2:
Development Allocation by Corridor

Corridor	Allocation (RM billion)
Total Allocation	**10.00**
Iskandar Malaysia (IM)	0.93
Northern Corridor Economic Region (NCER)	1.57
East Coast Economic Region (ECER)	2.62
Sabah Development Corridor (SDC)	2.38
Sarawak Corridor of Renewable Energy (SCORE)	2.50

Source: Economic Planning Unit (EPU)

Out of 224 projects proposed for all corridors, 103 or 46 per cent of the projects had begun their implementation in 2008. Initial implementation of the projects include preliminary works such as survey work, design, environmental impact assessment (EIA) studies, soil investigation and land preparation. The status of implementation for the Corridor Development Projects is shown in Table 3.

II. REGIONAL CORRIDORS

a) ISKANDAR MALAYSIA

Nine projects were originally proposed for Iskandar Malaysia (IM) under the Ninth Malaysia Plan (9MP) development allocation. In 2008, a total of RM301.5 million was disbursed to the Iskandar Regional Development Authority (IRDA). Some of the projects implemented in 2008 included:

Table 3 :
Implementation Status of Corridor Development Projects as at 2008

Corridor	No. of Projects MTR 9MP	No. of Projects Implemented			Percentage (%)
		Sector		Total	
		Economic	Social		
Total	**224**	**56**	**47**	**103**	***46.0*** [1]
IM	**14**	**11**	**3**	**14**	***100.0***
NCER	**40**	**8**	**9**	**17**	***42.5***
ECER	**107**	**22**	**26**	**48**	***44.9***
SDC	**54**	**6**	**9**	**15**	***27.7***
SCORE	**9**	**9**	**0**	**9**	***100.0***

Source : Economic Planning Unit (EPU)
Note : 1. Refers to projects where implementation has begun and not completed. Implementation of the remaining 54 per cent of the total projects has not begun.

- the construction of the Coastal Highway from Johor Bahru to Nusajaya;
- upgrading of the Skudai to Senai Highway;
- upgrading work of the Jalan Kolam Air;
- construction of the interchange at Ulu Tiram town; and
- upgrading of Jalan Skudai and Jalan Abu Bakar.

IM targets to attract investments totalling RM47 billion in the 9MP. As at 28 February 2009, secured investments in IM totalled RM41 billion, mainly in property, manufacturing and tourism sectors.

b) NORTHERN CORRIDOR ECONOMIC REGION

Out of a total of 40 programmes and projects which were recommended under the MTR of the 9MP for NCER, implementation of 17 projects had begun in 2008. In 2008, a total of RM45 million was disbursed to the Northern Corridor Implementation Agency (NCIA). Among projects at various stages of implementation included:

- upgrading of Jalan Ladang MADA in Kedah;
- National Boer Centre in Pondok Tanjung, Selama, Perak;
- Development of Padi Nursery Farm in Kerian, Perak;
- Microelectronic Centre of Excellence in Universiti Sains Malaysia, Pulau Pinang;
- Biotechnology Incubator Project in Pulau Pinang;
- Development of agriculture Centre and agro-entrepreneur in Bukit Kura, Kuala Nerang, Kedah;
- Kuala Kangsar Bandar Diraja, Perak;
- Upgrading of Kuala Perlis Ferry Terminal, Perlis; and
- Human Capital - Education City Hostel (Edu Citi-tel) in Taiping, Perak.

NCER targets to attract investments totalling RM28 billion in the 9MP. To date, total investments received amounted to RM8.4 billion, mainly in agriculture and tourism sectors.

c) **EAST COAST ECONOMIC REGION**

In the MTR 9MP, 107 programmes and projects were approved for ECER. An allocation of RM30 million was disbursed to the East Coast Economic Region Development Council (ECERDC) in 2008. A total of 48 projects were implemented in 2008. Among the projects at various stages of implementation are:

- Kertih Plastics Park, Terengganu;
- South Kelantan Agropolitan, Kelantan;
- development of Kuantan Port City, Pahang;
- development of Homestay Tourism, Kampung Teluk Ketapang, Kuala Terengganu and Kampung Kuala Medang, Kuala Lipis;
- development of Kenaf Industry, Bachok, Pasir Puteh, Kelantan;
- Goat Breeding and Processing, Ulu Tersat, Terengganu;
- Centres of Excellence, Universiti Malaysia Pahang (Pahang), Universiti Malaysia Kelantan (Kelantan), Universiti Malaysia Terengganu (Terengganu), Universiti Darul Iman (Terengganu), UITM Machang (Kelantan) and UITM Jengka (Pahang);
- Expansion of Kuantan Port, Pahang;
- Central Spine Road, Gua Musang; and
- Kampung Relong (Pahang) and Karak – Simpang Pelangai (Pahang).

ECER targets investments totalling RM20 billion in the 9MP. To date, committed investments in ECER totalled RM22.7 billion, mainly in petrochemical projects, tourism and agriculture sectors.

d) **SARAWAK CORRIDOR OF RENEWABLE ENERGY (SCORE)**

A total of nine programmes/projects were proposed under the MTR 9MP and implemented in 2008. An allocation of RM30 million was channelled to SCORE in 2008. Among the projects at various stages of implementation are:

- the construction of access road to Murum Dam in Kapit;
- the construction of access road to Kapit;
- the construction of access road to Baleh Dam in Kapit;
- the construction of access road to Baram Dam in Miri; and
- development of Samalaju Industrial Park.

SCORE targets to attract investments totalling RM34 billion in the 9MP. To date, investments secured in SCORE totalled RM79.9 billion, mainly in the manufacturing sector.

e) **SABAH DEVELOPMENT CORRIDOR**

Under the MTR 9MP, a total of 54 projects were approved. The State Government of Sabah had begun implementation of 15 projects in 2008. Some of the significant projects undertaken were:

- the establishment of the Sabah Agro Industrial Precinct (SAIP);
- Management Plan for Taman Pulau Penyu;
- 15 agriculture roads; and
- upgrading of Kampung-kampung in Pulau Gaya.

SDC targets investments totalling RM16 billion in the 9MP. Since its launching, it has attracted investments worth RM3.8 billion, mainly in the manufacturing and tourism sectors.

III. CONCLUSION

The Government is committed towards attaining balanced regional development and reducing the disparity between the rural and urban areas. The provision of physical infrastructure in the corridors facilitates development and creates economic opportunities in the regions. This will be complemented by other elements necessary to assist in providing an environment conducive to business, such as provision of funding and incentives, and required human capital and improving public sector delivery. The Government will continue to undertake initiatives to attract investments into the regional corridors and facilitate the implementation of the respective development projects.

Box Article 4.2 : **PROMOTING WOMEN PARTICIPATION IN TRADE AND INDUSTRY**

PROMOTING WOMEN PARTICIPATION IN TRADE AND INDUSTRY

There had been significant contribution of women to the economic development of Malaysia over the years. Women accounted for 47 per cent of the total work force in the country in 2007. The number of women in professional, management and technical fields has also increased from 30 per cent in the 1990s to 40 per cent to date.

Women are steadily assuming a more apparent role in trade and industry. There are about 82,911 women-owned enterprises accounting for 16 per cent of the total 548,267 SMEs in Malaysia. Distribution of women-owned enterprises by sector are:

- services -74,197 enterprises (89.5 per cent);
- manufacturing - 6,185 enterprises (7.5 per cent); and
- agriculture - 2,529 enterprises (3 per cent).

To realise women entrepreneurship potentials and the Government's gender equality policy, the Government has entrusted MITI to enhance the participation of women entrepreneurs in trade and industry.

A Cabinet Committee on Gender Equality was established in 2004 with the following objectives:

- place gender equality as a main agenda of the Government so that there is sensitivity towards women's affairs and development; and
- ensure all rules and policies of the Government are more sensitive to gender equality which will ultimately create a Malaysian nation that is more successful, progressive and balanced.

In 2008, the Cabinet Committee endorsed the following eight strategies to enhance the performance of women entrepreneurs:

- increasing capability in managing and operating businesses;
- increasing quality of product and services for export;
- encouraging women-owned enterprises to seek opportunities in the export market;
- facilitating access to finance;
- improving outreach programmes;
- strengthening business networking at the domestic and international levels;
- encouraging greater involvement in high value added activities in the services sector; and
- establishing women entrepreneurs' database in trade and industry.

MITI as the lead agency with other relevant agencies (as in Appendix 1) had been appointed to coordinate the implementation of programmes to realise these strategies. The implementation progress is enumerated in Appendix 2.

Conclusion

To date, Malaysian women have been participating in all aspects of the country's development. With the implementation of the planned programmes and initiatives, women entrepreneurs are expected to leverage more effectively in trade and industry. Women entrepreneurs could thus continue to contribute to a more gender equitable and sustainable development of the country.

APPENDIX 1

MINISTRIES, AGENCIES AND ASSOCIATIONS INVOLVED IN PROMOTING WOMEN PARTICIPATION IN TRADE AND INDUSTRY

1. Ministry of International Trade and Industry;
2. Ministry of Women, Family and Community Development;
3. Ministry of Entrepreneur and Cooperative Development;
4. Ministry of Domestic Trade and Consumer Affairs;
5. Ministry of Higher Learning;
6. Ministry of Tourism;
7. Malaysia External Trade Development Corporation (MATRADE);
8. Malaysian Industrial Development Authority (MIDA);
9. Small and Medium Industries Development Corporation (SMIDEC);
10. Malaysia Productivity Corporation (MPC);
11. Malaysian Industrial Development Finance Berhad (MIDF);
12. Malaysian Agricultural Research and Development Institute (MARDI);
13. SIRIM Berhad;
14. SME Bank;
15. Multimedia Development Corporation (MDeC);
16. MIMOS Berhad;
17. Malaysia Debt Venture Berhad;
18. Malaysia Venture Capital Management Berhad;
19. Federation of Women Entrepreneur Associations Malaysia (FEM); and
20. Federation of Women Entrepreneur Associations.

APPENDIX 2

STRATEGIES AND ACTION PLANS TO PROMOTE WOMEN PARTICIPATION IN TRADE AND INDUSTRY

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
1	**Increasing Women Entrepreneurs' Capability in Managing and Operating Businesses** **Coordinating Agency :** **SMIDEC** **Agencies responsible: MPC, KPWKM, MECD**	i. SMIDEC • Dialogue Session with Entrepreneur Personalities • Regional Workshop for Women Entrepreneurs • National Women Entrepreneurs Award ii. MPC • Benchmarking Seminar for Women's Development Community of Practices (CoP's) • Creating World-Class Women Company • Consultations/Advisory services • Seminar for Productivity Enhancement for Women in Business (for states in north, south and east coast regions as well as Sabah and Sarawak) iii. Ministry of Women, Family and Community Development (KPWKM) • Basic entrepreneurship courses (jointly organised with the Ministry of Entrepreneur and Cooperative Development - MECD). • Training for single mothers - sewing, food processing, handicraft and child nursing iv. MECD • Training and competency development for new and existing entrepreneurs for preparation of business plan and pre-seed application.

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
2	**Increasing Product Quality and Services for Export** **Coordinating Agency :** **MATRADE** **Agencies responsible: SIRIM , MARDI**	i. SIRIM • `Groom Big' to enhance Food and Beverages Quality • SME Technology Development Scheme ii. MARDI • Entrepreneurs Development Programme (open to all entrepreneurs). Technical support assistance include: - trouble shooting visit; - attachment programme; and - food processing procedures. <u>Progress in 2008</u> • MECD together with SIRIM Berhad is implementing the Groom Big Programme to enhance the quality of SMEs products. In 2008, 116 SMEs were given assistance and training in HACCP, GMP and MS ISO 9001 as well as MS 1500 (Halal). • MARDI through its Entrepreneur Technical Advisory Program has organized technical advisory sessions to groups of entrepreneurs/companies in four different programmes as follows: - Khidmat Sokongan Usahawan – 800 clients - Khidmat Bimbingan Usahawan MARDI • Quality Improvement – 15 companies • Capacity Improvement – 4 companies • New Product Development – 5 companies • Factory Layout and Production Systems – 1 company • Packaging and Labelling – 2 companies • Certification Guidance – 1 company • Training Attachment – 2 companies

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
3	**Encouraging Export** **Coordinating Agency :** **MATRADE**	i. MATRADE a. Woman Trade Outreach Program (WTOP) • To assist women entrepreneurs to explore export opportunities through: - Increasing knowledge and skill on exports market. - Involvement in the export activity. • 100% reimbursable grant for one of the promotional activities comprising: - International trade showcase; and - Trade and investment mission/marketing mission. b. Market Development Grant • To assist women entrepreneurs to promote their products in the international market; • 50% reimbursable grant for women entrepreneurs participating in trade missions, international conventions, buying missions and international showcases; and • Women entrepreneurs were excluded for yearly minimum sales and export requirement and 50% reimbursable claim for 2 economy flight tickets for this purpose.

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
4	**Facilitating Access to Finance for Women Entrepreneurs** **Coordinating Agency :** **SMIDEC** **Agencies responsible:** **KPWKM, MECD, MTDC**	i. SMIDEC • Encourage the utilisation of existing incentives through SMIDEC: i. Special assistance scheme for women entrepreneurs; ii. Grant for business start-up; iii. Grant for product and process improvement; iv. Grant for productivity and quality improvement and certification; v. Grant for business planning and development; vi. Grant for enhancing product packaging; vii. Market development grant; viii. Grant for skills upgrading; and ix. Soft loan scheme for ICT adoption. ii. KPWKM • Awareness programme for women entrepreneurs on micro credit facilities (in collaboration with MDEC, DPMM and UNDP) iii. MECD • Pre-Seed Fund (Grant of up to RM150,000). 10% of distributions are allocated for women entrepreneurs.

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
5	**Outreach Programme** **Coordinating Agency :** **SMIDEC**	i. SMIDEC • Enhancing dialogue session and discussion among Government agencies and related women associations in trade and industries. <u>Progress in 2008</u> • SMIDEC conducted six Dialogue Session series with Entrepreneur Personalities throughout the country. A total of 400 participants attended the session. Three Regional Workshops for Women Entrepreneurs were organised in Johor, Kuala Lumpur and Kedah. A total of 800 participants attended the workshops.
6	**Strengthening Business Networking at the Domestic and International Levels** **Coordinating Agency :** **MATRADE**	i. MATRADE a. Woman Trade Outreach Program (WTOP) • To assist women entrepreneur to explore export opportunities through: - Increasing knowledge and skill on exports market. - Involvement in the export activity. • 100% reimbursable grant for one of the promotional activities comprising: - International trade showcase; - Trade and investment mission/marketing mission.

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
7	**Increasing Women Entrepreneurs Involvement in the Services Sector** **Coordinating Agency :** i. MECD (Distributive Trade); ii. MIMOS (ICT); iii. Ministry of Tourism–(Tourism Services)	i. MIMOS • Channel Program - A programme to identify sole agents and retailers to be integrated into the 'Total ICT Distributor' programme. ii. Multimedia Development Corporation • Communication Program (ICT) for financing, sales and branding. iii. Ministry of Higher Learning • Enhancing the Participation of Women in Education Services - Women entrepreneurs in the education and the edu-tourism areas can promote the Malaysia higher learning products through four Education Offices in the People's Republic of China, Viet Nam, Indonesia and Saudi Arabia and 13 Malaysian Student Department offices abroad.

NO.	STRATEGIES	SUPPORTING PROGRAMMES AND IMPLEMENTING AGENCIES
8	**Establishing Women Entrepreneurs Data Base in Trade and Industry** **Coordinating Agency :** **SMIDEC** **Agencies responsible:** **MATRADE, MIMOS**	i. SMIDEC • Publication of the Directory of Women Entrepreneurs on 5 July 2008. ii. MATRADE • Exporters database with segregation of equity ownership by women. iii. MIMOS • Knowledge-Grid (K-Grid) database programme. <u>Progress in 2008</u> - Involvement of Assoc. Prof. Dr. Habibah Wahab (National Institute of Pharmaceuticals and Nutraceuticals, MOSTI) in research and development on Molecular Dynamics Simulation for BioGRID (Bio Informatics Grid) project initiatives. The system aims to design good medicine from nature through modelling and simulation using Grid Computing technology. - Contribution by Associated Professor Dr. Rozainun Abd Aziz (UiTM) on FinanceGRID (Finance Grid) in the development of e-Financial Database Portal. She is actively doing research in financial areas and has already submitted project proposals to MOSTI to run the application in Grid Computing architecture. - Professor Dr. Rosni Abdullah (Dean, School of Computer Sciences, USM) is involved in Parallel and Distributed Processing and active in Grid Computing initiatives. She is KnowledgeGRID Malaysia Domain leader in Applications comprising of grid computing initiatives in Life Sciences, Agriculture, Earth Sciences, Science & Engineering, Humanities, Social and Arts, Business and Industry and Knowledge Management.

Box Article 4.3 : **INDUSTRY EXCELLENCE AWARDS (AKI)**

INDUSTRY EXCELLENCE AWARDS (AKI)

The Industry Excellence Awards or Anugerah Kecemerlangan Industri (AKI) is an annual event to accord recognition to companies for their exceptional achievements in organisational excellence, quality improvements and export excellence. The recognition given by the Government through AKI, has assisted the winners in promoting their products/services in the export market.

There are seven types of awards:

(i) Prime Minister's Award;

(ii) Product Excellence Award;

(iii) Export Excellence Award (Merchandise);

(iv) Export Excellence Award (Services);

(v) Quality Management Excellence Award;

(vi) Brand Excellence Award (Merchandise); and

(vii) Brand Excellence Award (Services).

There are several categories under each type of award, depending on the annual sales turnover of the participating companies.

The Prime Minister's Award for Industry Excellence was inducted in AKI 2007. This is a premier award for overall industry excellence and replaces the Prime Minister's Quality Award for the private sector category previously managed by MAMPU. The winner for the Prime Minister's Award will be selected from the winners of the five main categories based on four criteria:

- Organisational Excellence;
- Competitiveness/productivity;
- Innovativeness; and
- Corporate Social Responsibility.

The winners of the AKI Awards will enjoy fiscal and non-fiscal incentives as follows:

(i) A trophy and a certificate;

(ii) A cash prize of RM50,000 for the winner of the Prime Minister's Award for Industry Excellence;

(iii) Use of the Award Logo for publicity purpose for three years from receipt of award;

(iv) *Tax exemption of 100 per cent of the value of increased export (VIE) for winner of the Export Excellence Award (Merchandise and Services) for winner of the Brand Excellence Award (Merchandise and Services);

(v) Exemption from the total participation fee of RM19,500 for three international trade fairs or RM1,500 for three trade missions organised by MATRADE. This incentive must be utilised within three years from the date of award;

(vi) Exemption from the participation fees for exhibition space at the Malaysia Export Exhibition Centre (MEEC) at the MATRADE Headquarters and other MATRADE Trade Centre overseas for one exhibition session. The incentive must be utilised within three years from the date of award;

(vii) Publicity efforts by MATRADE offices overseas on the profile of the company together with its products and services;

(viii) To be featured in MATRADE's publication and given advertising space for the company's products/ services in MATRADE's export directory;

(ix) Nominated for the Prime Minister's Award for Industry Excellence;

(x) 20 per cent discount on any programme organised by MPC;

(xi) Company profile and products/services to be published in the Industry Excellence Awards Winners' Book for distribution to all MITI, MIDA and MATRADE offices overseas as a promotional material;

(xii) Company profile and products/services to be publicised in the websites of MITI, MPC, MATRADE and SIRIM;

(xiii) Winners to be publicised in newspapers; and

(xiv) Given priority for SMIDEC grants for SMEs.

Since its inception in 1991, a total of 2,283 companies had participated in AKI. For AKI 2007, a total of 218 participating companies underwent an in-depth evaluation by the technical committees. Most of the companies were from the manufacturing and services sectors.

To give higher recognition to the achievement of the winners as well as to attract the best companies in Malaysia to participate in AKI, MITI had introduced the following new initiatives:

(i) collaborating with Ernst & Young, an internationally recognised audit firm, to leverage on its expertise in auditing the participating companies. The involvement of such a company would enhance the image of AKI internationally as well as that of the winners and their products/services in the international market;

(ii) publishing company profile and products or services of the winners in a special publication and distributing the publication to all MITI, MATRADE and MIDA offices overseas as promotional material; and

(iii) organising a joint conference with FMM (after the award ceremony) to share information on successful performance strategies and best management practices adopted by the winners.

**Note: For the calculation of tax exemption, VIE to be exempted must not exceed 70 per cent of statutory income of the current year of assessment. If the VIE exceeds 70 per cent of statutory income for the current year of assessment, the balance or unutilised VIE will be carried forward for the next year of assessment and so on until the VIE is fully utilised. A company must have at least 60 per cent Malaysian equity to be eligible for the tax exemption. Any company which is already granted incentives under the Promotion of Investments Act, 1986 (except for deduction for promotion of exports) shall not be eligible for the tax incentive.*

Box Article 4.4 : IMPLEMENTATION PROGRESS OF THE THIRD INDUSTRIAL MASTER PLAN

PROGRESS OF IMPLEMENTATION OF THE THIRD INDUSTRIAL MASTER PLAN

Background

The Third Industrial Master Plan (IMP3), 2006 - 2020, launched on 18 August 2006, is a comprehensive long-term industrial plan, aimed at driving industrialisation to a higher level of global competitiveness, towards realising Vision 2020, that is, to attain developed nation status by 2020. Global competitiveness is to be achieved through the transformation and innovation of the manufacturing and services sectors.

The implementation mechanism of the IMP3 involves the establishment of the IMP3 Steering Committee, Malaysian Services Development Council, Malaysian Logistics Council, National Branding Task Force, Technical Resource Group on Human Resource Requirements and 24 committees and work groups on specific industries and areas as identified in the IMP3. The mechanism optimises the participation, collaboration and cooperation of both the private and public sectors. The implementation progress is tracked on a yearly basis in relation to the Action Plans prepared by the respective council, committee and work groups.

IMP3 Targets And Performance In 2008

Total Trade

Total merchandise trade is targeted to grow to RM1,459.7 billion with exports reaching RM803.9 billion by 2010. In 2008, total trade grew by 6.8 per cent to RM1.2 trillion, compared with RM1.1 trillion in 2007, surpassing the RM1 trillion mark for the third consecutive year. Exports increased by 9.6 per cent to RM663.5 billion from RM605.1 billion in 2007, accounting for 56 per cent of Malaysia's total trade.

Manufacturing Sector

The manufacturing sector is targeted to grow at 5.6 per cent annually and contribute 32.4 per cent to the Gross Domestic Product (GDP) in 2010, and thereafter be sustained at 28.5 per cent in 2020. Total investments required are estimated at RM412.2 billion, or RM27.5 billion annually. In 2008, the manufacturing sector grew at 1.3 per cent and contributed 29.2 per cent to the GDP, compared with a growth rate of 3.1 per cent and GDP contribution of 30.2 per cent in 2007. In terms of investments, the annual target had been exceeded for three consecutive years. Approved investments totalled RM62.8 billion in 2008, the highest level recorded. Investments in 2007 amounted to RM59.9 billion and in 2006 RM46 billion.

Non-Government Services Sector

Apart from the manufacturing sector, the non-Government services sector is targeted to assume a new major role in industrialisation, growing at 7.5 per cent annually and contributing 59.7 per cent to the GDP by 2020. Total investments required for the sector are estimated at RM687.7 billion, or RM45.8 billion annually. In 2008, the sector grew at 6.6 per cent, compared with 10.5 per cent in 2007, and contributed 47.6 per cent to the GDP in 2008 (46.5 per cent in 2007). Approved investments for the sector were valued at RM47.8 billion in 2008, compared with RM65.4 billion in 2007 and RM55.5 billion in 2006, surpassing the annual investment target.

Progress of Action Plans

The IMP3 contains 697 strategies. In the implementation of the strategies, Action Plans were prepared by the councils, committees and work groups. In 2008, of the total strategies, 295 (42 per cent) were at the advanced and completed stages. In comparison, in 2007, of the total of 679 strategies, 239 (35 per cent) were at the advanced and completed stages.

In 2008, significant developments were recorded in various areas of Plan implementation, including positioning the services sector as a major source of growth, development of small and medium enterprises (SMEs), integrating Malaysian companies into regional and global networks, enhancement of the production and marketing capabilities of domestic companies, strengthening of institutional capacity and support services and facilities, enhancing the business operating environment and undertaking of initiatives on balanced regional planning and infrastructure and industrial development in the lesser developed states.

Highlights of Plan Implementation

Integrating Malaysian Companies into the Regional and Global Networks

- trade promotion activities organised by MATRADE included three incoming buying missions, three trade and investment missions, 11 specialised and general marketing missions, 60 trade fairs and 47 promotion booths. During the incoming buying mission, in conjunction with Malaysia International *Halal* Showcase (MIHAS) from 7 – 11 May 2008, a total of 442 foreign companies from 57 countries participated in 5,328 business meetings with 585 Malaysian suppliers, resulting in immediate sales of RM185.3 million and sales under negotiation RM2 billion;

- investment promotion activities initiated by MIDA included 17 specific project missions, three trade and investment missions, three fact finding missions, one cross-border mission, and five cross-border investment seminars;

- launching of the second Malaysia Kitchen in London in June 2008 by the Ministry of Entrepreneur and Cooperative Development (MECD), which aimed at improving the export chain of local Malaysian ingredients to the international market, as well as developing Malaysian entrepreneurs overseas, by means of promoting Malaysia through its cuisine, using restaurants as the vehicle;

- collaboration with foreign hypermarkets abroad in promoting and marketing local products of SMEs through the promotion programme of 'Taste of Malaysia' (TOM) by the Ministry of Domestic Trade and Consumer Affairs. TOM Hong Kong was launched in December 2008. A total of 13 SME entrepreneurs participated and 48 products (dry foods) were promoted. As at December 2008, there were 23 Bumiputera companies supplying products to international markets through TOM programmes in Hong Kong, Singapore and Indonesia;

- undertaking of cooperative initiatives by MDeC, MYNIC and Cybersecurity Malaysia with foreign ICT related companies and agencies, which opened up opportunities for knowledge acquisition, product and process development, training and employment:

  - adoption of ICT Roadmap, which focuses on talent development, infrastructure development, commercialisation and growth, as well as institutional coordination; and

  - signing of MoUs by CyberSecurity Malaysia with National Agency for Computer Security in Tunisia and Indonesia Security Incident Response Team on Internet Infrastructure.

- encouraging Malaysian companies to be involved in the greater utilisation of applications in ICT in management and production processes to enhance their technological capabilities and productivity to enable them to operate in a more globalised operating environment. In 2008, among the developments included:

  - nurturing of 54 MSC-status Malaysian companies by MDeC to achieve global recognition through its Capability Development Programme;

  - undertaking of research collaboration by MIMOS with 12 local universities and 19 foreign universities/research institutes;

- nurturing 133 local knowledge-based companies by Technology Park Malaysia under its technology incubation programme;

- implementation of the MSC Malaysia Capability Development Programme to assist local ICT organisations to optimise their potential by adopting global good practices and process improvements; and

- establishment of six centres of excellence with universities (IIUM, UMS, UNIMAS, UKM, UTM and UTAR) and four industry centres of excellence (Cisco, Microsoft, Agilent Technologies and SGI).

Development of SMEs

- handing over of the National SME Development Council Secretariat function by Bank Negara Malaysia to SMIDEC in July 2008. With expanded functions, SMIDEC will be transformed into the SME Central Coordinating Agency, to be known as SME Corporation Malaysia (SME Corp). SME Corp will be a one-stop agency which will undertake the overall coordination of SME policy formulation and assessment of the performance of SME development programmes across all sectors;

- organising of business matching sessions, in conjunction with SMIDEX 2008, to enhance linkages between SMEs and multinational or large companies in both the manufacturing and services sectors. A total of 131 business matching sessions were pre-arranged, attended by 15 multinational corporations and large companies, 60 SMEs and 12 foreign companies, with sales valued at RM61.8 million for the supply of products and services in various industries, such as food and beverages, services, information and communication technology, pharmaceutical, transport equipment, machinery and engineering, handicraft, chemical and plastic products, and distributive trade; and

- with the introduction of the SME Competitiveness Rating for Enhancement (SCORE) in July 2007, which is a diagnostic tool to assess the capacity and capability of SMEs, a total of 1,183 SMEs had been rated as at end of 2008, of which 44 (3.7 per cent) were graded with 4 star. Companies rated with 4 and 5 stars were linked to MNCs and large companies to be promoted to enter the export market.

Enhancement of the Production and Marketing Capabilities of Domestic Companies

- development of a National Mark of Excellence to enhance the ecceptance of Malaysian products and services in both the local and international markets. The National Mark represents a symbol of excellence, distinction and assurance for quality Malaysian products and services which comply with accepted standards. A pilot project, involving six companies from various industries/sectors, was conducted to test the reliability of the Assessment Criteria for the National Mark;

- introduction of the Symbiosis programme by the Malaysian Technology Development Corporation (MTDC), the first of such programme in the country, to increase the pace of commercialisation of technologies developed by local universities and research institutes, as well as create young technopreneurs among graduates and the unemployed. In 2008, 10 technologies developed by FRIM which were ready for commercialisation were selected to be part of the programme;

- implementation of the Pilot Project on University-SME Internship Programme, which aimed at encouraging entrepreneurship among university students and preparing them as potential entrepreneurs. At the end of the project, participating SMEs recorded a 94 per cent increase in sales and implemented more systematic accounting and management systems and coordinated promotion activities. In September 2008, an MoU was signed between SMIDEC and MOHE to implement the internship programme in 20 universities, involving 400 students and 100 SMEs;

- undertaking of initiatives to upgrade

capacities and innovative capabilities of Malaysian-owned companies in various areas, including core competencies, product and process improvements, automation and modernisation, marketing skills, branding and R&D, through various incentive and support schemes. The schemes included Matching Grant for Product and Process Improvements (431 approvals, involving funds valued at RM49.4 million), Grant for Enhancing Product Packaging (252 approvals, involving RM19 million), Matching Grant for Certification and Quality Management Systems (375 approvals, involving RM16.6 million), Brand Promotion Grant (20 companies, involving RM32.7 million), Services Export Fund (626 approvals, involving RM31.3 million), Soft Loan Scheme for Automation and Modernisation (39 projects, RM115.3 million), Commercialisation of R&D Fund (39 companies, involving RM82.5 million) and Technology Acquisition Fund (12 companies, involving RM18 million); and

- encouraging Malaysian-owned companies to adopt best business and management practices to benchmark against their competitors, to improve the quality of their products and services. Among the Initiatives undertaken by Malaysia Productivity Corporation (MPC) included organising benchmarking and best practices management programmes, including establishing Community of Practices (CoPs), and developing Key Performance Indicators and Malaysian Benchmarking Index.

Strengthening of Institutional Capacity and Support Services and Facilities, including Incentives, Funds and Skills Training

- establishment of new MIDA offices overseas in Guangzhou, Mumbai and Dubai to intensify efforts in attracting foreign direct investments, as well as promoting cross border investments;

- initiating and reviewing of bilateral and regional economic agreements to enhance trade and investment flows. The ASEAN Comprehensive Investment Agreement (ACIA) was completed and signed by the ASEAN Economic Ministers in December 2008. The ASEAN-Australia-New Zealand Investments Chapter and ASEAN-China Investment Agreement were concluded in 2008;

- centralising of *halal* certification (international and domestic) under the *Halal* Industry Development Corporation;

- launching of the Master Plan on Malaysian Occupational Skills Development and Training (2008 - 2020) in May 2008 to provide evaluation and improvement of skills and industrial training systems which will enhance the employability and productivity of the workforce;

- strengthening the implementation of the National Dual Training System to provide skilled resources to meet industry requirements. In 2008, a total of 6,522 apprentices undertook training in 824 companies in various fields of specialisation;

- development of the Community Employment Support System (CESS) by the Ministry of Human Resources, in collaboration with the Japan International Corporation Agency, in 27 skills training institutes of the Manpower Department. CESS is intended to match the needs of industries located in the vicinity of the training institutions; and

- improvement of service delivery by the Intellectual Property Corporation of Malaysia (MyIPO) in areas relating to intellectual property:

  - internal review of the Patents Act 1983, Trade Mark Act 1976, Copyright Act 1987, Industrial Designs Act 1996, Geographical Indications Act 2000 and Layout Designs of Integrated Circuits Act 2000; and

  - digitalisation of Patent and Trade Mark applications.

Balanced Regional Planning and Infrastructure and Industrial Development in the Lesser Developed States

- formulation of the Master Plan for Sabah Development Corridor (SDC) to guide the development of SDC up to 2025. SDC was launched in January 2008, emphasising on manufacturing, infrastructure, agriculture and agro-based industry, human capital, social development, services (tourism, trading and logistics) and environment;

- formulation of the Master Plan for Sarawak Corridor of Renewable Energy (SCORE) which outlines the development of SCORE up to 2030. SCORE was launched in February 2008, with a focus on the energy sector and its supporting industries;

- three other development corridors had been established earlier, namely Iskandar Malaysia in Southern Johor in November 2006, the Northern Corridor Economic Region (NCER) covering Perlis, Kedah, Pulau Pinang and Northern Perak in July 2007, and the East Coast Economic Region (ECER), which includes Kelantan, Terengganu, Pahang and the district of Mersing, Johor, in October 2007;

- as at February 2009, implementation was started for 103 projects or 46 per cent of the total 224 projects proposed for all corridors, mostly for preliminary infrastructure works; and

- promotion programmes and package of incentives made available by each growth corridor to potential investors had attracted investments into the corridor areas. As at February 2009, the value of investments secured in all growth corridors amounted to RM155.7 billion, or 7.4 per cent higher than the expected investments of RM145 billion in the Mid-term Review of the Ninth Malaysia Plan period.

Development in the Services Sector

- decision of the Cabinet to accelerate the liberalisation of the services sector in two stages:

    - sub-sectors which can be liberalised immediately in 2008; and

    - sub-sectors which will be liberalised more gradually by 2012;

- establishment of a Cabinet Committee on Services Liberalisation to monitor and coordinate the liberalisation of services, as well as address cross-cutting issues faced by the sector;

- establishment of a Services Sector Capacity Development Fund, with an initial allocation of RM100 million, to capacity building efforts of local companies in the sector;

- development of a Code of Ethics for contractors by the Construction Industry Development Board (CIDB), launched in July 2008;

- development of the Malaysian Construction Industry Products Database System (MYCIP);

- introduction of the Financial Assistance Scheme for SMEs in the services sector, to assist SMEs in various business operating areas; and

- expansion of the scope of the Soft Loan Scheme on Automation and Modernisation to cover all sub-sectors of the industry, except financial utility and construction with effect from 1 June 2008.

Enhancing Business Operating Environment

- amendments to the Promotion of Investments Act, 1986 to incorporate announcements made in the 2008 Budget;

- gazetting of the Industrial Co-ordination (Amendment) Rules 2008, whereby with effect from 1 June 2008, the fee of RM50 was no longer imposed on applications for manufacturing licences. Effective 1 December 2008, automatic issuance of manufacturing licence was also granted under the ICA, except for activities related to security, safety, health, environment and religious considerations;

- extension of approval for Representative Offices/Regional Offices from three to five years;

- reduction of corporate income tax rate in stages, from 26 per cent in 2008 to 25 per cent in 2009;

- abolishment of the ceiling price for iron and steel in the domestic market, effective 12 May 2008. Importers of iron and steel are exempted from import licence and import duties while manufacturers are allowed to export their products;

- formulation of a robust oversight framework for auditors, in line with international best practices, by the Securities Commission to promote greater corporate governance; and

- undertaking of initiatives to enhance the Government delivery system through expediting approval processes;

    - establishment of a one-stop centre at SMIDEC in August 2008 by the Companies Commission of Malaysia (SSM) to expedite the incorporation/ registration and renewal of companies, as well as other advisory services;

    - implementation and launching of the Business Licensing Electronic Support System (BLESS) in September 2008, an on-line one-stop centre for simultaneous processing of multiple licensing, composite and standardised forms, and on-line tracking and monitoring. BLESS has been implemented in the manufacturing, construction and hotel industries in the Klang Valley;

    - creation of a One-Stop Centre for building and planning approvals at all local authorities;

    - launching of the Guidebook on Registering of Property (Freehold) in July 2008. 47 provisions under the National Land Code are being amended to improve land management; and

    - launching of the e-Lodgement service by SSM in January 2008 to enable the lodgement or filing of company and business statutory documents electronically.

CHAPTER 5 : PERFORMANCE OF THE SERVICES SECTOR

OVERVIEW

In 2008, the non-government services sector contributed 47.6 per cent to the Gross Domestic Product (GDP). The Third Industrial Master Plan (IMP3) had targeted this sector to grow by 7.5 per cent per annum to contribute 59.7 per cent to GDP by 2020. In order to accelerate the growth of this sector and its contribution to the economy, the Government had begun intensification of efforts in 2008 to develop the sector, including by attracting foreign investments.

POLICY INITIATIVES AND MEASURES IN THE SERVICES SECTOR

A major decision taken in 2008 by the Government was the formation of the Cabinet Committee on Services Liberalisation (CCSL) to formulate policies and address issues pertaining to services liberalisation, and discuss strategies to enhance domestic and foreign investments in the sector. The Government also specifically identified several sub-sectors to be promoted for further liberalisation which included:

- theme parks;
- convention and exhibition centres;
- sporting services;
- regional distribution centres and international procurement centres;
- management consulting services;
- maritime agency services, rental of cargo vessels, rental and leasing services of ships and vessel salvage and re-floating services;
- travel agencies and tour operators services (for inbound travel only); and
- hotel and restaurant services including food and beverage serving services.

Under the First Economic Stimulus Package, the Government has established the Services Sector Capacity Development Fund (SSCDF) with an initial funding of RM100 million to be managed by the Malaysian Industrial Development Authority (MIDA). The fund will support and strengthen Malaysian service providers through mergers and acquisitions, productivity improvements and enhancing human capital development.

Ministries and Agencies undertook the process of drawing up their respective roadmaps for sub-sectors under their responsibilities in line with Malaysia’s commitments under the ASEAN Framework Agreement on Services (AFAS).

With regard to sector specific progress, in 2008 the Government reviewed the application processes and procedures of the Customs Agents license. The issuance of the Customs Agents license, previously restricted to domestic logistics services providers, is now open to International Integrated Logistics Services (IILS) providers. Only IILS providers that can offer integrated and seamless logistics services along the logistics value chain as a single entity on a regional or global scale, are eligible to be issued the Customs Agents license.

Table 5.1:
Key Indicators of the Services Sector, 2006 - 2008

Indicator	2008	2007	2006
Share of Real GDP (%)	55.0	53.7	52.0
Government	7.4	6.9	7.0
Non-Government	47.6	46.7	45.0
Growth (%)	2.6	9.7	7.3
Investments Approved (RM billion)	50.1	66.4	55.5
Productivity Growth (%)	3.3	5.0	4.1
Export Value (RM billion)	102.0	100.9	73.7
Import Value (RM billion)	99.8	98.2	82.4
Share of Total Employment (%)	50.3	51.4	51.3

Sources: Department of Statistics, Malaysia, Economic Planning Unit (EPU), Malaysia
Malaysian Industrial Development Authority (MIDA), Malaysia Productivity Corporation (MPC)

OVERALL PERFORMANCE

GDP Contribution

The services sector in Malaysia remained strong and continued to be the main contributor to Malaysia's GDP, despite the global economic slowdown in the third quarter of 2008. This sector contributed 55 per cent of GDP in 2008, compared with 53.7 per cent in 2007. The non-government services contribution to the GDP increased from 46.7 per cent in 2007 to 47.6 per cent in 2008.

The major contributors of the non-government services sector in 2008 were the distributive trade sub-sector, contributing 9.8 per cent to GDP,

Table 5.2:
Total Investments in the Services Sector, 2007 and 2008

Services Sector	2008		2007		2008	2007
	Domestic (RM mil)	Foreign (RM mil)	Domestic (RM mil)	Foreign (RM mil)	Total (RM mil)	Total (RM mil)
Total	**44,550.5**	**5,536.8**	**55,588.0**	**10,784.3**	**50,087.3**	**66,372.3**
Real Estate	25,264.8	656.2	19,905.9	1,706.8	25920.9	21,612.7
Telecommunications	4,954.0	nil	4,775.0	nil	4,954.0	4,775.0
Energy	4,407.2	nil	5,536.8	nil	4,407.2	5,536.8
Financial Services	2,754.6	2,016.5	853.7	444.3	4,771.0	1,298.0
Hotel and Tourism	1,847.3	82.3	1,189.1	122.7	1,929.6	1,311.8
Support Services	1,560.1	684.1	6,133.0	146.4	2,244.2	6,279.4
MSC Status Companies	1,418.8	359.6	2,375.4	1,323.3	1,778.4	3,698.7
Distributive Trade	972.9	1,068.0	948.0	1,959.7	2,040.9	2,907.7
Transport Services	953.7	469.2	12,220.8	4,519.7	1,422.9	16,740.5
Education Services	184.7	0.2	292.9	55.0	184.9	347.9
Health Services	119.1	3.2	1,012.6	nil	122.4	1,012.6
Others	85.0	7.3	130.6	20.1	92.3	150.7
Regional Establishments	28.4	190.8	214.3	486.2	219.1	700.5

Source: Malaysian Industrial Development Authority

finance and insurance at 7.7 per cent, telecommunications at 7.3 per cent and transport at 6.1 per cent.

In 2008, a total of 2,779 projects with investments of RM50.1 billion were approved for the services sector. Of the total investments, domestic investments amounted to RM44.6 billion or 89 per cent while foreign investments totalled RM5.5 billion or 11 per cent. In comparison, 2,632 projects were approved for the whole of 2007 with total investments of RM66.4 billion. The services sector provided an estimated 5.6 million jobs, accounting for 52 per cent of the total employment in the country.

Trade in Services

Total trade in services in 2008 amounted to RM201.8 billion, an increase of 1.3 per cent from RM199.2 billion in 2007. Trade in services continued to register a surplus for the second consecutive year with RM2.3 billion in 2008 after a surplus of RM2.8 billion in 2007. The surplus was contributed mainly by an increase in the export of the travel sub-sector (tourism and education).

Exports of services increased slightly to RM102 billion in 2008, from RM100.9 billion in 2007. Similarly imports increased slightly to RM99.8 billion compared with RM98.2 billion in 2007.

PERFORMANCE OF SELECTED SERVICES SUB-SECTORS

Distributive Trade

Distributive trade in Malaysia includes wholesaling, retailing, franchising, direct selling, catering, international trading activities, and distribution of motor vehicles and durable goods consumption.

A total of 813 projects were approved in 2008 with investments valued at RM2 billion, compared with 591 projects (RM2.9 billion) in 2007. Domestic investments amounted to RM972.9 million (47.7 per cent) while foreign investments totalled RM1.1 billion (52.3 per cent). In 2008, a total of 10,378 jobs were created in the distributive trade sub-sector.

An increase in the establishment of hypermarkets and retail outlets in Malaysia, as well as the extension of Visit Malaysia Year and the Malaysia Mega Sale, had increased retail and wholesale spending. The motor vehicles segment also experienced an increase in demand following launch of new models by major automotive companies in 2008.

Financial Services

Financial services include banking, insurance and capital markets which cover venture capital, fund management, investment advisory and brokerage.

Table 5.3:
Approved Investments in Financial Services, 2008 and 2007

Activity	2008		2007	
	No.	RM mil.	No.	RM mil.
Total	**66**	**4,267.3**	**53**	**1,298.0**
Banking	20	3,914.6	14	794.1
Insurance	17	259.5	9	28.8
Capital Markets	29	93.2	30	475.1

Source: Bank Negara Malaysia

A total of 79 projects were approved in 2008, with investments totalling RM4.7 billion, with domestic and foreign investments amounting to RM2.7 billion and RM2 billion respectively. In comparison, 53 projects were approved in 2007, with total investments valued at RM1.3 billion, with domestic investments amounting to RM853.7 million and foreign investments with RM444.3 million. In 2008, a total of 720 employment opportunities were created in the financial services sub-sector.

The banking activity attracted the largest amount of investments in the financial services sub-sector at RM4.1 billion, followed by capital markets (RM378.7 million) and insurance (RM284.9 million).

Foreign investments under the Islamic Banking category amounted to RM1.6 billion (38.3 per cent) with the participation of investors from Kuwait and Bahrain in the Malaysian financial services sector.

In 2008, total trade for financial services amounted to RM4.9 billion, compared with RM4.6 billion in 2007. Exports recorded a 3.4 per cent decrease in 2008 to RM1.5 billion (RM1.6 billion in 2007), while imports registered a 12 per cent increase to RM3.4 billion (RM3 billion in 2007).

Telecommunications

Telecommunications sub-sector covers shared services and outsourcing, digital content development, bioinformatics, e-commerce, services and ICT applications including software development.

In 2008, a total of 22 projects were approved with total investments valued at RM4.9 billion, compared with nine projects valued at RM4.8 billion in 2007. All of the projects were domestic investments.

Exports of telecommunications sub-sectors amounted to RM5.4 billion in 2008, an increase of 11.3 per cent compared with RM4.8 billion in 2007. This increase was attributed to the high demand and usage of cellular services and broadband internet segments, coupled with the launching of the WiMax service in the year.

Transport

Transport services cover the transportation mode of maritime, aviation and land modes. In 2008, a total of 19 projects were approved with investments of RM1.4 billion. Domestic investments amounted to RM953.7 million (65.9 per cent) and foreign investments totalled RM469.2 million (34.1 per cent). In comparison, 56 projects with investments of RM16.7 billion were approved in the transport sub-sector in 2007. The investment projects approved in 2008 were in the maritime and aviation sub-sectors.

A lower number of employment opportunities were created in the transport sub-sector totalling 131, compared with 777 in 2007, due to the lesser number of projects approved in 2008.

Exports of transport services recorded a 6.5 per cent decline to RM22.9 billion in 2008, from RM24.6 billion in 2007. Imports decreased slightly to RM37.6 billion compared with RM37.7 billion in 2007.

Exports of sea transport services were valued at RM9 billion, compared with RM8.4 billion in 2007, an increase of 7.1 per cent, while imports increased to RM33.1 billion, compared with RM32.6 billion in 2007. In terms of port and air cargo efficiency, lower demand by other sectors resulted in reduction in container handling, shipping services and air freight services.

Container handling in 2008 registered a lower handling rate at 10.2 million Twenty-foot Equivalent Units (TEUs), a decrease of 32.9 per cent compared with 15.2 million TEUs in 2007. The major container handling ports in 2008 were Port of Tanjung Pelepas (9.3 million TEUs), Penang Port (9.2 million TEUs) and Port Klang (7.9 million TEUs).

A total of 37,769 ships called at Malaysian ports in 2008 with a registered 460.5 million Gross Register Tonnage (GRT), compared with 64,570 ships, registering 556.4 million GRT in 2007. The major ports of ship call in 2008 were Port Klang (16,864 ship calls), Bintulu Port (6,996 ship calls) and Johor Port (5,815 ship calls).

In 2008, 203.6 million kilograms of cargos were handled by Malaysia Airports Holdings Berhad including Short Takeoff and Landing (STOL) airports. By category, international cargo totalled 165.1 million kilograms, domestic cargo 38.5 million kilograms and transit cargo 4.9 million kilograms. For 2007, 997.1 million kilograms of cargos were handled, with international cargo at 817.3 million kilograms, domestic cargo at 161.3 million kilograms and transit cargo at 18.5 million kilograms.

The passenger segment in 2008 continued to increase due to strong regional and domestic travelling, with low cost carriers rapidly expanding their services in the Asian region. A total of 48.3 million passengers were recorded in 2008, compared with 45.2 million in 2007, an increase of 6.8 per cent.

Tourism

Tourism services comprise hotels, resorts, lodgings, tour services, travel agencies, restaurants and catering services, and transport companies.

A total of 45 projects were approved in the tourism sub-sector in 2008, with investments valued at RM1.9 billion, compared with 51 projects, with investments of RM1.3 billion in 2007. Domestic investments amounted to RM1.8 billion or 95.7 per cent while foreign investments totalled RM82.3 million or 4.3 per cent. For 2008, a total of 3,687 employment opportunities were created in the sub-sector, compared with 3,391 in 2007, an increase of 8.7 per cent.

The tourism sub-sector experienced a 5.2 per cent increase in exports to RM49.9 billion in 2008 (RM47.4 billion in 2007), while imports recorded a 16.2 per cent increase to RM16.8 billion (RM14.5 billion in 2007).

The increase in exports in 2008 was mainly attributed to the increase in tourist arrivals totalling 22.1 million tourists, compared with 20.9 million tourists in 2007, an increase of 5.7 per cent. The largest tourist arrivals were from ASEAN countries, the People's Republic of China, India, Australia and the United Kingdom.

Tourists had an average stay of 6.4 days in the country, compared with 6.3 days in 2007, with an accumulated amount spent of RM49.6 billion in 2008, compared with RM46.1 billion in 2007, an increase of 7.6 per cent.

The growth in tourism activities were supported by the Government's efforts in strengthening domestic tourism and developing tourist attractions in the growth corridors. The listing by the United Nations Educational, Scientific and Cultural Organization (UNESCO) of Langkawi as part of its global network of geoparks, as well as designation of Melaka and George Town as World Heritage Sites in 2008 also contributed to this increase.

Construction

Construction services comprise general construction works and specialist works. General construction works include building and civil engineering works, while specialist works include mechanical works, electrical and air conditioning works, plumbing, sewerage and sanitary works, painting works, carpentry, tiling, flooring and glass works.

Exports of construction services declined by 13.8 per cent in 2008 to RM4 billion from RM4.7 billion in 2007. Imports decreased by 19.5 per cent to RM4.7 billion compared with RM5.8 billion in 2007. The decrease was largely due to a decline in the number of overseas projects secured, which led to a lower demand of construction-based activities that include supply of equipments and building materials, and the reduced number of professionals providing construction services.

For the period 1986 to 2008, Malaysian contractors had secured 505 projects in 44 countries worth RM98.4 billion, of which 400 projects valued at RM28.9 billion were completed, and 105 projects valued at RM69.5 billion are ongoing.

In 2008, Malaysian companies were awarded 20 projects worth RM12.6 billion, of which six projects valued at RM15.5 million have been completed and 14 projects were ongoing. In comparison, 48 projects worth RM16.2 billion were awarded in 2007, of which nine projects valued at RM509.8 million were completed. Projects secured included construction of buildings, residential and mixed development, highways and bridges, mechanical and electrical (M&E) works, water treatment, airports and ports.

Education Services

Education services cover private higher education and other vocational education. Private higher education includes college and university education and commercial and other technical education, while other vocational education includes post-secondary non-tertiary education, tertiary education and skills training.

A total of 160 projects were approved in 2008 for the establishment of educational institutions, involving investments of RM184.9 million. Domestic investments amounted to RM184.7 million (99.9 per cent), while foreign investments were RM200,000. In 2007, 123 projects worth RM347.9 million were approved for the sub-sector, with domestic investment valued at RM292.9 million, while foreign investments were valued at RM55 million. A total of 1,484 jobs were created, compared with 1,688 in 2007.

Exports in the education services sub-sector in 2008 increased by 12 per cent to RM768.2 million, compared with RM685.5 million in 2007. Imports increased by 21.2 per cent to RM5.6 billion, compared with RM4.6 billion in 2007.

The increase in exports was attributed to the Government's efforts in promoting Malaysia as a centre for higher education and twinning programmes between local institutions of higher learning and private colleges with reputable foreign universities.

Table 5.4:
Secured Construction Projects By Malaysian Companies (Top Ten Countries), as at 31 December 2008

Country	No. of Project	Value (RM billion)
TOTAL	**297**	**79.84**
Saudi Arabia	12	21.26
India	74	15.94
United Arab Emirates	35	10.52
Viet Nam	18	9.12
Indonesia	13	5.25
Qatar	10	5.23
People's Republic of China	63	4.59
Sudan	21	3.46
Thailand	41	2.27
Bahrain	10	2.20

Source: Construction Industry Development Board

For the period 1995 to 2008, a total of 358,495 foreign students were recorded attending both public and private higher education institutions. Private higher institutions recorded the highest number of foreign students with 276,832 students, compared with public higher institutions with 81,663 students. In 2008, a total of 70,259 foreign student enrolments were recorded, compared with 47,928 in 2007.

Health Services

Health services cover healthcare services such as hospital, medical and dental services; social work such as nursing homes; human health activities and veterinary services.

A total of 19 projects were approved in 2008 comprising private healthcare institutions which include hospitals, maternity homes, nursing care centres, and medical specialist centres, involving investments of RM122.4 million. Domestic investments amounted to RM119.1 million, while foreign investments totalled RM3.2 million. In comparison, investments in health services for 2007 amounted to RM1 billion in eight projects, of which all were domestic investments. In 2008, a total of 820 employment opportunities were created in the health services sector, compared with 822 created in 2007.

Exports of health services in 2008 declined to RM18.8 million from RM144.9 million in 2007. Imports increased to RM66.7 million compared with RM59 million in 2007. The decrease in exports was attributed specially to the declining number of foreign patients seeking treatment for critical illnesses following the global economic slowdown. The majority of foreign patients receiving treatment in Malaysia were from Indonesia, followed by Japan and Europe.

Real Estate

Real estate covers the housing industry and real estate development excluding commercial buildings. It is the largest services sub-sector in terms of investments approved in 2008.

A total of 749 projects were approved with total investments amounting to RM25.9 billion, of which domestic investments totalled RM25.3 billion and foreign investments RM656.2 million. In comparison, total investments for 2007 in this sub-sector amounted to 1,004 projects valued at RM21.6 billion, with domestic and foreign investments worth RM19.9 billion and RM1.7 billion respectively.

Regional Establishments

Regional establishments cover Operational Headquarters (OHQs), Regional Distribution Centers (RDCs), International Procurement Centers (IPCs), Regional Offices (ROs) and Representative Offices (REs).

A total of 158 new regional establishments were approved in 2008. Total annual investment for these establishments amounted to RM209.7 million, with annual sales turnover for IPCs and RDCs amounting to RM1 billion.

These operations created a total of 1,166 jobs in 2008. The OHQs, IPCs and RDCs operations generally create more job opportunities for Malaysians in the managerial, professional and technical levels.

Table 5.5:
New Regional Establishments Approved, 2008

Type of Establishment	No. of Establishment	Employment Created	Annual Business Spending Average (RM million)
Total	**158**	**1,166**	**209.7**
Operational Headquarters (OHQs)	10	396	80.1
International Procurement Centres (IPCs)	6	224	36.3
Regional Distribution Centres (RDCs)	1	69	9.4
Regional Office (RO)	60	235	44.5
Representative Office (RE)	84	261	48.7

Source : Malaysia Industrial Development Authority

Support Services

Support services include research and development (R&D), renewable energy and energy conservation, integrated logistics services, integrated market support services, cold chain services, central utilities facilities, sterilisation, aviation services and engineering design services.

A total of 315 projects were approved for the support services sub-sector in 2008, which created 2,300 employment opportunities. The approved investments were valued at RM2.2 billion, of which RM1.6 billion were domestic and RM684.1 million were foreign investments. In comparison, a total of 278 projects were approved in 2007 valued at RM6.3 billion, of which RM6.4 billion were domestic investments and RM146.4 million were foreign investments.

Aviation Services and Facilities

Two projects were approved in 2008 to provide aviation services and facilities with total investments of RM281.5 million. Domestic investments in these projects amounted to RM100 million while foreign investments totalled RM181.5 million.

The approved projects involved the transformation of the current Subang Airport Terminal 3 into a regional, general and corporate aviation hub as well as, regional aviation centre and commercial nexus, and in air charter services.

Sterilisation Services

In 2008, two projects were approved to undertake sterilisation services, involving investments of RM56.2 million. These projects provide sterilisation services in the form of gamma and electron beam sterilisation to industries such as food and medical devices industries.

Research and Development (R&D)

In 2008, three R&D projects were approved valued at RM9.7 million with domestic investments amounting to RM9 million and foreign investments at RM700,000. As of 2008, a total of 101 R&D projects were approved, involving investments of RM1.4 billion. Foreign investments in these projects amounted to RM928.4 million (68.2 per cent) while domestic investments totalled RM432.1 million. R&D investments were mainly in the electrical and electronic (E&E), chemicals and chemical products, machinery and equipment, transport equipment, textiles and textile products and plastic products.

Integrated Market Support Services

In 2008, a joint-venture project between local and foreign investors was approved to undertake integrated market support activities, involving investments of RM2.1 million. In comparison, two projects were approved in 2007 worth RM11.1 million in branding, research and customer relationship management activities.

Renewable Energy

Renewable energy has been identified as the fifth fuel resource for Malaysia after coal, oil, natural gas and hydro. The main resources for its generation include biomass such as wastes from oil palm, rice, sugar cane, timber, sawmill and paper recycling mills; municipal wastes; biogas from landfills, palm oil mill effluent animal wastes; mini-hydro, solar and wind power. Renewable energy from biomass and solar energy accounts for 90 per cent of the renewable energy potential.

In 2008, 21 renewable energy projects were approved with investments of RM1.1 billion, compared with 10 projects worth RM338.5 million in 2007. These projects would generate energy in the form of electricity, steam or heat using biomass. Of the 21 projects, 17 would be utilising 2.9 million tonnes of palm oil mill wastes per annum, two projects would be utilising 691,200m^3 of biogas, one project would be utilising 150,336 tonnes of sawmill wastes and the remaining project would be utilising 10,000m^2 of hydro to generate energy.

Total energy generated by these projects is estimated at 129MW of electricity, 682,417 tonnes of steam and 219.2GJ of heat. From the energy generated, 96MW of electricity, 200,221 tonnes of steam and 8.4GJ of heat would be sold to other consumers while the balance would be for own consumption.

Energy Efficiency and Conservation

In 2008, a glove manufacturing company was given approval to undertake an energy conservation project for its own benefit, involving investments of RM16.7 million. The project uses vapour absorption chiller which is energy saving and environmental friendly.

As of 2008, a total of 14 projects were approved for energy efficiency or conservation activities, involving total investments of RM8.5 billion. Of the projects approved, seven projects (RM9.7 million) involved energy efficiency or conservation service providers, while the other seven projects (RM8.5 billion) were in energy efficiency or conservation for own benefit. All the 14 projects have started operations and would conserve about 532MW of electricity per annum.

Integrated Logistics Services

Integrated logistics services (ILS) cover freight forwarding, warehousing, transportation and other related value-added services such as distribution, procurement and supply chain management on an integrated basis.

In 2008, two local logistics companies were granted ILS status. One of the ILS companies undertook a merger initiative involving three existing companies, while the other involved expanding the current company’s operation to incorporate a one stop centre for its group of companies through investments in IT facilities.

Since the introduction of ILS in 2002, a total of 21 companies were granted ILS status, with total investment of RM2.1 billion. In 2008, investments approved for the two projects totalled RM134.8 million compared with RM1.3 billion in 2007. The potential employment created in 2008 was 318 jobs compared with 1,157 jobs in 2007.

Engineering Design Services

Engineering design services include mould and die, metal stamping, machining, casting, heat treatment and plating or surface treatment industries. The industry is now diversifying and moving towards providing total solutions to meet the advanced requirements of high value-added and high technology industries. In 2008, one project was approved to undertake engineering design for gas processing, petroleum refining and petrochemical industries, involving total investments of RM36.7 million.

Energy

Energy sector covers generation, transmission and distribution of electricity.

In 2008, a total of 106 projects with investments of RM4.4 billion approved in this sub-sector, compared with RM5.5 billion in 2007, of which all were domestic investments. These include one independent power producer project in Sabah valued at RM546 million, with the remaining 105 projects with investments of RM3.9 billion.

MSC Status Companies

As of 2008, a total of 2,236 companies have been granted MSC Status by the Multimedia Development Corporation Sdn. Bhd. (MDeC). Of these, 1,656 were companies with Malaysian-owned majority, 512 were foreign-owned majority and 68 are with equal equity ownership. Of these companies, 1,786 are in operation.

In 2008, a total of 242 companies were granted MSC Status with approved investments amounting to RM1.8 billion, compared with 266 companies with investments amounting to RM3.7 billion in 2007. Domestic investments amounted to RM1.4 billion while foreign investments totalled RM 359.6 million. A total of 14,206 jobs were created in 2008, compared with 15,785 jobs in 2007.

Table 5.6:
Companies Granted MSC-Status by Cluster

Cluster	Awarded	Operational
Total	**2,236**	**1,786**
Software and e-Solutions	1,732	1,364
Shared Services Outsourcing	169	154
Creative Multimedia Content	243	182
Institution of Higher Learning and Incubators	92	86

Source : Multimedia Development Corporation

Of the companies awarded MSC Status in 2008, a total of 183 (76 per cent) were wholly Malaysian-owned, 48 (20 per cent) were wholly foreign-owned, while the remaining 11 (4 per cent) were joint-venture projects.

OUTLOOK

The services sector is expected to register lower growth in 2009 due to the anticipated decline in Malaysia’s trade performance, arising from the global economic slowdown. The services sector will continue to assume an important role in supporting the manufacturing sector and as the largest contributor to the country’s GDP.

In 2009, various measures will be implemented and new measures will be put in place by the government through the economic stimulus packages, to mitigate the impact of the economic slowdown on the Malaysian economy. The stimulus packages for the services sector, which included the establishment of the Services Sector Capacity Development Fund (SSCDF), providing additional funds to existing grants and loan schemes and intensifying export promotion activities, are expected to contribute to the development of the services sector.

The tourism and maritime transport sub-sectors are expected to further contribute towards sustaining the growth of the services sector in 2009. Tourism services is expected to sustain growth with the increased efforts by the Government in promoting popular tourist destinations and products, such as ecotourism, health tourism, sport tourism, Malaysia My Second Home and homestay programme. The maritime transport sub-sector is also projected to sustain growth assisted by continuous Government efforts to improve capacity and efficiency of port services.

Following the Government's decision in 2008 to intensify the development of the services sector, the year 2009 will see Malaysia pursuing more aggressive developmental effort and review of measures in the services sector, to encourage investment, both domestic and foreign into the sector. These moves are expected to contribute to reducing the cost of doing business, create a more conducive environment which will generate increased investments from both domestic and foreign investors to the services sector. With these measures in place, the services sector is expected to sustain its GDP growth in 2009, albeit at a lower rate than that in 2008.

CHAPTER 6 : DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

OVERVIEW

In 2008, the Small and Medium Industries Development Corporation (SMIDEC) continued to focus on advancing the growth of small and medium enterprises (SMEs), which make up 99.2 per cent of total business establishments in the country.

