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2004

Ministry of International Trade and Industry
Malaysia

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FOREWORD

Malaysia recorded its highest trade growth in 2004, with trade expanding by 23.3 per cent to RM880.8 billion from RM714.4 billion in 2003. This performance was in large part due to the contribution of the manufacturing sector, which grew by 9.8 per cent in 2004, and accounted for 31.6 per cent of GDP, compared with the share of GDP of 30.8 per cent in 2003.

Exports registered an increase of 20.8 per cent, to RM480.7 billion, while imports grew by 26.4 per cent to RM400.1 billion, resulting in a merchandise trade surplus of RM81.3 billion. Strong external demand from Malaysia's major trading partners, dynamic intra-ASEAN trade, and successful efforts in sustaining trade in Malaysia's traditional markets, while diversifying to new and emerging markets, contributed to the impressive export performance.

Malaysia continued to attract investments into the manufacturing and related services sector, as evident by the high levels of domestic and foreign investments approved in 2004. Approved investments in the manufacturing sector totalled RM28.7 billion. Of this total, domestic investments amounted to RM15.6 billion, the highest recorded since 1997. This reflected greater participation by domestic investors in the manufacturing sector. Foreign investments in approved projects totalled RM13.1 billion in 2004. As the competition for FDI intensifies in the Asia Pacific region, the Government will continue with its efforts to improve the investment environment, to ensure that Malaysia remains attractive, to both foreign and domestic investors. In addition, efforts will be intensified, to attract more investments in manufacturing related services.

On the regional front, the ASEAN Free Trade Area became an operational reality. Specific initiatives have been agreed to in ASEAN towards the evolution of an ASEAN Economic Community by 2020, the most significant being the accelerated integration of 11 priority sectors. Negotiations are on-going, to evolve Free Trade Areas between ASEAN and its East Asian neighbours, as well as Australia and New Zealand, and India.

At the multilateral level, Malaysia participated in the WTO negotiations, to ensure that the outcomes allowed policy space, to accommodate Malaysia's export interests, as well flexibility to protect strategic industries. Malaysia will continue to be engaged in WTO negotiations, not only to achieve better market access, but also to ensure that the WTO remains a rules-based organisation that is non-discriminatory, with an effective dispute settlement mechanism.

There are concerns that global economic growth will be affected by not only geo-political developments, but also the fluctuation and escalation of oil prices. As a trading nation, Malaysia will need to quickly respond to these global dynamics. On its part, the Government will continue to provide any necessary buffer to minimise, and, if possible, prevent dislocations, in trade and industry. Ultimately, it is the collaboration between the Government and the private sector which will ensure that Malaysia remains competitive.

DATO' SERI RAFIDAH AZIZ
Minister of International Trade and Industry
Malaysia
4 July 2005.

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World Economic, Trade And Investment Developments

OVERVIEW

In 2004, the world economy recorded an overall growth of 5.1 per cent, the fastest expansion recorded in more than a decade. There was robust growth in the first half of the year, which was a continuation of the strong average growth of almost 6 per cent recorded in the last two quarters of 2003. However, growth slowed down in the second half of the year, in large part due to the impact of higher oil prices. In fact, there were fears that the sharp increase in oil prices would result in a global economic recession. However, as the oil prices were more demand than supply driven, that did not materialise.

Strong growth was recorded in the United States of America (USA) at 4.4 per cent, the People's Republic of China (PRC), 9.5 per cent and India, 7.3 per cent, while growth in Europe and Japan had been weak. Generally, however, growth in the developing countries had been broad-based, with GDP growths in almost all of the regions exceeding targets.

In tandem with global economic growth, world merchandise trade and investments also increased. Global trade rose by 22.3 per cent in 2004, the highest since 2000. This expansion was due to a combination of factors, including higher oil and commodity prices, and recovery in trade in office and telecommunications equipment.

Similarly, global foreign direct investment (FDI) inflows in 2004 are estimated to have increased by 6 per cent. This was the first rise in FDIs since the downturn which began in 2001.

These global developments, particularly the continued expansion of the USA and the PRC, augured well for Malaysia, as reflected in the 7.1 per cent GDP growth, the 20.5 per cent increase in exports and the sustained level of FDIs. Keeping pace with the overall expansion in world trade, Malaysia retained its position as the 18th largest exporter and 20th largest importer in 2004.

ECONOMIC DEVELOPMENT BY REGION

Asia

Asia, excluding Japan, continued to be the fastest growing region in the world, growing at 7.8 per cent in 2004. While the PRC was a major contributor to this growth, almost all the countries in the region expanded in 2004, compared with 2003. However, the growth was more robust in the first half of 2004. In the second half of the year, the impact of higher oil prices and the consolidation in the semiconductor industry led to the region experiencing slower growth. The avian flu, while affecting poultry exports, did not produce as widespread an impact as did SARS in the region the year before.

As in 2003, growth was fastest in the PRC, where the economy expanded by 9.5 per cent in 2004. This was despite efforts by the Government to rein in growth through macroeconomic tightening measures. While the PRC continued to dominate and provide the impetus for global and regional economic growth, it also significantly contributed to the increased demand for oil and commodities, and thus higher oil and commodity prices.

The expanding PRC economy, together with emerging India, continued to provide the impetus for robust growth in other Asian economies, particularly East and South-East

Table 1.1:
World Real GDP Growth

Countries	2004		2003
	Change (%)	GDP Value* (US$ billion)	Change (%)
World	**5.1**	**40,670.5**	**4.0**
ASEAN			
Singapore	8.4	106.8	1.4
Malaysia	7.1	117.8	5.3
Philippines	6.1	85.1	4.7
Thailand	6.1	163.5	6.9
Indonesia	5.1	257.9	4.9
East Asia			
PRC	9.5	1,649.4	9.1
Taiwan	5.7	305.2	3.3
ROK	4.6	676.5	3.1
Japan	2.6	4,668.4	1.4
South Asia			
India	7.3	661.0	7.5
Pakistan	6.5	82.6	5.6
Bangladesh	5.4	56.2	5.4
West Asia			
Iran	6.6	169.0	6.6
Saudi Arabia	5.3	248.8	7.2
Egypt	4.1	77.0	3.1
Africa			
Ghana	5.5	8.8	5.2
South Africa	3.7	212.9	2.8
Nigeria	3.5	71.3	10.7
Kenya	3.1	15.6	1.6
New Zealand	5.0	97.0	3.4
USA	4.4	11,733.5	3.0
Australia	3.2	617.6	3.4
Canada	2.8	995.8	2.0
EU			
UK	3.1	2,125.5	2.2
France	2.3	2,018.1	0.5
Germany	1.7	2,706.7	-0.1
Netherlands	1.3	578.0	-0.9
Italy	1.2	1,680.7	0.3
Latin America			
Argentina	8.8	151.9	-10.9
Chile	6.0	93.7	3.3
Brazil	5.2	599.7	0.5
Mexico	4.4	676.5	1.6

Source: World Economic Outlook Report, April 2005, International Monetary Fund
*Note: * GDP value at current prices*

Asia. Asian economies continued to be resilient against external challenges, such as the prevailing oil price volatility, uncertainty in energy supplies, the weakening of the US dollar and geopolitical tensions.

Five members of the Association of South East Asian Nations (ASEAN-5) continued to record impressive economic performance in 2004. Driven by strong domestic and external demand, Singapore's economy recovered sharply by 8.4 per cent from 1.4 per cent in 2003. Thailand proved resilient in the face of prolonged drought, recurrence of avian flu, increasing oil prices and unrest in the southern provinces, which affected both consumer and investor confidence, to record a 6.1 per cent growth in 2004 (2003: 6.9 per cent). Assisted by higher agriculture output, the Philippine economy grew by 6.1 per cent in 2004, the highest rate in 15 years. The stronger than expected 5.1 per cent growth for Indonesia was attributed to, among others, the increase in private consumption and the rise in fixed capital formation.

The Malaysian economy expanded by 7.1 per cent in 2004, growing steadily since 2000. The expansion was a result of robust growth in both global trade and domestic demand. With the exception of the construction sector, all sectors registered growth, with the manufacturing, services and commodities sectors being the main contributors to the economy.

Japan finally moved out of its economic doldrums in the first quarter of 2004, but was not able to sustain the level of growth beyond the first quarter. Overall, the economy grew by 2.6 per cent in 2004. The weak domestic sector, the continued appreciation of the yen and volatile oil prices contributed to the dampening of its economic recovery efforts.

The Indian economy grew by 7.3 per cent in 2004, compared with 7.5 per cent in 2003. This marginal decline was mainly a result of the shortfall in agriculture output in the last quarter. This was, however, offset by surpluses from the manufacturing and services sectors.

Taiwan's economy rebounded from the impact of SARS in 2003 and grew 5.7 per cent in 2004, the highest since 2000. The rebound was boosted by the recovery of the ICT industry in the first and second quarters.

West Asia grew by 5.5 per cent in 2004, compared with 5.4 per cent in 2003. This growth was mainly contributed by the oil exporting countries in the region, which benefitted from increased export earnings arising from higher world oil prices and export volumes.

North America

The US economy remained robust in the first three quarters of 2004, but a widening trade deficit led to slower than expected growth in the final quarter. The economy advanced 4.4 per cent in 2004, compared with 3 per cent in 2003. The growth was driven by the surge in capital and consumer spending, as well as portfolio investment.

Canada's economy grew by 2.8 per cent in 2004, from 2 per cent in 2003. The growth was supported by rising commodity prices and prudent fiscal management of the appreciating Canadian dollar.

Europe

The Euro-zone grew by 2 per cent in 2004 compared with 0.5 per cent in 2003. The accelerated pace of growth from the second half of 2003 eventually waned in the second half of 2004. The growth remained uneven across the Euro-zone, constrained by difficulties in harmonising macroeconomic policies for dealing with economic recovery, poor consumer sentiment, particularly in Germany, volatile and high oil prices, and the dampening effects of the strengthening euro, which rendered Euro-zone exports less competitive.

In 2004, Germany grew by 1.7 per cent, compared with 0.1 per cent contraction in 2003. The Netherlands expanded 1.3 per cent from the 0.9 per cent contraction the previous year. France grew by 2.3 per cent in 2004, from 0.5 per cent in 2003. The United Kingdom (UK) continued to experience robust growth of 3.1 per cent in 2004.

Australia and New Zealand

The GDP growth for Australia and New Zealand remained strong in 2004, despite the slowdown in the second half of the year. The Australian economy grew by 3.2 per cent in 2004 (2003: 3.4 per cent), while New Zealand expanded by 5 per cent (2003: 3.4 per cent). The slower growth in the Australian economy was due to the fall in agriculture output in the first quarter and the decline in exports in the third quarter of the year.

Africa

In 2004, Africa grew by 5.1 per cent, from 4.6 per cent in 2003, the highest in a decade. The main factors driving this growth were high oil and commodity prices, improved domestic macroeconomic policies and structural reforms. In general, oil exporting countries experienced growth. For example, Angola and Sudan expanded by 11.2 per cent and 7.3 per cent, respectively. Despite being an oil rich country, Nigeria did not benefit from the high oil prices, as growth contracted in 2004 to 3.5 per cent, from the 10.7 per cent growth recorded in 2003.

The recovery in agriculture production in 2004 resulted in the 11.6 per cent growth of Ethiopia, compared with the contraction of 3.9 per cent in 2003. South Africa expanded by 3.7 per cent in 2004 from the 2.8 per cent growth recorded in 2003, mainly due to strong domestic demand. However, Zimbabwe and Cote d' Ivoire continued to experience contractions in their economies.

Latin America

Latin America expanded by 5.7 per cent in 2004, from 2.2 per cent growth the previous year. This was the largest expansion for the region since 1980. The Latin American Southern Cone Common Market (MERCOSUR) grew by 6.1 per cent in 2004, compared with 2.6 per cent in 2003.

Venezuela grew by 17.3 per cent, from a contraction of 7.7 per cent in 2003, mainly due to high oil prices. The growth of 12 per cent by Uruguay, compared with the 2.5 per cent growth in 2003, Brazil, 5.2 per cent, (2003: 0.5 per cent), Chile, 6 per cent, (2003: 3.3 per cent) and Argentina, 8.8 per cent, (2003: -10.9 per cent) were mainly driven by sound macroeconomic policies and structural reforms.

TRADE DEVELOPMENTS

According to the World Trade Organisation (WTO), world trade rose by 22.3 per cent to US$18.1 trillion in 2004, compared with US$14.8 trillion recorded in 2003. This was the highest level since 2000. World merchandise exports totalled US$8.9 trillion, while imports amounted to US$9.2 trillion. The expansion in trade was in part due to the increase in prices of oil and commodities, as well as increased trade in E&E products.

Developing economies accounted for 31.3 per cent of total global exports and 27.4 per cent of global imports. The rise in developing countries' share of global exports was the highest since 1950. In 2004, the PRC overtook Japan to become the largest exporter in Asia, with exports totalling US$593.4 billion, or 6.5 per cent share of global exports, compared with Japan's US$565.5 billion, or 6.2 per cent share.

Table 1.2:
Merchandise Trade Performance, 2004

	Exports			Imports		
	2004 (US$ billion)	Change (%)	2003 (US$ billion)	2004 (US$ billion)	Change (%)	2003 (US$ billion)
World	**8,880.0**	**21.0**	**7,104.0**	**9,215.0**	**21.0**	**7,615.7**
Asia	**2,385.0**	**25.0**	**1,908.0**	**2,214.0**	**27.0**	**1,743.3**
PRC	593.4	35.0	439.6	561.4	36.0	412.8
Japan	565.5	20.0	471.3	454.5	19.0	381.9
ASEAN-5						
Singapore	179.5	25.0	143.6	163.8	28.0	128.0
Malaysia	126.5	20.5	105.0	105.2	25.8	83.6
Thailand	97.7	22.0	80.1	95.4	26.0	75.7
Indonesia	69.7	14.0	61.1	46.2	42.0	32.5
Philippines	39.6	7.0	37.0	42.6	8.0	39.4
USA	**819.0**	**13.0**	**724.8**	**1,526.4**	**17.0**	**1,304.6**
West Asia	**379.0**	**26.0**	**300.8**	**243.0**	**23.0**	**197.6**
Mexico	**188.6**	**14.0**	**165.4**	**206.4**	**16.0**	**177.9**
Europe	**4,024.0**	**19.0**	**3,381.5**	**4,133.0**	**20.0**	**3,444.2**
EU-25	3,708.0	19.0	3,116.0	3,784.0	19.0	3,179.8
Latin America	**272.0**	**28.0**	**212.5**	**238.0**	**27.0**	**187.4**
MERCOSUR	135.0	28.0	105.5	94.0	37.0	68.6
Africa	**228.0**	**31.0**	**174.0**	**207.0**	**25.0**	**165.6**

Source: World Trade Organisation

Table 1.3:
Leading Exporters and Importers in World Merchandise Trade, 2004

Rank	Exporters	US$ billion	Share	Annual Change (%)	Rank	Importers	US$ billion	Share	Annual Change (%)
1	Germany	914.8	10.0	22	1	USA	1,526.4	16.1	17
2	USA	819.0	9.0	13	2	Germany	717.5	7.6	19
3	PRC	593.4	6.5	35	3	PRC	561.4	5.9	36
4	Japan	565.5	6.2	20	4	France	464.1	4.9	16
5	France	451.0	4.9	15	5	UK	462.0	4.9	18
6	Netherlands	358.8	3.9	21	6	Japan	454.5	4.8	19
7	Italy	346.1	3.8	16	7	Italy	349.0	3.7	17
8	UK	345.6	3.8	13	8	Netherlands	319.9	3.4	21
9	Canada	322.0	3.5	18	9	Belgium	287.2	3.0	22
10	Belgium	308.9	3.4	21	10	Canada	275.8	2.9	13
11	Hong Kong	265.7	2.9	16	11	Hong Kong	273.0	2.9	17
12	ROK	253.9	2.8	31	12	Spain	249.8	2.6	20
13	Mexico	188.6	2.1	14	13	ROK	224.4	2.4	26
14	Russia	183.2	2.0	35	14	Mexico	206.4	2.2	16
15	Taiwan	181.4	2.0	21	15	Taiwan	167.9	1.8	32
16	Singapore	179.5	2.0	25	16	Singapore	163.8	1.7	28
17	Spain	179.0	2.0	15	17	Austria	115.1	1.2	16
18	Malaysia	126.5	1.4	21	18	Switzerland	111.5	1.2	16
19	Sweden	121.0	1.3	19	19	Australia	107.8	1.1	21
20	Saudi Arabia	119.6	1.3	28	20	Malaysia	105.2	1.1	26
21	Switzerland	118.4	1.3	18	21	Sweden	97.6	1.0	17
22	Austria	115.7	1.3	19	22	Turkey	97.2	1.0	40
23	Ireland	104.1	1.1	12	23	Thailand	95.4	1.0	26
24	Thailand	97.7	1.1	22	24	India	95.2	1.0	34
25	Brazil	96.5	1.1	32	25	Russia	94.8	1.0	28
26	Australia	86.6	0.9	21	26	Poland	87.8	0.9	29
27	Norway	82.0	0.9	22	27	Czech Republic	67.9	0.7	31
28	UAE	79.5	0.9	21	28	Denmark	67.2	0.7	17
29	Denmark	75.6	0.8	14	29	Brazil	65.9	0.7	30
30	Poland	74.1	0.8	38	30	Ireland	60.1	0.6	12

Source: World Trade Organisation

Trade Developments by Region

Asia

In 2004, Asia accounted for 26.9 per cent of global merchandise exports (2003: 26.9 per cent) and 24 per cent of imports (2003: 22.9 per cent). This growth was attributed to the overall expansion in trade in almost all countries in the region.

The PRC overtook Japan as the world's third largest source of exports and market for imports. Exports from the PRC grew by 35 per cent to US$593.4 billion, while Japan's exports expanded by 20 per cent to US$565.5 billion. For imports, Japan recorded a significant increase of 19 per cent, compared with 14 per cent the previous year. Imports by the PRC expanded by 36 per cent in 2004 to US$561.4 billion from US$412.8 billion in 2003.

ASEAN accounted for almost 6.2 per cent of world exports and 5.3 per cent of global imports. Singapore ranked as the 16th largest exporter and importer, accounting for 2 per cent and 1.7 per cent of global exports and imports, respectively. Malaysia ranked as the 18th largest exporter and 20th largest importer, accounting for 1.4 per cent and 1.1 per cent of world merchandise exports and imports, respectively.

In 2004, exports from West Asia grew by 26 per cent, compared with 21 per cent the previous year, mainly due to the surge in export volume and high prices of petroleum. Imports expanded by 23 per cent, from 13 per cent growth in 2003. Exports amounted to US$379 billion in 2004, accounting for 4.3 per cent of global exports, while imports totalled US$243 billion, or 2.6 per cent of global imports.

North America

The USA continued to be the world's largest market for imports in 2004, absorbing 16.1 per cent, or US$1.5 trillion worth of global imports. It was the second largest merchandise exporter, accounting for 9 per cent or US$819 billion worth of exports.

Canada was the world's ninth largest exporter and 10th largest importer in 2004. Exports continued to expand in 2004, increasing by 18 per cent to US$322 billion, from US$272.9 billion recorded in 2003. Imports rose by 13 per cent to US$275.8 billion, from US$244.1 billion in 2003.

The European Union

The European Union (EU-25) accounted for 41.8 per cent of global exports, while absorbing 41.1 per cent of global imports in 2004. The performance, which included intra-EU trade, was in large part due to the enlargement of the EU to 25 members. Germany continued to be the world's largest exporter, accounting for 10 per cent of global exports. With imports totalling US$717.5 billion, Germany remained the second largest importer, after the USA.

Of the top 10 world exporters and importers in 2004, six were from Europe, namely, Germany, France, the Netherlands, Italy, the UK and Belgium. The recovery of world merchandise trade was in large part attributed to the overall expansion in Europe's merchandise trade.

Table 1.4:
FDI Inflows and Outflows

Region	2003			2002	
	US$ billion	Share (%)	Change (%)	US$ billion	Share (%)
World					
Inflows	580.0	100.0	-14.6	678.8	100.0
Outflows	612.2	100.0	2.6	596.5	100.0
Developed Economies					
Inflows	380.0	65.5	-22.4	489.9	72.2
Outflows	569.6	93.1	4.0	547.6	91.8
Developing Economies					
Inflows	173.0	29.8	9.8	157.6	23.2
Outflows	35.6	5.8	-19.1	44.0	7.4
Central & Eastern Europe					
Inflows	27.0	4.7	-13.5	31.2	4.6
Outflows	7.0	1.1	42.9	4.9	0.8

Source: World Investment Report, 2003, UNCTAD

Table 1.5:
FDI Inflows by Host Region and Economy

Region	2003			2002	
	US$ billion	Share (%)	Change (%)	US$ billion	Share (%)
World	**580.0**	**100.0**	**-14.6**	**678.8**	**100.0**
Developed Economies	**380.0**	**65.5**	**-22.4**	**489.9**	**72.2**
EU	295.2	52.8	-21.1	374.0	55.1
North America	36.4	6.5	-56.6	83.9	12.4
Developing Economies	**173.0**	**29.8**	**9.8**	**157.6**	**23.2**
South, East & South East Asia	96.9	17.3	12.3	86.3	12.7
Latin America & the Caribbean	49.7	8.9	-3.3	51.4	7.6
Africa	15.0	1.0	27.1	11.8	1.7
Central & Eastern Europe	**27.0**	**4.7**	**-13.5**	**31.2**	**4.6**

Source: World Investment Report, 2003, UNCTAD

Table 1.6:
FDI Outflows by Host Region and Economy

Region	2003			2002	
	US$ billion	Share (%)	Change (%)	US$ billion	Share (%)
World	**612.2**	**100.0**	**2.6**	**596.5**	**100.0**
Developed economies	**569.6**	**93.1**	**4.0**	**547.6**	**91.8**
EU	337.0	55.0	-4.0	351.2	58.9
North America	173.4	28.3	22.4	141.7	23.8
Developing economies	**35.6**	**5.8**	**-19.1**	**44.0**	**7.4**
South, East & South East Asia	23.5	3.8	-32.3	34.7	5.8
Latin America & the Caribbean	10.7	1.7	78.3	6.0	1.0
Africa	1.3	0.2	1200.0	0.1	0.02
Central & Eastern Europe	**7.0**	**1.1**	**42.9**	**4.9**	**0.8**

Source: World Investment Report, 2003, UNCTAD

Africa

Exports from Africa expanded by 31 per cent in 2004, compared with the 23 per cent growth recorded in 2003. The expansion was mainly a result of higher oil and commodity prices. In fact, exports of the oil exporting African countries grew by 41 per cent in 2004, accounting for 1.3 per cent of global exports, compared with the 19 per cent growth for non-oil exporting countries. The increased revenues also stimulated import growth, with imports by oil exporting countries rising by 32 per cent, compared with 18 per cent increase by non-oil exporting countries.

Latin America

Latin America accounted for 3.1 per cent of world exports and 2.6 per cent of world imports. The combination of higher oil prices, and political and economic stability, contributed to the rise in trade and economic activities. Exports grew by 28 per cent, compared with the 13 per cent expansion in 2003. Imports increased by 27 per cent in 2004 to US$238 billion. Of the countries in the region, Brazil was the main exporter and importer, accounting for 1.1 per cent of global exports, and 0.7 per cent of global imports. Brazil was ranked the 25th largest exporter and 29th largest importer in 2004.

INVESTMENT DEVELOPMENTS

In 2003, the global inflows of foreign direct investments (FDIs) continued to decline, for the third consecutive year, by 14.6 per cent to US$580.0 billion, while outflows increased by 2.6 per cent to US$612.2 billion.

Inflows to developed countries fell by 22.4 per cent to US$380 billion in 2003, while inflows to developing countries expanded by 9.8 per cent to US$173 billion. During the same period, outflows from developed countries increased by 4 per cent to US$569.6 billion, while outflows from developing countries decreased by 19.1 per cent to US$35.6 billion.

Factors affecting the continued decline included uncertainties in economic growth prospects, falling stock market valuations, cost cutting and corporate downsizing, and reductions in mergers and acquisitions (M&As), as well as privatisation. In 2003, the value of M&As contracted by 19.7 per cent to US$297 billion, from US$369.8 billion in 2002.

Foreign Direct Investments in Developing Countries

Asia and the Pacific, and Africa registered higher inflows in 2003, compared with 2002, with Asia remaining the largest recipient of FDI inflows in the developing world.

Table 1.7:
World FDI Inflows, 2004

Host Region/Economy	2004[b] (US$ billion)	2003[a] (US$ billion)
World	**612**	**580**
Developed Countries	**321**	**380**
European Union	**165**	**308**
UK	55	21
Luxembourg	52	92
France	35	47
Ireland	26	27
Italy	15	16
Portugal	6	1
Spain	6	26
Belgium	7	29
Germany	- 49	13
USA	121	30
Canada	12	7
Japan	7	6
Australia	5	8
Developing Economies	**255**	**173**
Africa	**20**	**15**
Latin America and the Caribbean	**69**	**51**
Mexico	18	11
Brazil	16	10
Chile	6	3
Asia and the Pacific	**166**	**107**
PRC	62	54
Hong Kong	33	14
Singapore	21	11
ROK	9	4
India	6	4
Central and Eastern Europe[c]	**36**	**27**
Russia	10	7
Czech Republic	5	3
Poland	5	4

Source: UNCTAD and UNCTAD's own estimates
Note: [a] Revised data
[b] Preliminary estimates
[c] The eight CEE countries that acceded to the EU in 2004 are included under this heading

Inflows to Asia and the Pacific region grew by 13.2 per cent to US$107 billion in 2003, from US$94.5 billion in 2002. FDI inflows mainly were concentrated in the PRC (50.5 per cent), Hong Kong (13.1 per cent), Singapore (10.3 per cent), India (3.7 per cent), the ROK (3.7 per cent), Azerbaijan (3.1 per cent) and Malaysia (2.3 per cent). The growth in inflows was attributed to the region's increasing number of M&As, cost competitiveness, continued growth prospects, availability of raw materials and energy resources, ICT specialisation, adequate infrastructure, skilled and knowledgeable labour force, and conducive operating environment.

FDI inflows into Africa rebounded in 2003 and grew by 27.1 per cent to US$15 billion, from US$11.8 billion in 2002. The recovery was led by investments in the oil industry. Morocco, Equatorial Guinea, Angola, Sudan, Nigeria, Chad and South Africa accounted for more than half of the 2003 inflows into Africa.

For four consecutive years, Latin America and the Caribbean recorded lower inflows of FDIs. In 2003, inflows at US$51 billion shrank by 3.3 per cent over the previous year.

Inflows to the Central and Eastern Europe region declined by 13.5 per cent to US$27 billion in 2003, from US$31.2 billion in 2002. This was due to the completion of privatisation projects in Czech Republic and Slovakia, which led to the FDI surge in 2002.

Foreign Direct Investments in Developed Countries

The USA, Germany and Luxembourg accounted for 73.6 per cent of the decline in FDI inflows into developed countries in 2003. In the USA, inflows fell by 52.3 per cent to US$30 billion, from US$62.9 billion in 2002, the lowest value since 1992.

Inflows into the EU declined by 17.6 per cent to US$308 billion in 2003, from US$374 billion in 2002. Luxembourg, France, Belgium, Spain, Ireland, the Netherlands, the UK and Germany, collectively, accounted for 89.2 per cent, or US$274.3 billion, of total FDI inflows into the EU. The sluggish economic growth and the fall in equity investments and intra-firm loans were among the causes for the decline.

In 2003, the USA led as the world's single largest source of FDIs. Outflows from the USA grew by 31.7 per cent to US$151.9 billion in 2003, from US$115.3 billion in 2002. In the EU, Belgium, the UK, France, Sweden and the Netherlands, recorded increases in FDI outflows, totalling US$60.2 billion, or 10.6 per cent from the developed countries.

WORLD FDI ESTIMATES FOR 2004

According to UNCTAD, world FDI inflows were expected to rise by 6 per cent in 2004 to US$612 billion. This recovery was still less than the peak recorded in 2000. Nevertheless, this moderate increase, after a three year decline, indicated an improvement in business confidence and an overall recovery in the world economy.

Developing countries are estimated to have received inflows amounting to US$255 billion, an increase of 48 per cent over the 2003 total of US$173 billion. The bulk of the inflows into developing countries were directed towards Asia. FDI inflows into Asia and the Pacific totalled US$166 billion, or 55 per cent of the total. The PRC, Hong Kong and Singapore together accounted for almost 70 per cent of the inflows into Asia and the Pacific, with the PRC receiving US$62 billion or 10.1 per cent of the total global FDI, Hong Kong (US$33 billion), and Singapore (US$21 billion). Total FDI inflows into Malaysia in 2004 amounted to US$ 6.9 billion.

OUTLOOK

The global growth, which began to slow down by the fourth quarter of 2004, is expected to hold in 2005, barring the continued rise in the price of oil and the downturn in Japan and the Euro-zone. IMF estimates that overall world GDP will grow by 4.3 per cent. Global growth is expected to be uneven, with the USA, the PRC and India, providing the impetus for expansion, and Japan and Europe lagging behind. The relatively poor performance of these two economies can be expected to continue, as long as domestic demand remains weak and oil prices high.

Although the IMF expects that the PRC will grow less vigorously than the 9.5 per cent recorded in 2004, indicators show that there are no signs of the economy slowing down. In the first quarter of 2005, the PRC grew faster than expected, expanding at the same rate of 9.5 per cent. Given that the PRC is one of the main drivers of the global economy, its continued expansion is a positive indicator for global growth.

ASEAN is also expected to register steady growth of between 5 and 5.9 per cent in 2005, as part of the positive outcome of efforts towards greater integration of the economies within the region, as well as a result of the continued growth in the PRC and the USA.

India is expected to maintain sustainable growth in 2005, supported by the agriculture and services sectors, while the industrial sector is expected to grow at a lower rate. Investments are expected to expand, especially in infrastructure.

On the trade front, 2005 will see the unfolding of the impact of the full integration of the Agreement on Textiles and Clothing (ATC) which effectively rings in freer trade for these products. However, the small exporting developing countries, which favour reform in textile trade, will now have to cope with intense competition, especially from the PRC. In addition, as competition intensifies, developed markets, particularly the EU and the USA, may increasingly resort to measures to protect their domestic manufacturers.

Global FDI inflows, which began to pick up in 2004, are expected to continue to increase. This is in tandem with the anticipated economic growth, particularly in Asia and Latin America.

Chapter 2

Malaysia's External Trade

OVERVIEW

The year 2004 saw a continuation of the strong performance of 2003, for both merchandise exports and Malaysia's total trade. Total trade in 2004 reached RM880.8 billion, an increase of 23.3 per cent above the 2003 level of RM714.4 billion.

With stronger external demand arising from higher economic activity and consumption levels in Malaysia's major trading partners, dynamic intra-ASEAN trade and successful efforts at penetrating new and emerging markets, exports, surged 20.8 per cent, reaching RM480.7 billion, compared with RM397.9 billion in 2003. Strong growth was also seen in imports, which expanded by 26.4 per cent to a total of RM400.1 billion in 2004, from RM316.5 billion the previous year. The expansion in imports can be attributed to higher levels of industrial activity in 2004.

The Association of South East Asian Nations (ASEAN), as a region, remained Malaysia's major trading partner, accounting for 25.1 per cent of exports, and 23.9 per cent of imports in 2004.

Double digit growth was recorded for trade with all regions. Trade with North East Asia expanded by 22.4 per cent from the previous year, followed by North America (by 17.4 per cent), the European Union (EU) (23.7 per cent), West Asia (37.4 per cent), South Asia (26.8 per cent), Latin America (39.7 per cent) and other non-EU European countries (34.3 per cent). The rapid rate of growth in trade with non-EU European countries, Latin America, West Asia and South Asia is a result of efforts to diversify export markets.

Table 2.1:
External Trade

Description	2004		2003
	RM billion	Change (%)	RM billion
Total Trade	**880.8**	**23.3**	**714.4**
Exports	480.7	20.8	397.9
Imports	400.1	26.4	316.5
Balance of Trade	80.6	-0.8	81.3

Compiled by: Ministry of International Trade and Industry

In terms of individual countries, Malaysia's top four trading partners in 2004 were the United States of America (USA), with 16.8 per cent share of total trade, followed by Singapore (13.2 per cent), Japan (12.7 per cent) and the People's Republic of China or the PRC (8.1 per cent).

Collectively, the share of Malaysia's trade with its top three trading partners, namely, the USA, Singapore and Japan, declined to 42.8 per cent in 2004, compared with 45.2 per cent in 2003. However, in terms of value, trade with these three countries increased to RM377 billion in 2004, from RM322.8 billion in 2003. In comparison, the share of trade with the PRC expanded by 8.1 per cent in 2004, from 7.5 per cent in 2003. This expansion further confirms diversification of Malaysia's markets.

The year also saw changes in the ranking of several major trading partners. Thailand replaced Hong Kong as Malaysia's fifth largest trading partner (sixth in 2003) and Australia moved from 14th to 11th position in 2004. The increase in trade with Thailand can be attributed to the rising significance of ASEAN

Table 2.2:
Top 15 Trading Partners

Country	2004			2003	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Trade	**880.8**	**100.0**	**23.3**	**714.4**	**100.0**
USA	148.1	16.8	17.0	126.6	17.7
Singapore	116.7	13.2	17.1	99.6	13.9
Japan	112.3	12.7	16.3	96.5	13.5
PRC	71.4	8.1	33.7	53.4	7.5
Thailand	45.0	5.1	40.5	32.0	4.5
Hong Kong	39.5	4.5	15.5	34.2	4.8
Taiwan	37.4	4.2	24.7	30.0	4.2
ROK	36.7	4.2	27.2	28.9	4.0
Germany	28.4	3.2	19.2	23.8	3.3
Indonesia	27.6	3.1	43.4	19.3	2.7
Australia	22.6	2.6	53.3	14.7	2.1
Netherlands	19.2	2.2	26.6	15.2	2.1
Philippines	18.1	2.1	4.6	17.3	2.4
UK	17.2	2.0	15.9	14.8	2.1
India	16.3	1.9	33.8	12.2	1.7

Compiled by: Ministry of International Trade and Industry

and growing intra-ASEAN trade. In 2004, Singapore, Thailand, the Philippines and Indonesia, collectively, accounted for 23.7 per cent of Malaysia's total trade. The decline in exports to Hong Kong was in large part attributed to exports going direct to the PRC, by passing Hong Kong.

In the case of Australia, the growth in exports was mainly a result of higher exports of crude petroleum, amounting to RM5.1 billion in 2004, from RM2 billion in 2003; and electrical and electronics (E&E) products, to RM4.6 billion, from RM3.5 billion.

EXPORTS

Malaysia's 20.8 per cent export growth, in 2004, was almost double that of the 10.8 per cent projected for developing economies by the International Monetary Fund (IMF) in its September 2004 Report. In 2004, exports of most products experienced double digit growths, with exports of manufactured goods being the major contributor. Exports of manufactured products increased by 19.2 per cent, constituting 78.4 per cent of total exports, valued at RM376.8 billion, compared with RM316.2 billion, or 79.5 per cent share in 2003.

All sub-sectors of manufactured exports recorded increases in 2004. As in the previous year, manufactured exports were dominated by exports of E&E products, which increased to RM241.5 billion in 2004, from RM210.7 billion in 2003. However, the share of E&E to manufactured exports declined from 66.6 per cent in 2003, to 64.1 per cent in 2004, indicating an expansion in exports of other manufactured products.

Other manufactured exports that registered significant growths were chemicals and chemical products, which increased by 31.9 per cent to RM24.9 billion, and machinery, appliances and parts, by 28.4 per cent to RM15.6 billion. Increases were also seen in exports of wood products, by 24.5 per cent to RM14.1 billion, and optical and scientific equipment, by 26.3 per cent to RM11.6 billion.

Table 2.3:
Exports by Sector

Description	2004			2003	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Exports	**480.7**	**100.0**	**20.8**	**397.9**	**100.0**
Manufactured Exports	**376.8**	**78.4**	**19.2**	**316.2**	**79.5**
E&E	241.5	50.2	14.6	210.7	53.0
Chemicals & chemical products	24.9	5.2	31.9	18.9	4.8
Machinery, appliances & parts	15.6	3.2	28.4	12.1	3.0
Wood products	14.1	2.9	24.5	11.3	2.8
Optical & scientific equipment	11.6	2.4	26.3	9.2	2.3
Textiles & apparel	9.7	2.0	14.4	8.5	2.1
Manufacturers of metal	9.6	2.0	33.4	7.2	1.8
Iron & steel products	7.2	1.5	55.6	4.6	1.2
Rubber products	6.2	1.3	19.0	5.2	1.3
Processed food	6.1	1.3	22.0	5.0	1.2
Agricultural Exports	**41.1**	**8.6**	**13.4**	**36.3**	**9.1**
Palm oil	25.0	5.2	7.5	23.3	5.9
Saw logs & sawn timber	5.6	1.2	7.8	5.2	1.3
Crude rubber	5.2	1.1	45.1	3.6	0.9
Minerals & Mineral Fuels	**55.3**	**11.5**	**37.8**	**40.1**	**10.1**
Crude petroleum	22.8	4.7	43.3	15.9	4.0
LNG	17.1	3.6	27.9	13.4	3.4
Refined petroleum	13.8	2.9	36.7	10.1	2.5

Compiled by: Ministry of International Trade and Industry

In 2004, exports of agricultural goods totalled RM41.1 billion, which was 13.4 per cent higher than the RM36.3 billion recorded in 2003. The main export product from this sector was palm oil, which accounted for 60.9 per cent of total agricultural exports. Palm oil exports expanded by 7.5 per cent to RM25 billion in 2004, from RM23.3 billion in 2003, a result of both higher export quantities and improved prices. The average price of palm oil per metric tonne increased by 4.3 per cent during the year, while export volume expanded 2.4 per cent.

Exports of minerals and mineral fuels expanded by 37.8 per cent in 2004 to total RM55.3 billion. This was mainly due to the increase in global prices of crude petroleum. In 2004, this sector contributed 11.5 per cent to total exports, compared with 10.1 per cent in 2003. Crude petroleum was the leading export from this sector, accounting for 41.2 per cent of its total exports, followed by liquified natural gas (LNG) (30.8 per cent) and refined petroleum (25 per cent).

IMPORTS

In 2004, Malaysia's imports also recorded strong growth, increasing by 26.4 per cent to RM400.1 billion. The growth was mainly due to the increase in imports of intermediate and capital goods to sustain the high levels of industrial and capital formation from investment activities. This is as reflected in the 12.6 per cent increase in the Industrial Production Index for the manufacturing sector in 2004.

Imports of intermediate goods totalled RM287.7 billion, forming the largest component, or 71.9 per cent, of imports. This

Table 2.4:
Top 20 Export Destinations

Country	2004			2003	
	RM billion	Share (%)	Change (%)	RM billion	Share (%)
Total Exports	**480.7**	**100.0**	**20.8**	**397.9**	**100.0**
USA	90.2	18.8	15.8	77.9	19.6
Singapore	72.2	15.0	15.5	62.5	15.7
Japan	48.6	10.1	14.2	42.5	10.7
PRC	32.1	6.7	24.6	25.8	6.5
Hong Kong	28.7	6.0	11.5	25.7	6.5
Thailand	23.0	4.8	31.1	17.5	4.4
ROK	16.8	3.5	45.7	11.6	2.9
Australia	15.8	3.3	59.0	9.9	2.5
Netherlands	15.8	3.3	21.1	13.0	3.3
Taiwan	15.8	3.3	10.0	14.3	3.6
Indonesia	11.7	2.4	44.4	8.1	2.0
India	11.4	2.4	18.3	9.6	2.4
UK	10.6	2.2	19.3	8.8	2.2
Germany	10.5	2.2	14.8	9.1	2.3
Philippines	7.4	1.5	34.7	5.5	1.4
France	7.1	1.5	6.1	6.7	1.7
UAE	5.9	1.2	39.4	4.2	1.1
Viet Nam	4.3	0.9	38.1	3.1	0.8
Canada	3.0	0.6	32.2	2.3	0.6
Italy	2.9	0.6	23.8	2.4	0.6

Compiled by: Ministry of International Trade and Industry

was followed by capital goods, with a 13.9 per cent share or RM55.5 billion, and consumption goods at RM23.2 billion, or 5.8 per cent share of total imports.

Imports of intermediate goods were mainly made up of parts and accessories, as well as, processed industrial supplies. A substantial proportion of imports of parts and accessories were components for down-stream production in the E&E and machinery sectors. These included semi conductors, printed circuits and parts of machines.