To intensify these efforts, SMIDEC officially took over the National SME Development Council (NSDC) Secretariat function from Bank Negara, paving the way for SMIDEC to be transformed into the SME Corporation Malaysia (SME Corp).

SME Corp, which will be officially launched in 2009, will be the frontline agency that will coordinate all Government programmes and policies for the development of SMEs.

In 2008, the Government allocated RM3.2 billion for 198 SME development programmes across all economic sectors. In response, there was an increase in the number of applications for grants and financial schemes, allowing SMEs to improve their capabilities, market access, and products and services. SMIDEC also reviewed its financial assistance packages to improve the delivery of aid to SMEs.

The results of this review included a new policy to disburse 10 per cent of all grant schemes upon approval; increasing the matching grant for business start-ups from RM40,000 to RM100,000; doubling the matching grant for product and process improvement from RM100,000 to RM200,000; reducing the interest rate for soft loans from 4 per cent to 2 per cent per annum; and increasing the matching grant for skills upgrading from 50 per cent to 80 per cent.

SMIDEC's outreach programmes to SMEs continued to pick up pace in 2008 as it organised 271 conventions, seminars, workshops and technical briefings, drawing a total of 278,898 participants.

The SMIDEC Annual Showcase, which allows SMEs to exhibit their products and services, drew 335 exhibitors with 477 booths, and attracted 7,820 trade visitors. The resulting negotiated sales reached RM61.8 million.

As a result of the increased matching grant level from 50 to 80 per cent, the number of SME employees who underwent training in 2008 reached 10,470, an increase of 178 per cent from the previous year (3,761). A total grant of RM9.8 million was disbursed for these programmes in 2008, an increase of 158 percent from 2007 (RM3.8 million).

In 2008, SMIDEC has brought a special focus to women entrepreneurs with the launch of the first Directory of Women Entrepreneurs, a reference source to help women SMEs network and explore business opportunities with each other. The National Women Entrepreneurs Award (NWEA) was also inaugurated to celebrate the commitment of successful women entrepreneurs. The NWEA, which was organised in collaboration with several entities in the private and public sector bodies, will develop to be the premier national award for women entrepreneurs.

To promote the growth and global competitiveness of SMEs whose products and services SMIDEC in collaboration with MATRADE, created the National Mark under the Brand-SME Development Programme. Companies that successfully pass an audit in areas such as management, financial and production capability, quality management, market access, products and services and Corporate Social Responsibilities (CSR) will earn the right to carry the National Mark, a symbol of corporate excellence.

In 2008, SMIDEC collaborated with the Federation of Malaysian Manufacturers (FMM) on a survey to assess the impact of the global economic and financial crisis on SMEs.

The results of the survey enabled assessment on how the effects of the crisis can be mitigated, and how SMEs can continue to develop their capacities so they can compete at a global level and improve their contribution to national development.

POLICY INITIATIVES IN SME DEVELOPMENT

In 2008, a few initiatives and programmes for the development of SMEs were undertaken. These include:

- the formation of SME Corporation Malaysia;
- National SME Development Blueprint 2008;
- moving SMEs towards higher value-added economic activities; and
- measures to reduce cost of doing business for SMEs.

The Formation Of SME Corporation Malaysia

On 24 July 2008, Bank Negara Malaysia officially handed over the National SME Development Council (NSDC) Secretariat function to SMIDEC. With this, SMIDEC would be performing the role as the country's SME Central Coordinating Agency, and adopting a new corporate image of SME Corporation Malaysia (SME Corp).

SME Corp is a one-stop agency that will undertake the overall coordination of SME policy formulation and the assessment of the performance of SME development programmes across all sectors. Ministries and Agencies involved in SME development will continue to develop their own SME development programme and pursue the implementation in accordance with their respective mandates. In addition, the implementation of the National SME Development Blueprint 2008 will also be taken over and handled by SMIDEC.

National SME Development Blueprint 2008

In 2008, 198 key SME development programmes were allocated RM3.2 billion. These programmes were to assist SMEs across all economic sectors, with the aims of enhancing the supporting infrastructure for SMEs, capacity building to strengthen SMEs, and in improving access to financing. The main focus for 2008 was to promote SMEs in the services, primary agriculture and agro-based sectors, in line with strategies formulated in the Ninth Malaysia Plan and the Third Industrial Master Plan (IMP3).

On a sectoral basis, financing for SMEs has become more diversified. Significant growth was seen in financing outstanding to the primary agriculture sector (14.6 per cent), while a large percentage of financing (46.8 per cent) was channelled to SMEs in the services sectors, particularly to SMEs involved in wholesale and retail trade, restaurants and hotels.

To further increase the avenues for SMEs to obtain financing, the SME Credit Bureau was established by the Credit Guarantee Corporation Berhad (CGC). The SME Credit Bureau operates as a comprehensive SME information centre that offers credit reports and credit ratings, as well as SME and industry reports.

Moving SMEs Towards Higher Value-Added Economic Activities

To spur the development of knowledge-based SMEs (K-SMEs) and to accelerate the move by SMEs towards higher value-added industries, the Multimedia Development Corporation and Biotech Corporation under the Ministry of Science, Technology and Innovation had been nurturing and monitoring the performance of K-SMEs.

K-SMEs are defined as:

- SMEs, including consultancy firms, that have knowledge workers making up more than 20 per cent of their staff. Knowledge workers must possess at least tertiary or professional education;
- SMEs that directly use ICT and technology in business processes or for product improvements;
- SMEs that adopt innovation and R&D in business processes or for product improvements; or
- SMEs that provide systematic training and learning of technical skills to their employees.

K-Sectors include Biotechnology, Nanotechnology, Photonics, ICT, Renewable Energy, Aerospace, and Advanced Materials.

Measures To Reduce Cost Of Doing Business For SMEs

- **Review of SMIDEC's Financial Assistance Packages**

  On 6 June 2008, MITI announced the review of SMIDEC's financial assistance packages for SMEs which includes:

  - upfront disbursement of 10 per cent of all grant schemes upon approval;
  - increasing the matching grant for business start-ups from RM40,000 to RM100,000;
  - increasing the quantum for the purchase of machinery and equipment from RM100,000 to RM200,000 for the matching grant for product and process improvement;
  - disbursement of grants for the purchase of machinery and equipment direct to suppliers;
  - increase of grants for skills upgrading to 80 per cent from 50 per cent to enable more employees of SMEs to be trained at the 42 skills development centres and professional training providers appointed by SMIDEC; and
  - the interest rate for soft loans for SMEs reduced from 4 per cent to 2 per cent per annum, while the margin of financing increased from 85 per cent to 90 per cent.

- **Energy Efficiency Initiatives**

  To increase energy efficiency, consultancy services for energy audits from Pusat Tenaga Malaysia (PTM) as well as the Malaysia Association of Energy Services (MAESCO) had been made accessible to SMEs. The audit will evaluate energy efficiency levels and identify suitable measures for companies to reduce their energy consumption.

  A matching grant for process improvement had also been made available for up to a maximum of RM200,000 for SMEs to purchase machinery and equipment for energy efficiency and cleaner production.

  Companies, including SMEs that incur capital expenditure for energy conservation for their own consumption are eligible for an Investment Tax

Allowance of 100 per cent on the qualifying capital expenditure incurred within five years. The allowance is to be set off against 100 per cent of the statutory income for each year of assessment. In addition, companies including SMEs, are also eligible to claim for capital allowance on energy saving and energy efficient equipment.

- **Financing by Bank Negara Malaysia**

  Bank Negara Malaysia had established a RM700 million SME Assistance Facility to assist viable SMEs facing financial difficulties to manage temporary cash flow problems due to rising costs. The facility could assist viable SMEs to continue their business operations and to preserve employment.

  Under this Facility, viable SMEs would be able to obtain financing at 4 per cent per annum from any commercial and Islamic banks, SME Bank, Agro Bank, Bank Rakyat and EXIM Bank, with 80 per cent guarantee coverage by the Credit Guarantee Corporation Bhd (CGC). The maximum amount of financing under the Facility is RM1.5 million per SME, with a maximum tenure of five years. Applications for new financing under the Facility could be open for two years, and started commencing 1 August 2008.

- **SME Loan Restructuring**

  CGC-guaranteed customers facing cash flow problems due to increased operating costs can discuss reviewing their loan packages with CGC. However, for non-CGC borrowers, they are advised to approach the SME Units of their respective banking institutions to discuss possible restructuring solutions.

- **RM500 million SME Modernisation Facility**

  Government will establish a RM500 million SME Modernisation Facility to provide financing to SMEs to modernise their operations, in particular to purchase or upgrade machinery and equipment, including energy saving equipment. Under this Facility, viable SMEs will be able to obtain financing at 4 per cent per annum from selected and Islamic banks, SME Bank, Bank Rakyat and Agro Bank, with an 80 per cent guarantee coverage by CGC. The maximum amount of financing under the Facility is RM5 million or up to 95 per cent margin of financing, with a tenure of up to eight years.

- **Import Duty and Sales Tax Exemption on Machinery and Equipment Purchased by SMEs for their Operations**

  All manufacturers, including SMEs, are eligible for import duty and sales tax exemptions on machinery and equipment used directly in their operations. The exemptions are given provided that the machinery and equipment are not manufactured locally and the importation is done directly by the SMEs. In cases where the machinery and equipment are manufactured locally, SMEs are eligible for sales tax exemption. In cases where the importation is not carried out by the SMEs themselves, exemptions can also be given to cooperatives or associations that import the machinery and equipment but consign them to SMEs.

PERFORMANCE OF FINANCIAL ASSISTANCE SCHEMES

In 2008, financial assistance schemes implemented by SMIDEC received the highest number of applications at 4,389 of which the grant schemes recorded a 72 per cent increase compared with 2007. The total number of projects approved recorded 106 per cent for the grant scheme and 29.9 per cent for the soft loan schemes.

Soft Loan Schemes

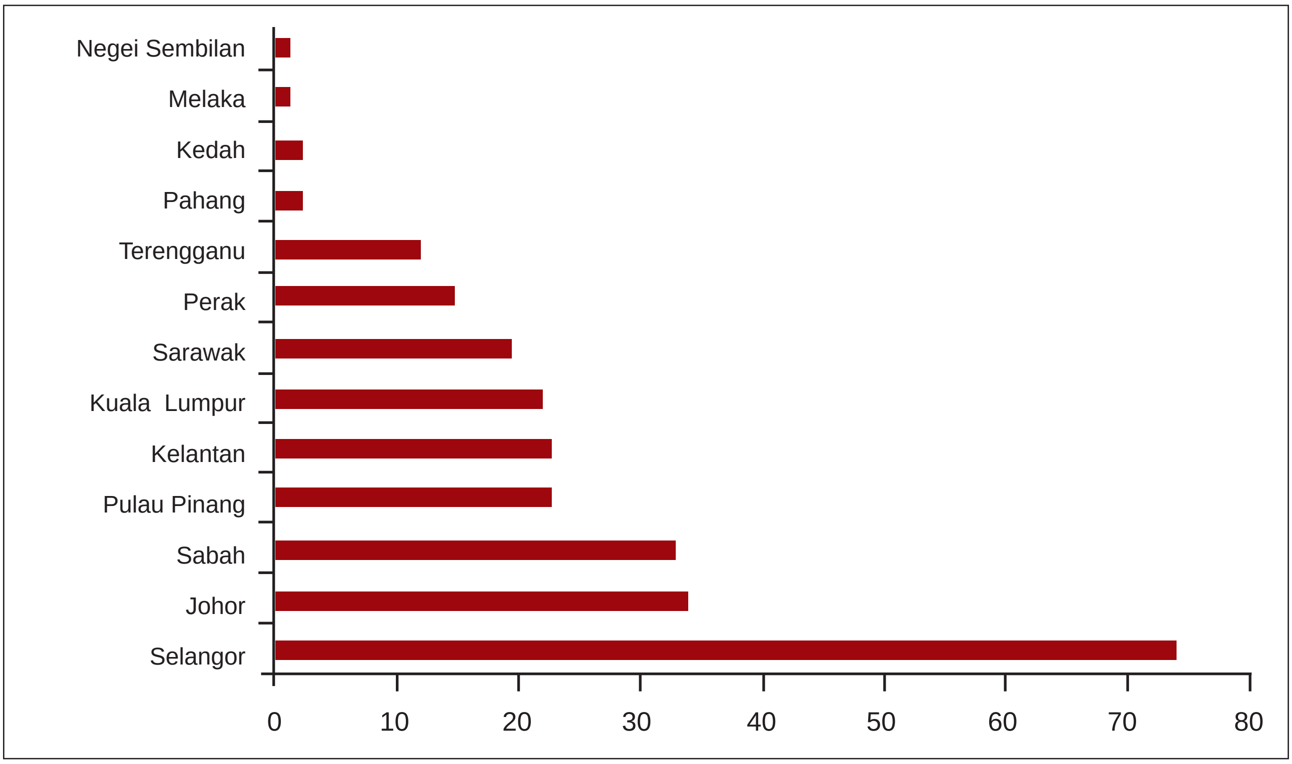
SMIDEC through the Malaysian Industrial Development Finance (MIDF) implements three soft loan schemes namely the Soft Loan for SMEs (SLSME), the Soft Loan for Factory Relocation (SLFR) and the Soft Loan for ICT Adoption (SLICT). In 2008, a total of 261 applications were approved amounting to RM222.9 million, compared with 191 approvals valued at RM125.7 million in 2007.

SMEs based in Selangor recorded the highest approvals with 74 approvals amounting to RM73.9 million. This was followed by Johor and Pulau Pinang with 34 and 33 approvals, valued at RM23.8 million and RM16.7 million respectively. There was an increasing interest from SMEs in Sarawak to avail themselves to the soft loan with 19 approvals compared with only three in 2007. Similarly, interest from SMEs in Kelantan for the soft loans schemes increased with approved value of RM14.2 million compared with only RM3.7 million last year. The promotion activities undertaken by MIDF had managed to reach its target not only in major cities but also in rural areas.

By sector, the highest number of approvals was recorded by the services sub-sector with 48 approvals amounting to RM42.2 million, followed by the fabricated metal and food and beverages sub-sectors, with 40 and 34 approvals valued at RM28.9 million and RM27.5 million respectively.

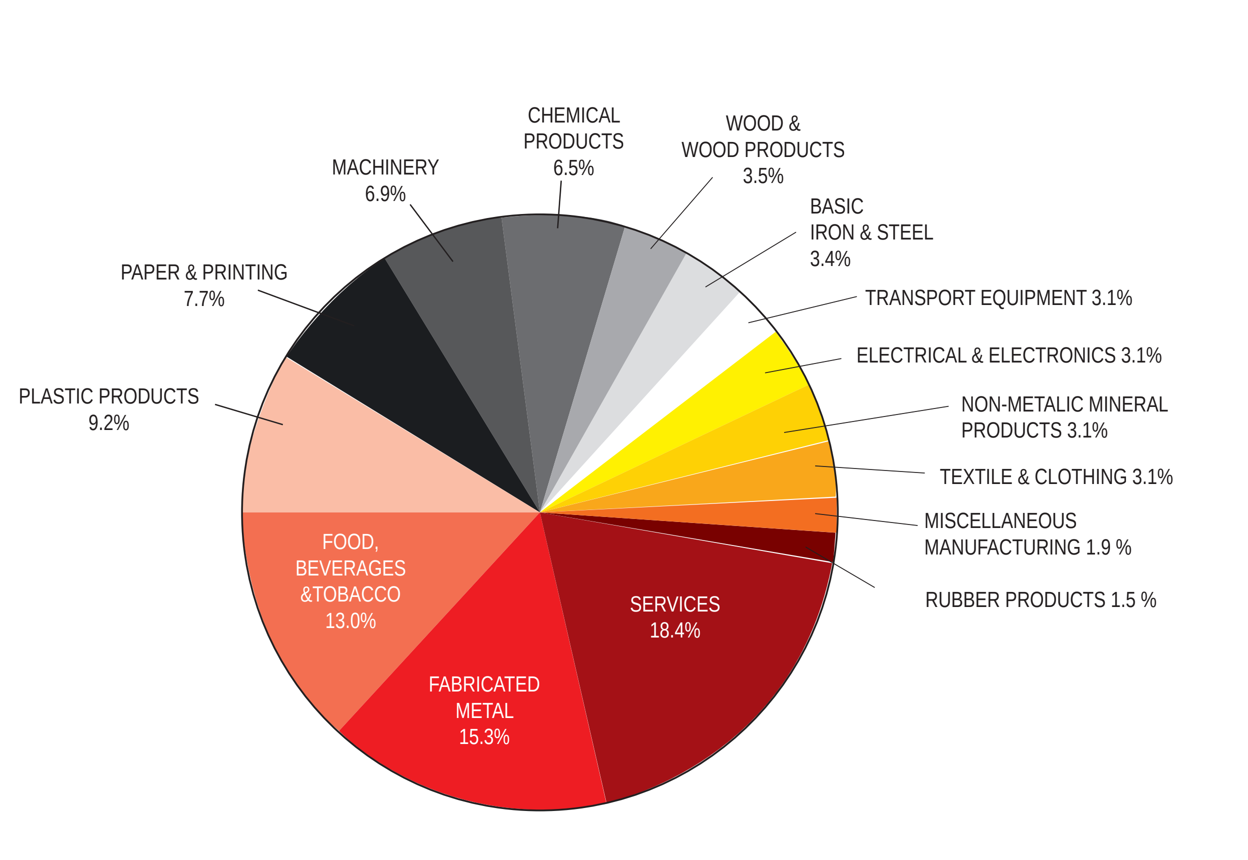
The SLSME scheme received the highest number of applications as it provides financing for working capital, project implementation and purchase of fixed asset. In 2008, the SLSME recorded 207 approvals amounting to RM159.9 million compared with 168 approvals totalling RM104.2 million in 2007.

Chart 6.1:
Approval of Soft Loan Schemes by States, 2008



Source: Malaysian Industrial Development Finance Berhad

Chart 6.2 :
Approval of Soft Loan Schemes by Sub-sector, 2008



Source: Malaysian Industrial Development Finance Berhad

In 2008, availability of funds for business operations had enabled more SMEs to invest in own business premises. This is evident from the increase in applications for the SLFR at 58 compared with 26 in 2007. In terms of approvals, a total of 45 projects were approved with loans amounting to RM61.3 million, the highest ever since the scheme's inception in 2004.

As the cost of ICT adoption was lower with availability of cheaper IT based applications, the number of approvals for the SLICT had reduced. During the year, out of 12 applications, only nine were approved valued at RM1.8 million.

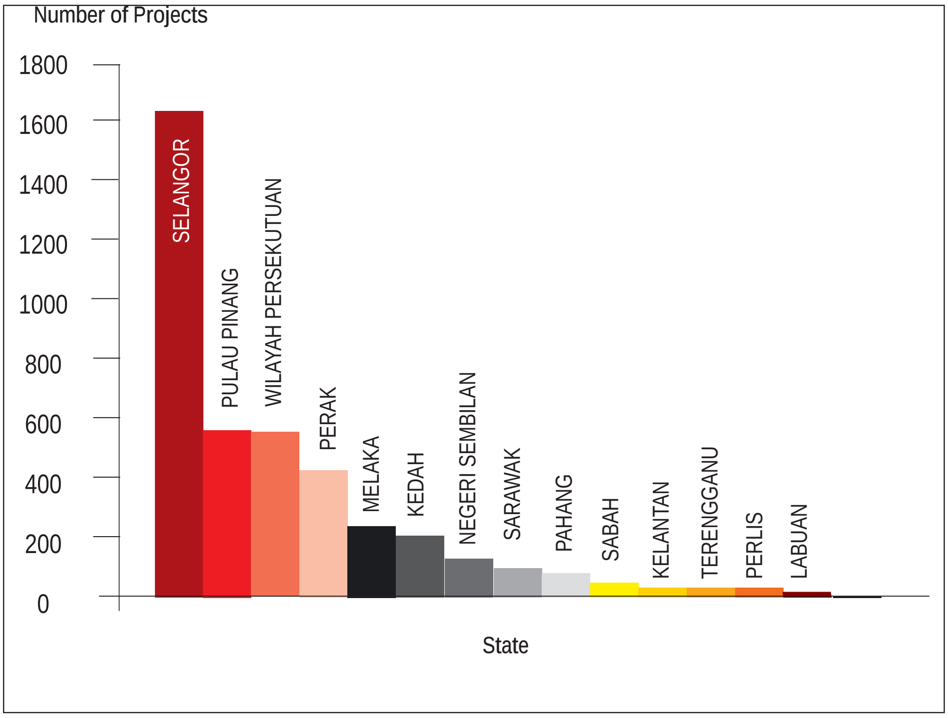
Grant Schemes

In 2008, a total of 4,167 projects with total grants amounting to RM149.5 million were approved compared with 3,501 projects in 2007. The highest approval was recorded for the Market Development Grant scheme with approvals of 1,481 projects representing 35.5 per cent of the total approval. Among the beneficiaries of the grants were SMEs in the furniture, food and beverages as well as building materials. This was followed by 1,400 approvals for the Matching Grant for Business Start-up scheme with total grants amounting to RM34.2 million and 431 approvals for the Matching Grant for Product and Process Improvement Scheme with grants valued at RM49.4 million.

In terms of approvals by State, Selangor recorded the highest uptake in 2008, with 1,632 projects (RM57.5 million), followed by Pulau Pinang, 556 projects (RM19.8 million), and Wilayah Persekutuan Kuala Lumpur, 551 projects (RM17.6 million).

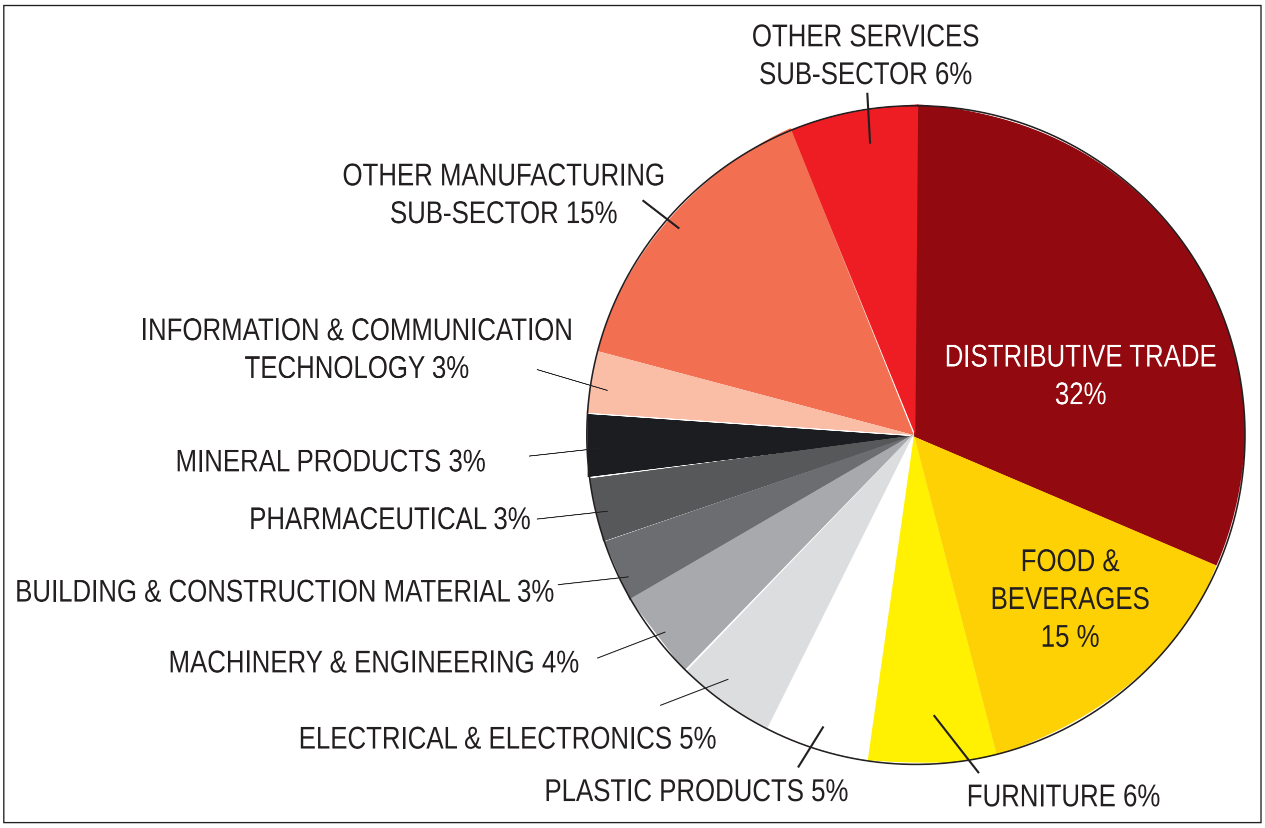
The distributive trade recorded the highest approval at 1,316 amounting to RM34.9 million, followed by the food and beverages sub-sector with a total of 603 projects

Chart 6.3:
Approval of Grant Schemes by States, 2008



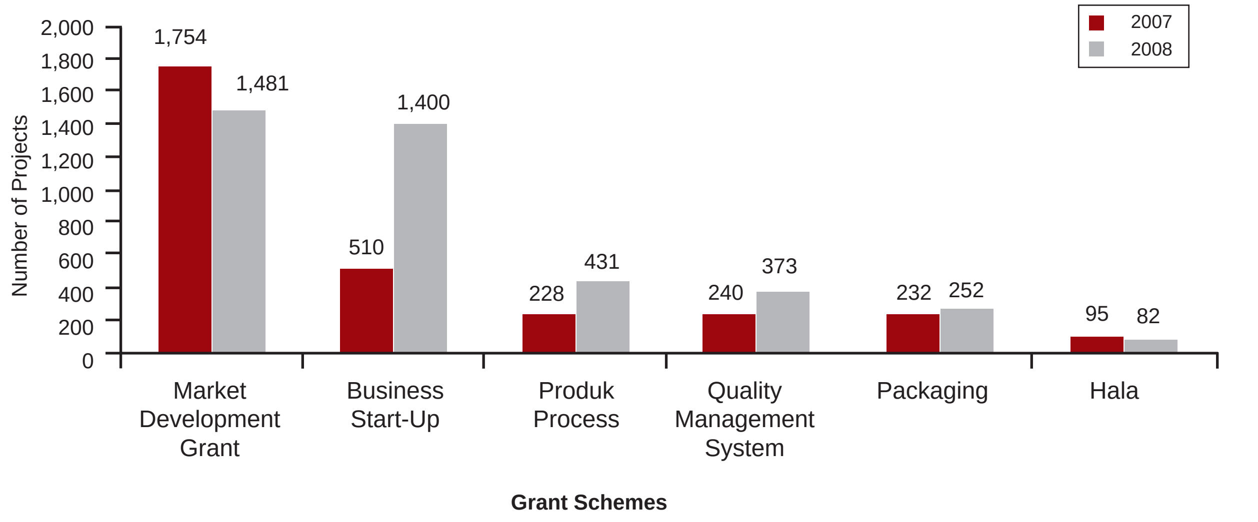
Source: Small and Medium Industries Development Corporation

Chart 6.4:
Approval of Grant Schemes by Sector, 2008



Source: Small and Medium Industries Development Corporation

Chart 6.5:
Approval of Grant Schemes, 2008 vs. 2007



Source: Small and Medium Industries Development Corporation

approved amounting to RM30.3 million. The third highest number of approvals was recorded for the furniture sub-sector with 263 approvals and the plastic products with 216 projects.

In 2008, SMIDEC introduced the Financial Assistance Scheme for SMEs in the services sector of which the highest applications received were for business start-ups in the distributive trade sector. Activities in this sector include retail outlets, restaurants and workshops.

In 2008, the Matching Grant for Business Start-up recorded major increase in the uptake rate, due to the increase in the ceiling of the scheme from RM40,000 to RM100,000 per application which provided for the purchase of office equipment and machinery and equipment to start a business. Applications from business start-ups in the services sector recorded the highest growth at 82.8 per cent while approval showed a drastic increase of 284.6 per cent from 2007.

The Market Development Grant also expanded the scope to include participation by companies in approved trade missions and international exhibitions organised by trade associations. Promotion of *Halal* products were also on the rise as majority of the applications approved under the Matching Grant for the Development and Promotion of *Halal* Products were intended for promotion activities in the mainstream media.

SME DEVELOPMENT PROGRAMMES

Market Development

Industrial Linkage Programme

Industrial Linkage Programme (ILP) is an effort to accelerate the integration of Malaysian SMEs into the global supply chain and enhance their ability to be suppliers to large companies, multinational corporations (MNCs) or Government Linked Companies (GLCs).

The ILP aims to promote and develop SMEs into reliable suppliers of parts and components, products, as well as services. Initiatives under this Programme include linkage and capacity building activities to meet suppliers' requirements specified by large companies and MNCs.

In 2008, a total of 859 SMEs were linked to MNCs/GLCs and large companies, generating cumulative total sales valued at RM893.8 million. Linkage activities were mostly implemented during Business Matching Sessions, which were held at SMIDEX 2008. A total of 15 MNCs, GLCs, Large Scale Industries LSIs, 60 SMEs and 12 foreign companies participated in the sessions. Out of these, five automotive companies, namely PROTON, PERODUA, HONDA, DNC Asiatic and Bufori Motors, led to 20 matching sessions with RM4.2 million potential sales.

SMIDEX 2008 & East Asia SME Convention

SMIDEX 2008 was a one-stop event for companies to exhibit their products and services and for large companies and MNCs to seek potential suppliers among SMEs. The event also provides SMEs with opportunities to network regionally and exchange ideas and information.

Themed 'Strategic Partnership: Regional Links, Global Reach', the event attracted 335 companies occupying 477 booths and 7,820 trade visitors. The companies were from a variety of sectors such as ICT, manufacturing, logistics, technology development and the services sectors.

The highlight of the Exhibition was the Packaging Technology and Design area, which was designed to educate SMEs on the importance of packaging and to provide them with access to the latest packaging technology in the market.

A total of 131 Business Matching Sessions were held among local SMEs, their counterparts from Algeria, Afghanistan, Brunei, Indonesia, Jordan, Morocco and Palestine, and 15 MNCs, including PETRONAS, Perodua, Bufori, TESCO and Rapid KL. At these sessions, total potential sales valued at RM61.8 million were negotiated for the supply of food and beverages, services, ICT, pharmaceuticals and automotive products.

In conjunction with SMIDEX 2008, the East Asia SME Convention was also held so that SME participants could benefit from business experiences of eminent speakers. Also held in conjunction with these events was the 3rd East Asia Round Table Meeting on 3 June 2008. The event involved SME focal agencies from Japan, the Republic of Korea, Thailand, Viet Nam and Malaysia, which met to discuss the direction of SMEs in Asia and share information on policies to facilitate trade and create a regional network.

Enhancement Programmes

SME Competitive Rating for Enhancement (SCORE)

In July 2007, SMIDEC introduced the SME Competitive Rating for Enhancement (SCORE), a methodology to measure and rate the performance and capabilities of SMEs. Specific data on the current status of a company is collected through onsite visits and interviews. The capability and performance of each company is measured in seven areas. For the manufacturing sector, the parameters are business performance, financial capability, technical capability, production capacity; innovation; quality system and management capability.

To date, a total of 1,241 SMEs who are grant recipients and participants in SMIDEC's development programmes and SMEs under PUNB and CIDB had been assessed based on the Manufacturing and Manufacturing Related Services, Retail and Distributive Trade and Construction models. Of these, 1,183 SMEs had been evaluated, while another 58 cases are pending document verification. Based on the assessment of the 1,183 SMEs, it was found that:

Rating	No. of SME	Percentage (%)
No Star	98	8.3
1 Star	311	26.3
2 Star	538	45.5
3 Star	192	16.2
4 Star	44	3.7
5 Star	None	None

Of the SMEs that did not gain any star, 71.4 per cent or 70 companies are start-ups that have been in existence for less than a year. Details of the evaluation results are as below:

SMEs	No Star	1 Star	2 Star	3 Star	4 Star	5 Star	Total
Total	**98**	**311**	**538**	**192**	**44**	**0**	**1183**
SMIDEC's grant recipients	53	152	386	141	21	0	753
SMIDEC's Programme	44	125	115	25	16	0	325
SMEs under PUNB	1	30	25	8	0	0	64
SMEs under CIMB	0	4	12	18	7	0	41

Details of the evaluation results in 2008 only:

SMEs	No Star	1 Star	2 Star	3 Star	4 Star	5 Star	Total
Total	**47**	**177**	**325**	**117**	**23**	**0**	**689**
SMIDEC's grant recipients	45	134	269	86	16	0	550
SMIDEC's Programme	1	9	19	5	0	0	34
SMEs under PUNB	1	30	25	8	0	0	64
SMEs under CIMB	0	4	12	18	7	0	41

Collaboration with State Governments

To further accelerate the development of Bumiputera SMEs, SMIDEC collaborates with State Governments and agencies under a programme now known as the Bumiputera Enterprise Enhancement Programme (BEEP). Currently, BEEP is implemented in three states:

- Terengganu, where it is supported by the Yayasan Pembangunan Usahawan Terengganu;

- Melaka, in collaboration with the Pusat Khidmat Perusahaan Kecil dan Sederhana Melaka; and

- Pulau Pinang, with the support of the Penang Regional Development Authority.

Under this Programme, companies are assisted to enhance their capability and capacity through integrated financial assistance and technical advisory services by SMIDEC and other technical agencies such as SIRIM Berhad, the Malaysian Agricultural Research and Development Institute (MARDI), as well as the SME Expert Advisory Panel (SEAP).

All companies are audited under SMIDEC's SME Competitive Rating for Enhancement Tool (SCORE) system to ensure they receive the relevant assistance. Each SME is then monitored periodically (every 9 - 12 months) to measure their progress and to make the necessary interventions. This monitoring continues for three years.

As at 31 December 2008, a total of 141 applications valued at RM6.5 million were approved for various grant schemes to undertake improvement activities.

Enterprise Development

SME-Brand Development Programme

The Brand-SME Development Programme seeks to enhance the visibility of SME products and services in both local and international markets through the use of a National Mark. The Mark is a symbol of excellence, distinction and assurance which denotes compliance with accepted products and services standards.

The implementation of the Programme comprises four phases:

- Phase I: capacity building;
- Phase II: auditing and monitoring;
- Phase III: certification and award of the National Mark; and
- Phase IV: promotion.

The capacity building element focuses on identifying, building and enhancing inherent strengths in SMEs to increase their knowledge and learning through structured training and mentoring programmes.

The auditing and monitoring process is undertaken on an on-going basis with the initial aim of ascertaining the adequacy, readiness and commitment of applicants to undertake branding. Subsequently, it will be conducted on an annual basis to ensure the company's adherence to the stringent requirements in using the National Mark.

Under Phase III, companies that fulfil the specified criteria and have successfully undergone the auditing process will be certified and granted the use of the National Mark. Assessment criterias of the National Mark include:

- management capability;

- financial capability;

Table 6.1:
Breakdown of Approved Projects by States for 2008

State	No. Approved	Amount Approved (RM Million)
Total	**141**	**6.48**
Melaka	109	2.56
Penang	21	2.35
Terengganu	11	1.57

- production capability;
- quality of product and services;
- quality management;
- corporate social responsibility; and
- market accessibility/e-commerce initiatives.

SMIDEC will undertake the first three phases, while MATRADE will undertake various promotional programmes under Phase IV. MATRADE will promote the National Mark domestically and internationally through a special publication and various trade promotion activities, such as international trade fairs and trade missions. Relevant Ministries and Agencies will also promote the National Mark through their websites and relevant promotional materials.

In 2008, SMIDEC initiated brand awareness programme through a series of branding seminars held in Johor, Pahang, Pulau Pinang, Sarawak, Sabah and Kuala Lumpur for the period February to August. The seminars were attended by 1,045 participants.

Other awareness programmes included a Tea Talk on Branding and Brand Transformation Forum 2008 which was held on 1 July 2008, where participants were educated on the importance of designing and packaging their products.

Technology Development

Malaysia-Japan Automotive Industry Cooperation (MAJAICO)

The Malaysia-Japan Automotive Industry Cooperation (MAJAICO) was initiated in July 2006 under the Malaysia Japan Economic Partnership Agreement to develop Malaysian automotive industries into competitive global players.

This initiative was divided into 10 sub-projects and MITI, through SMIDEC, has implemented the A-1 Project: the Automotive Technical Experts Assistance Programme. This was designed to elevate the local automotive parts and components manufacturer towards higher value-added activities and enhanced capacity, especially in SMEs, through the implementation of the Lean Production System (LPS).

The programme, which began in November 2006 and which is scheduled to end in June 2011, is expected to see a total of 150 projects undergoing production line improvements. To date, 47 companies had participated in the programme with the guidance of 21 experts with vast experience in the automotive industry beginning with the Model Line Phase.

To experience the onsite shop-floor practices firsthand and to gain know-how on the implementation of the Toyota Production System (TPS), SMIDEC collaborated with t0he Toyota Motor Corporation (TMC) to organise the first mission to the Toyota Plant in Nagoya, Japan from 18 to 22 March 2008. A total of 18 participants comprising nine Malaysian companies from the automotive sector and three Government agencies took part in the mission, which was led by the CEO of SMIDEC. A second mission was held from 11 to 15 November 2008, involving 21 participants comprising 12 Malaysian companies from the automotive sector and two Government agencies, as well as PROTON and PERODUA officers. The mission fulfilled the objective of emphasising the importance of top management commitment as a key factor in the successful implementation of TPS.

Specific Project Mission to Japan

To expose Malaysian companies to the latest innovative production practices, particularly in the automotive sector, SMIDEC organised a Specific Project Mission (SPM) to Nagoya, Japan from 18 to 22 March 2008 under the Malaysia Japan Automotive Industry Corporation (MAJAICO) programme.

Top management personnel from SMIDEC, the Malaysia Productivity Corporation, Human Resource Development Berhad (PSMB) under the Ministry of Human Resources and nine Malaysian companies took part in the mission, which allowed them to study the Lean Production System (LPS) of Toyota Motor Corporation (TMC) and its vendors.

Skills Upgrading Programme

The Skills Upgrading Programme which began on 1 June 2008 is to upgrade the skills and capabilities of SMEs through training activities. Assistance is given in the form of an 80 per cent grant to SMEs on the cost of training.

In implementing the programme, SMIDEC collaborated with 23 Skills Development Centres (SDCs) and 20 Professional Training Providers (PTPs) to respectively provide training for SMEs in the manufacturing and services sectors. The training provided by the SDCs covered both technical and managerial courses. Training by PTPs, meanwhile, included marketing, communications and business coaching. In 2008, a total of 10,470 SME employees received training under this Programme, an increase of 178 per cent as compared to 3,761 employees for the year 2007. As for expenditure, a total grant of RM9.8 million was utilised for the 2008 training programmes, representing an increase of 154 per cent from RM3.8 million in the year 2007.

The increase in the number of employees trained was attributed mainly to the expansion in 2007 of the Programme's scope to cover training for the services sector. This resulted in an increase in the number of appointments of PTPs. In 2007, there were only 28 appointed training providers as compared to 43 training providers in 2008. In addition, an increase in the level of training grant from 50 per cent to 80 per cent in June 2008 also had a positive impact, with increased number of employees trained as well as fund utilised.

In June 2008, grant recipients under SMIDEC were requested to undergo a mandatory course in Financial Management for Non–Finance Managers. A total of 164 Senior Management of SMEs had attended the mandatory training course, where RM159,350 worth of grants were utilised.

SME Experts Advisory Panel (SEAP)

The SME Experts Advisory Panel (SEAP) comprises retired experts from industries and specific government agencies. They are appointed to provide technical and business advisory services to assist SMEs in improving their operations and business best practices.

In 2008, a total of 11 industrial experts in various disciplines were appointed under this Programme, bringing the total number of appointed experts to 62. A total of nine SMEs have utilised the expertise available under this Programme.

INTERNATIONAL COOPERATION

SME Programmes under ASEAN

In collaboration with the Association for Overseas Technical Scholarship (AOTS), Japan, SMIDEC organised the ASEAN-Japan Policy Workshop on SME Development with specific focus on Valuable Statistics and Philosophy for Creating ASEAN Common White Paper of SMEs from 15 to 16 January 2008 in Kuala Lumpur.

The Workshop briefed participants on research and statistics regarding SMEs to assist in the preparation of reports on SMEs development to aid better policymaking and implementation. A total of 33 officials involved in R&D, policy development, implementation and statistics for SMEs participated in the Workshop.

SME Programmes under APEC

The 15th APEC SME Ministerial Meeting themed ‘Sustainable Local Development to Foster SMEs Growth’ was held in August 2008 in Chiclayo, Peru. At the meeting, Ministers endorsed the new 4-year APEC Small and Medium Enterprises Working Group (SMEWG) Strategic Plan 2009 - 2012, and agreed that projects endorsed by the SMEWG would be linked to advancing at least one of the identified priorities. The initiatives were business environment, building management capability and promoting entrepreneurship, market access and internationalisation, innovation, financing and raising awareness of sustainable business practices. The Strategic Plan complements the 1998 SME Integrated Plan of Action (SPAN), which was endorsed by the Leaders’ Summit in Malaysia.

The experience gained in participation in the programme would facilitate Malaysia in creating a business environment that is more conducive to the growth of SMEs, enhancing knowledge on the importance of SMEs’ preparedness for a pandemic, adopting best practice principles for local development, establishing strategies for successful technology transfer of SMEs, enhancing market access through ICT and building capacity for SME innovation policy. Malaysia will co-host Innovation SME from 3 to 5 June 2009 in Kuala Lumpur.

3rd East Asia SME Round Table Meeting

Malaysia hosted the 3rd East Asia SME Round Table Meeting on 3 June 2008 in conjunction with SMIDEX 2008 & the East Asia SME Convention. Participants of the meeting comprised representatives from the Organization for Small & Medium Enterprises and Regional Innovation, Japan (SMRJ); the Small Business Corporation (SBC), Republic of Korea; the Office of SMEs Promotion (OSMEP), Thailand; and the Agency for Small and Medium Enterprise Development (ASMED), Viet Nam.

The meeting, themed ‘Strengthening Domestic Capabilities in Support of Regional Links’, was organised with the objectives of exchanging information on the business environment of partner countries, identifying common goals through collaborative efforts, and facilitating SMEs to take advantage of globalisation in East Asia through networking.

SME Programmes under the Organisation of Islamic Conference (OIC)

SMIDEC organised the Malaysia Technical Cooperation Training Programme for Women Entrepreneurs among Organisation of Islamic Conference (OIC) Member Countries from 2 to 13 June 2008 in Kuala Lumpur. A total of 29 participants from 12 OIC member countries participated in this Programme. It served as a platform to impart knowledge on best business practices to women entrepreneurs. The participants also took part in the East Asia SME Convention, and the exhibition and business matching sessions during SMIDEX 2008.

Malaysia also organised the Training Programme for Officials from Agencies Responsible for SME Development in OIC Member Countries from 19 to 28 November 2008. A total of 26 participants from 21 countries participated in this Programme. The Training Programme was held to share Malaysia’s policies, strategies and incentives in SME development, exchange experiences in best practices among participants, and encourage networking between SMIDEC and agencies responsible for SME development in OIC member countries.

Economic Cooperation Programmes under the ASEAN-Korea Free Trade Agreement (FTA)

SMIDEC represents Malaysia as the Chair for the Working Group on Economic Cooperation (WGEC), which was established in June 2006 under the ASEAN-Korea Trade Negotiation Committee (AKTNC). This Working Group was established to facilitate the implementation of economic cooperation projects in the FTA and similar activities between ASEAN and the Republic of Korea.

As at 2008, a total of 20 projects were adopted under the WGEC, whereby 15 projects have been implemented. This included the project on Upgrading Technical Capabilities of SMEs in the Agro-Based Industry in the Post Harvest Management Operations proposed by Malaysia. In addition, 63 Malaysian SMEs and Government Agencies had benefited from the various economic cooperation projects.

Training Programme for SME Managers

The Training Programme for SME Managers is an annual Programme that has been organised in collaboration with the Small Business Corporation (SBC) of the Republic of Korea since 1998. The programme introduces participants to the latest business best practises in the Republic of Korea, further helps to strengthen cooperation between Malaysian and Korean SMEs and promotes business networking.

In 2008, 14 SME managers participated in the programme, bringing the total of SME Managers who had participated in this programme to 179. To enhance business opportunities among participants, business matching sessions were arranged during the 2008 programme. It involved participants from Malaysia and 30 Korean companies and recorded potential sales of RM59 million.

OUTREACH PROGRAMMES

In 2008, SMIDEC continued to organise 271 promotional activities which included conventions, seminars, workshops, exhibitions and briefings drawing 278,898 participants.

At the SMIDEC Annual Showcase (SMIDEX), there were 335 exhibitors with 477 booths. The Showcase attracted 7,820 trade visitors, and resulted in negotiated sales worth RM61.8 million.

Enterprise 50

The Enterprise 50 (E50) is an annual award programme organised by SMIDEC, held to recognise home-grown companies that have attained excellence in the management and operations of their businesses. Nominated companies are assessed and benchmarked based on financial capability, operations and management acumen. Effective 2008, only companies defined as SMEs would be eligible to be nominated for this award. In 2008, a total of 120 nominations were received from SME companies from various sectors.

SME Information and Advisory Centre

SMIDEC provides relevant information related to SME development through its virtual information centre at www.smidec.gov.my. The site also supports on-line applications and company registrations.

In 2008, the site recorded a total of 3,334 on-line registrations and 710 on-line grant applications, an increase of 16.3 per cent and 33.4 per cent respectively from the previous year. The Centre also received 3,945 calls via the info-line, a marked increase of 693 per cent from 2007.

Women Entrepreneur Development Programmes

SMIDEC, in collaboration with the Federation of Women Entrepreneurs Association Malaysia (FEM) and the Ministry of Women, Family and Community Development had been conducting programmes over the years to promote the development of women entrepreneurs in Malaysia.

- ***Directory for Women Entrepreneurs***

  In 2008, the Directory for Women Entrepreneurs that serves as a comprehensive source of reference for entrepreneurs to establish networking, create linkages and explore business opportunities was launched. The Directory, which comprises lists of women-owned manufacturing and services companies, would facilitate potential investors, large companies and multinational corporations seeking information on products and services supplied by women. It will be used as a tool by businesses at large to forge linkages as well as to diversify their sources of supply.

- ***Regional Workshop for Women Entrepreneurs***

  In 2008, three regional workshops to equip women entrepreneurs with relevant knowledge for business growth and information on various Government grants and incentives from the Government were conducted in Johor, Kuala Lumpur and Kedah. A total of 800 women entrepreneurs participated in these full-day sessions.

- ***The National Women Entrepreneurs Award***

  In 2008, the National Women Entrepreneurs Award (NWEA) was launched to pay tribute to the commitment and tenacity of women entrepreneurs who had successfully managed their businesses. The Award will be the

Table 6.2:
Winners of the National Women Entrepreneurs Award

NAMES	COMPANY
Datin Freida bt Dato Mohd Pilus	Cempaka Schools Sdn Bhd
Dato' Hajjah Azlina bt Haji Che Abdullah	De Classic Life (M) Sdn Bhd
Julia Chong Chooi Fong	The Truly Loving Company Sdn Bhd
Nafisah Radin	NR Architect & NR Interior Design
Johora Bee bte Sheikh Nattersah*	JWR Technology (M) Sdn Bhd
Beatrice Nirmala Adaikalaraj	Adaikalaraj Media Group
Jumaatun Azmi	KasehDia Sdn Bhd
Fione Tan	eOneNet.com Sdn Bhd
Datuk Maznah Abd. Hamid**	Securiforce Sdn Bhd
Khoo Cheng Gaik	TCRS Restaurants Sdn Bhd
Siti Mariam bt Abdullah***	Clear Insight Technology Sdn Bhd

Notes :
** Platinum Entrepreneur Award*
*** Entrepreneur Extraordinaire Award*
**** Emerging Entrepreneur Award*

premier national award honouring successful women entrepreneurs, some of whom had undergone extraordinary challenges in developing their businesses.

The NWEA 2008 was organised in collaboration with MECD, FEM, the Ministry of Women, Family and Community Development, the National Association of Women Entrepreneurs of Malaysia (NAWEM) as well as Deloitte Consulting (M) Sdn Bhd. The award ceremony was held on 5 December 2008 at Putrajaya Marriott Hotel. Her Majesty Tuanku Nur Zahirah, Raja Permaisuri Agong presented the National Women Entrepreneurs Award to the winners.

OUTLOOK

SMEs assume a significant role in the economic development of many countries. In Malaysia, 99.2 per cent of the 552,804 business establishments are SMEs, contributing 32 per cent of GDP, 19 per cent of exports and 56 per cent of employment. The National SME Development Council (NSDC) established in June 2004 and chaired by the Prime Minister serves as the highest policy making body that charts the direction and strategies for SME development.

With the establishment of the SME Central Coordinating Agency (SMECCA), the Small and Medium Industries Development Corporation (SMIDEC) will be expanded to assume the role of SMECCA and will be known as SME Corporation Malaysia (SME Corp). The Agency will be placed within the Ministry of International Trade and Industry SME Corp will internship efforts to enhance the development of SMEs to achieve the goals of a higher SME contribution of 37 per cent to GDP, 21 per cent to exports and 57 per cent to employment by 2010.

To date, three SCORE (SME Competitive Rating for Enhancement) models have been developed by SMIDEC and two more models are in the process of being developed. Specific models to suit various industry sub-sectors will be further developers. In the pipeline are the Logistic, Maintenance, Repairing and Overhaul (MRO) model and the Tourism and Professional Servicesmodels. The Malaysian Logistics Council (MLC), Ministry of Defence (MINDEF), Ministry of Tourism (MOTOUR) and Professional Services Development Corporation (PSDC) had expressed interest to implement SCORE to assess SMEs in the Logistic, MRO, Tourism and Professional Services sectors respectively. Collaboration will be undertaken with these bodies to develop and finalise SCORE models for these four sectors. These models had been targeted to be completed by the third quarter of 2009.

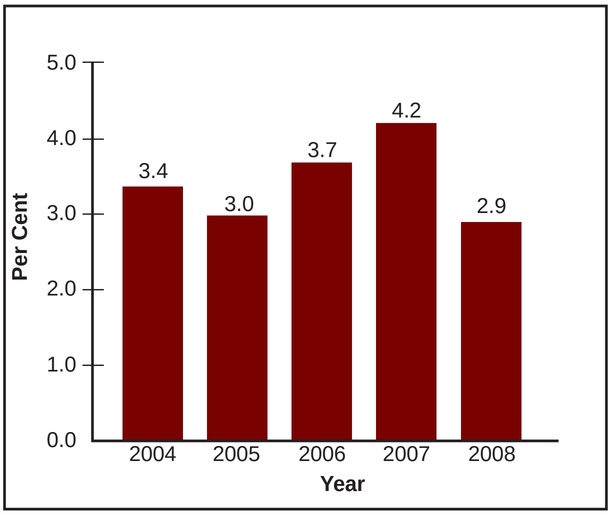
The copyright for the SCORE Model and the patent for the entire SCORE mechanism are being pursued. The copyrights are expected to be granted in 2009. The SCORE models would be fully used as a monitoring tool to chart the developmental progress made by grant recipients.

CHAPTER 7 : PRODUCTIVITY IN MANUFACTURING AND SERVICES SECTOR

OVERVIEW

In 2008, the economy registered a productivity growth of 2.9 per cent raising the productivity level to RM49,526. The growth was driven by strong domestic consumption that was facilitated by the government's proactive approaches to stimulate economic growth.

Chart 7.1:
Malaysia's Productivity Growth, 2004 - 2008

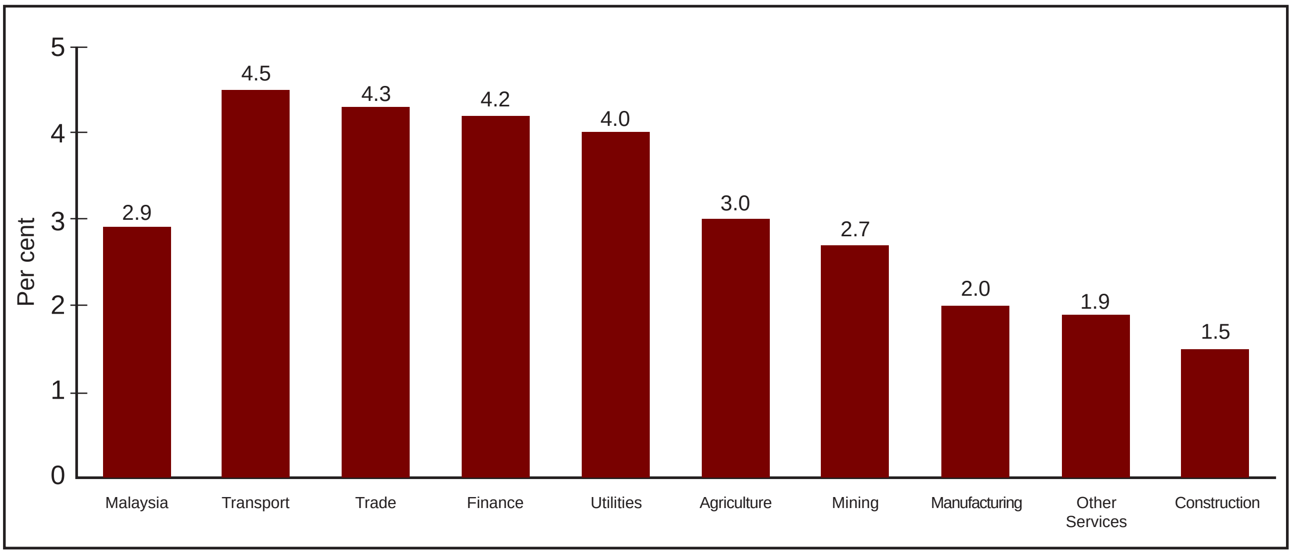


Computed from: Economic Report, Minister of Finance Malaysia and Economic Planning Unit, Malaysia

The productivity of the manufacturing sector in 2008 grew by 2 per cent compared with a 2.7 per cent growth registered in 2007. The performance was impacted by the less encouraging performance of export-oriented industries which saw an overall decline in exports especially in the fourth quarter of 2008. Some of the export-oriented industries that registered a decline in productivity were electrical and electronics products (E&E), machinery, appliances and parts, rubber products and iron and steel products. Nevertheless, domestic-oriented industries registered a productivity growth of 6.2 per cent.

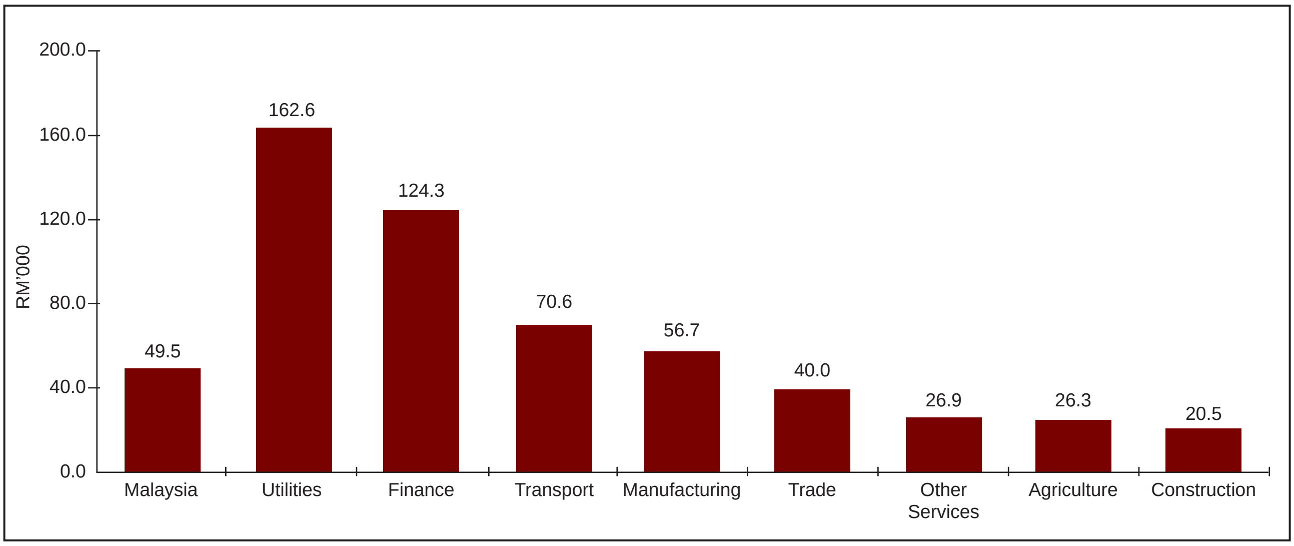
Domestic-oriented industries that registered productivity growth were chemicals and chemical products (30.2 per cent), food and beverages (23.7 per cent), non-metallic mineral products (22.7

Chart 7.2:
Productivity Growth of the Economic Sectors, 2008



Computed from: Economic Report, Ministry of Finance, Malaysia Economic Planning Unit, Malaysia
Note: Other Services include community, social and personal services product of private, non-profit services to households, as well as domestic services of households. Among the activities included in this sub-sector are sewage and refuse disposal; activities of organisations, whose members' interests centre on the development and prosperity of a particular line or business or trade; and provision of personal services.*

Chart 7.3:
Productivity Level of the Economic Sectors, 2008



Computed from: Economic Report, Ministry of Finance, Malaysia, Economic Planning Unit, Malaysia

per cent), transport equipment (19.1 per cent), and machinery and equipment (11.6 per cent). Industries that had a high productivity level were chemicals and chemical products (RM212,579), transport equipment (RM133,697), and machinery and equipment (RM127,698).

The services sector registered a productivity growth of 3.2 per cent to RM56,139. This growth was contributed by a strong performance of the transport, utilities, finance and trade sub-sectors. The transport sub-sector registered a 4.5 per cent productivity growth while utilities and finance sub-sectors registered a 4 per cent and 4.2 per cent growth respectively. Positive performance of the services sectors was attributed to the upgrading of infrastructure and machinery, increase in travel and trade-related activities and sustainable demand from the sub-sectors. Trade sub-sector productivity improved by 4.3 per cent, benefiting from an increase in disposable income and competitive interest rates arising from ample liquidity in the market. The construction sector showed a 1.5 per cent productivity growth which was attributed to the use of Industrialised Building System (IBS) for public buildings. Productivity of the agriculture sector improved by 3 per cent which was attributed to the production efficiency of primary products and attractive prices of palm oil and rubber.

The Government outlined several measures to enhance Total Factor Productivity (TFP) growth and its contribution to economic growth. Enhancement in TFP requires higher capacity utilisation, advancement in technology, improvement in skills and human capital capabilities and enhancing knowledge through training and retraining. In the Ninth Malaysia Plan the economy was targeted to achieve a TFP growth of 2.2 per cent and contribute 35.8 per cent to output growth by 2010. For the period 2004 - 2008, the economy achieved an annual average TFP growth of 2.1 per cent which was 35.8 per cent of the GDP growth. The growth in TFP was mainly supported by demand intensity (44.9 per cent), education and training (25.7 per cent), capital structure (10.3 per cent) and technical progress (8.9 per cent). Investments in education and training, intensification of technology utilisation, research and development (R&D), information and communication technology (ICT) and the implementation of productivity and quality management systems would enhance TFP contribution to economic growth.

INTERNATIONAL COMPARISON OF PRODUCTIVITY PERFORMANCE

Organisation for Economic Cooperation and Development (OECD)

Malaysia's productivity growth of 2.9 per cent was higher than selected Organisation for Economic Cooperation and Development (OECD) countries such as the United States (2.1 per cent), Japan (0.8 per cent), Australia (0.4 per cent), Finland and Germany (0.1 per cent), Canada and Denmark (-0.9 per cent) and Ireland (-1.7 per cent). Among Asian countries, Malaysia registered higher growth than Thailand (2.0 per cent), Hong Kong SAR (1.6 per cent), Chinese-Taipei (0.7 per cent) and Singapore (-0.9 per cent).

Among Malaysia's trading partners, Japan achieved the highest productivity level of US$81,334. This was followed by the USA (US$78,807), the United Kingdom (US$55,172), Germany (US$51,885), Singapore (US$50,744), Republic of Korea (US$31,212) and Thailand (US$4,844). Malaysia's productivity level in 2008 was at US$13,033.

Table 7.1:
Productivity Levels and Growth for Selected Countries, 2008

Country	Productivity Level (at 2000 constant prices in USD)	Productivity Growth (%)
Japan	81,334	0.8
USA	78,807	2.1
Norway	78,471	-0.5
Hong Kong SAR	68,436	1.6
Ireland	65,777	-1.7
Sweden	65,627	-0.4
Denmark	62,506	-0.9
Finland	60,645	0.1
France	58,306	-0.5
United Kingdom	55,172	0.0
Germany	51,885	0.1
Singapore	50,744	-0.9
Canada	50,149	-0.9
Australia	48,057	0.4
Italy	46,481	-1.2
Chinese - Taipei	40,225	0.7
New Zealand	38,750	-0.7
Republic of Korea	31,212	3.6
Malaysia	**13,033**	**2.9**
Thailand	4,844	2.0
Philippines	3,279	3.0
China	3,273	7.8
Indonesia	2,476	3.5
India	1,700	3.4

Computed from:
- *Economic Report, Ministry of Finance, Malaysia, various issues*
- *National Accounts of OECD Countries, Vol. IIa and IIb :Detailed Tables 1996-2006*
- *OECD Economic Outlook, December 2008, Vol. 84*
- *Country Data, The Economist Intelligence Unit*
- *Market Indicators and Forecast, The Economist Intelligence Unit*

Asia

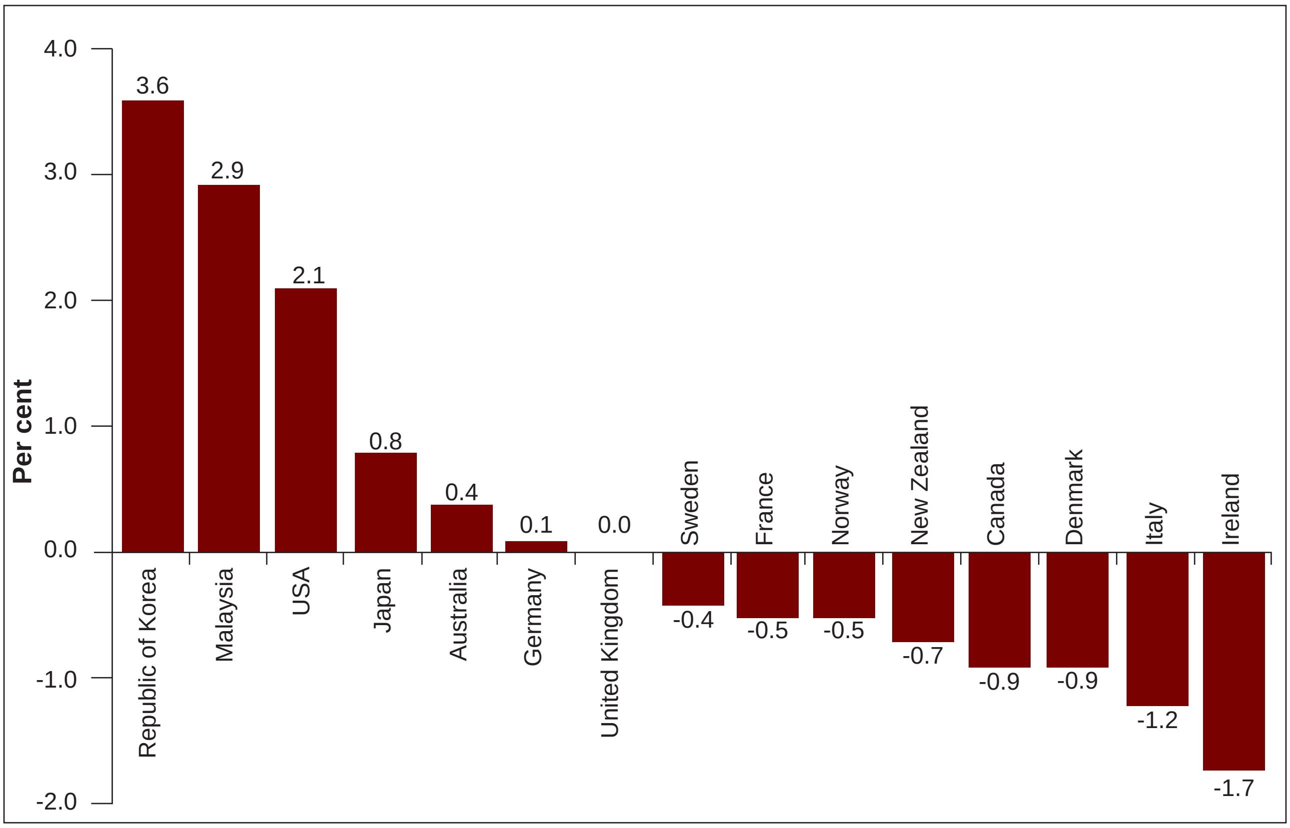
Among Asian economies, Malaysia's productivity performance was better than those of Thailand (2 per cent), Hong Kong SAR (1.6 per cent), Chinese-Taipei (0.7 per cent) and Singapore (-0.9 per cent). However, the People's Republic of China, Indonesia and India registered higher growths of 7.8 per cent, 3.5 per cent and 3.4 per cent respectively. Malaysia's manufacturing sector was the most competitive in terms of unit labour cost among 57 economies. Unit labour cost in the manufacturing sector improved by 4.9 per cent. Malaysia's total hourly compensation for the manufacturing sector was at US$3.54, which was relatively lower than that of Hong Kong SAR (US$5.78), Chinese-Taipei (US$6.58) and Singapore (US$8.35).

PRODUCTIVITY PERFORMANCE OF THE MANUFACTURING SECTOR

The manufacturing sector recorded a productivity growth of 2 per cent to RM56,660 in 2008, as compared with 2.7 per cent in 2007. Positive growths were registered across all sub-sectors except for E&E. Favourable performance across domestic oriented sub-sectors was reflected by strong domestic demand particularly from the construction sector and agro-based industries.

The sub-sectors which registered strong growths were chemicals and chemical products, food and beverages, non-metallic minerals products, transport equipment, and machinery and equipment. Chemicals and chemical products registered a productivity growth of 30.2 per cent in 2008. Industries

Chart 7.4:
Productivity Growth for Malaysia and Selected OECD Countries, 2008



Computed from:
- *Economic Report, Ministry of Finance, Malaysia, various issues*
- *National Accounts of OECD Countries, Vol. IIa and IIb :Detailed Tables 1996 - 2006*
- *OECD Economic Outlook, December 2008, Vol. 84*
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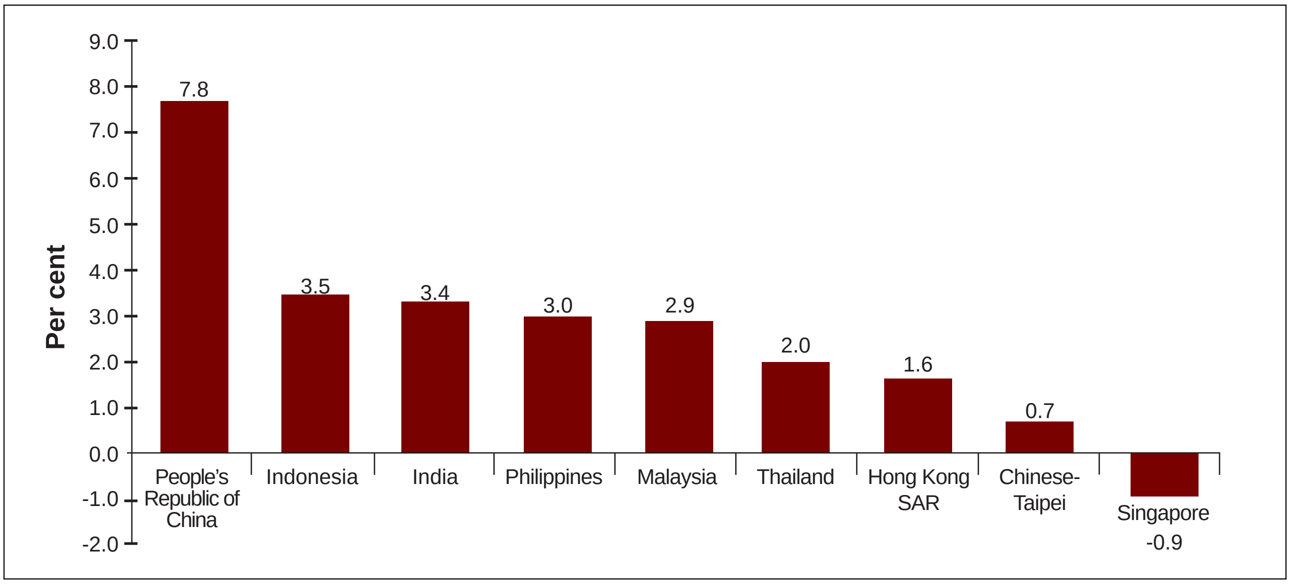
Chart 7.5:
Productivity Growth for Malaysia and Selected Asian Countries, 2008



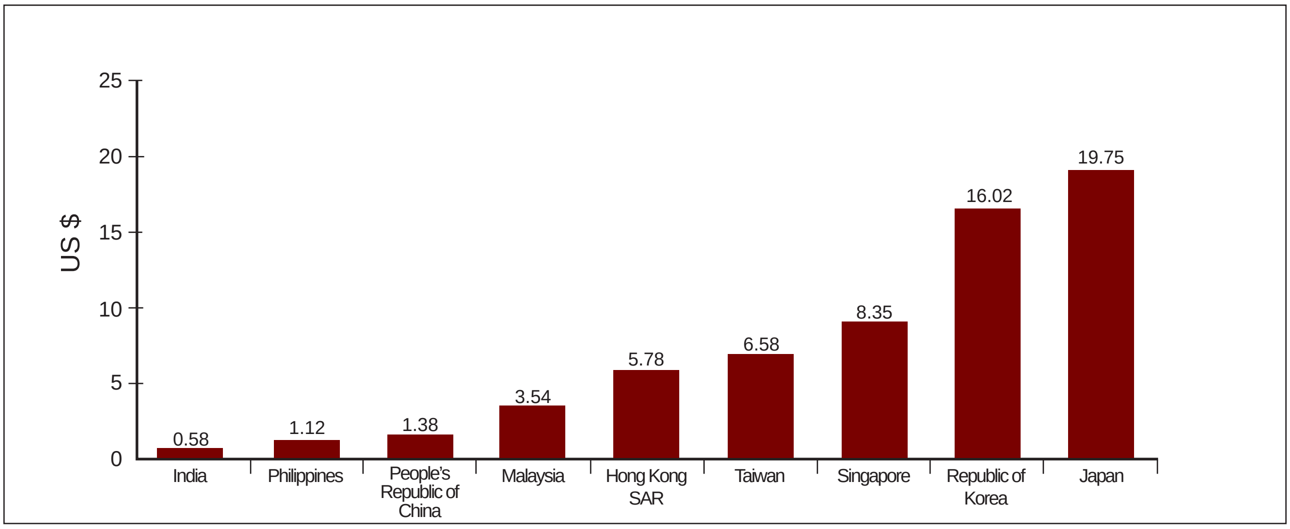
Computed from:
- *Economic Report, Ministry of Finance, Malaysia, various issues*
- *Country Data, The Economist Intelligence Unit*
- *Market Indicators and Forecast, The Economist Intelligence Unit*

within the sub-sector that contributed to productivity growth were petroleum and plastic products. This growth was attributed to higher production following an increase in activities in other domestic manufacturing industries.

Labour cost competitiveness indicates the ability of a sub-sector to produce at a lower labour cost for each unit of output. To remain competitive, the growth in productivity must be higher than the growth in labour cost per employee in order to reduce the overall labour cost per unit of output. In 2008, the manufacturing sector recorded an improvement in labour cost competitiveness with a decline in unit labour cost of 4.9 per cent. All manufacturing sub-sectors except E&E were able to sustain labour cost competitiveness.

The average labour cost per employee for the manufacturing sector declined by 4.9 per cent, compared with a reduction of

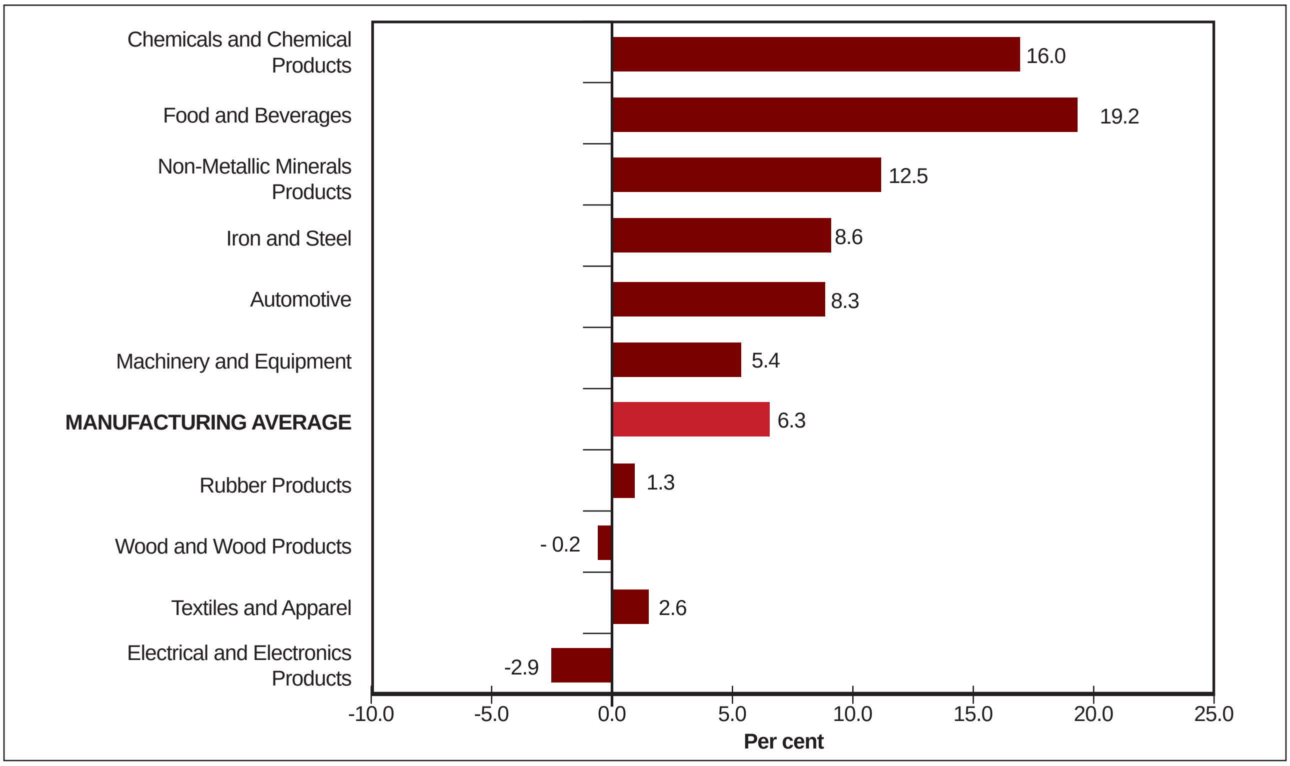
Chart 7.6:
Hourly Compensation of the Manufacturing Sector for Malaysia and Selected Asian Countries, 2008



Source: IMD World Competitiveness Yearbook, 2009

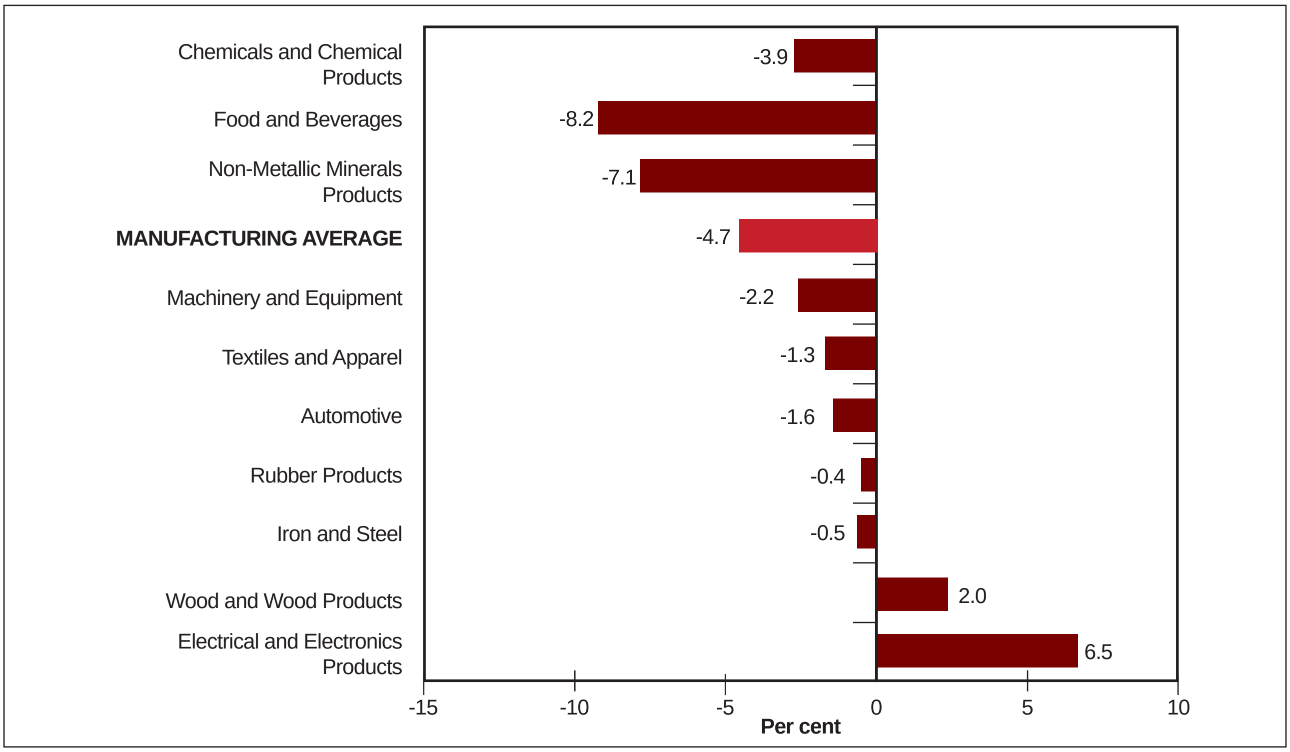
3.9 per cent in 2007. Sub-sectors which recorded higher than the manufacturing average growth in labour cost per employee were chemicals and chemical products (7.9 per cent), food and beverages (6.1 per cent), automotive (6 per cent) and non-metallic mineral products (4.8 per cent).

Chart 7.7:
Productivity Growth of the Manufacturing Sub-Sectors, 2008



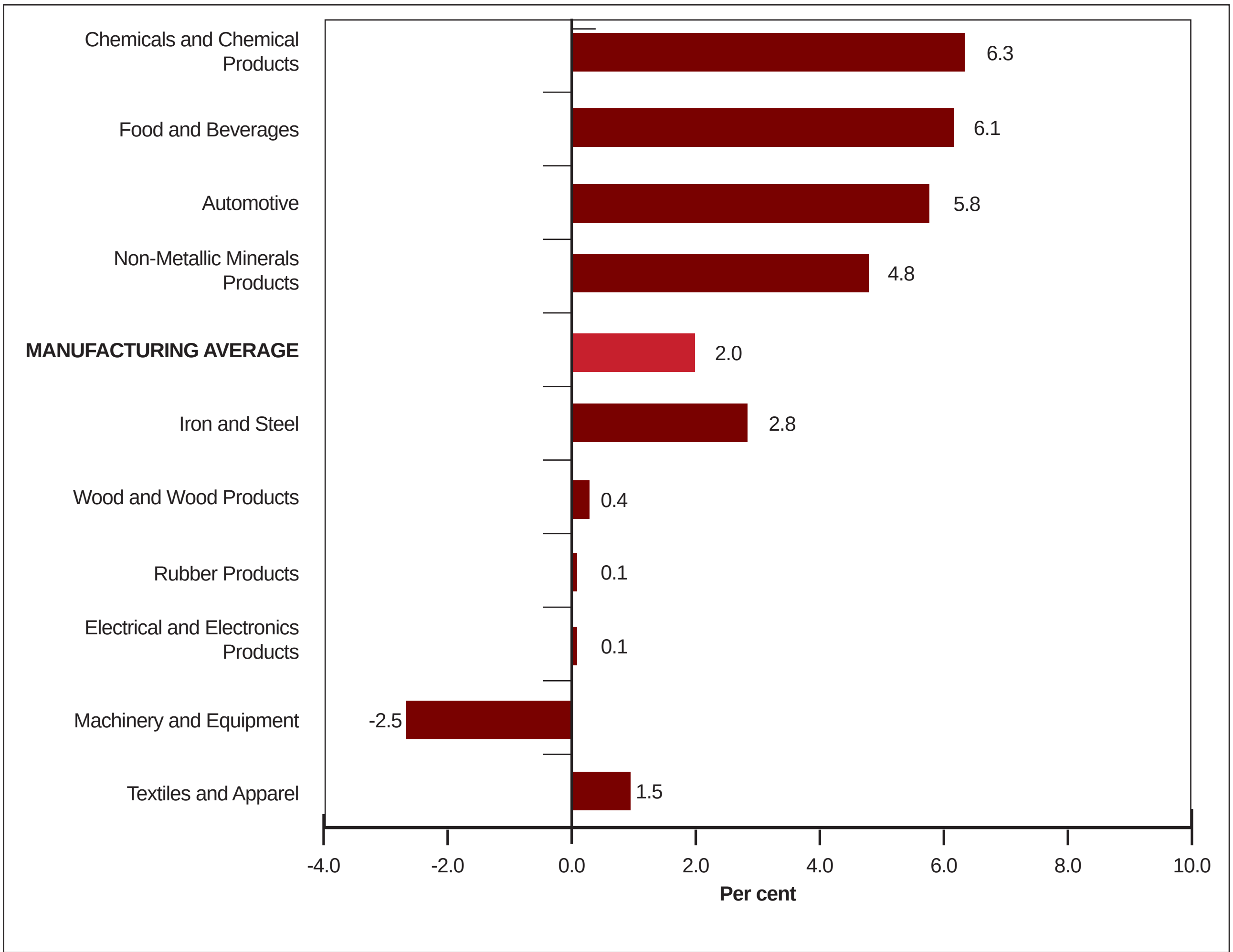
Computed from: Annual Manufacturing Survey and Monthly Manufacturing Survey, Department of Statistics, Malaysia

Chart 7.8:
Changes in Unit Labour Cost of the Manufacturing Sub-Sectors, 2008



Computed from : Annual Manufacturing Survey and Monthly Manufacturing Statistics, Department of Statistics, Malaysia
Note : (-) sign indicates better performance in unit labour cost

Chart 7.9:
Changes in Labour Cost per Employee of the Manufacturing Sub-Sectors, 2008



Computed from: Annual Manufacturing Survey and Monthly Manufacturing Survey, Department of Statistics, Malaysia

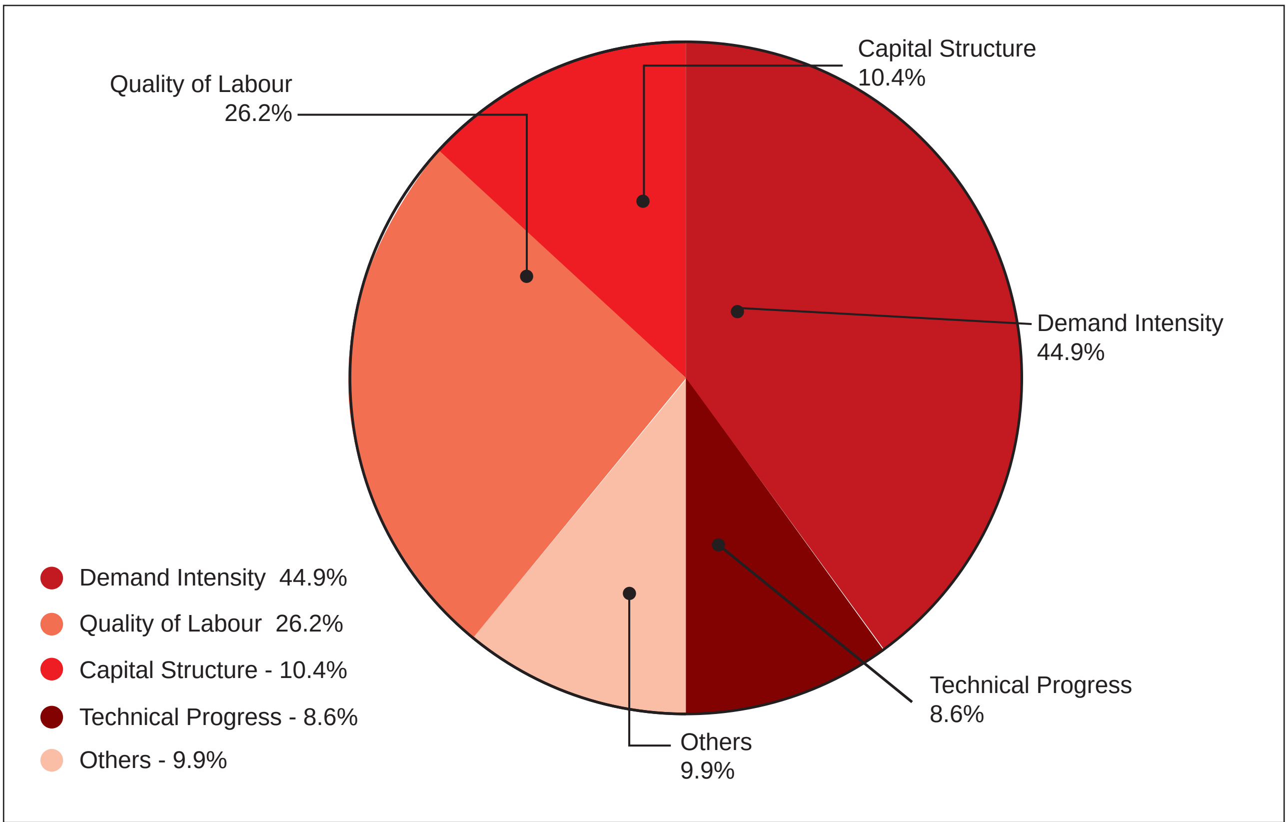
TOTAL FACTOR PRODUCTIVITY OF SELECTED MANUFACTURING SUB-SECTORS, 2004 - 2008

A growth in TFP will contribute to the economic growth. Technology development, better management, skills upgrading and ICT are the major factors that contribute to a higher TFP of the manufacturing sector. TFP has been highly emphasised in the Third Industrial Master Plan (IMP3), in which contribution of TFP to the manufacturing sector's output is targeted at 43.3 per cent while contribution of labour and capital are targeted at 23.7 per cent and 33.1 per cent respectively. The contribution of TFP is expected to remain at a high level as industries rationalise their activities and improve production processes.

The current global economic slowdown had compelled the manufacturing sector to upgrade their production processes as well as human resources' capability in producing higher value added outputs. Strengthening the efficiency of both human and capital factors is necessary to boost the TFP of the sector.

During the period 2004 - 2008, the TFP of the manufacturing sector grew by 2.1 per cent. This growth was attributed to capital structure, improvement in the quality of labour, demand intensity and technical progress. Capital structure

Chart 7.10:
Sources of TFP Growth in Manufacturing, 2004 - 2008



Source: Malaysia Productivity Corporation

contributed 10.4 per cent to TFP growth due to higher investments in automation and modernisation as well as expansion of ICT applications.

Modern manufacturing environment is both dynamic and complex, and skilled labour is fast becoming an important factor which determines TFP growth. Training and development of employees need to be enhanced to sustain competitiveness. Quality of labour contributed 26.2 per cent to TFP growth and is expected to increase within the next five years.

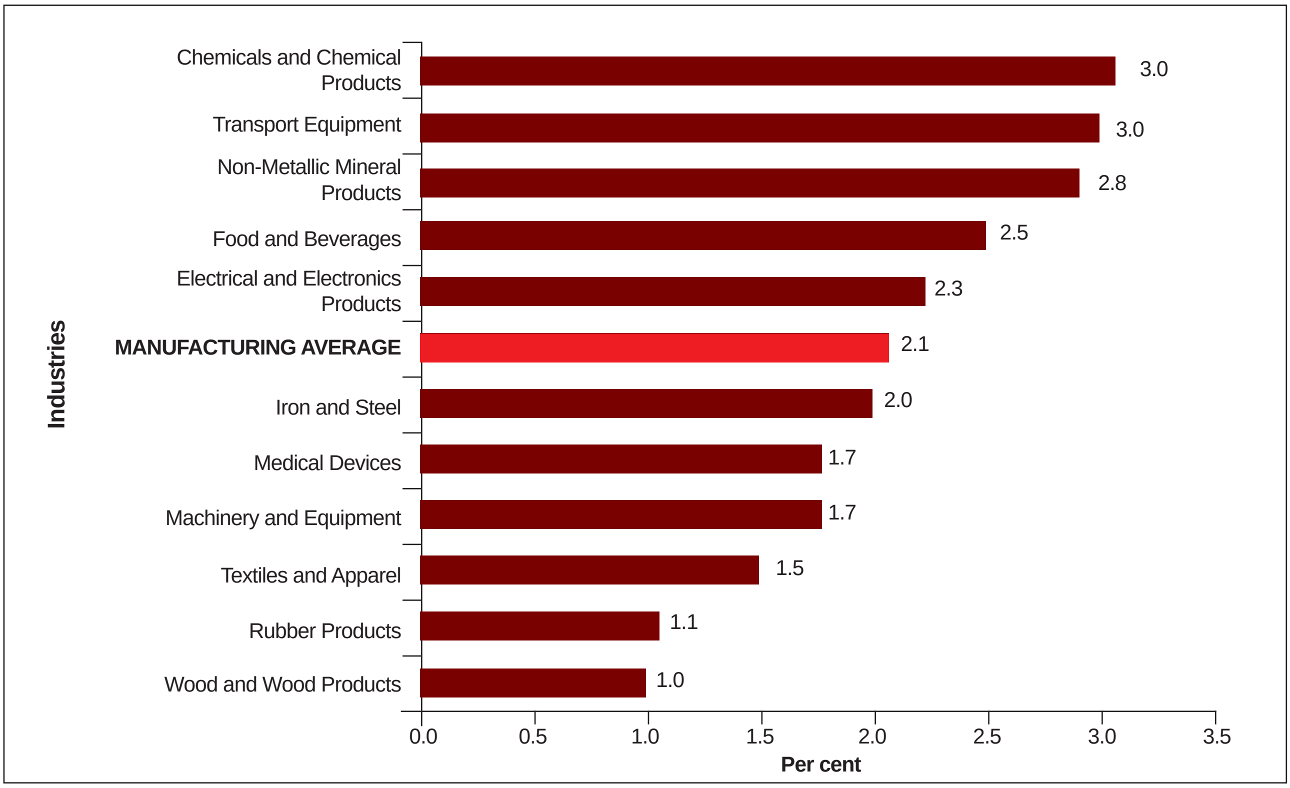
Demand intensity accounted for 44.9 per cent of TFP growth during the period. The increase in domestic and external demand for products and services had led to a higher utilisation of available capacity. Market share improved with better quality products, branding and innovation. Slow global demand requires industries to re-strategise their business operations and develop better quality and more innovative products.

Technical progress, another source of TFP growth, contributed 8.6 per cent to TFP. Modernised automation processes, creativity and innovation, as well as the emplacement of effective management and organisational systems are examples of technical progress that could further enhance the sector's TFP growth.

TFP Growth of Selected Manufacturing Sub-Sectors, 2004 - 2008

Manufacturing industries that registered growth which is higher than the manufacturing sector's average were chemicals and chemical products (3 per cent), transport equipment (3 per cent),

Chart 7.11:
TFP Growth of the Manufacturing Sub-Sectors, 2004 - 2008



Source: Malaysia Productivity Corporation

non-metallic mineral products (2.8 per cent), food and beverages (2.5 per cent) and E&E (2.3 per cent). High TFP growth in both the chemicals and chemical products as well as the transport equipment industries was the result of capital intensive processes and a highly skilled workforce employed by the sector.

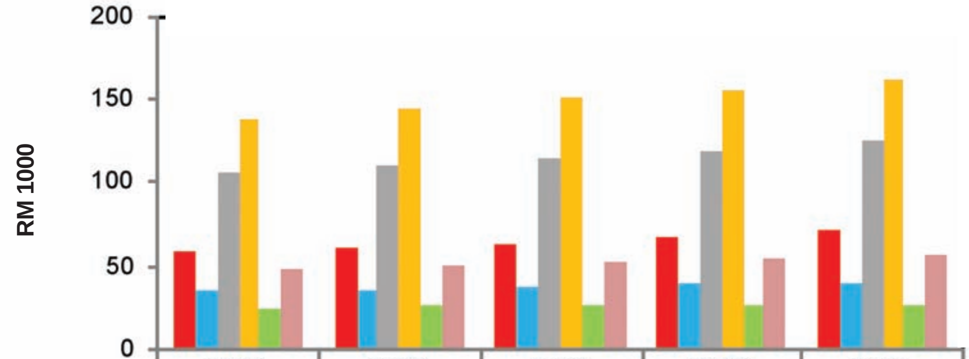
PRODUCTIVITY PERFORMANCE OF THE SERVICES SECTOR

The services sector recorded a productivity growth of 3.3 per cent to register a productivity level of RM56,139 in 2008, from RM54,374 in 2007. This growth was driven by sustained domestic consumption and trade related activities. The productivity of the transport sub-sector recorded a 4.5 per cent growth to RM70,607. The growth was sustained due to continuous upgrading and maintenance of infrastructure, increase in travel and trade-related activities in the maritime transport services, public transport facilities and air transport at competitive prices.

The utilities sub-sector grew by 4 per cent to RM162,606 in 2008. Sustained demand from industrial, commercial and household activities contributed to the improvement in productivity.

The finance sub-sector grew by 4.2 per cent to RM124,262. This was due to the expansion of activities from increased lending and fee-based activities, sustained demand from stable interest rates for households and business financing, and insurance activities from medical and health insurance. The growth in this sub-sector was also attributed to the expansion of Islamic financing facilities and the introduction of new banking products and services using ICT applications.

Chart 7.12:
Productivity Level of the Services Sub-Sectors

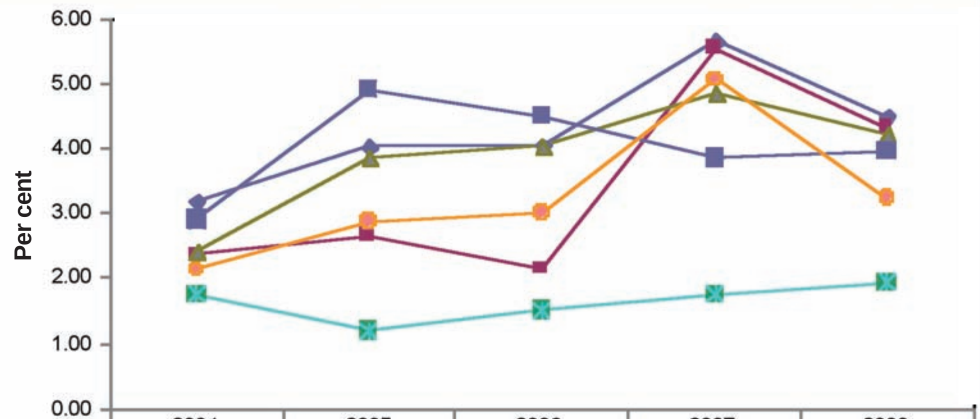


	2004	2005	2006	2007	2008
Transport	59.1	61.4	63.9	67.6	70.6
Trade	34.7	35.6	36.4	38.4	40.1
Finance	105.2	109.3	113.7	119.2	124.3
Utilities	137.3	144.9	150.6	156.4	162.6
Other Services	25.2	25.5	25.9	26.4	26.9
Services Average	48.8	50.2	51.8	54.4	56.1

Year

Computed from: - Economic Report, Ministry of Finance, Malaysia
- Economic Planning Unit, Malaysia

Chart 7.13:
Productivity Growth of the Services Sub-Sectors



	2004	2005	2006	2007	2008
Transport	3.2	4.0	4.1	5.7	4.5
Trade	2.4	2.7	2.2	5.5	4.3
Finance	2.4	3.9	4.1	4.9	4.2
Utilities	2.9	4.9	4.5	3.9	4.0
Other Services	1.8	1.2	1.5	1.8	1.9
Services Average	2.1	2.9	3.0	5.1	3.3

Year

Computed from: - Economic Reports, Ministry of Finance, Malaysia
- Economic Planning Unit, Malaysia

The trade sub-sector registered a productivity level of RM40,027 in 2008 with a growth of 4.3 per cent. This growth was due to higher domestic consumption, increased investments, higher tourist expenditure, extended business operating hours of major shopping outlets and attractive medical packages for tourists.

TOTAL FACTOR PRODUCTIVITY OF SELECTED SERVICES SUB-SECTORS, 2004 - 2008

During the period 2004 - 2008, TFP growth was 1.6 per cent of the services sector, contributing to the sector's output growth by 7.7 per cent. Two main sources of the output growth were capital growth of 3.9 per cent and labour growth of 2.9 per cent. The transport sector registered a TFP growth of 1.4 per cent contributing 19.4 per cent to output growth. The improvement was due to efficient utilization of equipment, application of cost effective operating systems, as well as better linkages of the supply chain among transport operators.

The trade sector recorded a TFP growth of 3.8 per cent and accounted for 42.2 per cent of output growth, with capital and labour contributing 33.4 per cent and 24.4 per cent respectively. The growth was attributed to the adoption of good marketing strategies and efficient delivery system of goods and services by both wholesalers and retailers to meet the changing expectations and needs of customers.

The finance sector recorded a TFP growth of 2 per cent during the period 2004 - 2008 and contributed 24.4 per cent of output growth, while capital and labour contributed 59.1 per cent and 16.6 per cent respectively. This growth was attributed to both business resilience and regulatory measures undertaken by the government to reshape the financial landscape to enhance the sector's competitive capabilities.

OUTLOOK

For 2009, the growth in the economy will be driven mainly by the services and manufacturing sectors. With a weak external sector, domestic demand is expected to assume a greater role in driving economic growth. This scenario calls for concerted efforts in productivity and quality enhancement initiatives such as integrating work processes, utilising higher technology, improving management systems, strengthening human resource capabilities, and nurturing creativity and innovation at all levels. With productivity initiatives undertaken to minimise the

Table 7.2:
TFP Growth and Contribution (2004 - 2008)

Sub-Sector	TFP Growth (%)	Output Growth (%)	Capital Growth (%)	Labour Growth (%)	Contribution to Output Growth		
					TFP (%)	Capital (%)	Labour (%)
Services	1.6	7.7	3.9	2.9	20.4	51.2	28.3
Transport	1.4	7.4	3.8	2.2	19.4	51.1	29.4
Trade	3.8	9.1	3.0	2.2	42.1	33.5	24.4
Finance	2.0	8.3	4.9	1.4	24.4	59.1	16.6
Other services	0.7	4.7	1.5	2.5	15.0	31.8	53.2

Source: Malaysia Productivity Corporation impact of the global economic slowdown, the economy is projected to achieve a productivity growth of more than 1 per cent.

The services sector (comprising the trade, transport and finance sub-sectors) is expected to achieve a productivity growth of 2.8 per cent. The productivity of the finance sector is expected to grow by more than 3 per cent while the transport and trade sectors are expected to grow by more than 2.5 per cent and 2 per cent respectively. The growth will be supported by household spending and improvement in the tourism sector. The sector will also benefit from ICT and Islamic finance.

Manufacturing sector productivity is expected to achieve a lower productivity growth of 0.5 per cent due to a softening of the external sector. The sector is expected to weaken due to a decreasing demand for electrical and electronic products. Some industries that are expected to achieve growth are food and beverages, non-metallic minerals products, chemicals and chemical products, iron and steel, transport equipment and machinery and equipment.

Table 7.3:
Expected Productivity Growth, 2009

National/ Economic Sectors	Productivity Growth (%)
Malaysia	**1.0 - 1.2**
Manufacturing	0.5 - 1.1
Utilities	3.5 - 3.8
Transport	2.5 - 3.0
Trade	2.0 - 2.3
Finance	3.0 - 3.7
Other Services	1.0 - 1.2

Box Article 7.1 : MALAYSIA'S COMPETITIVENESS PERFORMANCE

The International Institute for Management Development (IMD) describes a country's competitiveness primarily as the ability of a nation to create and maintain an environment for wealth creation.

Based on the IMD World Competitiveness Yearbook (WCY) framework, the competitiveness position of a country is influenced by four competitive input factors, namely Economic Performance, Government Efficiency, Business Efficiency and Infrastructure.

Economic Performance indicates the macro-economic evaluation of the domestic economy and comprises indicators related to Domestic Economy, International Trade, International Investment, Employment and Prices. Government Efficiency measures the extent to which government policies are conducive to competitiveness and covers criteria related to Public Finance, Fiscal Policy, Institutional Framework, Business Legislation and Societal Framework. Business Efficiency shows the extent to which the national environment encourages enterprises to perform in an innovative, profitable and responsible manner. This factor comprises indicators related to Productivity and Efficiency, Labour Market, Finance, Management Practices and Attitudes and Values. The Infrastructure input factor measures the extent to which basic, technological, scientific and human resources meet the needs of business and encompasses Basic Infrastructure, Technological Infrastructure, Scientific Infrastructure, Health and Environment and Education.

In 2008, the WCY ranked Malaysia at 19th position in overall performance out of 55 economies (2007: 23rd). Malaysia has overtaken the United Kingdom which was ranked at 21st position (2007: 20th) and Estonia 23rd (2007: 22nd). Malaysia continued to be ahead of Japan which was ranked 22nd (2007: 24th), Thailand (27th, 2007: 33rd) and Republic of Korea (31st, 2007: 29th). United States of America, Singapore, Hong Kong SAR, Switzerland and Luxembourg ranked in the top five among the 55 economies.

Malaysia recorded an improvement in ranking for all the four competitiveness input factors among the 55 economies. This was due to the higher growth achieved with stronger macroeconomic fundamentals and enhanced investor confidence. In terms of Economic Performance, Malaysia improved to eighth position (2007: 12th), Government Efficiency, ranked 19th (2007: 21st), Business Efficiency rose to 14th (2007: 15th) and Infrastructure ranked 25th (2007: 26th).

For the population greater than 20 million category, Malaysia improved its competitiveness ranking to seventh position among 29 economies (2007: eighth). Among others, Malaysia was more competitive than the United Kingdom, Japan, France, Thailand, India and the Republic of Korea.

In the GDP per capita less than US$10,000 category, Malaysia maintained its strong placing at second position for the third consecutive year, among 20 economies after the People's Republic of China. Malaysia was ahead of Thailand, India, Philippines, Russia, and Turkey.

In the Asia-Pacific region, Malaysia has maintained its seventh position among 13 economies for the second consecutive year. Malaysia remains more competitive than Japan, Thailand, India, Republic of Korea, Philippines and Indonesia in this category.

The diagram below shows Malaysia's performance in WCY 2008 based on the various categories.

Malaysia's Competitiveness Performance

Various Category	2008	2007
Overall Global Ranking	19	23
Asia-Pacific Region	7	7
Countries with GDP per capita less than US$10,000.00	2	2
Population greater than 20 million	7	8

4 factors (By Overall)	2008	2007
Economic Performance	8	12
Government Efficiency	19	21
Business Efficiency	14	15
Infrastructure	25	26

4 Factors (By Population Size)	2008	2007
Economic Performance	4	6
Government Efficiency	6	6
Business Efficiency	5	4
Infrastructure	10	10

IMD has noted that the challenges faced by Malaysia in meeting the needs of a competitive economy are as follows:

- Achieving a customer-centric, innovative and proactive public service;
- Nurturing innovative and resilient small and medium-sized enterprises to make them more dynamic;
- Leveraging on public-private partnerships to move the economy up the value chain;
- Raising the innovative and creative capacity of human capital for the knowledge-based economy; and
- Enhancing the scientific and technological infrastructure to meet the needs of a competitive economy.

Box Article: 7.2 BENCHMARKING FOR COMPETITIVENESS

Global competitiveness is of paramount importance to any organisation worldwide. Organisations must continuously improve their processes, as customers demand a higher level of quality in any product or service. For decades, many organisations have focused their quality efforts on their end products or services rather than on the processes used in day-to-day operations that create these products and services. Excellent organisations around the world have been focusing on continuous improvements of the core business processes within the organisations to achieve the most meaningful, long term improvement in terms of products and services and sustained profitable business.

As process improvement is important to be implemented by all organisations in meeting the challenges of the global marketplace, benchmarking approach may assist organisations towards attaining a superior performance and ultimately build their competitive advantage. It is a proactive process and a structured approach to improve operations towards achieving higher performance. Through benchmarking, organisations can add value to their products and services to enhance their competitiveness in meeting customer needs and expectations. Companies will base on appropriate benchmarks when implementing the benchmarking approach, in setting any accurate and reasonable standard of performance. These targets may drive the organisations towards improving all operational aspects including financial, customer, learning and growth and internal process aspects.

The improvement process does not stop at this stage as organisations need to learn and share best practices from the best-in-class organisations and adapt these best practices in their workplace environment. This sharing culture should be encouraged and imbibed, for a rapid and efficient transfer of best practices which can assist organisations to embark on their continuous improvement journey.

As such, Malaysia Productivity Corporation (MPC) has introduced an index which is known as the Malaysia Benchmarking Index (MBI) to speed up the process of establishing benchmarks. This Index will allow organisations to benchmark against local and international benchmark, and enable them to identify their own weaknesses as well as opportunities. This approach will also guide organisations to align their business activities to their vision and strategy, improve internal and external communications, and monitor company performance against strategic goals.

In the MBI, there are four elements or performance management perspectives namely financial, customer, learning and growth and internal process. Each of these elements contain specific key performance indicators (KPIs) representing different focus areas of analysis. For the individual enterprises, MBI can help them to:

i) diagnose their strengths and weaknesses, thus helping to improve productivity and competitiveness;

ii) highlight opportunities for growth and competitive advantage;

iii) provide a broad review of their performance based on key performance drivers;

Figure 1:
Example of MBI Individual Benchmarking Report

Ratios		Relative	Your actual	Weakest	Weak	Median	Strong	Stronger
24	Average Order Value (RM)	18	4237.9	1422	6015	11343	21470	98208
25	Customer Growth (%)	6	2.5	0.8	6.3	10.8	19.5	40.2
26	Complaints Per Customer (#)	100	0.1	8.2	1.8	0.8	0.4	0.1
27	Complaints Per Order (%)	56	1.9	11.7	4.0	2.4	1.0	0.3
28	Delivery Schedule Deviation (%)	84	1.0	35.0	10.0	4.1	1.7	0.0
29	Percentage of Orders Rejected During Warranty Period (%)	65	0.3	6.0	2.0	0.8	0.0	0.0

iv) expand themselves and design a plan of action to improve their performance; and

v) build and understand performance levels that are possible based on what real businesses are achieving.

The MBI process is simple, practical, and centres on the completion and analysis of an in-depth questionnaire aimed at gathering the performance information of a company across all key business areas. Information and data from participating organisations are treated with very strict confidence. This data will become the input for the MBI database where it is used to provide an organisation with performance comparisons against other organisations in the same industry which ultimately highlights the organisation's strengths and weaknesses. Once this is done, the organisation is well prepared to develop its strategy for the future.

The desired end result of benchmarking is change. Benchmarking involves seeing a need to change, discovering what to change, learning how to change it, and developing a vision of the future state. To change, organisations must be willing to change and adapt, share information with others, be open to ideas from the outside, and focus on 'how to change'. Organisations must be prepared to get away from the conservative methods of business management to face the challenges as well as to seize opportunities from the knowledge economy. Adopting efficient and effective ways of doing businesses using MBI and by embarking on a continuous improvement initiative will collectively translate into positive results in the form of value creation, revenue generation and overall competitiveness.

CHAPTER 8 : WORLD TRADE ORGANISATION

OVERVIEW

The Doha Round of world trade negotiations launched in Doha, Qatar in November 2001 continued to be the major focus of work of the World Trade Organization (WTO). The year 2008 saw intensification of efforts by WTO Members to expedite negotiations for an early conclusion of the Doha Round. A series of meetings in various formats were held to narrow the gaps in positions among Members on core issues.

Negotiations were focused on securing agreement on the modalities in agriculture and non-agriculture market access (NAMA). In line with the comprehensive coverage of the Round, focus was also given to other outstanding areas under the Doha Round such as services, trade facilitation, trade and development, as well as revision of WTO rules particularly relating to the Anti-dumping and the Subsidies and Countervailing Measures Agreements.

Although a July 2008 Informal Ministerial Meeting ended in a deadlock over divergences on agriculture, considerable progress was made in narrowing differences on the key issues in this negotiating area as well as NAMA. Technical consultations on agriculture and NAMA issues culminated in the revised draft text modalities by the Chairs of these two Negotiating Groups. These draft texts were expected to be the basis for further negotiations in 2009 to facilitate the finalisation of agriculture and NAMA modalities.

A Services Signalling Conference held in July 2008 provided the forum for Ministers to gauge progress on market access negotiations in services and to exchange indications of their own new and improved prospective commitments for the Doha Round. While the signals exchanged were important in measuring progress, they would not necessarily represent the final outcome of the negotiations but would provide comfort to Members on the potential package of commitments in the services negotiations.

AGRICULTURE

In 2008, emphasis was on concluding the agriculture modalities. While this resulted in revisions of the draft modalities on 8 February, 19 May, 10 July and 6 December 2008, the modalities could not be finalised as no agreement was reached on critical major outstanding issues. A mini-ministerial meeting held in July 2008 also failed to achieve agreement on the modalities.

The agriculture negotiations continued to focus on narrowing differences among Members on the key areas of :

- improving market access for agriculture products through tariff reduction or elimination;

- subsidies (domestic support) provided to the agriculture sector, in particular by developed Members are reduced to ensure that products without subsidies can compete fairly; and

- eliminating export subsidies and improving disciplines relating to export financing support.

Market Access

In the area of market access, agriculture negotiations focused on the quantum of tariff reduction for agriculture products, and the limited flexibilities needed to safeguard Members' interest.

Tariff Reduction

On the formula to reduce the overall tariff of agriculture products, there was agreement among Members in 2005 for the tariff reductions to be undertaken based on a 4-band approach, with higher tariffs subject to greater reductions. Developing countries would undertake one-third lesser reductions than developed countries. Malaysia is supportive of higher reductions in agriculture tariffs. Negotiations were undertaken based on the proposed bands as follows:

Developed countries		Developing countries	
Tariff Bands (%)	Reduction (%)	Tariff Bands (%)	Reduction (%)
0 - 20	50	0 - 30	33.3
>20 - 50	57	>30 - 80	38.0
>50 - 75	64	>80 - 130	42.6
> 75	70	> 130	46.6

Flexibilities

Flexibilities are provided for two groups of products, namely sensitive products and special products, which will take lesser tariff reductions than those required under the overall formula for tariff reduction.

Sensitive Products

Members can designate selected products as sensitive products. However, additional market access would have to be offered for these products through additional quotas as compensation for taking lesser reductions. Members agreed that the formula for designating sensitive products would be as follows:

- developed countries would be allowed to designate up to 4 per cent of the Member of total agriculture tariff lines, and an additional 2 per cent of tariff lines would be permitted if more than 30 per cent of tariff lines are in the top band (higher reduction) of the tariff reduction formula, but would be required to provide additional quota; and

- developing countries would be allowed one-third more tariff lines than developed countries.

Products with final duties exceeding 100 per cent for developed countries and 150 per cent for developing Members after undertaking the agreed reductions, will need to be compensated through an additional expansion of their quotas.

While there was emerging consensus on the formula for selection of sensitive products, further deliberation were needed in:

- request by some Members for additional products to be designated as sensitive products and the quantum of quota expansion needed as compensation;

- treatment to be accorded to non-sensitive products with tariff exceeding the 100 per cent tariff cap and the compensation for such flexibility; and

- creation of new tariff rate quota (TRQ) products, for products currently not listed as TRQ products.

Special Products

Developing Members are also allowed to designate products as Special Products (SP) for reasons of food security, livelihood security and rural development. These products will undertake lesser tariff reductions than those required under the overall tariff reduction formula.

Members have reached convergence on SPs where 12 per cent of total agriculture tariff lines can be designated as special products, with an average overall tariff reduction of 11 per cent. From the 12 per cent tariff lines, 5 per cent will be allowed zero reduction.

Safeguard

A Special Safeguard Mechanism (SSM) had been agreed to allow developing countries to undertake safeguard measures to temporarily protect domestic producers from sudden import surges and price declines. Members however continued to deliberate on the elements of the SSM, including its duration, trigger points, frequency of usage and whether remedy in terms of additional duties to be imposed can exceed the Uruguay Round bound tariff.

Domestic Support (Subsidies)

The Hong Kong Ministerial Conference in 2005 had agreed to a 3-band formula to reduce subsidies. In 2008, the European Commission (EC), Japan and the United States of America (USA) as major providers of subsidies in agriculture had arrived at an emerging convergence on the formula for reduction as follows:

Band	Subsidies (US$ billion)	Reduction (%)	Countries
1	> 60	80	EC
2	10 - 60	70	US/Japan
3	< 10	55	Others

With a 70% reduction, the USA will reduce its overall trade distorting domestic support (OTDS) from US$48.2 billion to US$14.5 billion, while the EC with an 80% reduction will reduce OTDS from US$147.1 billion to US$29.4 billion.

NON-AGRICULTURE MARKET ACCESS

The NAMA negotiations deal with market access for all products not covered by the agriculture negotiations. These include manufactured products, fuels and mining products, fish and fish products, and forestry products.

Negotiations aim to reduce or eliminate tariffs and non-tariff barriers for non-agricultural goods, particularly on products of export interest to developing countries. The product coverage shall be comprehensive, without prior exclusion.

In 2008, efforts to move forward the NAMA negotiations were focused on clarifying technical issues and narrowing differences among Members on key areas namely:

- coefficients for tariff reduction formula;
- flexibilities in tariff reduction for developing countries; and
- sectoral liberalisation initiatives.

Coefficients for Tariff Reduction Formula

The tariff reduction formula under negotiation would result in steeper tariff reduction for tariff lines with higher tariffs. In 2008, there was an emerging consensus between Members on the degree of tariff reduction to be undertaken by developed and developing countries. The latest NAMA's draft modalities dated 6 December 2008 reflected this apparent consensus where the coefficient for developed Members was proposed to be eight and developing members were given the flexibility to choose either coefficients of 20, 22 or 25.

Malaysia wants meaningful improvements in market access for its exports of manufactured goods through reductions in the tariffs of other Members. Malaysia is supportive of the proposed coefficients for developed and developing Members.

Flexibilities in Tariff Reduction for Developing Countries

At the Hong Kong Ministerial Conference in December 2005, Ministers agreed to two options:

- allowing 10 per cent of total non-agriculture tariff lines to undertake only half of the overall reduction rate (tariff cut); or

- exempt 5 per cent of tariff lines from any tariff reduction commitments.

Throughout the year 2008, further progress was made on the degree of flexibility to be accorded to developing countries in implementing their tariff reductions. The latest revision of the NAMA draft modalities dated 6 December 2008 proposed that developing members be given the flexibility to choose various options of the coefficients and flexibilities. For example, developing Members opting for a coefficient of 20 would be allowed to implement half of formula cuts to 14 per cent of tariff lines, subject to a limit of 16 per cent of import value.

Sectoral Liberalisation Initiative

The sectoral tariff reduction initiative aims to reduce or, where appropriate, eliminate tariffs in particular sectors. The reduction is over and above that which would be achieved by the formula modality. Participation in sectoral initiatives is non-mandatory and a supplementary modality to the NAMA negotiations.

Currently, the sectoral initiative is being pursued in 14 sectors namely automotive and related parts, bicycles and related parts, chemicals, electrical and electronics products, fish and fish products, forestry products, gems and jewellery products, raw materials, sports equipment, healthcare, pharmaceutical and medical devices, hand tools, toys, textiles, clothing and footwear, and industrial machinery.

Proponents of this initiative are particularly keen to have major developing Members such as Brazil, the People's Republic of China, and India to participate in the sectors where they have strong trade interests.

On the other hand, these countries reiterated that the sectoral initiatives are non-mandatory and supplementary to the main modalities with no linkage to the prospective tariff reduction level Members especially developing countries are expected to take.

SERVICES

Negotiations on services focused on:

- higher levels of market access liberalisation;

- developing disciplines on domestic regulation; and

- rules-making in the areas of emergency safeguard measures, government procurement and subsidies.

Market Access

In 2008, negotiations on market access for the liberalisation of the services sector continued along two tracks. The first track involved the organisation of three bilateral sessions in March, May and July and a Services Signalling Conference on 26 July 2008.

The objective of the bilateral meetings was for Members to engage in detailed and substantive exchanges on improvements in market access commitments. Malaysia participated in 23 bilateral meetings involving countries such as the USA, the EC, Australia, Canada, Japan, the Republic of Korea, New Zealand and Switzerland.

The Ministerial Services Signalling Conference on 26 July 2008 was held among 31 selected Members, including Malaysia, to gauge progress in the services request-offer modalities negotiations. At the Conference, Members pledged to make new offers and improve existing commitments including in business services, telecommunications services, environmental services, financial services, maritime services, private education services and temporary movement of natural persons.

The second, parallel track of services negotiations involved negotiation of draft proposals by major demanduers in services to set guidelines for the way forward and new timelines for the submission of the second round of revised offers. No consensus was reached on these issues.

Domestic Regulation

Negotiations on domestic regulation were based on the draft text 23 January 2008. Disciplines would be introduced in these areas to facilitate trade in services by ensuring that measures relating to licensing requirements and procedures, qualification requirements and procedures, and technical standards provide greater transparency and do not constitute disguised barriers to trade. Although divergences persist in several areas, Members supported the Chair's proposal to consolidate and formalise the draft text.

Rules

Negotiations on Rules cover emergency safeguard measures (ESM), government procurement (GP) and subsidies. In 2008, little progress was made in the rules area.

Emergency Safeguard Measures (ESM) allows a Member to temporarily withdraw or modify its General Agreement on Trade in Services (GATS) specific commitments in order to temporarily safeguard its domestic industry against any serious injury or threat. Although ESM in services was initially targeted to be implemented in 1998, negotiations on ESM made slow progress.

Malaysia and other ASEAN countries consider ESM important to ensure that there would be adequate provisions to mitigate the impact of liberalisation in the services sector.

Negotiations on subsidies focused on information exchange and developing a working definition on subsidies for trade in services as currently the GATS does not impose any discipline on government procurement in services. Discussions on GP and subsidies have made little progress.

TRADE FACILITATION

The Negotiation Group on Trade Facilitation focused on developing a new Agreement on Trade Facilitation aimed at establishing greater transparency, efficiency and procedural uniformity of cross border transportation of goods.

In 2008, Members continued intensive negotiations and technical discussions to clarify issues on the various draft textual proposals submitted by Members with regard to:

- freedom of transit of goods (Article V of the General Agreement of Tariff and Trade (GATT)) 1994;
- publication and administration of trade regulations (Article VIII);
- fees and formalities related to importation and exportation (Article X); and
- special and differential treatment (S&D), as well as technical assistance and capacity building in the implementation of proposed measures.

Freedom of Transit of Goods

Negotiation on Article V provides for non-discriminatory treatment with regard to the means of transport goods in transit and routes chosen for transportation of goods. Land-locked countries such as Switzerland, Mongolia and Georgia continued to push for transparent and non-arbitrary rules, including charges to ensure they remain competitive in international trade. Members had mixed views on the question of including fixed infrastructure e.g. pipelines and electricity grids in the definition of traffic in transit.

Fees and Formalities Connected to Importation and Exportation

Negotiation on Article VIII of the GATT 1994, for the simplification of fees and formalities to expedite the movement, release and clearance of goods, showed good progress.

Members had in general shown some flexibility in accepting the draft language for the obligations, among others relating to designating authorised traders, border agency coordination and periodic review of the said charges. These measures will facilitate and enhance movement of goods and thereby reduce the cost of doing business.

Publication and Administration of Trade Regulations

Negotiation on Article X provided for the need to enhance transparency in the import, export and transit of goods, including appeal procedures relating to international trade transaction. The main objective was to enhance transparency which includes notification of fees and formalities and prior consultation on the proposed new rules and procedures, draft bills, laws and regulations to allow traders to be familiarise with them prior to enforcement.

Special and Differential Treatment And Technical Assistance and Capacity Building

In 2008, a major shift in the negotiations saw the majority of the least developed countries (LDC) building alliances with the developing countries particularly those in the Group-33 of which Malaysia is a Member. Members worked towards narrowing the differences in categorising the implementation of the proposed measures, and on the operation of technical assistance and capacity building as well as S&D treatment. Members have mixed views on the implementation of all proposed measures. Developing Members and the LDCs emphasised the need for difficult measures to be undertaken on a best endeavour basis, taking into account their capacity to implement these measures.

While there was substantive deliberation on the various proposals in 2008, no consolidated draft emerged from the negotiations. Malaysia fully supports the proposed new agreement on trade facilitation as an improved multilateral arrangement would benefit all Members in enhancing efficiency, transparency and predictability of rules relating to import and export.

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SPECIAL AND DIFFERENTIAL TREATMENT

The Doha Declaration states that S&D treatment shall be an integral part of all elements of the negotiations to enable developing countries to effectively, benefit from the outcomes of the Round and their specific development needs, including food security and rural development. The Committee on Trade and Development has been tasked to administer the implementation of the various S&D provisions in the WTO Agreements.

Special Session of Committee on Trade and Development

The discussions concentrated on bridging the differences among Members relating to the WTO agreement-specific proposals, monitoring mechanisms and S&D provisions in specific WTO Agreements.

On the agreement-specific proposals, discussions in 2008 focused on S&D treatment under :

- Agreement on Sanitary and Phytosanitary Measures (SPS) particularly Article 10.2 which relates to allowing a developing country a longer implementation period and Article 10.3 relates to request by developing countries for S&D treatment on the basis of financial, trade and development need; and

- Agreement on Import Licensing particularly Article 3.5 relates to import statistics for products subject to import licensing.

Discussion on the six proposals was largely confined to certain elements of the various proposals with no agreements reached. Members continued to deliberate on the elements of the monitoring mechanisms on the S&D provisions. Malaysia supports improving the effectiveness of the S&D provisions in the specific WTO Agreements.

TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

In 2008, discussions continued to focus on clarifying proposals submitted by Members in the key areas of:

- establishment of a multilateral register of geographical indications (GIs) for wines and spirits;

- extension of GIs to products other than wines and spirits; and

- amendments of the TRIPs Agreement to include provisions in the Convention on Biological Diversity (CBD) as a pre-requisite to patent applications.

Geographical Indications

In 2008, progress of negotiations on the issue of GIs was slow as Members remained divided on the registration system to notify GIs for wines and spirits and possible extension of the system to other products, as some Members do not want a mandatory and burdensome system.

TRIPs and CBD

Progress remained limited on the issue of amending the TRIPs Agreement in 2008, which required patent applicants to disclose the source and country of origin for the resources, either genetic or biological, and the traditional knowledge used in their inventions, as well as the element of benefit sharing which is in accordance with the provisions of CBD. Proponents such as India, Brazil and other mega-diverse countries continued to steer the discussions on this area.

TRADE AND ENVIRONMENT

Progress remained limited in the area of trade and environment negotiations, which continued to focus on issues relating to market access for environmental goods and services, namely:

- identifying the list of environmental goods of interest to Members for the purpose of tariff reduction or elimination; and

- exploring other options such as S&D treatment; transfer of technology and capacity building in order to enhance market access for environmental goods and services.

Malaysia prefers a balanced approach to the negotiation that will address environmental concerns while at the same time preserving the rights of developing countries to adopt measures in the interest of the environment.

RULES

The Negotiating Group on Rules aim to clarify and improve disciplines for anti-dumping (AD) and subsidies, including fisheries subsidies, which would entail amendments to the Agreement on Subsidies and Countervailing Measure (ASCM).

Negotiations in 2008 focused on several contentious issues. For AD, the key issues included zeroing, causation of injury, sunset review, anti-circumvention and lesser duty rule.

For subsidies, key issues discussed included definition of subsidy to further clarify the term ‘benefits’, factor in determining specificity, scope of prohibited subsidies and calculating the element of benefits. In addition, the proposals to create the disciplines for fisheries subsidies included prohibition of specific types of fisheries subsidies, provision for special and differential treatment for developing Members and new rules for fisheries management system.