Capital goods imports comprised mainly E&E machinery and apparatus. These increased by 28.3 per cent in 2004 to RM49 billion, compared with RM38.2 billion in 2003. Imports of transport equipment for industries, increased to RM6.5 billion from RM2.6 billion.

Imports of consumption goods comprised mainly non-durable consumer goods and processed food. These increased by 27.8 per cent to RM15.1 billion, from RM11.8 billion in 2003.

TRADE BALANCE

Malaysia's trade surplus in 2004 totalled RM80.6 billion. The largest surpluses were recorded with the USA at RM32.3 billion, followed by Singapore (RM27.7 billion), Hong Kong (RM17.8 billion) and the Netherlands (RM12.3 billion). The increase in exports led to significant narrowing of the trade deficit with the Philippines (from RM6.3 billion to RM3.3 billion) and the Republic of Korea (ROK), from RM5.7 billion to RM3 billion. Malaysia recorded the largest trade deficit with Japan (RM15.2 billion), followed by Germany (RM7.4 billion) and the PRC (RM7.1 billion).

Table 2.5:
Imports by End-Use

Descriptions	2004			2003		
	RM million	Share (%)	Change (%)	RM million	Share (%)	Change (%)
GROSS IMPORTS	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**4.4**
INTERMEDIATE GOODS	**287,717.4**	**71.9**	**22.2**	**235,448.4**	**74.4**	**7.6**
Parts and accessories	**159,343.6**	**39.8**	**10.9**	**143,724.3**	**45.4**	**9.4**
Semiconductors, printed circuits and parts	100,523.2	25.1	6.2	94,659.3	29.9	9.0
Electrical apparatus and resistors	14,022.9	3.5	20.2	11,682.4	3.7	7.9
Parts for office machines	23,243.0	5.8	22.2	19,018.2	6.0	26.4
Other machinery and equipment for specialised industry	4,858.8	1.2	29.6	3,748.9	1.2	1.9
Processed industrial supplies	**82,380.8**	**20.6**	**39.2**	**59,164.5**	**18.7**	**2.3**
Iron and steel	11,806.5	3.0	31.1	9,003.3	2.8	8.2
Plastics in primary forms (exclude scrap)	7,763.6	1.9	48.1	5,241.0	1.7	4.7
Organic chemicals	7,724.9	1.9	51.5	5,099.8	1.9	51.5
Copper products	4,741.7	1.2	78.2	2,660.5	1.2	78.2
Paper and paperboard	3,919.4	1.0	39.3	2,812.9	1.0	39.3
Manufactures of base metals	3,121.2	0.8	30.1	2,399.5	0.8	8.3
Fertiliser, except crude fertilisers	2,374.1	0.6	75.0	1,356.5	0.6	75.0
Plastics in non-primary forms	2,131.9	0.5	36.0	1,567.3	0.5	4.6
Other processed fuels and lubricants	**9,864.5**	**2.5**	**54.3**	**6,391.6**	**2.0**	**13.6**
Primary fuels and lubricants	**9,458.0**	**2.4**	**30.8**	**7,231.4**	**2.3**	**33.1**
Parts and accessories for transport equipment	**9,073.8**	**2.3**	**35.0**	**6,722.4**	**2.1**	**- 8.6**
Primary industrial supplies	**8,754.0**	**2.2**	**36.1**	**6,431.3**	**2.0**	**5.0**
Processed food and beverages, mainly for industry	**5,094.0**	**1.3**	**68.2**	**3,029.2**	**1.0**	**7.9**
Primary food and beverages, mainly for industry	**3,748.7**	**0.9**	**36.1**	**2,753.8**	**0.9**	**17.9**
CAPITAL GOODS	**55,487.0**	**13.9**	**36.0**	**40.798.8**	**12.9**	**- 5.6**
Capital goods (except transport equipment)	**49,036.3**	**12.3**	**28.3**	**38,228.8**	**12.1**	**0.2**
Automatic data processing machines	8,600.7	2.1	79.9	4,781.1	1.5	- 12.0
Electrical machinery and apparatus	6,274.8	1.6	- 8.0	6,820.0	2.2	19.4
Telecommunications equipments (exclude parts)	5,409.7	1.4	53.2	3,530.9	1.1	-17.9
Other machinery specialised for particular industry	3,907.4	1.0	18.2	3,307.1	1.0	5.2
Rotating electric plant (exclude parts)	3,060.7	0.8	11.6	2,742.4	0.9	25.4
Measuring, checking and analysing equipment	1,564.6	0.4	79.2	872.9	0.3	- 15.9
Mouldings for metal foundry	1,219.6	0.3	12.3	1,086.1	0.3	11.3
Air, vaccum pump, compressor	1,157.1	0.3	93.2	598.9	0.2	-17.0
Transport equipment for industries	**6,450.8**	**1.6**	**151.0**	**2,570.0**	**0.8**	**- 49.1**

Continued ...

Description	2004			2003		
	RM million	Share (%)	Change (%)	RM million	Share (%)	Change (%)
CONSUMPTION GOODS	23,225.9	5.8	24.1	18,720.8	5.9	- 1.2
Semi-durable consumer goods	4,652.3	1.2	17.7	3,952.1	1.2	- 5.9
Processed food and beverages for household consumption	5,586.2	1.4	30.5	4,280.6	1.4	- 8.5
Non-durable consumer goods	6,186.2	1.5	23.0	5,030.2	1.6	6.9
Durable consumer goods	3,128.1	0.8	21.1	2,582.4	0.8	- 4.3
Primary food and beverages for household consumption	3,339.3	0.8	32.6	2,517.6	0.8	0.9
Transport equipment for non-industries	333.8	0.1	- 6.7	357.8	0.1	102.9
DUAL PURPOSE GOODS	9,309.2	2.3	39.8	6,661.2	2.1	8.8
Passenger motor cars	4,565.8	1.1	24.1	3,680.4	1.2	2.8
Processed motor spirit	4,743.4	1.2	59.1	2,980.8	0.9	17.2

Compiled by: Ministry of International Trade and Industry

DIRECTION OF TRADE

Driven by strong external demand, exports to all major markets and regions showed significant increases in 2004. Continued industrial expansion within the country, also resulted in Malaysia remaining a major source of imports for many of its trading partners in 2004.

Table 2.6:
Trading Partners with which Malaysia Recorded Trade Surpluses

Country	2004	2003
	RM billion	RM billion
USA	32.3	29.2
Singapore	27.7	25.3
Hong Kong	17.8	17.2
Netherlands	12.3	10.9
Australia	9.0	5.1
India	6.5	7.1
UAE	4.2	3.1
UK	3.9	2.9
Pakistan	2.5	2.4
Hungary	2.1	0.6

Compiled by: Ministry of International Trade and Industry

ASEAN

Malaysia's trade with ASEAN, expanded by RM41.4 billion to RM216.4 billion in 2004, from RM175 billion in 2003. Exports to ASEAN surged by 22.2 per cent to RM120.6 billion, while imports grew by 25.5 per cent to RM95.8 billion.

Growing intra-ASEAN trade in recent years has led to the expansion of Malaysia's exports to the region. In 2003, Malaysia's contribution to intra-ASEAN trade was 23.5 per cent. For the first three months of 2004, Malaysia's contribution was 24.7 per cent.

Within ASEAN, significant growth was recorded in Malaysia's trade with Singapore, which increased by 17.1 per cent to RM116.7 billion; Thailand, by 40.5 per cent to RM45 billion; Indonesia, by 43.4 per cent to RM27.6 billion; the Philippines by 4.6 per cent to RM18.1 billion; and Viet Nam, by 44.4 per cent to RM6.5 billion.

In 2004, Singapore remained Malaysia's main export destination within ASEAN, accounting

Table 2.7:
Trading Partners with which Malaysia Recorded Trade Deficits

Country	2004 RM billion	2003 RM billion
Japan	15.2	11.5
Germany	7.4	5.5
PRC	7.1	1.8
Taiwan	5.9	1.3
Indonesia	4.3	3.1
Philippines	3.3	6.3
Switzerland	3.2	2.4
ROK	3.0	5.7
Sweden	2.2	0.7
Saudi Arabia	1.9	0.7

Compiled by: Ministry of International Trade and Industry

for 59.8 per cent of Malaysia's total exports to the region, and 15 per cent of Malaysia's global exports. However, in terms of market share, in 2004 there was a contraction in the share of exports to Singapore, as a result of the expansion in exports to other ASEAN countries, especially Thailand (from 17.7 per cent in 2003 to 19 per cent in 2004); Indonesia (from 8.2 per cent to 9.7 per cent); the Philippines (from 5.5 per cent to 6.1 per cent); and Viet Nam (from 3.2 per cent to 3.6 per cent).

For four successive years, Malaysia remained the top source of imports for Singapore, surpassing the USA, Japan and the PRC, and accounting for 15.2 per cent of the Republic's total imports. In 2004, Malaysia was the fourth largest source of imports for Thailand, accounting for 5.8 per cent of its market share; seventh largest to the Philippines (4.5 per cent) and 10th largest for Indonesia (3.4 per cent).

Major exports to ASEAN included E&E products (46.2 per cent share of total exports to ASEAN); chemicals and chemical products (6.9 per cent); refined petroleum products (6.5 per cent); crude petroleum (6.1 per cent); and machinery, appliances and parts (5.3 per cent). Exports of almost all products to ASEAN increased in 2004, with the most significant increase recorded for E&E products (from RM49.7 billion in 2003 to RM55.7 billion in 2004); chemicals and chemical products (from RM6.2 billion to RM8.3 billion); refined petroleum products (from RM5.6 billion to RM7.8 billion); crude petroleum (from RM5 billion to RM7.3 billion); and machinery,

Table 2.8:
Malaysia's Trade with ASEAN

Country	2004							2003		
	Exports			Imports			Total Trade	Exports	Imports	Total Trade
	RM mil	Share (%)	Change (%)	RM mil	Share (%)	Change (%)	RM mil	RM mil	RM mil	RM mil
ASEAN	**120,601.1**	**100.0**	**22.2**	**95,816.5**	**100.0**	**25.5**	**216,417.6**	**98,677.3**	**76,359.8**	**175,037.1**
Singapore	72,176.4	59.8	15.5	44,477.0	46.4	19.7	116,653.4	62,488.4	37,141.6	99,630.1
Thailand	22,953.9	19.0	31.1	21,996.5	23.0	51.8	44,950.3	17,505.2	14,492.1	31,997.4
Indonesia	11,677.2	9.7	44.4	15,936.2	16.6	42.6	27,613.3	8,086.4	11,175.2	19,261.6
Philippines	7,362.3	6.1	34.7	10,710.4	11.2	- 9.3	18,072.7	5,466.7	11,808.3	17,275.0
Viet Nam	4,333.9	3.6	38.1	2,204.6	2.3	58.8	6,538.4	3,138.2	1,387.8	4,526.1
Brunei Darussalam	1,202.8	1.0	- 0.2	53.9	0.1	204.1	1,256.7	1,204.8	17.7	1,222.5
Myanmar	567.5	0.5	6.5	406.1	0.4	33.2	973.6	532.8	304.8	837.7
Cambodia	317.5	0.3	29.1	31.5	neg.	- 0.4	349.0	246.0	31.6	277.6
Lao PDR	9.5	neg.	9.2	0.6	neg.	22.1	10.1	8.7	0.5	9.2

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

appliances and parts (from RM5.2 billion to RM6.4 billion).

In 2004, ASEAN remained the most important source of imports for Malaysia, accounting for 23.9 per cent of total imports. Imports from ASEAN increased by 25.5 per cent to RM95.8 billion in 2004, from RM76.4 billion in 2003. The main sources of imports from ASEAN were Singapore, with 46.4 per cent share (or RM44.5 billion) of Malaysia's total imports from the region, followed by Thailand (23 per cent, valued at RM22 billion), Indonesia (16.6 per cent, valued at RM15.9 billion), the Philippines (11.2 per cent, valued at RM10.7 billion) and Viet Nam (2.3 per cent, valued at RM2.2 billion).

The United States of America

The USA, the second largest export destination for Malaysia, absorbed RM90.2 billion or 18.8 per cent of Malaysia's total exports in 2004. This export value was 15.8 per cent higher than that of the previous year, making it the largest expansion in exports to the USA since 1999.

The main contributors to this expansion were E&E products (13.3 per cent increase to RM68.7 billion in 2004, from RM60.6 billion in 2003); wood products (28.8 per cent increase to RM3 billion from RM2.3 billion); textiles and apparel (9.7 per cent, to RM2.9 billion from RM2.7 billion); optical and scientific equipment (22.5 per cent, to RM2.4 billion from RM2 billion); and rubber products (12.3 per cent, to RM1.9 billion from RM1.7 billion).

Malaysia was the 10th largest source of imports for the USA, up from 11th in the previous year, accounting for about 2 per cent of the USA's total imports.

Malaysia's imports from the USA expanded by 18.8 per cent in 2004 to RM57.9 billion, from RM48.7 billion in 2003. Major imports from the USA included E&E products (61.9 per cent share of total imports); machinery, appliances and parts (9 per cent); optical and scientific equipment (5.9 per cent); chemicals and chemical products (5.2 per cent); and transport equipment (4.8 per cent).

Japan

Exports to Japan amounted to RM48.6 billion, a growth of 14.2 per cent from 2003. These included increased exports of E&E products (from RM16.2 billion in 2003 to RM17.9 billion in 2004); LNG (from RM9.4 billion to RM10.2 billion); wood products (from RM2.9 billion to RM3.8 billion); chemicals and chemical products (from RM1.8 billion to RM2.5 billion); and optical and scientific equipment (from RM1.4 billion to RM2.1 billion).

For Japan, Malaysia ranked as the 11th largest source of imports in 2004, accounting for more than 3 per cent of Japan's total imports.

Malaysia's imports from Japan increased 17.9 per cent to RM63.7 billion in 2004, from RM54 billion in 2003. The top five imports were E&E products (from RM23.7 billion in 2003 to RM25.1 billion in 2004); machinery, appliances and parts (from RM6.5 billion to RM8.4 billion); transport equipment (from RM5.1 billion to RM6.6 billion); iron and steel (from RM4.1 billion to RM5.3 billion); and chemicals and chemical products (from RM3.5 billion to RM4.1 billion).

The People's Republic of China

Exports to the PRC expanded significantly by 24.6 per cent to reach RM32.1 billion in 2004, compared with RM25.8 billion in 2003. The PRC remained Malaysia's fourth largest export destination. In 2004, as a source of imports, Malaysia was the sixth largest global exporter to the PRC. Among the ASEAN countries, Malaysia was the largest source of imports for the PRC.

In 2004, the top five exports to the PRC were E&E products (39.5 per cent share of total exports), palm oil (16.5 per cent); chemicals and chemical products (12.2 per cent); crude petroleum (4.9 per cent); and crude rubber (4.2 per cent). Exports of E&E products grew by 25.6 per cent to RM12.7 billion in 2004, as a result of strong demand for information technology and telecommunications in the PRC.

Exports of palm oil recorded a growth of 22.7 per cent to RM5.3 billion in 2004, from RM4.3 billion in 2003. This increase was partly due to the gradual phasing out of quotas and reduction of tariffs in the PRC. In 2004, a total of 12.6 million tonnes of palm oil was exported to the PRC, compared with 12.3 million tonnes in 2003. Exports of chemicals and chemical products expanded by 37.6 per cent to RM3.9 billion in 2004, from RM2.8 billion in 2003.

Imports from the PRC in 2004 were mainly E&E products (60.1 per cent share of Malaysia's total imports from the PRC); machinery, appliances and parts (6.4 per cent); chemicals and chemical products (4.6 per cent); textiles and apparel (3.6 per cent); and iron and steel products (3.5 per cent). Of these five major imports, iron and steel recorded the fastest rate of growth, increasing to RM1.4 billion in 2004, from RM391.4 million in 2003.

The European Union

Exports to EU-25 remained resilient in 2004, growing by 20.9 per cent to RM60.4 billion. As a grouping, the EU was Malaysia's third largest export destination with exports amounting to RM60.4 billion, or 12.6 per cent of Malaysia's global exports. The top five markets in EU were the Netherlands (26.1 per cent share), the UK (17.5 per cent), Germany (17.4 per cent), France (11.7 per cent), and Italy (4.8 per cent).

The improvement in the export performance to the Netherlands was mainly a result of the increase in exports of E&E, which grew by 18.9 per cent to RM9.3 billion from RM7.8 billion, and palm oil, by 22.5 per cent to RM2.3 billion from RM1.8 billion in 2003.

The top export products to this region were E&E products, accounting for 58.4 per cent share of total exports. In 2004, exports of E&E products increased by 20.2 per cent to RM35.3 billion, from RM29.3 billion the previous year. Palm oil was the second largest export to the EU, accounting for 6.5 per cent share of total exports, with a value of RM3.9 billion in 2004, or 18.3 per cent higher than 2003. This was followed by optical and scientific equipment (3.2 per cent share, export value of RM1.9 billion); machinery, appliances and parts (3.1 per cent, RM1.9 billion); and textiles and apparel (2.9 per cent, RM1.7 billion).

In the post-accession period, Malaysia's exports to the 10 new EU members expanded 116.4 per cent, compared with the same period in the previous year, while exports to the original EU-15 members increased 18.2 per cent. Among the new EU members, Hungary was the main destination for Malaysia's exports. Exports to Hungary grew three-fold in 2004, to reach RM2.3 billion. Major products that were exported to Hungary included E&E products valued at RM2.1 billion; manufactures of metal (RM69.2 million); machinery, appliances and parts (RM18.6 million); manufactures of plastics (RM14.2 million); and processed food (RM5.5 million).

Table 2.9:
Malaysia's Exports to the EU

EU	2004 (US$ billion)						2003 (US$ billion)				
	Total	Q1	Q2	Q3	Q4	Change (%)	Total	Q1	Q2	Q3	Q4
EU-25	60.4	13.9	14.6	16.2	15.7	20.9	49.9	11.8	12.3	12.5	13.3
EU-15	56.7	13.3	13.7	15.0	14.7	17.7	48.1	11.4	12.0	12.0	12.7

Compiled by: Ministry of International Trade and Industry

The accession of the new members had enlarged the total population of the EU to 456 million in 2004. This development created increased demands for intermediate products for industries and consumption goods. As a result, Malaysia's exports to the EU as a whole (EU-25) expanded almost 20.9 per cent in 2004.

In 2004, imports from the EU increased 27.4 per cent to RM48 billion, from RM37.7 billion in 2003. This growth was contributed by imports from Germany (increased by 21.8 per cent, to RM17.9 billion from RM14.7 billion); the UK (by 10.8 per cent, to RM6.6 billion from RM6 billion); France (by 21 per cent, to RM5.5 billion from RM4.6 billion); and the Netherlands (by 59.6 per cent, to RM3.4 billion from RM2.2 billion).

Fast Growing Markets

In 2004, the top five fastest growing markets for Malaysia were the PRC, India, United Arab Emirates (UAE), Hungary and Viet Nam.

Exports to the PRC expanded by 24.6 per cent or RM6.4 billion to reach RM32.1 billion in 2004, followed by India, which increased by 18.3 per cent or RM1.8 billion. The expansion of Malaysia's exports was driven by the economic expansion and increasing trade liberalisation in these countries.

Other countries where Malaysia recorded significant growth in exports were the UAE, by RM1.7 billion or 39.4 per cent, Hungary, RM1.6 billion (three-fold) and Viet Nam, RM1.2 billion (38.1 per cent). Major products exported to these markets included, E&E products, iron and steel products, palm oil products, processed food, textiles and apparel, and chemicals and chemical products.

Potential Markets

Several countries have been identified as potential markets for Malaysia's exports. Among them were three countries from West Asia, i.e., Jordan, Saudi Arabia and Iraq, three from Eastern Europe (Russia, Azerbaijan and Ukraine), three from South Asia (Pakistan, Bangladesh and Sri Lanka), three from Latin America (Mexico, Brazil and Chile) and one from Africa (South Africa). In 2004, Malaysia exported a wide range of products to these markets, including, E&E products, iron and steel products, palm oil products, processed food, textiles and apparel, chemicals and chemical products, optical and scientific equipment, machinery, appliances and parts, wood products, palm oil, manufactures of metal, paper and pulp products, jewellery and manufactures of plastics.

TRADE PRACTICES AFFECTING MALAYSIA'S EXPORTS

The strong trade performance recorded in 2004, was attained despite the fact that there

Table 2.10:
Fast Growing Markets in 2004

Country	2004 Exports				2003 Exports	
	RM million	Share (%)	Change RM million	Change (%)	RM million	Share (%)
Total	**480,740.3**	**100.0**	**82,855.9**	**20.8**	**397,884.4**	**100.0**
PRC	32,148.5	6.7	6,357.2	24.6	25,791.3	6.5
India	11,410.5	2.4	1,768.3	18.3	9,642.2	2.4
UAE	5,903.1	1.2	1,667.2	39.4	4,235.9	1.1
Viet Nam	4,333.9	0.9	1,195.7	38.1	3,138.2	0.8
Hungary	2,277.8	0.5	1,590.8	231.6	687.0	0.2

Compiled by: Ministry of International Trade and Industry

Table 2.11:
Potential Markets

Country	2004 Exports				2003 Exports	
	RM million	Share (%)	Change		RM million	Share (%)
			RM million	(%)		
Total	**480,740.3**	**100.0**	**82,855.9**	**20.8**	**397,884.4**	**100.0**
Pakistan	2,664.9	0.6	127.6	5.0	2,537.3	0.6
Mexico	2,493.6	0.5	502.4	25.2	1,991.2	0.5
Saudi Arabia	1,830.7	0.4	281.9	18.2	1,548.8	0.4
South Africa	1,816.7	0.4	566.8	45.3	1,249.9	0.3
Russia	1,545.7	0.3	578.9	59.9	966.8	0.2
Bangladesh	1,384.1	0.3	167.4	13.8	1,216.7	0.3
Sri Lanka	1,311.0	0.3	155.1	13.4	1,155.9	0.3
Jordan	1,305.9	0.3	1,005.4	334.6	300.5	0.1
Brazil	1,213.0	0.3	478.9	65.2	734.1	0.2
Azerbaijan	396.2	0.1	97.9	32.8	298.3	0.1
Chile	361.1	0.1	140.0	63.3	221.1	0.1
Ukraine	286.5	0.1	131.5	84.8	155.0	neg.
Iraq	229.3	0.1	181.7	381.7	47.6	neg.

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

were trade practices in place in some of Malaysia's major trading partners, which posed a challenge to exporters. Although such trade practices in the form of non-tariff measures (NTMs) and domestic market practices generally apply to all trading partners, they, nonetheless, can impact Malaysia's exports. This is particularly so in instances where these trade practices are clearly discriminatory. An example is the requirement for special approvals in the use of tropical wood products in government buildings.

The United States of America

Container Security Initiative

The USA Customs and Border Protection (CBP) introduced the Container Security Initiative (CSI) in 2002 in response to concerns involving potential terrorist threats to the international maritime container trade system.

CSI involves identifying containers that pose a terrorism risk, through pre-screening at the port of departure before arrival at the US ports, and the use of smarter, tamper-evident containers. Under the CSI programme, a team of CBP officials are deployed to work with host country counterparts.

Shippers of containers that are subjected to special service requested by the US Customs need to bear the handling charges of moving the containers to and from the screening centres. Charges levied are RM110 for a 20-foot container, and RM200 for a 40-foot container. In addition, prior to loading US-bound cargo at ports of origin, shippers need to transmit cargo information to the US CBP via electronic data interchange, 24 hours before the estimated arrival time of the vessel. The shipping lines have imposed a charge of US$25 for electronic transmission of Bill of Lading, in addition to the current charge of RM80 per Bill of Lading imposed.

To date, 20 countries, including Malaysia, have joined the CSI programme, where a total of 34 ports are CSI-operational, while 37 ports are at various stages of CSI implementation. In Malaysia, the CSI programme became operational in

Port Kelang on 8 March 2004, and in Port of Tanjung Pelepas on 16 August 2004. Malaysia will continue to monitor the implementation of the CSI at these ports with a view to increasing the number of CSI-compliant ports.

Customs Trade Partnership Against Terrorism

The US Government launched the Customs Trade Partnership Against Terrorism (C-TPAT) scheme in 2003, in an attempt to involve the trade community more directly in the fight against terrorism.

The C-TPAT is a voluntary partnership between the US Customs and the trade communities to ensure security within global supply chains, and facilitate legitimate cargo and conveyance. Businesses are required to ascertain the integrity of their security practices, as well as those of their business partners within the supply chain.

C-TPAT partners assume the obligation to develop and implement a number of measures designed to develop a secure framework for manufacturing, production, cargo storage, handling facilities and transportation covering physical security of the premises, access controls, procedural security, personal security, education and training.

As of November 2004, C-TPAT had over 7,400 enrolled partners, including US importers, Customs brokers, terminal operators, carriers and manufacturers. The current membership includes 86 top US importers by containerised cargo volume.

The benefits of the C-TPAT scheme to participating companies are still unclear. There is also concern over the evolution of a voluntary programme into a possible unilateral mandatory trade security standard.

Discriminatory Labelling

In 1998, the US Food and Drug Administration implemented the regulatory requirement that all medical devices made from natural rubber latex, particularly gloves, be labelled with statement *"Caution: This product contains natural rubber latex, which may cause allergic reaction"*. This labelling requirement is discriminatory as gloves and medical equipment made from synthetic rubber are exempted from this requirement. These discriminatory labelling requirements are still in force.

Buy America Act

The USA maintains measures that restrict foreign participation in public procurement. Under the Buy America Act, government agencies may, in principle, only purchase supplies manufactured in the USA.

Buy America restrictions not only directly reduce the opportunities for foreign exports, but also prohibit US bidders from using foreign products or services.

In 2004, a Malaysian exporter of red palm olein to the USA was prevented from fulfilling orders from several schools in Michigan as the Buy America Act prohibits the use of non-US products in schools and other government projects.

Anti-Dumping

The process and procedures involved in the conduct of anti-dumping investigations by the USA is considered too onerous and makes it very difficult for small companies to effectively participate and defend their interests. The only option for such companies is to employ the services of US-based legal counsels. This is not a viable option as the companies either cannot afford this, or find it not economical, as the volume and value of exports is small compared with the cost of employing legal counsel. Smaller companies are, therefore, greatly disadvantaged if the USA initiates anti-dumping investigation against them.

In 2003-2004, the USA conducted an anti-dumping investigation on import of polyethylene retail carrier bags (PRCB) from Malaysia. One large producer in Malaysia employed the services of a legal firm to defend its interest and no anti-dumping duty was imposed. One family-owned company, which submitted the information on its own, but could not comply fully with the submission procedures and requirements, was imposed with an anti-dumping duty of 101.7 per cent.

European Union

Timber Certification and Registration

The EU does not have any official policy on the recognition of timber certification schemes. However, a number of the EU member states have adopted official timber procurement policies that specify particular timber certification schemes that are acceptable for public procurement purposes. The UK Government's timber procurement scheme for example, has listed the Forest Stewardship Council (FSC) and the Canadian Standards Association (CSA) Scheme as valid proof of sustainability and legality, while the Malaysian Timber Certification (MTCC) Scheme is accepted as valid proof of legality only. On the other hand, the Government of Denmark recognises the FSC as proof of sustainable and legal timber, while the MTCC Scheme is recognised as proof of legality and progressing towards sustainability.

In addition, many of the cities and local Councils in the EU member states have also implemented their own timber procurement guidelines, with many specifying only the FSC scheme, while others are open to both the FSC and other equivalent schemes.

Registration, Evaluation and Authorisation of Chemicals

The EU is currently working on a new chemical policy called Registration, Evaluation and Authorisation of Chemicals (REACH). This would require all chemicals produced or imported into the EU in excess of 1,000 tonnes per manufacturer/importer, to be registered with the new European Chemicals Agency. The original focus of the policy-makers was on chemicals alone, but there is growing concern that REACH may encroach into other industries, such as those using chemicals and manufactured products containing chemical substances, and even the metal industry.

Sanitary and Phytosanitary Regulations

Imports of food products into the EU, including equipment and materials used to make or pack food, is governed by the EU regulations on food quality, packaging and labelling.

Companies intending to export poultry, fish and fishery products into the EU are required to obtain approval from the European Commission (EC). The approval procedure can be time consuming. It took three years for a Malaysian supplier to get approval to export poultry products to the EU. In addition, testing facilities for residues and micro-organisms need to be recognised by the EC.

Even though the EU is considered a single internal market and has implemented EU-wide sanitary and phytosanitary rules, exporters are often caught unprepared when health authorities of member states apply more stringent rules on imports. This stems from the fact that EU rules are considered merely as guidelines, thus allowing member states under the precautionary principle to impose stricter requirements. In the absence of EU-wide rules, member states are allowed to use existing local laws, some of which are regarded as lacking scientific basis.

Standards and Testing

Imports of consumer products, medical devices, wood-based panel products (including plywood), health and safety equipment, and E&E products to the EU, must comply with the *Conformite Europeen* (CE) marking. Standards issued by Standards and Research Institute of Malaysia (SIRIM) are not recognised in the EU. Malaysia's request for mutual recognition of standards, including for local testing authorities to be recognised as certifying bodies for the CE mark, has not received a favourable response from the EU.

In addition, tolerance levels for residues and micro-organisms established by the EU are often more stringent than the internationally agreed Codex rules for foodstuffs. Some of the tolerance levels established are too low for sophisticated testing equipments to identify. This leads to the additional problem of procuring specialised and expensive testing equipment to keep abreast of the frequently changing rules imposed in the EU.

Japan

Quarantine Laws on Fresh Agricultural Products

Under the current regulations, only pineapples, durians, coconuts and green bananas from Malaysia are allowed to be imported into Japan. Other fresh agricultural products such as mangosteens, papayas, watermelons and mangoes still cannot be exported to Japan because of the stringent quarantine requirements.

Law on Promoting Green Purchasing

The Law on Promoting Green Purchasing in Japan was implemented on 1 April 2001. The law requires that imports meet certain set eco-friendly "evaluation criteria" and the procurement takes into consideration factors that would facilitate recycling and reuse, with minimal impact on the environment upon disposal. This law covers products such as stationery, and consumer electronics and electrical appliances.

Quality Marks

There are two major standards set for products marketed in Japan, that is, Japanese Industrial Standards (JIS) and Japanese Agricultural Standards (JAS). Other major marks include "Safety Goods" or SG mark (a quality guarantee for the furniture, household and sporting goods), "Good Design" or G mark and "Better Living" or BL mark (affixed to high quality household goods).

Products bearing the JIS mark are deemed to have been made in conformity with set standards, and are of high quality and safe. Although the JIS mark is not mandatory, it is preferred by Japanese consumers. Products without such marks will face difficulties in gaining consumer acceptance. The procedure for obtaining a JIS mark is time consuming and cumbersome. Application forms are required to be submitted in the Japanese language, and it takes at least three months to process. Further, it also involves factory inspection by the Japanese authorities.

The People's Republic of China

Compulsory Product Certification System

Effective from 1 May 2003, products listed under the new 'Compulsory Product Certification System' (CCC mark) will require a new formal quality CCC Certificate and Label issued by the Chinese Administration for access into the PRC. All products included in the CCC mark will be disallowed into the PRC if they are not accompanied with the quality certifications issued by the PRC.

The main issue faced by exporters is the procedure to obtain the certificates since it is a requirement to send Chinese experts to the country of origin of the products to certify the factory and specific products.

In practice, the PRC agencies lack resources to dispatch staff for such work and this will cause delays and a longer waiting period. In addition, the company concerned has to bear all the charges in relation to the inspection. This regulation serves as a barrier for small companies, which cannot afford to pay for the inspection and also for companies with large portfolio of products, as the cost implication could be huge. The high cost of CCC certification will increase the cost of Malaysia's exports to the PRC.

Products subject to CCC mark are:

- electrical and electronics tools;
- household appliances and apparatus;
- small power motors;
- welding machines;
- information technology and telecommunication terminal equipment;
- safety parts and tyres for motor vehicles;
- safety glasses;
- agricultural machinery;
- rubber condoms;
- medical devices; and
- fire fighting equipment and detectors for intruder alarm systems.

Standards, Testing and Labelling Requirements

The PRC's standards development process is unclear. Despite the presence of well-established international standards in many sectors, the PRC still pursues its own national standards, which at times are stringent for foreign manufacturers to comply with.

Effective 1 January 2005, only foreign scrap suppliers registered with the Administration of Quality Standards, Inspection and Quarantine (AQSIQ) are allowed to export scrap materials such as waste paper, plastic and industrial scrap to the PRC.

All furniture to be sold in the PRC including those manufactured after October 2004 must have detailed product information, including the exact content of hazardous materials such as formaldehyde. Manuals also need to detail the right way to transport, install and maintain the furniture, and indicate the publishing date of the label or manual.

For processed food, entry into the PRC is still regulated by the requirements for various labelling, in particular the Verification of Chinese Labelling Certification, which requires each product to have a certificate. This process is time consuming and it could take up to a year to obtain approval, although some of these products are already marketed in the PRC.

Australia

Restriction on the Use of Tropical Timber

The 'Good Wood Guide' which was introduced in 1998, encourages the use of local forest products including plantation or recycled timbers in building construction.

The State Governments of New South Wales, Queensland and Victoria have a policy requiring the use of local timbers, in public projects. Topical rainforest timber can be used only if they are certified, or from plantation forests. Tender documents from these States have discouraged the use of Malaysian timber despite being certified by the Malaysian Timber Certification Council (MTCC), which is recognised by the International Tropical Timber Organisation (ITTO).

Increasingly, local Councils are granted autonomy in governing laws on the use of timbers. These Councils have provided guidelines that they should use only timber that comply with 'Good Wood Guide'.

Sanitary and Phytosanitary Standards, Health and Quarantine Measures

Foodstuffs, live plants and fresh flowers are subject to stringent Australian SPS measures. In addition to the SPS requirement, foodstuffs are also subject to health and quarantine measures.

The application of an equally stringent import risk analysis (IRA) by the Australian Quarantine Inspection Service (AQIS) on potential agricultural imports into Australia further imposes a hindrance on the entry of such products into the Australian market. The approval process is long and tedious. The issue of SPS and IRA are being addressed by the Malaysia-Australia Bilateral Technical Committee on SPS and Quarantine.

Chapter 3

Policy Initiatives And Measures In The Manufacturing And Manufacturing -Related Services Sectors

OVERVIEW

In 2004, further policy initiatives and measures were undertaken to enhance the business environment for the development and expansion of the manufacturing and related services sectors. These included initiatives and measures to promote both domestic and foreign investments, develop new sources of growth, and measures to strengthen coordination among Government agencies in order to enhance the development of small and medium enterprises (SMEs). In addition, the Government intensified efforts to make Malaysia the regional *halal* hub.

To promote foreign and domestic investments, measures were taken to further improve the incentive schemes. In addition to fiscal measures, efforts were also undertaken to continue improving the delivery system to facilitate the process of approvals for investment projects at the federal, state and local government levels.

While efforts were on-going to enhance human resource development, as well as information and communications technology (ICT) and SME development, policy initiatives were introduced in 2004 to encourage new sources of growth, including the development of the services sector.

In the area of Research and Development (R&D), new incentives for researchers were introduced to encourage commercialisation of R&D findings and to promote academia-industry collaboration in R&D.

To encourage companies to produce quality products and services for both domestic and international market, the Government continued to encourage companies to adopt international standards and obtain international quality standards certification. A national standards and strategy plan was approved by the Government for the continuous development of new Malaysian standards. A Malaysian Standard (MS) governing *halal* food was launched in August 2004.

INITIATIVES FOR ENHANCING INVESTMENT

To promote investments, in 2004, the Government continued its policy of full liberalisation of equity in the manufacturing sector. Foreign investors can hold 100 per cent equity for all investments in new as well as expansion/diversification projects, irrespective of the level of exports.

Companies with foreign paid-up capital of more than US$200,000, but less than US$2 million, are given automatic approval for up to five expatriate posts, including at least one key post. Expatriates can be employed for a maximum of up to 10 years for executive posts, and five years for non-executive posts. Companies with foreign paid-up capital of US$2 million and above will be given automatic approval for up to 10 expatriate posts, including five key posts.

To further facilitate investments, reduce costs of doing business and enhance the competitiveness of the manufacturing sector, new incentives introduced included:

- a second round of Pioneer Status (PS)/ Investment Tax Allowance (ITA) incentives to existing companies which relocate their manufacturing activities to the promoted areas, to further encourage the flow of investments to areas in the Eastern Corridor of Peninsular Malaysia, Sabah and Sarawak;

- provision of Accelerated Capital Allowances for a period of two years to companies that incur capital expenses on equipment to maintain quality of power supply;

- provision of ITA of 100 per cent of qualifying capital expenditure for five years for companies that produce *halal* food to encourage new investments for export market and to increase the use of modern and updated technology and equipment;

- full import duty exemption on medical devices that are imported, for the purpose of kitting or producing complete procedural sets by local manufacturers, provided these devices are not manufactured locally;

- abolishment of import duty on 27 selected goods, such as surgical gloves, carpet, glassware and semi-finished components for the wood-based industry, from the import duty of between 5 and 25 per cent;

- reduction of import duty on selected raw materials for the apparel industry and herbicides from between 10 and 35 per cent to between 5 and 30 per cent;

- double deduction on expenses incurred in obtaining international quality standards certification to promote the manufacture of high quality Malaysian goods;

- for owners of Malaysian brands who outsource manufacturing activities, provision of import duty and sales tax exemptions for raw materials not manufactured locally and semi-finished goods imported from contract manufacturers abroad; and

- provision of Accelerated Capital Allowance from between four and eight years to one year for equipment used by companies to generate energy from renewable resources for its own consumption.

IMPROVING THE GOVERNMENT DELIVERY SYSTEM

To complement the fiscal measures provided by the Government, efforts were also undertaken to upgrade and improve the delivery system. These include:

- simplification of application forms for manufacturing licenses, tax incentives;

- simplification of procedures for application of expatriate posts;

- hand-holding measures to assist investors in implementation of projects;

- establishment of a fast track system to consider applications for land alienation and land use conversion. A New Strategy for Land Administration was launched in 2004, to streamline work processes on land matters. These include shortening of work processes, formulating norms for processing time of land applications, expediting decision making processes, as well as increasing transparency;

- establishment of a coordinating body/one stop centre at the state level to process and approve applications of building plans and certificates of fitness to enable companies to commence businesses as quickly as possible; and

- simplification of application procedures of the Foreign Investment Committee (FIC). Effective 1 August 2004, the FIC will perform a monitoring and facilitating role, rather than a processing function.

In addition, the Cabinet Committee on National Competitiveness (CCNC), chaired by the Prime Minister, provided policy direction for enhancing competitiveness and promote coordination among key agencies and private sector to facilitate foreign and domestic investments.

The Government has begun a review of the Promotion of Investments Act (PIA) 1986, to make it more business-friendly and relevant to meet current and future needs of industrial development. Several changes have been proposed including:

- expansion of scope and coverage of Act to include new activities, such as knowledge-based activities, cross-border investment, mergers and acquisitions and promotion of services; and

- enhancing incentive packages for promoted areas.

MALAYSIA AS A REGIONAL HUB FOR *HALAL* PRODUCTS AND SERVICES

The Government has put in place the necessary infrastructure and administrative support mechanisms, to encourage investments in the *halal* products industry, and to assist Malaysian manufacturers in developing the necessary competitive advantage.

Halal hub development involves the integrated efforts of Federal and State Government agencies. MITI as the coordinating agency, is responsible for drafting policies and strategies, obtaining feedback from industry, identifying and addressing issues and encouraging international cooperation in this area.

Certification/Logo

The '*Halal Malaysia*' logo was registered as a certification mark under Trade Mark Act 1976, on 15 January 2004. The Department of Islamic Development, Malaysia (JAKIM) has been granted proprietorship on the '*Halal Malaysia*' logo.

Standards and Accreditation

Progress in the development of Malaysian Standards for *Halal* products and Management System in 2004 included:

- gazetting the Malaysian *Halal* Standard for food products, entitled '*Halal* Food: Production, Preparation, Handling and Storage - General Guidelines' (MS 1500: 2004), in July 2004;

- preparing the Malaysian *Halal* Standard for non-food products, commencing with cosmetics products; and

- developing the Malaysian *Halal* Standard for management system, entitled 'ISO 9001 from the Islamic Perspective - Interpretative Guidelines'.

Incentives

Industries involved in the development of *halal* products are also eligible for existing incentives, such as PS, ITA, Reinvestment Allowance and financial support schemes.