While progress was seen in term of clarifying certain elements and definitions, no actual textual amendment has been made to the existing language in the agreements. Furthermore, in the current economic scenario, most Members raised concerns on the increase in trade remedy cases which is an indication of protectionist tendencies, complicating further the effort in further complexity in bringing the negotiation process forward.

ACCESSION TO THE WTO

In 2008, Ukraine and Cape Verde acceded to the WTO, increasing the WTO Membership to 153. Countries undergoing accession process into the WTO include Afghanistan, Azerbaijan, Bhutan, Bosnia Herzegovina Lao PDR, Sudan and Yemen.

TRADE POLICY REVIEW

The Trade Policy Review (TPR) mechanism in the WTO undertakes a periodic evaluation of Members’ trade policies and practices and their impact on the functioning of the multilateral trading system. For developed countries, the TPR is conducted once every two years, for developing Members between four to six years and for least-developed Members it is carried out over a longer period of time. From 1995 to 2008, a total of 254 reviews had been conducted, involving 135 Members.

In 2008, TPRs were conducted for 16 countries namely Switzerland and Liechtenstein, Dominican Republic, Jordan, Norway, the ROK, Barbados, Singapore, Oman, the USA, the People’s Republic of China, Mauritius, Madagascar, Brunei Darussalam, Mexico, Ghana and Pakistan.

Malaysia’s last TPR was conducted in 2006 with the next review to be held in January 2010. Malaysia has been working closely with the WTO Secretariat in responding to the questions submitted by the Secretariat as part of the TPR process.

TECHNICAL ASSISTANCE

In 2008, Malaysia organised two technical assistance programmes in collaboration with the WTO Secretariat :

- National Seminar on Rules (anti-dumping, safeguards and subsidies) held from 28 July to 1 August 2008; and

- National Seminar on WTO Agreements held from 3 to 7 November 2008.

In addition, four capacity building programmes were also organised in collaboration with United Nations Conference on Trade and Development (UNCTAD), the World Trade Institute and the ASEAN Secretariat. These programmes cover foreign direct investment and trends in investment rule-making, services trade and domestic regulation, trade policy and negotiations on environmental goods and services, and intellectual property rights.

The main objective of these capacity building programmes was to enhance the understanding and technical knowledge of government officials, the private sector and academia on WTO subjects and issues, and the on-going negotiations in the WTO, ASEAN and bilateral and regional Free Trade Agreements (FTAs). The knowledge obtained would assist the stakeholders in developing appropriate policies and official negotiating positions in international trade and trade negotiations especially in multilateral fora.

Malaysia also participated in nine technical assistance programmes conducted by the WTO and hosted by other Members. These programmes deal with trade policy and negotiations, services liberalisation, negotiations on non-agriculture market access, trade development, intellectual property rights and public health, WTO agreement on government procurement, market access on goods and import licensing procedures and negotiations on trade remedies.

OUTLOOK

The WTO World Trade Report 2008 forecasts that global economic growth is expected to decline considerably in 2009 due to the global crisis. Export-oriented countries, including Malaysia, are likely to be affected. Concluding the Doha Development Round remains the number one priority among Members, as it is viewed as one of the solutions to revitalise trade and overcome the decline in global economic growth.

There is commitment among the WTO Members to see a successful conclusion of the Round as this would send a political signal to the world that in these difficult times, governments can work together for a solution to avert aggravating the current global crisis. The conclusion of the Round rests on the leadership and political will of both key developed and developing countries to move the process forward by preserving and building upon the progress achieved thus far.

The WTO Director General reminded Members on the need to sustain their commitment to conclude the Doha Round in 2010 as trade liberalisation can be one of the solutions to overcome the decline in global economic growth. A successful conclusion would also provide the much needed boost for global growth and restore business confidence. In light of this, a Ministerial Meeting is expected in November 2009 to resume negotiations for the conclusion of the Doha Round.

Box Article 8.1 : **Dispute Settlement Understanding (DSU)**

In 2008, cases of major interest include:

I. **<u>China's Measures Affecting Imports of Automobile Parts</u>**

A case raised by the EC, the USA and Canada (the complainants) against the People's Republic of China.

The complainants alleged that the People's Republic of China imposed a duty of 25 per cent on auto parts that were imported by automobile manufacturers and used in the production or assembly of complete vehicles. The duty was imposed on imported auto parts after their assembly into motor vehicles. Currently the People's Republic of China's duty on auto parts is 10 per cent.

The WTO Appellate Body (AB) found and decided that the People's Republic of China had violated its National Treatment obligations by imposing the 25 per cent duty on imported auto parts, and hence rejected the People's Republic of China's justifications that the measure was necessary for a 'circumvention' of the tariff provisions for motor vehicles.

AB also agreed with the Dispute Settlement Body Panel's conclusion that accession commitments are fully enforceable in the WTO dispute settlement.

Based on this ruling, the People's Republic of China no longer can impose indirectly or directly, internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly to similar domestic products.

II. **Imposition of Import Duty by EU on Information Technology Agreement (ITA) Products**

The Dispute Settlement Body (DSB) has received an application from the USA, Japan and Taiwan to establish a Panel to consider the imposition of import duty on products under the Information Technology Agreement (ITA) by the European Union (EU).

Under the ITA, participants agreed to eliminate tariffs of products in their schedule of commitments. In May 2008, the EU reclassified three ITA products (multifunction printers, automatic data processing machines and flat panel displays) being excluded from the scope of the ITA and subjected to import duty. Reclassification by the EU was taken due to the technological advancement of production which allows additional functions in the original ITA products.

WTO Members reserving third party rights are some ASEAN members (Singapore, Thailand, Viet Nam and the Philippines), Australia, Costa Rica, Turkey, Brazil, the People's Republic of China, India, the ROK and Hong Kong SAR.

On 23 September 2008, the DSB agreed to the establishment of a Panel and on January 2009, the USA, Japan and Taiwan had requested the WTO to determine the composition of the Panel to undertake proceeding on this dispute.

CHAPTER 9 : ASEAN ECONOMIC COOPERATION

OVERVIEW

A significant milestone achieved by the Association of South East Asian Nations (ASEAN) in 2008 was the coming into effect of the ASEAN Charter on 15 December 2008. In line with this, a number of dialogue partners have appointed ambassadors to the grouping. The appointment of these ambassadors demonstrates the growing importance of ASEAN as a regional economic and political arrangement, and in its role on dealing with international issues.

At the same time, ASEAN Member States are appointing their respective Permanent Representatives (PRs) to the ASEAN Secretariat. The appointment of PRs will lead to a streamlining of meetings as well as, efficient and effective handling of ASEAN's internal community building and external linkages with dialogue partners, and other regional and international organisations.

The 14th ASEAN Summit which was scheduled to be held in December 2008 in Thailand was postponed and subsequently held in Hua Hin, Cha-am Thailand from 25 February - 1 March 2009. A major outcome of the Summit was the adoption of the Hua Hin Declaration on ASEAN Community, which reiterates the commitment of ASEAN Member States to achieve its vision of an ASEAN Community by 2015.

On the economic front, ASEAN concluded its free trade agreement (FTA) in goods with India, and Australia and New Zealand in 2008. The ASEAN-Japan Comprehensive Economic Partnership Agreement was signed on 14 April 2008, and had come into force for Malaysia and Japan on 1 February 2009. The ASEAN-Australia-New Zealand FTA that was signed on 26 February 2009 in Hua Hin Thailand is expected to come into effect in July 2009. The signing of the ASEAN-India FTA which was expected on 27 February 2009 has been deferred. The Protocol on the Accession of Thailand to the ASEAN-Korea Trade in Goods Agreement and the ASEAN-Korea Trade in Services Agreement were also signed by the ASEAN Economic Ministers on 27 February 2009 allowing Thailand to be a party to this FTA.

To facilitate and strengthen ASEAN's internal economic integration several key agreements were concluded in 2008 and signed in 2009, which include:

- ASEAN Trade in Goods Agreement (ATIGA);

- ASEAN Comprehensive Investment Agreement (ACIA); and

- Protocol to implement the 7th package of commitments under the ASEAN Framework Agreement on Services.

Bilaterally, Malaysia and Indonesia signed the Memorandum of Understanding (MoU) on the establishment of the Joint Trade and Investment Committee (JTIC) on 11 January 2008 during the Malaysia-Indonesia Annual Consultations in Putrajaya, Malaysia. The First JTIC Meeting was convened and hosted by Malaysia on 15 October 2008.

Despite the regional efforts to create a cohesive economic region, the global economic crisis which began in September 2008 cost all ASEAN Member States to revise their GDP growth rates downwards for 2008 and 2009. However, ASEAN, as a group remains confident that it can weather the crisis and continue to implement the measures identified in the

ASEAN Economic Community Blueprint to strengthen and deepen economic integration for the region.

TRADE

ASEAN Free Trade Area

Common Effective Preferential Tariff

ASEAN Member States continued to issue legal enactments under the Common Effective Preferential Tariff (CEPT) Scheme to reduce and eliminate import duties to fulfil their 2007 outstanding obligations as well as commitments that were due in 2008. As a result, the region witnessed substantial reduction in import duties for the benefit of intra-ASEAN trade. To a large extent, import duties are no longer seen as a barrier to enhancing intra-ASEAN trade as import duty for a substantial portion of intra-ASEAN trade is less than 5 per cent.

ASEAN-10 as a Group has eliminated import duties on 64 per cent of products, while a substantial number of the remaining products are tagged with duties ranging from 1 to 5 per cent. The average import duty for intra-ASEAN trade is 1.9 per cent in 2008.

ASEAN-6 has eliminated import duties on 85 per cent of products. The average tariff for intra-ASEAN trade involving the six Member States was down to 0.8 per cent in 2008 compared with 12.8 per cent in 1993. These six ASEAN Member States will constitute a regional free trade area on 1 January 2010 when import duties are completely eliminated, with the exception of very limited unprocessed agricultural products.

CLMV has placed 91.8 per cent of their products into the CEPT Scheme. Of this, in 2008, 89 per cent of the products attract duties ranging from 0 to 5 per cent. The average tariff for these four ASEAN Members States is 3.7 per cent, reduced from 4.4 per cent in 2007. These four ASEAN Member States will eliminate import duties completely in 2015.

Effective 1 January 2009, CLMV would be eliminating duties on ICT products according to their commitments in the second tranche elimination. However, only Myanmar and Viet Nam have issued legal enactments for elimination of duties on ICT products in the second tranche for effective implementation starting

Table 9.1:
Average of the CEPT Rates (per cent)

Member States	2007		2008	
	Number of Tariff Lines	Average Rate	Number of Tariff Lines	Average Rate
Brunei	9,924	0.73	9,924	0.73
Indonesia	8,619	1.66	8,620	0.99
Malaysia	12,474	1.04	12,201	0.95
Philippines	11,445	2.42	8,827	0.96
Singapore	10,705	0.00	8,298	0.00
Thailand	8,301	2.29	8,301	1.03
ASEAN-6	**61,468**	**1.32**	**56,171**	**0.79**
Cambodia	10,454	8.23	10,454	7.13
Lao PDR	10,023	1.80	8,015	1.28
Myanmar	10,611	3.47	10,615	2.83
Viet Nam	10,523	4.16	8,099	2.77
CLMV	**41,611**	**4.44**	**37,183**	**3.69**
ASEAN-10	**103,079**	**2.58**	**93,354**	**1.95**

Source: ASEAN Secretariat

1 January 2009. Cambodia issued the legal enactment in March 2009 while Lao PDR in April 2009 but will be retroactive to 1 January 2009.

Rules of Origin

To facilitate the expansion of intra-ASEAN trade, ASEAN Member States adopted Product Specific Rules of 'Change in Tariff Heading (CTH)' in 2008, as a co-equal rule to the CEPT general rule of the single criteria of a 'Regional Value Content of 40 per cent (RVC 40)'. Companies can now use the RVC 40 per cent or Product Specific Rules to qualify for preferential import duties under the CEPT Scheme.

Intra-ASEAN Trade

ASEAN's total trade amounted to US$1,636 billion in 2008, an increase of 22 per cent from US$1,341.5 billion in 2007. In terms of percentage, intra-ASEAN trade accounted for 23.6 per cent of global ASEAN trade.

In 2008, intra-ASEAN trade increased by 11 per cent to reach US$429.2 billion from US$386.5 billion in 2007. Intra-ASEAN exports increased by 7.4 per cent to US$235.5 billion in 2008 compared with US$219.3 billion in 2007. The highest intra-ASEAN export growth of 30.5 per cent was registered by Viet Nam, followed by Malaysia at 21.9 per cent.

Intra-ASEAN imports in 2008 were valued at US$193.8 billion, an increase of 9.3 per cent from US$177.1 billion in 2007.

ELIMINATION OF NON-TARIFF BARRIERS

Malaysia has removed import licence requirement for eight products such as cranes, bulldozers and road rollers effective 29 August 2008. The removal of the import licensing was in line with the decision of the ASEAN Ministers in 2006 which endorsed the adoption of a Work Programme to eliminate non-tariff barriers.

Table 9.2:
Number of Tariff Lines in the 2008 CEPT Package

Member States	Number of Tariff Lines				Percentage			
	IL	GEL	SL/HSL	Total	IL	GEL	SL/HSL	Total
Brunei (AHTN 2002)[1]	9,924	778	-	10,702	92.73	7.27	-	100
Indonesia (AHTN 2007)	8,627	96	9	8,732	98.80	1.10	0.10	100
Malaysia (AHTN 2007)	12,235	96	-	12,331	99.22	0.78	-	100
Philippines(AHTN 2007)	8,827	27	19	8,873	99.48	0.30	0.21	100
Singapore (AHTN 2007)	8,298	-	-	8,298	100.00	-	-	100
Thailand (AHTN 2007)	8,301	-	-	8,301	100.00	-	-	100
ASEAN-6	**56,212**	**997**	**28**	**62,523**	**99.44**	**0.51**	**0.06**	**100**
Cambodia (AHTN 2002)[2]	10,454	181	54	10,689	97.80	1.69	0.51	100
Lao PDR (AHTN 2007)	7,878	221	199	8,298	94.94	2.66	2.4	100
Myanmar (AHTN 2002)	10,615	51	23	10,689	99.31	0.48	0.22	100
Viet Nam (AHTN 2007)	8,099	201	-	8,300	97.58	2.42	-	100
CLMV	37,046	654	276	37,976	91.78	1.62	0.68	100
ASEAN-10	**93,258**	**1,651**	**304**	**95,213**	**95.55**	**1.69**	**0.31**	**100**

Source : ASEAN Secretariat

Note : [1]. GE products have been included with CEPT rates assumed = Most Favoured Nation (MFN)
[2]. Last tranche of Temporary Exclusion List (TEL) has been included with CEPT rates assumed = MFN
IL - Inclusion List,
TEL - Temporary Exclusion List
GEL - General Exception List,
SL - Sensitive List
HSL - Highly Sensitive List

Table 9.3:
Intra-ASEAN Trade

Member States	Exports				Imports			
	2007	2008	Change		2007	2008	Change	
	(US$ mil)	(US$ mil)	(US$ mil)	%	(US$ mil)	(US$ mil)	(US$ mil)	%
Total	**219,265.3**	**235,450.8**	**23,384.1**	**7.38**	**177,114.4**	**193,762.9**	**28,632.1**	**9.3**
Brunei	2,149.5	n/a	n/a	n/a	1,043.2	n/a	n/a	n/a
Cambodia	251.4	n/a	n/a	n/a	1,283.0	n/a	n/a	n/a
Indonesia	27,170.8	22,292.1	4,878.7	21.9	40,967.6	23,792.1	17,175.5	72.2
Malaysia	45,359.2	50,401	5,042	11.1	37,297.7	34,675	-2,622	-7.0
Lao PDR	310.1	n/a	n/a	n/a	532.2	n/a	n/a	n/a
Myanmar	3,427.7	3,853	426	12.4	1,413.1	1,728	315	22.3
Philippines	8,031.9	7,070	-962	-12.0	12,875.1	14,067	1,192	9.3
Singapore	95,332.5	101,477	6,145	6.4	66,020.3	69,878	3,858	5.8
Thailand	32,522.4	40,160	5,470	15.8	24,992.5	30,052	5,059	20.2
Viet Nam	7,813.3	10,197.7	2,384.4	30.5	15,916.1	19,570.8	3,654.6	22.96

Sources : ASEAN Secretariat and respective MITI offices in ASEAN
Note : [1] The figures are for the period of January-September 2007
[2] The figures are for the period of January-November 2007

Thailand has also removed the imposition of Tariff Rate Quota and import licensing requirement on three products namely textiles, sacks/bags of jute and potatoes.

The consolidated list of non-tariff measures applied by ASEAN Member States has been made publicly available on the ASEAN Secretariat website.

Efforts will be continuously undertaken to eliminate and remove measures that impede intra-ASEAN trade to achieve the objective of free flow of goods within the region by 2015.

Investment Flows into ASEAN

Through the implementation of various investment initiatives under ASEAN, the FDI inflows into ASEAN increased by 14.3 per cent to US$61.5 billion in 2007 from US$52.7 billion in 2006. The increase in FDI into ASEAN indicated that ASEAN remained a preferred destination for investors. FDI inflows were mainly to Singapore, with 41.1 per cent share of total FDI into the region, followed by Thailand (15.4 per cent), Malaysia (13.7 per cent), Indonesia (11.3 per cent) and Viet Nam (11 per cent).

In 2007, the major sources of foreign direct investments (FDI) in ASEAN were Japan (US$8.9 billion), the United Kingdom (UK) (US$5.5 billion), the United States of America (USA) (US$5.1 billion), the Netherlands (US$4.8 billion) and the Republic of Korea (ROK) (US$2.7 billion), which together contributed almost half of the total FDI inflows into ASEAN. The major sectors invested in ASEAN in 2007 were the services sector (financial intermediation and services, trade and commerce, construction, real estate and other services) which accounted for 52.9 per cent of total FDI inflows, and the manufacturing sector which accounted for 28.7 per cent.

ASEAN Outward Investments

Outward investments by ASEAN increased by 33.7 per cent to a total of US$33.5 billion in 2007 from US$22.2 billion in 2006. Outward investments were mainly from Singapore and Malaysia, which accounted for 36.8 per cent and 32.8 per cent respectively of the total ASEAN outward investments.

Malaysia's outward investments in 2007 increased to US$11 billion, from US$6 billion in 2006. Major investment destinations were Singapore, the Netherlands and Hong Kong SAR. Investments to ASEAN accounted for 11.8 per cent of total outward investments.

Intra-ASEAN Investments

Intra-ASEAN investments amounted to US$8.2 billion in 2007, an increase of 25.6 per cent from US$6.1 billion in 2006. These investments accounted for over 13.3 per cent of total FDI flows to ASEAN. The increase in intra-ASEAN investments reflected the growing integration of ASEAN economies. Singapore remained the leading source of intra-ASEAN investments, with a 70 per cent share valued at US$5.7 billion, followed by Malaysia (US$1.3 billion), Thailand (US$668.1 million) and Indonesia (US$217.4 million).

Malaysia's intra-ASEAN investment outflows in 2007 were mainly to Singapore, Thailand, Indonesia, Cambodia and Viet Nam. In 2007, Malaysia was the largest recipient of intra-ASEAN investments amounting to US$3.8 billion followed by Thailand (US$1.2 billion) and Indonesia (US$1.1 billion).

ASEAN Investment Area

In 2008, ASEAN intensified the efforts towards deepening intra-ASEAN economic integration as well as economic integration with its Dialogue Partners. In terms of deepening intra-ASEAN investment integration and in line with the aim of establishing the

Table 9.4:
Intra-ASEAN Investment Flows Year 2007

Source Member State	Host Member State (US$ million)										
	Brunei	Cambodia	Indonesia	Loa PDR	Malaysia	Myanmar	The Philippines	Singapore	Thailand	Viet Nam	Total
Total	**62.2**	**271.3**	**1,108.2**	**100.5**	**3,809.3**	**40.4**	**2.9**	**994.4**	**1,244.9**	**546.4**	**8,180.5**
Singapore	20.2	9.7	836.8	10.2	3,505.8	6.5	(5.4)	-	978.4	314.6	5,676.7
Malaysia	41.2	101.4	232.5	-	-	-	6.0	602.8	245.8	83.4	1,313.0
Thailand	-	61.9	37.8	86.0	277.4	33.9	1.2	41.1	-	128.8	668.1
Indonesia	0.7	-	-	-	(8.7)	-	1.1	214.7	6.7	2.8	217.4
Viet Nam	-	98.3	-	4.1	34.1	-	-	6.7	4.5	-	147.7
Philippines	0.1	-	1.1	-	0.7	-	-	76.6	6.6	-	85.1
Myanmar	-	-	-	0.2	-	-	-	65.0	1.0	-	66.2
Lao PDR	-	-	-	-	-	-	-	0.1	0.3	8.2	8.6
Cambodia	-	-	-	0.02	-	-	-	(0.7)	1.3	-	0.7
Brunei	-	-	-	-	(0.03)	-	-	(11.9)	0.3	8.5	(3.1)

Source : FDI Database, ASEAN Secretariat
Notes : (1) Unless otherwise indicated, the figures include equity and inter-company loans.
(2) Cambodia figures are estimated figures.
(3) Figures for the Philippines include reinvested earnings and inter-company loans.
(4) ( ) Indicates net outflows which include disinvestments of equity and repayment of inter-company loan.

ASEAN Economic Community (AEC), ASEAN Economic Ministers signed the ASEAN Comprehensive Investment Agreement (ACIA) on 26 February 2009, in Hua Hin, Thailand.

The ACIA (see box article page xx), which was based on international best practices, will extend benefits to ASEAN investors and to ASEAN-based foreign investors. This is aimed at making ASEAN the preferred destination for foreign direct investments and contributing towards increasing intra-ASEAN investments. The Agreement will come into force after all members of ASEAN have ratified and notified the Secretary General of ASEAN, which shall not take more than 180 days after the signing of this Agreement.

Apart from concluding the ACIA, ASEAN continued its work to implement programmes under the AIA in 2008 to enhance the ASEAN investment environment. ASEAN has reviewed and finalised the Temporary Exclusion List (TEL) and Sensitive List (SL) for Manufacturing, Agriculture, Fishing, Forestry, Mining and Quarrying and Services Incidental to these five sectors. The updated TEL and SL (as of February 2008) has been published in the ASEAN Secretariat's website.

ASEAN also participated in the promotional/facilitation activities under the 4th China-ASEAN Expo (CAEXPO), 28 - 31 October 2007 in Nanning, China. This event focused on facilitating and promoting investments between the People's Republic of China and ASEAN.

Capacity building programmes were also conducted to assist investment officials. Among the programmes conducted included the Workshop on Capturing Services Sector FDI Statistics in ASEAN, held on 28 - 29 April 2008 in Bandar Seri Begawan, Brunei and the Workshop on Investment Promotion Best Practices Programme for Investment Promotion Agencies (IPAs) of Cambodia, Lao PDR and Viet Nam in cooperation with ASEAN-EU.

In order to enhance the transparency of member countries' investment regime and provide information on investment opportunities in ASEAN, several publications were produced such as the 'ASEAN Investment Report 2007', 'Statistics of FDI in ASEAN 2007', 'Facts and Figures: Cost of Doing Business in ASEAN, 2008' and 'ASEAN Investment Map 2008'.

SERVICES

The services sector is a major and expanding component of the ASEAN economy and on average, it contributes about 40 to 50 per cent to an ASEAN Member State's GDP. In the last five years, ASEAN's trade in services has experienced double-digit growth, expanding by an average of 16.1 per cent between 2003 and 2007.

On 26 February 2009, the ASEAN Economic Ministers (AEM) signed the ASEAN Framework Agreement on Services (AFAS) Package 7 Protocol in Hua Hin, Thailand. The Protocol is part of the on-going commitments by ASEAN Member States to achieve the objective of free flow of services outlined in the AEC Blueprint.

Malaysia made further improvements in the 7th Package of commitments by offering 12 new sub-sectors for liberalisation. They are:

i. Packaging Services;
ii. Maritime Cargo Handling Services;
iii. Classification Societies (maritime);
iv. Protection of Ambient Air Climate;
v. Noise Abatement Services;
vi. Nature and Landscape Protection Services covering only contaminated soil clean-up and remediation;

vii. Public Opinion Polling Services;
viii. Storage and Warehousing Services;
ix. Maintenance and Repair Services of Computers;
x. Interdisciplinary Research and Development Services;
xi. Specialised Nursing Services; and
xii. Dental Services.

Malaysia has also made improvements in equity participation in the following sub-sectors:

i. Veterinary Services;
ii. Hotel, Tourist Resort and Restaurant Services - 4 and 5 star hotels;
iii. Travel Agency and Tour Operator Services;
iv. Convention Centre;
v. Theme Park;
vi. International Maritime Transportation Services (excluding cabotage);
vii. Vessel Salvage and Refloating Services;
viii. Maritime Agency Services;
ix. Maintenance and Repair Vessels; and
x. Wastewater Management.

Significant progress has been made in developing mutual recognition arrangements (MRAs) to facilitate intra-ASEAN movement of professionals.

The ASEAN Chartered Professional Engineers Coordinating Committee (ACPECC) has been established under the MRA on Engineering Services (signed in Kuala Lumpur on 9 December 2005). To date, the MRA on Engineering Services is the most advanced in its functioning, whereby it has reviewed and approved 107 applications for ASEAN Chartered Professional Engineer (ACPE) accreditation submitted by the Malaysian, Singaporean and Indonesian Monitoring Committees to be recognised as ASEAN Chartered Professional Engineers (ACPEs).

ASEAN also concluded three MRAs in 2008, namely MRA for Dental Practitioners, MRA for Medical Practitioners and Framework MRA on Accountancy Services.

The ASEAN MRA on Medical Practitioners and the ASEAN MRA on Dental Practitioners which were signed in Singapore on 25 August 2008, has established the ASEAN Joint Coordinating Committee on Medical Practitioners (AJCCMP) and the ASEAN Joint Coordinating Committee on Dental Practitioners (AJCCDP) as their institutional working framework.

Other ongoing efforts to promote MRAs include the exchange of data and information on Member Countries' legal framework, training standards, core competencies and equivalences, training programmes and the possibility of conducting the ASEAN nursing conference to further promote the profession.

SECTORAL COOPERATION

Agriculture

ASEAN Ministers for Agriculture and Forestry agreed that ASEAN needs to take a strategic and comprehensive approach in promoting and maintaining regional food security including catering for any emergency situations. In addition, the Ministers agreed on the need for increased food production within the region through innovation, increased productivity and simultaneously ensuring market efficiency and regional integration process. To pursue these objectives, the Ministers had adopted:

- The Comprehensive ASEAN Integrated Food Security (AIFS) Framework ; and

- The Medium Term Strategic Plan of Action on ASEAN Food Security.

The Ministers at their meeting in October 2008 also endorsed several ASEAN standards and plans namely:

a. ASEAN Phytosanitary (PS) Guidelines for the Importation of Rice-Milled;

b. ASEAN Harmonised Maximum Residue Limits (MRLs) for nine pesticides;

c. ASEAN Harmonised Standards for Guava, Lansium, Mandarin, Mangosteen and Watermelon;

d. ASEAN Standard Requirements for Inactivated E. coli Vaccine for Poultry, Live Swollen Head Syndrome vaccine, Inactivated Porcine Parvovirus vaccine, Porcine Mycoplasma Hyopneumoniae vaccine, and Porcine Actinobacillus Pleuropneumoniae bacterin;

e. ASEAN Criteria for Accreditation of Meat Processing Establishment; and

f. Work Plan for Strengthening Forest Law Enforcement and Governance (FLEG) in ASEAN (2008 - 2015).

ASEAN continue to pursue regional cooperation on agriculture, fisheries and forestry through:

- identification of measures to deal with mitigation and adaptation to climate change;

- enhancing cooperation under the ASEAN Plus Three on the East Asia Emergency Rice Reserve Pilot Project; and

- new activities under the second phase of the ASEAN Food Security Information System (AFSIS).

Finance

The Roadmap for 'Monetary and Financial Integration of ASEAN' (RIA-Fin) focuses on capital market development, liberalisation of trade in financial services, capital account liberalisation and currency cooperation.

Under the capital market development initiative, the ASEAN Finance Ministers agreed to establish a Medium Term Strategic Framework that systematically maps out action items to strengthen market linkages, market access and market liquidity.

The ASEAN Finance Ministers also agreed on the benefits of working with bond information providers to facilitate the widest possible dissemination of ASEAN bond markets data to enhance international investors' interest. Effort was also expended to promote alliances among ASEAN Exchanges and explore greater collaborative efforts towards enhancing market linkages and liquidity in the region.

With regard to insurance cooperation, ASEAN Member States indicated their commitment in sharing insurance statistics and agreed to submit the necessary statistical data to the ASEAN Secretariat within the agreed deadline. Improvement has been made in terms of the countries' efforts to provide the ASEAN Unified Form of Statistics. Moreover, Member States have generally upgraded their observance to the International Association of Insurance Supervisors (IAIS) core principles. Member States were also generally ready to implement the Blue Card Scheme which is pending ratification of all Protocols under the ASEAN Framework Agreement on the Facilitation of Goods in Transit.

During the year 2008, ADB provided the following assistance of:

- regional economic and financial monitoring between February - March 2008 and September - October 2008 (in collaboration with the ASEAN Secretariat) under the ASEAN Surveillance Process; and

- regional technical assistance and training programmes on the establishment and operation of Early Warning Systems to the ASEAN Plus Three (APT) countries.

ASEAN Finance Ministers recognised that infrastructure development is a critical driver in accelerating regional growth and integration and that the investment requirements can be met through more efficient intermediation of regional surplus savings as well as through attracting global capital and expertise. As the Chair of the ASEAN Infrastructure Financing Mechanism (AIFM) initiative, Malaysia hosted the AIFM Conference on 10 November 2008. The Conference was successful in gathering leading policymakers as well as global and regional private sector experts to underscore the region's commitment in generating innovative market-oriented solutions to promote higher levels of infrastructure development. The conference also served as a platform for public and private sector engagement to identify key issues and opportunities to strengthen the public-private sector partnership to accelerate the pace of infrastructure development in the region.

Information and Communications Technology

ASEAN currently has a comprehensive Information and Communication Technology (ICT) work programme, among others focusing on capacity building on Next Generation Network (NGN), Internet Protocol version 6 (IPv6) issues, early warning system for tsunami, USO programmes and studies on e-Commerce legal infrastructure, mobile roaming charges and ICT skills standardization and on facilitating trade and telecommunications equipment. ASEAN ICT Centre has been in operation since 31 March 2007 to monitor implementation of ASEAN ICT Work Programmes and disbursement of the ASEAN ICT Fund.

Steady progress was also noted in the work of the ASEAN Telecommunication Regulators Council (ARTC) with endorsement of the work plan for 2008 - 2009 that will address regulatory cooperation on competition policy, NGN, resource management, network security and international regulations. The Bali Ministerial Declaration adopted during the 8th Telecommunication Minister's Meeting (TELMIN) emphasized the importance of the cooperation between ASEAN Countries and its Dialogue Partners in the development of the ASEAN's ICT Industries and for the penetration of the broadband. There was recognition of the successful collaborative activities with the People's Republic of China, Japan, the ROK and India.

Tourism

Despite the global challenges and political situations in some ASEAN Member States, the total tourist arrivals in ASEAN were estimated to be around 58 million in 2008, an increase of 7 per cent compared with 2007. ASEAN National Tourist Organisations (NTOs) are now developing an ASEAN Tourism Strategic Plan 2011 - 2015 to replace the current Roadmap for Integration of the Tourism sector in ASEAN. To promote greater intra-ASEAN tourism, 2009/2010 has been declared as the Youth Travellers Year and appropriate programmes have been developed for this purpose. The Mutual Recognition Arrangement on Tourism Professionals has been completed and is targeted for signing by the end of 2009. An ASEAN tourism forum will be held in Ha Noi, Viet Nam in January 2009 with the theme 'Striving for a New Height' and is expected to be attended by more than 1,000 buyers and sellers.

With tourism emerging as one of the priority sectors in ASEAN, six different working groups had been established to spearhead the development of the different areas of interest. They are the:

i) ASEAN Cruise Working Group (Singapore);

ii) ASEAN Task Force on Tourism Standards (Thailand);

iii) ASEAN Task Force on Tourism Investment (Malaysia);

iv) ASEAN Task Force on ASEAN Tourism Marketing (the Philippines);

v) ASEAN Task Force on Tourism Manpower Development (Indonesia); and

vi) ASEAN Crisis Communication Team (Singapore).

Transport

Cooperation in the transport sector continued to be accelerated with the signing of three agreements:

- the ASEAN Multilateral Agreement on Air Services;
- the ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services; and
- the ASEAN Framework Agreement on the Facilitation of Inter-State Transport.

The ASEAN Transit Transport Coordinating Board at the ASEAN Secretariat will be convened in 2009 to effectively draw up the overall functions of the ASEAN cross-border agreements covering transit, multi-modal and inter-state transport. Work is on-going to formulate the ASEAN Strategic Transport Plan 2011 - 2015, the Strategic Plan for ASEAN-China Transport Cooperation, and the ASEAN-China Memorandum of Understanding (MoU) on Maritime Cooperation Mechanism. The Manila Action Plan to implement the ASEAN-Japan Transport Partnership projects was also adopted for implementation.

Energy

The ASEAN Petroleum Security Agreement (APSA) and its Annex on Coordinated Emergency Response Measure was signed by the respective ASEAN Foreign and Energy Ministers on 1 March 2009 in Hua Hin, Thailand. It is an important Agreement to facilitate timely response to petroleum shortages and emergencies.

FACILITATION MEASURES

Standards

Several activities were undertaken by the ASEAN Consultative Committee on Standards and Quality (ACCSQ) in 2008 towards strengthening the integration of standards and conformance to support realising the ASEAN Economic Community. Among these is the finalisation of the ASEAN Good Regulatory Practice Guide by the Committee which is intended to assist regulators in ASEAN to adopt efficient regulatory arrangements to improve the consistency and transparency of technical regulations.

All ASEAN Members States except Indonesia have implemented the ASEAN Cosmetic Directive (ACD) which came into full implementation on 1 January 2008. The ACD facilitates entry of cosmetic products among ASEAN Member States through a simple notification procedure which takes only three days for approval instead of one month previously. The ASEAN Sectoral MRA for the Good Manufacturing Practice (GMP) Inspection of Manufacturers of Medicinal Products has been finalised and is expected to be signed by the ASEAN Economic Ministers in August 2009. The ACCSQ is also pursuing work in the integration of traditional medicine and health supplements sector as well as the pharmaceutical and wood based product sectors.

Customs

Work is still on-going to amend the ASEAN Customs Agreement 1997 to incorporate and streamline the Agreement and reflect the current business environment. Substantial progress has been made in developing the National Single Window (NSW) as a first step for the establishment of the ASEAN Single Window.

The NSW has been implemented in Singapore, while Indonesia's NSW was fully operational in December 2008. This facility is expected to be extended to all export transactions and at all major sea ports and airports of the country dealing with cargo clearance. Under the NSW, Malaysia has implemented four major services [e-Permit, e-PCO (Preferential Certificate of Origin), e-Declaration, Electronic Fund Transfer]. More work would be undertaken to facilitate the linkage with relevant state agencies. Intensive awareness programmes are being conducted to familiarise end-users with the system as well as to gather their support. In the Philippines the NSW system already links 21 agencies while an additional 22 agencies would be linked into the system in the near future. Phase I of the NSW in Thailand was ready in late 2008. Phase II is expected to commence in early 2009. CLMV are also intensifying efforts to set the NSW.

SUB-REGIONAL COOPERATION WITHIN ASEAN

Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

Initiatives under the Indonesia-Malaysia -Thailand Growth Triangle (IMT-GT) sub-regional cooperation were focused on infrastructure development, trade and investment, tourism, Halal products and services, human resources development, agriculture, agro-industry and environment. In 2008, new land, sea and air linkages continued to be developed within the IMT-GT sub-region. More cities are now being interconnected by air with the entry of new low cost carriers. A fifth development corridor linking the Ranong-Phuket-Aceh Economic corridor was added to the previous four corridors namely Songkla-Penang-Medan, the Straits of Melaka, Banda Aceh-Medan-Dumai-Palembang, and Melaka-Dumai.

New IMT-GT Plazas in Phatthalung, Thailand and Port Dickson in Malaysia are being developed. The Joint Business Council is also actively promoting coastal maritime trade among the 13 ports in the sub-region. The Visit IMT-GT Year 2008 was successfully launched in Hat Yai, Thailand from 11 - 20 January 2008. Plans are underway to strengthen medical tourism, the home stay programme and to develop the IMT-GT Joint Tourism Packages. Various capacity building programmes were conducted to strengthen Halal products and services within the region such as the Halal Forensic Laboratory Training Course, and a World *Halal* Science Industry and International Business Conference.

Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area (BIMP-EAGA)

The Fifth BIMP-EAGA Summit Meeting was held on 28 February 2009 in Hua Hin, Cha-am, Thailand which among others noted that steady progress has been made to implement the BIMP-EAGA Roadmap to Development 2006 - 2010. To facilitate trade and investment flows in the region, various Memoranda of Understanding covering simplification, streamlining and harmonising Customs procedures, Immigration and Quarantine Services and transit, and interstate transport are being finalised for signing in June 2009.

Air connectivity within the region has increased as low cost carriers expanded their operations to cover new cities as well as increasing the frequency of flights. Air connection has been established from Puerto Princesa, the Philippines to Kota Kinabalu in November 2008. In addition to intra-EAGA air services, flights connecting EAGA to ASEAN capitals such as Jakarta, Kuala Lumpur and Manila had also been launched.

In 2008, the BIMP-EAGA Business Council continued to complement the work undertaken by governments. To promote business in the region, it published the First BIMP-EAGA Business Handbook. It also organised the First BIMP-EAGA Community-based Ecotourism Conference in Manado, North Sulawesi.

BIMP-EAGA continued to work with its development partners such as Northern Territory of Australia, the People's Republic of China, Japan and the ADB to enhance economic development of the sub-region. ADB provided US$8.4 million for technical assistance in the period of 2007 - 2008 as grants for various BIMP-EAGA projects in industries such as the transport sector, natural resource management, and renewable energy development sector. The German Technical Cooperation Agency has also agreed to extend its assistance to BIMP-EAGA until 2011.

ASEAN - Mekong Basin Development Cooperation (AMBDC)

The 10th ASEAN Mekong Basin Development Cooperation Ministerial Meeting was held on 29 August 2008 in Singapore. The meeting noted that there are 45 projects at various stages of implementation. Of these, 13 projects still require funding. The projects cover the areas infrastructure, trade and investment, agriculture, forestry and minerals, industry, tourism, human resources development and science and technology. As several large scale projects have yet to receive funding, project proponents had been requested to review these projects to determine their relevancy or to break them into smaller components for easier access to project funding.

In view of the many sub-regional frame works operating in the Mekong sub-region, AMBDC Ministers agreed to undertake a study to stock take and rationalize the operations of these sub-regional frameworks. This is to allow for a holistic approach in developing the Mekong sub-region, in order to create synergies and allow for a better use of limited resources. Any structural defects in the architecture of AMBDC in narrowing the development gaps among Members would also need to be addressed. Private sector engagement and investment in the Mekong sub-region would also be encouraged. The ASEAN Secretariat has been tasked to direct and coordinate the effective use of various dialogue partner fundings for AMBDC projects.

An in-depth study to realign AMBDC process with ASEAN Economic Community is being undertaken by the Institute of Southeast Asian Studies, Singapore. Among others, this study would assess progress made since the inception of AMBDC, theist link to the regional integration efforts under AEC, possible additional funding modalities and explore ways of expanding core membership. The study will be presented at the 11th AMBDC meeting in August 2009.

REGIONAL LINKAGES WITH DIALOGUE PARTNERS

ASEAN Plus Three

The APT cooperation had grown significantly over the past 11 years to encompass 14 Ministerial processes covering cooperation in 20 fields such as ICT, small and medium enterprises (SMEs), standards and conformance, environment, logistics, disaster management, food and energy security, finance, free trade arrangements, health and youth.

To strengthen the APT cooperation and facilitate the implementation of the (APT) Cooperation Work Plan (2007 - 2017) which was adopted in 2007, the APT Foreign Ministers on 22 July 2008 launched the APT Cooperation Fund (APTCF) with an initial contribution of US$3 million. The People's Republic of China, Japan and the Republic of Korea (ROK) would each contribute US$900,000 while ASEAN would contribute US$300,000. This Fund would provide the needed resources to implement more projects as envisaged by the Second Joint Statement on East Asia Cooperation and the APT Cooperation Work Plan.

The second phase of the study on the establishment of the East Asia Free Trade Area (EAFTA) involving the APT countries is expected to be completed in August 2009. The Study conducts an in-depth sector-by-sector analysis and related researches in trade facilitation and RoO of the proposed EAFTA. The aim is to examine the key elements of market access for goods, services and investments, as well as trade facilitation cooperation with a view to identifying some possible options for such an FTA. The final report of the Study is expected to be presented at the 12th APT Economic Ministers Consultations in August 2009.

At the private sector level, steps have been undertaken to strengthen the East Asia Business Council (EABC). To effectively coordinate its activities, the Council has set up a permanent secretariat in Malaysia which is hosted at the Federation of Malaysian Manufacturers (FMM). Malaysia supports cooperation in the APT as the next logical step towards widening regional economic integration.

East Asia Summit

Since the Third East Asia Summit (EAS) on 21 November 2007, discussions continued to be conducted on issues of strategic importance to the East Asian region particularly on energy, environment, climate change, sustainable development, as well as the future direction of the East Asia region. Among the programme and activities undertaken in 2008 were:

- the EAS Workshop on Bio-fuels, 18 - 19 June 2008, Bangkok, Thailand;

- informal EAS Finance Officials Dialogue, 24 June 2008, Viet Nam;

- an EAS Seminar on Climate Change Adaptation Capacity Building, October 2008, the People's Republic of China;

- the First EAS Environment Ministers' Meeting October 2008, Ha Noi, Viet Nam;

- the on-going study on the Comprehensive Economic Partnership of East Asia (CEPEA); and

- the establishment of the Economic Research Institute of ASEAN and East Asia (ERIA).

The EAS Foreign Ministers' Informal Consultations in 22 July 2008 also welcomed the proposal for EAS to work on educational projects similar to the European Region Action Scheme for the Mobility of University Students (ERASMUS) programme, as well as to enhance cooperation in the area of disaster relief, such as through Japan's proposal to establish a 'Disaster Management and Infectious Disease Control Network in Asia'.

The Economic Research Institute for ASEAN and East Asia (ERIA) has begun its activities in 2008 from its temporary location at the ASEAN Secretariat. The

Inaugural Meeting of the ERIA Governing Board was held on 3 June 2008 in Jakarta, Indonesia. The Governing Board endorsed the Terms of References of the Board and the ERIA Academic Advisory Council and approved the Institute's work programme for the 2008 financial year, budget and the logo.

ERIA's current programme includes projects on Business Environment Improvement in East Asia, the East Asia Industrial Corridor Project, the Environment and Energy Security and the ERIA Next Leaders Program. Other planned activities include a business survey to assess the utilisation of the benefits of FTAs, promoting effective utilisation through seminars with chambers of commerce and developing scorecards for prioritised sub-sectors in services.

On the Comprehensive Economic Partnership Agreement (CEPEA), the ASEAN Economic Ministers (AEM) meeting in August 2008 agreed to launch a CEPEA Phase II study that would detail out the three pillars of cooperation, facilitation and liberalisation.

ASEAN-China

The ASEAN-China cooperation continued to progress particularly in the areas of trade, agriculture, transport and tourism. The implementation of the ASEAN-China FTA in Goods has led to an increase in the two-way trade between ASEAN and the People's Republic of China to US$171.2 billion in 2007 from US$140 billion in 2006, an increase of 22.3 per cent in 2007.

ASEAN and the People's Republic of China have concluded the Investment Agreement in December 2008. The Agreement scheduled to be signed in 2009 will provide for investment protection and facilitation. Given the increasing number of Chinese investors in ASEAN and ASEAN investors in the People's Republic of China, the conclusion of the ASEAN-China Investment Agreement provides further confidence to investors to tap investment opportunities in ASEAN and the People's Republic of China.

Cumulative FDI flows from the People's Republic of China into ASEAN from 2003 to 2007 amounted to US$3.6 billion. Investments by the People's Republic of China in ASEAN are fast growing and in 2007 amounted to US$1,097 million.

To enhance private sector linkages, the People's Republic of China hosted the 5th ASEAN-China Expo in Nanning from 22 - 25 October 2008. A total of 98 Malaysian companies and Government agencies participated in this annual exhibition to expand the market for their products and to tap investment opportunities in the People's Republic of China by taking advantage of the ASEAN-China FTA. In addition to the exhibition, other events held during the Expo include the ASEAN-China Business and Investment Summit, ICT Business Forums and Wireless Technology Forum.

ASEAN and the People's Republic of China implemented the First Package of Commitments in services liberalisation in July 2007. Offers made by Malaysia covered the telecommunications sector, financial services, education, health and tourism. Sectors offered by the People's Republic of China were in computer and its related services, construction, transport, recreational services and environmental services. Negotiations are still on-going on a Second Package.

Apart from the FTA initiatives, ASEAN and the People's Republic of China are also working towards further strengthening cooperation between the two sides. Two MoUs are scheduled to be signed during the 12th ASEAN-China Summit in 2009, namely:

- MoU on Intellectual Property; and
- MoU on Technical Barriers to Trade.

Under the ACFTA Arrangements, Malaysia has issued 13,723 Form E preference certificates with exports valued at RM6,332.6 million in 2008. Major products for preferential schemes under the ACFTA arrangements in 2008 were:

- Rubber products;
- Hydrocarbons;
- Stearic acid; and
- Other mixed vegetable oils.

ASEAN-Japan

The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement was signed on 14 April 2008 and entered into force on 1 December 2008. Malaysia made the notification on 31 December 2008, and the AJCEP Agreement came into effect for Malaysia on 1 February 2009. Under the AJCEP, Standards Malaysia is the Chair of the Working Group on Technical Barriers to Trade.

The AJCEP, ASEAN's third regional FTA after the ASEAN-China and ASEAN-Korea FTAs covers commitments in trade in goods, services, investments and economic cooperation, and complements the bilateral economic partnership agreements (EPAs) that individual ASEAN Member States had signed with Japan. It will further strengthen economic ties between ASEAN and Japan to create a larger and more efficient market with greater opportunities for both parties.

Japan has committed US$52 million for projects relating to the implementation of the AJCEP Agreement. ASEAN also welcomed Japan's proposal for the Asia Knowledge Economy Initiative which aims to create a secure and reliable business environment and promote 'Green IT'.

Within the framework of the ASEAN Economic Ministers-Minister of Economy, Trade and Industry (METI) Japan Economic and Industrial Cooperation Committee (AMEICC), a total of 35 projects involving seminars and workshops, dispatch of experts and human resource development training programmes were undertaken in 2008. Malaysia conducted three of these activities, namely SME Policy Workshop, Local Seminar on Industrial Statistics in ASEAN and Training Program on SME for Kedah Industrial Skills Management Development Centre. The other activities under the Committee were in the areas of automotives, ICT, chemicals, consumer electronics, and textiles and garments.

ASEAN-Korea

Since the implementation of the ASEAN-Korea Trade in Goods Agreement on June 2007, a total of 28,079 Form AK preference certificates with exports valued at RM15,679.6 million were issued to Malaysian exporters and manufacturers. For 2008, the number of Form AK issued were 20,119 with RM14.3 billion exports.

Major export products to the ROK under the FTA included liquefied natural gas (45 per cent), crude petroleum oil (29 per cent), palm oil (3.6 per cent), tin ingots (3 per cent) and palm kernel expellers in bulk (0.6 per cent).

Thailand has formally joined the ASEAN-Korea FTA signature of two Protocols on the accession of Thailand to the ASEAN-Korea Agreement on Trade in Goods and the ASEAN-Korea Agreement on Trade in Services by the AEM. The other ASEAN Member States and ROK had already signed and implemented the Trade in Goods Agreement in 2005 and the Trade in Services Agreement in 2007.

ASEAN and the ROK are still negotiating the ASEAN-Korea Investment Agreement which will be the third major agreement under the ASEAN-Korea Cooperation Framework.

Implementation of the following projects and activities in 2008 to further strengthen cooperation between ASEAN and the ROK:

- Educational Program for Strengthening Cooperation in Standards and Technological Regulations between ASEAN and the ROK;
- Capacity Building in Development of Dyeing and Finishing for Textiles;
- Course on Intellectual Property Rights;
- Training Program on Plant Quarantine for ASEAN; and
- Training Program on Improving Agricultural Extension Services.

ASEAN-India

The implementation of the ASEAN-India FTA had been delayed with the postponement of the signing of the FTA Agreement between ASEAN and India.

After concluding negotiations in August 2008, ASEAN Member States had secured the mandate to sign three key Agreements with India, including the Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India on 27 February 2009 in Hua Hin, Cha-am, Thailand. The other agreements were ASEAN-India Agreement on Dispute Settlement and the Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and India.

Under the Trade in Goods Agreement, both ASEAN and India will reduce duties on about 71 per cent to all tariff lines upon its coming into force. The duties on these products will be eliminated on 31 December 2011, while duties on another 9 per cent of the products will be eliminated on 1 January 2015. The agreement also allows for both ASEAN and India to reduce duties on another 10 per cent of the products to 5 per cent by 2015.

Both ASEAN and India have also excluded products from tariff concessions. However, if the products exported are not in the exclusion list of the importing country, the exporting country can claim preferential tariffs offered by the importing country. ASEAN and India have waived the reciprocity principle to allow enjoyment of concessions. To enjoy concessions, exporters must comply with the rules of origin relating to 35 per cent regional value content and change in tariff sub-heading criteria. Negotiations are ongoing to conclude the services and investment agreement.

ASEAN-Australia and New Zealand

The Comprehensive ASEAN Australia and New Zealand Free Trade Agreement (AANZ FTA) were concluded in August 2008 and signed on 27 February 2009 in Hua Hin, Thailand. The Agreement covers trade in goods, trade in services, investments and economic cooperation.

The comprehensive regional FTA will further stimulate Malaysia’s intra-ASEAN exports, as well as exports to Australia and New Zealand. Trade and investment activities of ASEAN with Australia and New Zealand are expected to expand with the implementation of the AANZFTA.

ASEAN’s trade with Australia and New Zealand amounted to US$47.8 billion in 2007, an increase of 15.7 per cent as compared with US$41.3 billion in 2006. ASEAN’s exports to Australia and New Zealand expanded by 17 per cent in 2007 to total US$31 billion, from US$26.5 billion in 2006. ASEAN's imports from Australia and New Zealand increased by 13.5 per cent to US$16.8 billion in 2007 from US$14.8 billion in 2006.

Cumulative direct investments from Australia and New Zealand into ASEAN for the period of 2001 - 2006 amounted to US$1.8 billion. Their cumulative investments in ASEAN in 2007 had increased to US$1.1 billion from US$116.5 million in 2006. This is the highest figure recorded since 1995. In 2005, such investments totalled US$570.2 million.

The AANZ FTA will come into force when Australia, New Zealand and any four ASEAN Member States have made notification to all Parties their ratification of the Agreement.

ASEAN-European Union

Seven rounds of negotiations have been held on the ASEAN-EU FTA which was officially launched in May 2007. Discussions continued to focus mainly on modalities, work programme and time schedule, as well as proposals/ areas to be included in the negotiations.

Apart from the FTA negotiations, the EU continued to implement a number of collaborative activities under the various ASEAN-EU initiatives, including:

- Trans-Regional EU-ASEAN Trade Initiative (TREATI);
- Regional EU-ASEAN Dialogue Instrument (READI);
- ASEAN Programme for Regional Integration Support (APRIS) II;
- ASEAN-EU Regional Cooperation Programme on Standards, Quality and Conformance Assessment;
- ASEAN-European Commission Energy Cooperation Programme EU-ASEAN Energy Facility (EURASEF); and
- EC-ASEAN Intellectual Property Rights Cooperation Programme (ECAP II).

ASEAN-United States of America

ASEAN-US relations continued to be pursued within the context of the ASEAN-US Trade and Investment Framework Agreement (TIFA) which was signed on 25 August 2006. Several activities were implemented in 2008 including new proposals to expand the TIFA Work Programme. The First ASEAN-US TIFA Joint Council and the ASEAN-US Private Sector Roundtable would be held in February 2009 at the sidelines of the 14th ASEAN Summit, which was initially scheduled in December 2008.

Other projects were proposed under the TIFA Work Programme include the regional investment climate website, ASEAN investment survey, certification of ASEAN Textile Laboratory for Readiness in Quality Assurance of ASEAN Textile and Apparel and the possibility of ASEAN Member States acceding to the Plurilateral Agreement on Multi-chip Integrated Circuits. Besides these, other ASEAN-US cooperation initiatives pursued are under the ASEAN-US Technical Assistance and Training Facility (AUTATIF) implemented by the US Agency for International Development (USAID), which is funded by the US State Department. Under this facility, 119 training activities had been implemented, covering the areas of sector integration, investment, customs and trade facilitation, trade in services, trade negotiations and trade-related coordination and dialogue. The Phase II of the AUTATIF began operations on 1 October 2007 and is expected to provide support to the ASEAN-US cooperation for the next five to eight years.

In February 2008, the United States of America (USA) launched the ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE) programme with a view to further intensify ASEAN-US cooperation. The ADVANCE programme pledged US$150 million over the next eight years to achieve the goals of the ASEAN-US Cooperation Plan, the ASEAN-US Enhanced Partnership, the ASEAN-US TIFA and the Vientiane Action Programme (VAP).

OUTLOOK

ASEAN Member States have revised their economic growth rates for 2009 following the impact of the current global economic crisis which began in the USA in September 2008. Almost all ASEAN Member States have introduced economic stimulus packages to promote domestic economic growth. In spite of these efforts, ASEAN's global exports are expected to decline. On a positive note, ASEAN is confident that it will continue to remain attractive to foreign direct investments. Both intra-ASEAN trade and investments are expected to remain steady.

Box Article 9.1 : ASEAN ECONOMIC COMMUNITY SCORECARD

The ASEAN Economic Community (AEC) Blueprint completed its first year of implementation at the end of 2008. The Blueprint was launched by ASEAN Leaders with the signing of the Declaration on the AEC Blueprint in Singapore on 20 November 2007. The AEC Scorecard is used to monitor the implementation progress of the AEC strategic schedules by individual Member States.

The AEC Scorecard identifies specific actions that must be undertaken by ASEAN collectively or by ASEAN Member States individually in implementing the AEC Blueprint. It is a compliance tool to ensure that ASEAN and the Member States are on track with the implementation of their commitments. The Scorecard is not yet geared towards evaluating the impact of these measures. It is a document that has two major goals:

a) provide qualitative and quantitative indications of the ratification, adoption and transposition into domestic laws, regulations and administrative procedures of agreed obligations,and commitments within the prescribed timeframes as specified in the AEC Blueprint; and

b) track implementation of agreements and commitments, and achievement of milestone in the AEC Strategic Schedule.

Although the period of review to gather sufficient evidence to conclusively indicate strong positive or negative results is short, the information yielded is valuable. It allows ASEAN to target areas for further attention and help to raise general awareness of the benefits of the ASEAN Economic Community so far.

The AEC Scorecard is an evolving document which incorporates consultations, and requires review and verification of these indicative targets/measures/actions by all relevant sectoral bodies, and support from all relevant sectoral bodies is essential. This updated Scorecard will be posted in the ASEAN Webpage on a regular basis to inform the private sector on the achievements.

Box Article 9.2 : ASEAN COMPREHENSIVE INVESTMENT AGREEMENT

The ASEAN Comprehensive Investment Agreement (ACIA) was signed by the ASEAN Economic Ministers on 16 December 2008 in Singapore. ACIA involves revision, combination and enhancement of the current Framework Agreement on the ASEAN Investment Area (AIA) signed in 1998 and the ASEAN Agreement for the Promotion and Protection of Investment (ASEAN IGA) signed in 1987.

The main objectives of ACIA are:

- to create a free and open investment regime; and
- to achieve economic integration.

The ACIA is more comprehensive than the existing AIA and ASEAN IGA. The structure of ACIA covers the 4 pillars of liberalisation, protection, facilitation and promotion. ACIA has also taken into account international best practices such as the US Model Text, NAFTA, OECD Guidelines for Multinational Enterprises and also UNCTAD literature on international investment agreements.

A major outcome of the ACIA is that it will extend to ASEAN-based foreign investors benefits derived from the agreement. This is aimed at making ASEAN the preferred destination for foreign direct investment as well as contributing towards increasing intra-ASEAN investments. The main principles of the Agreement include:

- forward-looking, and improving and building upon the AIA and ASEAN IGA;
- commitment to not to back-track on obligations under the Agreement;
- balanced focus, covering all the four elements of liberalisation, protection, facilitation and promotion;
- progressive liberalisation towards achieving a free and open investment environment, in line with the AEC;
- benefits to be enjoyed by both ASEAN investors and ASEAN-based foreign investors;

- special and differential treatment and other flexibilities to ASEAN member countries depending on their level of economic development and sectoral sensitivities; and

- preservation of preferential treatment among ASEAN member countries.

ACIA has several new provisions not provided for in the AIA. These include provisions on:

- prohibition of performance requirements with provision for joint assessment on existing performance requirements and consider the need for additional commitments;

- consultation among Member States on ACIA matters and its implementation;

- Special and Differential Treatment to assist newer Member States to develop capacity within a shorter timeframe in line with AEC;

- Senior Management and Board of Directors to encourage inflow of key foreign managerial and senior management personnel; and

- denial of benefits of ACIA to investors with no substantive business operations (e.g. shell companies).

ACIA can benefit the business sector through:

- enjoyment of same treatment as domestic investors (national treatment), subject to exemptions;

- enjoyment of same treatment as other investors in ASEAN (MFN treatment);

- reassurance that host governments will not impose performance requirements that violate WTO provisions on TRIMs;

- assurance that investors and their investments will be treated fairly and protected;

- assurance of free transfer of funds including capital, profits and dividends;

- assurance that investments will not be expropriated except for public purpose, and with compensation;

- assurance of non-discriminatory treatment in case of compensation for losses arising from civil strife;

- in case of disputes with host governments, investors have choice of bringing a claim todomestic courts or for international arbitration; and

- cooperation from host governments in terms of promotion and facilitation of investment.

ACIA complements Malaysia's efforts to attract FDI as well as in promoting Malaysian outward investments into the region. This agreement will further facilitate the integration of Malaysian companies into the regional economy through production and services networks. It will create investment opportunities for Malaysians in the manufacturing and related services sector. The ACIA will enable Malaysian companies to:

- focus on their core competencies and strengths in the regional market;
- undertake industrial complementation, outsourcing, and other forms of business arrangements;
- undertake outward investments to gain market access and enhance competitiveness;
- expand existing domestic production and support services to benefit from the integrated ASEAN market of 560 million people; and
- pursue mergers and acquisitions, forming alliances and collaboration with other business partners in ASEAN to benefit from business synergies in the integrated region.

The ACIA will come into force after all members of ASEAN have ratified and notified their ratification to the Secretary General of ASEAN, which shall not take more than 180 days after signing of this Agreement.

Box Article 9.3 : ASEAN TRADE IN GOODS AGREEMENT (ATIGA)

The ASEAN Trade in Goods Agreement (ATIGA) was signed on 16 December 2008 in Singapore during the Informal Meeting of ASEAN Economic Ministers. The agreement will enter into force, after all Member States have notified or ratified with the ASEAN Secretary-General upon completion of their internal procedures, which takes within 6 months after the signing of this Agreement.

On 23 August 2007, the 21st AFTA Council Meeting had agreed to enhance the Common Effective Preferential Tariff ASEAN Free Trade Area (CEPT-AFTA) Agreement of 1992 into a comprehensive ASEAN Trade in Goods Agreement (ATIGA), in line with the imperative for accelerated economic integration towards realising the ASEAN Economic Community in 2015.

The objectives of the ATIGA are to:

- set out all necessary measures and commitments that will enable ASEAN to achieve the target of free flow of goods within the ASEAN region, thus creating a single market and production base for goods by 2015 as one of the key pillars of the ASEAN Economic Community.

- be at par with key principles of the Trade In Goods Agreements with Dialogue Partners;

- ensure consistency of the provisions that are currently in various agreements, documents, decisions of the AFTA Council/ASEAN Economic Ministers; and

- provide a legal framework to realise the free flow of goods in the region towards establishing a single market and production base by 2015.

The ATIGA consolidates all existing initiatives relevant to the movement of goods into one comprehensive document. The ATIGA also maintains and enhances the existing principles and commitments related to trade in goods under existing initiatives and Agreements/Protocols in line with the current development in international trade fora.

The ATIGA has the following features and new initiatives that value add the existing CEPT Agreement:

(a) Comprehensive coverage: The ATIGA covers all areas critical in ensuring the realisation of free flow of goods in a regional trading arrangement, i.e. tariff liberalisation, non-tariff barriers liberalisation, rules of origin, trade facilitation, customs, standards and conformance, and sanitary and phytosanitary measures.

(b) Consolidated and streamlined rights and obligations: Currently, the commitments on both tariffs and non-tariffs are scattered throughout the CEPT Agreement, Protocols, ASEAN Agreements, Ministerial statements and meeting records. These commitments have been consolidated, updated and streamlined in the ATIGA, making the document user-friendly for the stakeholders and facilitate the monitoring process of compliance by Member States.

(c) Full tariff reduction schedules: The ATIGA would translate the modalities of tariff reduction or elimination stipulated in the CEPT Agreement, its Protocols and other ASEAN Agreements into full tariff reduction schedules The schedule states the tariff rate applied for each year on each product up to 2015.

Some further improvements were made to the existing commitments, such as the flexibility for CLMV to extend tariff elimination to 2018 comprising 7 per cent of total tariff lines at 8 digit AHTN level, inclusion of the decisions on tariff modalities for Highly Sensitive Products of Indonesia and the Philippines, the treatment for tobacco products and alcoholic beverages and special treatment for petroleum products of Cambodia and Viet Nam, have also been made.

The full tariff reduction schedules of all Member States would be finalised within three months after signing of the ATIGA for ASEAN 6 and within six months of ATIGA implementation for CLMV. This would enhance transparency and predictability for the business community and facilitate their strategic planning within the region.

(d) Streamlined provisions on modification of concessions and trade remedies: The ATIGA has streamlined all existing provisions related to trade remedies and modifications of concessions set out in different ASEAN legal instruments, namely Emergency Measures, Monetary Reserve Safeguard, Protocol Regarding the Implementation of the Temporary Exclusion List Products, Interim Technical Working Group on CEPT for AFTA (ITWG) Decision and Proposed Article ZZ by the Philippines to address extreme economic and fiscal difficulties. The Article provides clear disciplines in seeking recourses by Member States to address difficulties in the future.

(e) Non-Tariff Measures: The provisions on non-tariff measures in CEPT specify clear obligation to eliminate trade restrictive measures and setting up a mechanism to monitor the application of Non-Tariff Measures.

(f) Trade facilitation and related chapters: Dedicated chapters are provided for in the ATIGA on Trade Facilitation and for each of the relevant sector i.e customs, standards, technical regulations and conformity assessment procedures and SPS measures. The provisions of these chapters will ensure that focus be given in trade facilitation initiatives in ASEAN to realise the establishment of the free flow of goods in the region.

(g) Trade repository: As part of the effort in enhancing transparency and predictability, establishment of an ASEAN Trade Repository is included as a provision in the ATIGA. The Trade Repository would be an on-line information repository consisting trade and customs legislations and procedures throughout the ASEAN region.

CHAPTER 10 : DEVELOPMENTS IN REGIONAL GROUPINGS

OVERVIEW

Malaysia supports efforts of enhancing global trade and economic cooperation at the regional and multilateral levels. In 2008, Malaysia's commitment to regional and plurilateral initiatives in the area of trade and economic cooperation and integration was displayed in the country's participation in the Asia Pacific Economic Cooperation (APEC), the Organisation of the Islamic Conference (OIC), the Group of Developing Eight (D-8), the United Nations Conference on Trade and Development (UNCTAD) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) in 2008.

APEC continues with its pursuit of free and open trade and investment in the Asia Pacific region, as well as strengthening regional economic integration through trade and investment facilitation, capacity building and structural reform initiatives, and enhancing human security to ensure stability, economic growth and prosperity. To address the global financial crisis, member economies committed to refrain from introducing protectionist measures and reiterated the need to implement coordinated stimulus packages to boost consumer spending and promote trade and investment flows.

At the OIC and D-8, discussions continued to focus on the implementation of trade preferential agreements (TPAs) with the goal of increasing trade and investments which will contribute towards achieving higher economic growth and prosperity among member countries. In the OIC, a draft of the OIC Halal Food Standard was also completed by the OIC Standardisation Expert Group for the first time.

The Sixth D-8 Summit held in Kuala Lumpur in 2008 endorsed the Rules of Origin of the D-8 PTA. The PTA is now awaiting ratification from at least two Member States for it to come into force. Malaysia had already ratified the Preferential Tariff Scheme (PRETAS), the TPS-OIC Rules of Origin and the D-8 PTA.

The IOR-ARC is also embarking on a preferential trade system and is currently working towards finalising the draft Framework Agreement of the IOR-ARC PTA.

ASIA PACIFIC ECONOMIC COOPERATION (APEC)

Peru, the host of APEC Meetings in 2008 had chosen 'A New Commitment to Asia-Pacific Development' which focused on addressing major economic, human security, environmental and social challenges facing the region as the APEC theme. During its Chairmanship, Peru also continued to adopt the emphasis on the importance of reducing the gap between the developed and developing member economies.

During the year, Malaysia participated in the 16th APEC Economic Leaders' Meeting (AELM), the 20th APEC Ministerial Meeting (AMM), 20th APEC Ministers Responsible for Trade (MRT) Meeting, the 15th APEC Finance Ministers' Meeting, the 15th APEC Small and Medium Enterprise Ministerial Meeting, the inaugural APEC Structural Reform Ministerial Meeting, the 4th APEC Education Ministerial Meeting, the 7th APEC Telecommunications and Information Ministers' Meeting and the 5th APEC Tourism Ministerial Meeting.

Global Financial Crisis

The challenging global economic environment was the main issue of discussion of APEC Leaders and Ministers. The Lima Statementon the Global Economy, issued by APEC Leaders emphasised on the response measures to mitigate the impact of the financial crisis and the need to address weaknesses in the existing regulatory and supervisory framework of the global financial system, and the volatility of food and commodity prices which put pressure on member economies.

Malaysia stressed on the need for effective surveillance of the International Financial Institutions to identify weaknesses that contributed to economic and financial vulnerabilities, including the need to enhance transparency of the public and private sectors with more effective regulatory oversight on the private sector. In addition, Malaysia also proposed that credit rating agencies should be governed by certain regulations and best practices to ensure that investors receive accurate assessment of the credit worthiness of companies.

Malaysia urged economies not to adopt inward looking and protectionist policies, but to keep their markets open to stimulate investment and business activities that will contribute to the growth of trade, as well as facilitate investment flows in the region. Malaysia also called for a longer-term solution in the form of a new Bretton Woods system to address the need for macroeconomic, monetary and market disciplines in the international financial system.

Supporting the Multilateral Trading System

APEC called for an early conclusion of the Doha Development Agenda (DDA) negotiations which would provide a boost to the faltering global economy and benefit global trade. APEC Leaders and Ministers agreed that concluding an ambitious and balanced World Trade Organisation (WTO) DDA before the end of 2008 should be given the highest priority.

Regional Economic Integration

In 2008, APEC continued to implement 53 agreed actions contained in its 2007 Regional Economic Integration Report which highlighted the need for integration, focusing on areas such as trade and investment liberalisation and facilitation, and SME development. A significant number of actions had been completed, and substantial progress had been made on the areas still pending such as the ongoing studies on the feasibility and implications of Free Trade Area of the Asia Pacific (FTAAP) as well as bilateral investment agreements to develop a set of APEC principles for investment agreements.

To maximise the benefits of regional economic integration, Malaysia emphasised that APEC should continue to focus on the important role of technical cooperation and capacity building to assist developing economies. Regional economic integration required the adoption of a building block approach focusing on areas such as trade and investment facilitation, and SME development.

Individual Action Plan

The Individual Action Plan (IAP) is a Member Economy's annual progress report that illustrates actions and plans in achieving the Bogor Goals*. Each Member Economy is required to submit the IAP report to APEC on an annual basis. The annual IAP reports are found in APEC's e-IAP website

* *The main objectives of the Bogor Goals are to realise a free and open trade and investment in the APEC region by 2010 for developed economies and by 2020 for developing economies.*

at www.apec-iap.org. APEC Member Economies set their own timelines and goals, and undertake these actions on a voluntary and non-binding basis.

In 2008, six economies namely Canada, Chile, Mexico, Peru, Singapore and the United States of America (USA) presented their IAP report for Peer Review. Malaysia will present its IAP report for Peer Review during the First Senior Officials Meeting in Singapore in 2009.

Regional Trade Agreements / Free Trade Agreements (RTAs/FTAs)

The APEC model measures for RTAs/ FTAs serves as a guide on provisions that could be included in a FTA. The model measures consist of 15 chapters covering areas such as investment, anti-dumping, subsidies and countervailing measures, trade in services, labour cooperation and safeguards.

Free Trade Area of the Asia Pacific

Following the proposal by Leaders in 2007 to explore the possibility of a Free Trade Area of the Asia Pacific (FTAAP) as a long-term prospect, several studies on its feasibility were initiated in 2008 and are still in progress. The studies relate to preliminary inventory of issues that need to be addressed as part of a preparatory process for the possible FTAAP which include the issues on feasibility, implications on APEC processes, the possible vehicles to realise the FTAAP and how to assess the likely capacity-building requirements for economies.

A preliminary analytical study found that in certain areas, such as on customs procedures in the APEC RTAs/FTAs, the substance and intent of the rules employed in existing agreements do not vary markedly, whereas in the area of accumulation linked to Rules of Origin, a higher level of divergence was identified. An initial analytical work also indicated that a possible FTAAP would likely benefit Member Economies and could provide a stimulus to global free trade but there would be significant challenges to the creation of the FTAAP. Further quantitative and qualitative analysis on the likely economic impact, benefits and challenges of the FTAAP was being undertaken. As the FTAAP was envisaged to be a departure, it needs to accommodate the concerns of all economies. Member Economies must be ready to meet high standard of commitment, failing which the initiative might result in failure

Trade and Investment Liberalisation and Facilitation

Implementation continued to be intensified on the second Trade Facilitation Action Plan (TFAP II) to reduce trade transaction costs by an additional five per cent in the period 2007 - 2010. The TFAP II covers the areas of customs procedures, standards and conformance, e-commerce and mobility of business people. In 2008, Key Performance Indicators (KPIs) and reporting methodologies to measure progress on collective actions and pathfinder initiatives for the implementation of the TFAP II were endorsed by the meeting of the Ministers Responsible for Trade (MRT). Work was initiated on the possible implementation of international trade ‘Single Windows’ across APEC using recognised international instruments and standards to enhance interoperability of trade systems.

Malaysia proposed that technical cooperation and capacity building programmes in trade facilitation under the TFAP II should focus on addressing obstacles and non-trade barriers that impede movement of goods across borders among APEC economies. APEC trade facilitation programmes in promoting trade should be tailored toward continuously enhancing trade compliance, reducing customs clearance and transport formalities to expedite the rapid release and clearance of goods, minimising unnecessary delays and costs, and providing certainty and predictability at all points in the transaction chain. To realise this, there should be sustained commitment by member economies to enhance trade facilitation rules.

MRT endorsed the APEC Investment Facilitation Action Plan (IFAP) in 2008, which aims to strengthen regional economic integration and achieve the Bogor Goals. The IFAP contains a menu of actions and measures that member economies should implement to improve their investment environment.

APEC Member Economies continued their efforts to enhance transparency of investment regimes, improve investment climate, and encourage and facilitate free trade as well as open investment in the region. One such effort pursued was the study on ways to reduce 'behind-the-border' barriers to domestic investments in the Asia Pacific region.

Structural Reform

Malaysia participated in the first APEC Structural Reform Ministerial Meeting from 3 - 5 August 2008 in Melbourne, Australia. The meeting discussed 'behind-the-border' structural reforms that can contribute to enhancing markets' efficiency and also increasing or sustaining economic growth. Structural reforms would provide better choices for consumers, resulting in products and services available at competitive prices as well as strengthen capacity to respond to global economic changes and increase economic stability, competitiveness and productivity. These would subsequently sustain economic growth and improve the citizens' well being.

Member Economies also acknowledged political challenges that need to be addressed in implementing structural reforms. These include:

- ensuring a strong political will for a successful implementation of structural reforms;

- robust institutional arrangements and processes which are strongly supported by the government to keep reforms on going; and

- reforms agenda that takes into consideration the domestic needs as there is no single reform approach that is suitable for all economies.

The Ministers also endorsed the Good Practice Guide on Regulatory Reform which highlight the broad principles for good regulation. Malaysia shared experiences on the establishment and role of the Special Taskforce to Facilitate Business (PEMUDAH) in its domestic structural and regulatory reform.

APEC structural reform agenda in 2009 would focus on the implementation of Leaders Agenda in Implementing Structural Reform (LAISR) 2010 work programme, which would cover five areas namely competition policy, regulatory reform, public sector management, corporate governance and strengthening economic and legal infrastructure. In undertaking this initiative, attention would be given to implement practical support in terms of capacity building programmes and individual economies' effort in pursuing domestic structural reforms.

Economic and Technical Cooperation

In 2008, a total of 77 Economic and Technical Cooperation (ECOTECH) projects were implemented by APEC. The projects among others covered the areas of human capital development, strengthening economic infrastructure, structural reform, strengthening SMEs, technology and human security. During the year, two ECOTECH projects funded by APEC were implemented by Malaysia. They were:

- Workshop on Understanding and Developing Risk Management Options for Market Access, 13 - 17 October 2008; and

- APEC Capacity Building Workshop Report on Ensuring Product Safety for Consumers, 10 - 12 November 2008.

APEC approved a total of 72 ECOTECH projects worth US$6.5 million for implementation in 2009. Among the areas given priority for capacity building were:

- trade and investment facilitation particularly on the issue of ease of doing business, review on investment policy, cross-border trade, trade security and market accessibility;

- alternative and renewable energy, energy efficiency and standards; and

- environmental-related projects such as climate change and marine eco-system.

In 2009, four ECOTECH projects are scheduled to be implemented by Malaysia, namely:

- Capacity Building on Community Based Tourism as a Vehicle for Poverty Reduction and Dispersing Economic Benefits at the Local Level in Developing Member Economies, to be organised by the Ministry of Tourism in 2009 in Sandakan, Sabah;

- APEC Small and Medium Enterprise Working Group (SMEWG) Technology Entrepreneur Seminar: 'Innovation & Technology - The Sustaining Power Of SMEs In The Global Economic Crisis', 3 - 5 June 2009 in Kuala Lumpur, to be organised by SMIDEC;

- 'Core Elements Of International Investment Agreements In The APEC Region' (Phase III) Training Course, 15 - 19 June 2009 in Kuala Lumpur, a joint APEC project in collaboration with UNCTAD and to be organised by the MITI, Malaysia's cooperation of the Malaysian Industrial Development Authority (MIDA); and

- 'Capitalising Information Technology for Greater Equity and Access among Poor and Rural Communities' by Open University, Malaysia which will be implemented upon completion of the relevant researches.

Participation in APEC capacity building programmes are open to relevant public sector officials and private sector representatives from all APEC member economies.

Small and Medium Enterprises

The 15th Small and Medium Enterprises Ministers Meeting (SMEMM) was held in Chiclayo, Peru on 28 - 29 August 2008. The policy theme of the meeting was 'Sustainable Local Development to Foster in SMEs Growth' which was in line with Malaysia's focus for APEC in 2008. Malaysia recognised the need to support the development and modernisation of SMEs as a dynamic sector and in the creation of new jobs.

The SME Ministers agreed to promote policy, business and regulatory environment to foster the establishment, growth and development of micro enterprises and SMEs. APEC adopted a new four year strategic plan for the period of 2009 - 2012. The plan was designed to support SME development in a range of areas such as financing, innovation management, building management capability and promoting entrepreneurship, market access and internationalisation, raising awareness of sustainable business practices, corporate social responsibility and the cross-cutting theme of 'Youth, Women and Minorities'.

During the SME Ministerial meeting, Malaysia in collaboration with the United States of America (USA) agreed to organise an APEC SME Technology Entrepreneur Seminar: 'Innovation & Technology - The Sustaining Power of SMEs In The Global Economic Crisis', from 3 - 5 June 2009 in Kuala Lumpur. The Seminar would be held concurrently with Malaysia's premier SME event, SMIDEC Exhibition (SMIDEX) 2009.

In 2008, the SME Working Group (SMEWG) focused on the following activities:

- promoting and encouraging innovation management in SMEs through SME Innovation Management Seminar;

- voluntary self-assessment on the progress of SMEs innovation by 2010; and

- increasing the level of awareness of Corporate Social Responsibility (CSR) and to integrate awareness of CSR for SMEs into SMEWG activities as an important part of a sound, long-term business strategy.

For 2009, the SME theme would be 'Helping SMEs Access Global Markets and Overcoming Trade Barriers' with emphasis on:

- market liberalisation to enhance market access among SMEs in member economies;

- facilitating business collaboration by encouraging cross-border networks or platforms; and

- support for SME internationalisation.

Tourism

The 5th APEC Tourism Ministers Meeting was held on 9 - 11 April 2008 in Cusco, Peru. The adopted Pachacamac Declaration provisions among others:

- recognised the importance of responsible tourism in making environmentally friendly, sustainable and respectful choices when travelling as well as reducing negative impacts on tourism;

- encouraged Tourism Organisations of APEC member economies to promote Responsible Tourism; and

- supported the importance of culture in encouraging development of tourism products in APEC.

Capacity building initiatives under APEC during the year continued to promote sustainable tourism in the Asia Pacific region. Programmes implemented that involved participation of tourism officers were:

- The First Training on the Application of APEC Skill Standard Concept and System, 9 - 11 September 2008 in Mexico City, Mexico; and

- The Second Training on the Application of APEC Skill Standard Concept and System, 4 - 6 November 2008 in Beijing, China.

Telecommunications and Information

The 7th APEC Telecommunications and Information Ministers Meeting was held on 20 - 25 April 2008 in Bangkok, Thailand. With adopted policy theme of 'Digital Prosperity: Turning Challenges into Achievements', the meeting:

- recognised that APEC had already tripled internet access since adoption of the Brunei Goals in 2000 and made progress towards universal internet access by 2010;

- called for capacity building initiatives to:

  - equip regulators in their tasks to support competition and domestic regulatory reform; and

  - implement the Mutual Recognition Arrangements with appropriate levels of conformity assessment infrastructure and capability.

- tasked the Telecommunication and Information Working Group (TEL) to develop measures that support secure cross-border business services; and

- agreed to increase efforts to enhance the knowledge and skills among users to deal with cyber threats and cultivate a culture of security.

During the year, capacity building initiatives undertaken by the TEL include:

- APEC Workshop on e-Governance, 27 February 2008 in Lima, Peru;

- Industry Roundtable, October 2008 in Lima, Peru;

- Telecommunications for Disaster Management: Best Practices Workshop, October 2008 in Lima, Peru;

- Cyber Security Awareness Raising Workshop, October 2008; and

- 2008 APEC TEL Public Key Infrastructure/e-Authentication Training Program, 29 October - 4 November 2008 in Taipei, Chinese Taipei.

Human Resources Development

Human Resources Development initiatives under APEC address issues of education, labour and capacity building through Education Network (EDNET), Labour and Social Protection Network (LSPN) and Capacity Building Network (CBN). In promoting the well-being of all people in the region through economic growth and development in 2008, the group implemented capacity building initiatives:

- Symposium on Education to Achieve 21st Competencies and Skills for All: Respecting the Past to Move Toward the Future, 15 - 19 January 2008 in Xi'an, China;

- APEC Workshop on Embedding Entrepreneurship in the University Curriculum, 22 - 23 July 2008 in Ha Noi, Viet Nam;

- APEC Symposium on Developing Effective Public-Private Partnership, 11 - 13 August 2008 in Singapore;

- APEC Youth Camp, 1 - 6 October 2008 in Puno, Peru; and

- The 12th APEC Forum on Human Resources Development - The Role of Technical/Vocational Education and Training (TVET) Providers in Training for Employees, 19 - 21 November 2008 in Tokyo, Japan.

The 4th APEC Education Ministerial Meeting held on 11 - 13 June 2008 in Lima, Peru, agreed on four priority areas for future EDNET activities. They were:

- mathematics and science;

- career and technical education;

- learning each others' languages; and

- information and communications technologies.

Ministers also agreed to focus EDNET projects on teachers' quality and instructions, standards and assessments, resources and tools, and policies and research.

Finance

The 15th APEC Finance Ministers' Meeting convened on 5 - 6 November 2008 in Trujillo, Peru, focused its deliberations on Global and Regional Economic Developments, Improving the Quality of Public Expenditure and Reforming Capital Markets.

The Finance Ministers discussed extensively on appropriate responses to the global financial crisis, focusing on the weaknesses in the existing regulatory and supervisory frameworks. The Ministers also addressed the volatility of food and commodity prices which continued to put pressure on APEC member economies.

The discussion also focused on the ongoing challenge of handling fiscal risk especially amid the global financial crisis. Ministers emphasised that priority should be given to managing public expenditure according to results-based budgeting (RBB) principle and targeting expenditure to achieve a better allocation of public resources.

In responding to the impact of the global financial crisis, the meeting reiterated that capital market reform should be focused on reviewing financial supervisory frameworks, accounting standards and minimum capital requirements, and applying strong prudent standards to all financial institutions. It should also work towards enlarging local currency-denominated bond markets and increasing the supply of long-term assets to institutional and retail investors.

In 2008, the following six capacity building initiatives were implemented under the Finance Ministers' Process with the participation of officers from the Ministry of Finance:

- Fiscal Space-Reviewing, Assessing and Prioritising Government Expenditure (Second Workshop), 14 - 15 May 2008 in Jakarta, Indonesia;

- Building Fiscal Sustainability Through Better Risk Management of Public-Private Partnership Projects (Segment 2 Workshop), 19 - 20 May 2008 in Ho Chi Minh City, Viet Nam;

- APEC-IMF High Level Seminar on 'Ageing and Financial Markets', 21 - 23 May 2008 in Seoul, Republic of Korea;

- Workshop on Improving Access to Finance for SMEs in the Asia Pacific Region, 16 - 17 June 2008 in Shanghai, the People's Republic of China;

- APEC Public-Private Sector Forum on Bond Market Development, 9 July 2008 in Cusco, Peru; and

- APEC Training Program on Enhancing Risk Management and Governance in the Region's Banking System to Implement Basel II; 8 - 12 December 2008 in Shanghai, the People's Republic of China.

Securing Trade and Facilitating Cross-Border Business and Movement of Goods

Counter-Terrorism

Several counter-terrorism initiatives under APEC continued to emphasise on creating a safe and secure environment, free from terrorism threats to trade and investment operations in the Asia Pacific region. Several counter-terrorism activities undertaken in 2008 were:

- APEC Best Practices in Post-Blast Scene Management Workshop, 7 - 11 January 2008 in Bangkok, Thailand;

- Capacity Building Workshop on APEC Trade Recovery Programme, 23 - 24 July 2008 in Singapore;

- Effective Public-Private Partnerships in Counter-Terrorism, 19 August 2008 in Lima, Peru;

- Sixth Secure Trade in the APEC Region Conference (STAR VI), 20 - 21 August 2008 in Lima, Peru;

- APEC Seminar on Securing Remittance Systems and other Cross Border Payment from Terrorist Use, 22 - 23 August 2008 in Jakarta, Indonesia; and

- APEC Workshop on Detecting and Deterring Cash Couriers and Bulk Cash Smugglers, 3 - 5 December 2008 in Manila, the Philippines.

APEC Counter-Terrorism Action Plans (CTAPs) were developed in 2002 and updated regularly by member economies to identify capacity building needs, improve focus on APEC's counter-terrorism and secure trade agenda and also better incorporate new or later commitments on counter-terrorism. Member economies reported measures that have been implemented domestically focused on three main areas namely Enhancing Secure Trade, Halting Terrorist Financing and Promoting Cyber Security.

Secure Trade

Under the area of Enhancing Secure Trade, member economies provided updates on measures to protect cargo, ships engaged in international voyages, international aviation and people in transit, as well as combat threats to security.

The Sixth Secure Trade in the APEC Region (STAR VI) Conference was held from 20 - 21 August 2008 in Lima, Peru. The theme for STAR VI 2008 was 'Security and Vulnerabilities of the Global Supply Chain'. STAR VI addressed the need to develop an appropriate response among APEC member economies on terrorist attacks to the supply chain. This effort required a review of existing international security measures within the Asia Pacific region.

The outcomes of STAR VI focused on three main areas namely supply chain security challenges faced within the APEC region, implementation of supply chain security measures, and partnering of government and private sector in supply chain security.

Health

In 2008, the priorities set for initiatives on health under APEC were to enhance preparedness for and response to public health threats including avian and human pandemic influenza and vector borne disease, fight against HIV/AIDS and improve health outcomes through advances in health information technology. Capacity building activities undertaken by the APEC Health Working Group in 2008 and participated by Malaysian officials were:

- APEC Workshop for the Control Practice of Dengue Fever, 5 - 6 June 2008 in Kaohsiung, Chinese Taipei;

- Training Course for Rapid Response and Containment of Human Infection with Avian Influenza A/H5N1, 16 - 18 June 2008 in Beijing, the People's Republic of China;

- Workshop on Animal Health, Human Health and the Environment. Exploring the 'One Health, One World' Concept and Applying It to Risk Communications, 13 - 15 August 2008 in Lima, Peru;

- Capacity Building Seminar on Social Management Policies for Migrants to Prevent the Transmission of HIV/AIDS, 18 - 19 September 2008 in Ha Noi, Viet Nam; and

- Third APEC e-Health Technical Forum, 1 - 3 December 2008 in Seoul, Republic of Korea.

Emergency Preparedness

APEC initiatives on emergency preparedness have been strengthened throughout the years as the need to enhance community resilience and preparedness for emergencies and natural disasters became more pressing. The mandate of the Task Force for Emergency Preparedness (TFEP) was renewed for another two years at the first Senior Officials' Meeting in 2008 since its announcement in 2007 to:

- improve coordination and integration of best practices on emergency, natural disaster preparedness and response efforts in APEC; and
- enhance capacity in mitigating, preparing for and responding appropriately to emergencies and natural disasters.

The activities on emergency preparedness completed in 2008 were:

- Study Course on Disaster Emergency Response and Recovery, 14 - 22 April 2008 in Beijing, the People's Republic of China;
- Viet Nam Dialogue which involved APEC economies, private sector representatives and regional and international partners to discuss emergency preparedness and risk reduction, 24 - 25 April 2008 in Viet Nam;
- Stock take of APEC Emergency Preparedness developed by Indonesia; and
- Emergency Management CEOs Seminar, 12 - 14 August 2008 in Lima, Peru.

Climate Change

In 2008, the Leaders' Summit agreed that climate change must be addressed in a comprehensive manner, through international cooperation under the United Nations Framework Convention on Climate Change (UNFCCC). Leaders also reaffirmed their commitment to concerted action under the UN and complementary processes to reach an equitable and effective post-2012 international climate change arrangement at the UN Climate Change Conference in Copenhagen in December 2009.

The Asia-Pacific Network for Energy Technology (APNet) and The Energy Security Initiative (ESI) were established to address climate change that comprises short-term measures and long-term policy responses to address the challenges facing the APEC region's energy supply.

At the Leaders' Meeting, Malaysia highlighted that climate change must continue to be seen as an issue within the larger framework of sustainable development. Malaysia encouraged member economies to initiate regular exchanges to further their knowledge and know-how in the areas of bio-fuels, hydro, wind and solar energy. Advanced economies were also encouraged to assist this process by facilitating access to affordable and relevant technologies required by developing economies.

Anti-Corruption and Transparency

In 2008, the Anti-Corruption Task Force (ACT) developed several deliverables namely;

- the Lima Anti-Corruption Declaration on Financial Markets Integrity which focused on efforts to restore public trust, ensure government and market integrity, disrupt and dismantle corrupt and illicit networks, and protect against the abuse of the financial system;

- the Guidelines on Private-Public Actions against Corruption meant to promote the establishment and development of private sector participation to strengthen their anti corruption systems;
- adoption of the Code of Conduct for Businesses;
- a Workshop on Anticorruption and Administrative Reform in Ha Noi, Viet Nam from 25 - 26 June 2008; and
- a Seminar on Special International Cooperation to Facilitate Asset Recovery in 2 - 3 October 2008, Peru.

The APEC Ministers in the 20th APEC Ministerial Meeting, 19 - 20 November 2008, encouraged Member Economies to ratify and implement the United Nations Convention Against Corruption. Malaysia emphasised that there should be a holistic and comprehensive approach to fight corruption effectively. Malaysia informed that it has restructured its Anti-Corruption Agency (ACA) to become a full-fledged Anti-Corruption Commission and ratified the United Nations Convention against Corruption (UNCAC) in September 2008.

APEC Secretariat Reform

With effect from 2008, a new formula on members' contribution was implemented. The increase in contribution was due to additional expenditure incurred from:

- the appointments of a Chief Operating Officer (COO) and Information Technology Director; and
- the establishment of an APEC Fixed-Term Executive Director post beginning 2010.

These appointments were expected to bring higher efficiency of APEC activities and financial management and to provide uninterrupted and effective support to Senior Officials Meeting and APEC fora.

Following the decision of Leaders in 2007, the Policy Support Unit within the Secretariat was established to support the work of APEC, particularly the Committee on Trade and Investment (CTI) and Economic Committee (EC), in areas such as research/analysis, regional economic integration, structural reformand capacity building.

As part of ongoing efforts to widen APEC's reach to the international community and to improve external knowledge and understanding of the organisation, the APEC Secretariat was mandated to increase its outreach efforts.

ORGANISATION OF THE ISLAMIC CONFERENCE (OIC)

Malaysia handed over the Chairmanship of the OIC to the Republic of Senegal at the 11th Islamic Summit Conference in Dakar on 13 - 14 March 2008. OIC Member States, including Malaysia have benefited from the implementation of trade expansion and facilitation programmes among its Members. Malaysia's trade with the OIC Member States in 2008 recorded an impressive growth of 26.3 per cent to RM120.3 billion (2007: RM95.3 billion). Trade with OIC Member States has been in Malaysia's favour since 1990 and trade surplus recorded in 2008 was RM15 billion.

OIC's trade share globally increased by 9.5 per cent in 2006, with a 10.5 per cent increase in exports and 8.4 per cent increase in imports. Intra-OIC trade also recorded a positive trend with increases of 14.5 per cent in 2004, 15.5 per cent in 2005,16.3 per cent in 2006 and 16.4 per cent in 2007[1].

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[1] *Source: OIC Secretariat Website, speech by the OIC Secretary General at the 23rd Session of COMCEC, November 2008. Statistics on intra-OIC trade for 2008 are not available yet.*

Table 10.1:
Malaysia's Trade with the top 10 trading partners in the OIC for 2008

Country	Export Value (RM Million)	Import Value (RM Million)	Total Trade Value (RM Million)
Indonesia	20,719.0	24,186.5	44,905.5
United Arab Emirates	12,558.8	8,392.4	20,951.2
Saudi Arabia	3,513.6	7,546.5	11,060.1
Pakistan	5,734.5	422.0	6,156.5
Iran	2,447.1	2,548.9	4,996.0
Oman	766.7	2,885.5	3,652.2
Kuwait	1,254.6	1,699.8	2,954.4
Egypt	2,387.9	359.7	2,747.6
Bangladesh	2,285.5	197.1	2,482.6
Jordan	1,831.3	449.5	2,280.8

Compiled by : Ministry of International Trade and Industry

Under the OIC Ten-Year Programme of Action adopted at the Third Extraordinary Session of the Islamic Summit Conference in December 2005 in Mecca, Saudi Arabia, the OIC envisaged a 20 per cent expansion of intra-OIC trade by 2015.

The implementation of the Trade Preferential System among Member States of the OIC (TPS-OIC) is expected to add impetus to the realisation of the trade goals of the Ten-Year Programme of Action. However, the scheme has not been implemented as several OIC Member States have yet to ratify the Protocol on the PRETAS and the TPS-OIC Rules of Origin (TPS-OIC RoO), thus delaying the implementation of the scheme.

Malaysia is concerned about the delay of implementing the TPS-OIC and had raised the issue at various OIC meetings including at the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC) Meetings and the Islamic Conference of Foreign Ministers Meetings. This matter was also raised at bilateral meetings during former Prime Minister, Tun Abdullah Ahmad Badawi's official visits to Iran, Qatar, Bahrain, UAE and Kuwait in 2008.

As of December 2008 :

- 22 out of the 33 signatory countries had ratified the Framework Agreement on TPS-OIC which came into force in 2002;

- 15 member countries had signed the PRETAS but only six had ratified, four short of the required 10 countries to bring it into force; and

- nine countries have signed the TPS-OIC RoO and four had ratified the agreement.

Malaysia completed ratification of the Framework Agreement on TPS-OIC on 23 August 2004. The PRETAS was ratified on 11 May 2006 while the TPS-OIC RoO on 15 October 2008.

Other initiatives under the OIC

In 2008, Malaysia implemented eight capacity building projects for OIC funded under the Malaysian Technical Cooperation Programme (MTCP). The projects implemented were:

- Familiarisation Programme for officials of Investment Promotion Agencies organised by the Malaysian Industrial Development Authority (MIDA);

- Sharing of Malaysia's Experience in Trade Promotion organised by Malaysia External Trade Development Corporation (MATRADE);
- Promotion of Organisation Excellence and Competitiveness organised by Malaysia Productivity Corporation (MPC);
- Enhancement of Knowledge and Capacity Building for Human Resource organised by MPC;
- Training Programme for Women Entrepreneurs organised by Small and Medium Industries Development Corporation (SMIDEC);
- Training Programme for officials from Agencies Responsible for SME Development organised by SMIDEC;
- Sharing good practices on Customs Procedures and Facilitation organised by Royal Customs Academy Malaysia; and
- Training Programme on Halal Standards and Conformance Infrastructure for OIC countries organised by Department of Standards Malaysia and SIRIM.

These projects were attended by 88 participants from more than 20 OIC Member States including those from Tunisia, Mozambique, Kazakhstan, Maldives, Burkina Faso, Morocco, Senegal and Bosnia Herzegovina.

The 23rd Session of COMCEC Meeting held in Istanbul, Turkey in November 2007 agreed for the proposal on 'Halal Food Standard' to be further studied by the OIC Expert Group on Standardisation.

The first draft of the OIC Halal Food Standard based on the standards in Malaysia, Turkey, Bosnia, Indonesia and Kuwait had been drawn up by the OIC Standardisation Expert Group. The standard is expected to be finalised in 2009 for approval at the 25th COMCEC Meeting.

GROUP OF DEVELOPING EIGHT (D-8)

Malaysia hosted the Sixth D-8 Summit Meeting in Kuala Lumpur on 8 July 2008. At the Summit, Indonesia formally handed over the Chairmanship of the D-8 to Malaysia for the next two years.

The Sixth Summit evaluated D-8's progress and discussed actions to further strengthen cooperation including through greater involvement by the private sector of Member States.

D-8 Leaders further endorsed the 'Kuala Lumpur Declaration' and the 'D-8 Roadmap for Economic Cooperation in the Second Decade of Cooperation 2008 - 2018' during the Summit. The Kuala Lumpur Declaration, with the theme of 'Meeting Global Challenges through Innovative Cooperation', called for among others, innovative activities and programmes to increase private sectors' participation in projects such as fertilizer plants, animal feed plants, a seed bank and a D-8 Food Fund.

The 'Roadmap of D-8 for Economic Cooperation in the Second Decade of Cooperation 2008 - 2018' is an action plan outlined the scope of D-8 activities to enhance intra-D-8-trade. The coverage of the Roadmap includes trade and trade facilitation, industry and industrial standard, small and medium enterprise, tourism, finance, transportation, telecommunications and information technology, science, technology and innovation, energy and mineral resources, agriculture and forestry. Among the goals of the Roadmap were:

- increasing intra-D-8-trade to at least 15 - 20 per cent of global trade by 2018; and

- enhancing the participation of the private sector in areas such as trade facilitation, customs cooperation, and capacity building.

Initiatives on the Roadmap comprised three phases:

- Phase one (2007 - 2008) - to prepare the plan for the second decade of the cooperation;

- Phase two (2008 - 2013) - five year plan to focus on D-8 PTA and Rules of Origin (RoO), Customs and Visa Agreement, implementation of working groups' industrial and business cooperation activities; and

- Phase three (2013 - 2018) - to achieve D-8 intra-trade of US$517.5 billion or 15 - 20 per cent of global trade.

The D-8 PTA, an instrument to fulfil the objectives of the Roadmap, was signed during the Fifth D-8 Summit in Bali in May 2006 to increase economic and trade activities between D-8 Member States through tariff concession and the elimination of non-tariff barriers mutually identified by Member States. The agreement requires ratification and would be implemented once ratified by at least four Member States. At the Tenth High Level Trade Officials Meeting in Kuala Lumpur on 3 July 2008, Member States finalised the RoO for the PTA, and adopted the Operational Certification Procedures.

The global trade of D-8 Member States increased by 17.5 per cent to US$1.2 trillion in 2007 from US$1 trillion in 2006. Global exports increased by 18.7 per cent to US$614.8 billion in 2007 from US$517.8 billion in 2006 while global imports expanded by 16.3 per cent to US$568.79 billion in 2007, from US$489.2 billion in 2006.

Malaysia's trade with D-8 Member States is on a positive trend, increasing by more than four-fold to US$15.9 billion in 2007, from US$3.6 billion in 1997. During the period, exports increased to US$8.9 billion in 2007 from US$2.2 billion in 1997, while imports increased to US$7 billion in 2007 from US$1.4 billion in 1997.

The Fourth Meeting of the D-8 Working Group (WG) on Industry was held in Bali, Indonesia on 10 - 12 November 2008 and, for the first time involved the participation of the private sector. At the Meeting, the private sector and Government representatives from Indonesia, Malaysia, Iran, Nigeria, Egypt and Turkey presented papers on opportunities for collaboration in various sectors. Member States were assigned to oversee the development of the sectors as follows:

- automotive - Indonesia, Iran and Turkey;

- fertilizer - Indonesia, Iran and Turkey;

- petrochemical - Indonesia and Iran;

- steel industry - Indonesia, Egypt and Turkey;

- power plant - Nigeria;

- energy saving lamp - Nigeria;

- oil and gas - Nigeria, Turkey and Iran;

- airport management - Malaysia;

- certification and *Halal* Standard - Malaysia; and

- textile - Egypt.

The meeting also discussed Regional Industrial Cooperation Experiences of ASEAN and agreed that the

ASEAN framework on industrial cooperation be used as the basis for drawing up the D-8 framework on industrial cooperation.

OTHER REGIONAL ARRANGEMENTS

United Nations Conference on Trade and Development (UNCTAD)

The UNCTAD Conference meets every four years to discuss emerging economic and development issues, as well as its future work programmes. The 12th Conference was held in Accra, Ghana from 20 - 25 April 2008 with the theme 'Addressing the Opportunities and Challenges for Development'.

UNCTAD Conference

The 12th UNCTAD in Accra, Ghana 2008 was the first UNCTAD conference held in Africa since 1996. It was also the first major United Nations conference held after the global food crisis, thus providing a very timely forum at which to explore solutions.

Discussions of the 12th UNCTAD focused on four core sub-themes:

- enhancing coherence at all levels for sustainable economic development and poverty reduction in global policy-making, including the contribution of regional approaches;
- key trade and development issues and the new realities in the geography of the world economy;
- enhancing the enabling environment at all levels to strengthen productive capacity, trade and investment and mobilize resources and harnessing knowledge for development; and
- strengthening UNCTAD's development role, impact, and institutional effectiveness.

The 12th Conference adopted the Accra Declaration and the Accra Accord which inter alia outline principles that would form the basis for UNCTAD's work for the next four years:

- to resist protectionism particularly against goods and services from developing countries;
- to commit to free and fair trade;
- to redress current strategies in reducing global poverty;
- to work on development solidarity to improve the quality of life for all human beings;
- to focus on the least developed countries particularly those in Africa, about development-oriented governance, public-private partnerships and better integration into the economic world of globalisation;
- to strengthen UNCTAD's role as the focal point of the United Nations for an integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development;
- to examine new and long-standing issues that could foster a better understanding on how to maximize the positive impact of globalisation on development;
- to pursue intergovernmental cooperation in the field of commodities and their integration into national, regional and international development and poverty reduction strategies; and
- to further promote the key role of South-South trade and the need for South-South cooperation, as well as triangular cooperation with the industrialised North.

UNCTAD XII acknowledged that a new vision of partnership between Governments and the private sector was required in the second round of globalisation. UNCTAD XII had been an important step in moving the international development dialogue forward and strengthening UNCTAD as an institution. The Conference had emerged reinvigorated and ready to address many new challenges.

Global System of Trade Preferences (GSTP)

The GSTP is a preferential trading arrangement to enhance South-South Trade through reduction or elimination of import duties between participating countries. Participants are also encouraged to eliminate Non Tariff Barriers which impede trade among participating countries.

The Third Round of GSTP negotiations launched in 2004 aimed to expand product coverage for duty reduction. On 22 April 2008, at the Special Session of the GSTP Committee of Participants at ministerial level held on the sidelines of the 12th UNCTAD, Ministers adopted a Joint Communique calling for the conclusion of the Third Round of negotiations by the end of 2008. In order to facilitate the negotiations, draft modalities on core outstanding issues were issued on 20 March 2008.

In line with the Ministerial Joint Communique, GSTP participants has agreed on a basic approach of the negotiations-across-the-board, line-by-line, and a linear cut of 20 to 40 per cent on dutiable tariff lines, to be combined with request-and-offer and/or sectoral negotiations. GSTP participants also agreed to commit on at least 70 per cent of dutiable tariff lines to the scheme.

During the second round of negotiations, 43 countries had offered 1,626 products for concessions, approximately 1 per cent of total tariff lines of GSTP countries.

Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC)

The activities of the IOR-ARC are carried out by three working groups namely:

- The Working Group on Trade and Investment (WGTI), responsible for trade facilitation and liberalisation;
- The Indian Ocean Rim Business Forum (IORBF), as a platform for business communities to network, interact and explore business opportunities within Member States; and
- The Indian Ocean Rim Academic Group (IORAG), with participation of academicians of Member States to conduct joint studies and exchange programmes.

On 1 May 2008, the Eighth WGTI Meeting in Tehran, Iran reviewed the progress of its following projects:

- exchange of information on quarantine requirements for animal and plant products and food inspection requirements;
- exchange of information on customs procedures;
- preparation of a compendium on investment regimes;
- cooperation in standards and accreditation;
- exchange of information on the supply and demand of oil and gas including investment capacity and requirements; and

- training and capacity building in the areas of mitigation of natural disasters, avian influenza, fishery support unit and Information Technology Workshop.

In compliance with the requirements of the respective projects, Malaysia had forwarded information on quarantine requirements for animal and plant products and food inspection, customs procedures as well as the compendium on investment regimes. Under the understanding for cooperation in standards and accreditation, Malaysia offered Member States attachment training at the Department of Standards Malaysia.

On the sideline of the Eighth Meeting of the WGTI, the Expert Trade Committee met for the second time to finalise the draft Framework Agreement of the PTA. To date, seven Member States namely Iran, Mauritius, Oman, Tanzania, Sri Lanka, Kenya and Yemen have agreed to adopt the PTA. Malaysia is currently studying the draft Framework Agreement.

On 30 April 2008, the IORBF held its 14th Meeting in Tehran, Iran and discussed progress of the following projects:

- study on Development, Upgrading and Management of Seaports, Maritime and Transport, Insurance and Re-insurance by Oman Chamber of Commerce and Industry;
- International North-South Transport Corridor by Iran;
- Tourism Promotion and Development Project by Oman Chamber of Commerce and Industry;
- Cross-border Financial Services by Indonesian Chamber of Commerce and Industry;
- Strategic Vision for the IORBF by Mauritius Chamber of Commerce; and
- other projects such as IORNET, a portal to promote B2B linkages and cooperation among member countries.

At the Meeting, Malaysia's Construction Industry Development Board (CIDB) offered to host a one-off seminar to discuss opportunities for cooperation in construction.

On 25 August 2008, CIDB organised a construction business conclave in Kuala Lumpur with the theme 'Strengthening Cooperation in the Construction Sector to Enhance Intra-Regional Growth'. It was agreed that there was an urgent need to focus on areas of cooperation to develop shared interests in areas such as skill development in construction. It was also agreed that Member States should host similar meetings to continue regional co-operation efforts in construction.

The Eighth Meeting of Council of Ministers (COM) which was held in Tehran, Iran on 4 May 2008 approved special funds to finance:

- establishment of a Fisheries Support Unit;
- feasibility study of the PTA preceding the initial concept paper;
- Tourism Feasibility Study; and
- establishment of the Regional Centre for Science and Transfer of Technology.

The next working groups and the COM meetings were expected to be held in Sana'a, Yemen from 20 - 25 June2009.

OUTLOOK

In line with the theme of APEC 2009, 'Sustaining Growth, Connecting the Region', it is expected that economies will focus considerable discussion on economic recovery, supply chain connectivity initiatives relating to logistics trade and services, harmonising and simplifying documents and procedures relating to rules of origin as well as addressing diseases such as influenza A.

The OIC, D8 and IOR ARC are focusing on the liberalisation of trade in goods among their respective member countries through PTAs. The PTAs are main instruments to realise the goals to increase intra trade set under the respective action plans. The three regional groupings are intensifying efforts to secure sufficient number of member countries to sign and ratify the PTAs for their expeditious implementation.

APPENDICES

APPENDIX 1 : ORGANISATIONS AND GROUPINGS - MEMBERSHIP

Organisation/ Grouping	Member Countries/Economies
APEC	Australia, Brunei Darussalam, Canada, Chile, Hong Kong SAR, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, People's Republic of China, Peru, Philippines, Republic of Korea, Russia, Singapore, Taiwan, Thailand, United States of America and Viet Nam.
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.
ASEAN-CER	ASEAN, Australia and New Zealand.
CEFTA	Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovak Republic and Slovenia.
COMMONWEALTH	Antigua and Barbuda, Australia, Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei Darussalam, Cameroon, Canada, Cyprus, Dominica, Fiji, Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Sri Lanka, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Tuvalu, Uganda, United Kingdom, Vanuatu, Western Samoa and Zambia
D-8	Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey.
EAEC	ASEAN, Japan, People's Republic of China and Republic of Korea.
ECO	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.
EU	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom.
G-15	Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Iran, Jamaica, Kenya, Malaysia, Mexico, Nigeria, Peru, Sri Lanka, Senegal, Venezuela and Zimbabwe.
GCC	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.
IOR-ARC	Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen.
MERCOSUR	Argentina, Brazil, Paraguay, Uruguay and Venezuela.
NAFTA	Canada, Mexico and United States of America.
NAM	Afghanistan, Algeria, Angola, Antigua and Barbuda, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Cote d'Ivore, Cuba, Democratic Republic of Congo, Djibouti, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kenya, Kuwait, Lao PDR, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestine, Panama, Papua New Guinea, Peru, Philippines, Qatar, Republic of Korea, Rwanda, Saint Kitts and Nevis, Saint Lucia,

Organisation/ Grouping	Member Countries/Economies
NAM	Saint Vincent and the Grenadines, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, South Africa, Sri Lanka, Sudan, Suriname, Swaziland, Syria, Tanzania, Thailand, Timor Leste, Togo, Trinidad and Tobago, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia and Zimbabwe.
OECD	Austria, Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America.
OIC	Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalam, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Guyana, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen.
SAARC	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.
SADC	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
WTO	Albania, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Central African Republic, Chad, Chile, Colombia, Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic Republic of Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, EU, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong SAR, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Kyrgyz Republic, Latvia, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macau, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, People's Republic Of China, Peru, Philippines, Poland, Portugal, Qatar, Romania, Republic of Korea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Taiwan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom, United States of America, Uruguay, Venezuela, Viet Nam, Zambia and Zimbabwe.

APPENDIX 2 : MALAYSIA'S TRADE DATA

Table 1:
Annual Trade, 1996 - 2008

	Exports (RM billion)	Imports	Balance of Trade (RM billion)
1996	197.0	197.3	-0.3
1997	220.9	220.9	0.0
1998	286.6	228.1	58.4
1999	321.6	248.5	73.1
2000	373.3	311.5	61.8
2001	334.3	280.2	54.1
2002	357.4	303.1	54.3
2003	397.9	316.5	81.3
2004	481.3	399.6	81.6
2005	533.8	434.0	99.8
2006	589.0	480.8	108.2
2007	605.2	504.8	100.3
2008	663.5	521.6	141.9

Compiled by Ministry of International Trade and Industry

Chart 1:
Annual Trade, 1996 - 2008

Table 2:
Trade with Major Trading Partners, 2007 - 2008

Country	2008							2007						
	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)
Total	**1,185,104.8**	**100.0**	**663,494.0**	**100.0**	**521,610.8**	**100.0**	**141,883.2**	**1,109,967.0**	**100.0**	**605,153.2**	**100.0**	**504,813.8**	**100.0**	**100,339.4**
Singapore	155,109.8	13.1	97,784.2	14.7	57,325.6	11.0	40,458.7	146,463.5	13.2	88,508.0	14.6	57,955.5	11.5	30,552.5
USA	139,182.6	11.7	82,728.1	12.5	56,454.5	10.8	26,273.6	149,207.0	13.4	94,519.2	15.6	54,687.8	10.8	39,831.4
Japan	136,926.3	11.6	71,800.1	10.8	65,126.3	12.5	6,673.8	120,780.5	10.9	55,241.2	9.1	65,539.3	13.0	-10,298.0
People's Republic of China	130,091.8	11.0	63,210.1	9.5	66,881.7	12.8	-3,671.6	117,938.7	10.6	53,035.5	8.8	64,903.3	12.9	-11,867.8
Thailand	61,010.0	5.1	31,734.8	4.8	29,275.2	5.6	2,459.7	56,990.2	5.1	29,983.9	5.0	27,006.3	5.3	2,977.7
Republic Of Korea	50,113.7	4.2	25,887.5	3.9	24,226.2	4.6	1,661.2	47,965.9	4.3	23,032.5	3.8	24,933.4	4.9	-1,900.9
Indonesia	44,921.1	3.8	20,736.2	3.1	24,184.9	4.6	-3,448.7	39,128.7	3.5	17,749.5	2.9	21,379.2	4.2	-3,629.8
Hong Kong SAR	41,975.8	3.5	28,317.2	4.3	13,658.7	2.6	14,658.5	42,646.1	3.8	27,969.9	4.6	14,676.2	2.9	13,293.7
Taiwan	41,326.7	3.5	16,233.1	2.4	25,093.6	4.8	-8,860.5	45,173.9	4.1	16,461.8	2.7	28,712.1	5.7	-12,250.2
Germany	37,832.6	3.2	15,361.2	2.3	22,471.4	4.3	-7,110.2	38,254.8	3.4	14,831.5	2.5	23,423.2	4.6	-8,591.7
Australia	36,169.5	3.1	24,404.1	3.7	11,765.4	2.3	12,638.8	30,604.8	2.8	20,399.8	3.4	10,204.9	2.0	10,194.9
India	35,034.1	3.0	24,732.0	3.7	10,302.1	2.0	14,429.9	27,271.2	2.5	20,204.3	3.3	7,066.9	1.4	13,137.4
Netherlands	27,131.3	2.3	23,443.4	3.5	3,687.9	0.7	19,755.5	26,881.3	2.4	23,599.4	3.9	3,281.9	0.7	20,317.4
United Arab Emirates	20,933.1	1.8	12,540.7	1.9	8,392.4	1.6	4,148.3	14,560.1	1.3	10,124.4	1.7	4,435.7	0.9	5,688.7
United Kingdom	17,142.2	1.4	9,488.0	1.4	7,654.2	1.5	1,833.8	17,164.7	1.5	9,898.8	1.6	7,265.9	1.4	2,632.9
Philippines	16,702.1	1.4	9,759.9	1.5	6,942.2	1.3	2,817.7	18,513.8	1.7	8,738.8	1.4	9,774.9	1.9	-1,036.1
Vietnam	15,785.9	1.3	8,082.5	1.2	7,703.4	1.5	379.2	14,289.7	1.3	7,985.6	1.3	6,304.1	1.2	1,681.4
France	13,915.7	1.2	6,361.3	1.0	7,554.4	1.4	-1,193.1	15,068.9	1.4	7,351.8	1.2	7,717.2	1.5	-365.4
Saudi Arabia	11,060.1	0.9	3,513.6	0.5	7,546.6	1.4	-4,033.0	9,238.5	0.8	2,463.2	0.4	6,775.3	1.3	-4,312.1
Italy	7,923.8	0.7	3,117.8	0.5	4,806.1	0.9	-1,688.3	8,292.9	0.7	3,786.5	0.6	4,506.4	0.9	-719.9
Canada	6,475.4	0.5	3,218.9	0.5	3,256.5	0.6	-37.5	5,854.0	0.5	3,281.1	0.5	2,572.9	0.5	708.2
Ireland	6,368.8	0.5	1,373.5	0.2	4,995.3	1.0	-3,621.7	4,307.8	0.4	1,566.9	0.3	2,740.9	0.5	-1,174.0
Brazil	6,280.0	0.5	2,798.6	0.4	3,481.3	0.7	-682.7	5,431.6	0.5	2,260.4	0.4	3,171.3	0.6	-910.9
Switzerland	6,265.5	0.5	2,084.7	0.3	4,180.9	0.8	-2,096.2	6,996.8	0.6	1,344.6	0.2	5,652.2	1.1	-4,307.6
Pakistan	6,156.7	0.5	5,734.4	0.9	422.3	0.1	5,312.1	4,596.8	0.4	4,310.4	0.7	286.4	0.1	4,024.0
New Zealand	6,153.9	0.5	3,560.8	0.5	2,593.0	0.5	967.8	4,259.1	0.4	2,587.8	0.4	1,671.3	0.3	916.5
Mexico	6,095.2	0.5	5,383.8	0.8	711.3	0.1	4,672.5	4,912.8	0.4	4,025.3	0.7	887.6	0.2	3,137.7
South Africa	5,323.8	0.4	2,623.0	0.4	2,700.8	0.5	-77.7	4,467.0	0.4	2,781.8	0.5	1,685.2	0.3	1,096.5
Iran	4,996.0	0.4	2,447.1	0.4	2,548.9	0.5	-101.8	3,598.1	0.3	2,123.2	0.4	1,474.9	0.3	648.2
Russia	4,837.7	0.4	3,168.0	0.5	1,669.7	0.3	1,498.3	3,032.9	0.3	2,156.6	0.4	876.4	0.2	1,280.2
Spain	4,372.6	0.4	3,145.2	0.5	1,227.3	0.2	1,917.9	4,378.0	0.4	2,934.8	0.5	1,443.2	0.3	1,491.6
Belgium	4,187.2	0.4	2,338.8	0.4	1,848.4	0.4	490.3	4,425.0	0.4	2,654.6	0.4	1,770.4	0.4	884.2
Oman	3,652.3	0.3	766.8	0.1	2,885.5	0.6	-2,118.7	2,127.4	0.2	519.8	0.1	1,607.6	0.3	-1,087.8
Sweden	3,565.6	0.3	1,317.7	0.2	2,247.9	0.4	-930.2	3,525.1	0.3	1,313.3	0.2	2,211.8	0.4	-898.5
Turkey	3,184.2	0.3	2,721.6	0.4	462.6	0.1	2,259.1	3,421.7	0.3	3,104.0	0.5	317.7	0.1	2,786.3
Kuwait	2,954.3	0.2	1,254.5	0.2	1,699.8	0.3	-445.3	2,635.6	0.2	576.7	0.1	2,058.9	0.4	-1,482.3

Country	2008							2007						
	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)
Total	**1,185,104.8**	**100.0**	**663,494.0**	**100.0**	**521,610.8**	**100.0**	**141,883.2**	**1,109,967.0**	**100.0**	**605,153.2**	**100.0**	**504,813.8**	**100.0**	**100,339.4**
Argentina	2,801.5	0.2	588.2	0.1	2,213.3	0.4	-1,625.1	3,108.3	0.3	616.0	0.1	2,492.3	0.5	-1,876.2
Egypt	2,748.1	0.2	2,388.4	0.4	359.7	0.1	2,028.7	1,933.2	0.2	1,637.5	0.3	295.7	0.1	1,341.8
Finland	2,558.0	0.2	1,628.8	0.2	929.2	0.2	699.6	3,055.7	0.3	2,065.5	0.3	990.3	0.2	1,075.2
Ukraine	2,514.2	0.2	2,003.9	0.3	510.2	0.1	1,493.7	1,249.5	0.1	884.9	0.1	364.7	0.1	520.2
Bangladesh	2,482.3	0.2	2,285.2	0.3	197.1	neg.	2,088.0	1,508.0	0.1	1,397.1	0.2	110.9	neg.	1,286.2
Jordan	2,281.8	0.2	1,832.2	0.3	449.6	0.1	1,382.6	532.1	neg.	300.5	neg.	231.5	neg.	69.0
Austria	1,991.2	0.2	422.2	0.1	1,569.0	0.3	-1,146.8	1,625.8	0.1	391.7	0.1	1,234.0	0.2	-842.3
Brunei Darussalam	1,833.5	0.2	1,494.3	0.2	339.2	0.1	1,155.1	1,709.2	0.2	1,381.3	0.2	327.9	0.1	1,053.4
Hungary	1,816.1	0.2	1,593.7	0.2	222.4	neg.	1,371.3	1,983.1	0.2	1,734.1	0.3	249.0	neg.	1,485.0
Qatar	1,699.4	0.1	802.9	0.1	896.5	0.2	-93.6	1,086.9	0.1	1,005.6	0.2	81.3	neg.	924.3
Myanmar	1,635.9	0.1	1,044.3	0.2	591.6	0.1	452.7	1,199.0	0.1	720.8	0.1	478.1	0.1	242.7
Sri Lanka	1,540.7	0.1	1,416.0	0.2	124.7	neg.	1,291.3	1,385.3	0.1	1,274.7	0.2	110.6	neg.	1,164.2
Denmark	1,450.5	0.1	892.8	0.1	557.8	0.1	335.0	1,477.6	0.1	889.5	0.1	588.1	0.1	301.5
Poland	1,393.8	0.1	1,183.9	0.2	209.9	neg.	974.0	1,479.1	0.1	1,151.0	0.2	328.1	0.1	822.9
Portugal	1,387.4	0.1	571.0	0.1	816.4	0.2	-245.3	1,871.7	0.2	649.1	0.1	1,222.6	0.2	-573.5
Benin	1,363.5	0.1	1,322.2	0.2	41.3	neg.	1,280.9	730.1	0.1	723.3	0.1	6.8	neg.	716.5
Costa Rica	1,339.5	0.1	136.1	neg.	1,203.4	0.2	-1,067.3	1,658.3	0.1	179.2	neg.	1,479.1	0.3	-1,299.9
Yemen	1,337.9	0.1	1,115.4	0.2	222.5	neg.	892.9	857.5	0.1	757.4	0.1	100.1	neg.	657.3
Ghana	1,172.3	0.1	602.9	0.1	569.4	0.1	33.5	815.1	0.1	411.3	0.1	403.8	0.1	7.5
Norway	1,055.4	0.1	476.7	0.1	578.8	0.1	-102.1	809.6	0.1	248.4	neg.	561.2	0.1	-312.8
Chile	1,052.4	0.1	291.2	neg.	761.2	0.1	-470.0	897.6	0.1	286.4	neg.	611.2	0.1	-324.8
Papua New Guinea	893.3	0.1	453.8	0.1	439.6	0.1	14.2	463.9	neg.	332.6	0.1	131.3	neg.	201.3
Bahrain	725.7	0.1	279.6	neg.	446.1	0.1	-166.6	631.5	0.1	211.2	neg.	420.4	0.1	-209.2
Czech Republic	713.3	0.1	493.7	0.1	219.6	neg.	274.1	905.7	0.1	693.2	0.1	212.5	neg.	480.7
Iraq	693.5	0.1	693.0	0.1	0.5	neg.	692.4	228.5	neg.	69.3	neg.	159.2	neg.	-89.9
Greece	672.6	0.1	635.8	0.1	36.8	neg.	599.0	717.6	0.1	632.7	0.1	84.9	neg.	547.7
Gabon	622.8	0.1	57.5	neg.	565.3	0.1	-507.9	1,445.6	0.1	25.7	neg.	1,419.9	0.3	-1,394.2
Nigeria	606.4	0.1	474.2	0.1	132.2	neg.	342.1	428.1	neg.	338.7	0.1	89.4	neg.	249.3
Cambodia	598.9	0.1	550.9	0.1	48.0	neg.	503.0	533.8	neg.	460.6	0.1	73.2	neg.	387.4
Syria	582.1	neg.	578.5	0.1	3.6	neg.	574.9	576.2	0.1	570.4	0.1	5.9	neg.	564.5
Togo	550.9	neg.	452.8	0.1	98.1	neg.	354.6	355.2	neg.	322.9	0.1	32.3	neg.	290.6
Tanzania	514.5	neg.	489.6	0.1	24.9	neg.	464.6	549.5	neg.	420.7	0.1	128.9	neg.	291.8
Algeria	483.7	neg.	461.8	0.1	21.9	neg.	439.8	411.0	neg.	391.0	0.1	20.0	neg.	371.0
Djibouti	474.2	neg.	468.7	0.1	5.6	neg.	463.1	279.5	neg.	272.1	neg.	7.4	neg.	264.7
Mauritius	472.7	neg.	465.1	0.1	7.6	neg.	457.4	311.1	neg.	287.6	neg.	23.5	neg.	264.2
Panama	448.7	neg.	420.9	0.1	27.8	neg.	393.1	489.4	neg.	478.5	0.1	10.9	neg.	467.6

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

Table 3:
Major Export Destinations, 2007 - 2008

Country	Exports				
	2008			2007	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**
Singapore	97,784.2	14.7	10.5	88,508.0	14.6
USA	82,728.1	12.5	-12.5	94,519.2	15.6
Japan	71,800.1	10.8	30.0	55,241.2	9.1
People's Republic of China	63,210.1	9.5	19.2	53,035.5	8.8
Thailand	31,734.8	4.8	5.8	29,983.9	5.0
Hong Kong SAR	28,317.2	4.3	1.2	27,969.9	4.6
Republic Of Korea	25,887.5	3.9	12.4	23,032.5	3.8
India	24,732.0	3.7	22.4	20,204.3	3.3
Australia	24,404.1	3.7	19.6	20,399.8	3.4
Netherlands	23,443.4	3.5	-0.7	23,599.4	3.9
Indonesia	20,736.2	3.1	16.8	17,749.5	2.9
Taiwan	16,233.1	2.4	-1.4	16,461.8	2.7
Germany	15,361.2	2.3	3.6	14,831.5	2.5
United Arab Emirates	12,540.7	1.9	23.9	10,124.4	1.7
Philippines	9,759.9	1.5	11.7	8,738.8	1.4
United Kingdom	9,488.0	1.4	-4.1	9,898.8	1.6
Vietnam	8,082.5	1.2	1.2	7,985.6	1.3
France	6,361.3	1.0	-13.5	7,351.8	1.2
Pakistan	5,734.4	0.9	33.0	4,310.4	0.7
Mexico	5,383.8	0.8	33.8	4,025.3	0.7
New Zealand	3,560.8	0.5	37.6	2,587.8	0.4
Saudi Arabia	3,513.6	0.5	42.6	2,463.2	0.4
Canada	3,218.9	0.5	-1.9	3,281.1	0.5
Russia	3,168.0	0.5	46.9	2,156.6	0.4
Spain	3,145.2	0.5	7.2	2,934.8	0.5
Italy	3,117.8	0.5	-17.7	3,786.5	0.6
Brazil	2,798.6	0.4	23.8	2,260.4	0.4
Turkey	2,721.6	0.4	-12.3	3,104.0	0.5
South Africa	2,623.0	0.4	-5.7	2,781.8	0.5
Iran	2,447.1	0.4	15.3	2,123.2	0.4
Egypt	2,388.4	0.4	45.9	1,637.5	0.3
Belgium	2,338.8	0.4	-11.9	2,654.6	0.4
Bangladesh	2,285.2	0.3	63.6	1,397.1	0.2
Switzerland	2,084.7	0.3	55.0	1,344.6	0.2
Ukraine	2,003.9	0.3	126.5	884.9	0.1
Jordan	1,832.2	0.3	*	300.5	neg.
Finland	1,628.8	0.2	-21.1	2,065.5	0.3
Hungary	1,593.7	0.2	-8.1	1,734.1	0.3
Brunei Darussalam	1,494.3	0.2	8.2	1,381.3	0.2
Sri Lanka	1,416.0	0.2	11.1	1,274.7	0.2
Ireland	1,373.5	0.2	-12.3	1,566.9	0.3
Benin	1,322.2	0.2	82.8	723.3	0.1
Sweden	1,317.7	0.2	0.3	1,313.3	0.2
Kuwait	1,254.5	0.2	117.5	576.7	0.1
Poland	1,183.9	0.2	2.9	1,151.0	0.2
Yemen	1,115.4	0.2	47.3	757.4	0.1