In the 2005 Budget, the Government announced additional incentives:

- special grant amounting to RM10 million for development and promotion of *halal* products;

- improved provision of ITA of 100 per cent on qualifying capital expenditure, for five years, for companies that produce *halal* food; and

Table 3.1
Total *Halal* Certifications Awarded to Companies

Category	Year				Total
	2001	2002	2003	2004	
Total	**690**	**662**	**536**	**930**	**2,818**
Processed Food	544	420	487	801	2,252
Restaurants/Hotels	123	220	38	117	498
Abattoirs	23	22	11	12	68

Source: Department of Islamic Development, Malaysia (JAKIM)

- double tax deduction on expenditure of obtaining *halal* certification and accreditation.

Status of *Halal* Certification

As at December 2004, a total of 2,818 *halal* certifications were issued. Out of these, 2,252 (80 per cent) were awarded for companies manufacturing *halal* products, 498 (18 per cent) for restaurants/hotels, and 68 (2.5 per cent) for abattoirs.

Promotional Activities

In 2004, promotional initiatives undertaken to enhance awareness and encourage industry participation in the manufacture of *halal* products included:

- Malaysian International Food and Beverage Trade Fair, 15 to 17 July 2004;

- International Seminar on *Halal* Food and Products, 30 September 2004;

- Malaysian International *Halal* Showcase (MIHAS 2004), 14 August 2004 ; and

- On-going seminars, workshops and advisory sessions organised by Government agencies, including JAKIM, State Religious Authorities, State Economic Planning Units, MATRADE and SMIDEC.

International Cooperation

Malaysia has been appointed the coordinator for the ASEAN Working Group on *Halal* Food. Projects implemented by the Working Group include:

- development of accreditation system for *halal* food manufacturers;

- registration of *halal* preservatives;

- capacity building in *halal* inspection and certification; and

- information exchange.

Malaysia is an active member in the sub-working Group for *Halal* Food Sector of the Indonesia-Malaysia-Thailand Growth Triangle (IMTGT). Initiatives undertaken by the sub-working group include cooperation in information exchange, technology development and expert assistance in certification.

COORDINATING THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

In 2004, the National Small and Medium-Scale Enterprises Development Council (NSDC), set out to streamline:

- policies and strategies to facilitate development of SMEs across all sectors;

- roles and responsibilities of Government ministries and agencies responsible for SME development; and

- coordination to ensure effective implementation of SME development policies and action plans.

The National SME Development Council has its secretariat at Bank Negara Malaysia. It's functions include:

- supervising and coordinating the development and administration of a comprehensive National SME Database;

- undertaking periodical publication including annual report of SME performance;

- developing key performance indicators (KPI) to monitor and evaluate the progress of SME development; and

- undertaking studies and analysis on effectiveness of SME development programmes and activities.

The NSDC adopted a standardised definition of SMEs in each of the respective sectors, based on annual sales turnover or number of full-time employees.

The adoption of the standardised definition of SMEs, will facilitate the streamlining and coordination of Government assistance and development programmes to SMEs.

Human Resource Development for SMEs

The Human Resource Development Berhad (HRDB), an agency under the Human Resource Ministry, was formally appointed to coordinate, streamline and oversee the overall training and human resource development for SMEs. Among the roles of HRDB are:

- identifying training needs of SMEs in all economic sectors;
- benchmarking international best practices in training to enhance the competitiveness of SMEs; and
- formulating a formal accreditation system for SME training.

Marketing and Promotion of SME Products and Services

SMEs will continue to be strengthened in the areas of marketing and promotion. Four main areas have been identified:

- supply of industrial parts and components to MNCs and large companies;
- supply of consumer products to major retail outlets;
- using intermediaries as a channel to enable SMEs to penetrate the export market; and
- enhancing the marketing of services provided by SMEs.

Related incentives and assistance programmes are being drafted for inclusion in the 2006 Budget to assist SMEs in these areas.

Funding

The NSDC also approved the concept of interest support and securitisation of SME loans. The interest support initiative will enhance SMEs' access to financing at a reasonable cost. The securitisation of SME loans will enhance capacity of financial institutions to provide lending to viable SMEs, and enable SMEs to indirectly tap the capital market for funding.

Table 3.2
Annual Sales Turnover

Size	Manufacturing (including Agro-Based) and Manufacturing-Related Services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than RM250,000	Less than RM200,000	Less than RM200,000
Small	Between RM250,000 and less than RM10 million	Between RM200,000 and less than RM1 million	Between RM200,000 and less than RM1 million
Medium	Between RM10 million and RM25 million	Between RM1 million and RM5 million	Between RM1 million and RM5 million

Source: National Small and Medium-Scales Enterprises Development Council

Table 3.3
Number of Full-Time Employees

Size	Manufacturing (including Agro-Based) and Manufacturing-Related Services	Primary Agriculture	Services Sector (including ICT)
Micro	Less than 5 employees	Less than 5 employees	Less than 5 employees
Small	Between 5 and 50 employees	Between 5 and 19 employees	Between 5 and 19 employees
Medium	Between 51 and 150 employees	Between 20 and 50 employees	Between 20 and 50 employees

Source: National Small and Medium-Scales Enterprises Development Council

Two new funds to be administered by the Small and Medium Industries Development Corporation (SMIDEC) were introduced in 2004:

- a RM100 million grant scheme to develop the capabilities of SMEs in designing of packaging and labelling; and

- a RM50 million fund for the upgrading of the marketing skills of SMEs.

In addition, a RM10 million grant scheme has been made available for the SMEs involved in the development and promotion of *halal* products and services. SMEs can claim double deduction incentives on all expenses incurred in obtaining quality systems certification, including *halal* certification and accreditation.

The scope of Market Development Grant (MDG) has been expanded to include the marketing and promotion of products and services of SMEs for the domestic market, expenses incurred in attending meetings on negotiations of Mutual Recognition Agreements, setting up of representative offices overseas, and participation in trade missions. The quantum of MDG was also increased from RM60,000 to RM100,000 per company.

NEW SOURCES OF GROWTH

New sources of growth areas identified in 2004 under the manufacturing sector included:

Biotechnology

The Government has identified biotechnology as a key sector. As at December 2004, a total of 37 companies were approved to undertake R&D activities, as well as manufacturing activities, in the biotechnology industry. Of these, 26 are Malaysian-owned companies and 11 foreign-owned. In 2004, a total of 11 projects, of which nine are Malaysian-owned, were approved with investment commitments amounting to RM237 million.

Photonics and Nanotechnology

The Second Science and Technology Policy introduced in 2003 identified nanotechnology and photonics as priority areas in building competencies for specialisation in key emerging technologies. Nanotechnology is a rapidly emerging technology of building machines and mechanisms at a higher level of precision and miniaturisation.

The main demand for photonics components comes from makers of fiber-optic communication systems, optical storage systems, instrumentation and lighting. Photonics technology finds application in all aspects of technology activity, especially in the field of ICT. Photonics products developed for the ICT industry can also be used in other fields such as health care, defence, aerospace and automobile industry.

Among the strategic initiatives to promote the development of photonics and nanotechnology in Malaysia include:

- strengthening the policy-making institutions and formulating policy guidelines;

- establishing supporting institutions and infrastructure;

- providing research grants for R&D in nanotechnology; and

- formulating HRD strategies.

There are 28 nanotechnology R&D activities being carried out, mainly in public universities. Projects involving nanotechnology are categorised as Strategic Research under the Intensification of Research in Priority Areas (IRPA) programme. The IRPA grant has approved three nanotechnology programmes consisting of 17 projects, with total funding of RM143 million. Other funding schemes available for nanotechnology sector include Industry Research and Development Grant Scheme (IGS), Multimedia Super Corridor R&D Grant Scheme (MGS), Demonstrator Applications Grant Scheme (DAGS) and

Commercialisation of Research and Development Fund (CRDF).

Information and Communications Technology

The Government views information and communications technology (ICT) as a critical enabling tool to enhance the competitiveness of the country, and has continued to assume a proactive role in facilitating and promoting the use of ICT technologies by industries.

Initiatives to Promote ICT

Government programmes to raise awareness and provide training on ICT and other technologies continued to be implemented in 2004. MITI's agencies conducted 37 seminars, workshops and courses on ICT and ICT-related topics during the year.

The National Productivity Corporation (NPC) conducted 23 courses on ICT in manufacturing for Proton-vendor companies, an introductory course on ICT for non-IT executives, and an ICT training course for trainers, involving a total of 960 participants. In addition, it also organised a workshop on leveraging ICT to enhance competitiveness for 50 participants.

In 2004, SMIDEC launched the SME Expert Advisory Panel (SEAP) programme to provide technical advisory services to SMEs. Under the SEAP programme, experts in specialised fields such as materials technology, process improvement, factory automation, as well as ICT and computerisation, will provide technology know-how to, and share industry experience with SMEs.

The Government continued to make funds launched in previous years available to the industry to promote the use of ICT. The implementation of the RosettaNet standard continued to be funded through the RosettaNet grant. The e-Manufacturing and e-Design grants, were converted into soft loans under a RM10 million soft loan scheme for ICT adoption administered by the Malaysian Industrial Development Fund (MIDF). Under this scheme, a total of 12 companies were approved soft loans amounting to RM2.07 million.

SMIDEC collaborated with RosettaNet (M) Berhad in 2004, to jointly organise 11 seminars and workshops on the RosettaNet standard. The seminars and workshops were held in Kuala Lumpur and Pulau Pinang and were attended by 90 participants from the public and private sectors.

MATRADE collaborated with the Malaysia Development Corporation (MDC) to organise a specialised ICT Marketing Mission to Beijing, Shanghai and Dalian. Representatives from 11 MSC status companies participated in the mission.

Legal Infrastructure

Efforts to strengthen the legal, payment, and telecommunication infrastructure to support greater use of ICT continued in 2004. The Attorney General's Chamber initiated the review process for three Bills on personal data protection, e-commerce and e-Government. These three bills are aimed at building trust and confidence in e-commerce by providing the necessary legal certainty needed in e-transactions and addressing privacy and confidentiality of information.

Financial Process Exchange

The Financial Process Exchange (FPX), which is the national e-payment system, was officially launched on 28 October, 2004. The FPX is a multi-bank Internet payment system developed to facilitate online payments, particularly, for trade transactions. As at end 2004, Bank Islam Malaysia Bhd., Bumiputra-Commerce Bank Bhd., Public Bank Bhd., and Deutsche Bank Malaysia Bhd., participated in the FPX, while Malayan Banking Bhd., and Hong Leong Bank Bhd. are expected to finalise the technical details for their participation by mid-2005. Discussions on the participation of 10 other banks have also started. Besides banks, eight corporations participated in the FPX in 2004, with 10 other corporations at various stages of working out the technical details required for participation in the FPX.

National Broadband Plan

In 2004, the National Broadband Plan (NBP) was approved. This plan aims to facilitate and accelerate nationwide coverage of broadband services. The NBP adopted the strategy to enable broadband to be extended to Government offices and public schools as a catalyst to spur further adoption and provision of broadband services.

To oversee the implementation of the NBP, the Ministry of Energy, Water and Communications (MEWC) established a Steering Committee in the same year. The Steering Committee is supported by three working committees, one of which is the Industry Working Committee assigned to identify sources of funds and methods of funding to attract investment in broadband. MITI and MEWC are co-chairs of the Industry Working Committee and have begun exploring funding for broadband implementation.

Electronic Data Interchange Services

DagangNet Technologies Sdn. Bhd. (DagangNet) will continue to provide network and application services for the electronic submission of import/export permits, customs declarations and payment of duties. Key Performance Indicators (KPIs) will be used to monitor quality of service, response time and availability of technical support by DagangNet.

Multimedia Super Corridor

As at December 2004, the Multimedia Super Corridor has attracted 1,145 companies, 41 institutions of higher learning and 13 incubator companies.

Malaysia has potential in shared services and the outsourcing industry, and has been ranked as the third most attractive destination for shared services and outsourcing activities after India and the People's Republic of China (PRC). This is reinforced by availability of infrastructure and facilities to take advantage of the growing IT-enabled shared services and business process outsourcing. MDC, the designated one-stop centre for selected services, is positioning and promoting Malaysia and the MSC as a provider and low cost location for high value shared services.

International companies have established their shared services centres in Malaysia in activities such as Group Data Centre, Communication and Network Support Centre, Group Services Centre and IT Services Centre.

Malaysian-owned companies involved in providing shared services and operating in the MSC include companies that offer back office processing and IT management support, contact centre management services and logistics, and e-fulfillment solutions.

Manufacturing-Related Services

Regional Establishments

Manufacturing-related services (MRS) activities promoted in 2004 included:

- research and development, covering product/process development, product/ process improvement and software development and integration;
- product and process design and prototyping;
- distribution and logistics, encompassing logistic services, including warehousing, transportation, freight forwarding, supply chain management, distribution; cold chain facilities and services for food products; and regional establishments, including, Operational Headquarters (OHQs), International Procurement Centres (IPCs), Regional Offices (ROs), Representative Offices (REs), and Regional Distribution Centres (RDCs);
- marketing, including branding, packaging, and market research;
- environmental management, covering energy conservation/efficiency services, energy generation activities, using renewable energy sources (biomass, hydro power and solar power), storage, treatment and disposal of toxic and hazardous wastes, waste recycling activities (agricultural wastes or agricultural

by-products, chemicals and petroleum waste), specialised service centres, and engineering consultancy services in environment, such as Environment Impact Assessment (EIA) consultancy and environmental pollution; and

- other related services including, engineering support services (metal castings, metal forgings, metal surface treatment/ finishing; machining, moulds, tools and dies; powder metallurgical parts, heat treatment; mould texturing, metal stamping, and galvanising, shearing or slitting of metal sheets or other related engineering services), irradiation services, and as sterilisation services.

To attract and promote regional establishments, the following incentives are made available:

- RDC/IPC:
  - full tax exemption of statutory income for 10 years;
  - dividends distributed to shareholders are exempted from tax; and
  - approval of expatriate posts per request based on requirements.
- OHQ
  - full tax exemption of statutory income for 10 years; and
  - dividends distributed to shareholders are exempted from tax.
- Income Tax treatment for Expatriates
  - Expatriates working in OHQs and Regional offices are to be taxed on that portion of chargeable income attributable to the number of days they are in the country.

Support Services

Apart from manufacturing-related services, the Government is promoting and developing support services, as these services are becoming increasingly important in determining the effectiveness and efficiency of delivery of goods and services. To encourage investment in support services, incentives in the form of PS or ITA and exemption of import duty on sales tax for equipment for related projects are granted to:

- service providers who undertake integrated logistics services and carry out three principal activities, namely freight forwarding, warehousing and transportation, plus at least one other activity such as distribution, other related value-added services/activities or supply chain management;
- service providers who undertake at least one out of three qualifying market support services, namely branding, research and customer relation management;
- companies providing cold chain facilities and services for food products; and
- operators in the petrochemical industries who are operators of at least two of the qualifying central utility facilities such as energy, water, gas, storage and handling and other services like fire fighting, emergency response aid.

Branding and Marketing

To sustain competitive advantage in the global supply chain, the Government has recognised brand creation and promotion as among the most important marketing strategies for companies. To assist companies in partially defraying the cost of investing in the promotion and creation of brands, the Government has made available assistance in the form of:

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

Brand Promotion Grant

In 2004, the Guidelines for the Brand Promotion Grant (BPG) were revised to enable the Fund to be more accessible both to SMEs and non-SMEs. The RM200 million Fund will be disbursed to SMEs in the form of a 100 per cent reimbursable grant, to a maximum of RM1 million. Non-SMEs are eligible for a 50 per cent reimbursable matching grant, to a maximum of RM2 million. A total of 62 applications were received for BPG in 2004, out of which 14 were approved. Total disbursements amounted to RM25.8 million.

Other Services Sector

Besides promoting MRS, efforts have also been intensified to promote other services sector. Commencing March 2004, MITI's scope of promotional activities has been expanded to cover the entire services sector, with the exception of financial services and utilities. MIDA will be the single window for investments in the services sector, MATRADE will undertake the promotion of export-ready services, while SMIDEC will focus on the development of the SMEs involved in the services sector.

Some of the functions undertaken by MIDA in the services sector are to:

- act as first point of contact for investors for information on the services sector;
- identify and promote specific services activities;
- coordinate with other Government agencies for the promotion of activities under their purview; and
- provide assistance to investors in the implementation of projects.

Services sector identified for investment promotion include:

- shared services (call centres, back office operations, IT centres);
- engineering services (environmental consulting services, testing and calibration services);
- computer-related services (software implementation services, data processing services, data base services);
- logistics and distribution services;
- technical and laboratory testing and analysis services (bio-equivalence/bio-availability services, IC testing);
- total management maintenance services;
- education, healthcare; and tourism.

Among the services MATRADE has identified as export-ready are: healthcare and education services, construction and related professional services including engineering, architecture, printing and publishing, franchising, ICT; and oil and gas-related services.

Several new sectors with export potential have also been identified:

- Professional Services including legal , accounting, auditing, taxation, architectural, integrated engineering, urban planning, and landscape architectural services;
- Management Consulting Services including, financial management consulting services, human resources management consulting services, other management consulting services; and health-related services.

SMIDEC has identified four sub-sectors for further development:

- distributive trade (wholesale and retail);
- logistics, such as storage and warehousing, haulage, cargo handling, freight forwarding and courier services;
- professional management services, such as accounting, legal, surveying and engineering; and
- manufacturing-related services, such as packaging, design houses, software development, electroplating, heat treatment, metal casting and metal forging.

SMIDEC's expanded role includes providing training and grants, to enable SMEs to gain better market access, increase productivity,

Box 3.1 : Guidelines for Application of Brand Promotion Grant

OBJECTIVE

The objective of the **Brand Promotion Grant (BPG)** is to develop and promote in the international market, brand names owned by Malaysian companies for products and services originating from Malaysia.

SELECTION OF BRANDS

The Brand Promotion Grant will only be granted to eligible brands identified to be assisted by the Brand Grant Approval Committee. Evaluation of brands to be selected for the grant will be based on several considerations including:

- Branding Strategy and Plan.
- Business and Marketing Plan.
- Resources invested by the company on branding and its commitment to the branding programme.
- Activities undertaken to promote the brand.
- Trend in overall sales and exports over past three years.
- Market share both local and overseas markets.
- Potential for the brand to further expand in the international market.
- How the brand will help project Malaysia's image as supplier of quality products and services.

FORM OF GRANT

Companies can apply for either one of the following forms of grant:

- A 100 per cent reimbursable grant for the development and promotion of brand subject to maximum grant of RM 1 million. Small and Medium-Sized Enterprises (SMEs) are eligible to apply for the 100 per cent reimbursable grant.

  For the 100 per cent reimbursable grant, only up to a maximum 10 per cent of total grant approved will be disbursed in the form of "advance payment", while the remaining 90 per cent of grant approved will be disbursed as 100 per cent reimbursable grant. Advance payment will be considered for activities approved in the Branding Plan subject to relevant documentary evidence of the activities to be undertaken by company.

- A 50 per cent reimbursable grant for non-SMEs subject to maximum grant of RM 2 million.

To encourage companies to promote the brand overseas, not more than 10 per cent of the total grant approved should be spent on promotion of the brand in the domestic market.

ELIGIBILITY CRITERIA

To be eligible for the grant companies must fulfill the following conditions:

- Incorporated under the Companies Act 1965.
- At least 60 per cent equity is owned by Malaysians.
- Company owns the brand and is the registered approved owner of the trademark registered in any country and has rights to it.
- Annual sales turnover of not more than RM 250 million (based on the latest financial report).
- For 100 per cent reimbursable grant:-
  - manufacturing companies - annual sales turnover must not exceed RM25 million or with not more than 150 full time employees.
  - services sectors enterprises - annual sales turnover not exceeding RM 5 million or with full time employees not exceeding 50.
- Product/services are already exported with least 20 per cent of the sales from export.
- For companies that do not meet the 20 per cent 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. Factors to be considered:
  - Resources invested on branding and company's commitment to the branding programme.
  - Promotion programmes and activities undertaken by company to promote brand.
  - Indication of market penetration and consumer acceptance (e.g. share of market) both local and overseas.
  - Trend in overall sales and export growth.

Continued...

- Awards and recognitions received.
- International quality certifications obtained such as HACCP, ISO or Quality Improvement Programme, GMP or approved the use of the 'Malaysia's Best' quality seal.

• Products/services should originate from 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.

BRANDING AND MARKETING PLANS

Companies interested in applying for the grant must submit the following document and information:-

(a) Comprehensive proposal for the development and promotion of the brand including:-

- Background of the brand, the brand concept, its values, current market position.
- Measures already undertaken to develop and promote brand.
- Detailed costing on the activities for which the grant is required.
- Detailed schedules of implementation of branding activities to be undertaken.
- Proposed performance report on the implementation of the branding activities including milestones and key performance indicators.
- How the brand will benefit the company and country's image.
- Resources allocated to the brand development and promotion strategy.
- Key Performance Indicators to measure the brand performance based on intended marketing strategies.

(b) Business and Marketing Plans for two years outlining:-

- Target markets.
- Marketing strategies to penetrate the target markets.
- Brand Communication Plan.
- Allocation of company's financial resources to implement the plans.
- Current and projected sales both locally and overseas of the brand.

(c) Corporate profile, organisational structure, profile of management and branding team.

ELIGIBLE EXPENSES

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:-

• Branding/Marketing Strategy Consultancy (subject to maximum limit of not more than 10 per cent of grant approved):
  - Brand Strategy, creation and development
  - Marketing strategy and implementation
  - Media Strategy
  - Brand Communication Strategy
  - Brand Management System
  - Brand Manual & Information System

• Brand Development:
  - Logo design and redesign
  - Product design and redesign
  - Packaging design and redesign
  - Intellectual property matters, including registration and trademark works. (not including renewal of trademark and patent)

• Brand Promotion:
  - Customer relationship management system to monitor brand
  - Advertising and Promotion (maximum 50 per cent of grant approved)
  - Enhancement of Brand Website (maximum grant RM50,000.00)

• Brand Market Research/Service:
  - Brand Audit/Valuation
  - Research

Continued...

- Brand Tracking

Note:- Expenses listed are only a guide. Not all activities may be relevant to the company. Companies should apply for the grant only for expenses relevant to the branding plan.

APPLICATION PROCEDURE

Companies are encouraged to apply for the grant at least three months before undertaking the activity for which the grant is required. Grant approved is based on the projected spending over the next two years.

Application for the grant is made using the application form BPG (1/05) which is available free of charge at MATRADE or can be downloaded from MATRADE's website at www.matrade.gov.my

All supporting documents that companies must provide when applying for the grant are described in the BPG application form and the checklist attached to the form. Companies are advised to submit all the relevant documents when applying for the BPG.

Companies are encouraged to submit all claims for the grant within three months of undertaking the activity. Claims must be accompanied with original receipts and invoices or copies certified by external auditors with relevant supporting documentary evidence related to the implementation of the activities concerned or work undertaken for making claims.

CONTRACTUAL OBLIGATION AND REPORTING

Companies approved the grant will be required to:-

(a) Sign a Letter of Acceptance with MATRADE indicating that if the company fails to fulfill its obligation in implementing the branding plan, MATRADE has the right to cancel the approval of the brand promotion grant and seek reimbursement of the grant already disbursed.

(b) Submit quarterly report based on the prescribed format or progress report based on the implementation milestone (whichever is earlier) of the activities implemented for which the grant is disbursed.

technology capabilities and usage of ICT, and to modernise and upgrade their skills and competencies.

DEVELOPMENT OF STANDARDS

In August 2004, the government launched the Malaysian Standards Governing *Halal* Food: Production, Preparation, Handling and Storage-General Guidelines (MS1500:2004). The Government will intensify efforts to promote this standard internationally. This is being done through the regional and international fora, such as the Organisation of Islamic Conference and the Association of South East Asian Nations, as well as through bilateral Free Trade Agreements.

In 2004, a total of 261 (or 80 per cent) from the total of 326 new standards adopted for the year were aligned with international standards. Cumulatively, as at December 2004, a total of 3,715 Malaysian Standards were developed, and 1,913 (50 per cent) of these were aligned with international standards.

In an effort to promote high quality Malaysian goods and encourage Malaysian companies obtain international quality standards, the 2005 Budget has provided for double deduction on expenses incurred for this purpose.

Some of the on-going initiatives in the development of standards include:

- continuous development of new Malaysian Standards, including in areas such as electrical products, medical devices and equipment, agricultural produce and herbal products, civil engineering sector, ICT, internal sanitary plumbing; and

- reviewing Malaysian Standards that are more than five years in place to ensure relevance.

Table 3.4
Malaysian Standards and Mandatory Standards for Selected Sectors as at December 2004

Sectors	No. of Malaysian Standards (MS)	No. of Mandatory Standards	No. of MS Aligned Internationally
Overall Total	**3,715**	**123**	**1,913**
Chemicals and Chemical Products	499	4	221
Information Technology, Communications and Multimedia	523	Nil	481
Electrotechnical	551	57	439
Food and Agriculture	478	3	84
Plastics & Plastic Materials	280	Nil	146
Civil Engineering & Construction	204	39	27
Mechanical Engineering	196	4	79
Rubber & Rubber Products	138	Nil	86
Petroleum and Gas	115	3	45
Quality Management & Quality Assurance	96	Nil	94
Road Vehicles	79	3	22
Packaging & Distribution	71	Nil	39
Fire Safety & Fire Protection	65	8	15
Consumer Product & Safety	53	Nil	13
Iron and Steel	72	2	35

Source: Department of Standards, Malaysia

The National Standards and Strategy Plan was approved by Cabinet in October 2004. Five main strategies in the Plan are to ensure:

- wider adoption of Malaysian Standards in technical regulations;
- stakeholder participation and support of standardisation at regional and international levels;
- strategic involvement in regional and international standardisation activities;
- timely delivery of Malaysian Standards that meet the current and future needs of stakeholders; and
- greater awareness and usage of Malaysian Standards by Government, private sector and consumers in procurement, trade, production, manufacturing and provision of services.

HUMAN RESOURCE AND SKILLS DEVELOPMENT

Malaysia continued to emphasise high value-added and technology-intensive activities. In line with this, measures have been undertaken to enhance the supply and quality of skilled and knowledge workers.

The National Vocational Training Council (NVTC) coordinates the planning and development of vocational and industrial training activities of public sector training agencies, as well as private training institutions. In 2004, these skills training centres conducted 7,028 skills enhancement programmes throughout the country.

Human Resource Development Fund

In 2004, the Human Resource Development Fund (HRDF) continued to be an important mechanism for the re-training and skills upgrading of employees in industry. As at December 2004, out of 8,842 employers registered with the Fund, 75.9 per cent were from the manufacturing sector. In 2004, a total of 465,124 employees were trained, involving financial assistance of RM243.4 million.

National Dual Training System

In 2004, NVTC with technical assistance from Germany, formulated the National Dual Training System. This System includes five training programmes in the areas of production technology, industrial electronics, petrochemical, automotive and insurance. The System will be launched in 2005.

Employment of Foreign Labour

The inter-agency Committee on Foreign Labour formed in MITI continued to expedite the evaluation and decision-making processes for the application of foreign labour employment in the manufacturing sector, located in Peninsular Malaysia.

As at December 2004, applications for the recruitment of 200,519 foreign workers were received from 4,925 companies. Of these, a total of 80,325 foreign workers from 2,610 companies were approved. Rejections were mainly due to the inability of the companies to meet the local-to-foreign worker ratio, as well as the sales value and paid-up capital criteria. On a sectoral basis, wood and furniture accounted for 21 per cent of the foreign workers approved, followed by E&E (15.4 per cent).

RESEARCH AND DEVELOPMENT

Various initiatives and measures have been undertaken by the Government to facilitate the private sector's involvement in R&D and technology development.

In April 2004, the National Innovation Council was established. Chaired by the Prime Minister, the aim of the Council was to rationalise and strengthen the national innovation system across all technology areas. The Council will resolve issues and ensure sharing of best practices and lessons learnt from the respective technology areas.

In the 2005 Budget, the Government announced the restructuring of R&D activities to meet market demands. Four main areas were identified for R&D and commercialisation, namely, biotechnology, ICT, advanced materials and advanced manufacturing.

New incentives for R&D include the provision of appropriate royalties, and equity ownership in entities that commercialise R&D findings. Grants available for Malaysian companies to undertake R&D include:

- Commercialisation of Research and Development Fund;
- Intensification of Research in Priority Areas; and
- Industry Research and Development Grant Scheme

OUTLOOK

Changes in the marketplace and technology will continue to impact the manufacturing and related services sector. To enable these sectors to adapt to these changes, and also to compete successfully, the Government will focus on providing the necessary support for upgrading the technological capacity, skills development and R&D activities of industry. Measures will also be taken to promote productivity and quality improvement of Malaysian companies, especially, the SMEs.

New growth areas will continue to be given incentives to attract domestic and foreign capital, skills and technology. In this context, the services sector will continue to be promoted because of its importance in terms of employment and income generation.

Chapter 4

Investments: Manufacturing And Manufacturing-Related Services Sectors

OVERVIEW

In 2004, the manufacturing sector continued to register a large number of approvals for investments. A total of 1,101 projects, the highest number recorded in a single year, were approved. Investments in approved projects amounted to RM28.7 billion in 2004, which was slightly lower than the RM29.1 billion recorded for 2003. However, the investments approved in 2004 exceeded the annual target of RM25 billion set under the Second Industrial Master Plan (IMP2).

Of the 1,101 approved projects for the year, 603 were new projects involving investments of RM18.6 billion, accounting for 64.8 per cent of total investments. In comparison, there were 514 new projects approved in 2003, with investments of RM22.4 billion.

Existing manufacturing companies continued to favourably expand and diversify their operations in 2004, compared with 2003. About 45 per cent (498) of the total number of approved projects were for expansion or diversification, involving investments of RM10.1 billion, compared with 451 approved expansion/diversification projects, with investments of RM6.7 billion in 2003.

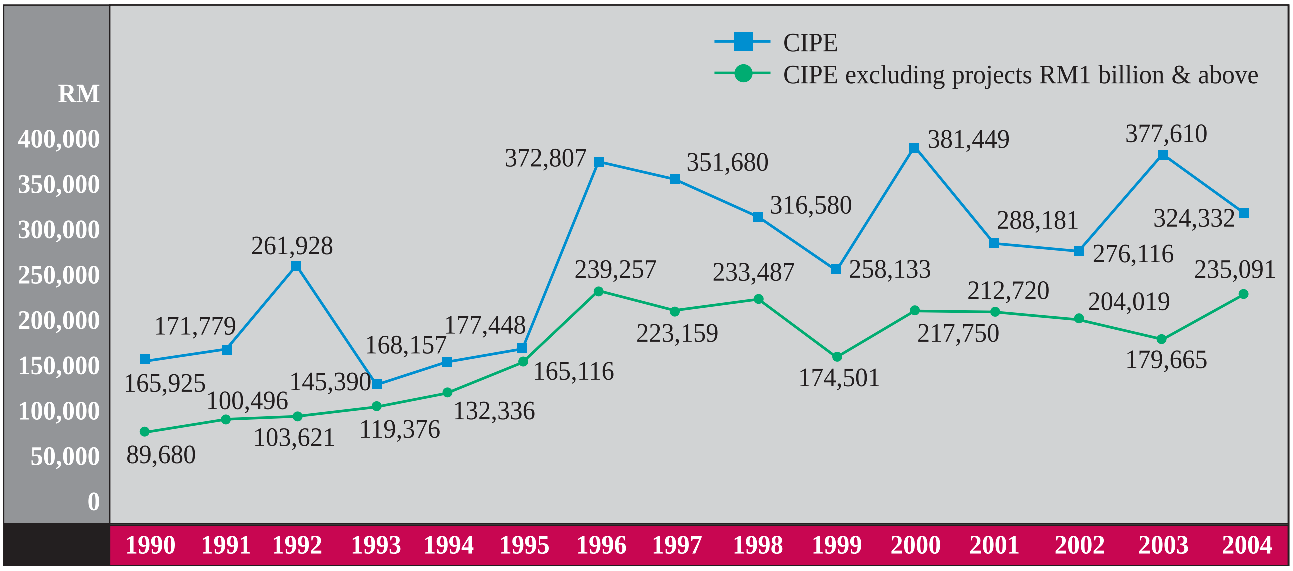
Capital intensity, as measured by the capital investment per employee ratio (CIPE), of projects approved in 2004, was RM324,332. The CIPE ratio of manufacturing projects has shown an upward trend since 1990 (RM165,925), reflecting the shift towards more capital-intensive, higher value-added and technology-intensive industries. If projects with investments of RM1 billion and above are discounted to remove the effects of unusually

Table 4.1:
Approved Manufacturing Projects, 2004

	Total		New		Expansion/Diversification	
	2004	2003	2004	2003	2004	2003
Number of Projects	1,101	965	603	514	498	451
Potential Employment	88,618	77,182	51,901	46,834	36,717	30,348
	RM million					
Proposed Called-up Capital	4,450.6	6,613.7	3,343.9	6,058.4	1,106.7	555.3
Malaysian Equity	2,707.4	1,941.1	1,977.8	1,774.7	729.6	166.4
- Bumiputera	1,168.0	903.1	931.6	864.2	236.4	38.9
- Public Corporation	-	85.0	-	85.0	-	-
- Non-Bumiputera	1,539.4	953.0	1,046.2	825.5	493.2	127.5
Foreign Equity	1,743.2	4,672.6	1,366.1	4,283.7	377.1	388.9
Loan	14,576.8	12,843.5	10,144.5	11,314.4	4,432.3	1,529.1
Other Sources	9,714.4	9,687.5	5,152.0	5,068.5	4,562.4	4,619.0
Total Proposed Capital Investment	28,741.8	29,144.7	18,640.4	22,441.3	10,101.4	6,703.4
- Local	15,629.5	13,504.3	9,544.9	11,248.9	6,084.6	2,255.4
- Foreign	13,112.3	15,640.4	9,095.5	11,192.4	4,016.8	4,448.0

Source: Malaysian Industrial Development Authority

Chart 4.1:
Approved Projects by CIPE Ratio, 2004



Source: Malaysian Industrial Development Authority

large projects, the CIPE ratio in 2004 was RM235,091.

In 2004, a total of 41 projects were approved with investments of RM100 million or more each. Investments in these capital-intensive projects amounted to RM18.1 billion, or 63.1 per cent of total investments.

About 70 per cent (421) of the new approved projects in 2004, were small and medium-sized projects, involving investments of less than RM10 million. These were mainly in fabricated metal products (70), machinery manufacturing (45), electrical and electronics (E&E) (44), transport equipment (42), plastic products (36), food manufacturing (31) and chemicals and chemical products (30).

The E&E industry continued to attract high levels of investment. In 2004, E&E attracted investment commitments amounting to RM8.6 billion, followed by paper, printing and publishing (RM4.7 billion), chemicals and chemical products (RM3 billion), basic metal products (RM1.9 billion) and petroleum products including petrochemicals (RM1.9 billion). These five industries accounted for RM20.1 billion, or 70 per cent of total investments approved.

Potential employment in approved projects totalled 88,618, of which 53.9 per cent (47,798 jobs) will be in the managerial, technical, supervisory and skilled manpower categories. Industries with high levels of employment in these categories were E&E (24,508), fabricated metal products (8,568), transport equipment (6,669), textiles and textile products (5,865), plastic products (5,096) and furniture and fixtures (6,179).

In 2004, a total of 1,520 expatriate posts were approved, of which 276 were permanent key posts. The remaining 1,244 were term posts generally granted for three to five years, where Malaysians are trained to eventually take over the posts.

SOURCES OF INVESTMENT

Domestic Investments

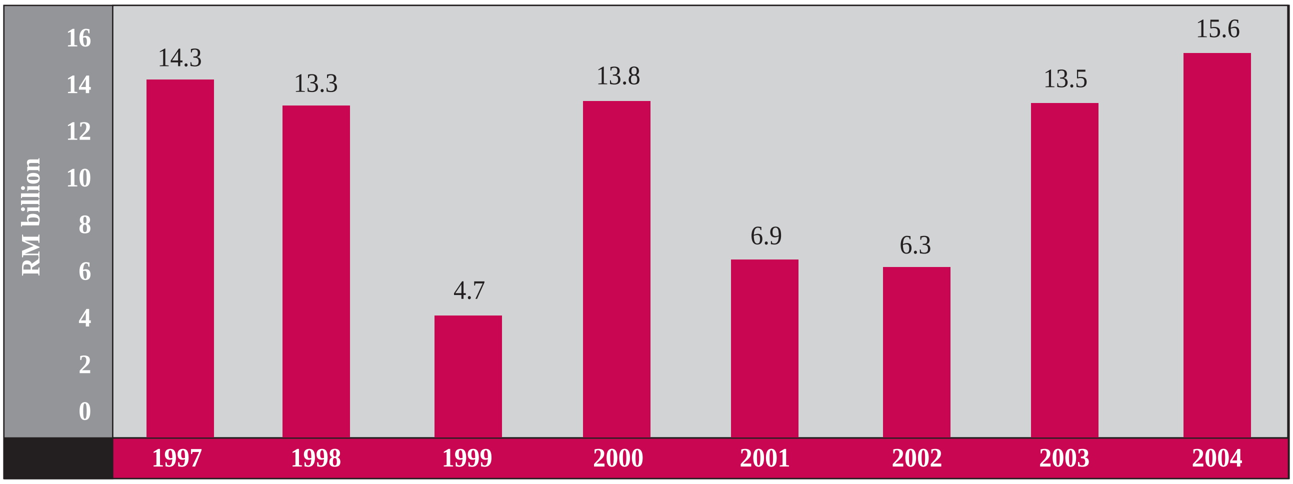
The level of domestic investments approved in 2004 was the highest recorded since 1997. Approved projects in 2004 involved domestic investments of RM15.6 billion, which accounted for 54.4 per cent of total investments. The bulk of the investments, amounting to RM9.5 billion were in new projects, while RM6.1 billion were in expansion/diversification projects.

Table 4.2:
Approved Manufacturing Projects by Industry

Industry	2004					2003				
	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	**28,741.8**	**13,112.3**	**15,629.5**	**1,101**	**88,618**	**29,144.7**	**15,640.4**	**13,504.3**	**965**	**77,182**
E&E products	8,605.7	6,804.9	1,800.8	194	24,508	4,977.6	3,629.9	1,347.7	185	17,488
Paper, printing and publishing	4,723.1	1,361.8	3,361.4	36	3,063	254.0	102.5	151.5	23	1,358
Chemicals and chemical products	3,009.5	556.3	2,453.2	68	3,093	955.4	357.1	598.3	44	1,808
Basic metal products	1,928.0	264.7	1,663.3	32	2,632	8,711.1	4,226.6	4,484.5	31	3,231
Petroleum products (incl. petrochemicals)	1,902.5	812.3	1,090.1	16	387	444.2	436.9	7.2	11	223
Transport equipment	1,323.7	245.6	1,078.1	108	6,669	6,979.2	3,989.3	2,989.9	86	7,922
Fabricated metal products	1,192.7	736.3	456.4	140	8,568	1,294.5	597.6	696.9	118	8,823
Food manufacturing	1,116.1	384.8	731.4	74	3,465	1,077.3	439.0	638.3	97	7,224
Wood and wood products	897.5	236.1	661.4	44	6,439	1,084.8	334.7	750.0	37	5,913
Textiles and textile products	821.6	367.6	454.0	36	5,865	292.7	77.8	214.9	34	1,846
Non-metallic mineral products	774.9	380.7	394.2	42	3,187	453.5	326.2	127.3	23	1,170
Plastic products	679.4	272.4	406.9	87	5,096	877.1	527.8	349.2	82	5,374
Machinery manufacturing	406.3	116.1	290.1	80	2,852	638.8	172.4	466.5	79	3,369
Rubber products	385.2	109.8	275.4	29	3,306	211.2	106.4	104.8	21	1,101
Beverages and tobacco	377.6	282.6	95.0	10	809	16.0	0.1	15.9	4	162
Furniture and fixtures	344.8	103.5	241.3	56	6,179	312.5	39.3	273.2	49	6,684
Scientific and measuring equipment	83.3	49.5	33.8	16	751	462.5	216.6	245.9	24	2,368
Leather and leather products	24.0	5.4	18.5	5	156	5.5	5.5	-	2	80

Source: Malaysian Industrial Development Authority

Chart 4.2:
Domestic Investments by Approved Projects, 2004



Source: Malaysian Industrial Development Authority

The higher level of domestic investments could be attributed to the further strengthening of the Malaysian economy, a more favourable external environment, incentives introduced to encourage Malaysian-owned companies to reinvest in specific manufacturing sectors and liberalised equity guidelines for the manufacturing sector.