Compiled by Ministry of International Trade and Industry
Note : neg. - negligible
** - not meaningful*

Table 4:
Major Sources of Imports, 2007 - 2008

Country	Imports 2008 RM million	Share (%)	Change (%)	Imports 2007 RM million	Share (%)
Total	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**
People's Republic of China	66,881.7	12.8	3.0	64,903.3	12.9
Japan	65,126.3	12.5	-0.6	65,539.3	13.0
Singapore	57,325.6	11.0	-1.1	57,955.5	11.5
USA	56,454.5	10.8	3.2	54,687.8	10.8
Thailand	29,275.2	5.6	8.4	27,006.3	5.3
Taiwan	25,093.6	4.8	-12.6	28,712.1	5.7
Republic of Korea	24,226.2	4.6	-2.8	24,933.4	4.9
Indonesia	24,184.9	4.6	13.1	21,379.2	4.2
Germany	22,471.4	4.3	-4.1	23,423.2	4.6
Hong Kong SAR	13,658.7	2.6	-6.9	14,676.2	2.9
Australia	11,765.4	2.3	15.3	10,204.9	2.0
India	10,302.1	2.0	45.8	7,066.9	1.4
United Arab Emirates	8,392.4	1.6	89.2	4,435.7	0.9
Viet Nam	7,703.4	1.5	22.2	6,304.1	1.2
United Kingdom	7,654.2	1.5	5.3	7,265.9	1.4
France	7,554.4	1.4	-2.1	7,717.2	1.5
Saudi Arabia	7,546.6	1.4	11.4	6,775.3	1.3
Philippines	6,942.2	1.3	-29.0	9,774.9	1.9
Ireland	4,995.3	1.0	82.2	2,740.9	0.5
Italy	4,806.1	0.9	6.6	4,506.4	0.9
Switzerland	4,180.9	0.8	-26.0	5,652.2	1.1
Netherlands	3,687.9	0.7	12.4	3,281.9	0.7
Brazil	3,481.3	0.7	9.8	3,171.3	0.6
Canada	3,256.5	0.6	26.6	2,572.9	0.5
Oman	2,885.5	0.6	79.5	1,607.6	0.3
South Africa	2,700.8	0.5	60.3	1,685.2	0.3
New Zealand	2,593.0	0.5	55.2	1,671.3	0.3
Iran	2,548.9	0.5	72.8	1,474.9	0.3
Sweden	2,247.9	0.4	1.6	2,211.8	0.4
Argentina	2,213.3	0.4	-11.2	2,492.3	0.5
Belgium	1,848.4	0.4	4.4	1,770.4	0.4
Kuwait	1,699.8	0.3	-17.4	2,058.9	0.4
Russia	1,669.7	0.3	90.5	876.4	0.2
Austria	1,569.0	0.3	27.1	1,234.0	0.2
Spain	1,227.3	0.2	-15.0	1,443.2	0.3
Costa Rica	1,203.4	0.2	-18.6	1,479.1	0.3
Finland	929.2	0.2	-6.2	990.3	0.2
Qatar	896.5	0.2	*	81.3	neg.
Portugal	816.4	0.2	-33.2	1,222.6	0.2
Chile	761.2	0.1	24.5	611.2	0.1
Mexico	711.3	0.1	-19.9	887.6	0.2
Myanmar	591.6	0.1	23.7	478.1	0.1
Norway	578.8	0.1	3.1	561.2	0.1
Ghana	569.4	0.1	41.0	403.8	0.1
Gabon	565.3	0.1	-60.2	1,419.9	0.3
Denmark	557.8	0.1	-5.2	588.1	0.1
Ukraine	510.2	0.1	39.9	364.7	0.1

Compiled by Ministry of International Trade and Industry
Note : neg. - negligible
** - not meaningful*

Table 5:
Trade with ASEAN, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
ASEAN	**171,216.1**	**25.8**	**10.1**	**155,560.5**	**25.7**	**126,419.7**	**24.2**	**2.4**	**123,421.4**	**24.4**	**44,796.4**	**32,139.1**
Singapore	97,784.2	14.7	10.5	88,508.0	14.6	57,325.6	11.0	-1.1	57,955.5	11.5	40,458.7	30,552.5
Thailand	31,734.8	4.8	5.8	29,983.9	5.0	29,275.2	5.6	8.4	27,006.3	5.3	2,459.7	2,977.7
Indonesia	20,736.2	3.1	16.8	17,749.5	2.9	24,184.9	4.6	13.1	21,379.2	4.2	-3,448.7	-3,629.8
Philippines	9,759.9	1.5	11.7	8,738.8	1.4	6,942.2	1.3	-29.0	9,774.9	1.9	2,817.7	-1,036.1
Vietnam	8,082.5	1.2	1.2	7,985.6	1.3	7,703.4	1.5	22.2	6,304.1	1.2	379.2	1,681.4
Brunei Darussalam	1,494.3	0.2	8.2	1,381.3	0.2	339.2	0.1	3.4	327.9	0.1	1,155.1	1,053.4
Myanmar	1,044.3	0.2	44.9	720.8	0.1	591.6	0.1	23.7	478.1	0.1	452.7	242.7
Cambodia	550.9	0.1	19.6	460.6	0.1	48.0	neg.	-34.5	73.2	neg.	503.0	387.4
Laos, PDR	28.9	neg.	-9.7	32.0	neg.	9.8	neg.	-92.0	122.0	neg.	19.0	-90.0

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

Table 6:
Trade with NAFTA, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
NAFTA	**91,330.8**	**13.8**	**-10.3**	**101,825.6**	**16.8**	**60,422.2**	**11.6**	**3.9**	**58,148.3**	**11.5**	**30,908.6**	**43,677.3**
USA	82,728.1	12.5	-12.5	94,519.2	15.6	56,454.5	10.8	3.2	54,687.8	10.8	26,273.6	39,831.4
Mexico	5,383.8	0.8	33.8	4,025.3	0.7	711.3	0.1	-19.9	887.6	0.2	4,672.5	3,137.7
Canada	3,218.9	0.5	-1.9	3,281.1	0.5	3,256.5	0.6	26.6	2,572.9	0.5	-37.5	708.2

Compiled by Ministry of International Trade and Industry

Table 7:
Trade with EU, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
EU	**74,866.1**	**11.3**	**-3.8**	**77,823.6**	**12.9**	**61,692.8**	**11.8**	**2.9**	**59,941.5**	**11.9**	**13,173.3**	**17,882.2**
Netherlands	23,443.4	3.5	-0.7	23,599.4	3.9	3,687.9	0.7	12.4	3,281.9	0.7	19,755.5	20,317.4
Germany	15,361.2	2.3	3.6	14,831.5	2.5	22,471.4	4.3	-4.1	23,423.2	4.6	-7,110.2	-8,591.7
United Kingdom	9,488.0	1.4	-4.1	9,898.8	1.6	7,654.2	1.5	5.3	7,265.9	1.4	1,833.8	2,632.9
France	6,361.3	1.0	-13.5	7,351.8	1.2	7,554.4	1.4	-2.1	7,717.2	1.5	-1,193.1	-365.4
Spain	3,145.2	0.5	7.2	2,934.8	0.5	1,227.3	0.2	-15.0	1,443.2	0.3	1,917.9	1,491.6
Italy	3,117.8	0.5	-17.7	3,786.5	0.6	4,806.1	0.9	6.6	4,506.4	0.9	-1,688.3	-719.9
Belgium	2,338.8	0.4	-11.9	2,654.6	0.4	1,848.4	0.4	4.4	1,770.4	0.4	490.3	884.2
Finland	1,628.8	0.2	-21.1	2,065.5	0.3	929.2	0.2	-6.2	990.3	0.2	699.6	1,075.2
Hungary	1,593.7	0.2	-8.1	1,734.1	0.3	222.4	neg.	-10.7	249.0	neg.	1,371.3	1,485.0
Ireland	1,373.5	0.2	-12.3	1,566.9	0.3	4,995.3	1.0	82.2	2,740.9	0.5	-3,621.7	-1,174.0
Sweden	1,317.7	0.2	0.3	1,313.3	0.2	2,247.9	0.4	1.6	2,211.8	0.4	-930.2	-898.5
Poland	1,183.9	0.2	2.9	1,151.0	0.2	209.9	neg.	-36.0	328.1	0.1	974.0	822.9
Denmark	892.8	0.1	0.4	889.5	0.1	557.8	0.1	-5.2	588.1	0.1	335.0	301.5
Greece	635.8	0.1	0.5	632.7	0.1	36.8	neg.	-56.6	84.9	neg.	599.0	547.7
Portugal	571.0	0.1	-12.0	649.1	0.1	816.4	0.2	-33.2	1,222.6	0.2	-245.3	-573.5
Czech Republik	493.7	0.1	-28.8	693.2	0.1	219.6	neg.	3.4	212.5	neg.	274.1	480.7
Austria	422.2	0.1	7.8	391.7	0.1	1,569.0	0.3	27.1	1,234.0	0.2	-1,146.8	-842.3
Slovak Republik	322.6	neg.	-27.9	447.3	0.1	37.4	neg.	-28.7	52.5	neg.	285.2	394.8
Romania	211.1	neg.	-38.9	345.7	0.1	78.2	neg.	11.3	70.2	neg.	132.9	275.5
Estonia	207.9	neg.	-6.5	222.3	neg.	28.6	neg.	13.9	25.1	neg.	179.3	197.2
Bulgaria	189.9	neg.	29.7	146.4	neg.	56.1	neg.	-15.3	66.2	neg.	133.8	80.2
Malta	152.8	neg.	28.3	119.1	neg.	260.0	neg.	-0.5	261.4	0.1	-107.2	-142.3
Latvia	112.1	neg.	45.3	77.1	neg.	5.5	neg.	8.7	5.1	neg.	106.5	72.0
Cyprus	96.6	neg.	-22.5	124.7	neg.	13.2	neg.	21.2	10.9	neg.	83.4	113.8
Lithuania	87.1	neg.	-1.7	88.6	neg.	84.3	neg.	19.4	70.6	neg.	2.8	18.0
Slovenia	83.4	neg.	62.2	51.4	neg.	43.1	neg.	-11.6	48.7	neg.	40.3	2.7
Luxembourg	33.7	neg.	-40.3	56.5	neg.	32.3	neg.	-46.3	60.2	neg.	1.4	-3.7

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

Table 8:
Trade with APEC, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
APEC	**498,483.1**	**75.1**	**8.9**	**457,873.4**	**75.7**	**398,440.0**	**76.4**	**1.3**	**393,180.3**	**77.9**	**100,043.1**	**64,693.1**
Singapore	97,784.2	14.7	10.5	88,508.0	14.6	57,325.6	11.0	-1.1	57,955.5	11.5	40,458.7	30,552.5
USA	82,728.1	12.5	-12.5	94,519.2	15.6	56,454.5	10.8	3.2	54,687.8	10.8	26,273.6	39,831.4
Japan	71,800.1	10.8	30.0	55,241.2	9.1	65,126.3	12.5	-0.6	65,539.3	13.0	6,673.8	-10,298.0
People's Republic of China	63,210.1	9.5	19.2	53,035.5	8.8	66,881.7	12.8	3.0	64,903.3	12.9	-3,671.6	-11,867.8
Thailand	31,734.8	4.8	5.8	29,983.9	5.0	29,275.2	5.6	8.4	27,006.3	5.3	2,459.7	2,977.7
Hong Kong SAR	28,317.2	4.3	1.2	27,969.9	4.6	13,658.7	2.6	-6.9	14,676.2	2.9	14,658.5	13,293.7
Republic of Korea	25,887.5	3.9	12.4	23,032.5	3.8	24,226.2	4.6	-2.8	24,933.4	4.9	1,661.2	-1,900.9
Australia	24,404.1	3.7	19.6	20,399.8	3.4	11,765.4	2.3	15.3	10,204.9	2.0	12,638.8	10,194.9
Indonesia	20,736.2	3.1	16.8	17,749.5	2.9	24,184.9	4.6	13.1	21,379.2	4.2	-3,448.7	-3,629.8
Taiwan	16,233.1	2.4	-1.4	16,461.8	2.7	25,093.6	4.8	-12.6	28,712.1	5.7	-8,860.5	-12,250.2
Filipina	9,759.9	1.5	11.7	8,738.8	1.4	6,942.2	1.3	-29.0	9,774.9	1.9	2,817.7	-1,036.1
Viet Nam	8,082.5	1.2	1.2	7,985.6	1.3	7,703.4	1.5	22.2	6,304.1	1.2	379.2	1,681.4
Mexico	5,383.8	0.8	33.8	4,025.3	0.7	711.3	0.1	-19.9	887.6	0.2	4,672.5	3,137.7
New Zealand	3,560.8	0.5	37.6	2,587.8	0.4	2,593.0	0.5	55.2	1,671.3	0.3	967.8	916.5
Canada	3,218.9	0.5	-1.9	3,281.1	0.5	3,256.5	0.6	26.6	2,572.9	0.5	-37.5	708.2
Russia	3,168.0	0.5	46.9	2,156.6	0.4	1,669.7	0.3	90.5	876.4	0.2	1,498.3	1,280.2
Brunei Darussalam	1,494.3	0.2	8.2	1,381.3	0.2	339.2	0.1	3.4	327.9	0.1	1,155.1	1,053.4
Papua New Guinea	453.8	0.1	36.4	332.6	0.1	439.6	0.1	234.9	131.3	neg.	14.2	201.3
Chile	291.2	neg.	1.7	286.4	neg.	761.2	0.1	24.5	611.2	0.1	-470.0	-324.8
Peru	234.3	neg.	19.2	196.6	neg.	32.0	neg.	29.6	24.7	neg.	202.4	171.9

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

Table 9:
Trade with Major Countries in NAM, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
NAM	**248,151.6**	**37.4**	**15.5**	**214,766.6**	**35.5**	**170,011.4**	**32.6**	**9.2**	**155,659.8**	**30.8**	**78,140.1**	**59,106.8**
Singapore	97,784.2	14.7	10.5	88,508.0	14.6	57,325.6	11.0	-1.1	57,955.5	11.5	40,458.7	30,552.5
Thailand	31,734.8	4.8	5.8	29,983.9	5.0	29,275.2	5.6	8.4	27,006.3	5.3	2,459.7	2,977.7
Indonesia	24,732.0	3.7	22.4	20,204.3	3.3	10,302.1	2.0	45.8	7,066.9	1.4	14,429.9	13,137.4
India	20,736.2	3.1	16.8	17,749.5	2.9	24,184.9	4.6	13.1	21,379.2	4.2	-3,448.7	-3,629.8
United Arab Emirates	12,540.7	1.9	23.9	10,124.4	1.7	8,392.4	1.6	89.2	4,435.7	0.9	4,148.3	5,688.7
Philippines	9,759.9	1.5	11.7	8,738.8	1.4	6,942.2	1.3	-29.0	9,774.9	1.9	2,817.7	-1,036.1
Vietnam	8,082.5	1.2	1.2	7,985.6	1.3	7,703.4	1.5	22.2	6,304.1	1.2	379.2	1,681.4
Pakistan	5,734.4	0.9	33.0	4,310.4	0.7	422.3	0.1	47.5	286.4	0.1	5,312.1	4,024.0
Saudi Arabia	3,513.6	0.5	42.6	2,463.2	0.4	7,546.6	1.4	11.4	6,775.3	1.3	-4,033.0	-4,312.1
South Africa	2,623.0	0.4	-5.7	2,781.8	0.5	2,700.8	0.5	60.3	1,685.2	0.3	-77.7	1,096.5
Iran	2,447.1	0.4	15.3	2,123.2	0.4	2,548.9	0.5	72.8	1,474.9	0.3	-101.8	648.2
Egypt	2,388.4	0.4	45.9	1,637.5	0.3	359.7	0.1	21.6	295.7	0.1	2,028.7	1,341.8
Bangladesh	2,285.2	0.3	63.6	1,397.1	0.2	197.1	neg.	77.8	110.9	neg.	2,088.0	1,286.2
Jordan	1,832.2	0.3	*	300.5	neg.	449.6	0.1	94.2	231.5	neg.	1,382.6	69.0
Brunei Darussalam	1,494.3	0.2	8.2	1,381.3	0.2	339.2	0.1	3.4	327.9	0.1	1,155.1	1,053.4
Sri Lanka	1,416.0	0.2	11.1	1,274.7	0.2	124.7	neg.	12.8	110.6	neg.	1,291.3	1,164.2
Benin	1,322.2	0.2	82.8	723.3	0.1	41.3	neg.	*	6.8	neg.	1,280.9	716.5
Kuwait	1,254.5	0.2	117.5	576.7	0.1	1,699.8	0.3	-17.4	2,058.9	0.4	-445.3	-1,482.3
Yemen	1,115.4	0.2	47.3	757.4	0.1	222.5	neg.	122.4	100.1	neg.	892.9	657.3
Myanmar	1,044.3	0.2	44.9	720.8	0.1	591.6	0.1	23.7	478.1	0.1	452.7	242.7
Qatar	802.9	0.1	-20.2	1,005.6	0.2	896.5	0.2	*	81.3	neg.	-93.6	924.3
Oman	766.8	0.1	47.5	519.8	0.1	2,885.5	0.6	79.5	1,607.6	0.3	-2,118.7	-1,087.8
Iraq	693.0	0.1	*	69.3	neg.	0.5	neg.	-99.7	159.2	neg.	692.4	-89.9
Ghana	602.9	0.1	46.6	411.3	0.1	569.4	0.1	41.0	403.8	0.1	33.5	7.5
Syria	578.5	0.1	1.4	570.4	0.1	3.6	neg.	-39.4	5.9	neg.	574.9	564.5
Cambodia	550.9	0.1	19.6	460.6	0.1	48.0	neg.	-34.5	73.2	neg.	503.0	387.4
Tanzania	489.6	0.1	16.4	420.7	0.1	24.9	neg.	-80.6	128.9	neg.	464.6	291.8
Nigeria	474.2	0.1	40.0	338.7	0.1	132.2	neg.	47.8	89.4	neg.	342.1	249.3
Djibouti	468.7	0.1	72.2	272.1	neg.	5.6	neg.	-24.7	7.4	neg.	463.1	264.7
Mauritius	465.1	0.1	61.7	287.6	neg.	7.6	neg.	-67.4	23.5	neg.	457.4	264.2

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 10:
Trade with Major Countries in the OIC, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
OIC	**67,641.9**	**10.2**	**28.1**	**52,799.9**	**8.7**	**52,674.7**	**10.1**	**24.1**	**42,453.2**	**8.4**	**14,967.2**	**10,346.8**
D-8	**36,787.1**	**5.5**	**20.0**	**30,660.3**	**5.1**	**28,307.7**	**5.4**	**18.2**	**23,954.3**	**4.7**	**8,479.4**	**6,706.0**
Indonesia[1]	20,736.2	3.1	16.8	17,749.5	2.9	24,184.9	4.6	13.1	21,379.2	4.2	-3,448.7	-3,629.8
United Arab Emirates	12,540.7	1.9	23.9	10,124.4	1.7	8,392.4	1.6	89.2	4,435.7	0.9	4,148.3	5,688.7
Pakistan[1]	5,734.4	0.9	33.0	4,310.4	0.7	422.3	0.1	47.5	286.4	0.1	5,312.1	4,024.0
Saudi Arabia	3,513.6	0.5	42.6	2,463.2	0.4	7,546.6	1.4	11.4	6,775.3	1.3	-4,033.0	-4,312.1
Turkey[1]	2,721.6	0.4	-12.3	3,104.0	0.5	462.6	0.1	45.6	317.7	0.1	2,259.1	2,786.3
Iran[1]	2,447.1	0.4	15.3	2,123.2	0.4	2,548.9	0.5	72.8	1,474.9	0.3	-101.8	648.2
Egypt[1]	2,388.4	0.4	45.9	1,637.5	0.3	359.7	0.1	21.6	295.7	0.1	2,028.7	1,341.8
Bangladesh[1]	2,285.2	0.3	63.6	1,397.1	0.2	197.1	neg.	77.8	110.9	neg.	2,088.0	1,286.2
Jordan	1,832.2	0.3	*	300.5	neg.	449.6	0.1	94.2	231.5	neg.	1,382.6	69.0
Brunei Darussalam	1,494.3	0.2	8.2	1,381.3	0.2	339.2	0.1	3.4	327.9	0.1	1,155.1	1,053.4
Benin	1,322.2	0.2	82.8	723.3	0.1	41.3	neg.	*	6.8	neg.	1,280.9	716.5
Kuwait	1,254.5	0.2	117.5	576.7	0.1	1,699.8	0.3	-17.4	2,058.9	0.4	-445.3	-1,482.3
Yemen	1,115.4	0.2	47.3	757.4	0.1	222.5	neg.	122.4	100.1	neg.	892.9	657.3
Qatar	802.9	0.1	-20.2	1,005.6	0.2	896.5	0.2	*	81.3	neg.	-93.6	924.3
Oman	766.8	0.1	47.5	519.8	0.1	2,885.5	0.6	79.5	1,607.6	0.3	-2,118.7	-1,087.8
Iraq	693.0	0.1	*	69.3	neg.	0.5	neg.	-99.7	159.2	neg.	692.4	-89.9
Syria	578.5	0.1	1.4	570.4	0.1	3.6	neg.	-39.4	5.9	neg.	574.9	564.5
Nigeria[1]	474.2	0.1	40.0	338.7	0.1	132.2	neg.	47.8	89.4	neg.	342.1	249.3
Djibouti	468.7	0.1	72.2	272.1	neg.	5.6	neg.	-24.7	7.4	neg.	463.1	264.7
Algeria	461.8	0.1	18.1	391.0	0.1	21.9	neg.	9.5	20.0	neg.	439.8	371.0
Togo	452.8	0.1	40.2	322.9	0.1	98.1	neg.	*	32.3	neg.	354.6	290.6
Maldives	402.3	0.1	4.2	386.2	0.1	7.5	neg.	*	0.9	neg.	394.8	385.2
Libya	345.3	0.1	33.2	259.2	neg.	22.8	neg.	-72.4	82.7	neg.	322.5	176.5
Lebanon	312.9	neg.	47.7	211.8	neg.	7.4	neg.	-71.1	25.5	neg.	305.5	186.2
Bahrain	279.6	neg.	32.4	211.2	neg.	446.1	0.1	6.1	420.4	0.1	-166.6	-209.2

Compiled by Ministry of International Trade and Industry
Note: [1] - Member of D-8
neg. - negligible
** - not meaningful*

Table 11:
Trade with OECD, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
OECD	**296,002.5**	**44.6**	**4.1**	**284,446.2**	**47.0**	**230,479.4**	**44.2**	**1.8**	**226,412.7**	**44.9**	**65,523.1**	**58,033.5**
USA	82,728.1	12.5	-12.5	94,519.2	15.6	56,454.5	10.8	3.2	54,687.8	10.8	26,273.6	39,831.4
Japan	71,800.1	10.8	30.0	55,241.2	9.1	65,126.3	12.5	-0.6	65,539.3	13.0	6,673.8	-10,298.0
Republic Of Korea	25,887.5	3.9	12.4	23,032.5	3.8	24,226.2	4.6	-2.8	24,933.4	4.9	1,661.2	-1,900.9
Australia	24,404.1	3.7	19.6	20,399.8	3.4	11,765.4	2.3	15.3	10,204.9	2.0	12,638.8	10,194.9
Netherlands	23,443.4	3.5	-0.7	23,599.4	3.9	3,687.9	0.7	12.4	3,281.9	0.7	19,755.5	20,317.4
Germany	15,361.2	2.3	3.6	14,831.5	2.5	22,471.4	4.3	-4.1	23,423.2	4.6	-7,110.2	-8,591.7
United Kingdom	9,488.0	1.4	-4.1	9,898.8	1.6	7,654.2	1.5	5.3	7,265.9	1.4	1,833.8	2,632.9
France	6,361.3	1.0	-13.5	7,351.8	1.2	7,554.4	1.4	-2.1	7,717.2	1.5	-1,193.1	-365.4
Mexico	5,383.8	0.8	33.8	4,025.3	0.7	711.3	0.1	-19.9	887.6	0.2	4,672.5	3,137.7
New Zealand	3,560.8	0.5	37.6	2,587.8	0.4	2,593.0	0.5	55.2	1,671.3	0.3	967.8	916.5
Canada	3,218.9	0.5	-1.9	3,281.1	0.5	3,256.5	0.6	26.6	2,572.9	0.5	-37.5	708.2
Spain	3,145.2	0.5	7.2	2,934.8	0.5	1,227.3	0.2	-15.0	1,443.2	0.3	1,917.9	1,491.6
Italy	3,117.8	0.5	-17.7	3,786.5	0.6	4,806.1	0.9	6.6	4,506.4	0.9	-1,688.3	-719.9
Turkey	2,721.6	0.4	-12.3	3,104.0	0.5	462.6	0.1	45.6	317.7	0.1	2,259.1	2,786.3
Belgium	2,338.8	0.4	-11.9	2,654.6	0.4	1,848.4	0.4	4.4	1,770.4	0.4	490.3	884.2
Switzerland	2,084.7	0.3	55.0	1,344.6	0.2	4,180.9	0.8	-26.0	5,652.2	1.1	-2,096.2	-4,307.6
Finland	1,628.8	0.2	-21.1	2,065.5	0.3	929.2	0.2	-6.2	990.3	0.2	699.6	1,075.2
Hungary	1,593.7	0.2	-8.1	1,734.1	0.3	222.4	neg.	-10.7	249.0	neg.	1,371.3	1,485.0
Ireland	1,373.5	0.2	-12.3	1,566.9	0.3	4,995.3	1.0	82.2	2,740.9	0.5	-3,621.7	-1,174.0
Sweden	1,317.7	0.2	0.3	1,313.3	0.2	2,247.9	0.4	1.6	2,211.8	0.4	-930.2	-898.5
Poland	1,183.9	0.2	2.9	1,151.0	0.2	209.9	neg.	-36.0	328.1	0.1	974.0	822.9
Denmark	892.8	0.1	0.4	889.5	0.1	557.8	0.1	-5.2	588.1	0.1	335.0	301.5
Greece	635.8	0.1	0.5	632.7	0.1	36.8	neg.	-56.6	84.9	neg.	599.0	547.7
Portugal	571.0	0.1	-12.0	649.1	0.1	816.4	0.2	-33.2	1,222.6	0.2	-245.3	-573.5
Czech Republic	493.7	0.1	-28.8	693.2	0.1	219.6	neg.	3.4	212.5	neg.	274.1	480.7
Norway	476.7	0.1	91.9	248.4	neg.	578.8	0.1	3.1	561.2	0.1	-102.1	-312.8
Austria	422.2	0.1	7.8	391.7	0.1	1,569.0	0.3	27.1	1,234.0	0.2	-1,146.8	-842.3
Slovak Republic	322.6	neg.	-27.9	447.3	0.1	37.4	neg.	-28.7	52.5	neg.	285.2	394.8
Luxembourg	33.7	neg.	-40.3	56.5	neg.	32.3	neg.	-46.3	60.2	neg.	1.4	-3.7
Iceland	11.0	neg.	-22.3	14.1	neg.	0.3	neg.	-78.4	1.2	neg.	10.7	12.9

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 12:
Trade with Major Countries in the Commonwealth, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
Commonwealth	**181,395.9**	**27.3**	**13.6**	**159,624.4**	**26.4**	**98,754.0**	**18.9**	**9.0**	**90,602.6**	**17.9**	**82,641.9**	**69,021.7**
Singapore	97,784.2	14.7	10.5	88,508.0	14.6	57,325.6	11.0	-1.1	57,955.5	11.5	40,458.7	30,552.5
India	24,732.0	3.7	22.4	20,204.3	3.3	10,302.1	2.0	45.8	7,066.9	1.4	14,429.9	13,137.4
Australia	24,404.1	3.7	19.6	20,399.8	3.4	11,765.4	2.3	15.3	10,204.9	2.0	12,638.8	10,194.9
United Kingdom	9,488.0	1.4	-4.1	9,898.8	1.6	7,654.2	1.5	5.3	7,265.9	1.4	1,833.8	2,632.9
Pakistan	5,734.4	0.9	33.0	4,310.4	0.7	422.3	0.1	47.5	286.4	0.1	5,312.1	4,024.0
New Zealand	3,560.8	0.5	37.6	2,587.8	0.4	2,593.0	0.5	55.2	1,671.3	0.3	967.8	916.5
Canada	3,218.9	0.5	-1.9	3,281.1	0.5	3,256.5	0.6	26.6	2,572.9	0.5	-37.5	708.2
South Africa	2,623.0	0.4	-5.7	2,781.8	0.5	2,700.8	0.5	60.3	1,685.2	0.3	-77.7	1,096.5
Bangladesh	2,285.2	0.3	63.6	1,397.1	0.2	197.1	neg.	77.8	110.9	neg.	2,088.0	1,286.2
Brunei Darussalam	1,494.3	0.2	8.2	1,381.3	0.2	339.2	0.1	3.4	327.9	0.1	1,155.1	1,053.4
Sri Lanka	1,416.0	0.2	11.1	1,274.7	0.2	124.7	neg.	12.8	110.6	neg.	1,291.3	1,164.2
Ghana	602.9	0.1	46.6	411.3	0.1	569.4	0.1	41.0	403.8	0.1	33.5	7.5
Tanzania	489.6	0.1	16.4	420.7	0.1	24.9	neg.	-80.6	128.9	neg.	464.6	291.8
Nigeria	474.2	0.1	40.0	338.7	0.1	132.2	neg.	47.8	89.4	neg.	342.1	249.3
Mauritius	465.1	0.1	61.7	287.6	neg.	7.6	neg.	-67.4	23.5	neg.	457.4	264.2
Papua New Guinea	453.8	0.1	36.4	332.6	0.1	439.6	0.1	*	131.3	neg.	14.2	201.3
Maldives	402.3	0.1	4.2	386.2	0.1	7.5	neg.	*	0.9	neg.	394.8	385.2
Kenya	378.1	0.1	8.1	349.8	0.1	36.9	neg.	-14.5	43.1	neg.	341.2	306.7
Mozambique	216.8	neg.	78.5	121.5	neg.	31.5	neg.	*	5.3	neg.	185.3	116.2
Cameroon	179.1	neg.	47.4	121.5	neg.	127.4	neg.	78.4	71.4	neg.	51.7	50.1
Malta	152.8	neg.	28.3	119.1	neg.	260.0	neg.	-0.5	261.4	0.1	-107.2	-142.3
Fiji	126.3	neg.	46.2	86.4	neg.	1.0	neg.	182.1	0.4	neg.	125.3	86.0
Gambia	101.2	neg.	-3.2	104.5	neg.	0.3	neg.	-51.7	0.6	neg.	100.9	103.9
Cyprus	96.6	neg.	-22.5	124.7	neg.	13.2	neg.	21.2	10.9	neg.	83.4	113.8
Sierra Leone	91.9	neg.	33.5	68.9	neg.	1.2	neg.	*	0.3	neg.	90.8	68.5
Trinidad And Tobago	88.9	neg.	50.5	59.1	neg.	4.9	neg.	*	0.0	neg.	84.0	59.1
Seychelles	64.3	neg.	70.9	37.6	neg.	2.1	neg.	*	0.3	neg.	62.2	37.4
Solomon Islands	47.1	neg.	70.4	27.6	neg.	22.6	neg.	-31.8	33.2	neg.	24.5	-5.5
Jamaica	41.2	neg.	-26.5	56.1	neg.	1.6	neg.	154.1	0.6	neg.	39.6	55.5
Uganda	41.2	neg.	43.7	28.7	neg.	1.9	neg.	-71.5	6.8	neg.	39.3	21.9

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 13:
Trade with Major South Countries, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**297.4**	**9.6**	**605,153.2**	**323.7**	**521,610.8**	**278.3**	**3.3**	**504,813.8**	**295.4**	**141,883.2**	**100,339.4**
South Countries	**223,088.4**	**100.0**	**19.3**	**186,973.1**	**100.0**	**187,420.3**	**100.0**	**9.7**	**170,885.5**	**100.0**	**35,668.0**	**16,087.6**
People's Republic of China	63,210.1	28.3	19.2	53,035.5	28.4	66,881.7	35.7	3.0	64,903.3	38.0	-3,671.6	-11,867.8
Thailand	31,734.8	14.2	5.8	29,983.9	16.0	29,275.2	15.6	8.4	27,006.3	15.8	2,459.7	2,977.7
India	24,732.0	11.1	22.4	20,204.3	10.8	10,302.1	5.5	45.8	7,066.9	4.1	14,429.9	13,137.4
Indonesia	20,736.2	9.3	16.8	17,749.5	9.5	24,184.9	12.9	13.1	21,379.2	12.5	-3,448.7	-3,629.8
United Arab Emirates	12,540.7	5.6	23.9	10,124.4	5.4	8,392.4	4.5	89.2	4,435.7	2.6	4,148.3	5,688.7
Philippines	9,759.9	4.4	11.7	8,738.8	4.7	6,942.2	3.7	-29.0	9,774.9	5.7	2,817.7	-1,036.1
Viet Nam	8,082.5	3.6	1.2	7,985.6	4.3	7,703.4	4.1	22.2	6,304.1	3.7	379.2	1,681.4
Pakistan	5,734.4	2.6	33.0	4,310.4	2.3	422.3	0.2	47.5	286.4	0.2	5,312.1	4,024.0
Mexico	5,383.8	2.4	33.8	4,025.3	2.2	711.3	0.4	-19.9	887.6	0.5	4,672.5	3,137.7
Saudi Arabia	3,513.6	1.6	42.6	2,463.2	1.3	7,546.6	4.0	11.4	6,775.3	4.0	-4,033.0	-4,312.1
Brazil	2,798.6	1.3	23.8	2,260.4	1.2	3,481.3	1.9	9.8	3,171.3	1.9	-682.7	-910.9
South Africa	2,623.0	1.2	-5.7	2,781.8	1.5	2,700.8	1.4	60.3	1,685.2	1.0	-77.7	1,096.5
Iran	2,447.1	1.1	15.3	2,123.2	1.1	2,548.9	1.4	72.8	1,474.9	0.9	-101.8	648.2
Egypt	2,388.4	1.1	45.9	1,637.5	0.9	359.7	0.2	21.6	295.7	0.2	2,028.7	1,341.8
Bangladesh	2,285.2	1.0	63.6	1,397.1	0.7	197.1	0.1	77.8	110.9	0.1	2,088.0	1,286.2
Jordan	1,832.2	0.8	*	300.5	0.2	449.6	0.2	94.2	231.5	0.1	1,382.6	69.0
Brunei Darussalam	1,494.3	0.7	8.2	1,381.3	0.7	339.2	0.2	3.4	327.9	0.2	1,155.1	1,053.4
Sri Lanka	1,416.0	0.6	11.1	1,274.7	0.7	124.7	0.1	12.8	110.6	0.1	1,291.3	1,164.2
Benin	1,322.2	0.6	82.8	723.3	0.4	41.3	neg.	*	6.8	neg.	1,280.9	716.5
Kuwait	1,254.5	0.6	117.5	576.7	0.3	1,699.8	0.9	-17.4	2,058.9	1.2	-445.3	-1,482.3
Yaman	1,115.4	0.5	47.3	757.4	0.4	222.5	0.1	122.4	100.1	0.1	892.9	657.3
Myanmar	1,044.3	0.5	44.9	720.8	0.4	591.6	0.3	23.7	478.1	0.3	452.7	242.7
Qatar	802.9	0.4	-20.2	1,005.6	0.5	896.5	0.5	*	81.3	neg.	-93.6	924.3
Oman	766.8	0.3	47.5	519.8	0.3	2,885.5	1.5	79.5	1,607.6	0.9	-2,118.7	-1,087.8
Iraq	693.0	0.3	*	69.3	neg.	0.5	neg.	-99.7	159.2	0.1	692.4	-89.9
Ghana	602.9	0.3	46.6	411.3	0.2	569.4	0.3	41.0	403.8	0.2	33.5	7.5
Argentina	588.2	0.3	-4.5	616.0	0.3	2,213.3	1.2	-11.2	2,492.3	1.5	-1,625.1	-1,876.2

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 14:
Trade with Major Asian Countries, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
Asia	**440,723.3**	**66.4**	**15.6**	**381,319.2**	**63.0**	**358,105.1**	**68.7**	**3.0**	**347,563.6**	**68.8**	**82,618.3**	**33,755.6**
North East Asia	**205,597.9**	**31.0**	**16.9**	**175,872.4**	**29.1**	**195,048.5**	**37.4**	**-1.9**	**198,856.4**	**39.4**	**10,549.4**	**-22,983.9**
Japan	71,800.1	10.8	30.0	55,241.2	9.1	65,126.3	12.5	-0.6	65,539.3	13.0	6,673.8	-10,298.0
People's Republic of China	63,210.1	9.5	19.2	53,035.5	8.8	66,881.7	12.8	3.0	64,903.3	12.9	-3,671.6	-11,867.8
Hong Kong SAR	28,317.2	4.3	1.2	27,969.9	4.6	13,658.7	2.6	-6.9	14,676.2	2.9	14,658.5	13,293.7
Republic of Korea	25,887.5	3.9	12.4	23,032.5	3.8	24,226.2	4.6	-2.8	24,933.4	4.9	1,661.2	-1,900.9
Taiwan	16,233.1	2.4	-1.4	16,461.8	2.7	25,093.6	4.8	-12.6	28,712.1	5.7	-8,860.5	-12,250.2
ASEAN	**171,216.1**	**25.8**	**10.1**	**155,560.5**	**25.7**	**126,419.7**	**24.2**	**2.4**	**123,421.4**	**24.4**	**44,796.4**	**32,139.1**
South Asia	**34,644.1**	**5.2**	**25.4**	**27,630.8**	**4.6**	**11,061.8**	**2.1**	**46.0**	**7,578.0**	**1.5**	**23,582.3**	**20,052.8**
India	24,732.0	3.7	22.4	20,204.3	3.3	10,302.1	2.0	45.8	7,066.9	1.4	14,429.9	13,137.4
Pakistan	5,734.4	0.9	33.0	4,310.4	0.7	422.3	0.1	47.5	286.4	0.1	5,312.1	4,024.0
Bangladesh	2,285.2	0.3	63.6	1,397.1	0.2	197.1	neg.	77.8	110.9	neg.	2,088.0	1,286.2
Sri Lanka	1,416.0	0.2	11.1	1,274.7	0.2	124.7	neg.	12.8	110.6	neg.	1,291.3	1,164.2
West Asia	**28,860.0**	**4.3**	**31.0**	**22,038.0**	**3.6**	**25,562.0**	**4.9**	**44.5**	**17,694.1**	**3.5**	**3,298.0**	**4,343.9**
United Arab Emirates	12,540.7	1.9	23.9	10,124.4	1.7	8,392.4	1.6	89.2	4,435.7	0.9	4,148.3	5,688.7
Saudi Arabia	3,513.6	0.5	42.6	2,463.2	0.4	7,546.6	1.4	11.4	6,775.3	1.3	-4,033.0	-4,312.1
Turkey	2,721.6	0.4	-12.3	3,104.0	0.5	462.6	0.1	45.6	317.7	0.1	2,259.1	2,786.3
Iran	2,447.1	0.4	15.3	2,123.2	0.4	2,548.9	0.5	72.8	1,474.9	0.3	-101.8	648.2
Jordan	1,832.2	0.3	*	300.5	neg.	449.6	0.1	94.2	231.5	neg.	1,382.6	69.0
Kuwait	1,254.5	0.2	117.5	576.7	0.1	1,699.8	0.3	-17.4	2,058.9	0.4	-445.3	-1,482.3
Yemen	1,115.4	0.2	47.3	757.4	0.1	222.5	neg.	122.4	100.1	neg.	892.9	657.3
Qatar	802.9	0.1	-20.2	1,005.6	0.2	896.5	0.2	*	81.3	neg.	-93.6	924.3
Central Asia	**405.3**	**0.1**	**86.4**	**217.5**	**neg.**	**13.1**	**neg.**	**-3.7**	**13.6**	**neg.**	**392.1**	**203.8**
Turkmenistan	164.8	neg.	*	19.0	neg.	0.8	neg.	-56.0	1.8	neg.	164.0	17.3
Uzbekistan	143.4	neg.	15.0	124.7	neg.	8.0	neg.	-26.4	10.9	neg.	135.4	113.8

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 15:
Trade with Major Countries in the Americas, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
Americas	**97,323.7**	**100.0**	**-9.1**	**107,061.6**	**17.7**	**68,663.7**	**13.2**	**3.5**	**66,311.0**	**13.1**	**28,660.0**	**40,750.5**
North America	**85,947.0**	**13.0**	**-12.1**	**97,800.3**	**16.2**	**59,710.9**	**11.4**	**4.3**	**57,260.8**	**11.3**	**26,236.1**	**40,539.6**
USA	82,728.1	12.5	-12.5	94,519.2	15.6	56,454.5	10.8	3.2	54,687.8	10.8	26,273.6	39,831.4
Canada	3,218.9	0.5	-1.9	3,281.1	0.5	3,256.5	0.6	26.6	2,572.9	0.5	-37.5	708.2
Central America	**6,153.5**	**0.9**	**25.7**	**4,897.2**	**0.8**	**2,004.4**	**0.4**	**-18.0**	**2,444.4**	**0.5**	**4,149.1**	**2,452.8**
Mexico	5,383.8	0.8	33.8	4,025.3	0.7	711.3	0.1	-19.9	887.6	0.2	4,672.5	3,137.7
Panama	420.9	0.1	-12.0	478.5	0.1	27.8	neg.	155.0	10.9	neg.	393.1	467.6
Costa Rica	136.1	neg.	-24.1	179.2	neg.	1,203.4	0.2	-18.6	1,479.1	0.3	-1,067.3	-1,299.9
Honduras	63.9	neg.	0.8	63.5	neg.	5.1	neg.	29.6	3.9	neg.	58.8	59.5
Guatemala	61.7	neg.	-8.2	67.2	neg.	45.7	neg.	-0.6	45.9	neg.	16.0	21.2
El Salvador	59.6	neg.	-6.6	63.8	neg.	6.6	neg.	83.2	3.6	neg.	52.9	60.2
South America	**4,610.1**	**0.7**	**18.6**	**3,886.2**	**0.6**	**6,589.1**	**1.3**	**1.5**	**6,491.2**	**1.3**	**-1,979.0**	**-2,605.0**
Brazil	2,798.6	0.4	23.8	2,260.4	0.4	3,481.3	0.7	9.8	3,171.3	0.6	-682.7	-910.9
Argentina	588.2	0.1	-4.5	616.0	0.1	2,213.3	0.4	-11.2	2,492.3	0.5	-1,625.1	-1,876.2
Chile	291.2	neg.	1.7	286.4	neg.	761.2	0.1	24.5	611.2	0.1	-470.0	-324.8
Colombia	284.1	neg.	51.9	187.0	neg.	20.0	neg.	57.2	12.7	neg.	264.1	174.3
Peru	234.3	neg.	19.2	196.6	neg.	32.0	neg.	29.6	24.7	neg.	202.4	171.9
Venezuela	183.3	neg.	-2.0	187.1	neg.	3.7	neg.	-96.2	98.4	neg.	179.6	88.7
Uruguay	87.6	neg.	53.3	57.1	neg.	62.9	neg.	12.7	55.8	neg.	24.7	1.4
Ecuador	58.9	neg.	33.6	44.1	neg.	8.7	neg.	-50.9	17.8	neg.	50.1	26.3
Caribbean	**613.1**	**0.1**	**28.3**	**477.8**	**0.1**	**359.3**	**0.1**	**213.2**	**114.7**	**neg.**	**253.7**	**363.1**

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 16:
Trade with Major European Countries, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
Europe	**83,132.8**	**12.5**	**0.5**	**82,729.1**	**13.7**	**68,817.7**	**13.2**	**1.9**	**67,541.0**	**13.4**	**14,315.1**	**15,188.1**
EU	**74,866.1**	**11.3**	**-3.8**	**77,823.6**	**12.9**	**61,692.8**	**11.8**	**2.9**	**59,941.5**	**11.9**	**13,173.3**	**17,882.2**
Other Europe	**8,266.7**	**1.2**	**68.5**	**4,905.4**	**0.8**	**7,124.9**	**1.4**	**-6.2**	**7,599.5**	**1.5**	**1,141.8**	**-2,694.1**
Russian	3,168.0	0.5	46.9	2,156.6	0.4	1,669.7	0.3	90.5	876.4	0.2	1,498.3	1,280.2
Switzerland	2,084.7	0.3	55.0	1,344.6	0.2	4,180.9	0.8	-26.0	5,652.2	1.1	-2,096.2	-4,307.6
Ukraine	2,003.9	0.3	126.5	884.9	0.1	510.2	0.1	39.9	364.7	0.1	1,493.7	520.2
Norway	476.7	0.1	91.9	248.4	neg.	578.8	0.1	3.1	561.2	0.1	-102.1	-312.8
Gibraltar	211.2	neg.	*	0.0	neg.	0.2	neg.	*	neg.	neg.	210.9	neg.
Croatia	107.9	neg.	46.1	73.9	neg.	13.3	neg.	-61.1	34.3	neg.	94.5	39.5
Yugoslavia	56.7	neg.	9.1	52.0	neg.	8.6	neg.	54.1	5.5	neg.	48.2	46.4
Belarus	44.7	neg.	-38.2	72.3	neg.	107.3	neg.	80.2	59.6	neg.	-62.7	12.7
Georgia	40.7	neg.	25.8	32.4	neg.	21.4	neg.	32.5	16.2	neg.	19.3	16.2
Monaco	13.7	neg.	*	0.2	neg.	4.2	neg.	153.9	1.7	neg.	9.5	-1.5
Liechtenstein	11.4	neg.	*	3.2	neg.	1.1	neg.	63.5	0.7	neg.	10.3	2.5
Iceland	11.0	neg.	-22.3	14.1	neg.	0.3	neg.	-78.4	1.2	neg.	10.7	12.9
Montenegro	10.5	neg.	*	2.3	neg.	0.6	neg.	*	0.2	neg.	9.9	2.1
Albania	7.0	neg.	*	2.3	neg.	7.0	neg.	35.5	5.2	neg.	neg.	-2.9
Azerbaijan	5.8	neg.	-3.0	6.0	neg.	0.1	neg.	-93.0	1.1	neg.	5.8	4.9
Macedonia	3.9	neg.	-27.4	5.3	neg.	0.1	neg.	-61.3	0.1	neg.	3.8	5.2
Bosnia-Herzegovina	3.2	neg.	-17.0	3.8	neg.	12.0	neg.	38.3	8.7	neg.	-8.8	-4.8
Armenia	3.1	neg.	56.8	2.0	neg.	0.4	neg.	-84.8	2.5	neg.	2.8	-0.5
San Marino	1.1	neg.	*	0.1	neg.	0.3	neg.	*	0.1	neg.	0.8	neg.
Andorra	0.7	neg.	*	0.1	neg.	7.2	neg.	-8.9	7.9	neg.	-6.5	-7.8
Moldova	0.7	neg.	-31.9	1.0	neg.	0.8	neg.	*	neg.	neg.	-0.1	0.9

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 17:
Trade with Major African Countries, 2007 - 2008

Country	Exports					Imports					Balance of Trade	
	2008			2007		2008			2007		2008	2007
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**	**141,883.2**	**100,339.4**
Africa	**13,210.1**	**2.0**	**28.6**	**10,269.1**	**1.7**	**5,652.8**	**1.1**	**-8.9**	**6,203.4**	**1.2**	**7,557.4**	**4,065.7**
South Africa	2,623.0	0.4	-5.7	2,781.8	0.5	2,700.8	0.5	60.3	1,685.2	0.3	-77.7	1,096.5
Egypt	2,388.4	0.4	45.9	1,637.5	0.3	359.7	0.1	21.6	295.7	0.1	2,028.7	1,341.8
Benin	1,322.2	0.2	82.8	723.3	0.1	41.3	neg.	*	6.8	neg.	1,280.9	716.5
Ghana	602.9	0.1	46.6	411.3	0.1	569.4	0.1	41.0	403.8	0.1	33.5	7.5
Tanzania	489.6	0.1	16.4	420.7	0.1	24.9	neg.	-80.6	128.9	neg.	464.6	291.8
Nigeria	474.2	0.1	40.0	338.7	0.1	132.2	neg.	47.8	89.4	neg.	342.1	249.3
Djibouti	468.7	0.1	72.2	272.1	neg.	5.6	neg.	-24.7	7.4	neg.	463.1	264.7
Mauritius	465.1	0.1	61.7	287.6	neg.	7.6	neg.	-67.4	23.5	neg.	457.4	264.2
Algeria	461.8	0.1	18.1	391.0	0.1	21.9	neg.	9.5	20.0	neg.	439.8	371.0
Togo	452.8	0.1	40.2	322.9	0.1	98.1	neg.	203.7	32.3	neg.	354.6	290.6
Kenya	378.1	0.1	8.1	349.8	0.1	36.9	neg.	-14.5	43.1	neg.	341.2	306.7
Libya	345.3	0.1	33.2	259.2	neg.	22.8	neg.	-72.4	82.7	neg.	322.5	176.5
Angola	276.2	neg.	45.9	189.4	neg.	5.1	neg.	*	0.4	neg.	271.1	188.9
Mauritania	253.6	neg.	73.9	145.8	neg.	1.0	neg.	*	0.1	neg.	252.6	145.7
Mozambique	216.8	neg.	78.5	121.5	neg.	31.5	neg.	*	5.3	neg.	185.3	116.2
Morocco	182.2	neg.	-9.8	201.9	neg.	52.0	neg.	-40.1	86.8	neg.	130.1	115.2
Cameroon	179.1	neg.	47.4	121.5	neg.	127.4	neg.	78.4	71.4	neg.	51.7	50.1
Sudan	175.3	neg.	-3.9	182.4	neg.	167.5	neg.	16.9	143.3	neg.	7.8	39.1
Congo	170.0	neg.	31.6	129.1	neg.	77.6	neg.	54.3	50.3	neg.	92.4	78.8
Tunisia	107.5	neg.	22.7	87.6	neg.	19.9	neg.	-71.0	68.8	neg.	87.6	18.8
Madagascar	103.6	neg.	29.7	79.9	neg.	2.4	neg.	-51.1	4.8	neg.	101.2	75.0
Gambia	101.2	neg.	-3.2	104.5	neg.	0.3	neg.	-51.7	0.6	neg.	100.9	103.9
Sierra Leone	91.9	neg.	33.5	68.9	neg.	1.2	neg.	*	0.3	neg.	90.8	68.5
Somalia	86.4	neg.	63.9	52.7	neg.	0.4	neg.	*	neg.	neg.	86.0	52.7
Cote D'Ivoire	82.3	neg.	48.0	55.6	neg.	227.6	neg.	-17.1	274.7	0.1	-145.3	-219.0
Reunion Islands	76.5	neg.	-9.9	84.9	neg.	5.6	neg.	39.3	4.0	neg.	70.9	80.9
Seychelles	64.3	neg.	70.9	37.6	neg.	2.1	neg.	*	0.3	neg.	62.2	37.4
Liberia	61.1	neg.	44.6	42.2	neg.	31.4	neg.	-97.0	1,048.4	0.2	29.7	-1,006.2
Zaire, Republic Of	58.7	neg.	26.3	46.5	neg.	0.1	neg.	-99.8	20.8	neg.	58.7	25.7
Gabon	57.5	neg.	123.7	25.7	neg.	565.3	0.1	-60.2	1,419.9	0.3	-507.9	-1,394.2

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 18:
Major Exports of Manufactured Goods to Top Ten Destinations, 2007 - 2008

Product	2008			2007	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**663,494.0**	**100.0**	**605,153.2**	**100.0**
Manufactured Goods		**464,469.0**	**70.0**	**452,531.3**	**74.8**
Electrical & electronics products	**Total**	**253,826.3**	**38.3**	**266,454.4**	**44.0**
	USA	56,645.5	8.5	70,445.4	11.6
	Singapore	38,912.8	5.9	41,137.5	6.8
	People's Republic Of China	29,684.4	4.5	24,909.2	4.1
	Hong Kong SAR	20,289.2	3.1	20,198.5	3.3
	Japan	16,455.6	2.5	16,137.9	2.7
	Netherlands	12,775.3	1.9	13,969.6	2.3
	Thailand	10,524.2	1.6	10,896.7	1.8
	Germany	9,017.5	1.4	8,706.8	1.4
	Australia	6,167.0	0.9	5,585.5	0.9
	Taiwan	4,753.8	0.7	5,691.7	0.9
Chemicals & chemical products	**Total**	**40,538.1**	**6.1**	**33,242.0**	**5.5**
	People's Republic Of China	5,320.8	0.8	4,789.6	0.8
	Indonesia	3,800.5	0.6	2,774.4	0.5
	Thailand	3,505.6	0.5	3,142.9	0.5
	Singapore	3,385.7	0.5	2,938.0	0.5
	Japan	2,555.7	0.4	2,181.0	0.4
	India	2,512.7	0.4	1,762.9	0.3
	Netherlands	1,904.5	0.3	873.8	0.1
	Hong Kong SAR	1,818.6	0.3	1,803.3	0.3
	USA	1,753.4	0.3	1,198.6	0.2
	Taiwan	1,595.0	0.2	1,693.7	0.3
Machinery, appliances & parts	**Total**	**21,922.1**	**3.3**	**21,871.1**	**3.6**
	Singapore	4,825.0	0.7	4,470.2	0.7
	Indonesia	1,606.7	0.2	1,478.1	0.2
	USA	1,587.3	0.2	1,743.1	0.3
	Thailand	1,520.9	0.2	1,904.6	0.3
	People's Republic Of China	1,359.5	0.2	1,284.5	0.2
	Japan	938.0	0.1	1,152.9	0.2
	Australia	663.3	0.1	568.0	0.1
	India	626.3	0.1	471.6	0.1
	United Arab Emirates	593.9	0.1	522.0	0.1
	Vietnam	529.9	0.1	558.9	0.1
Manufactures of metal	**Total**	**19,635.4**	**3.0**	**16,626.9**	**2.7**
	Singapore	5,064.0	0.8	3,717.9	0.6
	Japan	1,486.1	0.2	1,253.1	0.2
	Thailand	1,475.9	0.2	1,410.3	0.2
	People's Republic Of China	1,127.3	0.2	1,020.9	0.2
	Indonesia	879.9	0.1	673.6	0.1
	USA	876.8	0.1	1,040.9	0.2
	India	847.0	0.1	565.7	0.1
	Australia	689.3	0.1	470.6	0.1
	Taiwan	688.6	0.1	885.7	0.1
	United Arab Emirates	541.7	0.1	400.3	0.1

Product	2008			2007	
	Country	RM million	Share (%)	RM million	Share (%)
Wood products	**Total**	**16,628.2**	**2.5**	**16,294.1**	**2.7**
	Japan	3,984.3	0.6	3,973.2	0.7
	USA	2,503.9	0.4	2,760.8	0.5
	United Kingdom	989.4	0.1	965.4	0.2
	Republic Of Korea	960.4	0.1	980.1	0.2
	United Arab Emirates	806.3	0.1	715.4	0.1
	Australia	728.0	0.1	746.0	0.1
	Taiwan	675.7	0.1	610.6	0.1
	Singapore	612.9	0.1	493.2	0.1
	People's Republic Of China	346.0	0.1	396.1	0.1
	Canada	303.3	neg.	274.2	neg.
Optical & scientific equipment	**Total**	**14,943.7**	**2.3**	**13,611.9**	**2.2**
	USA	3,243.1	0.5	2,830.3	0.5
	Japan	2,271.8	0.3	2,084.6	0.3
	Singapore	2,099.4	0.3	1,641.9	0.3
	Netherlands	1,213.1	0.2	1,090.4	0.2
	Thailand	1,051.6	0.2	1,116.0	0.2
	People's Republic Of China	972.6	0.1	870.4	0.1
	Germany	726.7	0.1	703.7	0.1
	Hong Kong SAR	520.0	0.1	397.0	0.1
	Republic Of Korea	397.5	0.1	308.8	0.1
	Taiwan	353.1	0.1	344.4	0.1
Rubber products	**Total**	**12,806.1**	**1.9**	**10,583.1**	**1.7**
	USA	2,933.2	0.4	2,405.0	0.4
	People's Republic Of China	2,562.4	0.4	1,737.6	0.3
	Germany	802.2	0.1	705.2	0.1
	Japan	508.4	0.1	425.6	0.1
	United Kingdom	460.2	0.1	448.6	0.1
	Thailand	392.6	0.1	347.1	0.1
	Hong Kong SAR	345.0	0.1	429.7	0.1
	Italy	338.7	0.1	319.0	0.1
	Australia	336.4	0.1	280.7	neg.
	Brazil	336.4	0.1	275.4	neg.
Processed food	**Total**	**12,131.8**	**1.8**	**8,670.4**	**1.4**
	Singapore	1,653.7	0.2	1,229.3	0.2
	USA	1,002.9	0.2	577.8	0.1
	Indonesia	938.7	0.1	803.3	0.1
	Kuwait	563.1	0.1	148.3	neg.
	Iraq	558.6	0.1	9.7	neg.
	Japan	547.5	0.1	420.6	0.1
	Thailand	481.4	0.1	406.9	0.1
	Australia	461.7	0.1	408.5	0.1
	People's Republic Of China	435.3	0.1	251.5	neg.
	United Arab Emirates	381.8	0.1	221.5	neg.

Product	2008			2007	
	Country	RM million	Share (%)	RM million	Share (%)
Textiles & apparel	**Total**	**10,497.2**	**1.6**	**10,263.0**	**1.7**
	USA	2,453.5	0.4	2,660.7	0.4
	Turkey	732.9	0.1	748.7	0.1
	Japan	594.1	0.1	572.9	0.1
	Singapore	583.8	0.1	509.7	0.1
	Mexico	521.3	0.1	362.2	0.1
	Indonesia	406.2	0.1	302.0	neg.
	People's Republic Of China	389.2	0.1	443.5	0.1
	Vietnam	349.7	0.1	356.6	0.1
	United Kingdom	281.3	neg.	316.9	0.1
	Germany	274.9	neg.	280.1	neg.
Iron & steel products	**Total**	**10,465.8**	**1.6**	**10,523.0**	**1.7**
	Singapore	1,499.9	0.2	1,340.4	0.2
	Indonesia	1,100.0	0.2	1,092.3	0.2
	Thailand	1,015.4	0.2	1,204.9	0.2
	Australia	1,004.8	0.2	741.7	0.1
	Vietnam	962.1	0.1	1,416.2	0.2
	United Arab Emirates	644.7	0.1	147.0	neg.
	USA	587.1	0.1	574.7	0.1
	India	384.7	0.1	728.3	0.1
	Republic Of Korea	313.4	neg.	135.6	neg.
	Saudi Arabia	308.2	neg.	102.2	neg.