Of the 1,101 approved projects, 699 projects or 63.5 per cent were Malaysian-owned, involving investments of RM16.5 billion (2003:RM10.9 billion). The majority of these projects were new (449), while the remaining 250 involved expansion/diversification. Investments in new projects amounted to RM10.7 billion (64.8 per cent), while investments in expansion/diversification projects totalled RM5.8 billion.

Investments by Malaysian-owned companies in new projects were concentrated in paper, printing and publishing (RM4.4 billion), basic metal products (RM1.4 billion) and chemicals and chemical products (RM1.3 billion). The other industries with high levels of investments, include transport equipment (RM492.3 million), textiles and textile products (RM478.7 million), E&E (RM465.7 million) and plastic products (RM354.2 million).

A majority of new projects undertaken by Malaysian-owned companies (323 projects or 71.9 per cent) were in the small and medium-sized category, with investments of less than RM10 million. These projects were largely in fabricated metal products (51 projects), transport equipment (35), machinery manufacturing (34), E&E (33), food manufacturing (26), plastic products (24), chemicals and chemical products (22) and furniture and fixtures (22). These included a number of projects for the manufacture of high value-added products such as medical devices, components and parts for the automotive and the aerospace industry, as well as specialised components and parts for the machinery industry.

Expansion/diversification projects were also undertaken by Malaysian-owned companies, mainly in E&E (RM1.3 billion), chemicals and chemical products (RM1.3 billion), petroleum products including petrochemicals (RM684.5 million), transport equipment (RM527.2 million), wood and wood products (RM464.4 million) and food manufacturing (RM404.2 million).

Malaysian-owned companies were also involved in several capital-intensive projects with investments of RM100 million and above. A total of 21 approved projects were in this category, with investments amounting to RM9.9 billion. They were mainly in paper, printing and publishing (RM4.3 billion), chemicals and

Table 4.3:
Approved Manufacturing Projects with Malaysian Majority

Industry	2004						2003					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Number of Projects	Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)
Total	**699**	**16,501.5**	**449**	**10,662.4**	**250**	**5,839.1**	**553**	**10,944.5**	**361**	**8,276.6**	**192**	**2,667.9**
Paper, printing and publishing	28	4,623.1	19	4,398.4	9	224.6	13	160.4	12	126.8	1	33.6
Chemicals and chemical products	50	2,628.3	32	1,333.9	18	1,294.3	27	826.0	18	446.4	9	379.6
E&E products	73	1,795.3	45	465.7	28	1,329.6	67	1,965.4	33	1,663.0	34	302.4
Basic metal products	26	1,666.0	17	1,439.9	9	226.2	26	741.2	15	169.2	11	572.0
Transport equipment	87	1,019.5	52	492.3	35	527.2	59	3,046.4	38	2,728.0	21	264.4
Food manufacturing	56	718.3	36	314.1	20	404.2	53	685.3	40	601.6	13	83.6
Petroleum products (incl. petrochemicals)	10	691.4	4	6.9	6	684.5	6	7.1	2	3.8	4	3.3
Textiles and textile products	27	566.6	15	478.7	12	87.8	26	207.9	18	154.1	8	53.8
Wood and wood products	29	555.7	14	93.3	15	464.4	30	845.5	17	625.0	13	220.5
Machinery manufacturing	58	303.1	43	263.6	15	39.6	54	495.7	38	237.4	16	258.3
Plastic products	48	416.9	34	354.2	14	62.8	39	351.6	25	242.6	14	109.0
Fabricated metal products	82	416.3	58	342.8	24	73.5	59	733.5	37	485.3	22	248.1
Non-metallic mineral products	26	349.6	14	235.1	12	114.5	16	132.8	14	124.9	2	8.0
Furniture and fixtures	42	254.8	25	145.9	17	108.9	42	276.3	29	173.7	13	102.6
Rubber products	19	214.4	9	35.9	10	178.5	13	120.3	10	110.7	3	9.6
Beverages and tobacco	4	100.9	4	100.9	-	-	4	16.0	1	12.7	3	3.4
Scientific and measuring equipment	8	35.0	7	33.0	1	2.0	11	297.4	8	281.7	3	15.7
Leather and leather products	3	18.5	1	4.0	2	14.5	-	-	-	-	-	-

Source: Malaysian Industrial Development Authority

chemical products (RM2 billion), basic metal products (RM1.3 billion) and E&E (RM1 billion).

Foreign Investments

Malaysia continued to be an attractive destination for FDI, despite growing competition for global investments. A total of 583 projects were approved in 2004, with total foreign investments of RM13.1 billion or 45.6 per cent of total investments approved. In comparison, 587 projects with foreign investments of RM15.6 billion were approved in 2003.

Foreign investments increased in several industries in 2004, compared with 2003, particularly in E&E which received the highest investments (RM6.8 billion compared with RM3.6 billion) followed by paper, printing and publishing (RM1.4 billion compared with RM102.5 million). Other industries which recorded increases were petroleum products including petrochemicals (RM812.3 million compared with RM436.9 million); fabricated metal products (RM736.3 million compared with RM597.6 million); and chemicals and chemical products (RM556.3 million compared with RM357.1 million) and food manufacturing (RM384.8 million).

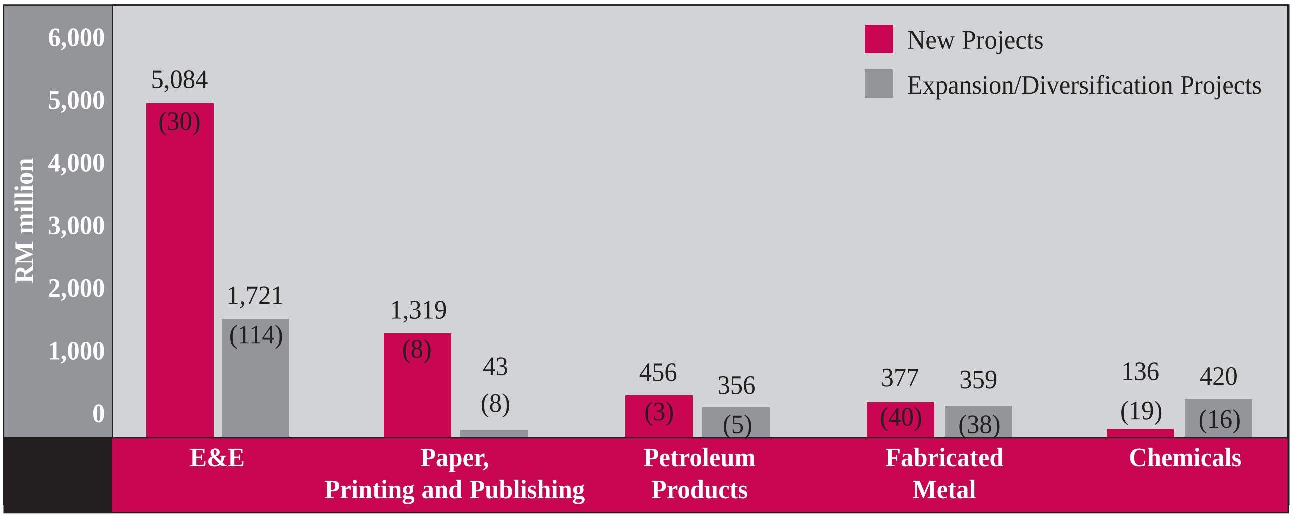
In 2004, a total of 29 capital-intensive projects with investments of RM100 million or more each, involving foreign investments totalling RM9.2 billion, were approved. These were for a wide range of industries including nine projects (RM5.5 billion) in E&E, one for paper, printing and publishing (RM1.3 billion) and three for petroleum products including petrochemicals (RM752.7 million).

Besides these large projects, there was also foreign participation in small and medium-sized new projects with investments of less than RM10 million. A total of 151 of such new projects were approved in 2004, with investments totalling RM489.8 million.

Foreign investments in new projects amounted to RM9.1 billion in 2004, compared with RM11.2 billion in 2003. Foreign investments in new projects were mainly in E&E (RM5.1 billion), paper, printing and publishing (RM1.3 billion), petroleum products including petrochemicals (RM455.9 million) and fabricated metal products (RM376.7 million).

Existing foreign investors remained positive and continued to undertake expansion/diversification activities in 2004. Reinvestments by foreign investors amounted to RM4 billion (2003:RM4.4

Chart 4.3:
Approved Projects with Foreign Participation by Major Industry, 2004



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

Table 4.4:
Approved Projects with Foreign Participation

Country	2004		2003	
	Foreign Investment (RM million)	Number of Projects	Foreign Investment (RM million)	Number of Projects
Germany	4,723.7	14	170.4	19
Singapore	1,512.9	162	1,224.9	156
USA	1,058.8	27	2,181.7	31
Japan	1,010.6	85	1,295.8	123
Taiwan	445.8	79	622.0	57
ROK	290.3	24	446.9	17
India	291.7	7	47.0	8
PRC (including Hong Kong)	236.9	28	349.9	29
Canada	216.3	7	3.0	2
Philippines	215.4	1	33.8	2
Denmark	180.0	1	8.8	5
France	137.4	10	43.5	8
UK	132.3	10	3,870.4	13
Switzerland	121.1	3	13.5	4
British Virgin Islands	112.9	5	33.4	1
Australia	109.1	12	105.1	20
Netherlands	99.2	9	316.2	15
Indonesia	86.7	2	48.5	3
Cayman Islands	57.3	3	1.8	1
New Zealand	53.4	3	-	-
Thailand	36.9	3	263.6	4
Italy	30.9	4	10.5	3
Finland	30.0	1	0.2	1
Sweden	28.7	4	33.5	1
Armenia	21.0	1	-	-
Spain	9.7	1	-	-
Iran	4.4	2	1.9	1
Tunisia	1.2	1	-	-
Pakistan	0.9	3	-	-

Source: Malaysian Industrial Development Authority

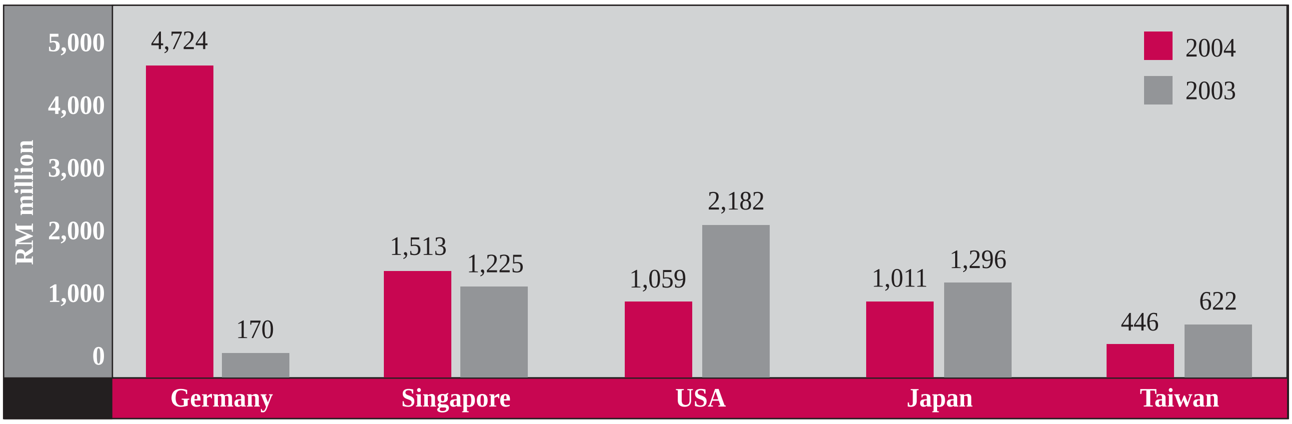
billion), or about 40 per cent of total reinvestments (RM10.1 billion). As in previous years, foreign investments were particularly strong in E&E (RM1.7 billion), followed by chemicals and chemical products (RM420.3 million), fabricated metal products (RM359.6 million), and petroleum products including petrochemicals (RM356.4 million).

Major Sources of Foreign Investments

The top five sources of foreign investments were Germany (RM4.7 billion), Singapore (RM1.5 billion), the USA (RM1.1 billion), Japan (RM1 billion) and Taiwan (RM445.8 million). These five countries accounted for 67 per cent of total foreign investments in approved projects. By region, Europe accounted for the largest share with RM5.5 billion followed by Asia (RM4.1 billion) and North America (RM1.3 billion).

Germany. Germany emerged as the largest source of foreign investments in 2004 with investments of RM4.7 billion in 14 projects compared with RM170.4 million in 19 projects in 2003. Investments were mainly in new projects totalling RM4.5 billion (seven projects) and expansion/diversification projects (seven projects/RM259.7 million).

Chart 4.4:
Foreign Investments in Approved Projects by Country



Source: Malaysian Industrial Development Authority

German investments in new projects were concentrated in E&E (three projects/ RM4.3 billion) and one for petroleum products including petrochemicals (RM103.3 million). Among the major new projects approved in E&E was a wafer fabrication project (RM4.3 billion) by the world's largest manufacturer of power logic integrated circuits. This will be the first power logic wafer fabrication project to be undertaken wholly by a foreign-owned MNC in Malaysia. Another new project, with German investments of RM103.3 million, was for the production of polybutylene terephthalate (PBT) resin, an engineering plastic used mainly in the E&E and automotive industry.

German investments in expansion/ diversification projects comprised four in E&E RM165.4 million, one in basic metal products (RM42 million) and one in chemicals and chemical products (RM39 million). These included an expansion project by a company to manufacture enamelled copper wires, involving an investment of RM159 million, making Malaysia its manufacturing centre for ultra fine wires.

Singapore. Singapore was the second largest source of foreign investments in 2004, with the largest number of approved projects. A total of 162 projects with Singapore participation were approved, with investments amounting to RM1.5 billion. Of the total investments approved, RM569.9 million were in 76 new projects, while RM943.1 million were in 86 expansion/diversification projects. In 2003, Singapore's participation was in a total of 156 projects (RM1.2 billion).

Singapore's investments in new projects were mainly in fabricated metal products (RM209.8 million), food manufacturing (RM84.4 million), plastic products (RM79.3 million), E&E (RM46.5 million), paper, printing and publishing (RM27.7 million), non-metallic mineral products (RM21.9 million) and transport equipment (RM20.4 million).

Singapore's investments in expansion/ diversification projects were concentrated in E&E (RM614.3 million), fabricated metal products (RM180.2 million), plastic products (RM62.6 million), paper, printing and publishing (RM30 million) and chemicals and chemical products (RM24.4 million). Among the larger expansion/diversification projects was a RM222.8 million investment by a wholly-owned Singapore company to produce remote control units, connectors, compact disc (CD) mechanisms, smart card readers and MP3 players. An expansion/ diversification project, with investments of RM117 million, was approved for the production of moulds, tools and dies.

Singapore's investments continued to be in small and medium-sized projects involving investments of less than RM10 million. Of the total of 162 projects, 113 (70 per cent) were approved in this category, with investments totalling RM301.7 million.

As in the previous years, more than half (98 projects) of the total number of projects approved with Singapore's participation were for location in the state of Johor. These projects involved investments of RM1 billion, or 67 per cent of Singapore's total investments in 2004.

The United States of America. The USA continued to be a major source of investments in 2004 with 27 projects, involving investments of RM1.1 billion compared with 31 projects, with investments of RM2.2 billion, in 2003. The higher investments in 2003 were attributable to an expansion project to produce hard disk drives, involving investments of RM1.3 billion. In 2004, US investments in new projects amounted to RM349.4 million (eight projects) while investments in expansion/diversification projects amounted to RM709.5 million (19 projects).

US investments in new projects were mainly in E&E (two projects/RM292.2 million), scientific and measuring equipment (two projects/RM28.1 million) and one project in chemicals and chemical products (RM11.9 million). One large project in E&E involving an investment of RM282.8 million was by one of the world's largest global electronics components distributors, to undertake semiconductor device programming, ancillary manufacturing and technical support to semiconductor manufacturers, as well as supply chain management.

US investments in expansion/diversification projects were concentrated in E&E (nine projects/RM323.7 million) and one in petroleum products including petrochemicals (RM298.1 million). These included an expansion/diversification project with an investment of RM160.8 million to produce computers, computer peripherals, printed circuit board (PCB) assemblies, networking equipment and medical devices. In the petroleum products (including petrochemicals) industry, a major project was for expansion of production of ethylene, propylene, pyrolysis gasoline, fuel oil, toluene and xylene as well as production of a new product, butadiene, involving an additional investment of RM298.1 million.

Japan. Japan was an important source of investments in 2004 with investments of RM1 billion in 85 projects. Investments in new projects totalled RM427.8 million (15 projects), while investments in expansion/diversification projects amounted to RM582.8 million (70 projects).

Japan's investments in new projects were mainly in E&E (RM252.6 million) and petroleum products including petrochemicals (RM103.3 million). Among these new projects, was a RM246 million investment to produce mask blanks for thin film transistor liquid crystal display (TFT-LCD) panels, which will make Malaysia a centre for the development and manufacture of mask blanks.

In 2004, Japan's investments in expansion/ diversification projects were mainly in E&E (RM239.8 million), transport equipment (RM94.1 million), fabricated metal products (RM59.2 million) and non-metallic mineral products (RM53 million). Among these projects was an expansion project (RM91.7 million) to design and manufacture 3G mobile phones for the export market.

Taiwan. Taiwan remained an important source of foreign investments with 79 approved projects involving investments of RM445.8 million. Of the total investments, RM194.5 million were in 31 new projects, while RM251.3 million were in 48 expansion/ diversification projects.

Taiwan's investments in new projects were mainly in E&E (RM42.1 million), rubber products (RM40 million), fabricated metal products (RM25.2 million) and furniture and fixtures (RM21 million). These included a RM17.4 million project for the production of precision lenses for industrial and electronics applications, and a RM34.9 million project to recycle rubber flakes into recovered oil and carbon black powder.

Taiwan's investments in expansion/ diversification projects were concentrated in E&E (RM81.2 million), chemicals and chemical products (RM63.3 million), furniture and fixtures (RM48.9 million), petroleum products including petrochemicals (RM15 million), and fabricated metal products (RM11.8 million). One major expansion/ diversification project approved in the chemicals and chemical products industry was for the production of fatty alcohol, fatty acids and glycerine, with investments of RM57.3 million. Taiwan's investments in the E&E industry were mainly in the consumer electronics and electronic components sub-sectors, such as for the production of television sets, plasma display projectors, digital video broadcasting devices, LCD television receivers, speaker systems and multimedia networking devices.

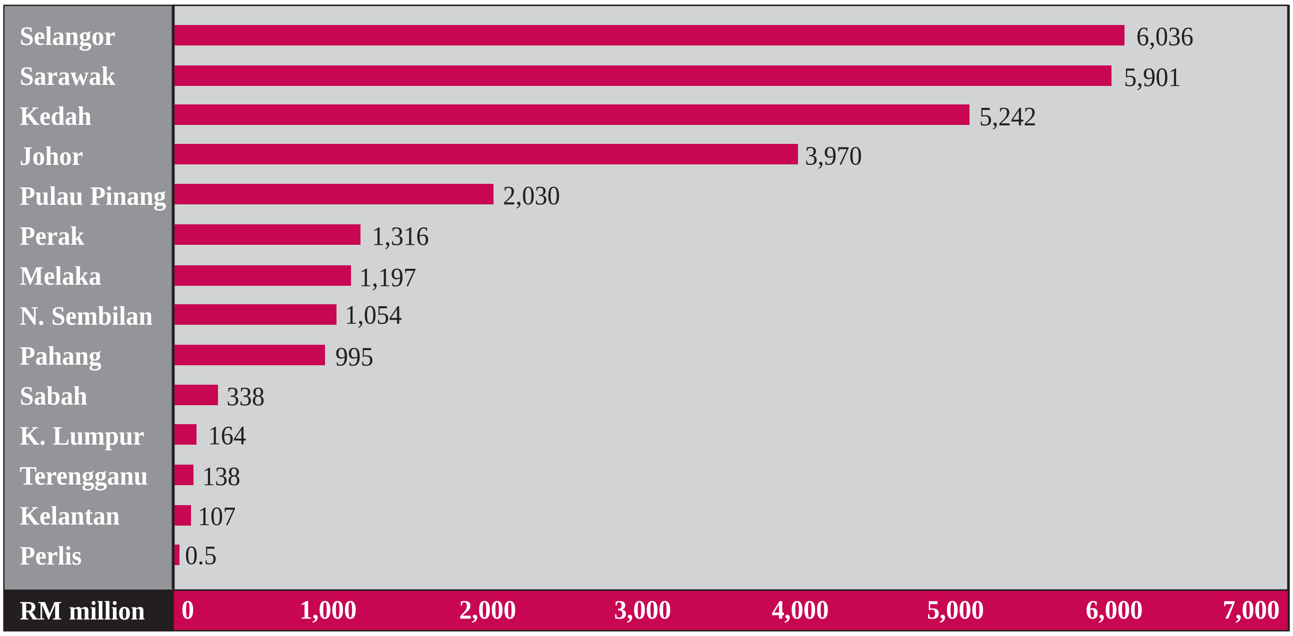
LOCATION OF APPROVED PROJECTS

In 2004, approved projects were mainly for location in the states of Selangor (336), Johor (255), Pulau Pinang (144), Kedah (65), Melaka (56), Perak (54) and Sarawak (45). Together, these seven states accounted for 955 projects, or 86.7 per cent of the total number of projects approved in the same year.

By value, the level of investments registered was highest in the state of Selangor (RM6 billion) followed by Sarawak (RM5.9 billion), Kedah (RM5.2 billion), Johor (RM4 billion), Pulau Pinang (RM2 billion), Perak (RM1.3 billion), Melaka (RM1.2 billion) and Negeri Sembilan (RM1.1 billion).

Enhanced incentives are offered to companies locating their projects in the promoted areas of the Eastern Corridor of Peninsular Malaysia and the states of Sabah and Sarawak. In 2004, a total of 117 projects, with investments of RM7.5 billion were approved for location in the promoted areas. Of these projects, 73 per cent were approved to be located in Sarawak (45 projects/RM5.9 billion) and Sabah (40 projects/RM338.5 million). Of the 32 projects approved to be located in

Chart 4.5:
Approved Projects by State, 2004



Source: Malaysian Industrial Development Authority

Table 4.5:
Approved Manufacturing Projects by State

State	2004						2003					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Number of Projects	Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)	Number of Projects	Total Capital Investment (RM million)
Total	**1,101**	**28,741.8**	**603**	**18,640.4**	**498**	**10,101.4**	**965**	**29,144.6**	**514**	**22,441.3**	**451**	**6,703.4**
Selangor	336	6,035.9	212	3,850.4	124	2,185.5	306	5,059.4	198	2,722.5	108	2,336.8
Sarawak	45	5,900.7	19	5,061.5	26	839.2	32	8,568.4	12	8,000.9	20	567.4
Kedah	65	5,241.8	31	4,895.9	34	345.9	49	879.4	25	589.3	24	290.1
Johor	255	3,969.9	120	1,314.2	135	2,655.7	219	1,956.8	109	966.0	110	990.7
Pulau Pinang	144	2,030.1	70	879.7	74	1,150.4	137	1,922.9	49	658.6	88	1,264.4
Perak	54	1,316.0	31	736.6	23	579.4	65	2,825.7	33	2,676.5	32	149.1
Melaka	56	1,197.4	33	363.8	23	833.6	37	4,057.7	15	3,937.2	22	120.5
Negeri Sembilan	44	1,054.3	21	466.7	23	587.6	46	1,844.1	22	1,729.5	24	114.6
Pahang	18	994.7	7	469.1	11	525.6	17	922.7	8	425.9	9	496.8
Sabah	40	338.5	32	203.2	8	135.3	20	153.5	15	97.1	5	56.4
W.P. - Kuala Lumpur	26	164.4	16	48.2	10	116.3	20	386.4	14	100.5	6	285.9
Terengganu	5	138.4	2	25.2	3	113.2	7	484.8	6	484.8	1	0.0
Kelantan	9	106.6	6	73.5	3	33.1	7	52.2	7	52.2	-	-
Perlis	1	0.5	-	-	1	0.5	3	30.6	1	0.2	2	30.4

Source: Malaysian Industrial Development Authority

the Eastern Corridor of Peninsular Malaysia, 18 projects (RM994.7 million) will be located in Pahang, nine projects in Kelantan (RM106.6 million) and five projects in Terengganu (RM138.4 million).

INCENTIVES GRANTED

The Government continues to grant incentives to a broad range of promoted products/ activities in the manufacturing sector. In 2004, a total of 403 projects, with investments amounting to RM18.9 billion, were granted incentives.

Tax Incentives for Manufacturing Projects

In 2004, a total of 257 projects were granted Pioneer Status (PS)/Investment Tax Allowance (ITA) involving investments of RM5.5 billion. Of these, 209 projects (RM4 billion) were granted PS, while 48 projects (RM1.5 billion) were granted ITA.

Domestic investments in the 257 projects amounted to RM4.3 billion, while foreign investments contributed RM1.3 billion. Investments were in a broad range of industries namely, basic metal products (RM1.3 billion), chemicals and chemical products (RM828.6 million), food manufacturing (RM479.2 million), wood and wood products (RM458.3 million) and petroleum products including petrochemical (RM429.4 million).

Incentives for Small Scale Manufacturing Projects

The Government continues to grant incentives to further promote the development of small scale manufacturing projects. In 2004, a total of 65 projects, with investments amounting to RM138 million, were granted this incentive.

The approved projects were mainly in fabricated metal products (18 projects/ RM34.3 million), food manufacturing (10 projects/RM24.8 million), furniture and fixtures (six projects/RM17.5 million) and wood and wood products (five projects/RM16.3 million).

Incentives for High-Technology Projects

Companies engaged in promoted activities, or production of promoted products in areas of new and emerging technologies, are granted incentives for high-technology projects. In 2004, a total of 30 projects, with total investments of RM467.8 million, were granted incentives for high-technology projects. Domestic investments in these 30 projects amounted to RM270.4 million, while foreign investments were valued at RM197.4 million.

Incentives for high-technology projects were approved in a wide range of industries, including E&E (16 projects/RM339 million), chemicals and chemical products (seven projects/RM84.3 million), scientific and

Table 4.6:
Projects Approved with Incentives, 2004

Type of Incentives	Number of Projects	Total Capital Investment (RM million)	Domestic Investment (RM million)	Foreign Investment (RM million)
Total	**403**	**18,969.3**	**11,311.8**	**7,657.5**
General	257	5,533.0	4,274.1	1,258.9
Small Scale Manufacturing	65	138.1	130.9	7.2
High-Technology	30	467.8	270.4	197.4
Strategic	3	776.1	747.1	29.0
Special Incentives for Selected Industries	26	254.3	189.3	65.0
Pre-Packaged	22	11,800.0	5,700.0	6,100.0

Source: Malaysian Industrial Development Authority

measuring equipment (two projects/ RM13.6 million), and machinery manufacturing (two projects/RM12.5 million).

Incentives for Strategic Projects
Strategic projects are those that are of national importance and generally involve heavy capital investments, high levels of technology, generate extensive linkages, and have significant impact on the economy.

In 2004, a total of three Malaysian-owned projects involving investments of RM776.1 million were granted incentives. These projects were one each in petroleum products including petrochemicals (RM536 million), transport equipment (RM140 million) and chemicals and chemical products (RM100 million).

Special Incentives for Selected Industries
The Government has enhanced the incentives for selected industries, namely for the production of specialised machinery and equipment, design, R&D and production of qualifying automotive component modules or systems, and the utilisation of biomass to produce value-added products.

In 2004, a total of 26 projects, involving investments of RM254.3 million, were approved these incentives. Of these, 21 projects were approved for the production of specialised machinery/equipment, with investments valued at RM121 million, four projects for the design, development and production of automotive component modules (RM120.3 million), and one project for the utilisation of biomass to produce value-added products (RM13.4 million). Domestic investments in these 26 projects amounted to RM189.3 million, while foreign investments amounted to RM65 million.

Pre-Packaged Incentives
Pre-package, or customised incentives (both tax and non-tax based), are available for selected projects. The projects considered for these incentives are those which are technology-intensive, capital-intensive, knowledge and skills-driven, capable of generating significant linkages, as well as those that contribute to the development of manufacturing support services such as R&D, procurement, marketing and distribution.

In 2004, a total of 22 manufacturing projects, with total investments of RM11.8 billion, were granted these incentives. Foreign investments amounted to RM6.1 billion, while domestic investments were valued at RM5.7 billion.

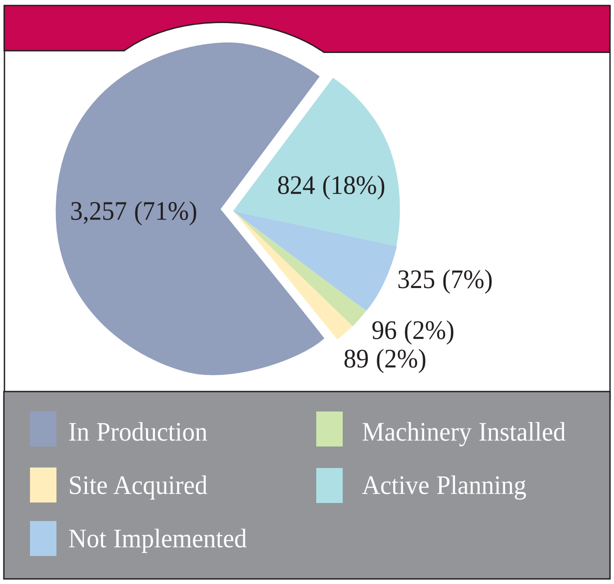
Of these 22 projects, a total of 11 approved projects were in the E&E industry with total investments of RM9.3 billion, followed by petroleum products including petrochemicals (RM1.1 billion), chemicals and chemical products (RM638.8 million), wood and wood products (RM368 million), basic metal products (RM178 million), non-metallic mineral products (RM103.1 million), biotechnology (RM110.1 million) and machinery manufacturing (RM48 million).

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS

The Project Implementation Coordinating Unit (PICU) in MIDA continues to assist manufacturing companies in the implementation of approved projects. Under the 2003 Economic Stimulus Package, the Government announced the 'hand-holding' measure which requires MIDA to appoint Special Project Officers (SPOs) to assist investors in obtaining all necessary approvals for projects until they are operational. The objective is to enhance the efficiency of the government delivery system and assist in achieving a higher rate of implementation of approved projects in the manufacturing sector.

To implement this measure, 22 officers, including 10 regional officers, have been assigned as SPOs to assist investors in the implementation of their projects in the respective states.

Chart 4.6:
Status of Implementation of Approved Projects, 2000-2004



Source: Malaysian Industrial Development Authority

For the period 2000-2004, a total of 4,591 projects were approved, of which 3,257 projects (71 per cent) are in operation. Out of the 3,257 projects, a total of 784 projects commenced operations in 2004. The remaining projects are in various stages of implementation.

Of the projects implemented, 943 are located in Selangor, followed by Johor (747), Pulau Pinang (513), Kedah (217), Perak (197) and Melaka (149). Together, these six states accounted for 84.9 per cent of the total number of projects implemented.

INVESTMENT IN SELECTED SERVICES SECTOR

Manufacturing-Related Services Sector

The manufacturing-related services sector covers regional establishments such as Operational Headquarters (OHQs), International Procurement Centres (IPCs), Regional Distribution Centres (RDCs), Regional Offices (ROs) and Representative Offices (REs), and other support services such as integrated logistics services, integrated market support services, integrated central utility facilities, cold chain facilities for food products, research and development (R&D), and renewable energy.

Regional Establishments

The global trend of outsourcing of services, coupled with the country's developed infrastructure, lower cost of doing business and the presence of an educated and multilingual workforce, continue to provide opportunities for Malaysia to become the centre for business support activities in this region.

The presence of regional establishments contribute to the growth of value-added services and supply chain activities for the overall manufacturing sector. These regional establishments have also created positive impact on the growth of the logistics industry as their logistics requirements are usually outsourced to local service providers. In addition, these services will lead to positive spin-offs to the economy, through the increased utilisation of local infrastructure, utilities and other related facilities. These establishments also strengthen inter and intra-linkages through the local sourcing of raw materials, parts and components and services.

In 2004, a total of 233 approvals were granted for the establishment of international and regional operations, with total annual estimated business spending of RM403.1 million, and employment of 1,954 Malaysian workers. The regional establishments approved comprise 16 OHQs, 21 IPCs, three RDCs, 36 ROs and 157 REs.

Support Services

The promotion of support services related to the manufacturing sector have been given greater emphasis under the IMP2.

In 2004, a total of 20 projects for support services, involving total investments of RM349.1 million, were approved with tax incentives. Of these, 12 projects were for R&D (RM83.9 million), seven projects for energy generation using renewable resources (RM156 million), and one project in integrated logistics (RM109.2 million).

Table 4.7:
Regional Establishments Approved, 2004

Regional Establishments	Number	Potential Employment (Malaysians)	Estimated Business Spending (RM million)
Total	**233**	**1,954**	**403.1**
Operational Headquarters (OHQs)	16	882	172.5
International Procurement Centres (IPCs)	21	498	114.2
Regional Distribution Centres (RDCs)	3	33	38.5
Regional/Representative Offices (ROs/REs)	193	541	77.9

Source: Malaysian Industrial Development Authority

ICT Services

MSC Status Companies

In 2004, a total of 190 companies were granted MSC status by the Multimedia Development Corporation to undertake various types of ICT activities such as software development, content development, system integration, hardware/electronics design and education and training. Approved investments were valued at RM1.9 billion, with foreign investments amounting to RM435.4 million (22 per cent) and domestic investments totalling RM1.5 billion (78 per cent).

Computer Software Development

Computer software covers game software, application software such as word processing, graphics, worksheet and data base, and software solutions such as network management, system integration, accounting software and management software.

In 2004, two new software projects were approved involving investments of RM2.5 million, both of which were Malaysian-owned. Software packages proposed to be developed are network security and image processing application.

OUTLOOK

Malaysia continued to attract investments into the manufacturing and related services sectors as evident by the high levels of domestic and foreign investments approved in 2004. Domestic investments in approved projects were the highest recorded since 1997, reflecting greater participation by domestic investors in the manufacturing sector. Foreign investments in certain key industries particularly E&E also increased.

According to UNCTAD, global FDI inflows are estimated to have increased to US$612 billion in 2004, after three consecutive years of decline, from US$1.4 trillion in 2000 to US$580 billion in 2003. FDI inflows to developing countries amounted to US$255 billion, or about 41.7 per cent of total global inflows in 2004. Of this, US$166 billion were inflows to the Asia and the Pacific region, primarily the PRC. In the future, India is expected to be another major destination of FDI. The Government will, therefore, continue with its efforts to improve the investment environment to ensure that Malaysia remains competitive.

Efforts will also be intensified to attract more investments in manufacturing-related services. In this context, the Government has already put in place an attractive package of incentives for regional establishments and other support services such as R&D, design and shared services. In addition, new service activities will be identified for promotion.

Chapter 5

Performance: Manufacturing And Manufacturing-Related Services Sectors

OVERVIEW

The manufacturing sector continued to be an important contributor to the economy, accounting for 31.6 per cent of GDP in 2004, compared with 30.8 per cent in 2003. Manufacturing was the fastest growing sector, with value added expanding by 9.8 per cent in 2004, compared with 8.3 per cent in 2003. This growth was supported by both domestic and external demand.

Table 5.1:
Manufacturing Sector Performance

Indicator	2004	Change (%)	2003
Production Index (1993 = 100)	254.7	12.6	226.1
Value Added Growth (%)	9.8	1.5	8.3
Share of Real GDP (%)	31.6	0.8	30.8
Investments Approved (RM billion)	28.7	-1.4	29.1
Productivity Growth (%) (Sales Value per Employee)	17.2	9.1	8.1
Share of Total Exports (%)	78.4	-1.0	79.4
Share of Total Employment	22.7	1.1	21.6

Source: Department of Statistics Malaysia, MIDA, NPC and MATRADE

The improved performance of the manufacturing sector is also reflected in the expansion in the sector's industrial output (measured by the industrial production index), sales value and productivity.

The Industrial Production Index is computed by the Department of Statistics, Malaysia (DOSM), and is based on a sample of 64 industries out of a total of 137 industries. The sales value of the manufacturing sector is derived from the Monthly Manufacturing Survey conducted by DOSM. This survey covers 73 industries out of a total of 137 industries, of which 11 are fully surveyed. For the remaining 62, only the larger establishments are covered in the survey.

The production index and sales value of the sector expanded by 12.6 per cent, and 19.7 per cent, respectively in 2004, compared with 10.5 per cent, and 10.9, in 2003. Productivity, as measured by sales value generated by each employee in the sector also recorded a double digit growth of 17.2 per cent, compared with 8.1 per cent in 2003.

Production

The Industrial Production Index (IPI) for the manufacturing sector increased 12.6 per cent

Table 5.2:
Production Indices of Selected Industries

Industry Sectors	2004	Change (%)	2003
Overall Manufacturing	**254.7**	**12.6**	**226.1**
Export-oriented industries	**268.3**	**14.4**	**234.6**
Semiconductors and other electronic components	439.0	25.0	351.3
Chemicals and chemical products	249.9	15.1	217.7
Palm oil products	270.4	4.5	258.7
Rubber-based products	230.7	13.5	203.2
Other E&E products	118.3	-12.8	135.7
Wood-based products	112.2	12.8	99.5
Textiles and apparel	96.5	-11.7	109.3
Domestic-oriented industries	**216.9**	**7.1**	**202.4**
Fabricated metal products	279.9	29.3	216.5
Transport equipment	258.4	8.6	237.9
Iron and steel products	215.8	2.6	210.3
Paper products	205.6	2.2	201.1
Petroleum products	473.3	11.8	423.4
Food manufacturing	193.9	4.0	186.4
Non-metallic mineral products	187.5	-4.9	197.1

Source: Department of Statistics, Malaysia
Note: Base Year 1993 = 100

to 254.7 from 226.1 in 2003. Export oriented industries expanded by 14.4 per cent, while domestic-oriented industries grew by 7.1 per cent.

In 2004, for the export oriented industries, the semiconductor and other electronic components sub-sector recorded the highest output growth, followed by the chemicals and chemical products and rubber products sub-sectors. For the domestic oriented industries, fabricated metal products registered the highest output growth followed by the petroleum products, and transport and equipment sub-sectors.

Exports

Manufactured exports accounted for 78.4 per cent of Malaysia's total exports. These exports, registered an increase of 19.2 per cent to reach RM376.8 billion, in 2004, compared with RM316.2 billion in 2003, with double digit growth recorded in all product sectors.

Electrical and electronics (E&E) products continued to be Malaysia's leading export earner, with receipts amounting to RM241.5 billion, or 50.2 per cent of Malaysia's total export revenue. The other products exported which exceeded the RM10 billion mark were chemicals and chemical products (RM24.9 billion), machinery, appliances and parts (RM15.6 billion), wood products (RM14.1 billion) and optical and scientific equipment (RM11.6 billion). Exports of these five products, including E&E products totalled RM307.7 billion, accounting for 64 per cent of Malaysia's total exports.

Products exported which were just below the RM10 billion mark were, textiles and apparel (RM9.7 billion) and manufactures of metal (RM9.6 billion).

Sales

Based on the Monthly Manufacturing Survey undertaken by DOSM, sales value of the

Table 5.3:
Export Performance of Manufactured Products

Product Group	2004			2003	
	RM billion	Share of Total Overall Exports (%)	Change (%)	RM billion	Share of Total Overall Exports (%)
Total Overall Exports	**480.7**	**100**	**20.8**	**397.9**	**100**
Total Exports Of Manufactured Goods	**376.8**	**78.4**	**19.2**	**316.2**	**79.4**
Electrical & Electronics products	241.5	50.2	14.6	210.7	53.0
Chemicals & chemical products	24.9	5.2	31.9	18.9	4.8
Machinery, appliances & parts	15.6	3.2	28.4	12.1	3.0
Wood products	14.1	2.9	24.5	11.3	2.8
Optical & scientific equipment	11.6	2.4	26.3	9.2	2.3
Textiles & apparel	9.7	2.0	14.4	8.5	2.1
Manufactures of metal	9.6	2.0	33.4	7.2	1.8
Iron & steel products	7.2	1.5	55.6	4.6	1.2
Rubber products	6.2	1.3	19.0	5.2	1.3
Processed food	6.1	1.3	22.0	5.0	1.2
Manufactures of plastics	5.6	1.2	23.1	4.5	1.1
Transport equipment	5.3	1.1	65.1	3.2	0.8
Non-Metallic mineral products	3.1	0.6	12.7	2.8	0.7
Jewellery	3.0	0.6	40.9	2.1	0.5
Paper & pulp products	1.8	0.4	18.6	1.4	0.4
Petroleum products	1.7	0.4	112.8	0.8	0.2
Beverages & tobacco	1.6	0.3	10.7	1.5	0.4

Compiled by: Ministry of International Trade and Industry

Table 5.4:
Sales of Selected Manufacturing Sub-sectors

Sub-sector	2004 (RM bil)	Change (%)	2003 (RM bil)
Semiconductor and other electronic components	110.0	9.6	100.4
Other E&E products	68.5	39.1	49.2
Chemicals and chemical products	45.3	36.7	33.2
Food manufacturing	12.0	9.2	11.0
Iron and steel products	14.6	43.8	10.2
Rubber-based products	14.2	20.9	11.8
Motor vehicles	11.2	7.0	10.4
Wood-based products	8.9	21.7	7.3
Textiles and apparel	8.4	3.9	8.0

Source: Department of Statistics, Malaysia

manufacturing sector rose by 19.7 per cent to RM408 billion, in 2004, from RM340.9 billion, in 2003.