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

Table 19:
Major Imports of Manufactured Goods from Top Ten Suppliers, 2007 - 2008

Product	2008			2007	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**521,610.8**	**100.0**	**504,813.8**	**100.0**
Manufactured Goods		**419,774.9**	**80.5**	**418,375.9**	**82.9**
Electrical & electronics products	**Total**	**189,395.0**	**36.3**	**203,917.3**	**40.4**
	People's Republic of China	35,454.6	6.8	36,237.6	7.2
	USA	31,369.9	6.0	28,465.1	5.6
	Japan	23,344.5	4.5	24,205.2	4.8
	Singapore	16,890.7	3.2	21,639.8	4.3
	Taiwan	14,763.0	2.8	18,050.5	3.6
	Republic of Korea	13,642.3	2.6	15,073.6	3.0
	Germany	10,894.9	2.1	12,703.1	2.5
	Hong Kong SAR	9,276.9	1.8	10,610.0	2.1
	Thailand	6,836.3	1.3	7,985.0	1.6
	Philippines	4,912.8	0.9	7,624.3	1.5
Chemicals & chemical products	**Total**	**43,572.3**	**8.4**	**39,002.3**	**7.7**
	Singapore	5,507.3	1.1	6,097.9	1.2
	People's Republic of China	4,751.2	0.9	3,775.9	0.7
	Japan	4,376.2	0.8	4,655.4	0.9
	USA	3,779.5	0.7	3,303.0	0.7
	Thailand	3,050.3	0.6	2,766.4	0.5
	Republic of Korea	2,085.5	0.4	1,900.0	0.4
	Germany	1,927.6	0.4	1,523.7	0.3
	Taiwan	1,826.5	0.4	1,675.3	0.3
	Indonesia	1,781.3	0.3	2,092.2	0.4
	Canada	1,584.9	0.3	782.4	0.2
Machinery, appliances & parts	**Total**	**43,348.3**	**8.3**	**42,764.1**	**8.5**
	Japan	8,901.0	1.7	9,046.7	1.8
	People's Republic of China	6,261.5	1.2	5,654.5	1.1
	USA	6,191.7	1.2	7,195.0	1.4
	Germany	3,684.8	0.7	3,651.5	0.7
	Singapore	2,687.8	0.5	2,586.5	0.5
	Thailand	2,616.6	0.5	2,454.1	0.5
	Taiwan	1,991.5	0.4	1,947.2	0.4
	Italy	1,335.0	0.3	1,180.5	0.2
	United Kingdom	1,213.7	0.2	1,335.2	0.3
	Republic of Korea	1,143.6	0.2	1,005.4	0.2
Iron & steel products	**Total**	**28,712.8**	**5.5**	**24,832.6**	**4.9**
	Japan	6,657.0	1.3	5,915.9	1.2
	People's Republic of China	3,875.4	0.7	3,388.0	0.7
	Republic of Korea	3,137.6	0.6	2,013.2	0.4
	USA	2,254.2	0.4	2,290.0	0.5
	Taiwan	2,202.1	0.4	2,334.3	0.5
	Australia	1,328.7	0.3	950.3	0.2
	United Kingdom	1,266.4	0.2	1,043.2	0.2
	South Africa	1,167.6	0.2	946.4	0.2
	Germany	920.1	0.2	458.7	0.1
	Singapore	723.5	0.1	602.1	0.1

Product	2008			2007	
	Country	RM million	Share (%)	RM million	Share (%)
Manufactures of metal	**Total**	**27,433.4**	**5.3**	**27,396.9**	**5.4**
	Japan	5,607.6	1.1	5,112.9	1.0
	People's Republic of China	2,908.4	0.6	2,961.5	0.6
	Australia	2,478.8	0.5	3,113.8	0.6
	Indonesia	2,166.6	0.4	2,601.8	0.5
	India	2,059.7	0.4	1,380.4	0.3
	Singapore	1,842.3	0.4	1,829.1	0.4
	USA	1,596.1	0.3	1,760.9	0.3
	Republic of Korea	1,499.5	0.3	1,319.7	0.3
	Taiwan	1,201.2	0.2	1,348.3	0.3
	Thailand	960.4	0.2	865.9	0.2
Transport equipment	**Total**	**22,399.8**	**4.3**	**21,852.5**	**4.3**
	Japan	6,155.2	1.2	5,981.4	1.2
	Thailand	3,815.6	0.7	3,116.9	0.6
	France	3,426.2	0.7	3,344.8	0.7
	USA	1,644.1	0.3	1,440.6	0.3
	Germany	1,430.9	0.3	1,463.2	0.3
	Singapore	1,114.8	0.2	424.8	0.1
	Indonesia	978.0	0.2	630.4	0.1
	People's Republic of China	864.2	0.2	602.8	0.1
	Republic of Korea	559.0	0.1	1,807.3	0.4
	United Kingdom	447.5	0.1	296.1	0.1
Optical & scientific equipment	**Total**	**15,934.7**	**3.1**	**13,280.1**	**2.6**
	USA	3,055.1	0.6	3,280.6	0.6
	Japan	2,300.2	0.4	2,145.2	0.4
	People's Republic of China	2,257.0	0.4	1,255.0	0.2
	Singapore	1,795.1	0.3	1,706.8	0.3
	Germany	967.3	0.2	856.5	0.2
	Ireland	873.4	0.2	26.0	0.0
	Hong Kong	798.1	0.2	667.7	0.1
	Thailand	544.1	0.1	431.5	0.1
	Switzerland	485.6	0.1	429.6	0.1
	Republic of Korea	445.6	0.1	268.4	0.1
Processed food	**Total**	**8,935.4**	**1.7**	**8,202.4**	**1.6**
	New Zealand	1,578.0	0.3	1,043.9	0.2
	Australia	1,307.8	0.3	1,204.5	0.2
	USA	911.5	0.2	861.2	0.2
	Thailand	859.1	0.2	1,003.9	0.2
	People's Republic of China	592.8	0.1	516.2	0.1
	Brazil	534.8	0.1	864.2	0.2
	Singapore	493.7	0.1	382.2	0.1
	India	402.5	0.1	96.9	0.0
	Indonesia	393.4	0.1	304.9	0.1
	Netherlands	330.8	0.1	339.8	0.1

Product	2008			2007	
	Country	RM million	Share (%)	RM million	Share (%)
Paper & pulp products	**Total**	**6,181.8**	**1.2**	**6,217.2**	**1.2**
	Indonesia	973.9	0.2	1,012.4	0.2
	People's Republic of China	635.6	0.1	672.1	0.1
	Japan	614.6	0.1	590.2	0.1
	Thailand	478.8	0.1	495.7	0.1
	USA	456.4	0.1	476.5	0.1
	Taiwan	429.7	0.1	441.5	0.1
	Singapore	425.8	0.1	399.7	0.1
	Germany	355.2	0.1	285.6	0.1
	Brazil	302.6	0.1	370.3	0.1
	Republic of Korea	239.4	0.0	229.3	0.0
Manufacture of plastics	**Total**	**5,597.7**	**1.1**	**5,998.9**	**1.2**
	Japan	1,241.9	0.2	1,348.0	0.3
	People's Republic of China	857.5	0.2	928.2	0.2
	Singapore	796.5	0.2	821.0	0.2
	USA	573.7	0.1	534.5	0.1
	Thailand	349.6	0.1	424.1	0.1
	Taiwan	332.8	0.1	288.4	0.1
	Republic of Korea	322.1	0.1	349.4	0.1
	Hong Kong	226.5	0.0	246.7	0.0
	Indonesia	158.1	0.0	179.8	0.0
	Germany	144.7	0.0	152.9	0.0

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

Table 20:
Exports of Top Ten Products to Selected Destinations, 2007 - 2008

Product	2008			2007	
	RM million	Share (%)	Change	RM million	Share (%)
Total	**663,494.0**	**100.0**	**9.6**	**605,153.2**	**100.0**
Manufactured Goods	**464,469.0**	**70.0**	**2.6**	**452,531.3**	**74.8**
Agricultural Goods	**71,709.3**	**10.8**	**24.2**	**57,728.8**	**9.5**
Mining Goods	**120,700.2**	**18.2**	**42.3**	**84,818.2**	**14.0**
ASEAN	**171,216.1**	**25.8**	**10.1**	**155,560.5**	**25.7**
Manufactured Goods	**122,647.7**	**18.5**	**5.3**	**116,529.5**	**19.3**
Agricultural Goods	**7,485.3**	**1.1**	**20.6**	**6,207.7**	**1.0**
Mining Goods	**39,091.6**	**5.9**	**37.3**	**28,469.3**	**4.7**
Electrical & electronic products	55,041.6	8.3	-4.7	57,744.7	9.5
Refined petroleum products	21,322.1	3.2	31.1	16,260.0	2.7
Crude petroleum	16,673.9	2.5	44.9	11,508.9	1.9
Chemicals & chemical products	13,413.4	2.0	17.7	11,400.6	1.9
Machinery, appliances & parts	9,029.9	1.4	1.1	8,935.8	1.5
Manufactures of metal	8,299.8	1.3	26.7	6,551.8	1.1
Iron & steel products	4,911.1	0.7	-8.2	5,351.8	0.9
Transport equipment	4,050.9	0.6	24.9	3,243.1	**0.5**
Processed food	3,960.4	0.6	26.5	3,131.8	0.5
Optical & scientific equipment	3,635.8	0.5	12.7	3,225.5	0.5
USA	**82,728.1**	**12.5**	**-12.5**	**94,519.2**	**15.6**
Manufactured Goods	**76,375.2**	**11.5**	**-14.2**	**88,984.9**	**14.7**
Agricultural Goods	**5,417.9**	**0.8**	**42.6**	**3,800.0**	**0.6**
Mining Goods	**723.4**	**0.1**	**-26.4**	**983.4**	**0.2**
Electrical & electronic products	56,645.5	8.5	-19.6	70,445.4	11.6
Palm oil	3,921.4	0.6	49.4	2,624.1	0.4
Optical & scientific equipment	3,243.1	0.5	14.6	2,830.3	0.5
Rubber products	2,933.2	0.4	22.0	2,405.0	0.4
Wood products	2,503.9	0.4	-9.3	2,760.8	0.5
Textiles & apparel	2,453.5	0.4	-7.8	2,660.7	0.4
Chemicals & chemical products	1,753.4	0.3	46.3	1,198.6	0.2
Machinery, appliances & parts	1,587.3	0.2	-8.9	1,743.1	0.3
Processed food	1,002.9	0.2	73.6	577.8	0.1
Manufactures of metal	876.8	0.1	-15.8	1,040.9	0.2
EU	**74,866.1**	**11.3**	**-3.8**	**77,823.6**	**12.9**
Manufactured Goods	**63,217.7**	**9.5**	**-4.4**	**66,146.5**	**10.9**
Agricultural Goods	**9,836.8**	**1.5**	**-1.2**	**9,956.3**	**1.6**
Mining Goods	**1,426.2**	**0.2**	**54.3**	**924.5**	**0.2**
Electrical & electronic products	38,753.6	5.8	-8.8	42,513.5	7.0
Palm oil	5,515.3	0.8	-1.5	5,601.8	0.9
Chemicals & chemical products	3,806.7	0.6	48.1	2,569.8	0.4
Machinery, appliances & parts	2,946.1	0.4	-5.4	3,114.5	0.5
Rubber products	2,887.1	0.4	10.8	2,606.3	0.4
Crude rubber	2,637.7	0.4	16.4	2,266.8	0.4
Optical & scientific equipment	2,305.7	0.3	-1.2	2,334.3	0.4
Wood products	2,245.3	0.3	-1.7	2,285.3	0.4
Manufactures of plastics	1,541.1	0.2	1.2	1,522.8	0.3
Transport equipment	1,526.3	0.2	7.4	1,420.6	0.2

Product	2008			2007	
	RM million	Share (%)	Change	RM million	Share (%)
Japan	**71,800.1**	**10.8**	**30.0**	**55,241.2**	**9.1**
Manufactured Goods	**17,716.6**	**2.7**	**14.6**	**15,455.7**	**2.6**
Agricultural Goods	**3,541.7**	**0.5**	**15.4**	**3,070.2**	**0.5**
Mining Goods	**33,522.9**	**5.1**	**68.7**	**19,872.6**	**3.3**
LNG	28,538.0	4.3	75.1	16,301.7	2.7
Electrical & electronic products	16,455.6	2.5	2.0	16,137.9	2.7
Wood products	3,984.3	0.6	0.3	3,973.2	0.7
Refined petroleum products	2,671.3	0.4	80.3	1,481.5	0.2
Chemicals & chemical products	2,555.7	0.4	17.2	2,181.0	0.4
Optical & scientific equipment	2,271.8	0.3	9.0	2,084.6	0.3
Palm oil	2,064.7	0.3	28.7	1,603.8	0.3
Crude petroleum	1,872.7	0.3	0.3	1,866.7	0.3
Manufactures of metal	1,486.1	0.2	18.6	1,253.1	0.2
Manufactures of plastics	1,388.3	0.2	15.1	1,206.4	0.2
People's Republic of China	**63,210.1**	**9.5**	**19.2**	**53,035.5**	**8.8**
Manufactured Goods	**43,895.1**	**6.6**	**17.9**	**37,229.2**	**6.2**
Agricultural Goods	**16,062.6**	**2.4**	**18.7**	**13,531.2**	**2.2**
Mining Goods	**2,892.7**	**0.4**	**54.0**	**1,878.9**	**0.3**
Electrical & electronic products	29,684.4	4.5	19.2	24,909.2	4.1
Palm oil	12,405.4	1.9	25.3	9,897.3	1.6
Chemicals & chemical products	5,320.8	0.8	11.1	4,789.6	0.8
Crude rubber	2,640.0	0.4	-0.7	2,658.4	0.4
Rubber products	2,562.4	0.4	47.5	1,737.6	0.3
Crude petroleum	1,884.7	0.3	108.1	905.8	0.1
Machinery, appliances & parts	1,359.5	0.2	5.8	1,284.5	0.2
Manufactures of metal	1,127.3	0.2	10.4	1,020.9	0.2
Optical & scientific equipment	972.6	0.1	11.7	870.4	0.1
Refined petroleum products	617.7	0.1	-12.7	707.5	0.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 21:
Imports of Top Ten Products from Selected Sources, 2007 - 2008

Product	2008 RM million	2008 Share (%)	2008 Change	2007 RM million	2007 Share (%)
Total	**521,610.8**	**100.0**	**3.3**	**504,813.8**	**100.0**
Manufactured Goods	**419,774.9**	**80.5**	**0.3**	**418,375.9**	**82.9**
Agriculture Goods	**28,829.6**	**5.5**	**27.1**	**22,680.6**	**4.5**
Mining Goods	**59,085.7**	**11.3**	**26.8**	**46,587.3**	**9.2**
ASEAN	**126,419.7**	**33.6**	**2.4**	**123,421.4**	**33.5**
Manufactured Goods	**78,217.3**	**20.8**	**-7.4**	**84,497.8**	**22.9**
Agriculture Goods	**15,601.9**	**4.1**	**45.0**	**10,762.8**	**2.9**
Mining Goods	**29,697.3**	**7.9**	**19.7**	**24,810.6**	**6.7**
Electrical & electronics products	30,782.5	8.2	-21.8	39,346.1	10.7
Refined petroleum products	21,029.3	5.6	21.1	17,367.1	4.7
Chemicals & chemical products	11,201.4	3.0	-1.2	11,332.7	3.1
Machinery, appliance & parts	6,517.1	1.7	3.0	6,328.4	1.7
Transport equipment	6,056.6	1.6	27.3	4,759.6	1.3
Manufactures of metal	5,474.5	1.5	-6.9	5,879.4	1.6
Crude petroleum	4,522.7	1.2	-10.7	5,064.7	1.4
Palm oil	3,408.2	0.9	75.1	1,946.1	0.5
Crude rubber	3,199.0	0.8	22.3	2,615.7	0.7
Cereal	3,146.3	0.8	147.9	1,269.0	0.3
People's Republic of China	**66,881.7**	**17.8**	**3.0**	**64,903.3**	**17.6**
Manufactured Goods	**63,739.8**	**16.9**	**5.2**	**60,617.9**	**16.5**
Agriculture Goods	**1,923.6**	**0.5**	**-20.4**	**2,416.8**	**0.7**
Mining Goods	**664.8**	**0.2**	**93.0**	**344.4**	**0.1**
Electrical & electronics products	35,454.6	9.4	-2.2	36,237.6	9.8
Machinery, appliance & parts	6,261.5	1.7	10.7	5,654.5	1.5
Chemicals & chemical products	4,751.2	1.3	25.8	3,775.9	1.0
Iron & steel products	3,875.4	1.0	14.4	3,388.0	0.9
Manufactures of metal	2,908.4	0.8	-1.8	2,961.5	0.8
Optical & scientific equipment	2,257.0	0.6	79.8	1,255.0	0.3
Textiles & apparel	2,047.7	0.5	0.5	2,037.7	0.6
Transport equipment	864.2	0.2	43.4	602.8	0.2
Manufacture of plastics	857.5	0.2	-7.6	928.2	0.3
Non metallic mineral products	715.6	0.2	31.1	546.0	0.1
Japan	**65,126.3**	**17.3**	**-0.6**	**65,539.3**	**17.8**
Manufactured Goods	**61,929.9**	**16.4**	**0.7**	**61,526.8**	**16.7**
Agriculture Goods	**91.5**	**0.0**	**5.1**	**87.1**	**0.0**
Mining Goods	**251.6**	**0.1**	**26.6**	**198.7**	**0.1**
Electrical & electronics products	23,344.5	6.2	-3.6	24,205.2	6.6
Machinery, appliance & parts	8,901.0	2.4	-1.6	9,046.7	2.5
Iron & steel products	6,657.0	1.8	12.5	5,915.9	1.6
Transport equipment	6,155.2	1.6	2.9	5,981.4	1.6
Manufactures of metal	5,607.6	1.5	9.7	5,112.9	1.4
Chemicals & chemical products	4,376.2	1.2	-6.0	4,655.4	1.3
Optical & scientific equipment	2,300.2	0.6	7.2	2,145.2	0.6
Manufacture of plastics	1,241.9	0.3	-7.9	1,348.0	0.4
Rubber products	850.8	0.2	26.0	675.3	0.2
Non metallic mineral products	689.8	0.2	-2.0	703.9	0.2

Product	2008			2007	
	RM million	Share (%)	Change	RM million	Share (%)
EU	**61,692.8**	**16.4**	**2.9**	**59,941.5**	**16.3**
Manufactured Goods	**60,294.6**	**16.0**	**4.5**	**57,684.8**	**15.7**
Agriculture Goods	**393.8**	**0.1**	**-14.6**	**460.9**	**0.1**
Mining Goods	**282.5**	**0.1**	**-34.4**	**430.7**	**0.1**
Electrical & electronics products	23,849.4	6.3	-3.8	24,793.2	6.7
Machinery, appliance & parts	8,924.7	2.4	4.4	8,548.3	2.3
Chemicals & chemical products	6,545.2	1.7	14.4	5,719.9	1.6
Transport equipment	5,844.6	1.6	7.2	5,453.3	1.5
Iron & steel products	3,744.9	1.0	18.2	3,168.5	0.9
Optical & scientific equipment	3,101.6	0.8	51.8	2,042.9	0.6
Manufactures of metal	2,138.9	0.6	16.6	1,834.4	0.5
Paper & pulp products	1,153.9	0.3	12.6	1,025.2	0.3
Processed food	1,054.7	0.3	-13.8	1,224.2	0.3
Beverages & tobacco	574.7	0.2	28.9	445.7	0.1
USA	**56,454.5**	**15.0**	**3.2**	**54,687.8**	**14.8**
Manufactured Goods	**54,063.2**	**14.4**	**4.4**	**51,787.0**	**14.1**
Agriculture Goods	**1,142.8**	**0.3**	**-11.9**	**1,297.7**	**0.4**
Mining Goods	**531.9**	**0.1**	**55.8**	**341.4**	**0.1**
Electrical & electronics products	31,369.9	8.3	10.2	28,465.1	7.7
Machinery, appliances & parts	6,191.7	1.6	-13.9	7,195.0	2.0
Chemicals & chemical products	3,779.5	1.0	14.4	3,303.0	0.9
Optical & scientific equipment	3,055.1	0.8	-6.9	3,280.6	0.9
Iron & steel products	2,254.2	0.6	-1.6	2,290.0	0.6
Transport equipment	1,644.1	0.4	14.1	1,440.6	0.4
Manufactures of metal	1,596.1	0.4	-9.4	1,760.9	0.5
Processed food	911.5	0.2	5.8	861.2	0.2
Manufacture of plastics	573.7	0.2	7.3	534.5	0.1
Paper & pulp products	456.4	0.1	-4.2	476.5	0.1

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

APPENDIX 3 : APPROVED MANUFACTURING PROJECTS WITH FOREIGN PARTICIPATION BY MAJOR SOURCE

Country	2008		2007	
	Foreign Investments (RM million)	Number of Projects	Foreign Investments (RM million)	Number of Projects
Australia	13,105.8	20	1,685.1	17
USA	8,669.0	22	3,020.0	33
Japan	5,594.9	63	6,522.7	60
Germany	4,438.3	19	3,756.8	26
Spain	4,156.2	1	44.1	2
Singapore	2,004.3	112	2,952.2	108
Netherlands	1,795.7	19	1,690.4	9
British Virgin Islands	1,230.4	6	49.4	3
Taiwan	911.6	32	408.7	41
Switzerland	873.2	8	61.3	7
United Kingdom	850.5	23	385.3	20
France	250.9	9	787.0	4
Luxembourg	220.7	2	14.5	1
Republic of Korea	197.6	9	1,118.8	23
India	171.0	8	2,923.7	8
Thailand	144.6	6	137.7	6
Denmark	123.3	7	11.0	3
Belgium	105.1	5	213.5	4
Cyprus	104.3	3	nil	nil
United Arab Emirates	90.9	5	42.5	2
Hong Kong	83.6	7	59.8	14
Italy	70.7	2	52.2	4
Sweden	62.9	8	54.0	2
People’s Republic of China	35.7	17	1,883.2	13
Austria	35.2	1	nil	nil
Indonesia	22.1	2	41.2	5
Syria	22.1	1	nil	nil
New Zealand	12.5	2	9.3	1
Bangladesh	7.9	2	nil	nil
Nigeria	7.3	1	nil	nil
South Africa	6.7	1	nil	nil
Ukraine	6.0	1	nil	nil
Myanmar	4.5	1	nil	nil
Philippines	3.4	1	4.5	1
Ireland	3.1	1	13.7	1
Iran	2.9	1	3,067.8	3
Saudi Arabia	2.0	1	nil	nil
Brunei	1.0	1	31.1	2

Source: Malaysian Industrial Development Authority

APPENDIX 4 : BILATERAL AGREEMENTS ON TRADE AND INVESTMENT

Trade Agreements as at December 2008

No	Country	Date of Signing
1.	Albania	24.01.1994
2.	Algeria	11.08.2003
3.	Argentina	01.07.1991
4.	Australia	26.08.1958
	(New Agreement)	20.10.1997
5.	Bangladesh	01.12.1977
6.	Bosnia-Herzegovina	26.10.1994
7.	Brazil	26.04.1996
8.	Bulgaria	20.05.1968
9.	Burkina Faso	23.04.1998
10.	Cambodia	04.02.1999
11.	Chile	21.06.1991
12.	People's Republic of China	01.04.1988
13.	Colombia	14.08.1995
14.	Croatia	26.10.1994
15.	Cuba	26.09.1997
16.	Egypt	08.01.1977
17.	Ethiopia	22.10.1998
18.	Ghana	03.12.1995
19.	Guinea	11.10.1999
20.	India	11.10.2000
21.	Indonesia	16.10.1973
22.	Iran	19.03.1989
23.	Iraq	17.02.1977
24.	Japan	10.05.1960
25.	Jordan	02.10.1994
26.	Kazakhstan	27.05.1996
27.	Kyrgyz Republic	20.07.1995
28.	Lao PDR	11.08.1998
29.	Lebanon	23.03.1995
30.	Libya	18.01.1977
31.	Macedonia	11.11.1997
32.	Malawi	05.09.1996
33.	Mali	16.11.1990
34.	Morocco	10.03.1997
35.	Myanmar	09.06.1998
36.	Namibia	12.08.1994
37.	New Zealand	03.02.1961
	(New Agreement)	17.10.1997
38.	North Korea	09.06.1979
39.	Pakistan	05.11.1987
40.	Peru	13.10.1995
41.	Republic of Korea	05.11.1962
	(New Agreement)	09.06.1979
42.	Romania	01.03.1991
43.	South Africa	07.03.1997
44.	Sudan	14.05.1998
45.	Suriname	25.05.1998
46.	Swaziland	12.10.1998
47.	Syria	17.08.2003
48.	Thailand	06.10.2000
49.	Tunisia	25.11.1992
50.	Turkey	13.02.1977
51.	Turkmenistan	13.05.1994
52.	United Arab Emirates	26.02.1962
53.	Uganda	16.04.1998
54.	Ukraine	19.08.2002
55.	Uruguay	09.08.1995
56.	United States of America	10.05.2004
57.	USSR (Russia)	03.04.1967
58.	Uzbekistan	06.10.1997
59.	Venezuela	26.11.1991
60.	Viet Nam	11.08.1992
61.	Yemen	11.02.1998
62.	Zimbabwe	09.07.1993

Source : Ministry of International Trade and Industry

Free Trade Agreements

No	Country	Date of Signing
1.	Malaysia-Japan Economic Partnership Agreement (MJEPA)	13.12.2005
2.	Malaysia-Pakistan Free Trade Agreement (MPFTA)	18.02.2005
	• Early Harvest Programme (EHP)	01.10.2005
	• Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)	08.11.2007
3.	The Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China	04.11.2002
	• Early Harvest Programme (EHP)	01.01.2004
	• Trade in Goods (TIG) Agreement	01.07.2005
	• Trade in Services	14.01.2007

No	Country	Date of Signing
4.	The Framework Agreement on Comprehensive Economic Cooperation between ASEAN and Republic of Korea	13.12.2005
	• Trade in Goods (TIG) Agreement	13.12.2005
	• Trade in Services	12.11.2007
5.	The Framework Agreement on Trade Preferential System Among the Member States of the Organisation of Islamic Conference (TPSOIC)	30.06.2004
	• Protocol on the Preferential Tariff Scheme for TPSOIC	27.03.2006
6.	D-8 Preferential Tariff Agreement (PTA)	13.05.2006

Source : Ministry of International Trade and Industry

Bilateral Payment Arrangements/Agreements as at December 2008

No	Country	Date of Signing
	IRANIAN MODEL	
1.	Bosnia-Herzegovina	13.11.1996
2.	Botswana	06.06.1991
3.	Fiji	12.10.1991
4.	Iran	08.08.1988
5.	Mozambique	27.04.1991
	ALADI MODEL	
6.	Albania	24.01.1994
7.	Algeria	31.01.1992
8.	Argentina	03.12.1993
9.	Chile	21.06.1991

No	Country	Date of Signing
10.	Indonesia	18.06.2004
11.	Kyrgyz Republic	05.08.2002
12.	Lao PDR	16.04.1994
13.	Mexico	24.09.1990
14.	Peru	13.11.1991
15.	Philippines	20.05.1999
16.	Seychelles	21.09.1992
17.	Thailand	20.09.2002
18.	Tunisia	25.11.1992
19.	Turkmenistan	30.05.1994
20.	Viet Nam	29.03.1993
21.	Zimbabwe	07.06.1991

Source : Bank Negara Malaysia

Notes : 1. Iranian Model: Under this model, the central banks are not involved in the settlement of financial claims arising from trade. The central banks guarantee to pay the respective foreign exporter for the export value in the event of default by the importer in their country.

2. ALADI Model: Under this model, the central banks will guarantee payments to their respective exporters in domestic currency and settle, on a period basis, the net amount due to each other in an agreed currency.

Agreements on the Avoidance of Double Taxation as at December 2007

No	Country	Date of Signing
1.	Albania	24.01.1994
2.	Australia	20.08.1980
	(2nd Protocol)	28.07.2002
3.	Austria	20.09.1989
4.	Bahrain	14.06.1999
5.	Bangladesh	19.04.1983
6.	Belgium	24.10.1973
	(Protocol)	21.11.1995
7.	Bosnia-Herzegovina	21.06.2007
8.	Canada	16.10.1976
9.	Chile	03.09.2004
10.	People's Republic of China	23.11.1985
	(Protocol)	05.06.2000
11.	Croatia	18.02.2002
12.	Czech Republic	08.03.1996
13.	Denmark	04.12.1970
	(Protocol)	03.12.2003
14.	Egypt	14.04.1997
15.	Germany	08.04.1977
16.	Fiji	19.12.1995
17.	Finland	28.03.1984
18.	France	24.04.1975
	(Protocol)	31.01.1991
19.	Hungary	24.05.1989
20.	India	25.10.1976
	(New Agreement)	14.05.2001
21.	Indonesia	12.09.1991
	(Protocol)	12.01.2006
22.	Iran	11.11.1992
	(Protocol)	22.07.2002
23.	Ireland	28.11.1998
24.	Italy	28.01.1984
25.	Japan	30.01.1970
	(New Agreement)	19.02.1999
26.	Jordan	02.10.1994
27.	Kazakhstan	26.06.2006
28.	Kuwait	06.04.1997
	(New agreement)	05.02.2003
29.	Kyrgyz Republic	17.11.2000
30.	Lebanon	20.01.2003
31.	Luxembourg	21.11.2002
32.	Malta	03.10.1995

No	Country	Date of Signing
33.	Mauritius	23.08.1992
34.	Mongolia	27.07.1995
35.	Morocco	02.07.2001
36.	Myanmar	09.03.1998
37.	Namibia	28.07.1997
38.	Netherlands	07.03.1988
	(Protocol)	04.12.1996
39.	New Zealand	19.03.1976
	(Protocol)	14.07.1994
40	Norway	23.12.1970
41.	Pakistan	29.05.1982
42.	Philippines	27.04.1982
43.	Papua New Guinea	20.05.1993
44.	Poland	16.09.1977
45.	Republic of Korea	20.04.1982
46.	Romania	26.11.1982
47.	Russia	31.07.1987
48.	Saudi Arabia	31.01.2006
49.	Republic of Seychelles	03.12.2003
50.	Singapore	26.12.1968
	(Supplementary)	06.07.1973
	(New Agreement)	05.10.2004
51.	South Africa	26.07.2005
52.	Spain	24.05.2006
53.	Sri Lanka	16.09.1972
	(New Agreement)	16.09.1997
54.	Sudan	07.10.1993
55.	Sweden	21.11.1970
	(New Agreement)	12.03.2002
56.	Switzerland	30.12.1974
57.	Syria	26.02.2007
58.	Thailand	29.03.1982
	(Protocol)	10.02.1995
59.	Turkey	27.09.1994
60.	United Arab Emirates	28.11.1995
61.	United Kingdom	30.03.1973
	(New Agreement)	10.12.1996
62.	Uzbekistan	06.10.1997
63.	Venezuela	28.08.2006
64.	Viet Nam	07.09.1995
65.	Zimbabwe	28.04.1994

Restricted Agreements
(with respect to taxes on income on air transport and shipping)

No	Country	Date of Signing
66.	Argentina	03.10.1997
67.	Saudi Arabia	18.07.1993
68.	USA	18.04.1989

Source : Ministry of Finance, Malaysia

LIST OF INVESTMENT GUARANTEE AGREEMENTS SIGNED BY MALAYSIA AS OF JANUARY 2009

No.	Country	Date of Signed
1.	USA	21.04.1959
2.	Germany	22.12.1960
3.	Canada	01.10.1971
4.	Netherlands	15.06.1971
5.	France	24.04.1975
6.	Switzerland	01.03.1978
7.	Sweden	03.03.1979
8.	Belgo-Luxembourg	22.11.1979
9.	United Kingdom	21.05.1981
10.	Sri Lanka	16.04.1982
11.	Romania (first signed)	26.11.1982
	Review of IGA	25.06.1966
	Amended via Protocol	28.04.2006
12.	*Norway*	06.11.1984
13.	Austria	12.04.1985
14.	Finland	15.04.1985
15.	OIC	30.09.1987
16.	Kuwait	21.11.1987
17.	ASEAN	15.12.1987
18.	Italy	04.01.1988
19.	Republic of Korea	11.04.1988
20.	People's Republic of China	21.11.1988
21.	United Arab Emirates	11.10.1991
22.	Denmark	06.01.1992
23.	Viet Nam	21.01.1992
24.	Papua New Guinea	27.10.1992
25.	Republic of Chile	11.11.1992
26.	Lao PDR	08.12.1992
27.	Taiwan	18.02.1993
28.	Hungary	19.02.1993
29.	Poland	21.04.1993
30.	Indonesia	22.01.1994
31.	Albania	24.01.1994
32.	Zimbabwe	28.04.1994
33.	Turkmenistan	30.05.1994
34.	Namibia	12.08.1994
35.	Cambodia	17.08.1994
36.	Argentina	06.09.1994

No.	Country	Date of Signed
37.	Jordan	02.10.1994
38.	Bangladesh	12.10.1994
39.	Croatia	16.12.1994
40.	Bosnia-Herzegovina	16.12.1994
41.	Spain	04.04.1995
42.	Pakistan[1]	07.07.1995
43.	Republic of Kyrgyz	20.07.1995
44.	Mongolia	27.07.1995
45.	India	03.08.1995
46.	Uruguay	09.08.1995
47.	Peru	13.10.1995
48.	Kazakstan	27.05.1996
49.	Malawi	05.09.1996
50.	Republic of Czech	09.09.1996
51.	Guinea	07.11.1996
52.	Ghana	11.11.1996
53.	Egypt	14.04.1997
54.	Botswana	31.07.1997
55.	Cuba	26.09.1997
56.	Uzbekistan	06.10.1997
57.	Macedonia	11.11.1997
58.	North Korea	04.02.1998
59.	Yemen	11.02.1998
60.	Turkey	25.02.1998
61.	Lebanon	26.02.1998
62.	Burkino Faso	23.04.1998
63.	Republic of Sudan	14.05.1998
64.	Republic of Djibouti	03.08.1998
65.	Republic of Ethiopia	22.10.1998
66.	Senegal	11.02.1999
67.	State of Bahrain	15.06.1999
68.	Algeria	27.01.2000
69.	Saudi Arabia	25.10.2000
70.	Morocco	16.04.2002
71.	Iran	22.07.2000
72.	Republic of Slovak	12.07.2007
73.	Syrian Arab Republic	07.01.2009

Source: Ministry of International Trade and Industry

(Footnotes)
1 IGA Malaysia-Pakistan is superceeded by MPCEPA (Malaysia-Pakistan Closer Economic Partnership Agreement) which was signed on 8 November 2007.

APPENDIX 5 : IMPORT LICENSING

No.	Product	Issuing Authority
1.	Poultry (fowls, chicks, ducks, geese, turkeys, guinea fowls and pigeons), alive or dead or any part thereof	Veterinary Department
2.	Meat and offals, fresh or preserved (dried, dehydrated, salted, pickled, smoked), frozen or chilled, of buffaloes, cattle, sheep and goats	Veterinary Department
3.	Birds' nest, eggs of poultry, birds and testudinate (terrapin and the like), excluding turtle eggs	Veterinary Department
4.	Rice and paddy, including rice flour, rice polishings, rice bran and rice vermicelli	Ministry of Agriculture and Agro-based Industry
5.	Sugar : 1701, 1702.11 100, 1702.19 100, 1702.20 100, 1702.30 100, 1702.40 100, 1702.60 100, 1702.90 190, 1703	MITI
6.	Acetyl bromide	Ministry of Health
7.	Acetic anhydride, acetyl chloride	Ministry of Health
8.	Fireworks including fire crackers	Police Department
9.	Magnetic tape/films : 3920.61 100, 3920.62 100, 3920.63 100, 3920.69 100, 8523.13 900, 8523.29 112, 8523.29 119, 8523.40 110, 8523.40 190, 8523.51 110, 8523.51 190, 8523.59 210, 8523.59 290, 8523.80 210, 8523.80 290	MITI
10.	Explosives, including: - propellant powders; - prepared explosives, other than propellant powders; - safety fuses, detonating fuses, percussion and detonating caps, igniters, detonators; - pyrotechnic articles; - nitrocellulose; - nitroglycerin; - mercury fulminate; - lead azide; - lead styphnate; - picric acid (trinitrophenol); - 2,4,6 trinitrotolene (TNT); - pentaerythritol tetranitrate (PETN); - nitroguanidine; and - trimethylenetrinitramine (cyclotrimethylene trinitramine).	Police Department
11.	Wood in the rough, whether or not stripped of its bark or merely roughed down, wood, roughly squared or half-squared but not further manufactured	Malaysian Timber Industry Board
12.	Safety helmets: 6506.10 000	MITI
13.	Rice milling machinery including parts thereof	Ministry of Agriculture and Agro-based Industry

No.	Product	Issuing Authority
14.	Copying machines : Colour Photostat Machines 8443.31 900 , 8443.32 900, 8443.39 100, 8443.39 200, 8443.39 300 Black & White Photostat Machine 8443.31 900 , 8443.32 900, 8443.39 100, 8443.39 200, 8443.39 300	MITI
15.	Any piece of equipment, apparatus, appliance or any other device capable of producing the sound of a siren or any sound resembling that of a siren irrespective of its mode of operation	Police Department
16.	Apparatus or equipment to be attached to or connected to a public telecommunications network or system	SIRIM BERHAD
17.	All radio communications apparatus capable of being used for telecommunications in the frequency band lower than 3000 GHz or their motherboards, except for : (i) receiver that is designed for use in the broadcasting services; and (ii) radio telecommunications apparatus having a valid license issued by the Telecommunications Authority of any country or an International Automatic Roaming (IAR) card issued by a licensed operator	SIRIM BERHAD
18.	Motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those under heading No. 87.11) : Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 87.02), including station wagons and racing cars (excluding go-karts and ambulances) falling within subheading Nos : 8703.10 100, 8703.10 900, 8703.21, 8703.22, 8703.23, 8703.24, 8703.31, 8703.32, 8703.33, 8703.90 Motor vehicles for the transport of goods falling within heading No. 8704 Multi sourcing parts falling within subheading Nos : 8708.99 111, 8708.99 112, 8708.99 113, 8708.99 114, 8708.99 115, 8708.99 121, 8708.99 122, 8708.99 123, 8708.99 124, 8708.99 131, 8708.99 132, 8708.99 133, 8708.99 134, 8708.99 135, 8708.99 140	MITI
19.	Chassis fitted with or without engines, for motor vehicles of heading Nos: 87.02, 87.03, 87.04 or 87.05 and parts thereof : For motor vehicles falling within subheading Nos : 8703.21 321, 8703.21 322, 8703.22 321, 8703.22 322, 8703.23 321, 8703.23.322, 8703.23 323, 8703.23 324, 8703.23 331, 8703.23 332, 8703.23 333, 8703.23 334,	MITI

No.	Product	Issuing Authority
	8703.24 321, 8703.24 322, 8703.31 321, 8703.31 322, 8703.32 321, 8703.32 331, 8703.32 332, 8703.32 333, 8703.33 321, 8703.33 331, 8703.33 332, 8703.90 310, 8703.90 331, 8703.90 332, 8703.90 333, 8703.90 334, 8703.90 335, 8703.90 341, 8703.90 342, 8703.90 343, 8703.90 344, 8703.90 345 For motor vehicles falling within sub-heading Nos : 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122 and 8702.90 900 For ambulance For motor vehicles falling within heading No. 87.05 For motor vehicles falling within subheading Nos : 8703.10 100, 8703.10 900, 8703.21 221, 8703.21 222, 8703.21 400, 8703.22 221, 8703.22 222, 8703.22 400, 8703.23 221, 8703.23 222, 8703.23 223, 8703.23 224, 8703.23 231, 8703.23 232, 8703.23 233, 8703.23 234, 8703.23 400, 8703.24 221, 8703.24 222, 8703.24 400, 8703.31 221, 8703.31 222, 8703.31 400, 8703.32 221, 8703.32 222, 8703.32 223, 8703.32 231, 8703.32 232, 8703.32 233, 8703.32 400, 8703.33 221, 8703.33 222, 8703.33 231, 8703.33 232, 8703.33 400, 8703.90 221, 8703.90 222, 8703.90 223, 8703.90 224, 8703.90 225, 8703.90 231, 8703.90 232, 8703.90 233, 8703.90 234, 8703.90 235, 8703.90 400, 8704.10 211, 8704.10 219, 8704.10 311, 8704.10 319, 8704.21 210, 8704.21 220, 8704.22 210, 8704.22 220, 8704.23 210, 8704.23 220, 8704.31 210, 8704.31 220, 8704.32 210, 8704.32 220, 8704.90 210, 8704.90 220	
20.	Ships' derricks; cranes, including cable cranes; mobile lifting frame, straddle carriers and works trucks fitted with a crane – 8426 8426 11 000, 8426 12 000, 8426 19 000, 8426 30 000, 8426 41 000, 8426 91 000, 8426 99 000, 8426 20 000, 8426 49 000,	MITI
21.	Bodies (including cabs), for motor vehicles falling within heading Nos: 87.02, 87.03, 87.04 or 87.05: For ambulance For motor vehicles falling within subheading Nos : 8703.21 221, 8703.21 222, 8703.21 321, 8703.21 322, 8703.21 400, 8703.22 221, 8703.22 222, 8703.22 321, 8703.22 322, 8703.22 400, 8703.23 221, 8703.23 222, 8703.23 223, 8703.23 224, 8703.23 231, 8703.23 232, 8703.23 233, 8703.23 234, 8703.23 321, 8703.23 322, 8703.23 323, 8703.23 324, 8703.23 331, 8703.23 332, 8703.23 333, 8703.23 334, 8703.23 400, 8703.24 221,	MITI

No.	Product	Issuing Authority
	8703.24 222, 8703.24 321, 8703.24 322, 8703.24 400, 8703.31 221, 8703.31 222, 8703.31 321, 8703.31 322, 8703.31 400, 8703.32 221, 8703.32 222, 8703.32 223, 8703.32 231, 8703.32 232, 8703.32 233, 8703.32 321, 8703.32 331, 8703.32 332, 8703.32 333, 8703.32 400, 8703.33 221, 8703.33 222, 8703.33 231, 8703.33 232, 8703.33 321, 8703.33 331, 8703.33 332, 8703.33 400, 8703.90 221, 8703.90 222, 8703.90 223, 8703.90 224, 8703.90 225, 8703.90 231, 8703.90 232, 8703.90 233, 8703.90 234, 8703.90 235, 8703.90 310, 8703.90 331, 8703.90 332, 8703.90 333, 8703.90 334, 8703.90 335, 8703.90 341, 8703.90 342, 8703.90 343, 8703.90 344, 8703.90 345, 8703.90 400 For motor vehicles falling within subheading Nos : 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122, 8702.90 900 For motor vehicles falling within subheading Nos : 8704.10 211, 8704.10 219, 8704.10.319, 8704.10 311, 8704.21 210, 8704.21 220, 8704.22 210, 8704.22 220, 8704.23 210, 8704.23 220, 8704.31 210, 8704.31 220, 8704.32 210, 8704.32 220, 8704 90 210, 8704.90 220 For motor vehicles falling within subheading No. 8703.10	
22.	Motorcycles, auto cycles and cycles fitted within auxiliary motor	MITI
23.	Automatic cassette or catridge loaders 8479.89.900 Parts of automatic cassette or catridge loaders 8479.90 000	MITI
24.	Parts of high speed duplicators, including master electronic control, master playback and slave recorders : 8522.90 000 High speed duplicators, including master electronic control, master playback and slave recorders : 8519.81 990, 8519.89 990	MITI
25.	Arms and ammunition as defined under the Arms Act 1960, other than personal arms and ammunition imported by a bona fide traveller	Police Department
26.	Saccharin and its salt	Ministry of Health
27.	Unmanufactured tobacco; tobacco refuse	Ministry of Plantation Industries and Commodities
28.	Road tractors for semi-trailers, completely built-up, used : 8701.20 220	MITI
29.	Special purpose vehicles falling within heading No. 8705.90 000 only	MITI
30.	Parabolic antenna for outdoor use	SIRIM BERHAD

No.	Product	Issuing Authority
31.	Parabolic equipment, antenna parts and accessories : (i) satellite receiver (tuner); (ii) video plexer; (iii) antenna positioner; (iv) feed horn; (v) low noise block down converter and cover; (vi) parabolic antenna mounts/stand and mounting brackets; and (vii) actuators	SIRIM BERHAD
32.	Acesulfame K	Ministry of Health
33.	Substances covered by The Montreal Protocol : Annex A to the Protocol : Group I : CFC-11 Trichlorofluoromethane CFC-12 Dichlorodifluoromethane CFC-113 1,1,2-Trichloro 1,2,2-trifluoroethane CFC-114 1,2-Dichlorotetra-fluoroethane CFC-115 Chloropentafluoroethane Group II : Halon-1211 Bromochlorodifluoromethane Halon-1301 Bromotrifluoromethane Halon-2402 Dibromotetrafluoromethane Annex B to the Protocol : Group I : CFC-13 Chlorotrifluoromethane CFC-111 Pentachlorofluoroethane CFC-112 Tetrachlorodifluoroethane CFC-211 Heptachlorodifluoropropane CFC-212 Hexachlorodifluoropropane CFC-213 Pentachlorotrifluoropropane CFC-214 Tetrachlorotetrafluoropropane CFC-215 Trichloropentafluoropropane CFC-216 Dichlorohexafluoropropane CFC-217 Chloroheptafluoropropane	MITI

No.	Product	Issuing Authority
	Group II : CCI — Carbon tetrachloride (Tetrachloromethane) Group III: CHCCI — Methyl Chloroform 3 3 (1,1,1, Trichloroethane)	
34.	Liquid milk in any form including flavoured milk, recombined or reconstituted : 0401.30 110	MITI
35.	Liquid sterilised flavoured milk including flavoured milk, recombined or reconstituted : 2202.90 100	MITI
36.	Cabbage (round)	FAMA
37.	Coffee, not roasted	FAMA
38.	Cereal flours: of wheat or meslin (including atta flour), in all packaging sizes : 1101.00 000	MITI
39.	Activated clay and activated bleaching earth : 3802.90 100	MITI
40.	Standard wire, cables, cordages, ropes, plaited bands and the like, of aluminium wire but excluding insulated electric wires and cables : of steel reinforced aluminium of unalloyed aluminium of other aluminium alloys	MITI
41.	Insulated (including enameled or anodised) electric wire, cables, bars and strip and the like (including co-axial cable), whether or not fitted with connectors : Telephone and telegraph (including radio relay) cables others: Power transfer wire, cable, bars, strip and the like: paper insulated	MITI
42.	All goods from Israel	MITI
43.	Flat-rolled products of iron or non-alloy steel of a width of 600mm or more, clad, plated or coated within heading No. 72.10	MITI
44.	Flat-rolled products of iron or non-alloy steel of a width less than 600mm, clad, plated or coated within heading No. 72.12	MITI
45.	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

No.	Product	Issuing Authority
46.	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
47.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	MITI
48.	Tubes, pipes and hollow profiles, of cast iron : sub-heading No. 7303.00 000	MITI
49.	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel within heading No. 73.04	MITI
50.	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4mm of iron or steel, within heading No. 73.05	MITI
51.	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	MITI
52.	Toxic chemicals and their precursors covered under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction 1993 (CWC).	Ministry Of Foreign Affairs
53.	Optical disc mastering and replicating machines and parts thereof : 8479.89 200, 8479.90 000	MITI
54.	Medicine making machine : 8479.89 900	MITI
55.	Colour toner catridge : 37.07	MITI
56.	Waste, paring and scrap of plastics : 39.15	MITI

APPENDIX 6: TEMPORARY EXCLUSION AND SENSITIVE LISTS FOR INVESTMENT UNDER THE ASEAN INVESTMENT AREA AGREEMENT

Manufacturing Sector

BRUNEI DARUSSALAM

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture of garments of categories 338, 339, 638 and 639 – for US market.
No more approval given.

Industries Open with Restriction to Foreign Investors
Industries utilising local resources, domestic market access and government facilities or the manufacturing of food-related products.
Foreign investment must have at least 30% local participation. However, full foreign ownership is allowed if 100% of the product is exported with exception of the manufacturing of food related products and use of local resources.

Industries Closed Only to Foreign Investors
Manufacture of cement.
Manufacture of drinking water either from tap or from local resources.
Subject to control.

CAMBODIA

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture/processing of cultural items.
Subject to prior approval from relevant Ministries.

Sawn timber, veneer, plywood, wood-based products utilising local logs as raw material.
No new license will be issued.

DBSA production. Toxic chemicals affecting health of community and impacting the environment.
Subject to prior approval from Ministry of Health and relevant Ministries.

Production of toxic chemicals or utilisation of toxic agents.
Prohibited in accordance with an international treaty.

Manufacture of psychotropic substances.
Prohibited for these psychotropic substances :
- Brolamfetamine, Cathinone, DET, DMA, DMHP, DMT, DOET, Eticyclidine, (+)-Lysergide, MDMA, Mescaline, 4-Methylaminorex, MMDA, N-Ethyl-MDA, N-Hydroxy-MDA, Parahexyl, PMA, Psilocine, Psilotsin, Psilocybine, Rolicyclidine, STP, DOM, Tenamfetamine, Tenocyclidine, Tetrahydrocannabinol, TMA.

Subject to prior approval from Ministry of Health for these psychotropic substances :
- Amfetamine, Dexamfetamine, Fenetylline, Levamfetamine, Mecloqualone, Metamfetamine, Methaqualone, Methylphenidate, Phencyclidine, Phenmetrazine, Metamfetamine Racemate, Secobarbital, Amobarbital, Allobarbial, Alprazolam, Amfepramone, Barbital, Benzfetamine, Bromasepam, Buprenorphine, Butalbital, Butobarbital, Cathine, Camazepam, Chlordiazepoxide, Clobazam, Clonazepam, Clorazepate, Clorazepam, Cloxazolam, Cyclobarbital, Delorazepam, Diazepam, Estazolam, Ethchlorvynol, Ethinamate, Etilamfetamine, Fencamfamine, Fenproporex, Fludiazepam, Flunitrazepam, Flurazepam, Gluthethimide, Halazepam, Haloxazolam, Ketazolam, Lefetamine, Loflazepate Ethyl, Loprazolam, Lorazepam, Lormetazepam, Mazindol, Medazepam, Mefenorex, Meprobamate, Methylphenobarbital, Methyprylon, Midazolam, Nimetazepam, Nitrazepam, Nordazepam, Oxazepam, Oxazolam, Pemoline, Pentazocine, Pentobarbital, Phendimetrazine, Phenobarbital, Phentermine, Pinazepam, Pipradrol, Prazepam, Pyrovalerone, Secbutabarbital, Temazepam, Tetrazepam, Triazolam, Vinylbital.

Manufacture/processing of narcotic drugs.
Prohibited.

Manufacture of weapons and ammunitions.
National Defense Policy.

Manufacturing of firecrackers and fireworks.
Subject to control.

Manufacturing related to defense and security.
National Defense Policy.

<u>Industries Open with Restrictions to Foreign Investors</u>
Manufacture of cigarettes.
Only for export (100% export).

Alcohol.
Movie production.
Subject to prior approval from relevant Ministries.

Exploitation of gemstones.
Bricks made of clay (hollow, solid) and tiles.
Rice mill.
Manufacture of wood and stone carving.
Silk weaving.
Subject to local equity participation.

INDONESIA

Temporary Exclusion List

<u>Industries Closed to Both National and Foreign Investors</u>
Industries manufacturing communication devices :
- telephone connection boxes.

Business reserved for small-scale enterprises.

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>
Saccharine.
Cyclamate.
Closed – Public health.

Saw mill.
Only in Papua using natural forest as raw material.

Plywood.
Only in Papua.

Clove cigarettes (with automatic machines).
Ratio of production manually and machinery.

Fire crackers and fireworks.
Manufacturing of ammonium nitrate for explosive purposes.
National security.

Food and drink :
- Industries preparing shredded meat, boiled and then fried, and jerked meat; industries preparing pickled/sweetened fruits, vegetables and eggs; industries preparing salted/pickled fish and other, marine biota; industries making bread, cookies, and the like; industries making brown/coconut palm sugar; industries making fermented bean paste used as condiment; industries making bean cake; industries making bean curd; industries making crisp, thin chip made of flour and peanut, shrimp or small fish/crispy chips of banana, potato, bean cake, etc.; industries making peanut snacks (fried peanuts without covering, salted peanuts, large white beans, onion beans); industries making chips made of flour flavored with fish or shrimp; industries making condiment of fermented fish or shrimp; industries making deep-fried, boiled, steamed cake; processing of palm, sugar palm and palmyra palm; honey bee industries.

Business reserved for small-scale enterprises.

Industries of various kinds of flour of grains, cereals, legumes and tubers :
- rice flours of various kinds; flour made of legumes; and flour made of dried cassava.

On condition of partnership with small-scale enterprises.

Yarn-finishing industries :

- yarn having a tie motive based on *tenun ikat*; using manually operated instruments.

Textile and textile products :

- traditional weaving industries (non machine woven cloth); industries making hand-written batiks; knitting industries using hand operated instruments; and industries making rimless caps and headdresses.

Business reserved for small-scale enterprises.

Cloth printing and finishing industries :

- printing using hand operated instruments, except when it is integrated with the upstream industries.

On condition of partnership with small-scale enterprises.

Industries of lime and products made of lime :

- quick lime; lime for chewing with betel leaves; slaked lime; lime for agricultural purposes and chalk.

On condition of partnership with small-scale enterprises.

Industries making clay articles for household purposes :

- unglazed household decorations; various kinds of unglazed vases; and unglazed household utensils.

Business reserved for small-scale enterprises.

Industries of clay articles for construction purposes :

- clay bricks; and unglazed clay roof tiles.

On condition of partnership with small-scale enterprises.

Industries making agricultural tools :

- mattocks; shovels; plows; harrows; pitchforks; crowbars; sickles; scrapes; *sarap/lempak/bawak* (reaping); small palm knives; hoes for weed removal; *emposan tikus* (sprayer for killing rats); manually operated sprayer; manually operated rice hullers; manually operated paddy and soy bean hullers; and manually operated looseners of corn grains.

Industries making cutting tools :

- short machetes; axes; large-bladed knives; and instruments for mincing onions/cassava/chips.

Plantation tools industry :

- knife to tap rubber; bowl to tap rubber; rubber freezing box; coffee peeler machines; and cashew nut peeler machine.

Industries making handicraft tools :

- trowels; wooden planes; planes; *Beugel-beugel* (traditional tools); *kasut pleste* (traditional tools for plaster); spatulas; clamps; handsaw; hammers (of a small type); chisels; and *pangut* (traditional cutter).

Industries for maintenance and repair (workshops, including special workshops) :

- small workshops including roving small workshops, tyre repair, upholstery workshops, railway workshops, workshops for ~~ships~~ maintenance, air filling/air pumps, traditional car body repair and the like, without modern instruments.

Industries for maintenance and repair (workshops, including special workshops) :

- repair of electrical devices for household purposes.

Business reserved for small-scale enterprises.

Industries making electrical devices and other components :

- various kinds of clamps; motor armature and track armature.

Professional, science, measure equipment and electronic controller industry:

- water meter box.

On condition of partnership with small-scale enterprises.

Industries of multivarious handicrafts :

- handicrafts using plants as raw materials; handicraft using animals as raw materials; imitation flowers and decorations; handicrafts from mollusks and the like; handicrafts made of precious stone and marble; and household equipment made of bamboo and rattan.

Business reserved for small-scale enterprises.

Raw rattan processing.

On condition of partnership with small-scale enterprises.

Traditional medicine product and medical instruments for non-medic.

Traditional Indonesian musical instruments.

Business reserved for small-scale enterprises.

<u>Industries Open with Restriction to Foreign Investors</u>

Food and drink :

- milk processing industries/dairy product; fish flour industries (animal feed); tea processing industries; soy sauce industries; processing industries: pepper, gnetum gnemon, cinnamon, vanilla, cardamom, nutmeg and cloves; and granulated sugar industries.

Industries of rubber products for industrial purposes :

- rubber rolls.

Industries manufacturing agricultural machinery :

- threshers; reapers; hydrotillers; and corn removers.

Industries manufacturing fluid machinery :

- hand operated water pumps.

Bicycles-making industries :
- industries making bicycle equipment.

Industries making silver crafts.
Processing and canning of fruits.

Various palm essence industry :
- sago palm essence.

Rice milling and threshing.
Copra industry.
Silk yarn spinning industry.
Downstream industry of pepper.
On condition of partnership with small-scale enterprises.

Fish-smoking industries and the likes.
Wood carving industry.
Business reserved for small-scale enterprises.

LAO PDR

Temporary Exclusion List

<u>Industries Closed Only to Foreign Investors</u>
Manufacture of products of copper, silver and gold (jewellery).
Manufacture of Lao dolls.
Manufacture of blankets/mattress with cotton and kapok.
Manufacture of authentic Lao musical instruments.
Reserved for Lao PDR citizen.

<u>Industries Open with Restrictions to Foreign Investors</u>
Manufacture of rice noodles products.
Subject to high ratio of local content (use of local material) and/or export requirements.

Manufacture of beer.
Manufacture of soft drinks.
Subject to joint-venture with domestic investors and/or export 100%.

Manufacture of tobacco products.
Subject to high ratio of local content, local equity participation and/or export 100%.

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>
Manufacture of all types of weapons and ammunitions.
Prohibited for security reasons.

Manufacture/processing of narcotic drugs.
Manufacture of cultural items destructive of the national culture and tradition.
Prohibited.

Manufacture of chemical substances and industrial waste hazardous to human life and the environment.
Prohibited for health and environment reason.

Industries Open with Restrictions to Foreign Investors
Manufacture of psychothopic substances.
Subject to specific details provided by Ministry of Health.

Manufacture of wood and wood products.
The establishment of new wood processing factory is not permitted, except for utilising raw material from the reforestation of forest plantation.

Manufacture of chemicals and chemical products.
Not to be destructive to the environment and society.

Manufacture of pharmaceuticals.
Manufacture of alcohol of all types.
Manufacture of motor vehicles of all types.
Subject to local equity participation and/or export or high ratio of local content.

MALAYSIA

Sensitive List

Industries Closed for Both National and Foreign Investors
Pineapple canning.
Palm oil milling.
Closed except for projects with source of supply from own plantation.

Palm oil refining.
Closed for Peninsular Malaysia. Open for projects in Sabah and Sarawak with source of supply from own plantations.

Sugar refining.
Closed.

Liquors and alcoholic beverages.
Closed for projects that do not export 100% of their products.

Tobacco processing and cigarettes.
Closed for projects that do not export more than 80% of their products.

Sawn timber, veneer and plywood.
Closed for Peninsular Malaysia and Sabah. Open for Sarawak.

Wood-based products utilising local logs as raw material.
Closed for Peninsular Malaysia. Open for Sabah and Sarawak.

Petroleum refining.
Closed for projects that do not export 100% of their products.

Ordinary Portland cement.
Closed for non-integrated projects i.e., projects which do not produce their own clinker for grinding into ordinary Portland cement.

Hot rolled steel round bars and wire rods.
Closed.

Steel billets/blooms.
Closed for projects that have capacity of below 350,000 tonnes.

Assembly of motorcycles, passenger cars and commercial vehicles.
Closed.

<u>Industries Open with Restrictions to Foreign and National Investors</u>
Fabrics and apparel of *batik*.
Ordinary Portland Cement (Integrated Projects).
Maximum foreign equity ownership allowed is 30%.

<u>Industries Open with Restrictions to Both Foreign and National Investors</u>
Explosives, pyrotechnic products, propellant powders, detonating or safety fuses and the like.
Weapons and ammunition.
Prior approval is required from Ministry of Home Affairs.

MYANMAR

Temporary Exclusion List

<u>Industries Closed for Both National and Foreign Investors</u>
Manufacturing of pulp of all kinds.
Value-added product policy.
Manufacture of paper is required.

<u>Industries Open with Restrictions to Foreign Investors</u>
Production and marketing of basic construction materials, furniture, parquet, etc. using teak extracted and sold by the State-owned economic organization.
Only for export of high value-added wood-based products.

Sensitive List

Industries Closed for Both National and Foreign Investors
Distilling, blending, rectifying, bottling, and marketing of all kinds of spirits, beverages or non-beverages.
Manufacture of wines.
Manufacture of malt and malt liquors, beer and other brewery products.
Manufacture of soft beverages, aerated and non-aerated products.
Manufacture of cigarettes.
Manufacture of monosodium glutamate.
Manufacture of corrugated galvanized iron sheets.
No new permit to be issued.

Manufacture of refined petroleum products.
Reserved for the State sector.

Manufacture of weapons and ammunition.
National Defense Policy.

Industries Closed Only to Foreign Investors
Sawmilling and planning of wood.
National policy on forestry.

Industries Open with Restrictions to Foreign Investors
Manufacture of veneer sheets, manufacture of plywood, laminboard, particle board and other panels and boards.
National policy on forestry.

Manufacture of bakery products.
Export requirement is compulsory.

Manufacture of pulp, paper and paperboard.
Integrated project is compulsory.

Manufacture of pharmaceutical drugs.
Well-known firms are to be considered.

PHILIPPINES

Sensitive List

Industries Open with Restrictions to Foreign Investors
Domestic market enterprises with paid-in equity capital of less than US$200,000.*
Foreign equity is restricted to maximum 40%.

Domestic market enterprises which involve advanced technology or employ at least fifty (50) direct employees with paid-up capital of less than US$100,000.*

Foreign equity can be more than 40% if firm exports at least 60% of total production output.

Industries Closed Only to Foreign Investors
Cooperatives*
No foreign equity allowed.

* No ISIC Code since this cuts across all sectors

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Chewing gum, bubble gum, dental chewing gum or any like substance.
Production prohibited for safety and social reasons.

Firecrakers.
Match sticks.
Production prohibited for safety reasons.

Industries Open with Restrictions to Foreign Investors
Publishing and printing of newspapers.
Foreign equity is subject to approval by relevant Ministry.

Beer and Stout
Water conservation.

Reproduction of recorded media (e.g. CD, CD-ROM, VCD, DVD-ROM).
Intellectual Property Rights enforcement.

Pig iron and sponge iron.
Rolled steel products.
Steel ingots, billets, blooms and slabs.
Limited local steel scrap.

THAILAND

Sensitive List

Industries Closed to Both National and Foreign Investments
Manufacture of sugar from sugarcane.
Subject to Cabinet’s decision.

Industries Open with Restrictions to Foreign Investors

Manufacture of carved wood.
Manufacture of Thai silk threads, Thai silk weaving or Thai silk pattern printing.
Manufacture of Thai musical instruments.
Manufacture of goldware, silverware, bronzeware or lacquerware.
Manufacture of crockery of Thai arts and culture.
Wood fabrication for production of furniture and utensils.

Foreign equity participation is restricted to 50% of registered capital.

Foreign equity participation of 50% or more of registered capital can be made, subject to the following:

- *shall obtain permission from Minister of Commerce, with approval of Cabinet, and shall also fulfill following requirements:*
    - shall have Thai nationals, or juristic persons that are not foreigners under this Act, held not less than 40% of registered capital. However, Minister of Commerce, with approval of Cabinet, may reduce said requirement to not less than 25 percent; and
    - shall have Thai nationals held at least two-fifth of total directors.

Or

- *shall receive promotion under Investment Promotion law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.

Shall apply for license or certificate from Department of Commerce Registration.

Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.

Manufacture of plywood, veneer board, chipboard or hardboard.
Manufacture of lime.
Rice milling.

Foreign equity participation is restricted to not more than 50% registered capital.

Foreign equity participation of 50% or more of registered capital can be made, subject to the following:

- *shall obtain permission from Director General of Department of Commercial Registration with approval of Foreign Business Committee.*
- *shall receive promotion under Investment Promotion law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.

Shall apply for license or certificate from Department of Commerce Registration.

Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.

Manufacture of cigarette.
Manufacture of playing cards.

Shall obtain permission from Director-General of Excise Department according to Tobacco Act. B.E. 2509, or Playing Card Act B.E. 2486.

VIET NAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Manufacture of cultivation, processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.
Subject to export, technology and quality requirements.

Bicycle manufacture.
Electrical fans.
Manufacturing new types of products and subject to quality and export requirements.

Manufacture of electrical towers.
Export at least 50%.

Production of aluminium shaped bars.
Export at least 20%.

Single superphosphate fertiliser.
Production of H2SO4 , H3PO4 , LAS, industrial gasses, acetylene.
Common use paint.

Motorcycle and bicycle tyres and tubes; automotive tyres and tubes up to 450 mm.
Plastic water pipes used in agriculture, rubber gloves, labour sanitary boots.
Subject to export and quality requirements.

Consumer plastics.
Detergent, shampoo, soaps, washing liquid.
Zn, Mn batteries (R_6, R_{14}, R_{20}).
Subject to export requirements.

Paper production.
In conjunction with development of local raw material resources. Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirement.

Fruit juice.
Subject to utilisation of local raw materials and export requirements.

Electro-mechanical and refrigeration equipment.
Household electrical appliances.
Subject to technology and export requirements.