The E&E sector registered total sales of RM178.5 billion in 2004, or 43.7 per cent of the total sales of the manufacturing sector. This was an increase of 19.3 per cent from the sales value of RM149.6 billion in 2003. The semiconductor and other electronic components sub-sector recorded the highest sales in 2004, totalling RM110 billion, compared with RM100.4 billion in 2003. This represented a share of 27 per cent of the total manufacturing sales value, or 61.6 per cent of the total sales of the E&E sector. Sales of semiconductors and other electronic components increased by 9.6 per cent due to continued growth in the US electronics market and outsourcing activities in the Asia Pacific region.

A total of 52 out of the 73 industries (71.2 per cent) covered in the DOSM Monthly Manufacturing Survey, recorded a sales value of RM1 billion and above in 2004. These industries registered a cumulative sales value of RM400.4 billion, which was 20.2 per cent or RM67.2 billion higher than the RM333.1 billion reported by the industries in 2003. The sales value of these 52 industries accounted for 98.1 per cent of the overall sales value reported in the manufacturing sector for all of 2004.

Employment
Employment in the manufacturing sector in 2004 increased by 3.1 per cent to 2,919,516 workers compared with 2,831,292 workers in 2003. Semiconductors and other electronic components remained the major sub-sector employing the highest number of workers.

ELECTRICAL AND ELECTRONICS INDUSTRY

Global demand for E&E products continued to increase in 2004, with strong growth in the main product category of semiconductor devices, integrated circuits, micro-assemblies, transistors and valves. However, the unexpected over-hang of stock in the first half of the year caused companies to experience a slightly slower growth in the second half of 2004.

The E&E sector remained the leading contributor to export earnings, investments, industrial output, value-added and employment in the Malaysian economy.

Production
The production index of semi conductors and other electronic component products increased by 25 per cent, due to strong global demand, especially from the United States of America (USA) and Asia Pacific region, arising from the wider applications of chips in

Table 5.5:
Industrial Production Index for Selected Electrical and Electronics Sub-sectors

Product Group	2004	Change (%)	2003
Semiconductor devices and other electronic components	439.0	25.0	351.3
Cables and wires	117.1	-9.1	128.8
Office, computing and accounting machinery	144.5	-7.7	156.6
Radio and television sets	114.5	-14.8	134.4

Source: Department of Statistics, Malaysia
Note: Base Year 1993 = 100

communications and consumer electronics, such as digital video devices (DVD) players and digital cameras.

However, output of other E&E products declined as a result of weak external demand and increased competition in the domestic market from the People's Republic of China (PRC). Production of radio and television sets, sound reproducing and recording equipment declined by 14.8 per cent.

Sales

Semiconductors and other electronic components remained the top contributors to E&E sales, amounting to RM110 billion, or 27 per cent of the total sales. This was in large part due to the increasing demand from the Asian region, especially the PRC and Hong Kong, following the expansion in outsourcing activities in the region. Consumer demand in the Asian region is rapidly expanding and is expected to surpass that of Europe to become second only to the USA. The continued growth of the US electronics market and the global demand for electronic products had a positive impact on the Malaysian electronics industry in 2004.

Sales of office, computing and accounting machinery increased significantly by 112 per cent to RM33.7 billion in 2004, compared with RM15.9 billion in 2003. This was due to the expanding consumer demand for more advanced computing, digital processing, and wireless technology, lifestyle-changing devices and gadgets.

Table 5.6:
Sales of Selected E&E Products

Product group	2004 (RM bil)	Change (%)	2003 (RM bil)
Total	**178.5**	**19.3**	**149.6**
Semiconductor devices and other electronic components	110.0	9.6	100.4
Office, computing and accounting machinery	33.7	112.0	15.9
Radio and television sets	29.5	3.0	28.7
Cables and wires	5.2	11.6	4.7

Source: Department of Statistics, Malaysia

Sales of radio and television sets, sound reproducing and recording equipment increased by 3 per cent in 2004, compared with 2.5 per cent increase in 2003. Consumer demand for products such as digital home systems, telematics or automotive electronics contributed to this increase.

Employment

Total employment in the E&E sector recorded an increase of 0.4 per cent to 356,554 in 2004, from 355,077 in 2003 as a result of increased demand for E&E products. The semiconductor product group remained the largest employer, employing 258,512 workers, representing 72.5 per cent of the total industry workforce.

Table 5.7:
Employment by Selected E&E Sub-sectors

Product group	2004 (persons)	Change (%)	2003 (persons)
Total	**356,554**	**0.4**	**355,077**
Semiconductor devices and other electronic components	258,512	-1.2	261,609
Radio and television sets	59,008	-2.9	60,765
Office, computing and accounting machinery	24,737	45.9	16,955
Cables and wires	14,297	-9.2	15,748

Source: Department of Statistics, Malaysia

In 2004, employment in the office, computing and accounting machinery sub-sector increased significantly by 45.9 per cent as a result of the strong demand for advanced computing, digital processors and life-style gadgets. However, employment in the semiconductors sub-sector decreased by 1.2 per cent, and the radio and television sets, sound reproducing and recording equipment sub-sector, declined by 2.9 per cent. The decline in employment in the semiconductor, radio and television sets, sound reproducing and recording equipment sub-sectors was in large part due to higher level of automation in work processes.

Investments

In 2004, a total of 194 E&E projects with investments of RM8.6 billion were approved. Out of the total, 66 were new projects (RM5.6 billion), while the remaining 128 were expansion/ diversification projects (RM3 billion). Approved investments in 2004, recorded an increase of 72.9 per cent compared with 2003. Foreign investors remained an important source of investment in the E&E industry. In 2004, foreign investments in approved projects amounted to RM6.8 billion (79.1 per cent) while domestic investments totalled RM1.8 billion (20.9 per cent). In comparison, foreign investments in 2003 amounted to RM3.6 billion, while domestic investments totalled RM1.3 billion.

Approved projects with foreign participation in 2004 were mainly in the electronic components and industrial electronics sub-sectors. Major sources of foreign investments were Germany (RM4.5 billion), Singapore (RM660.7 million), the USA (RM615.9 million) and Japan (RM492.5 million). The main products approved include power logic fabricated wafers, Light Emitting Diodes (LED)-based lighting products/systems, handheld digital terminals, computer security systems, Digital Versatile Discs-Recordable/Re-writable (DVD-R/RW), system controllers for imaging equipment, systems integration for avionics, process instrumentation, medical diagnostics and monitoring equipment and advanced connectors.

The electronic components sub-sector continued to account for the largest share (69.1 per cent) of total investments in E&E, followed by industrial electronics sub-sector (17.8 per cent), electrical products sub-sector (8 per cent) and consumer electronics sub-sector (5.1 per cent).

Among the major projects approved in the E&E industries include:

- a new project by the world's largest power logic integrated circuits manufacturer, involving an investment of RM4.3 billion, to undertake power logic wafer fabrication activities which will be implemented over a period of five years. The products will be used in automotive and industrial applications. This is the first wafer fabrication project undertaken by a multinational corporation in Malaysia. The establishment of this project will strengthen the semiconductor value chain, which will place Malaysia on par with other regional semiconductor producers such as Taiwan and Singapore, in terms of semiconductor technology;

- a new project by the second largest global electronic components distributor from the USA, to undertake semiconductor device programming and ancillary manufacturing activities involving investments of RM282.8 million. Value-added activities to be undertaken by the company include global supply chain management of products, services and solutions to the electronics industry in South East Asia;

- an expansion by a German owned company (RM159 million) for the manufacture of enamelled copper wires for the export market. The highly automated facility will make Malaysia the company's manufacturing hub for ultra fine wires to be used as critical components in motors for NASA Mars Pathfinder exploration, ignition coils for automotive parts, watch movements and inverter transformers for Liquid Crystal Display (LCD) applications;

- an expansion project to undertake the development and production of high density interconnect flexible printed circuit boards (FPC) (RM138.9 million). The company plans to design and manufacture FPC of 38 micron thickness with plated through size of 0.05-0.2 mm. The products will be used in telecommunications, data communications and networking, consumer electronic products and automotive industries; and

- a diversification project with an investment of RM100 million, to produce advanced outdoor computer system devices, wireless telecommunications equipment, MEMS pressure sensors, photonic components and semiconductor devices. The company will be employing fully integrated state-of-the-art technology in wafer bumping and printing process in manufacturing its downstream products. The hi-tech project involving extensive Research and Development (R&D) and state-of-the-art manufacturing of Micro Electro-Mechanical Systems (MEMS) pressure sensors, Radio Frequency Identification Devices (RFID) and wireless telecommunication equipment is the first such project to be established in Malaysia.

Exports

In 2004, E&E exports increased by 14.6 per cent from the previous year to RM241.5 billion, or 64.1 per cent of the total manufacturing exports. Exports of the electrical machinery, apparatus and appliances product group increased by 9.6 per cent, while both the office machinery and automatic data processing machinery and parts, and telecommunications and sound recording equipment sub-product groups increased by 19.8 per cent.

Exports of the electrical machinery, apparatus and appliances product group totalled RM117.3 billion, or 48.6 per cent of total E&E exports. The increase in E&E exports was due to strengthened demand in the USA and Asia Pacific region, especially Singapore, Hong Kong, Japan and the PRC.

Imports

Imports of E&E increased by 14 per cent to RM182.1 billion, compared with RM159.7 billion in 2003. The increase was due partly to the increase in imports of components used for finished products. These imports made up 52.9 per cent of Malaysia's total imports of manufactured goods in 2004.

Table 5.8:
Exports of Selected E&E Products

	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total Exports of E&E Products	**241,483.1**	**100**	**14.6**	**210,724.0**	**100**
Electrical machinery, apparatus & appliances and parts	**117,330.4**	**48.6**	**9.6**	**107,088.5**	**50.8**
Semiconductor devices, ICs, micro-assemblies, transistors and valves	89,298.3	37.0	4.9	85,140.5	40.4
Electrical apparatus for electrical circuits and printed circuits	14,084.4	5.8	20.0	11,740.9	5.6
Electrical machinery and apparatus, n.e.s.	7,128.5	3.0	35.9	5,246.9	2.5
Electrical and non-electrical household equipment	2,724.0	1.1	45.3	1,874.7	0.9
Equipment for distributing electricity	1,897.1	0.8	14.3	1,331.0	0.6
Electrical power machinery and parts	1,880.8	0.8	16.6	1,613.7	0.8
Electro-diagnostic apparatus, medical & radiological equipment	317.3	0.1	125.3	140.8	0.1
Office machines & automatic data processing machines and parts	**76,713.6**	**31.8**	**19.8**	**64,049.1**	**30.4**
Automatic data processing machines	45,903.8	19.0	43.4	32,002.2	15.2
Parts for office machines & automatic data processing machines	30,309.5	12.6	-4.2	31,636.3	15.0
Office machines	500.3	0.2	21.8	410.6	0.2
Telecommunications & sound recording equipment	**47,439.1**	**19.6**	**19.8**	**39,586.4**	**18.8**
Telecommunications equipment and parts	25,268.7	10.5	27.1	19,874.9	9.4
Television receivers	7,789.0	3.2	14.0	6,832.0	3.2
Sound recorders	7,728.2	3.2	7.6	7,182.2	3.4
Radio broadcast receiver	6,653.1	2.8	16.8	5,697.4	2.7

Compiled by: Ministry of International Trade and Industry

Table 5.9:
Imports of Selected E&E Products

	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total Imports of E&E Products	**182,100.4**	**100.0**	**14.0**	**159,742.1**	**100**
Electrical machinery, apparatus & appliances and parts	**133,431.4**	**73.3**	**9.2**	**122,223.2**	**76.5**
Semiconductor devices, ICs, micro-assemblies, transistors and valves	102,949.5	56.5	8.0	95,334.7	59.7
Electrical apparatus for electrical circuits and printed circuits	14,488.6	8.0	21.7	11,902.1	7.5
Electrical machinery and apparatus, n.e.s.	10,048.1	5.5	1.6	9,890.9	6.2
Electrical power machinery and parts	3,114.9	1.7	12.0	2,780.4	1.7
Equipment for distributing electricity, n.e.s.	1,609.6	0.9	24.0	1,298.0	0.8
Electrical and non-electrical household equipment n.e.s.	910.1	0.5	32.8	685.5	0.4
Electro-diagnostic apparatus, medical & radiological apparatus	310.6	0.2	-6.3	331.6	0.2
Office machines & automatic data processing machines and parts	**32,674.2**	**17.9**	**34.5**	**24,294.7**	**15.2**
Parts for office machines and automatic data processing machines	23,535.2	12.9	22.8	19,159.3	12
Automatic data processing machines	8,812.1	4.8	80.5	4,882.2	3.1
Office machines	326.9	0.2	29.0	253.3	0.2
Telecommunications & sound equipment	**15,994.8**	**8.8**	**21.0**	**13,224.2**	**8.3**
Telecommunications equipment and parts	14,390.8	7.9	20.7	11,919.9	7.5
Sound recorders	1,058.1	0.6	43.1	739.3	0.5
Television receivers	306.6	0.2	-12.0	348.3	0.2
Radio broadcast receivers	239.3	0.1	10.4	216.7	0.1

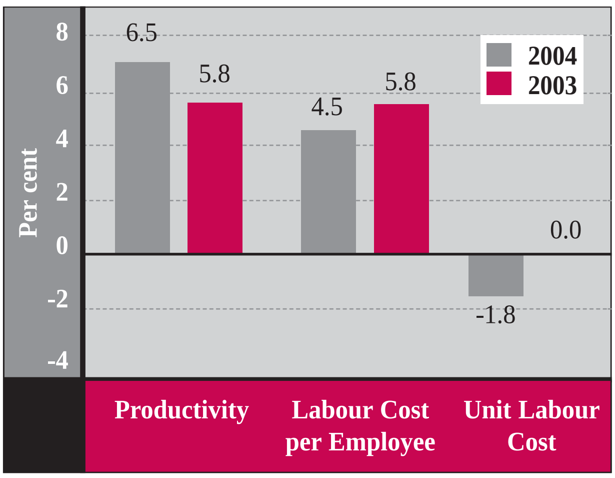
Compiled by: Ministry of International Trade and Industry

The bulk of the imports comprised those from the electrical machinery, apparatus and appliances product group, totalling RM133.4 billion, or 73.3 per cent, of E&E imports. Major import sources were the USA (RM35.9 billion), Japan (RM25.1 billion), the PRC (RM23.6 billion) and Singapore (RM18.1 billion).

Productivity

The E&E sub-sector registered a productivity growth of 6.5 per cent to RM430,784 from RM404,560 in 2003. This performance was attributed to the increase in capacity utilisation and the expansion of broadband infrastructure facilities in the ICT sector. This was reflected in the growth in the manufacture of cables and wire, which recorded 21.3 per cent productivity improvement, manufacture of semiconductors and other electronic components, and communications equipment and apparatus, 6.3 per cent. The productivity of the manufacturing of radio and television sets, sound reproducing and recording equipment product sub-sector increased by 5.2 per cent. The increased

Chart 5.1:
Productivity Indicators of the E&E Sub-sector



Source: National Productivity Corporation

demand for higher value added products from the USA, Singapore, Hong Kong and the PRC further contributed to the sub-sector's growth. The labour cost competitiveness of the sub-sector improved by 1.8 per cent.

Developments

The development of the E&E industry in Malaysia will focus on sustaining growth and expanding into new, high technology, value-added products such as MEMS, Advanced Electronics Display Technology, Photonics, Data Storage systems, Conductive Polymers, and Wireless Technology.

With changes in technology, Malaysian companies producing conventional cathode ray tube television sets are expected to upgrade their operations to produce thin film transistor-liquid crystal display (TFT/LCD) or plasma television sets. To date, there are seven companies in operation producing TFT/LCD or plasma television, while another five are in various stages of implementation. A new Malaysian majority project is currently producing TFT-LCD monitors, television and related multimedia products for the US market. This project, first by a Malaysian owned company, will also involve design, and R&D.

TRANSPORT EQUIPMENT INDUSTRY

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

While the production of the motor vehicles grew by 10.6 per cent and the production of motorcycles grew significantly by 33.9 per cent, the motor vehicle components parts sub-group registered a decrease in production of 3.7 per cent, partly due to the abolishment of mandatory deleted items (MDI) in 2004, in compliance with the WTO Agreement on Trade Related Investment Measures (TRIMs). MDI is a list of selected components and parts, used in the manufacture of motor vehicles, for which imports were not allowed.

Automotive Sub-sector

Production

Total production of passenger and commercial vehicles in 2004 grew by 10.6 per cent to 471,975 units from 426,646 units in 2003. For passenger cars, production grew at a rate of 11.4 per cent in 2004, compared with a contraction of 14.5 per cent in 2003. The announcement of new duty structure beginning 1 January 2004 provided certainty in domestic demand and contributed to the increase in production of passenger cars. For commercial vehicles, production growth slowed down to 8 per cent compared with 29.2 per cent in 2003, largely due to the reduction in production by the national manufacturers.

Production of passenger cars continued to dominate the automotive sub-sector. In 2004, passenger cars accounted for 77.3 per cent share of the total production, compared with 76.7 per cent in 2003. The production of this sub-sector grew significantly by 11.4 per cent from a contraction of 14.5 per cent in 2003. By end of 2004, total passenger car production reached 364,852 units, compared with 327,450 units in 2003.

Within the passenger car segment, production by both the national car manufacturers and other assemblers in 2004 recorded a

Table 5.10:
Production of Motor Vehicles by Segments

Segment	2004 (Units)	Change (%)	2003 (Units)
Total	**471,975**	**10.6**	**426,646**
Passenger Cars	**364,852**	**11.4**	**327,450**
Manufacturers	291,862	5.6	276,325
Assemblers	72,990	42.8	51,125
Commercial Vehicles	**107,123**	**8.0**	**99,196**
Manufacturers	14,436	-41.1	24,493
Assemblers	92,687	24.1	74,703

Source: Malaysian Automotive Association positive growth. Production by the national manufacturers grew by 5.6 per cent to 291,862 units in 2004. In the same period, production by the other assemblers grew by 42.8 per cent to 72,990 units. This growth was supported by the introduction of new models, aggressive promotion and financing packages provided by the assemblers.

In terms of total production, the share of the national car manufacturers decreased to 80 per cent of total production from the 84.4 per cent recorded in 2003. PROTON's production increased by 12.3 per cent to 178,431 units in 2004, while PERODUA's production in passenger cars fell from 117,379 units in 2003, to 113,431 in 2004. Consequently, PROTON's share of total production in passenger cars in 2004 increased to 48.9 per cent compared with 47.5 per cent in 2003, while Perodua's share of production decreased from 35.9 per cent in 2003, to 31.1 per cent in 2004.

In the commercial vehicle segment, the overall production increased by 8 per cent in 2004, to 107,123 units, compared with 99,196 units in 2003. The increase in production was recorded by the assemblers, while production by the national manufacturers registered a decline of 41.1 per cent in 2004.

The total installed capacity for the automotive sub-sector increased by 6.1 per cent in 2004. The capacity utilisation rate also increased to 53 per cent, compared with 51 per cent recorded in 2003.

Employment

Employment increased by 10.4 per cent to 20,100 in 2004, from 18,210 in 2003, to cater for the setting up of new production facilities and exports by existing projects.

Sales

The overall sales in the automotive sub-sector in 2004 increased by 18.8 per cent to 481,154 units. Sales of passenger cars and commercial vehicles increased by 11.9 per cent and 51.6 per cent, respectively.

Table 5.11:
Capacity Utilisation in the Automotive Sub-sector

Category/Year	2004	Change (%)	2003
Total Installed Capacity (units)	**891,000**	**6.1**	**840,000**
Actual production (units)	471,975	10.6	426,646
Capacity utilisation (%)	53.0	2.0	51.0

Source: Malaysian Automotive Association

Table 5.12:
Sales in the Automotive Sub-sector

Segment	2004 (units)	Change (%)	2003 (units)
Total	**481,154**	**18.8**	**405,034**
Passenger Cars	**374,117**	**11.9**	**334,416**
Manufacturers	281,162	1.6	276,767
Assemblers	92,955	61.2	57,649
Commercial Vehicles	**107,037**	**51.6**	**70,618**
Manufacturers	16,635	86.4	8,922
Assemblers	90,402	46.5	61,696

Source: Malaysian Automotive Association

Passenger cars recorded sales of 374,117 units in 2004, or 77.8 per cent of the total sales of the automotive sub-sector, in 2004. The share of total sales of passenger car in 2003 was 82.6 per cent. Within the passenger car segment, although sales of national cars continued to dominate the market with 281,162 units sold in 2004, their share of total sales of passenger cars, was reduced to 75.2 per cent compared with 82.8 per cent recorded in 2003.

In contrast, sales of non-national cars increased by 61.2 per cent, or to 92,955 units in 2004, from 57,649 units in 2003. In terms of market share, the non-national assemblers accounted for 24.8 per cent of total sales, compared with a share of 17.2 per cent recorded in 2003. Aggressive promotion by the non-national assemblers and introduction of new and upgraded models, in combination with attractive financing packages contributed to the increase in sales of non-national passenger cars.

In the commercial vehicle segment, the sales of commercial vehicles increased by 51.6 per cent to 107,037 units in 2004, compared with 70,618 units in 2003. While the non-national assemblers dominated the market in 2004, with a market share of 84.5 per cent, national manufacturers made significant inroads with a 86.4 per cent increase in sales to 16,635 units in 2004, from 8,922 units in 2003.

Malaysia recorded the highest sales in the passenger cars among the five major ASEAN markets in 2004, with total sales of 319,847 units, or 35.1 per cent of the ASEAN-5 total. For 2004, sales of passenger cars in Indonesia totalled 294,878 units, Thailand 179,005 units, Singapore 84,471 units, and the Philippines 33,182 units. However, in the commercial vehicle sub-category, Malaysia ranked second behind Thailand, which recorded a share of 12.5 per cent of total sales of commercial vehicles in the region.

Investments

In 2004, a total of 29 projects were approved in the automotive sub-sector, with total investments of RM490.5 million.

Of the 29 projects, 10 (RM389.1 million) were for the manufacture/assembly of motor vehicles, comprising the manufacture/assembly of passenger cars, commercial vehicles, electric vehicles and off-road hydraulic dumpers. Domestic investments accounted for RM281.4 million or 72.3 per cent of the capital investment. Four of the projects were wholly Malaysian-owned (with capital investment of RM208.7 million), three wholly foreign-owned (RM24.1 million) and three joint-venture projects (RM156.3 million). Five of the projects approved were new (RM37.4 million) and five, expansion/diversification projects (RM351.7 million).

A total of 19 projects approved were for reconditioning and reassembling of used commercial vehicles with investments of RM101.4 million. Sixteen projects were new projects (RM86.8 million), while three were for expansion/diversification projects (RM14.6 million).

Exports

Total exports of the automotive sub-sector increased by 72.6 per cent to RM512.2 million in 2004, from RM296.8 million in 2003. Exports of passenger car increased by 88.7 per cent to RM367.6 million, from RM194.8 million in 2003. The exports of commercial vehicles increased by 41.8 per cent to RM144.6 million in 2004. The main destinations for exports of passenger vehicles in 2004 were Iraq (RM125.8 million), the UK (RM57.6 million), Singapore (RM38.5 million), Australia (RM22.7 million) and Syria (RM18.5 million).

Imports

Imports of the automotive sub-sector increased by 34.1 per cent to RM6.8 billion in 2004, from RM5.1 billion the previous year. Imports of passenger cars, mainly in completely knocked down (CKD) form, were from Japan, valued at RM2.3 billion, ROK (RM726.9 million), Germany (RM483.3 million), the UK (RM97 million) and France (RM40 million).

For commercial vehicles, total imports increased by 61.4 per cent to RM2.2 billion in 2004 from RM1.4 billion in 2003. The main sources of imports of commercial vehicle were from Japan which amounted to RM1.1 billion, the UK (RM66 million), ROK (RM45 million), Sweden (RM31.3 million) and France (RM29 million).

Productivity

The sub-sector posted a decline in productivity of 15.3 per cent from RM677,136 in 2003 to RM573,637 due to lower capacity utilisation. The increase in labour cost per employee of 8.3 per cent was due to an increase in the cost of maintaining the skilled workforce. This contributed to the rise in unit labour cost of 27.7 per cent from 0.0387 to 0.0494, lowering the labour cost competitiveness of the sub-sector.

Table 5.13:
Imports and Exports of the Automotive Sub-sector

Segment		RM million 2004	Change (%)	2003
Total	**Exports**	**512.2**	**72.6**	**296.8**
	Imports	**6,824.4**	**34.1**	**5,087.6**
Passenger cars	Exports	367.6	88.7	194.8
	Imports	4,597.8	24.0	3,708.1
Commercial vehicles	Exports	144.6	41.8	102.0
	Imports	2,226.6	61.4	1,379.5

Compiled by: Ministry of International Trade and Industry

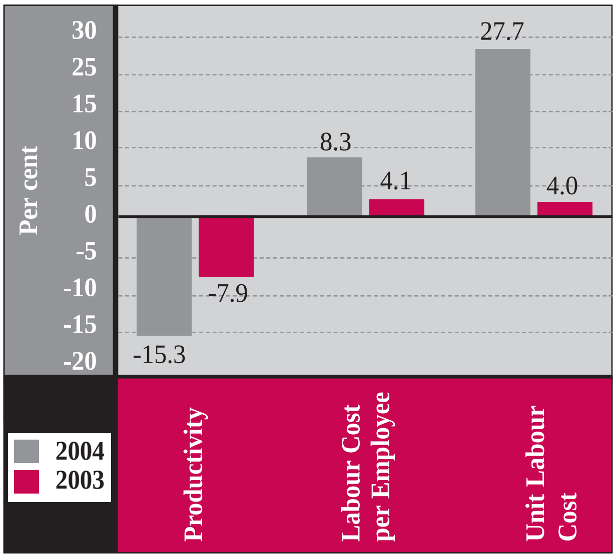
Motorcycle Sub-sector

The motorcycle sub-sector is classified into mopeds, scooters, street bikes and cruisers. This sub-sector recorded an increase in production of 33.9 per cent and sales of 36 per cent. Capacity utilisation increased to 57.2 per cent in 2004, compared with 48.3 per cent in 2003.

Production

Overall production of motorcycles increased by 33.9 per cent to 472,726 units in 2004. National manufacturers produced a total of 113,180 units, or 23.9 per cent share of total production of motorcycles and scooters in 2004.

Chart 5.2:
Productivity Indicators of the Automotive Sub-sector



Source: National Productivity Corporation

Table 5.14:
Total Production and Capacity of the Motorcycle Sub-sector

Production/Capacity	2004	Change (%)	2003
Production (units)	**472,726**	**33.9**	**352,933**
National	113,180	29.0	87,751
Non-National	359,546	35.6	265,182
Installed Capacity (units)	**826,000**	**13.0**	**731,000**
National	200,000	-	200,000
Non-National	626,000	17.9	531,000
Capacity Utilization Rate (%)	**57.2**	**8.9**	**48.3**
National	56.6	12.7	43.9
Non-National	57.4	7.5	49.9

Compiled by: Ministry of International Trade and Industry

Capacity utilisation

Total installed capacity for the production of the motorcycles in 2004 was 826,000 units. The total capacity utilisation was 57.2 per cent, an increase of 8.9 per cent from 2003. In the case of the national manufacturer, the capacity utilisation rate was 56.6 per cent. The increase in the capacity utilisation in this sub-sector was due to demand for motorcycles, especially, with the introduction of scooters into the market.

Employment

Employment in the motorcycle industry increased by 5.8 per cent to 6,271 in 2004, from 5,927 employees in 2003 consistent with the increase in the production of motorcycles.

Sales

Sales of motorcycles increased by 36 per cent in 2004 to 472,515 units, of which the national manufacturer's share was 24.1 per cent. The increase in sales was the result of the establishment of new projects and introduction of new models of motorcycles and scooters in the market.

Investments

A total of seven projects were approved for the manufacture/assembly of motor cycles and scooters, including motorised three wheelers with investments of RM33.6 million. Domestic investments in these projects totalled RM31 million or 92.3 per cent and foreign investment RM2.6 million. Six of these projects were expansion/diversification projects (RM23.4 million) while one was a new project (RM10.2 million). One project was wholly Malaysian-owned, while the rest were Malaysian majority joint-ventures.

Exports

Exports of motorcycles increased by 57.7 per cent to RM51.6 million in 2004. Among the major markets in 2004 were Indonesia (RM17.9 million), Greece (RM14.5 million) and Singapore (RM6.6 million).

Imports

Imports of motorcycles increased to RM206.8 million in 2004, due to demand for CKD packs from assemblers and value-added activities in this sector. Main source of imports in 2004 were Taiwan (RM119.0 million), the PRC (RM44.7 million) and Thailand (RM26.9 million).

Automotive Component Parts Sub-sector

To date there are 350 manufacturers supplying parts and components to motor vehicle manufacturers and assemblers, and 170 manufacturers producing parts and components for the motorcycle industry. Of the 350 automotive component manufacturers supplying 4,000 components, 234 are PROTON vendors and 135, PERODUA vendors. Some supply to both PROTON and PERODUA as well as to the new automotive assemblers.

More than 70 per cent of the automotive component companies are Malaysian-owned, and a number of these companies have technical collaboration with global automotive component companies.

The production index declined by 3.7 per cent to 301 in 2004 from 312.6 in 2003, largely due to the increase in imports of components, parts and modules with the abolition of MDI, as well as increase in multi-sourcing of components by manufacturers and assemblers in order to remain competitive.

Sales

Sales of automotive parts and components stayed constant at RM4.9 billion in 2004. Parts and components manufacturers have been active in exploring other markets and investment opportunities in ASEAN.

Employment

With the increase in the production of motor vehicles and motorcycles, employment in automotive parts and components sub-sector increased to 26,276 employees in 2004, compared with 23,430 the previous year.

Investments

In 2004, a total of 64 projects were approved to manufacture automotive parts and components, with investments of RM725.7 million. Of the projects approved, 53 were for the manufacture of parts and components for motor vehicles (RM656.6 million); six for the fabrication of motor vehicle bodies (RM47 million); two projects for the manufacture of parts and components for motor cycles and scooters (RM11.1 million); and three for the manufacture of parts and components for bicycles (RM11 million).

Of the investments approved, domestic investment amounted to RM607.2 million (83.7 per cent) while foreign investments totalled RM118.5 million (16.3 per cent). Thirty-two of the projects approved were new projects (investments of RM355.6 million) and 32 were expansion/diversification projects (RM370.1 million).

Fifty-one, or about 80 per cent, of the projects approved were Malaysian-owned involving total investments of RM603.3 million. Of significance was a diversification project by a majority Malaysian-owned company to undertake design, research, development and production of front corner/rear modules and fuel tank modules (RM94.9 million).

The majority of the component projects approved were for the manufacture of automotive accessories (16 projects with investment of RM168.6 million), seats (five projects/RM88.4 million), electrical and electronic components (four projects/RM15.7 million), brakes and parts for brakes (four projects/RM39.3 million) and plastic and metal parts (seven projects/RM111.7 million).

Exports

Thirty-eight of the automotive component manufacturers are now exporting their components. As a result, exports grew by 38.5 per cent to RM1.8 billion in 2004, from RM1.3 billion in 2003. Four major export destinations in 2004 were Taiwan (RM261.2 million), Thailand (RM227.6 million), Singapore (RM155 million) and Indonesia (RM146.3 million). Major components exported include steering wheels and steering columns, rims, bumpers, brakes, radiators, shock absorbers and clutches.

Imports

Imports of automotive parts and components increased by 30 per cent to RM2.6 billion in 2004, from RM2 billion in 2003, in part to meet the increase in the entry of new models and requirements of the replacement market. The major import sources were Thailand (RM949 million), Japan (RM652.4 million), Germany (RM233.7 million), Taiwan (RM206.8 million) and Indonesia (RM206.8 million). For component parts, bumpers, safety belts, and mounted brake linings, were the major items imported.

Developments

In 2004, several measures were implemented to provide the new strategic direction to Malaysian automotive industry. The main objective was to inject competition into the industry as the industry is set to be liberalised progressively. It is also to promote Malaysia as a regional hub for motor vehicle production in the region.

Under Common Effective Preferential Tariff (CEPT) of ASEAN Free Trade Area (AFTA), Malaysia is committed to reduce import duty to 20 per cent beginning 1 January 2005 and further reduce it to 0 to 5 per cent in 2008. However, due to uncertainties arising from this commitment and the declining trend in sales, pre-emptive measures were undertaken a year a head of AFTA's commitment. One measure was to reduce import duties for the automotive sector for ASEAN CEPT with effect from 1 January 2004. Import duties for completely knocked down (CKD) and completely built-up (CBU) vehicles imported from ASEAN were reduced. Even though Malaysia had no commitment for non-ASEAN imports, MFN import duties were also reviewed. However, to mitigate the revenue loss as a result of the import duty reductions, excise duties were imposed on all categories of imported vehicles both for CKD and CBU units.

Beginning 2004, a total of 106 new applications for projects in the components and parts sector were approved. In the production of motor vehicles, there was an increase in installed capacity by 6.6 per cent to 891,000 units in 2004.

The year 2004 also saw the increase in new models introduced into the market by the manufacturers and assemblers. Gen-2 model with the new Campro engine was launched by PROTON in February 2004. New marques and face-lift models such as Vios, Avanza, Avio were also introduced by the assemblers.

Faced with increased competition, the removal of MDI since January 2004, and the trend towards modular and multi-sourcing by the automotive manufacturers and assemblers, the parts and components manufacturers undertook cost reduction and skills enhancement measures and sought strategic partnership with foreign companies to remain competitive. These component manufacturers are also expanding their operation or diversifying into higher value-added products such as transmission system, engine and parts, as well as design, development and production of modules to reap the economies of scale in production.

Aerospace Sub-sector

The aerospace industry comprises the aviation and the space sectors. Currently, in the aviation sector, there are two light aircraft assemblers, seven component manufacturers, 27 establishments involved in advanced maintenance, repair and overhaul (MRO) activities, and four companies in design and development. In terms of capability, the local industry has shown achievements in producing composite materials that comply with international standards, and in providing advanced MRO and refurbishment activities for aircraft for both domestic and regional airlines.

In the space sector, the demand for satellite capacity continues to increase in line with the growth in communications, entertainment and information industries in the region. The country is developing the capacity in space technology through the development of RAZAK-SAT, which will be launched in 2005. This will promote advanced manufacturing activities and related services for the space sector.

Investments

In 2004, one project was approved in the aerospace industry with investments of RM8.5 million. This was for the manufacture and reassembly of helicopters, including modifications and the establishment of a regional maintenance centre for Eurocopter helicopters.

Exports/Imports

Products exported were mainly components and parts of aircrafts totalling RM1 billion. Major export destinations were the USA (RM248 million), Singapore (RM205.3 million) and the UK (RM174 million). Imports totalled RM3.7 billion, consisting mainly of aircrafts and associated equipment and parts. Major sources of imports were the USA (RM2.7 billion), Singapore (RM227.3 million), the UK (RM216.5 million) and Germany (RM103 million).

Marine Sub-sector

The marine industry comprises the building and repairing of ships and boats, fabrication and engineering works of leisure craft. Currently, there are six major shipyards operating with large scale operations and 70 small scales ones. The large yards have the capacity to build vessels of up to 30,000 dead weight tonnes (DWT) and repair vessels of up to 400,000 DWT, whereas the small yards produce wooden hulls for fishermen and traders, small ferries, tugboats, barges, standby vessels and patrol boats for local usage.

Investments

In 2004, a total of six projects were approved in the marine industry with investments of RM63.4 million. Domestic investments in these projects amounted to RM58.3 million, while foreign investments totalled RM5.1 million. The projects were for shipbuilding and repairing (three projects/ RM36.9 million); manufacture of waterjet propulsion system for the marine industry (two projects/RM15.4 million) and manufacture of hovercraft (one project/RM10.1 million).

Of significance were the two projects for the manufacture of waterjet propulsion system, which is currently one of the fastest growing methods of ship propulsion. The projects are the first of its kind in Malaysia and the technology for the projects is from ROK.

Exports/Imports

Products exported and imported were mainly light vessels, fire floats, dredgers, floating cranes, floating or submersible drilling or production platforms. Exports totalled RM1.6 billion. Major export destinations were Singapore (RM813.6 million), Indonesia (RM619.4 million) and the USA (RM81.7 million). Products imported in marine industry were mainly light vessels, fire floats, dredgers, floating cranes, floating or submersible drilling or production platforms. Imports amounted to RM2.9 billion. Major sources of imports were Japan (RM1.8 billion), Thailand (RM239.8 million) and Hong Kong (RM188.1 million).

CHEMICAL INDUSTRY

The chemical industry was the second largest contributor to manufactured exports in 2004. The industry covers three sub-sectors namely; chemicals and chemical products, petroleum products and pharmaceuticals.

Chemicals and Chemical Products Sub-sector

Production

The chemicals and chemical products industry group sub-sector comprises industrial gases, basic industrial chemicals; fertilisers and pesticides; paints, varnishes and lacquers; and soap and cleaning preparations.

Production indices for all chemicals and chemical products industry group continued to grow mainly due to higher demands for fertilisers and paints, varnishes and lacquer.

The production index for fertilisers and pesticides recorded the highest growth of 23.7 per cent to 149.3 from 120.7 in 2003. The growth was attributed to the increased demand for fertilisers in the agriculture and plantation sector, particularly the palm oil plantations.

The 19.5 per cent growth of industrial gases sub-sector was mainly due to increase in demand from domestic-oriented industries such as paints, varnishes and lacquers.

Employment

All sub-sectors, except soap and cleaning preparations and industrial gases, under the chemicals and chemical products industry group registered positive growth as a result of project expansions, as well as implementation of new projects.

Employment in the industrial gases sub-sector declined by 10.1 per cent to 3,726 employees from 4,143 employees in 2003. This was mainly due to automation of production processes to increase efficiency and productivity.

Table 5.15:
Employment in Chemicals and Chemical Products Sub-sector

Product Group	2004 (persons)	Change (%)	2003 (persons)
Basic industrial chemicals	9,160	7.2	8,543
Paints, varnishes and lacquers	3,564	6.6	3,343
Industrial gases	3,726	-10.1	4,143
Soap and cleaning preparations	2,602	-9.1	2,864
Fertilisers and pesticides	2,406	17.5	2,047

Source: Department of Statistics, Malaysia

The DOSM Manufacturing Survey indicated that the soap and cleaning preparations sub-sector continued to record negative growth in employment of 9.1 per cent to 2,602 persons from 2,864 persons in 2003. This sub-sector was mainly dominated by small and medium-scale contract manufacturers who were affected by restructuring and rationalisation activities undertaken by MNCs.

Sales

In the chemicals and chemical product industries, the sales of fertilisers and pesticides

Table 5.16:
Sales of Chemicals and Chemical Products

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Industrial gases	21,694.0	30.7	16,603.0
Basic industrial chemicals	14,968.8	47.0	10,181.2
Fertilisers and pesticides	1,903.7	66.3	1,144.9
Paints, varnishes and lacquers	1,561.2	11.6	1,399.3
Soap and cleaning preparations	965.4	-2.3	987.9

Source: Department of Statistics, Malaysia

sub-sector recorded the highest increase of 66.3 per cent to RM1.9 billion in 2004, from RM1.1 billion in 2003, due to the surge in demand from the plantation and agriculture sectors.

The increase in sales of industrial gases by 30.7 per cent to RM21.7 billion from RM16.6 billion in 2003, was attributed to the increase in demand from domestic oriented industries, in particular the paint, varnish and lacquer sub-sectors.

Sales of basic industrial chemicals, and paints, varnishes and lacquers sub-sectors also registered strong growth, while soap and cleaning preparation sub-sector declined by 2.3 per cent to RM965.4 million from RM987.9 million in 2003. The decline was mainly due to increased competition from imported toiletries and cleaning preparations products, especially from Thailand, Viet Nam and Indonesia.

Investments

A total of 27 projects (RM471.9 million) were approved in 2004, compared with 24 projects (RM674.5 million) in 2003. Of the total, 18 were new projects (RM338.8 million) and nine were expansion/diversification projects (RM133.1 million). Domestic investments amounted to RM416.9 million (88.3 per cent), while foreign investments totalled RM55 million (11.7 per cent). Malaysian-owned projects accounted for 19 projects, comprising 13 new projects (RM311.3 million) and six expansion/diversification projects (RM103.9 million).

Six projects each were approved for the production of cosmetics and toiletries (RM29.2 million), fertilisers, pesticides and herbicides (RM163.8 million), and paints and paint products (RM60.3 million). Another nine projects (RM218.6 million) were approved for a wide range of chemical products, including sulphur powder, copper sulphate, copper oxide, activated carbon, silver particles, titanium dioxide nano particles, printing ink, inkjet ink and a plasma hazardous waste disposal plant.

Among the significant projects approved were:

- a new project for the design, construction and operation of a new plasma hazardous waste disposal plant with an investment of RM179 million. This will be a state-of-the-art treatment plant, providing services for treatment of industrial wastes. The treatment process utilises the unique properties of plasma technology to achieve complete decomposition of organic substances and conversion into clean fuel gas;

- an investment of RM9.8 million to produce titanium dioxide, nano particles and formulations. The company would be exploiting the novel properties of the product to make self-cleaning coatings, air purifying and deodorising products. About 80 per cent of the products are for export; and

- a new project to produce silver particles and formulations with an investment of RM1.6 million. The product has anti-bacterial, anti-fungal, deodorisation and anti-static properties for treatment of industrial fibres and leather, food and cosmetics. It is also used to promote growth of plants and as a natural insecticide agent.

Exports

Cumulatively, exports of all sub-sectors under chemicals and chemical products grew by 29.8 per cent to RM17.8 billion in 2004. The chemicals and chemical products sub-sector contributed 4.7 per cent to the total exports of manufacturing sector in 2004.

Table 5.17:
Exports of Chemicals and Chemical Products

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**17,780.6**	**29.8**	**13,695.6**
Organic chemicals	9,619.4	33.7	7,194.0
Other chemical materials and products	3,600.2	28.8	2,795.2
Soap and cleaning preparations	1,607.2	15.6	1,389.9
Dyeing, tanning and colouring materials	1,192.9	31.9	904.2
Inorganic chemicals	988.0	30.1	759.3
Fertilisers	772.9	18.4	653.0

Compiled by: Ministry of International Trade and Industry

Major export destinations were the PRC (RM3.9 billion), Thailand (RM2.2 billion), Japan (RM2.5 billion), Singapore (RM2.3 billion), and Indonesia (RM2.1 billion).

Imports

Imports of chemicals and chemical products increased by 36.4 per cent to RM17.3 billion in 2004, from RM12.7 billion in 2003. Imports comprised mainly intermediate chemicals, and the growth reflected the robust activity in the chemicals and chemical products sub-sector in 2004.

Table 5.18:
Imports of Chemicals and Chemical Products

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**17,314.1**	**36.4**	**12,692.0**
Organic chemicals	7,842.2	52.7	5,135.4
Other chemical materials and products	3,387.9	21.6	2,786.3
Inorganic chemicals	2,486.6	24.6	1,995.9
Soap and cleaning preparations	2,102.9	30.1	1,615.9
Dyeing, tanning and colouring	1,494.5	29.0	1,158.5

Compiled by: Ministry of International Trade and Industry

The growth in imports of organic chemicals sub-sector by 52.7 per cent to RM7.8 billion, from RM5.1 billion in 2003, was mainly a result of the rising industry demand and expanding domestic consumption.

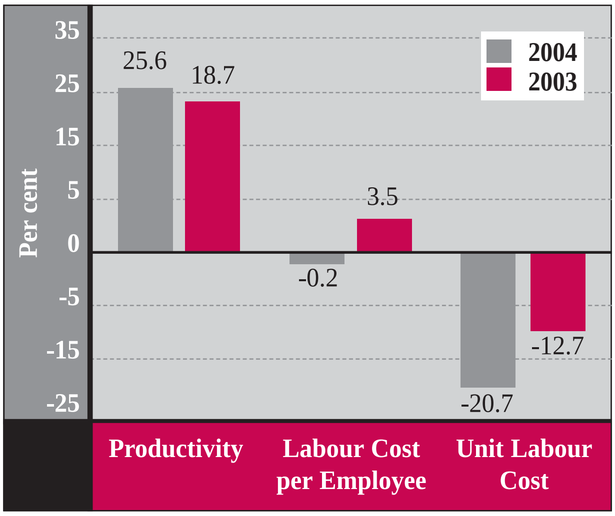
Major import sources for chemicals and chemical products were Singapore (RM2,718.7 billion), Japan (RM2,608.4 billion), the USA (2,254.6 billion), Indonesia (RM1,789 billion), and Thailand (RM1,735 billion).

Productivity

The industrial chemicals sub-sector recorded a productivity growth of 25.6 per cent to RM2.4 million from RM1.8 million in 2003. The performance was attributed to an improvement in efficiency and capacity utilisation as a result of higher demand and better prices for industrial chemicals. There was an increase in external demand for organic chemicals and plastic in primary and secondary forms. This was further reinforced by a higher demand for fertilisers and pesticides products by the agriculture sector. The labour cost competitiveness of the sub-sector improved by 20.7 per cent.

The productivity of other chemical products that includes paints, varnishes, toiletries and medicines, registered a growth of 25.8 per cent in 2004, compared with 11.2 per cent

Chart 5.3:
Productivity Indicators of the Industrial Chemicals Sub-sector



Source: National Productivity Corporation

in 2003. The productivity level increased to RM416,020 from RM330,627 in 2003. This growth was attributed to high capacity utilisation and better use of technology in the production processes. Among the industries in the sub-sector, drugs and medicines posted a growth of 17.1 per cent, and soap and cleaning preparations, 11.4 per cent. The sub-sector recorded an improvement in labour cost competitiveness of 23.3 per cent.

Petroleum Products Sub-sector

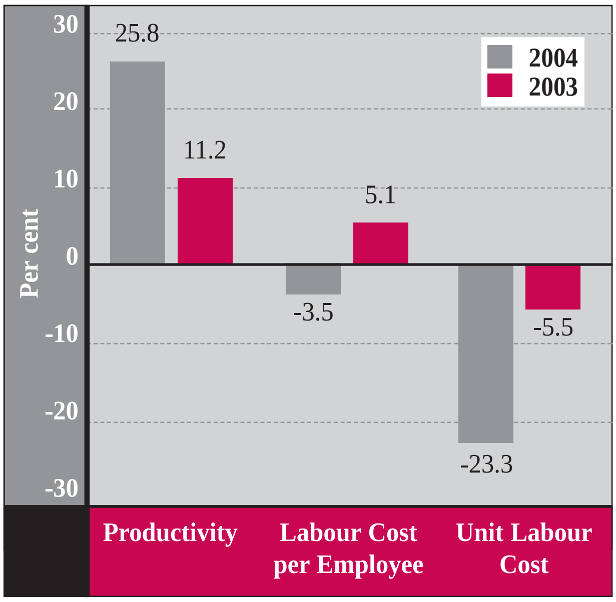
The petroleum products industry group sub-sector is one of the main contributors to the growth of the manufacturing sector. The development of petroleum products sub-sector has been driven by the availability of hydrocarbon feedstock from the indigenous oil and gas.

Production

With the exception of synthetic resins, production indices for all sub-sectors in the petroleum products industry group recorded positive growth in 2004.

The production index of plastic products increased by 13.5 per cent to 556.6 from 490.6 in 2003, arising mainly from higher domestic demand for packaging materials.

Chart 5.4:
Productivity Indicators of the Other Chemicals Sub-sector



Source: National Productivity Corporation

The decline in production index of synthetic resins by 2.4 per cent could be attributed to draw down in inventory.

Employment

Employment in the petroleum products sub-sector registered growth, with synthetic resins sub-sector recording the highest increase of 11.2 per cent to 5,176 employees from 4,654 employees in 2003. The increase was due to rapid growth in the petrochemical industry which requires a large number of skilled and experienced technical manpower.

Table 5.19:
Employment in Petroleum Products Sub-sector

Product Group	2004 (persons)	Change (%)	2003 (persons)
Plastic products	78,807	6.2	74,225
Synthetic resins	5,176	11.2	4,654
Petroleum products	3,297	0.6	3,278

Source: Department of Statistics, Malaysia

Sales

Total sales of petroleum products industry group in 2004 amounted to RM53.5 billion, compared with RM44.1 billion in 2003.

The increase in sales of petroleum product industry group was attributed to strong domestic and export demand for the products, as well as increase in product prices.

The improvement in the sales of plastic products was also attributed to the increased activities in E&E and automotive industries, globally.

Table 5.20:
Sales of Petroleum Products

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Petroleum Products	33,641.4	17.6	28,612.9
Plastic products	11,069.2	26.5	8,751.0
Synthetic resins	8,947.9	32.1	6,771.3

Source: Department of Statistics, Malaysia

Investments

In 2004, a total of 103 projects were approved in this sector, with investments of RM2.6 billion, compared with 93 projects, involving investments of RM1.3 billion, in 2003. Of the 103 projects, 55 were new (RM1.1 billion) and 48 were for expansion/diversification (RM1.5 billion). Domestic investments amounted to RM1.5 billion (58 per cent), while foreign investments totalled RM1.1 million (42 per cent).

Among the major projects approved were:

- an expansion project for the production of ethylene, propylene, pyrolysis gasoline, fuel oil, benzene, toluene and xylene (RM547 million). The project will also produce a new product, butadiene, to be extracted from pyrolysis gasoline. The company will also be utilising a new metasis process for the production of propylene from ethylene;

- an additional investment of RM536 million by an existing local company to diversify into the production of lube base oil, the main raw material for the production of lubricants such as engine oils;

- a new project to produce linear alkyl benzene and heavy alkyl benzene with foreign investments of RM413 million. This project, which involves investments from India, will further increase the linkages between the petrochemicals and the oleochemicals sector; and

- A Japanese-German joint-venture project with investments of RM206.6 million, for the production of polybutylene terephthalate (PBT) resins.

Exports

Exports of petroleum products industry group sub-sector registered strong growth of 37.7 per cent to RM46.5 billion, from RM33.8 billion in 2003. Exports of all sub-sectors under the petroleum products industry group recorded increases; with petroleum products sub-sector registering the highest growth of 44.1 per cent, while plastic products sub-sector registered the lowest growth of 1.8 per cent. The growth in exports was attributed to strong regional demand especially from the PRC, coupled with, production constraints in West Asia, that led to improved exports and prices.

Table 5.21:
Exports of Petroleum Products

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**46,543.9**	**37.7**	**33,806.6**
Petroleum products	35,347.8	44.1	24,527.8
Synthetic resin	6,663.9	38.0	4,828.0
Plastic products	4,532.2	1.8	4450.8

Compiled by: Ministry of International Trade and Industry

Exports of plastic products sub-sector registered an increase of 1.8 per cent to RM4.5 billion, from RM4.45 billion in 2003 due to enhanced activities in the export-oriented industries such as E&E, automotive and medical devices.

Major export destinations were Singapore (RM7.2 billion), Australia (RM5.8 billion), Thailand (RM4.6 billion), the PRC (RM4.3 billion) and Japan (RM4.2 billion).

Imports

Imports of petroleum products industry group registered a strong growth of 39.8 per cent to RM35.5 billion, from RM25.4 billion in 2003. Major import sources were Singapore (RM13

Table 5.22:
Imports of Petroleum Products

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**35,506.4**	**39.8**	**25,395.7**
Petroleum products	22,604.1	40.9	16.040.9
Plastic products	5011.5	24.4	4,029.0
Synthetic resin	7,890.8	48.2	5,325.8

Compiled by: Ministry of International Trade and Industry

billion), Saudi Arabia (RM3.6 billion), Japan (RM2.1 billion), Oman (RM1.5 billion) and the USA (RM1.4 billion).

Developments

The Malaysian petrochemical industry has moved up the value chain with the establishment of the crackers, syngas and aromatic facilities. These facilities produce the basic feedstock for the petrochemical industry and reduce the dependence on imports of this feedstock.

Petroleum products industry group has been identified as a potential industry to be further developed through expansion and diversification of its current activities both in the manufacturing and manufacturing-related services and facilities.

The development potential that has yet to be fully tapped is the full integration of petrochemical complexes in Kertih and Gebeng, given the identification of new products which will fit into the two petrochemical complexes.

Pharmaceutical Sub-sector

The drugs and medicines sub-sector is the main sub-sector under the pharmaceutical industry group. This sub-sector comprises prescription medicines, over the counter products (OTC), herbal preparations and health/food supplements.

Prescription drugs are estimated to constitute 75 per cent of the total pharmaceutical market globally, while the rest are contributed by medicaments and other pharmaceutical products. Malaysia's trade in pharmaceutical products is relatively small in the global market (0.12 per cent in 2003). Malaysia’s manufactures are mainly generic drugs.

Production

Production index of pharmaceutical industry group registered an increase of 66.9 per cent to 233.1, from 139.7 in 2003, the highest increase amongst the chemical industry groups. This positive growth was attributed to the continual increase in health expenditure domestically and globally. The production of high quality generic drugs and OTC products, including innovative herbal products at competitive prices also contributed to the growth in production.

Table 5.23:
Performance of Pharmaceutical Industry

Product Group	2004 (RM mil)	Change (%)	2003 (RM mil)
Production Index of Pharmaceutical Industry (1993 = 100)	233.1	66.9	139.7
Employment (persons)	5,976	16.1	5,148
Sales (RM million)	773.4	38.9	557.0
Exports (RM million)	498.2	29.5	384.6
Imports (RM billion)	2.3	27.8	1.8

Source: Department of Statistics, Malaysia

Employment

The DOSM Monthly Manufacturing Survey indicated that employment in the pharmaceutical sub-sector increased by 16.1 per cent to 5,976 employees, from 5,148 employees in 2003, in tandem with the implementation of new projects and diversification of manufacturing activities in healthcare related industries.

Sales

Sales of drugs and medicines sub-sector grew by 38.9 per cent to RM773.4 million, from RM557 million in 2003. The increase in sales value was attributed mainly to the increase in the number of private hospitals and clinics domestically, better access to medicines, and a growing population with greater awareness of health issues.

Investments

A total of eight projects were approved, with total investments valued at RM42.6 million, compared with 15 projects (RM159.1 million) approved in 2003. Six were new projects (RM20.7 million) and two were for expansion/diversification (RM21.9 million). Domestic investments continued to feature prominently in this sector with investments valued at RM33.5 million (78.6 per cent), while foreign investments accounted for RM9.1 million (21.4 per cent).

Of the eight projects approved, Malaysian-owned projects accounted for two expansion/diversification projects (RM21.9 million) and three new projects (RM9.8 million). The expansion/diversification projects were for the production of intravenous solutions and herbal and non-herbal pharmaceuticals, while two of the new projects were for the production of diagnostic test kits and reagents, and another for the production of pharmaceutical products, herbal medicines and food supplements.

Three new foreign-owned projects (RM8.4 million) were approved for the production of herbal medicines utilising local and imported herbs and production of pharmaceutical formulations and food supplements.

Exports

Exports of pharmaceutical products increased by 29.5 per cent to RM498.2 million, from RM384.6 million in 2003. Major export destinations were Singapore (RM120.6 million), Germany (RM58.8 million), Taiwan (RM39.2 million), Brunei Darussalam (RM37.2 million) and Hong Kong (RM35.6 million).

Imports

Imports of pharmaceutical products increased by 27.8 per cent to RM2.3 billion, from RM1.8 billion in 2003, mainly contributed by the rising demand from private healthcare, particularly, for vaccines and drugs. Major source of imports were Australia (RM284 million), Singapore (RM244.2 million), the UK (RM233.6 million), France (RM199.7 million) and Germany (RM189.2 million).

Developments

In 2004, with the expiry of patents for several established pharmaceutical drugs, several Malaysian pharmaceutical manufacturers using their own brands developed and launched off-patent generics and herbal products. In addition, pharmaceutical manufacturers also ventured into the production of biotechnology products.

Within ASEAN as a part of the ASEAN Economic Community initiative, healthcare has been identified as one of the 11 priority sectors. The Roadmap for the Integration of Healthcare Sector covers pharmaceutical and medicinal products, cosmetics, traditional medicines and health supplements, and medical devices and equipment.

ASEAN is also working on harmonising technical regulations and documentations relating to pharmaceuticals, and the development of Mutual Recognition of Arrangements (MRAs) and product standards/regulations. The harmonisation of regulations and the implementation of MRAs among ASEAN countries will facilitate exports of Malaysia's pharmaceutical products.

IRON AND STEEL INDUSTRY

The iron and steel industry can be grouped into two product groups, namely, long and flat products. Long products consist of billets and steel bars, while hot rolled coils (HRC), cold rolled coils (CRC), coated steels and tubes and steel pipes are the flat products.

Scrap iron, direct-reduced iron and hot-briquetted iron are the essential raw materials for producing both long and flat products. The bulk of domestic iron and steel industry is produced using the electric-arc-furnace. Scrap iron is the main input for the production of steel.

Production

Overall, the production of selected iron and steel products grew by 3.7 per cent to 10.1 million metric tonnes in 2004, despite the decline in production of bars and rods, and galvanised iron sheets by 10.2 per cent and 16.3 per cent, respectively. The decline in the production of steel bars and galvanised iron sheets was mainly due to the increase in the price of scrap iron in the international market, and less demand from the domestic construction and building industry.

Production of HRC increased by 42.1 per cent to 1.6 million metric tonnes in 2004, from the previous year. The production of CRC increased moderately by 3.4 per cent to 0.6 million metric tonnes. The increase was attributed to Government's policy to encourage local consumption, strong external demand and on-going efforts by local manufacturers in exploring new markets.

The installed capacity of billets and steel bars was 4.4 million metric tonnes, and 7.1 million metric tonnes, respectively. Capacity utilisation of billets was 76.3 per cent, while that for bars and rods was only 42.1 per cent. Capacity utilisation of HRC was 82.5 per cent of the installed capacity of two million metric tonnes. Higher capacity utilisation was achieved for the production of HRC since the plant expanded its product range from producing HRC for general applications to HRC for cold rolled milling.

Sales

Sales of iron and steel products increased by 43.8 per cent to RM14.6 billion, from RM10.2 billion in 2003.

Employment

The DOSM Monthly Manufacturing Survey indicated that employment in the iron and steel industry increased by 4.5 per cent to 15,742 workers in 2004, from 15,061 in 2003, partly due to the coming on-stream of new facilities to produce specific grades, previously not produced in Malaysia.

Investments

There were 20 projects approved in the iron and steel industry, with investments of RM1.4 billion, comprising RM1.2 billion domestic investments, and RM160 million foreign investments. Among the products included in this sub-sector are direct reduced iron (DRI), hot briquetted iron (HBI), wire rods, ductile iron pipes, stainless steel pipes, steel pipes and fittings, high tensile steel bars and shearing and slitting of metal sheets.

Of the projects approved, 11 were new projects with investments of RM1.1 billion and nine were expansion/diversification projects with investments of RM259.1 million. A total of 18 projects were either wholly Malaysian-owned or majority Malaysian-owned projects, with investments amounting to RM1.3 billion.

Major projects approved in this sub-sector include a new wholly Malaysian-owned projects with investments of RM653.5 million to manufacture DRI and HBI. The production of DRI/HBI represents upstream steel production to supply quality feedstock for the manufacture of high grade steel, which will be used to manufacture downstream products. Another major project was a diversification project to manufacture wire rods (RM150 million).

Exports

Exports of iron and steel continued to strengthen, mainly due to increased efforts by local producers in exploring new markets, as well as increased external demand due to tight global supply of steel products in the international market. Exports of iron and steel products increased by 56.5 per cent to RM7.2 billion, from RM4.6 billion in 2003.

Major importers of Malaysian iron and steel products were Viet Nam (RM777.2 million), Singapore (RM731.9 million), Thailand (RM698.9 million) and the USA (RM668.9 million). Main export items were tubes, pipes, hollow profiles and fittings (RM2.7 billion), flat-rolled products (RM2 billion) and semi-finished products (RM1.2 billion).

Imports

Imports increased by 51.9 per cent to RM16.1 billion, from RM10.6 billion in 2003, to fulfill the requirement of specific industries such as construction and building, automotive and shipbuilding. Imported items included flat-rolled products (RM4.8 billion), tubes, pipes, hollow profiles and fittings (RM2.9 billion) and ferrous scrap (RM2.4 billion). Major sources of imports were Japan (RM5.3 billion), Taiwan (RM1.5 billion) and the PRC (RM1.4 billion).

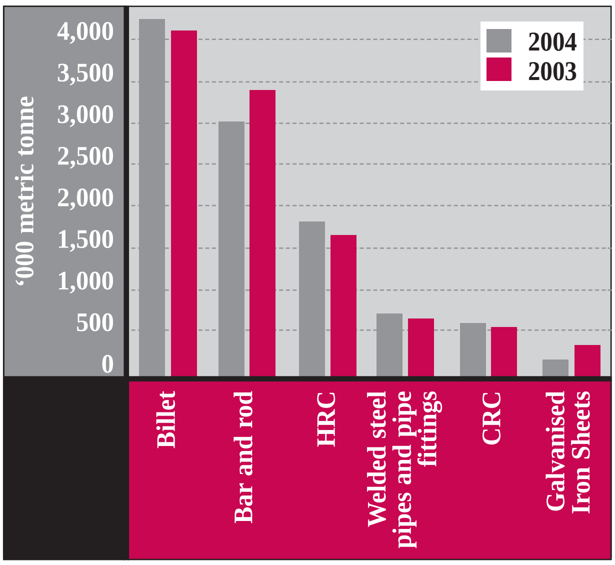
Productivity

The iron and steel sector registered a productivity growth of 31.8 per cent compared with 24 per cent in 2003. The high growth of this sector was attributed to an increase in capacity utilisation to meet the increased external demand, and supported by higher iron and steel prices. The productivity level increased to RM953,326 in 2004, from RM725,650 in 2003. Within the industry, the manufacture of tin smelting basic industries contributed 53.8 per cent to the productivity level; the manufacture of primary iron and steel, 33.3 per cent; and other iron and steel basic industries, 26.6 per cent. The labour cost competitiveness of the sub-sector was enhanced by 21.1 per cent.

Developments

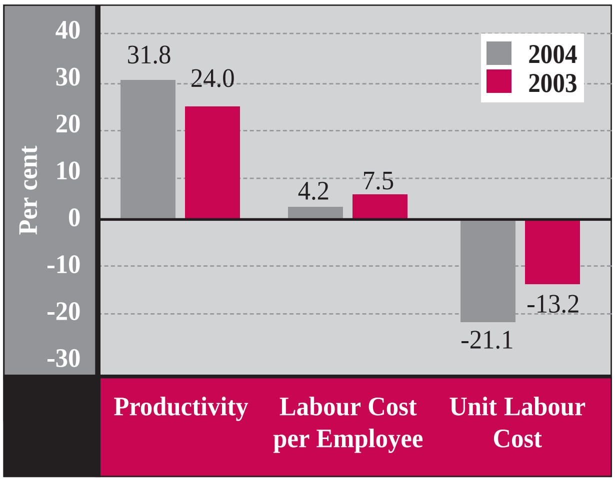
The world steel industry has been characterised by higher prices of materials and products as supply tightened. Ferrous scrap prices increased from US$140 in 2003 to US$350 in 2004. This development can be attributed to

Chart 5.5:
Production of Selected Iron and Steel Products



Source: Department of Statistics, Malaysia

Chart 5.6:
Productivity Indicators of the Iron and Steel Sub-sector



Source: National Productivity Corporation

the continued increase in consumption of raw materials and steel products by the PRC, which grew by 11.5 per cent to 257.4 million tonnes in 2004.

The domestic iron and steel market has experienced tight supply of steel bars as a result of increased consumption of raw materials and finished products, mainly by the PRC. This has affected the growth of the construction and building industry. As a policy-driven sector, the Government has encouraged domestic manufacturers to obtain raw materials from other sources to ensure adequate supply in the domestic market.

MACHINERY AND EQUIPMENT INDUSTRY

The Machinery and Equipment (M&E) sector comprises four sub-sectors: specialised machinery for specific industries; power generating machinery and equipment; metal working machinery; and general industrial machinery and equipment and parts.

The M&E sector continued to be the third largest contributor to manufactured exports, accounting for 4.1 per cent share in 2004, compared with 3.8 per cent in 2003.

Production

The overall production index of the machinery sector, except the electrical sector, declined by 3.2 per cent to 169 in 2004, from 174.5 in the previous year. The production index for the manufacture of refrigerating, exhaust, ventilating and air-conditioning machinery sub-sector decreased 1.8 per cent to 177.3, from 180.6 in 2003. The production index for the office, computing and accounting machinery also decreased 7.7 per cent to 144.5 in 2004, compared with 156.6 in 2003.

Table 5.24:
Production Indices of the Selected M&E Sector

Selected Activities	2004	Change (%)	2003
M&E Sector	169.0	-3.2	174.5
Manufacture of refrigerating, exhaust, ventilating and air-conditioning machinery	177.3	-1.8	180.6
Manufacture of office, computing and accounting machinery	144.5	-7.7	156.6

Source: Department of Statistics, Malaysia
Note: Base year 1993 = 100

Sales

Sales value of machinery, except electrical machinery, rose 81 per cent to RM3.1 billion in 2004 from RM1.7 billion in 2003. Sales value per employee of the machinery, except electrical sector, also increased by 66 per cent to RM95.1 million per employee in 2004, from RM57.3 million in 2003. Sales for machinery increased due to increase in demand for the specialised machinery for specific industries and demand for general industrial machinery and equipment and parts.

Table 5.25:
Sales of the Machinery Except Electrical

	2004	Change (%)	2003
Sales (RM billion)	3.1	81.0	1.7
Sales per employee (RM million)	95.1	66.0	57.3

Source: National Productivity Corporation

Employment

Data from the DOSM Monthly Manufacturing Survey indicates that employment in this sector increased by 20 per cent to 36,819, compared with 30,680 in 2003. The industrial machinery sub-sector recorded growth as companies in this sub-sector have moved into the production of high-end products which spurred project expansion.

Table 5.26:
Employment in the Selected Machinery Sector

Selected Activities	2004 (persons)	Change (%)	2003 (persons)
Total	**36,819**	**20.0**	**30,680**
Manufacture of Office, Computing and Accounting Machinery	24,737	45.9	16,955
Manufacture of Refrigerating, Exhaust, Ventilating and Air-conditioning Machinery	12,082	-12.0	13,725

Source: Department of Statistics, Malaysia

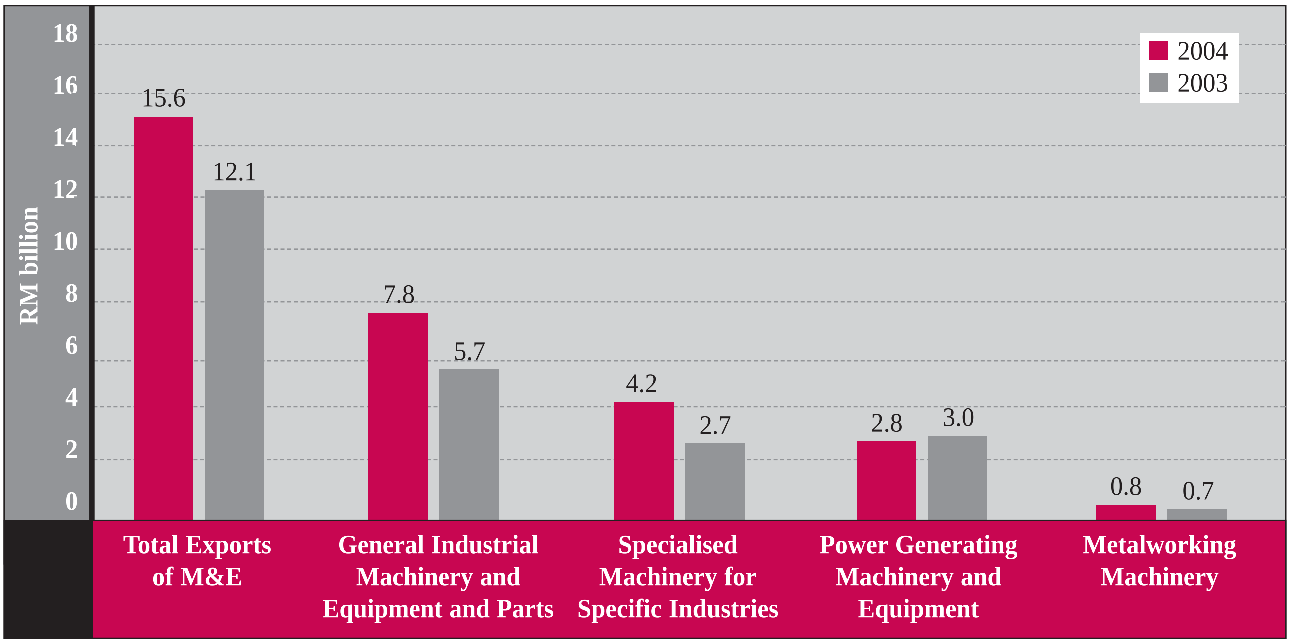
Exports

Exports of machinery and equipment increased by 28.4 per cent to RM15.6 billion in 2004, from RM12.1 billion in 2003. Major export destinations included Singapore (RM3.2 billion), Thailand (RM1.4 billion) and the USA (RM1.3 billion). Among the major machinery items exported were heating and cooling equipment and parts, other machinery specialised for particular industries, pumps, compressors, fan and related parts and components.

Imports

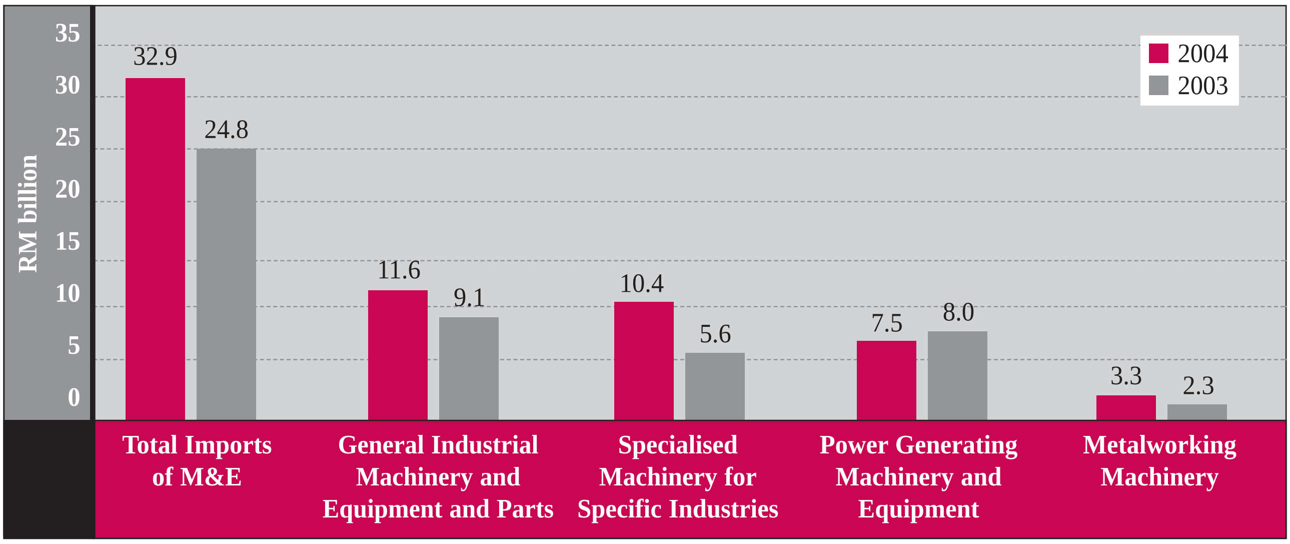
The total imports of machinery and equipment increased by 32.5 per cent to RM32.9 billion in 2004, from RM24.8 billion in 2003. Imports increased due to higher importation of specialised machinery, metal working

Chart 5.7:
Export Value of the M&E Sector



Source: Ministry of International Trade and Industry

Chart 5.8:
Import Value of the M&E Sub-sector



Source: Ministry of International Trade and Industry

machinery and general industrial machinery and equipment and parts, which are not locally produced. Major import items were other machinery specialised for particular industries and parts, pumps, compressors, fans and parts, rotating electric plant and parts, internal combustion piston engines and parts and heating and cooling equipment and parts. Major suppliers of machinery were Japan (RM8.4 billion), the USA (RM5.2 billion) and Germany (RM3.1 billion).

Investments

In 2004, a total of 81 projects with investments of RM406.8 million were approved in the machinery and equipment industry, compared with 79 projects (RM638.8 million) in 2003. Of the total, 57 (RM352.9 million) were new projects and 24 (RM53.9 million) were expansion/diversification projects. Domestic investments continued to be relatively strong, contributing 71.4 per cent (RM290.6 million) to total investments, compared with foreign investments of RM116.2 million (28.6 per cent). A total of 59 projects (72.8 per cent) approved were Malaysian-owned.

Of the 81 projects approved, 39 were in the specialised machinery sub-sector (RM205.3 million), five in the power generating machinery and equipment sub-sector (RM20.7 million), three in the metal working machinery sub-sector (RM14.2 million) and 34 in the general industrial machinery and equipment, components and parts sub-sector (RM166.6 million).

Among the major projects approved in the machinery and equipment industry were:

- a new project to manufacture robotic arms for a wide range of applications such as assembly, dispensing, testing, laser welding, screw driving and tray handling; vision inspection machines to perform high precision parts' defect identification, measurement, sorting and robotic guidance; and clean room conveyors for handling of wafers and disk drives (RM40 million).

- a joint-venture project between investors from Malaysia and the USA to manufacture automated equipment and testing equipment for semiconductor chips and wafer fabrication; and medical equipment, such as magnetic resonance imaging equipment and blood and DNA testing equipment (RM22.2 million).

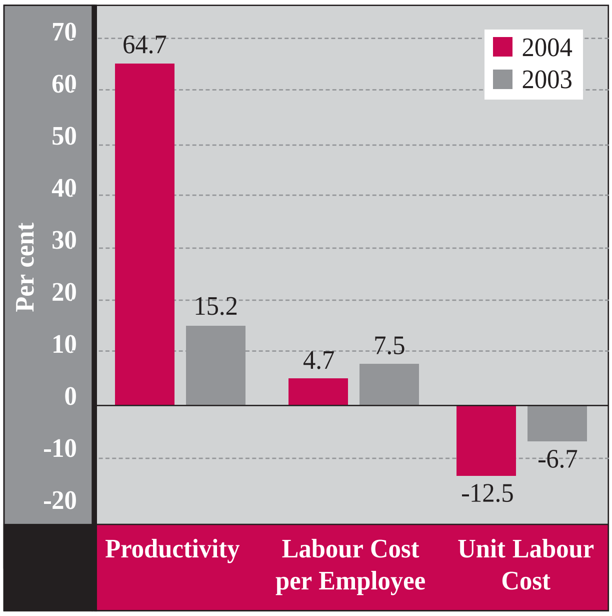
- a Malaysian-owned project to manufacture tower cranes for the construction, logging and manufacturing industries, and ports (RM15.8 million).

- a Malaysian-owned project to manufacture valves, actuators and regulators for oil and gas and petrochemical industries, power generation and water treatment plants (RM15 million).

Productivity

The machinery sub-sector recorded a productivity growth of 64.7 per cent, compared with 15.2 per cent in 2003. The

Chart 5.9:
Productivity Indicators of the Machinery Sub-sector



Source: National Productivity Corporation

productivity level increased to RM1.1 million from RM688,362 in 2003. The total sales value increased by 79.2 per cent, mostly contributed by demand for products such as computer and computer peripherals from the manufacture of office, computing and accounting machinery. The sub-sector's labour cost competitiveness improved by 12.5 per cent.

Developments

There are about 1000 registered companies in the machinery and equipment sector. In the engineering support sectors, there are approximately 300 mould and die companies, 70 foundry companies, 60 die casting companies, 300 metal stamping companies, 150 companies undertaking specialised machining activities and 20 heat treatment companies. To assist in the development and enhancement of the machinery and equipment and engineering supporting industries, the Government has established the Machinery and Equipment Technology Centre (RAMET) at Rasa, Selangor.

The machine design and development activities of RAMET are now fully operational. The foundry activities are scheduled for full operation in July 2005, upon commissioning of its three core equipment of green sand moulding system, chemically bonded sand moulding system, and induction melting furnace. The machining and fabrication activities are scheduled to commence operation in August 2005, upon delivery and commissioning of its newly procured machinery and equipment.

CEMENT INDUSTRY

The subdued performance of the construction industry due to the completion of several large infrastructure projects, combined with steel supply problems in early 2004, caused the domestic cement demand to contract by 4.7 per cent in 2004 to 14.5 million metric tonnes (mt), compared with 15.2 million mt recorded in 2003. Cement mill utilisation rate contracted to 59.6 per cent in 2004, from 60.7 per cent in 2003. Clinker utlisation improved to 85.6 per cent in 2004 from 85.5 per cent in 2003, due to marginal increase in domestic demand for clinker.

Production

Production of cement decreased by 0.6 per cent to 17.1 million metric tonnes, from 17.2 million metric tonnes in 2003, due to lower demand of cement, and slower growth in the civil engineering sub-sector. Production of clinker increased by 1.3 per cent to 15.4 million mt, from 15.2 million mt in 2003, to meet increased domestic demand for clinker. To date, a total of 13 companies are in production, of which seven are integrated projects, five are in cement grinding and one in clinker production.

Employment

Data from the DOSM Monthly Manufacturing Survey indicated that employment in the cement industry contracted by 10.9 per cent to 10,599 workers in 2004, compared with 11,900 workers in 2003.

Exports

Exports of cement and cement products increased by 6.4 per cent to RM359.6 million in 2004, compared with RM338 million in 2003. Main export markets were Sri Lanka (RM81 million), Nigeria (RM47.7 million) and Bangladesh (RM42.6 million). Products exported were other Portland cement (RM112.9 million), clinkers (RM74 million) and sheets of cement asbestos-cement (RM59.6 million).

Imports

Import of cement and cement products increased by 15.4 per cent to RM249.2 million in 2004, compared with RM216 million in 2003. Major sources of imports were Indonesia (RM96.8 million), Japan (RM57.5 million) and Taiwan (RM30.5 million). Imports included clinker (RM147.6 million), building stones of granite (RM9.4 million) and other Portland cement (RM6.8 million).

Developments

In the 2005 Budget Speech, the Government announced plans to provide an additional 100,000 units of affordable homes using the Industrialised Building System (IBS). This system will ensure quality construction, save cost, create a safer and cleaner working environment, as well as reduce the dependence on foreign workers. The usage of IBS

Table 5.27:
Clinker and Cement Production and Utilisation

Products	2004			2003		
	Installed Capacity (million mt.)	Production (million mt.)	Capacity Utilisation (%)	Installed Capacity (million mt.)	Production (million mt.)	Capacity Utilisation (%)
Clinker	17.8	15.4	85.6	17.8	15.2	85.5
Cement	28.3	17.1	59.6	28.3	17.2	60.7

Source: Cement & Concrete Association

components in Government building projects will be increased from 30 per cent, currently, to 50 per cent commencing 2005. Housing developers, who utilise more then 50 per cent IBS components, will be given full exemption on levy imposed by the Construction Industry Development Board (CIDB).

The major construction companies are venturing overseas. India is the largest overseas market for the Malaysian construction industry. Other countries that provide opportunities include Sri Lanka, Bahrain and Indonesia.

Ceramic Industry

Production

The production index of the ceramics and ceramic products decreased by 4.4 per cent to 150.4 in 2004, from 157.4 in 2003, due to high importation of ceramic products such as tableware, kitchenware and sanitaryware from the PRC. To date, 13 companies are involved in the production of ceramic floor and wall tiles, with a total production capacity of 80 million square metres. In 2004, the output of the industry amounted to 66.1 million square metres.

Employment

The employment in the sector increased by 1.6 per cent to 18,021 employees in 2004, from 17,735 in 2003 due to opening of new ceramic tile plants.