Processing of aqua-products, canned sea foods.
Joint-Venture form, subject to material and technology requirements and export at least 80%.

Assembly of marine engines.
Subject to technology requirement.

Production and processing of wood.
Dairy processing.
In conjunction with development of local raw material resources.

Cane sugar production.
Vegetables oil production and processing.
In conjunction with development of local raw material resources and subject to export requirement.

Tanning.
In conjunction with development of local raw material resources, and subject to environmental processing requirement.

Sensitive List

<u>Industries Closed to Both National and Foreign Investments</u>
Production of firecrackers including fireworks.
Export 100%.

<u>Industries Closed Only to Foreign Investors</u>
Fishing.
Foreign investment shall not be licensed.

Beer and soft drinks.
Tobacco production.
Exploitation of gemstones.
Vertical shaft cement production and baked earth bricks and tiles.
Clay bricks.
Under 10,000 DWT cargo ships under 800 TEU container ships; lighters and under 500 seats passenger ships.
D6-D32mm construction steelrods, and D15-D114 mm seam steel pipe, zinc galvanized and colour sheets.
Production of NPK fertilizer.
Construction glass.
Fluorescent tubes and bulbs.
Fishing net production.
Lubrication oil, grease.
No new license will be issued.

Alcohol.
Subject to brand, quality and export requirements.

Automobile assembly and manufacture.
Subject to local content requirement and planning of *the Government.*

Motorcycle assembly and manufacture.
Subject to local content requirement and planning of the Government and export at least 80%.

Assembly of consumer electronic products.
Subject to local content requirement.

Manufacture of TV sets and tubes.
Subject to local content requirement and export at least 80%.

Sanitary ceramics, porcelain and tiles.
Export 100% and subject to technology requirement.

Cement production.
Ready mixed concrete, stone crushing.
Industrial explosives and devices.
Exploitation, processing of rare and precious material, raw material; exploitation of clay for production of construction material; exploitation, exportation of high-quality sand for production of construction and technical glasses.
Subject to planning of the Government.

BRUNEI DARUSSALAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

Agriculture
Growing of cereals and other crops n.e.c, vegetables, horticulture specialties and nursery products, fruits, nuts, beverage and spice crops.
Hunting, trapping and game propagation including related services activities.
Farming of cattle, sheep, goats, horses, asses, mules and hinnies, dairy farming.
Growing of crops, combined with farming of animals (mixed farming)
Agriculture and animal husbandry services activities, except veterinary activities.

Forestry
Forest plantations and nurseries.
30% local participation – for access to government facilities and sales to domestic market.

Sensitive List

Industries Open with Restrictions to Foreign Investors

Agriculture
Other animal farming; production of animal products n.e.c.
30% local participation is required for access to Government facilities and sales to domestic market.

Fishery
Offshore capture of fisheries (purse-seines and long lines).
Aquaculture.
30% local participant is required.

Mining and Quarrying
Extraction of crude petroleum and natural gas.
Crude petroleum and natural gas are important natural resources and the backbone of the country's economy. Although foreign investors are allowed to invest in petroleum mining activities, they cannot be certain that their participation interest in their project will be 100%. His Majesty's Government has the right to acquire participation upon declaration of commerciality of the field. Under the production sharing contract (PSC), His Majesty's Government through its Holding Company will automatically have interest in the petroleum activities.

Silica mining.
Extraction of ground water.
Quarrying of stone.
30% local participation is required for utilising government facilities and domestic market access.

CAMBODIA

Sensitive List

Industries Closed to Both National and Foreign Investors

Agronomy
Estate crops :
- medicinal/traditional herbs; and
- plantation of the above.

Business reserved for daily need of local farmers.

Livestock
- native chicken; native cattle and buffalo; and native duck.

Business reserved for national small-scale enterprises.

Fishery
- fishing (fresh water); catching of fingerling, caplo capio, giant fish, crocodile, probatus and jullieni fish.

Endangered species.

Forestry
– not applicable.

Depending on rule, law and regulation of Cambodia forest policy.

Mining
- radioactive minerals (uranium etc).

National security.

Industries Closed Only to Foreign Investors

Agronomy
- genetic resources (bio-diversity).

Environmental protection.

Fishery
- catching of fresh water fish.

Reserved for small local enterprises.

Forestry
- not applicable.

On condition of partnership with local partner.

Mining
- small scale mining.

Reserved for local people.

Industries Open with Restriction to Foreign Investors

Agronomy
All type of :
- food crops; fruit crops; industrial crops; and processing industries.

On condition of partnership with the local of farmers' association and conservation of sustainability of natural resources. (applicable to all).

Livestock
- chicken raising (broiler; layer); beef cattle raising; sheep raising; goat raising; pig raising; duck raising; dairy cattle raising; and horse raising.

On condition of partnership with small-scale enterprises

Fishery
- not applicable.

Refer to Fishery Law.

Forestry
- forest products (finish products); zoology; forest park; and forest plantation for industry.

Based on National Forest Policy.

Mining
All foreign investments should be carried out under contract of work.

INDONESIA

Sensitive List

Industries Closed to Both National and Foreign Investors

Agriculture
- estate crops : medical herbs, except ginger; plantation of pepper, *belinjo*, cinnamon, candlenut, vanilla, *kapulaga* (amomum cardamomum), nutmeg, *siwalan*, sugar palm and leaf (*lontar*), clove, Pogostemon Catlin Benth, Uncaria gambir.

On condition of partnership with small-scale enterprises.

Livestock
- native chicken.

Business reserved for national small-scale enterprises.

Fishing
Catching of marine ornamental fish, catching area < 12 miles.
Business reserved for national small-scale enterprises.

Hatchery
Aquaculture.
- freshwater fish hatchery.
Business reserved for national small-scale enterprises.

Forestry
- contractors of logging.
Environmental protection.

- apiculture exploitation.
- exploitation of sugar palm, sago, rattan, candlenut, tree, bamboo and cinnamon plant forest.
- exploitation of swallow nests in the nature.
- exploitation of tamarind estates by small holders (tamarind seeds collection and processing).
- exploitation of charcoal producing plant forest.
- exploitation of tree sap producing plant forest.
- exploitation of atsiri oil producing plant forest (pine oil, *lawang* oil, *tengkawang* oil, cajuput oil, *kenanga* oil, fragrant root oil, and other).

Business reserved for national small-scale enterprises.

General Mining
- radioactive minerals (uranium, etc.).

National security.

- small-scale mining.

On condition of partnership with small-scale enterprises. All foreign investments should be carried out under contract of works. Conservation Forest Area is prohibited for all mining. Preserve Forest is prohibited for open cut mining.

<u>Industries Closed Only to Foreign Investors</u>

Agricultural
Genetic resources (bio-diversity).
Environmental protection.

Aquaculture
Grow-out
- freshwater fish culture.

Business reserved for national small-scale enterprises.

Forestry
- utilisation of naturally growing forest.

Environmental protection.

- utilisation of forest based on HPH (forest exploitation right).
- community forest utilisation right.

Reserved for local people.

- genetic resources (bio-diversity).

Environmental protection.

Industries Open with Restrictions to Foreign Investors

Agriculture

- food crops: Cassava.

On condition of partnership with the local farmers located in production centre of food crop concerned.

Traditional herbal plantation.

- estate crops: oil palm; rubber; sugar; coconut; cocoa; coffee; tea; cashewnut; cotton; castor oil; ginger; fibre plants (jute; kenaf; rami; stevia; and rosella); areca-palm; banana of manila (Musa textilis); medical plants; fragrant root (*akar wangi*); palm; tamarind (*asam jawa*); indigo; brass; kaempferia galanga (*kencur*); almond; turmeric; coriander; benth (pogostemon catlin); tobacco; fragrant grass (*sereh wangi*); sesame seed; and herb (panzolzia zeylanica benn), (urang-aring).

On condition of special partnership programs and the need to have recommendation from the Ministry of Agriculture.

Aquaculture

Hatchery

- brackishwater shrimps hatchery.

On condition of partnership with national small-scale enterprises.

Grow-out

- aquaculture of eel, escargot and crocodile.

On condition of partnership with small-scale enterprises.

Forestry

- utilisation of Industrial Plantation

On condition of partnership with small-scale enterprises.

LAO PDR

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

Mining and agglomeration of hard coal.
Mining and agglomeration of lignite.
Extraction and agglomeration of peat.
Extraction of crude petroleum and natural gas.
Service activities incidental to oil and gas extraction excluding surveying.

Mining of iron ores.
Mining of non-ferrous metal ores, except uranium and thorium ores.
Mining of chemical and fertiliser minerals.
Extraction of salt.
Other mining and quarrying.
Subject to agreement with the Government and processing.

Sensitive List

<u>Industries Closed to Foreign Investors</u>
Operation of hatcheries in the reservoirs.
Reserved for Lao citizen.

<u>Industries Open with Restrictions to Foreign Investors</u>
Hunting, trapping and game propagation, including related service activities.
Subject to specific approval and agreement with the Government.

Forestry
Logging and related activities.
Logging is closed for both national and foreign investors; the other activities are subject to specific approval and agreement with the Government.

Fishing and service activities incidental to fishing.
Operation of fish hatcheries in the Mekong River and its tributaries.
Subject to agreement with the Government and to follow the regulations of local authorities.

Production and processing of local and domestic fishes.
Subject to specific approval and agreement with the Government.

Mining of uranium and thorium ores.
Negotiation and agreement with the Government are needed (for security reason).

Quarrying of stone, sand and clay.
Subject to agreement with the Government and processing.

MALAYSIA

Sensitive List

<u>Industries Closed to Foreign Investors</u>
Extraction and harvesting of timber.
This activity is generally closed to foreign investors in Peninsular Malaysia and Sabah. However, for Sarawak, local involvement and majority local control is required. Forest areas to be opened for such activities will be gradually reduced in the future to enable the resources to be managed sustainably.

Capture of fisheries.
Foreign fishing companies are not allowed to fish in Malaysia’s Exclusive Economic Zone (EEZ).

<u>Industries Open with Restriction to Foreign Investors.</u>
Oil and gas upstream industries.
Project must be carried out on a joint-venture basis with a wholly-owned subsidiary of the national petroleum corporation (Petronas), whose equity in the joint-venture

will range from 15% to 60% depending on the block/area. The terms and conditions of each block are negotiated on a case-by-case basis and the Production Sharing Contracts will adhere to rules and regulations stipulated by the Malaysian Government with regards to the award of contract etc.

MYANMAR

Temporary Exclusion List

<u>Industries Closed to Both National and Foreign Investors</u>

Forestry
Extraction of hardwood and sale of the same.
National policy on forestry.

Mining
Exploration and extraction of pearls and export of the same.
Exploration and extraction of metal and export of the same.
Carrying out other quarrying industries and marketing of the same.
The Government may permit by notifications.

Energy
Exploration, extraction and sale of petroleum.
Exploration, extraction and sale of natural gas and production of the products of the same.
The Government may permit by notifications.

Power
Production, collection and distribution of electricity.
The Government may permit by notifications.

<u>Industries Closed Only to Foreign Investors</u>

Fishery
Fishing of marine fish, prawn and other aquatic organism.
The Government may permit by notifications.

Industries Open with Restrictions to Foreign Investors

Others
Railway transport service.
Air transport.
Courier activities other than national post activities.
Joint-venture with State organisation.

Banking and insurance services.
To be liberalised later.

PHILIPPINES

Sensitive List

Industries Closed Only to Foreign Investors
People’s small-scale mining programme.
Mining activities which rely heavily on manual labour using simple implements and methods and do not use explosives or heavy mining equipment.
Maximum area of 20 hectares.
Investment not to exceed P10 million.
Ratio of labor cost to equipment utilisation cost is greater than or equal to 1.0 (based on 1 metric tonne of ore).
No foreign equity allowed.

Industries Open With Restrictions to Foreign Investors

Forestry
Mining (other than small-scale mining).
Deep sea fishing.
Agriculture in public land.
Foreign equity is restricted to a maximum of 40%.

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Pig farming.
Quarrying.
No more licenses issued.

THAILAND

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Fishery, specifically marine animal culture.
Logging from plantation.
Artificial propagated or plant breeding
Foreign equity participation is restricted to not more than 50% of registered capital.
Foreign equity participation of 50% of registered capital or more can be made, subject to following conditions:

- *shall obtain permission from Director-General of Department of Commercial Registration, with approval from Foreign Business Committee.*
- *shall receive promotion under Investment Promotion Law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce’s regulations, which in any case not less than three million Baht.

Shall apply for license or certificate from Department of Commercial Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.
(These lists shall be reviewed at least once every year).

Sensitive List

Industries Open with Restrictions to Foreign Investors
Salt farming, including efflorescent salt production.
Rock salt mining.
Mining, including rock blasting or crushing.
Silkworm farming.
Foreign equity participation is restricted to not more than 50% of registered capital.
Foreign equity participation of 50% of registered capital or more can be made, subject to following conditions:
- *shall obtain permission from Minister of Commerce, with approval of Cabinet, and shall also fulfill following requirements:*
    - *shall have Thai nationals or juristic persons that are not foreigners under this Act, holding not less than 40% of registered capital. However, Minister of Commerce with approval of Cabinet, may reduce said requirement to not less than 25%;*
    - *shall have Thai nationals holding at least two-fifths of total directors; or*
    - *shall receive promotion under Investment Promotion Law, or must obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.
Shall apply for license or certificate from Department of Commercial Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.
(These lists shall be reviewed at least once every year).

VIET NAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Manufacture of cultivation processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.
Subject to export, technology and quality requirement.

Paper production.
In conjunction with development of local raw material resources. Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirements.

Fruit juice.
Subject to utilisation of local raw material and export requirements.

Refrigeration equipment.
Subject to technology and export requirements.

Processing of aqua-products; canned sea foods.
Join-venture form, subject to material, technology requirements and export at least 80%.

Assembly of marine engines.
Subject to technology requirement.

Production and processing of wood.
Dairy processing.
In conjunction with development of local raw material resources.

Cane sugar production.
Vegetable production and processing.
In conjunction with development of local raw material resources and subject to export requirement.

Tanning.
In conjunction with development of local raw material resources and subject to environmental protection requirement.

Sensitive List

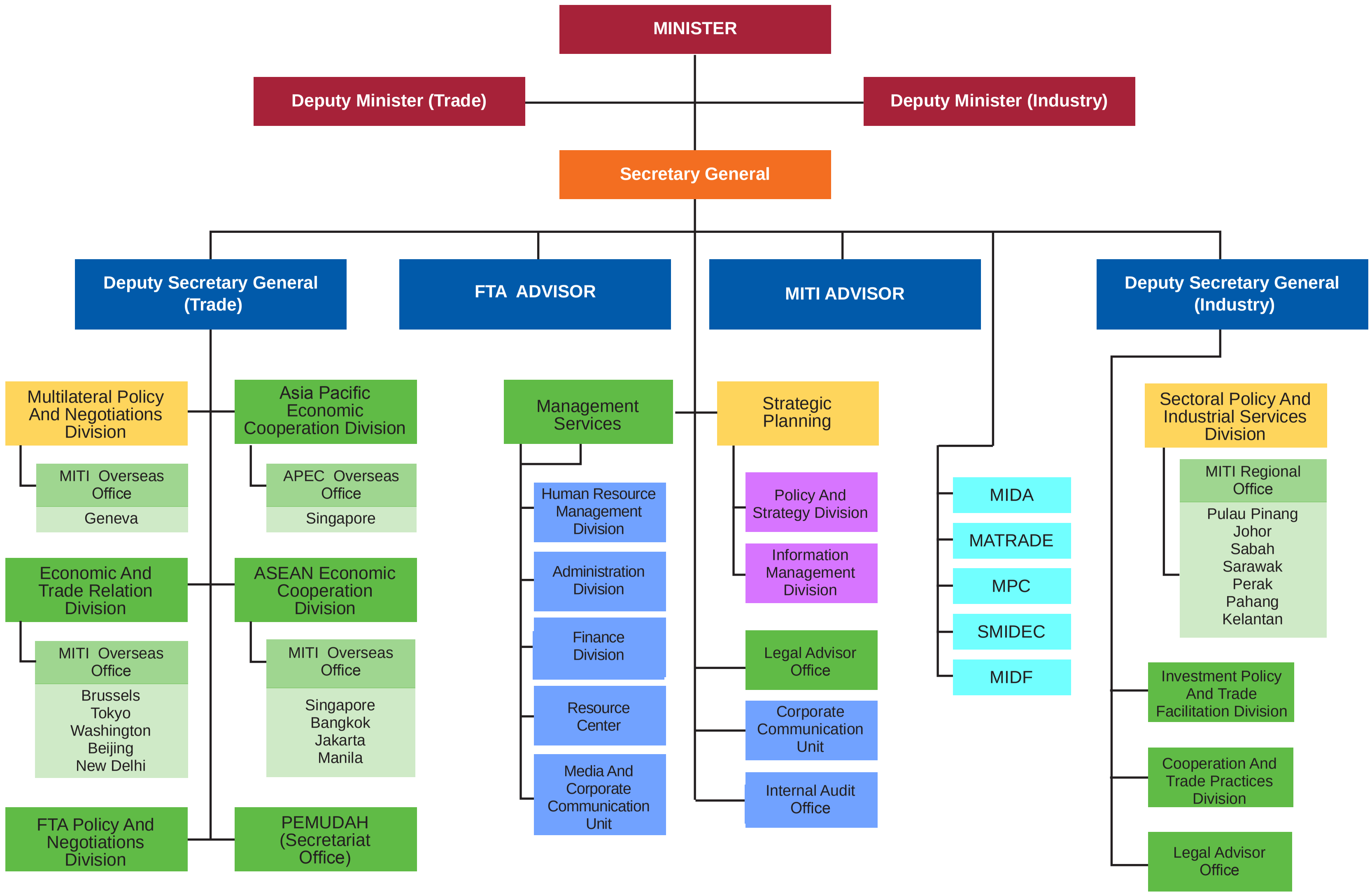
<u>Industries Closed Only to Foreign Investors.</u>
Fishing.
Foreign investment shall not be licensed.

Exploitation of gemstones.
Fishing-net production.
No new license will be issued.

<u>Industries Open With Restrictions to Foreign Investors</u>
Exploitation, processing of rare and precious minerals, raw materials, exploitation of clay for production of exportation of high-quality sand for production of construction and technical glasses.
Subject to planning of the Government.

APPENDIX 7: MITI AND ITS AGENCIES - ORGANISATION CHARTS AND ADDRESSES

MITI ORGANISATION CHART



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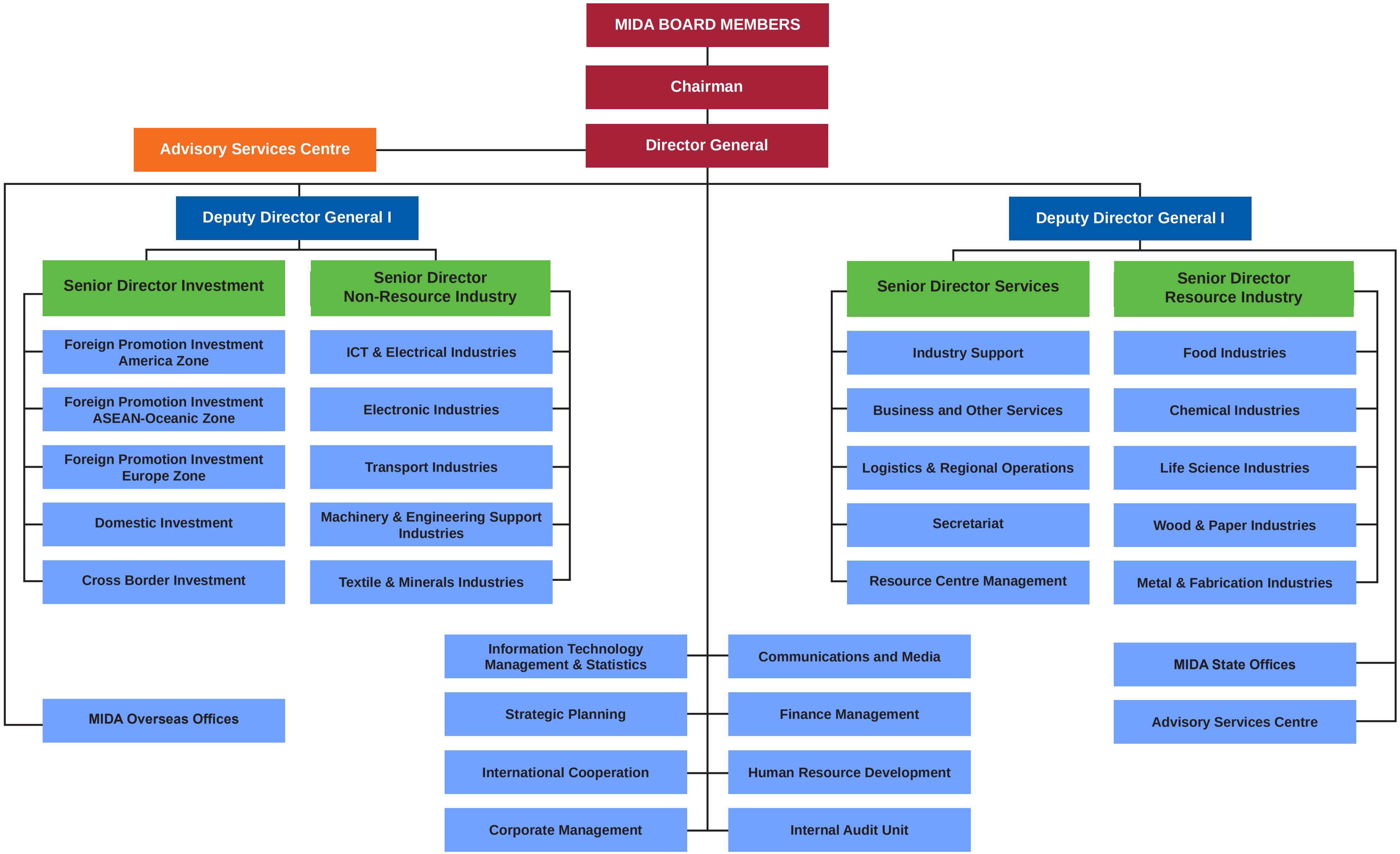
MIDA ORGANISATION CHART



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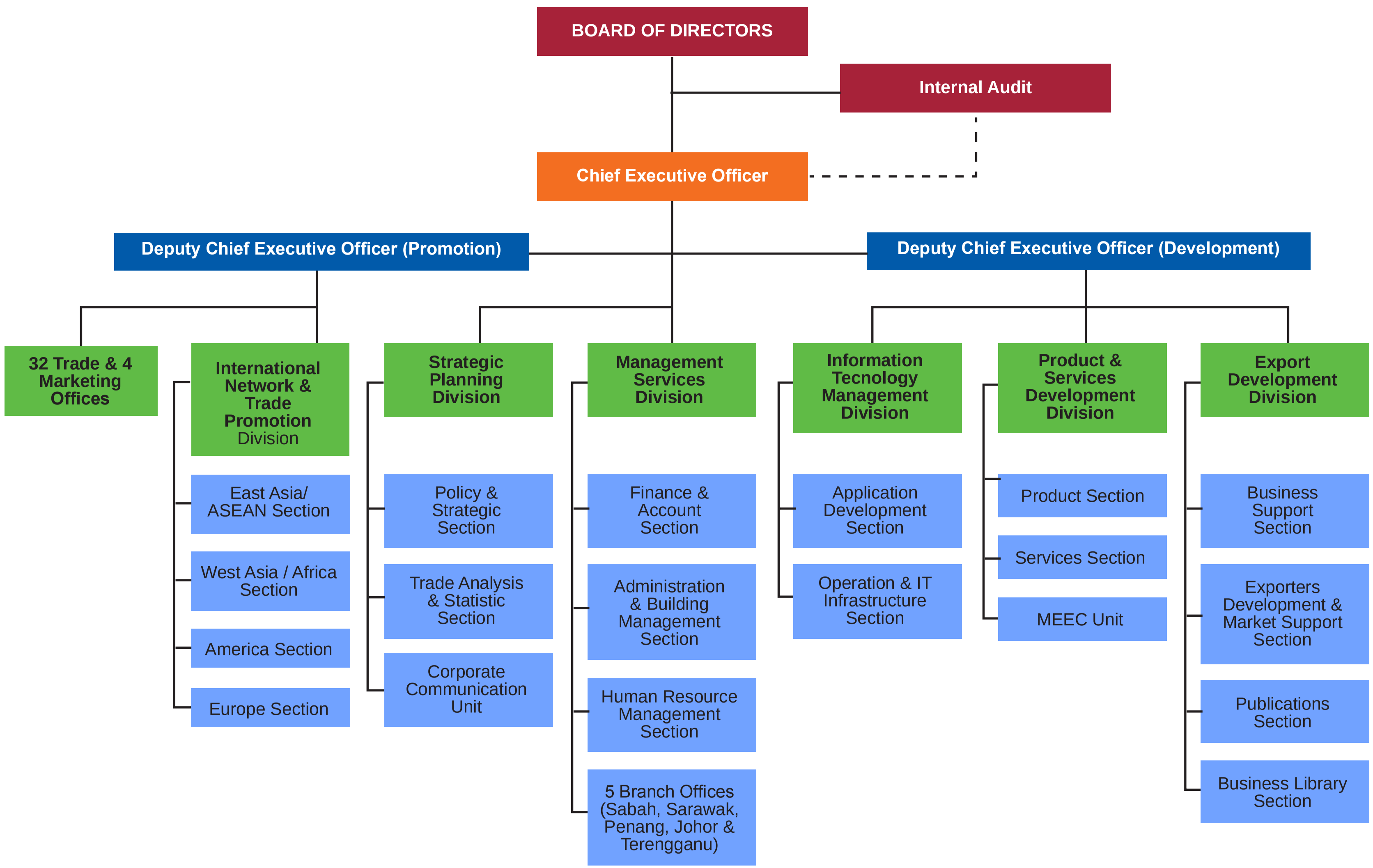
MATRADE ORGANISATION CHART



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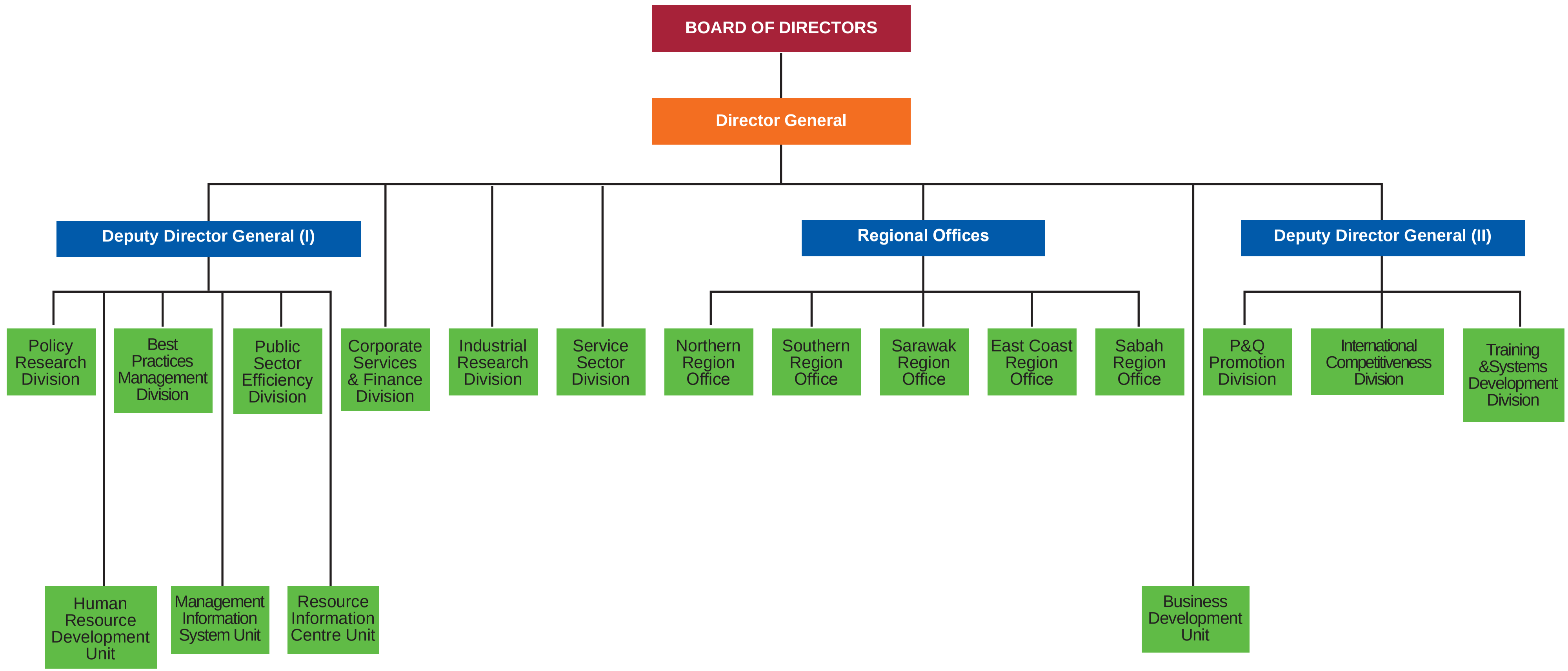
MPC ORGANISATION CHART



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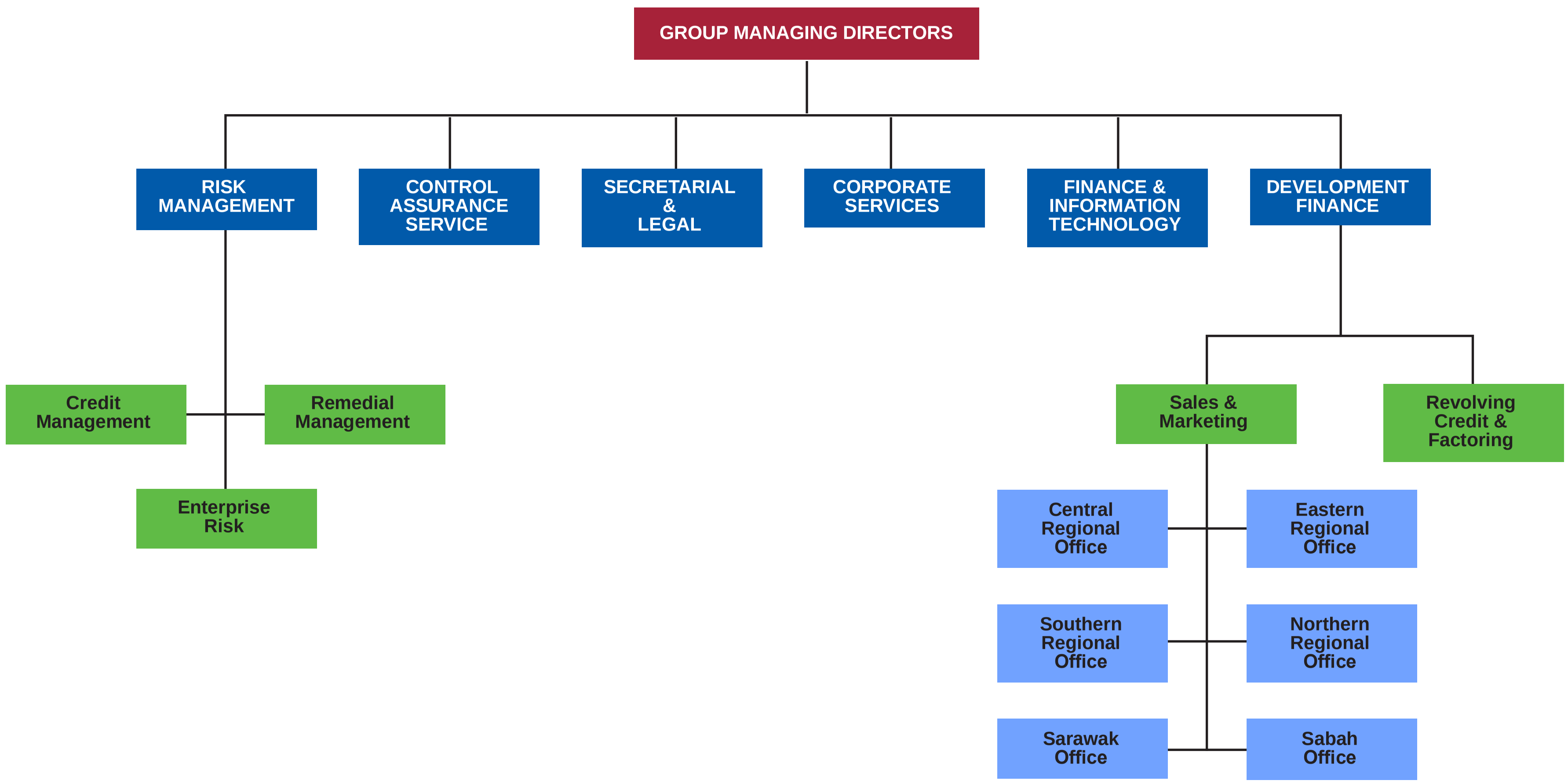
MIDF ORGANISATION CHART



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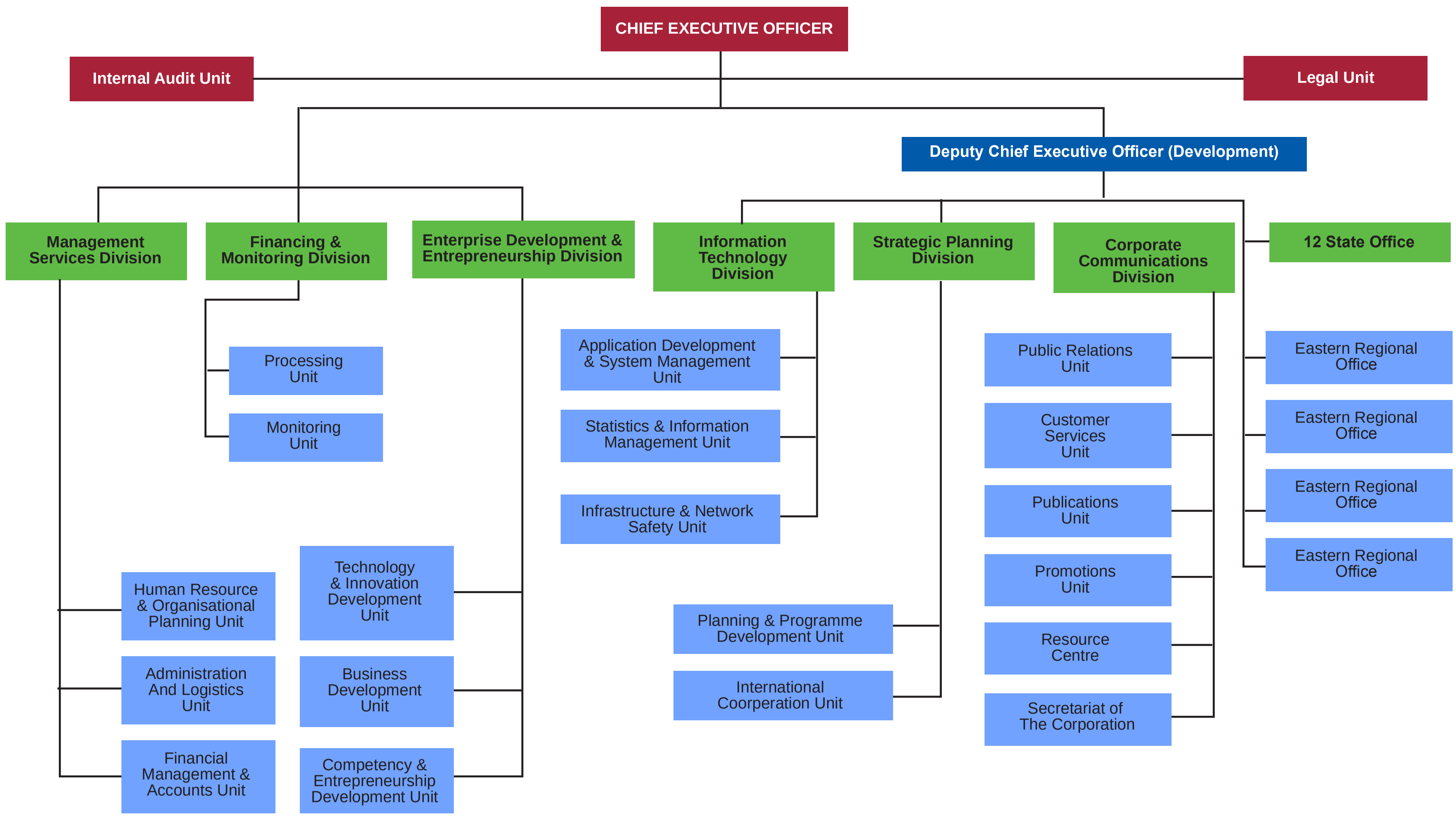

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Fax : 6082-253 955

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APPENDIX 8: KEY ECONOMIC DATA – MALAYSIA

AREA (square kilometers)			
Malaysia	Peninsular Malaysia	Sarawak	Sabah
330,252	131,805	124,450	73,9971

	2008	2007
Population (mil)	**27.7**	**27.2**
Citizens	25.7	25.3
Bumiputeras	17.1	16.8
Chinese	6.4	6.3
Indians	1.9	1.9
Others	0.3	0.3
Non-citizens	2.0	1.9
Population Growth (%)	**2.0**	**2.0**
Labour Force (mil)		
Unemployment Rate (%)	**11.0**	**11.8**
Employment by Sector (%)	**3.3**	**3.3**
Services	57.9	51.5
Manufacturing	18.2	29.3
Agriculture	14.0	12.1
Construction	9.4	6.7
Mining & Quarrying	0.5	0.4
Consumer Price Index (%)	**5.4**	**2.0**
Malaysia	5.4	2.0
Peninsular Malaysia	6.0	2.1
Sabah	6.0	1.7
Sarawak		
Industrial Production Index (2005=100)	**107.8**	**107.2**
Overall	98.2	98.3
Mining	112.1	111.4
Manufacturing	110.5	109.2
Electricity		
External Trade (RM bil)	**663.5**	**605.2**
Export	521.6	504.8
Import	1,185.1	1,110.0
Total Trade	141.9	100.3
Trade Balance		
Balance of Payment (RM bil) – (Net)		
Current Account	**129.9**	**100.4**
Goods	170.1	127.7
Services	1.7	2.4
Income	-24.9	-13.9
Transfer	-17.0	-15.7
Capital	0.6	0.1
Financial Account	**-123.6**	**-37.7**
Overall Balance	**-18.3**	**45.3**

	2008	2007
Gross Domestic Product (GDP)		
GDP in current prices (RM bil)	**738.6**	**639.7**
Agriculture	75.7	65.0
Mining & Quarrying	127.2	92.4
Manufacturing	194.1	178.7
Construction	19.6	17.6
Services	334.6	298.9
Less Undistributed FISIM	20.0	18.9
Plus Import Duties	7.4	6.0
Real GDP Growth Rate (%)	**4.6**	**6.2**
Agriculture	4.0	1.4
Mining & Quarrying	-0.8	2.0
Manufacturing	1.3	3.1
Construction	2.1	4.7
Services	7.2	9.6
International Reserves (RM bil)	**316.8**	**335.7**
(as at 31 Dec 2008)		
Reserves to GDP Ratio (%)	42.8	54.3
Reserves as Month of Retained Imports	7.4	8.5
(as at 31 Dec 2008)		
Total External Debt (RM bil)	**235.6**	187.4
Medium & Long Term	155.6	133.0
Short Term	80.0	54.5
Debt Service Ratio (%)	2.7	3.8
Banking Institutions (RM bil)		
(as at Dec 2008)		
Total Deposit	972.4	868.9
Total Loans	726.6	643.7
Non-Performing Loans (% of total loans)		
(Dec 2008)		
3 months	2.2	3.2
6 months	1.7	2.5
Commercial Banks Interest Rates (%)		
(Dec 2008)		
Saving Deposits	1.4	1.4
BLR	6.7	6.7
Gross National Savings (% of GNP)	**37.9**[2]	**38.4**

Sources: Department of Statistics, Bank Negara Malaysia and Ministry of Finance.
[1] Including the Federal Territory of Labuan
[2] preliminary

APPENDIX 9: ABBREVIATIONS AND ACRONYMS

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
AB	Appellate Body
ABAC	APEC Business Advisory Council
ABS	Acrylonitrile-Butadiene
ACA	Anti-Corruption Agency
ACCSQ	ASEAN Consultative Committee on Standards and Quality
ACD	ASEAN Cosmetic Directive
ACFTA	ASEAN-China Free Trade Agreement
ACH	Aluminium Chlorohydrate
ACIA	ASEAN Comprehensive Investment Agreement
ACPE	ASEAN Chartered Professional Engineer
ACPECC	ASEAN Chartered Professional Engineers Coordinating Committee
ACPER	ASEAN Chartered Professional Engineers Register
ACT	ASEAN Consultation to Solve Trade and Investment Issues
ACT	Anti-Corruption Task Force
AD	Anti-Dumping
ADB	Asian Development Bank
ADP	Automatic Data Processing
ADTEC	Advanced Technology Center
ADVANCE	ASEAN Development Vision to Advance National Cooperation and Economic Integration
AEC	ASEAN Economic Community
AELM	APEC Economic Leaders' Meeting
AEM	ASEAN Economic Ministers
AETS	Agreed Export Tonnage Scheme
AFAS	ASEAN Framework Agreement on Services
AFM	Automotive Federation of Malaysia
AFSIS	ASEAN Food Security Information System
AFTA	ASEAN Free Trade Area
AGV	Automated Guided Vehicle
AHTN	ASEAN Harmonised Tariff Nomenclature
AIA	ASEAN Investment Area
AIFM	ASEAN Infrastructure Financing Mechanism
AIFS	ASEAN Integrated Food Security
AJCCDP	ASEAN Joint Coordinating Committee on Dental Practitioners
AJCCMP	ASEAN Joint Coordinating Committee on Medical Practitioners
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKI	Industry Excellence Awards
AKTNC	ASEAN-Korea Trade Negotiation Committee
AMBDC	ASEAN-Mekong Basin Development Cooperation
AMCHAM	American Malaysian Chamber of Commerce
AMEICC	Japan Economic and Industrial Cooperation Committee
AMM	APEC Ministerial Meeting
AOTS	Association for Overseas Technical Scholarship
AP	Import Licence
APEC	Asia Pacific Economic Cooperation
APEC e-IAP	APEC Electronic Individual Action Plan

APEC RTAs/FTAs	APEC Regional Trade Arrangements/Free Trade Arrangements
APEC SMEWG	APEC Small and Medium Enterprise Working Group
APEC TEL	APEC Telecommunication and Information Working Group
APEC-IMF	APEC-International Monetary Fund
APNet	Asia-Pacific Network for Energy Technology
APRIS	ASEAN Programme for Regional Integration Support
APSA	ASEAN Petroleum Security Agreement
APT	ASEAN Plus Three
APTCF	APT Cooperation Fund
ARB	Air Resources Board
ARTC	ASEAN Telecommunication Regulators Council
ASCM	Agreement on Subsidies and Countervailing Measures
ASEAN	Associaton of South East Asia Nation
ASEAN+3	ASEAN, People's Republic of China, Japan and Republic of Korea
ASEAN-10	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam
ASEAN-5	Indonesia,Philippines,Malaysia,Singapore and Thailand
ASEAN-6	Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore And Thailand
ASMED	Agency for Small and Medium Enterprise Development
ASTM	American Society For Testing Of Materials
ASW	ASEAN Single Window
ASW TWG	ASEAN Single Window Working Group on Technical Matters
ATCM	Airborne Toxic Control Measures
ATF	ASEAN Taskforce
ATIGA	ASEAN Trade in Goods Agreement
AUTATIF	ASEAN-US Technical Assistance and Training Facility
B2B	Business to Business
BAM	Branding Association of Malaysia
BBDU	Bumiputera Business Development Unit
BCIC	Bumiputera Commercial and Industrial Community
BEDP	Bumiputera Exporters Development Programme
BEEP	Bumiputera Enterprise Enhancement Programme
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area
BLESS	Business Licensing Electronic Support System
BPG	Brand Promotion Grant
CAD/CAM	Computer-Aided Design and Computer-Aided Manufacturing
CAEXPO	China-ASEAN Expo
CAM	Professional Certified Account Manager
CAP	Common Agricultural Policy
CBD	Convention on Biological Diversity
CBN	Capacity Building Network
CBU	Completely Built-Up
CCB	Central Coordinating Body
CCSL	Cabinet Committee on Services Liberalisation
CCSP	Professional Certified Customer Service Practitioner
CDM	Clean Development Mechanism
CECA	Comprehensive Economic Cooperation Agreement
CEOs	Chief Executive Officers

CEPEA	Comprehensive Economic Partnership of East Asia
CEPT	Common Effective Preferential Tariff
CERs	Certified Emission Reduction Units
CGC	Credit Guarantee Corporation Berhad
CIAST	Centre of Instructor and Advanced Skill Training
CICM	Chemical Industries Council Malaysia
CIDB	Construction Industry Development Board
CIPE	Capital Investment Per Employee Ratio
CIS	Commonwealth of Independent States
CKD	Complete Knock Down
CLMV	Cambodia, Lao PDR, Myanmar, and Viet Nam
CMIS	Committee on Mandatory Industrial Standards
CNC	Computer Numerical Controlled
COA	Certificates of Approval
CoBLAS	Consulting Based Learning for ASEAN SMEs
COM	Council of Ministers
COMCEC	Standing Committee for Economic and Commercial Cooperation
COO	Chief Operating Officer
CoPs	Community of Practices
COs	Certificate of Origins
CPKO	Crude Palm Kernel Oil
CPO	Crude Palm Oil
CRC	Clinical Research Centres
CRCs	Cold Rolled Coils
CRM	Customer Relationship Management
CSM	Professional Certified Sales Manager
CSP	Professional Certified Sale Professional
CSR	Corporate Social Responsibilities
CT	Comprehensibility Testing
CTAPs	Counter-Terrorism Action Plans
CTF	Customs-Trade Facilitation
CTH	Change in Tariff Headings
CTI	Committee on Trade and Investment
CVI	Customs Verification Initiative
D-8	Group of Eight Developing Countries
D-8 PTA	Developing Eight Preferential Trade Agreement
DAGS	Direct Access Guarantee Scheme
DDA	Doha Development Agenda
DDEC	Design Development Centre
DI	Domestic Investment
DKKP	Dana Khas Kerajaan Persekutuan
DPMM	Dewan Perniagaan Melayu Malaysia
DRI	Direct Reduced Iron
DSB	Dispute Settlement Body
DSU	Dispute Settlement Understanding
DWT	Deadweight Tonnage
E&E	Electrical and Electronic
E50	Enterprise 50
EABC	East Asia Business Council
EAFTA	East Asia Free Trade Area

EAS	Third East Asia Summit
EC	Economic Committee
EC	European Commission
ECAP II	EC-ASEAN Intellectual Property Rights Cooperation Programme
ECER	Eastern Corridor Economic Region
ECERDC	East Coast Economic Region Development Council
ECOTECH	Economic and Technical Cooperation
ED	Executive Director
e-Declare	Electronic Submission of Customs Declarations
EDNET	Education Network
EFT	Electronic Fund Transfer
e-halal	Halal Electronic Information System
EHP	Early Harvest Programme
EI	Equine Influenza
EIA	Environmental Impact Assessment
EO	Ethylene Oxide
EPAs	Economic Partnership Agreements
EPF	Employees Provident Fund
E-PCO	e-Preferential Certificates of Origin
e-Permit	Electronic Submission and Processing of Export/Import Permits by Permit Issuing Agencies
EPU	Economic Planning Unit
ERASMUS	European Region Action Scheme for the Mobility of University Students
ERIA	Economic Research Institute of ASEAN and East Asia
ESI	Energy Security Initiative
ESM	Emergency Safeguard Measures
e-STPH	Electronic Sistem Taksiran Pindah Milik Harta Tanah
EU	European Commission
EU	European Union
EURASEF	ASEAN-European Commission Energy Cooperation Programme EU-ASEAN Energy Facility
EXIM Bank	Export-Import Bank of Malaysia Berhad
FAO	Food and Agriculture Organization of the United Nations
FBO	Fixed Base Operator
FDI	Foreign Direct Investment
FEM	Federation of Women Entrepreneurs Association Malaysia
FLEG	Forest Law Enforcement and Governance
FMM	Federation of Malaysian Manufacturers
FRP	Fibreglass Reinforced Polyester
FTA	Free Trade Agreement
FTAAP	Free Trade Area in Asia Pacific
FZAs	Free Zone Authorities
G-2 area	United States And Euro Area
GATS	General Agreement on Trade in Services
GATT	General Agreement of Tariff and Trade
GDP	Gross Domestic Product
GEL	General Exception List
GERD	Gross Expenditure on R&D
GHG	Green House Gases

GHS	Globally Harmonised System
GI	Galvanised Iron
GIs	Geographical Indications
GLCs	Government Linked Companies
GMI	German-Malaysian Institute
GMP	Good Manufacturing Practice
GP	Government Procurement
GRT	Gross Register Tonnage
GSTP	Global System of Trade Preferences
HACCP	Hazard Analysis and Critical Control Point
HBI	Hot Briquette Iron
HDC	Halal Industry Development Corporation
HDF	High Density Fibreboard
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRCs	Hot Rolled Coils
HRDF	Human Resource Development Fund
HSL	Highly Sensitive List
IAAE	International Auto Aftermarket Expo
IAIS	International Association of Insurance Supervisors
IAP	Individual Action Plan
IARC	International Agency for Research on Cancer
IBM	International Business Machines Corporation
IBS	Industrialised Building System
ICC	Innovative and Creative Circle
ICs	Integrated Circuits
ICT	Information and Communication Technology
IDB	Islamic Development Bank
IEC	International Electrotechnical Commission
IFAP	Investment Facilitation Action Plan
IGA	Investment Guarantee Agreement
IHI Alliance	International Halal Integrity Alliance
IILS	International Integrated Logistics Services
I-KIT	Inkubator Kemahiran Ibu Tunggal
IL	Inclusion List
ILP	Industrial Linkage Programme
ILS	Integrated Logistics Services
IM	Iskandar Malaysia
IMD	International Institute for Management Development
IMF	International Monetary Fund
IMO	International Maritime Organisation
IMP3	Third Industrial Master Plan
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
INSKEN	Institut Keusahawanan Negara
IORAG	Indian Ocean Rim Academic Group
IOR-ARC	Indian Ocean Rim - Association for Regional Cooperation
IOR-ARC PTA	IOR-ARC Preferential Trade Agreement
IORBF	Indian Ocean Rim Business Forum
IORNET	Indian Ocean Rim Business Network
IP	Intellectual Property
IPv6	Internet Protocol Version 6

IPAs	Investment Promotion Agencies
IPCs	International Procurement Centers
IPO	Initial Public Offering
IPI	Industrial Production Index
IRDA	Iskandar Region Development Authority
ISM	Import Standardization Mark
ISO	Internatinal Organisation for Standards
IT	Information Technology
ITA	Information Technology Agreement
ITIs	Industrial Training Institutes
ITRC	International Tripartite Rubber Council
JAKIM	Department of Islamic Development Malaysia
JAMA	Japan Automobile Manufacturers Association
JAPIA	Japan Auto Parts Industries Association
JARI	Japan Automobile Research Institute
JC	Joint Committee
JETRO	Japan External Trade Organization
JIT	Just in Time
JKMP	Cabinet Committee on Investments
JMTI	Japan Malaysia Technical Institute
JODC	Japan Overseas Development Corporation
JPW	Department of Women's Development
JTF	Joint Task Force
JTIC	Joint Trade and Investment Committee
JV	Joint-Venture
KIPC	Kertih Integrated Petrochemical Complex
KLCC	Kuala Lumpur Convention Centre
KPIs	Key Performance Indicators
KPP	Kertih Plastic Park
KPWKW	Ministry of Women, Family and Community Development
K-Grid	Knowledge-Grid
K-SMEs	Knowledge-Based SMEs
KVP	Kelab Vendor PERODUA
LAISR	Leaders Agenda in Implementing Structural Reform
LDCs	Least-Developed Countries
LNG	Liquefied Natural Gas
LPP	Lembaga Pertubuhan Peladang
LPS	Lean Production System
LSI	Large Scale Integration
LSPN	Labour and Social Protection Network
MADA	Muda Agricultural Development Authority
M&As	Mergers And Acquisitions
M&E	Mechanical And Electrical
MAA	Malaysian Automotive Association
MACPMA	Malaysian Automotive Component Parts Manufacturers Association
MAESCO	Malaysia Association of Energy Services Companies
MAFTA	Malaysia-Australia FTA
MAJAICO	Malaysia-Japan Automotive Industries Cooperation
MARDI	Malaysian Agricultural Research and Development Institute
MAMPU	Malaysia Administrative Modernisation and Management

	Planning Unit
MASAAM	Motorcycle and Scooter Association of Malaysia
MATAC	Malaysian Textiles and Apparel Centre
MATRADE	Malaysia External Trade Development Corporation
MATRADE's MECC	MATRADE Exhibition & Convention Centre
MBI	Malaysia Benchmarking Index
MC	Monitoring Committee
MCS	MTIB Core System
MDB	Medical Devices Bureau
MDEC	Multimedia Development Corporation
MDF	Medium Density Fibreboard
MECD	Ministry of Entrepreneur and Cooperative Development
MEEC	Malaysia Export Exhibition Centre
MERCOSUR	Latin American Southern Cone Common Market
MeSH	Mobiliti Embedded Software and Hardware
METI	Ministry of Economy, Trade and Industry
MFFPA	Malaysian Frozen Foods Processors Association
MFN	Most-Favored-Nation
MIAC	Malaysia International Aerospace Centre
MIDA	Malaysian Industrial Development Authority
MIDF	Malaysian Industrial Development Finance
MIHAS	Malaysia International Halal Showcase
MINDEF	Ministry of Defence
MIMOS	Malaysian Institute of Microelectronic Systems
MISIF	Malaysian Iron and Steel Industry Federation
MITI	Ministry of International Trade and Industry
MJEPA	Malaysia-Japan Economic Partnership Agreement
MLC	Malaysian Logistics Council
MM2H	Malaysia My Second Home
MMA	Malaysia Monitoring Authority
MNCs	Multinational Corporations
MNZFTA	Malaysia-New Zealand Free Trade Agreement
MoA	Memorandum of Agreement
MoE	Ministry of Education
MoF	Ministry of Finance
MOHE	Ministry of Higher Education
MOHR	Ministry of Human Resources
MoP	Margin of Preference
MOSTI	Ministry of Science, Technology and Innovation
MOTOUR	Ministry of Tourism
MoU	Memorandum of Understanding
MPC	Malaysia Productivity Corporation
MPCEPA	Malaysia-Pakistan Closer Economic Partnership Agreement
MRAs	Mutual Recognition Arrangements
MRLs	Harmonised Maximum Residue Limits
MRO	Maintenance, Repairing and Overhaul
MRT	Ministers Responsible for Trade
MS	Malaysian Standard
MSC	Multimedia Super Corridor
MT	Metric Tonnes
MTR 9MP	Mid-Term Review of the Ninth Malaysia Plan

MTCP	Malaysian Technical Cooperation Programme
MTDC	Malaysian Technology Development Corporation
MTIB	Malaysian Timber Industry Board
MUSFTA	Malaysia-US FTA
NACET	National Advisory Council on Education and Training
NAMA	Non-Agriculture Market Access
NAP	National Automotive Policy
NAWEM	National Association of Women Entrepreneurs of Malaysia
NCER	Northern Corridor Economic Region
NCIA	Northern Corridor Implementation Authority
NDP	National Development Policy
NDTS	National Dual Training System
NGN	Next Generation Network
NIEs	Newly Industrialized Economies
NSDC	National SME Development Council
NSW	National Single Window
NTB	Non-Tariff Barrier
NTO	National Tourist Organisation
NWEA	National Women Entrepreneurs Award
OBM	Original Brand Manufacturers
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturers
OHQs	Operational Headquarters
OIC	Organisation of the Islamic Conference
OPC	Ordinary Portland Cement
OPCW	Organisation for the Prohibition of Chemical Weapons
OSMEP	Office of SMEs Promotion
OTC	Over-The-Counter
OTDS	Overall Trade Distorting Domestic Support
PA	Productivity Awards
PAC	Polyaluminium Chloride
PBT	Polybutylene Terephathalate
PC	Personal Computer
PDR	People’s Democratic Republic
PE	Polyethylene
PEMUDAH	Special Taskforce to Facilitate Business
PERODUA	Perusahaan Otomobil Kedua Sdn Bhd
PETG	Polyester Co-Polymer
PETRONAS	Petroliam Nasional Berhad
PIAs	Permit Issuing Agencies
PIKOM	Persatuan Industri Komputer dan Multimedia Malaysia
PIUS	Program Inkubator Usahawan Siswazah
PK	Palm Kernel
PLCs	Public Listed Companies
POM	Polyoxymethylene
PP	Polypropylene
PRC	People’s Republic of China
PRETAS	Protocol on the Preferential Tariff Scheme
PROTON	Perusahaan Automobil Nasional Berhad
PRs	Permanent Representatives
PS	Phytosanitary

PSDC	Professional Services Development Corporation
PSMB	Human Resource Development Berhad
PSR	Product Specific Rule
PSU	Policy Support Unit
PTA	Preferential Trade Agreement
PTM	Pusat Tenaga Malaysia
PTPs	Professional Training Providers
PUNB	Perbadanan Usahawan Nasional Bhd
PVA	PROTON Vendor Association
PVC	Polyvinyl Chloride
QMEA	Quality Management Excellence Awards
R&D	Research and Development
RAC	Regional Aviation Centre
RBB	Results-Based Budgeting
RBD	Refined, Bleached and Deodorised
RDCs	Regional Distribution Centers
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
READI	Regional EU-ASEAN Dialogue Instrument
REs	Representative Offices
RECODA	Regional Corridor Development Authority
RIA-Fin	Roadmap for ‘Monetary and Financial Integration of ASEAN
ROK	Republic of Korea
RoO	Rules of Origin
ROs	Regional Offices
RTAs/FTAs	Regional Trade Arrangements/Free Trade Arrangements
RTD	Road Transport Department, Malaysia
SAIP	Sabah Agro Industrial Precinct
S&D	Special and Differential Treatment
SAR	Special Administrative Region
SEDIA	Sabah Economic Development and Investment Authority
SBC	Small Business Corporation
SCORE	SME Competitive Rating for Enhancement Tool
SDCs	Skills Development Centres
SDC	Sabah Development Corridor
SEAP	SME Expert Advisory Panel
SEMI	Semiconductor Equipment and Materials International
SEF	Services Export Fund
SGA	Situational and Gap Analysis
SIA	Semiconductor Industry Association
SIRIM	Standard and Industrial Research Institute of Malaysia
SKMM	Malaysian Communications and Multimedia Commission
SL	Sensitive List
SLFR	Soft Loan for Factory Relocation
SLICT	Soft Loan for ICT Adoption
SLPD	Retrenched Workers Training Scheme
SLSAD	Soft Loan Scheme for Automotive Development
SLSAM	Soft Loan Scheme for Automation and Modernisation
SLSIB	Soft Loan Scheme for International Branding
SLSME	Soft Loan for SMEs
SME Bank	Small and Medium Enterprise Bank

SMECCA	SME Central Coordinating Agency
SMEMM	Small and Medium Enterprises Ministerial Meeting
SMEs	Small and Medium Enterprises
SMEWG	Small and Medium Enterprises Working Group
SMI	Small and Medium Industry
SMIDEC	Small and Medium Industries Development Corporation
SMIDEX	Small and Medium Industries Development Exhibition
SMK	Sistem Maklumat Kastam
SMK-DNT	Sistem Maklumat Kastam - Dagang Net
SMRJ	Small & Medium Enterprises and Regional Innovation, Japan
SP	Special Products
SPAN	SME Integrated Plan of Action
SPM	Specific Project Mission
SPS	Sanitary and Phytosanitary
SR	Social Responsibility
SSCDF	Services Sector Capacity Development Fund
SSM	Special Safeguard Mechanism
SSM	Suruhanjaya Syarikat Malaysia
ST	Energy Commission
STAR	Secure Trade in the APEC Region
STI	Science, Technology & Innovation
STOL	Short Takeoff and Landing
TAC	Toxic Air Contaminant
TACB	Technical and Capacity Building
TBI	Traumatic Brain Injury
TBTs	Technical Barriers to Trade
TEEAM	Electrical and Electronics Association of Malaysia
TEL WG	Telecommunication and Information Working Group
TEL	Temporary Exclusion List
TELMIN	ASEAN Telecommunications Ministers Meeting
TELSOM	ASEAN Telecommunications & IT Senior Officials Meeting
TEUs	Twenty-Foot Equivalent Units
TFAP	Trade Facilitation Action Plan
TFEP	Task Force for Emergency Preparedness
TFP	Total Factor Productivity
TIFA	Trade and Investment Framework Agreement
TMC	Toyota Motor Corporation
TNC	Trade Negotiating Committee
TPR	Trade Policy Review
TPS	Toyota Production System
TPS-OIC	Trade Preferential System among the Member States of OIC
TPS-OIC RoO	TPS-OIC Rules of Origin
TREATI	Trans-Regional EU-ASEAN Trade Initiative
TRIPS	Trade-Related Aspects Of Intellectual Property Rights
TRQ	Tariff Rate Quota
TV	Television
TVET	Technical/Vocational Education and Training
UAE	United Arab Emirate
UiTM	Universiti Teknnologi MARA
UK	United Kingdom
UN	United Nations

UNCAC	United Nations Convention against Corruption
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE WP29	United Nations Economic Commission for Europe Working Party 29
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nation Framework Convention on Climate Change
UPE	Unit Perancang Ekonomi
UPVC	Plasticised Polyvinylchloride
USA	United States of America
USAID	US Agency for International Development
UUM	Northern University of Malaysia
UV	Ultra-Violet
VAP	Vientiane Action Programme
VIE	Value Of Increased Export
VTA	Vehicle Type Approval
VWA	Dutch Food and Consumer Product Safety Authority
WCY	World Competitiveness Yearbook
WEDP	Women Exporter Development Program
WGEC	Working Group on Economic Cooperation
WGs	Working Groups
WGTI	Working Group on Trade and Investment
WHO	World Health Organisation's
WTO	World Trade Organization
WTOP	Woman Trade Outreach Program

Ministry of International Trade and Industry Malaysia

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