Exports

Exports increased by 24.5 per cent to RM902.6 million, from RM724.8 million in 2003. The major export items were glazed ceramic tiles (RM192.4 million), tableware and kitchenware (RM186.2 million) and other ceramic articles (RM150.7 million). Major export destinations were the USA (RM112.1 million), the UK (RM103.6 million), Australia (RM93.9 million) and Singapore (RM85 million).

Imports

Imports increased by 55 per cent to RM706.7 million in 2004, from RM455.8 million in 2003. Imports have increased to meet domestic demand for such products. The imports were largely from the PRC (RM302.9 million), followed by Japan (RM111.1 million) and Indonesia (RM57.6 million). The major imported items were tableware and kitchenware (RM173.7 million), other ceramic articles (RM112.2 million) and refractory ceramic constructional goods (RM107.1 million).

TEXTILES AND APPAREL INDUSTRY

The textiles and apparel sector maintained its position as the sixth largest export earner and made up 2 per cent of the export of manufactured goods in 2004. The global market for trade in textiles and apparel will become more competitive with the phasing out of export quotas under the Agreement on Textiles and Clothing starting 1 January 2005.

Production

The production index of the textiles sub-sector in 2004, declined by 6.4 per cent to 112.9, compared with 120.6 in 2003, while that of the apparel sub-sector dropped to 75.8, compared with 94.9 recorded the previous year. However, some sub-sectors recorded higher output in 2004, i.e., dyeing, bleaching, printing and finishing of yarns and fabric, which improved by 6.3 per cent, synthetic textile mills (4.5 per cent) and knitting mills (2.2 per cent). The output of the natural fibre, spinning and weaving mills sub-sector decreased by 55.9 per cent.

Factors contributing to the decline in the overall production of local textiles and apparel sector were the decrease in export volume as a result of the bigger market share gained by the PRC following their accession into the World Trade Organisation (WTO). The relocation of the Malaysian garment making operations to low cost producing countries like Viet Nam, Cambodia and Indonesia also contributed to the decrease in domestic production.

Sales

Total sales of textiles and apparel products (ex-factory) increased by 3.7 per cent to RM8.3 billion in 2004, compared with RM8 billion in 2003, as a result of more orders for higher value-added products.

Employment

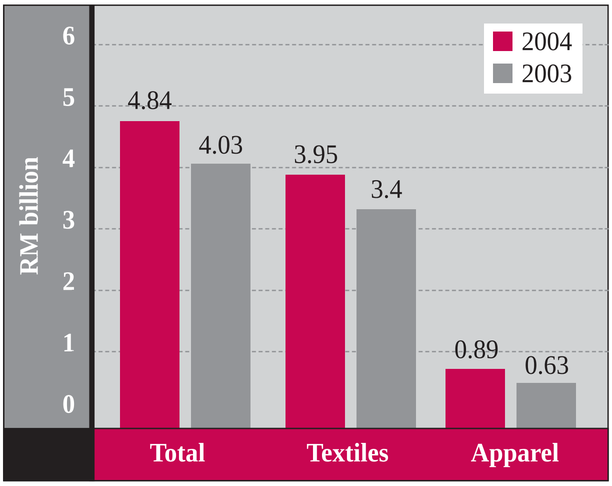
Total employment in the textiles and apparel industry declined by 8.1 per cent to 69,074 in 2004, compared with 75,181 in 2003. This was attributed to the relocation of labour intensive activities, automation in production processes and the move towards higher value-added products.

Exports

Total exports increased by 14.4 per cent to reach RM9.7 billion in 2004. The USA, the EU, Japan and Singapore were the main markets for Malaysia's textiles and apparel products. Exports to the quota markets increased by 16.2 per cent to RM5 billion, from RM4.3 billion in 2003, as a result of more orders for higher value added products. Export value to non-quota countries increased by 12.2 per cent to RM4.6 billion, from RM4.1 billion in 2003. Main items exported were textile yarn, woven fabrics and apparel.

The textiles sub-sector registered an increase in exports of 19.5 per cent in 2004 to RM4.9 billion, compared with RM4.1 billion in 2003. Exports of apparel amounted to RM4.8 billion, a 9.1 per cent increase, from RM4.4 billion recorded in the previous year.

Chart 5.11:
Imports of Textiles & Apparel



Source: Ministry of International Trade and Industry

Imports

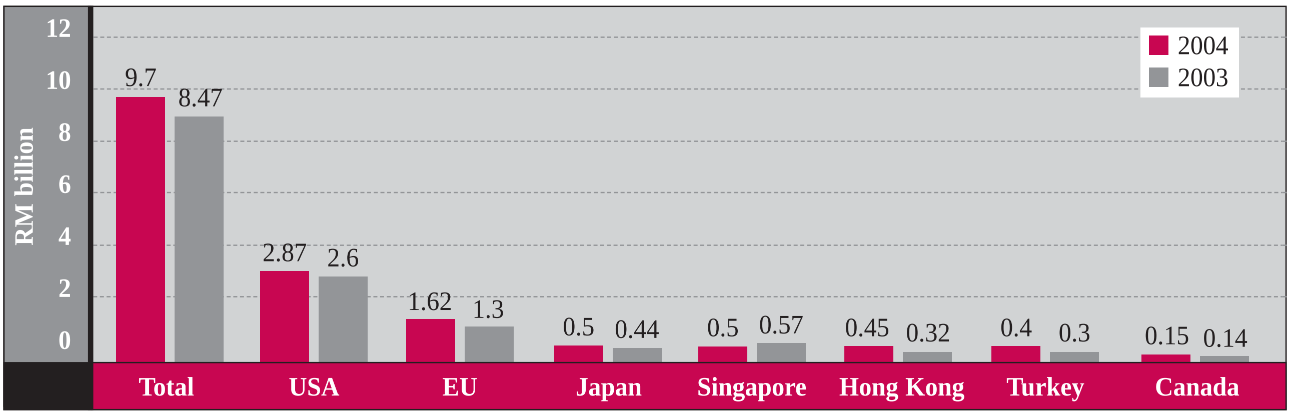
Total imports of textiles and apparel increased by 20.3 per cent to RM4.8 billion, from RM4 billion in 2003. Textiles and textile products were the largest component, valued at RM3.9 billion or 81.2 per cent. Major imported items were textile yarn, woven and knitted fabrics, used for high-end apparel.

The PRC remained Malaysia's major source of imports, with imports totalling RM1.4 billion, followed by Taiwan (RM597 million), Japan (RM499 million) and Indonesia (RM465 million).

Investments

A total of 36 projects were approved in the textiles and apparel product industry in 2004,

Chart 5.10:
Exports of Textiles and Apparel Products by Destination



Source: Ministry of International Trade and Industry involving investments of RM821.5 million, compared with 34 projects with investments of RM292.6 million in 2003. Of these, 17 were new projects (RM490.9 million) and 19 were expansion/diversification projects (RM330.6 million). Domestic investments amounted to RM454 million (55 per cent), while foreign investments totalled RM367.5 million (45 per cent).

Of the projects approved, 27 were Malaysian-owned, which are mainly for the manufacture of made-up garments. Other projects were for the manufacture of knitted fabrics and textile accessories.

Of the 36 projects approved, 12 projects were for the production of primary textiles (RM473.8 million), 15 for made-up garments (RM67.8 million), two for made-up textiles (RM202 million) and seven for textile accessories (RM77.9 million). The approved projects are expected to generate a total of 5,865 employment opportunities.

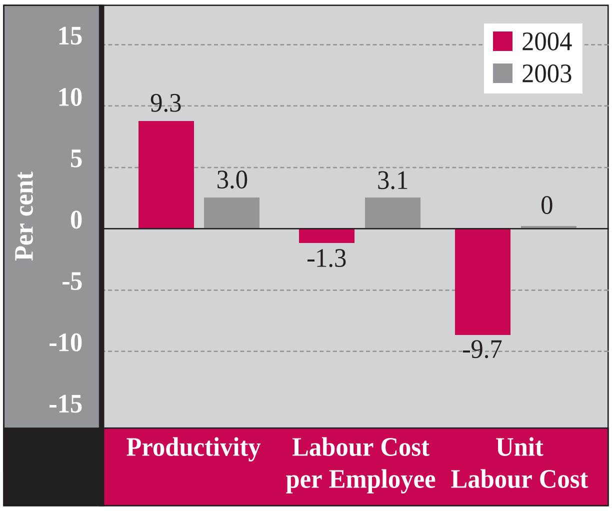
Among the major projects approved were:

- a new project to manufacture carpets with investments of RM197 million. This is the first of its kind in the ASEAN region. This project would create backward linkages with the petrochemical industry through the usage of polypropylene resin as its main raw material. The production is mainly for export;

- a new Malaysian-owned project with investments of RM195 million for the finishing of fibre, yarn and fabric including the manufacture of knitted fabrics. The project would utilise state-of-the-art equipment in washing, bleaching, dyeing and printing activities in textiles. The production process would involve environment-friendly and 'micro-real process' for better colour fastness, UV radiation resistance and improved fire retardation properties of yarn and fabrics. Sixty per cent of its production will be exported to South Africa, Cambodia, the PRC, Namibia and the USA; and

- an expansion project by an existing Danish-owned company to produce spun-bonded non-woven fabrics for use in disposable diapers, with investments of RM180 million. It is the first company in Malaysia producing spun-bonded non-woven fabrics. With the expansion, the company's total investment in Malaysia is expected to increase to RM311.2 million.

Chart 5.12:
Productivity Indicators of the Textiles Sub-sector



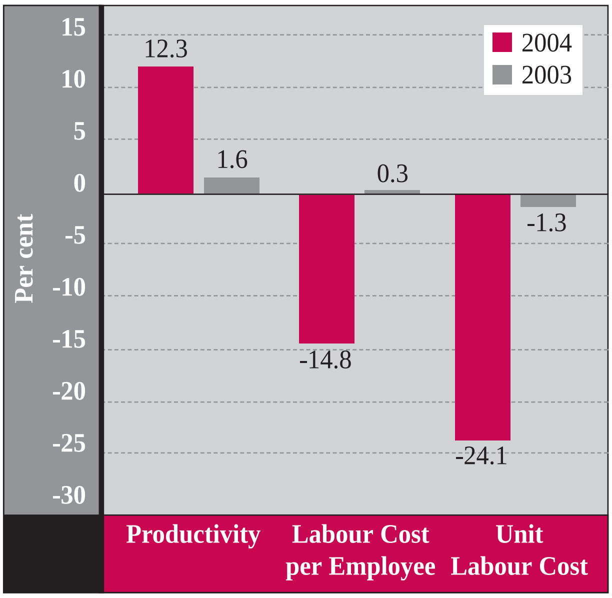
Source: National Productivity Corporation

Productivity

The textiles sub-sector registered a productivity growth of 9.3 per cent to RM185,231, from RM169,428 in 2003. This was attributed to the higher productivity growth of synthetic textile and knitting mills by 20.1 per cent and 6.7 per cent, respectively. The demand from the apparel industry, locally and globally, contributed to the high capacity utilisation in the sub-sector. The sub-sector improved its labour cost competitiveness by 9.7 per cent.

The apparel sub-sector posted a productivity growth of 12.3 per cent to RM73,432, from RM65,388 in 2003. Better designs and higher quality clothing manufactured using high technology systems led to the improvements in the productivity performance. Branding strategies adopted for higher end products also contributed to this performance. The labour cost

Chart 5.13:
Productivity Indicators of the Apparel Sub-sector



Source: National Productivity Corporation

competitiveness of the sub-sector improved by 24.1 per cent.

Developments

Trade in textiles and apparel has become more competitive beginning 1 January 2005. In the post-ATC era, competitiveness is very critical, as the global price of textiles and apparel beyond 2005 is expected to decline by 20 to 30 per cent.

In addition, there is a possibility that major importing countries, such as the EU and the USA would use safeguard and non-trade measures, such as anti-dumping, human rights, environmental issues, sustainable development, labour standards, labelling and Customs procedures, to deal with the surge in imports.

The EU, with its enlargement effective 1 May 2004, has became the world's largest trader in textiles and apparel products, with a market size of 470 million people. In 2004, the EU accounted for 15 per cent of the global market, with an industry turnover of Euro 227 billion. This creates new potential market for Malaysian textiles and apparel products as all tariffs and non-tariff measures have been standardised.

Regional Integration

At the regional level, the textiles and apparel industry has been included as one of the 11 priority sectors for accelerated integration. The elimination of tariffs will be accelerated and other initiatives, such as harmonisation and simplification of Customs regulations, and creation of special green lane clearance will be put in place to facilitate the movement of goods. These initiatives are also expected to increase multi-sourcing within ASEAN.

WOOD-BASED PRODUCTS INDUSTRY

The wood-based products industry covers wood products, as well as furniture and fixtures. Wood products comprise of sawn timber, veneer, plywood and builders' carpentry and joinery. Other wood products included, reconstituted panel board, reengineered wood, particleboard, blockboard, laminated board and medium density fibreboard.

Production

The production index of wood-based products improved to 112 in 2004, from 99.5 the previous year due to strong demand for plywood, hardboard and particleboard, particularly, from Japan, the USA, the UK and the ROK.

Sales

Sales of wood-based products increased by 20 per cent to RM13.5 billion, from RM11.3 billion in 2003. Furniture and components sales recorded an increase of 16.6 per cent to RM4.6 billion, from RM4 billion, with increased exports to major markets, such as the USA, the UK, Japan, Taiwan and the PRC. Sales of panel products increased by 22.6 per cent to RM7.7 billion in 2004, from RM6.3 billion in 2003.

Employment

Employment in the wood-based products industry as reported in the Monthly Manufacturing Survey, expanded by 1.6 per cent to 110,818 workers, from 109,068

Table 5.28:
Sales of Wood-based Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**13,546.8**	**20.0**	**11,293.7**
Panel Products (plywood, medium density fibreboard and particleboard)	7,692.5	22.6	6,275.2
Furniture and Components	4,608.1	16.6	3,950.6
Mouldings Joinery	1,246.2	16.7	1,067.9

Source: Department of Statistics, Malaysia

Table 5.29:
Employment in the Wood-based Products Industry

Products	2004 (persons)	Change (%)	2003 (persons)
Total	**110,818**	**1.6**	**109,068**
Panel Products (plywood, hardboard and particleboard)	58,155	-0.2	58,243
Manufacture of Furniture and Fixtures	41,268	3.9	39,727
Planing mills, Window and Door Mills and Joinery Works	11,395	2.7	11,098

Source: Department of Statistics, Malaysia

workers in 2003. Increased employment was recorded in the furniture and fixtures, planning mills, window/door mills and joinery works sub-sectors.

Investments

In 2004, a total of 44 projects were approved in the wood and wood products sector, with investments of RM897.5 million, compared with 37 projects, with investments of RM1.1 billion in 2003. An equal number of projects were approved (22 each) for new projects (RM416.1 million or 46.4 per cent) and expansion/diversification projects (RM481.4 million or 53.6 per cent). Domestic investments accounted for RM661.4 million or 73.6 per cent of total investments.

Investments were registered mainly in the panel products sector (RM505.1 million), followed by the mouldings and builders carpentry and joinery (BCJ) sub-sector (RM338.9 million). A total of 12 companies were approved to undertake expansion/ diversification projects, to produce panel products such as plain and laminated panel products (plywood/blockboard/MDF), engineered wood products such as laminated veneer lumber (LVL), laminated veneer sandwich (LVS) and laminated veneer cross band (LVB). These products are mainly for export to Japan, the ROK and Taiwan. Projects approved, reflect the move towards higher value-added engineered products.

The major projects approved include:

- an expansion project to produce plain and laminated particleboard (RM240 million) to cater for increased demand especially from the PRC, Viet Nam, the ROK and Japan; and

- a new joint-venture project between a Malaysian-owned company and a Canadian company to manufacture moulded MDF doorskin for export to the USA, Europe, Russia and India (RM206 million). The Canadian company is one of the world's leading producers of doors and doorskins.

In the wooden furniture sector, 56 projects were approved, with investments of RM344.8 million in 2004, compared with 49 projects (RM312.5 million) in 2003. Thirty-one were new projects with investments of RM199.3 million, while 25 others are expansion/ diversification, with investments of RM145.5 million. Domestic investments contributed 70 per cent (RM241.3 million) and foreign investments, accounted for RM103.5 million.

Exports

The total exports of wood-based products in 2004 increased by 24.2 per cent from RM11.3

Table 5.30:
Exports of Wood-based Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**14,072.5**	**24.2**	**11,329.5**
Furniture and Components	5,441.4	16.5	4,669.8
Plywood	5,357.5	37.9	3,883.8
Builders' carpentry and Joinery	1,095.9	36.4	803.7
Fibreboard	1,020.8	7.9	946.1
Veneer	368.3	3.0	357.6
Panels and Laminated Wood	286.5	4.8	273.5
Densified, Reconstituted Wood	197.3	41.3	139.6

Compiled by: Ministry of International Trade and Industry

Table 5.31:
Imports of Wood-based Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**985.1**	**63.4**	**602.8**
Furniture and Components	462.2	77.2	260.8
Veneer	168.4	45.3	115.9
Densified, Reconstituted Wood	135.7	66.6	81.4
Fibreboard	46.9	130.4	20.4
Builders' Carpentry and Joinery	29.8	3.5	28.8
Panels and Laminated Wood	14.5	141.6	6.0
Plywood	8.0	56.8	5.1

Compiled by: Ministry of International Trade and Industry

billion in 2003 to RM14.1 billion due to encouraging demand for plywood (38 per cent), densified reconstituted wood (41 per cent) and builders' carpentry and joinery (36 per cent). Exports of furniture and components in 2004 increased by 16.5 per cent to RM5.4 billion, constituting 38 per cent of total export earnings of wood products.

Major destinations for exports were Japan (RM3.8 billion), the USA (RM3 billion), the UK (RM934 million), the ROK (RM690 million), Australia (RM683 million), Taiwan (RM543 million) and the PRC (RM507 million). Exports to new markets recorded significant increase, particularly, to Jordan (RM148 million), UAE (RM428 million), Egypt (RM111 million), Ireland (RM105 million) and Spain (RM58 million).

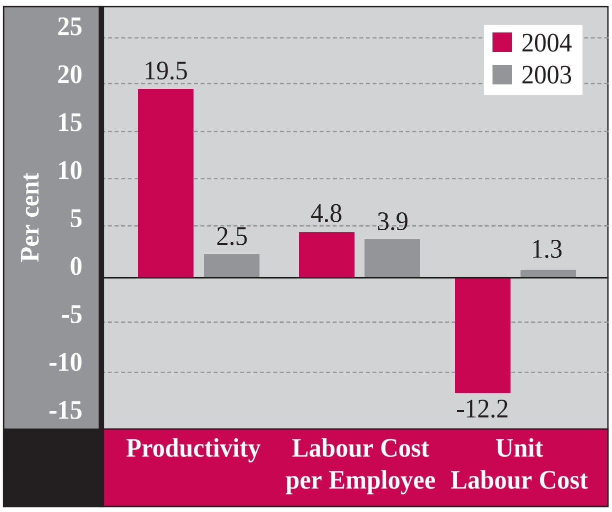
Imports

Imports of wood-based products increased 63.4 per cent to RM985.1 million, from RM602.8 million in 2003. Major products imported were furniture and fixtures, veneer and densified/reconstituted wood fibreboard. Sources of imports were the PRC (RM230 million), Germany (RM137 million), Thailand (RM118 million) and the USA (RM52 million).

Productivity

Productivity of the sub-sector posted a growth of 19.5 per cent from RM107,221 in 2003, to RM128,107 in 2004. Industries that recorded double digit productivity growth were plywood and hardboard, by 20 per cent; and planning mills, windows and door mills and joinery works, by 16.1 per cent. This was attributed to increase in the demand for plywood, hardboard, and particleboard from major markets, such as the USA, the UK and Japan. In the domestic market, the expansion of construction activities in the residential and

Chart 5.14:
Productivity Indicators of Wood and Wood Products Sub-sector



Source: National Productivity Corporation

non-residential sub-sectors resulted in high demand for wood and wood products. The labour cost competitiveness of the sub-sector improved by 12.2 per cent.

RUBBER-BASED PRODUCT INDUSTRY

The rubber-based industry covers latex-based products, general rubber goods (GRG) and industrial rubber goods (IRG). The latex products comprised, among others, rubber gloves, catheters, latex threads, condoms and foam products. The main products under GRG are unhardened vulcanised rubber articles, such as anti-vibration rubber parts for automobiles, tyres and tubes, precured threads, floor covering, rubber seals and rail pads. The IRG products consisted of piping and tubing, insulated wire and cables, belting, conveyor belts, dock fenders and automotive parts such as hoses, gaskets, weather strips and door window enclosure seals.

In 2004, there were 345 manufacturers in this sector, comprising 150 manufacturers in GRG, latex-based (138) and IRG (57) sub-sectors.

Production

The rubber-based production index increased by 13.5 per cent in 2004 to 230.7, from 203.3 in 2003 due to strong demand for GRG and IRG products. The production index for footwear and tyres and tubes increased by 35.9 per cent and 0.7 per cent, respectively due to improved demand. Latex-based product production experienced a 5.3 per cent decrease due to reduction in latex processing.

Table 5.32:
Production Indices of Rubber Products

Products	2004	Change (%)	2003
Total	**230.7**	**13.5**	**203.3**
Industrial and General Rubber Products	296.4	17.7	251.8
Tyres and Tubes	159.8	0.7	158.7
Latex-based Products	100.3	-5.3	105.9
Footwear	26.9	35.9	19.8

Source: Department of Statistics, Malaysia
Note: Base Year 1993 = 100

Sales

Sales of rubber products increased by 18.6 per cent to RM9.2 billion, from RM7.8 billion, attributed to increasing demands for latex-based products, IRG and GRG.

Table 5.33:
Sales of Rubber-based Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**9,221.7**	**18.6**	**7,773.9**
Other Rubber Products, Comprising Latex-based, Industrial and General Rubber Products	7,186.7	22.6	5,860.5
Tyres and Tubes	1,806.9	6.9	1,689.7
Footwear	228.1	2.0	223.7

Source: Department of Statistics, Malaysia

Employment

Total employment in the rubber-based products industry increased 1.9 per cent to 62,108 workers, from 60,975 in 2003. Foreign workers are estimated to make up 32 per cent of total workforce of this sector.

Table 5.34:
Employment in the Rubber-based Industry

Products	2004 (Persons)	Change (%)	2003 (Persons)
Total	**62,108**	**1.9**	**60,975**
Tyres and Tubes Industry	6,738	-1.3	6,828
Footwear	878	-11.0	987
Manufacture of Other Rubber Products	54,492	2.5	53,160

Source: Department of Statistics, Malaysia

Investments

In 2004, a total of 29 projects were approved in the rubber products industry valued at RM385.2 million, compared with 21 projects with investments of RM211.2 million in 2003. Of the total, 14 were new projects (RM175.5 million), while 15 were expansion/diversification projects (RM209.7 million). Domestic investments were valued at RM275.4 million (71.5 per cent), while foreign investments, totalled RM109.8 million (28.5 per cent). Of the total projects approved, 19 (RM214.4 million) were Malaysian-owned.

Investments in 2004, were mainly in, latex products (RM185 million), industrial and general rubber products (RM102 million), and recycling of waste tyres into fuel oil, carbon black, rubber crumbs, recovered metal and textile materials (RM96.6 million).

Exports

Total exports of rubber-based products in 2004 increased by 19 per cent to RM6.2 billion, compared with RM5.2 billion in 2003. Malaysia continued to be the leading exporter of rubber gloves in the world.

The main rubber exports were rubber gloves (RM4.1 billion), GRG and IRG products such as vulcanised rubber thread, including rubber tubes, pipes and hoses (RM1 billion), and tyres and tubes (RM431.8 million). The largest market for these exports were the USA, with exports amounting to RM1.9 billion or 31 per cent of total rubber exports, followed by Japan (RM361 million, 5.8 per cent), the UK (RM343.7 million, 5.6 per cent), Germany (RM266.1 million, 4.3 per cent) and Australia (RM263.4 million, 4.3 per cent).

Table 5.35:
Exports of Rubber-based Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**6,183.6**	**19.0**	**5,195.0**
Rubber Gloves	4,058.3	19.1	3,408.4
Industrial Rubber Goods	1,025.1	16.8	877.8
Tyres and Tubes	431.8	32.3	326.3
Articles of Rubber	521.3	16.5	447.3
Synthetic Rubber	147.1	8.7	135.3

Compiled by: Ministry of International Trade and Industry

Imports

The total imports of rubber-based products increased 33.5 per cent, from RM1.4 billion in 2003 to RM1.9 billion in 2004. Imports comprised mainly, articles of rubber (RM 558.3 million) and tyres and tubes (RM44.8 million). Imports of reclaimed and waste synthetic rubber, for use in production, increased by 39.2 per cent. Sources of imports were Japan (RM489 million), Thailand (RM357 million), Taiwan (RM150 million) and the USA (RM147 million).

Table 5.36:
Imports of Rubber-based Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**1,936.0**	**33.5**	**1,449.8**
Synthetic Rubber	684.8	39.2	491.8
Articles of Rubber	558.3	28.3	435.3
Tyres and Tubes	444.8	46.4	303.8
Industrial Rubber Goods	178.1	18.6	150.2
Rubber Gloves	70.0	52.5	45.9

Compiled by: Ministry of International Trade and Industry

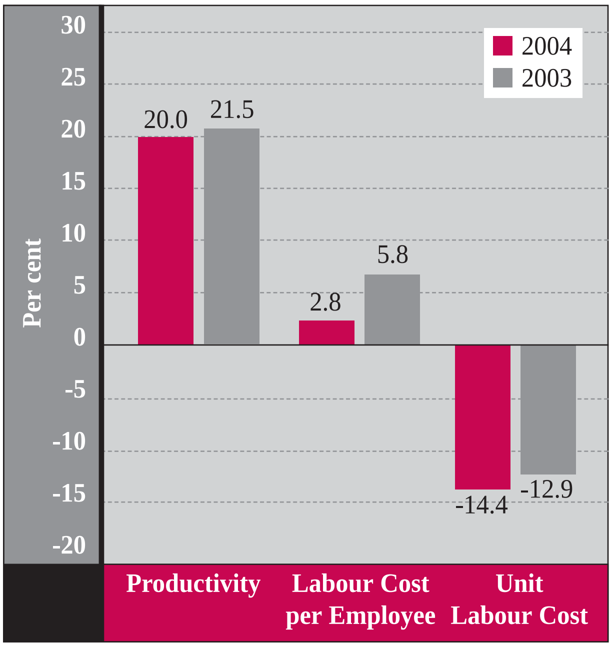
Productivity

The rubber-based product sub-sector posted a productivity growth of 20 per cent from RM177,327 in 2003 to RM212,866 in 2004. High demand and better prices for rubber products from both domestic and foreign automotive producers in the PRC, Germany, the USA and France, accounted for the high capacity utilisation in the sub-sector. Among the industries that registered high growth were rubber re-milling and rubber latex, 35.3 per cent; rubber footwear, 18.3 per cent; other rubber products, 20 per cent; and tyres and tubes, 5.5 per cent. The sub-sector's labour cost competitiveness recorded an improvement of 14.4 per cent.

Developments

Malaysian rubber gloves have the advantage of good image in the world market. This is

Chart 5.15:
Productivity Indicators of Rubber Products Sub-sector



Source: National Productivity Corporation

achieved through the implementation and compliance to the Standard Malaysian Glove (SMG) scheme which has enhanced the quality of Malaysian rubber gloves. To date, 36 glove manufacturers have been accredited under the scheme.

To sustain future demand and expand market share, various Malaysian Standards on rubber products are being complied with, to ensure quality and safety for both consumers and the environment. Continuous design and development (D&D) through the utilisation of existing incentives and facilities, will further enhance quality of Malaysian rubber products.

PALM OIL INDUSTRY

The palm oil industry consists of palm oil, palm kernel oil, palm kernel cake, oleochemicals, as well as finished products. The total oil palm planted area increased by 1.9 per cent or 73,000 hectares to 3.9 million hectares in 2004. Sabah remained the largest oil palm planted state with 1.2 million hectares.

The Malaysian palm oil industry recorded an impressive performance in 2004, despite facing strong competition from other palm oil producing countries and unfavourable tariff treatment in some markets. The industry continued to contribute substantially to the country's economic development and foreign exchange earnings.

Production

Overall, the production of palm oil products, including oleochemical products, crude palm oil (CPO), crude palm kernel oil (CPKO), palm kernel cake and palm kernel increased by 3.7 per cent. The production of oleochemical products recorded the highest increase in this sector, expanding by 10.7 per cent to 1.8 million tonnes in 2004, from 1.7 million tonnes in 2003. This was followed by CPO (4.7 per cent) and palm kernal (0.9 per cent). The production of CPKO and palm kernel cake, however, decreased by 0.1 per cent and 0.9 per cent, respectively.

Table 5.37:
Production of Palm Oil Products

Products	2004 (Tonnes)	Change %	2003 (Tonnes)
Total	**23,009,733**	**3.7**	**22,196,142**
Crude Palm Oil (CPO)	13,976,182	4.7	13,354,769
Palm Kernel	3,661,456	0.9	3,627,235
Palm Kernel Cake	1,892,332	-0.9	1,910,100
Oleochemical Products	1,836,742	10.7	1,659,912
Crude Palm Kernel Oil (CPKO)	1,643,021	-0.1	1,644,126

Source: Malaysian Palm Oil Board

Exports

Total exports of palm oil products comprising palm oil, palm kernel oil, palm kernel cake, oleochemicals and finished products increased by 16.1 per cent to RM30.4 billion in 2004, from RM26.2 billion in 2003. Palm oil finished products registered a 58.4 per cent increase to RM848.8 million in 2004 from RM535.7 million in 2003.

Table 5.38:
Exports of Oleochemical Products

Product	2004		Change (%)		2003	
	Volume (Tonnes)	RM million	Volume (Tonnes)	RM million	Volume (Tonnes)	RM million
Total	**1,770**	**5,040.0**	**12.9**	**31.1**	**1,567**	**3,844.4**
Methyl Ester	200	593.3	3.1	37.1	194	432.9
Glycerine	202	609.5	7.5	1.8	188	598.9
Soap Noodles	270	567.6	44.3	65.6	187	342.8
Fatty Alcohol	330	1,329.7	14.6	34.1	288	991.8
Fatty acids	768	1,939.9	8.2	31.3	710	1,478.0

Source: Malaysian Palm Oil Board

Table 5.39:
Exports of Palm Oil Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**30,441.6**	**16.1**	**26,223.9**
Palm Oil	22,175.6	11.5	19,883.5
Oleochemical Products	5,040.0	31.1	3,844.4
Palm Kernel Oil	1,972.4	24.6	1,583.3
Finished Products	848.8	58.4	535.7
Palm Kernel Cake	351.3	4.0	337.9
Others	53.5	36.8	39.1

Source: Malaysian Palm Oil Board

The PRC maintained its position as the largest market for Malaysian palm oil. Exports to the PRC, totalled 2.8 million tonnes, an increase of 10.5 per cent, compared with 2.5 million tonnes in 2003, followed by EU (2 million tonnes), Pakistan (1 million tonnes) and India (0.9 million tonnes).

Exports of oleochemical products increased by 31.1 per cent to RM5 billion, from RM3.8 billion in 2003. Major products exported were fatty acids (RM1.9 billion), fatty alcohol (RM1.3 billion) and glycerine (RM609.5 million). The major markets for oleochemical products were the EU (28.9 per cent), the PRC (14.4 per cent), Japan (11.8 per cent) and the USA (11.8 per cent).

Imports

Total imports of palm oil products increased by 48.9 per cent to 868,142 tonnes, from 583,001 tonnes in 2003. Palm oil and palm kernel oil were the main raw materials imported from Indonesia and Thailand.

Table 5.40:
Imports of Palm Oil Products

Products	2004 (Tonnes)	Change (%)	2003 (Tonnes)
Total	**868,142**	**48.9**	**583,001**
Palm Kernel Oil	155,483	41.3	110,033
Palm Oil	712,659	50.7	472,968

Source: Malaysian Palm Oil Board

Investments

A total of 30 projects were approved in the palm oil products industry, involving investments of RM2.6 billion in 2004, compared with 12 projects, with investments of RM311.2 million in 2003. The oleochemical sub-sector accounted for 85 per cent of the total investments, followed by the palm oil edible products sub-sector (15 per cent).

In the oleochemical sub-sector, a total of 14 projects were approved in 2004, with total investments of RM2.2 billion, compared with five projects approved with investments of

RM73.1 million in 2003. Of the 14 projects approved, three were new projects (RM813.8 million) and 11 were expansion/diversification projects (RM1.4 billion). The bulk of the investments were from domestic sources, which amounted to RM1.8 billion (81.4 per cent), while foreign investments, totalled RM414 million (18.6 per cent). A total of 11 projects were Malaysian-owned, involving three new projects (RM813.8 million) and eight expansion/diversification projects (RM1.2 billion).

The major projects include:

- a diversification project for the production of fatty acids, glycerine and fatty alcohol with investments of RM400 million. This project is an expansion of the company's operations in the refining of palm oil and palm kernel oil products and hydrogenated products, to downstream processing of oleochemical products. It will also be the first company to produce oleochemical products in Sarawak.

- a new project with investments of RM351.5 million, to manufacture fatty alcohol, fatty acids and glycerine for export to the PRC, Taiwan, the ROK, Japan and Europe.

- an expansion/diversification project for the production of fatty acids and glycerine and fatty alcohols (RM340.7 million). More than 80 per cent of the production of fatty acid and glycerine, and the entire production of fatty alcohol are for export.

In the palm oil edible products sub-sector, 16 projects were approved with investments amounting to RM362.9 million in 2004, compared with seven projects with investments of RM238.1 million in 2003. Three projects were new (RM38.2 million) while 13 others (RM324.7 million) were for expansion and diversification. Domestic sources accounted for 80.7 per cent of the investments. Of the 16 projects, seven were approved for refining and crushing activities, while nine were for the production of manufactured fats.

Developments

To encourage commercialisation of resource-based R&D findings by public research institutes, such as the Malaysian Palm Oil Board (MPOB), the 2005 Budget specified that tax deductions equivalent to the amount of investment made in the subsidiary company be given to companies that invest in its subsidiary company engaged in the commercialisation of the R&D findings. The subsidiary company that undertakes the commercialisation of the R&D findings is given Pioneer Status with 100 per cent tax exemption, on statutory income, for 10 years.

Palm diesel technology has great potential for commercialisation, as diesel engine application is widespread, particularly in the agricultural and transport sector. The patented palm diesel technology is now in place.

R&D in the palm oil industry is on-going through various collaborative efforts between MPOB and local as well as foreign institutions of higher learning. Continuous efforts are being made to develop and improve methods of harvesting, cultivation of oil palm in tissue and suspended culture, in addition to producing biodegradable thermo plastics via genetic engineering.

FOOD PROCESSING INDUSTRY

The food processing industry includes, dairy products, processed cereal and cereal preparations, fruits and vegetable processing, livestock products, seafood products and cocoa products. The sector is dominated by small-scale manufacturers catering mainly, for the domestic market, while large-scale producers cater for both the domestic and export markets.

Production

In 2004, the production index for the industry increased by 4.4 per cent due to strong domestic demand. Among the sub-sectors which recorded increase in production were cocoa, chocolate and sugar confectionery (15.5 per cent), biscuits (12.2 per cent), other

Table 5.41:
Production Indices of Processed Food Products

Sub Sector	2004	Change (%)	2003
Overall	**193.9**	**4.0**	**186.4**
Fish and Prawn Products	202.4	-4.2	211.2
Cocoa, Chocolate and Sugar Confectionery	157.0	15.5	135.9
Biscuits	153.8	12.2	137.1
Sugar Refineries	150.4	1.4	148.2
Flour Milling	116.8	3.4	113.0
Dairy Products	88.7	-10.6	99.3
Rice Milling	75.4	-23.7	98.8
Other Processed Food	666.4	8.8	612.3

Source: Department of Statistics, Malaysia
Note: Base Year 1993 = 100

processed food (8.8 per cent), flour milling (3.4 per cent) and sugar refineries (1.4 per cent).

Employment

Total employment in the industry decreased by 1 per cent to 33,896 workers in 2004, from 34,245 workers in 2003, as a result of decreasing number of factories in operation.

Sales

The sales value of processed food products increased by 9.2 per cent, to RM12 billion in 2004. The improvement was a result of the increase in both domestic consumption and exports.

Exports

The total exports of processed food products increased by 22.7 per cent to RM8 billion in 2004, from RM6.5 billion in 2003. Export items which registered significant increases were tea and mate (77.2 per cent), cocoa and cocoa preparations (34.1 per cent), dairy products (28.2 per cent), other processed food (26.2 per cent) and processed seafood (22.2 per cent). Improvements in product quality and acceptance of Malaysian food products, coupled with aggressive promotions, contributed to the better export performance. Main export markets included Singapore, Indonesia, the USA, Indonesia, Australia and Thailand.

Table 5.42:
Sales of Selected Processed Food Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**12,005.5**	**9.2**	**10,995.9**
Dairy Products	2,620.6	16.1	2,256.5
Sugar	1,703.3	3.9	1,640.1
Cocoa, Chocolate and Sugar Confectionery	1,533.8	7.1	1,431.6
Biscuits	1,068.8	9.3	977.6
Fish Crustacea and Similar Foods	1,010.7	1.6	994.7
Flour	1,005.6	5.5	952.9
Vegetable and Animal Oils and Fats	954.0	31.7	724.4
Rice	488.4	-20.6	615.2
Coconut Oil	88.3	26.7	69.7
Pineapple, canned	73.1	14.9	63.6

Source: Department of Statistics, Malaysia

Table 5.43:
Exports of Processed Food Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**7,996.0**	**22.7**	**6,517.1**
Cocoa & Cocoa Preparations	1,563.1	34.1	1,165.2
Edible Products and Preparations	1,136.5	8.0	1,052.1
Margarine and Shortening	805.5	65.6	486.5
Prepared Cereals & Flour Preparation	747.1	14.6	651.7
Seafood, Processed	571.1	22.2	467.5
Sugar & Sugar Confectionery	441.1	-10.0	489.9
Dairy Products	402.9	28.2	314.3
Vegetables & Fruits, Prepared/Preserved	272.6	5.6	258.2
Meat, Processed	72.1	4.0	69.4
Tea and Mate	42.0	77.2	23.7

Compiled by: Ministry of International Trade and Industry

Imports

The Malaysian food manufacturers are still dependent on imported intermediate raw materials due to insufficient local supplies to be used as input for value-added processing.

Table 5.44:
Imports of Processed Food Products

Products	2004 (RM mil)	Change (%)	2003 (RM mil)
Total	**7,451**	**29.2**	**5,767**
Dairy Products	1,551	29.8	1,195
Edible Products and Preparations	1,523	36.9	1,112
Sugar & Sugar Confectionery	1,183	9.0	1,085
Prepared Cereals & Flour Preparation	604	58.1	382
Seafood, Processed	417	31.5	317
Vegetables & Fruits, Prepared/Preserved	358	16.6	307
Cocoa & Cocoa Preparations	160	11.9	143
Tea and Mate	73	28.0	57
Meat, Processed	24	-4.0	25
Margarine and Shortening	18	12.5	16

Compiled by: Ministry of International Trade and Industry

The imports of processed food products increased by 29.2 per cent from RM5.8 billion in 2003, to RM7.5 billion in 2004. Import items which recorded significant increases were prepared cereals and flour preparations (58.1 per cent), edible products and preparations (36.9 per cent), dairy products (29.8 per cent) and tea and mate (28 per cent). The main source of imports were Australia, Thailand, New Zealand and the PRC.

Investments

In 2004, a total of 68 projects were approved with investments of RM1.1 billion, compared with 94 projects in 2003 (RM855.2 million). Forty-nine projects were new with investments of RM874.7 million and 19 were expansion/diversification projects, with investments of RM269.6 million. Investments in the food processing industry were predominantly from domestic sources. However, in 2004, foreign investments reached RM597.4 million (52.8 per cent), as compared with RM439 million (41 per cent) in 2003.

Approved investments were for the production of beverages, which accounted for 34 per cent of total investments, followed by coffee and tea products (16.4 per cent) and food ingredients (13.1 per cent).

The major projects approved included:

- a new project by a foreign-owned company to produce coffee products (extracts, essences and concentrates of coffee), with an investment of RM119.9 million. The project will utilise the latest technology for extraction and spray drying. The products are entirely for export to premium markets in the Asia Pacific.

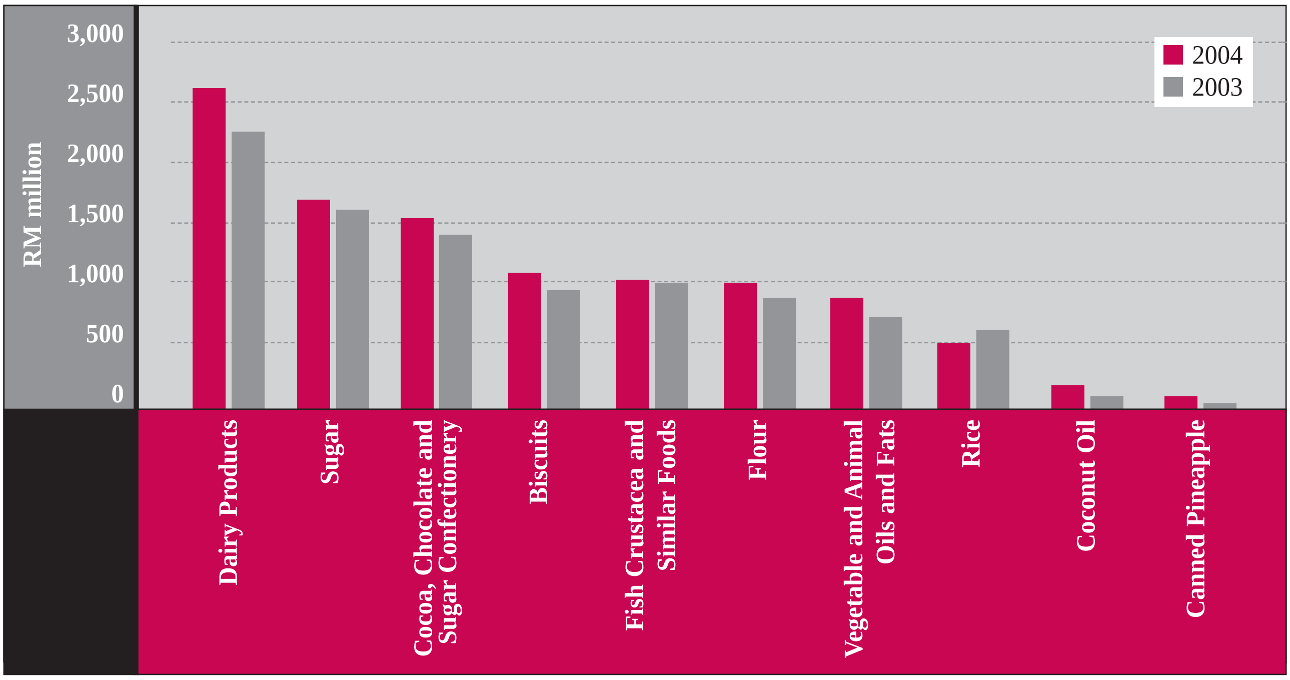
- a new project by a wholly Malaysian-owned company to produce spices and flour premixes, with investments of RM90.2 million. The company is currently exporting about 30 per cent of its products to Singapore, Canada, Australia and Brunei Darussalam.

- a new project by a Singapore-owned company to produce instant soluble coffee, with an investment of RM58 million. The group is currently involved in soluble coffee, 3 in 1 beverages, canned drinks, cereals, instant noodles, potato chips, and has set up factories in Singapore, Myanmar, the Philippines, Indonesia, Thailand, besides Malaysia.

Productivity

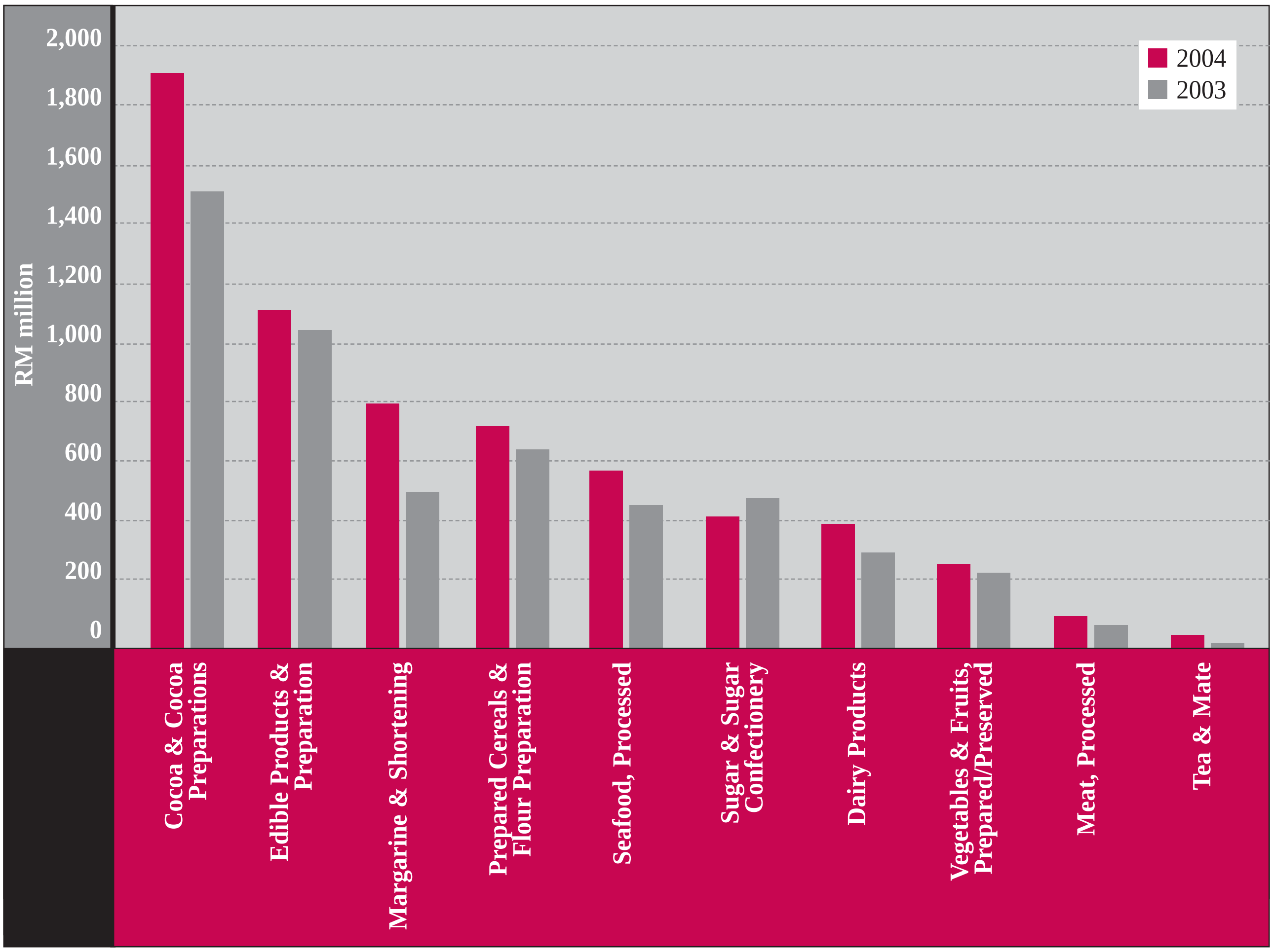
The food sub-sector recorded a productivity growth of 8.4 per cent to RM342,323 in 2004, from RM315,805 in 2003. The industries which registered double digit productivity growth were manufacture of coconut oil, 40.9 per cent; large rice mills, 33 per cent; manufacture of other vegetable and animal oils and fats, 30.5 per cent; dairy products, 14.8 per cent; and pineapple canning, 13.6 per cent. The growth was due to strong domestic consumption, external demand and the promotion of Malaysia as an accredited centre for *halal* food. Exports of food products, especially chilled, frozen and processed food,

Chart 5.16:
Sales of Selected Processed Food Products



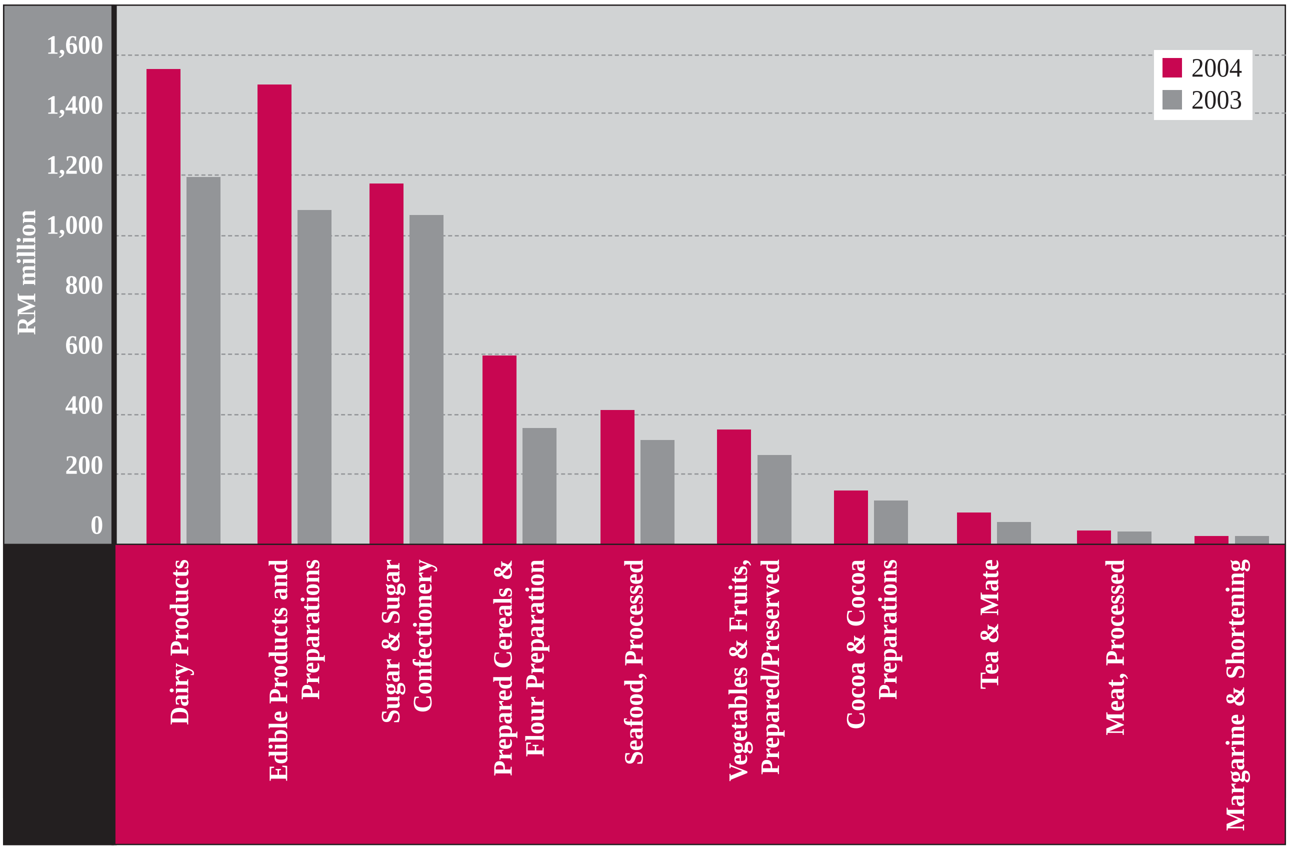
Source: Department of Statistics, Malaysia

Chart 5.17:
Exports of Processed Food Products



Compiled by: Ministry of International Trade and Industry

Chart 5.18:
Imports of Processed Food Products



Compiled by: Ministry of International Trade and Industry

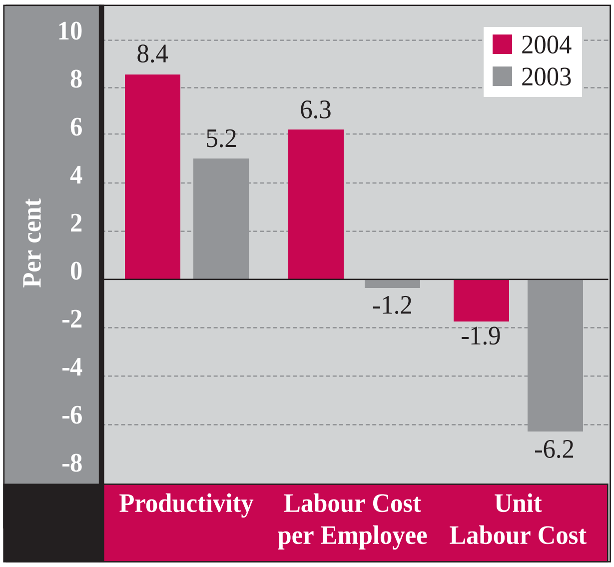
increased by 22.7 per cent, valued at RM7,996 million. The sub-sector's labour cost competitiveness improved marginally by 1.9 per cent.

Developments

Standard *Halal* Malaysia MS1500:2004, which is in compliance with, and encompassed the international standards of Good Manufacturing Practices and Good Hygiene Practices, was launched by the Government in August 2004. This is an important step in ensuring that Malaysia's *halal* products continue to be of the highest quality and meet international standards.

To encourage the development of this industry, the Government announced in the 2005 Budget, that producers of *halal* products will be eligible for double deduction tax incentive on expenses incurred in meeting the standards for *halal* certification. In encouraging new investments, and to increase the usage of modern and state-of-the-art machinery and equipment, Investment Tax Allowance of 100 per cent for five years, will be granted to companies which produce *halal* food.

Chart 5.19:
Productivity Indicators of the Food Processing Sub-Sector



Source: National Productivity Corporation

A special fund for the development and promotion of *halal* products has been established with an allocation of RM10 million. The fund is to finance studies in business planning, technology and market development, as well as improving productivity and quality to achieve international certification and for penetration into the export market.

MANUFACTURING-RELATED SERVICES SECTOR

Regional Establishments

Operational Headquarters (OHQs)

In 2004, a total of 16 OHQs were approved, compared with 12 in 2003. The total paid-up capital of the 16 OHQs amounted to RM5 million with annual business spending of RM172.5 million. Of these, five were from the USA, three from Germany and two each from Japan and British Virgin Islands.

In terms of employment, a total of 1,095 job opportunities will be created, of which 882 jobs or 81 per cent of the positions will be filled by Malaysians and the remaining 213 positions by expatriates.

The approved OHQs were mainly involved in E&E, healthcare, pharmaceutical, insurance, food and beverages and household products, timber and logistics. The OHQs approved include:

- an American-owned company to provide shared services and technical support services to its operations in the Asia Pacific region, the USA and Europe. The investment proposal covers the setting up of several support centres to provide services to the company's entities which include, a Shared Service Centre, a Global Delivery Operations Centre, a Global HR Service Centre, and an Asia Region Technical Assistance Centre.

- two related German-owned companies to provide support services for three of the group's main business segments, namely, power, ICT and transportation businesses. In the past, the relevant support services were provided directly from its corporate headquarters in Germany.

- an Australian-owned company to coordinate its group's regional operations in supply chain management, general management and administration, as well as business planning. The group has six manufacturing facilities for healthcare barrier products, such as protective gloves and condoms, in Malaysia, and other production bases in the Asia Pacific region.

Other companies that have been approved to set up their OHQ operations in Malaysia were in printed circuit board (PCB) production, security services industry, and the garments industry.

International Procurement Centres (IPCs)

A total of 21 companies were approved with IPC status in 2004, compared with 32 in 2003. The total paid-up capital of IPCs approved in 2004 amounted to RM5.4 million, while the average annual sales turnover and business spending were estimated at RM3.7 billion and RM114.2 million, respectively.

Of the IPCs approved, 17 were foreign-owned and four were Malaysian-owned companies. Seven of the foreign-owned IPCs were Japanese MNCs including, the world's largest keyboard producer and one of the largest resin producers in Japan.

Other foreign companies that have established IPC operations in Malaysia include one company from the USA to set up a Material Memory Hub to manage the components supply chain of its OEM and contract manufacturers in Asia, Europe and North America. One other major company approved was from France, which will act as a buying agent for palm oil and derivatives, natural rubber and latex, specialty chemicals, and coconut oil and derivatives for its group operations in South East Asia. The four Malaysian companies which were approved IPC status are in the paper and textiles industries.

In terms of usage of local seaports and airports, out of the RM2.5 billion worth of goods proposed to be exported by the six IPCs, about 80 per cent will be exported through seaports and 20 per cent through airports. Of the goods to be exported through seaports, a total of RM1 billion (51 per cent) will be exported through Port Klang, Penang Port (RM521.3 million or 26 per cent), Pasir Gudang Port (RM377.6 million or 19 per cent) and Port of Tanjung Pelepas (PTP) (RM78.3 million or 4 per cent). Of the goods to be exported through local airports, a total of RM440.3 million or 88 per cent will be exported via Penang International Airport.

IPCs are expected to source products from local companies including SMEs, thus enhancing the industrial linkages within the manufacturing sector and assisting local companies to become global suppliers. In 2004, of the proposed average annual procurement valued at RM3.1 billion, about 68 per cent or RM2.1 billion worth of goods will be sourced from local companies, hence widening the market opportunities for locally manufactured goods.

Regional Distribution Centres (RDCs)

In 2004, three companies were approved with RDC status, compared with four in 2003. The total paid-up capital of RDCs approved in 2004 amounted to RM6.7 million and the average annual sales turnover and business spending were estimated at RM421.1 million and RM38.5 million, respectively. The RDCs approved were from Germany, Switzerland and Malaysia.

Companies approved with RDC status were:

- a German-owned company which will make Malaysia its distribution centre for components and spare parts to its major market in the Asia Pacific region. The project is the only regional distribution centre established outside Germany. As at end of 2004, the company had invested a total of RM35 million in the centre.

- a Swiss-owned company to distribute automation components of its brand produced by its plants in Denmark, Italy and Malta for the global market.

- a Malaysian-owned company to distribute alloy rims to the Asia Pacific region.

In terms of the distribution of goods of these RDCs, a total of RM163.4 million will be distributed to various destinations through Port Klang (96 per cent) and the remaining RM7.4 million through KLIA. About 70 per cent of the goods will be sourced from various overseas production plants of the RDCs.

Regional/Representative Offices (ROs/REs)

A total of 36 ROs were approved in 2004, compared with 37 in 2003. As for REs, the number of approvals increased to 157 in 2004, from 134 in 2003. Total annual business spending of these offices amounted to RM77.9 million. A total of 825 job opportunities will be created.

The major sources of investment included the PRC (82), Singapore (18), the USA (17), Japan (11), the UK (9) and Hong Kong (8).

Support Services

Research and Development (R&D)

The Government provides various types of incentives to further encourage private sector R&D. These include the PS/ITA incentives for in-house, contract and independent R&D, and double deduction on approved R&D expenditure, which are available to both Malaysian-owned and foreign-owned companies. There are also grant schemes aimed primarily at Malaysian-owned companies.

In 2004, a total of 12 R&D projects were approved PS/ITA tax incentives involving investments of RM83.9 million, compared with five projects approved in 2003, with investments of RM67.9 million. The major portion of the investments in approved R&D projects in 2004, were foreign investments which amounted to RM59.2 million (70.6 per cent).

Most of the investments were in in-house R&D projects (five projects), with investments of RM61.4 million. Among the in-house R&D activities proposed were in colourants and performance additives, exterior lighting systems, and speakers and parts. There were four contract R&D companies approved in 2004, with investments of RM7.2 million (2003: three projects/RM3.9 million). Activities that will be undertaken include, integrated circuits (ICs) back end design, IC testing tools, and materials and components for the automotive industry.

As at 31 December 2004, a total of 73 R&D projects have been approved with PS/ITA tax incentives involving total investments of RM1.1 billion. Investments were mainly in E&E (27 projects/RM526.9 million), chemicals and chemical products (nine projects/RM128.9 million) and machinery manufacturing (five projects/RM111 million). More than two-thirds of these were foreign investments, mainly in the E&E sector. Domestic investments were concentrated in E&E as well as machinery manufacturing. A major portion of the investments in approved R&D projects (RM893.6 million or 89 per cent) involved in-house R&D projects.

In 2004, a total of 173 companies, both local and foreign, were granted double deduction incentive on approved R&D expenditure amounting to RM499.5 million by the Inland Revenue Board (IRB) (2003: 285 companies/RM714.4 million). By industry, the double deduction claim was highest for the automobile sector (65.6 per cent), followed by electrical products (17.9 per cent) and agricultural products (6.8 per cent).

Various funding mechanisms have also been put into place for R&D, such as the Industry Research and Development Grant Scheme (IGS); Multimedia Super Corridor R&D Grant Scheme (MGS); Commercialisation of R&D Fund (CRDF); and Intensification of Research in Priority Areas (IRPA).

The IGS scheme provides grants to Malaysian-owned SMEs to undertake R&D to develop, patent and commercialise technologies, products, systems and processes. In 2004, a total of 10 projects involving grants of RM15.2 million were approved under the IGS (2003: 21 projects/RM38.9 million). These were mainly in the ICT sector (five projects/RM6.6 million), pharmaceuticals (one project/RM2 million), high value equipment/machinery (one project/ RM1.9 million), environmental technology (one project/RM1.9 million) and biotechnology (one project/RM1.9 million). Among the projects approved were the production of polyclonal and monoclonal antibodies, research, design and development of a cyclonic thermal system and development of a GSM car security alert system.

The MGS is aimed at promoting R&D in multimedia products and services and foster R&D collaboration between international companies and local companies, especially SMEs. The MGS, which caters for MSC-status companies, provides a partial grant of up to 70 per cent of project cost. In 2004, a total of 10 projects (all Malaysian-owned) were approved grants amounting to RM23.5 million under this scheme.

The CRDF was established to promote the commercialisation of R&D undertaken by local universities and research institutes, as well as encourage local companies to be involved in R&D, and commercialise their R&D findings. The CRDF provides partial grants of between 50-70 per cent (maximum of RM2 million) for various phases of commercialisation and is targeted for companies with at least 60 per cent Malaysian equity. A total of four projects involving grants of RM5.2 million were approved in 2004 (2003: 12 projects/RM11.2 million).

Under the IRPA programme, three categories of research are funded under the 8th Malaysia Plan namely, experimental applied research, priorities research and strategic research. In 2004, a total of 258 projects, involving grants of RM119.7 million, were approved, of which RM40 million, or about one-third, was for the manufacturing sector.

Renewable Energy

The Government grants a wide range of incentives to promote the utilisation of biomass derived from oil palm wastes, timber wastes and padi husk as a source of renewable energy.

In 2004, seven projects, involving investments of RM156 million, were granted incentives to generate energy from biomass, compared with nine projects in 2003. The annual generation capacity of the approved projects were estimated at 40.1MW of electricity and 464MT of steam utilising 1.6 million MT of biomass.

To date, 25 projects have been granted PS/ITA incentives involving total investments of RM561.5 million to generate energy from biomass. All the projects approved were Malaysian-owned. The approved projects are capable of generating 24.8 megawatts (MW) of electricity and 102 tonnes of steam utilising 347,112 tonnes of biomass per annum.

Integrated Logistics

In 2004, one project was approved for integrated logistics services, involving investments of RM109.2 million.

ICT Services

MSC Status Companies

In 2004, a total of 190 companies were granted MSC status with approved investments amounting to RM1.9 billion. Foreign investments accounted for 22 per cent (RM435.4 million) of total investment, while domestic investments accounted for the remaining 78 per cent (RM1.5 billion). Foreign investments were mainly from the USA (RM38.2 million). Of the 190 companies awarded the MSC status in 2004, a total of 145 (76.3 per cent) were wholly-Malaysian owned, 20 (10.5 per cent) were wholly-foreign owned, while the remaining 25 (13.2 per cent) were joint-venture projects.

As at 31st December 2004, a total of 1,163 companies were granted MSC status by the Multimedia Development Corporation Sdn Bhd. Of these, 825 were majority Malaysian owned, 307 majority foreign-owned and 31 with equal ownership. The MSC status companies are involved in a broad range of sectors.

Of the 1,163 companies, 910 (78.2 per cent) are in operation. The MSC Impact Survey 2004 indicates that total expenditure of 539 companies which participated in the survey amounted to RM4.63 billion. Total sales of these companies in 2004, were estimated at RM6.78 billion. A total of 22,293 job opportunities were created, of which 19,318 (86.6 per cent) were knowledge workers.

Computer Software Development

Computer software covers games, application software such, as word processing, graphics, worksheet and data base, and software solutions such as network management, systems integration, accounting software and management software.

In 2004, two new projects were approved with incentives to develop software for network security and image processing applications, involving investments of RM2.5 million.

To date, there are more than 45 companies producing various software packages such as engineering, business and specific applications, content applications, internet-based business, security, systems integration and billings.

Most of the software packages are for the domestic market. However, two major Malaysian companies are exporting more than 80 per cent of their software packages.

OUTLOOK

In 2005, the Malaysian economic growth is anticipated to moderate between 5 to 6 per cent, consistent with the softening of global demand, particularly from the USA, the EU, the PRC and Japan, and the anticipated slowdown in global demand for electronics. Since Malaysia is a net exporter of oil, higher oil prices are expected to cushion the decline in global electronics demand.

The manufacturing sector will continue to remain the main engine of growth through efforts to manufacture more high-value added products and expansion into new markets. The manufacturing sector is expected to register 7.6 per cent growth in 2005, a decrease from the 9.8 per cent in 2004, primarily due to the expected decline in the E&E sector.

The growth of the E&E sector in 2005 is expected to slow down due to lower demand from major markets especially from the USA, Japan and the PRC, as a result of inventory built-up in 2004. The lower demand for semiconductors will also contribute to the overall moderate performance of the sector.

The demand for iron and steel products for manufacturing activities is projected to grow with the commencement of new facilities in the production of specific grade and specifications, which were previously not produced in the country, as well as sustained external demand through on-going efforts by local manufacturers in exploring new markets. However, the demand for iron and steel products by the construction and building sector is not expected to improve further in 2005, due to the reduction in public-sector spending to achieve a balanced budget by 2007.

The machinery and equipment sector (M&E) is expected to grow at a moderate rate of 4 per cent. The demand for specialised machinery is expected to grow to cater to the demand of specific industries. Malaysia is expected to produce more high value-added machinery due to the introduction of new technology, automated manufacturing process and installation of sophisticated machinery.

Chemicals and chemical products are also expected to grow due to the growth in the oil and gas industry and pharmaceutical industry. The projected increase in healthcare expenditure by both the public and private sectors will contribute to the sustained growth of the pharmaceutical sub-sector arising from the increase in consumer awareness of the importance of healthcare services and improved access to healthcare services.

Rubber products are expected to grow due to continuous increase in demand especially, for tyres, arising from the increase of global vehicle sales, and demand for gloves in the main traditional markets.

Wood product exports are expected to increase, with growing global demand for veneer, plywood, particleboard and builder's carpentry joinery.

Efforts to continuously improve food safety and quality to meet international standards have projected Malaysia's standing in the international food market. The provision of incentives for *halal* food production would further enhance Malaysia's position as the International *Halal* Hub.

Chapter 6

Development Of Small And Medium Enterprises

OVERVIEW

In 2004, Small and Medium Enterprises (SMEs) comprised 89.3 per cent, or 18,271 of the total 20,455 companies in the manufacturing sector. SMEs contributed 16.3 per cent to the total manufacturing output, 17.6 per cent to value-added and 25.4 per cent to total employment. Compared with its performance in 2003, the contribution has increased by 7.5 per cent in terms of total output, 9.7 per cent in value-added and 2.5 per cent in terms of employment.

ISSUES AND CHALLENGES CONFRONTING SMES

Malaysian SMEs are still largely dependent on the domestic market. Based on a survey in 2004 by the Small and Medium Industries Development Corporation (SMIDEC) and National Productivity Corporation (NPC), SMEs are only exporting 26 per cent of their total output.

Table 6.1:
Contribution by SMEs in the Manufacturing Sector

Indicators	2004[e]	2003	Growth (%)
Total Output (RM billion)	69.3	64.1	7.5
Share of the Manufacturing Sector (%)	16.3	16.2	
Added Value (RM billion)	14.2	12.9	9.7
Share of the Manufacturing Sector (%)	17.6	17.4	
Employment (number)	309,935	302,172	2.5
Share of the Manufacturing Sector (%)	25.4	25.3	

Source: National Productivity Corporation
Note: [e] Estimation

The main challenges confronting SMEs are:

- market access;
- advancement of technology;
- innovation and creativity;
- access to financing;
- access to information; and
- human resource development.

The Government has put in place comprehensive and integrated development programmes to assist SMEs in dealing with these challenges. The programmes cover the entire phase of enterprise development, from start-up to expansion and maturity.

PROGRAMMES FOR SME DEVELOPMENT

The programmes for SME development include the Industrial Linkage Programme (ILP), Enhancement Programme for SMEs, SME Experts Advisory Panel (SEAP), the Technical Expert Programme and the Factory Auditing Scheme.

The ILP, facilitates the process of SMEs acquiring competencies to become reliable and competitive suppliers to larger companies and MNCs. The programme comprises three components, namely, fiscal incentives; business matching; and developmental programmes, such as improvement of technological, financial, and managerial capabilities.

As at December 2004, a total of 1,051 SMEs were registered under the ILP, out of which 283 or 27 per cent have been linked to MNCs and large companies. To date, total sales amounting to RM335 million have been generated through these linkages. To facilitate wider market access for SMEs, sectoral-based linkage programmes have been established in the automotive and food sectors.

In the food sector, SMEs collaborate with foreign-based hypermarkets in Malaysia to supply their products, not only to these hypermarkets in Malaysia, but also to their outlets worldwide. To date, a total of 47 SMEs have been appointed to supply products under their own brand name, as well as that of the hypermarkets.

Included in the ILP are grants to enable SMEs to upgrade productivity and quality, as well as for international standards certification. In 2004, through the ILP, a total of 51 applications were received from SMEs in the automotive sector for the Grant for Productivity and Quality Improvement and Certification Scheme to obtain ISO/TS 16949 certification. Out of these, 23 applications were approved, with grants amounting to RM1.6 million.

The Enhancement Programme for SMEs was initiated to enhance the capabilities of SMEs in meeting market requirements for both domestic and export markets. This programme is undertaken in collaboration with Government technical agencies. Selected SMEs under this programme are provided with an integrated package consisting of technical and financial assistance. To date, a total of 116 SMEs have participated in this programme.

SMEs are also provided assistance through the SME Experts Advisory Panel (SEAP), which provides on-site evaluation and technical advisory services for production processes. To date, a total of 14 industry experts have been appointed to assist SMEs in enhancing their production capacity and capabilities.

The Factory Auditing Scheme is aimed at assisting SMEs in undertaking diagnostic assessments of the production facilities and processes. Through this scheme, SMEs are able to assess their strengths and weaknesses, as well as to identify requirements for the various assistance schemes provided by the Government. As at December 2004, a total of 43 applications were approved, with total grants amounting to RM419,625.

The SMIDEC's Annual Showcase, *SMIDEX 2004*, provides a venue for manufacturers to display their products and create an exchange for outsourcing activities. *SMIDEX 2004* was held from 9-11 September 2004, in collaboration with the Malaysian German Chamber of Commerce and Industry (MGCC), under the *Malaysia-Germany Partnership Exhibition*. *SMIDEX 2004* focused on four industry clusters, namely, E&E, transport equipment, machinery and engineering (M&E), and chemical and petrochemicals. The event attracted a total of 5,667 trade visitors.

To support SMEs in undertaking promotional activities for the export market, the Market Development Grant Scheme (MDG) has been implemented and is managed by the Malaysian External Trade Development Corporation (MATRADE). In 2004, a total of 725 projects were approved, with total grants amounting to RM4.8 million. The highest approval was for the wood and wood products sub-sector, with 162 approvals (22.3 per cent), amounting to RM1.2 million. This was followed by the E&E sub-sector with 111 approvals (15.3 per cent), valued at RM0.7 million. The recipients were from Selangor with 327 approvals (45.1 per cent), Wilayah Persekutuan, 111 approvals (15.3 per cent), Pulau Pinang, 94 approvals (12.9 per cent) and Johor, 82 approvals (11.3 per cent).

Skills Upgrading

The Skills Upgrading Programme is an initiative to encourage SMEs to upgrade their employees' skills and knowledge. In 2004, a total of RM970,000 was disbursed to train 393 personnel from SMEs in the 19 skills training centres. The programme provides 50 per cent matching grant on the training fees. The courses that attracted the highest participation were mechanical engineering, productivity and quality, welding and machinery engineering.

Training was mainly undertaken by:

- National Productivity Corporation (NPC);
- Penang Skills Development Centre (PSDC);
- SIRIM Berhad;
- Johor Skills Development Centre (PUSPATRI); and
- Selangor Human Resource Development Centre (SHRDC).

OUTREACH

Access to SME Information

The SME Information and Advisory Centre has been established to facilitate access to information on programmes and financial assistance available for SMEs. The Centre comprises:

- a virtual centre (www.smidec.gov.my);
- physical centres i.e., business clinic sessions including regional offices; and
- hotline (1-800-18-1801).

The Virtual Centre facilitates the access to information on development programmes which are specifically catered for SMEs. These include information on financial assistance, incentives and events and workshops. From its inception in July 2003, a total of 163,949 visitors accessed the website.

Business clinics are held to assist SMEs in obtaining information on programmes and policies on SME development. These sessions provide alternative avenues for information dissemination and assistance to SMEs. In 2004, a total of 834 companies attended these sessions. The main inquiries were on financial assistance available for SMEs, programmes in enhancing productivity and quality of SMEs, as well as programmes to upgrade usage of ICT.

Technical workshops are also organised to provide information to SMEs on specific topics such as financial management and quality management systems. In 2004, a total of 33 technical workshops were organised throughout the country, attended by 2,381 participants.

Table 6.2:
Training Programmes Participated by SMEs, 2004

Programmes	Trainees
Total	**393**
Mechanical Engineering	122
Productivity and Quality	82
Welding	43
Machinery Engineering	40
Ceramic Technology	29
Plastic Technology	17
Safety and Health	16
Industrial Automation	14
Global Supplier Programme (GSP)	7
ICT	3
Industrial Electrical	3

Source: Small and Medium Industries Development Corporation

Three domestic investment seminars and workshops were held to create awareness of the opportunities available for investments, and to clarify Government policies, assistance programmes and financial packages available to potential investors. These seminars and workshops, which were held in Kuala Terengganu, Kuala Lumpur and Seremban, attracted a total of 1,887 participants.

In 2004, a total of 24 Bumiputera companies were selected and given assistance under the MATRADE Trade Outreach Programme (MTOP). These companies are given assistance in undertaking export promotion activities for three years.

The Enterprise 50 (E50) is an award programme which was introduced to recognise the achievements of the top 50 enterprising home-grown companies. The programme attracted a total of 112 participants in 2004. SMEs formed 48 per cent of the total nominations, compared with 44 per cent in 2003. The manufacturing sector continues to dominate the winners' list with 68 per cent of the total winners. Since its inception in 1997, a total of 38 of these SMEs have been listed on the Malaysian Bourse.

SME Programmes under ASEAN

In 2004, the ASEAN Economic Ministers endorsed the ASEAN Policy Blueprint on SME Development (APBSD) 2004-2014, which outlines the focus for development work to be implemented by the ASEAN SME Working Group over the next decade. In line with ASEAN Economic Community goals, the APBSD will also focus the 11 priority sectors:

- Agro-based products;
- Electronics;
- Automotive;
- Rubber-based products;
- Wood-based products
- Textiles and apparel;
- Fisheries;
- Healthcare;
- Tourism
- Air travel; and
- e-ASEAN.

Under the APBSD, a total of 15 projects have been identified to be implemented immediately. Malaysia is the lead country for two projects, namely:

- *Benchmarking for Best Practices in Total Quality Management for Enhancing the Growth and Competitiveness of SMEs in ASEAN;* and

- *SME Access to Finance: Addressing the Supply Side of SME Financing*.

Both of these projects will be funded under the ASEAN-Australia Development Corporation Fund.

Malaysia together with Indonesia will be the lead countries for the following projects:

- development of a multimedia self-reliant tool kit package on quality control and certification, and the development of a multimedia self-reliant tool kit package on quality, cost and delivery improvement;

- improving the technology transfer and licensing within the SME sector through the dissemination of good practices and emulating success stories within and outside ASEAN; and

- sub-regional project in entrepreneur development in the automotive industry (motorcycle, cars, trucks, lorries and buses).

In response to the directive under Ha Noi Plan of Action (HPA), Thailand organised the first meeting of national Credit Guarantee Corporations (CGCs) from 25-26 March 2004, Bangkok, Thailand. The meeting provided an opportunity for participants to exchange views and share good practices.

The ASEAN SME Working Group collaborated with the Government of India in organising a workshop on *SMEs Going Global - Framework for Cooperation between India and ASEAN*. The workshop was organised with the objective of developing a framework for sustainable cooperation between SMEs of ASEAN and India.

In 2004, Malaysia also participated in the Japan-ASEAN Policy Conference on SME Development: *Supply Chain Management and Cluster Development*. The conference provided ASEAN SME policy-planners a better understanding of supply chain management and cluster formation.

SME Programmes Under APEC

The 2004 APEC SME Ministerial Meeting focused on *Promoting Entrepreneurship Development*, a continuation of the theme for 2003 - *Strengthening an APEC Entrepreneurial Society*. In line with the theme, the 2004 work programmes focused on regulation, financial access, human resource development, encouraging innovation and adoption of technology.

Two major outcomes of the 2004 APEC SME Ministerial Meeting were the adoption of the *Santiago Agenda for Entrepreneurship* and the *APEC SME Co-ordination Framework*. *The Santiago Agenda for Entrepreneurship* had as its priority, the development of entrepreneurship. This is in recognition of the role of entrepreneurs as the engine for innovation, wealth and employment in the APEC member economies.

Recognising that SMEs is a cross-cutting issue for APEC, the Ministers reiterated the importance of the *APEC SME Co-ordination Framework* that aimed at strengthening coordination between the SME Working Group (SME WG) and other working groups. In line with this, the APEC SME WG has initiated dialogues with other relevant organisations, and several economies have also hosted events aimed at improving dialogues with SMEs.

In 2004, various programmes under the APEC SME WG were implemented. Among these programmes was the *2004 APEC IT/HRD Seminar* organised by Malaysia, in August 2004. Malaysia also participated in other APEC programmes such as the *US International Visitor Programme*, *APEC SME Forum, 2004 Informatisation Workshop for SMEs* and *APEC Symposium on Entrepreneurship*.

Other Bilateral Cooperation

Other than the SME regional cooperation programmes, bilateral cooperation programmes were also implemented. These programmes were mainly to provide technical and managerial expertise for Malaysian SMEs. SMIDEC and the Small Business Corporation (SBC), Republic of Korea (ROK) have been collaborating to undertake technical and managerial training programmes for SMEs since 1998. In 2004, nine Malaysian SMEs participated in this programme from 12-23 July 2004. The programme involves upgrading of management skills of senior managers in production technology. To date, a total of 125 participants have benefitted from the programme.

To assist automotive component manufacturers to improve efficiency, reduce wastage and enhance preventive maintenance of machinery, the Technical Expert Programme was implemented. The Programme involves participation of SMIDEC and Automotive Federation Malaysia (AFM), as well as the Japan Automotive Manufacturers Association (JAMA) and Japan Auto Parts Industries Association (JAPIA). Since its inception in August 2001 to December 2004, a total of 62 automotive companies have benefitted from this Programme. Out of these, 33 companies participated in this Programme in 2004.

PERFORMANCE OF FINANCIAL ASSISTANCE SCHEMES FOR SMEs

Financial Assistance Schemes for SMEs

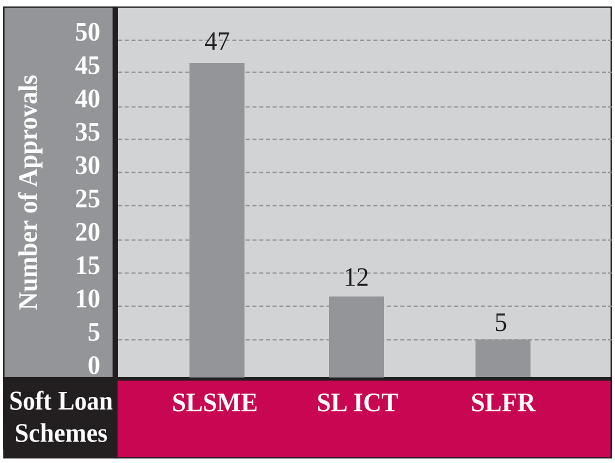
Financial assistance in the form of grants and soft loans are provided to SMEs to improve their production processes, increase productivity and facilitate greater market access.

Soft Loan Schemes

The Soft Loan for Small and Medium Enterprises (SLSME) is implemented to assist existing as well as new start-up companies in projects, fixed assets and working capital financing. In 2004, a total of 47 applications were approved with loans amounting to RM23.7 million.

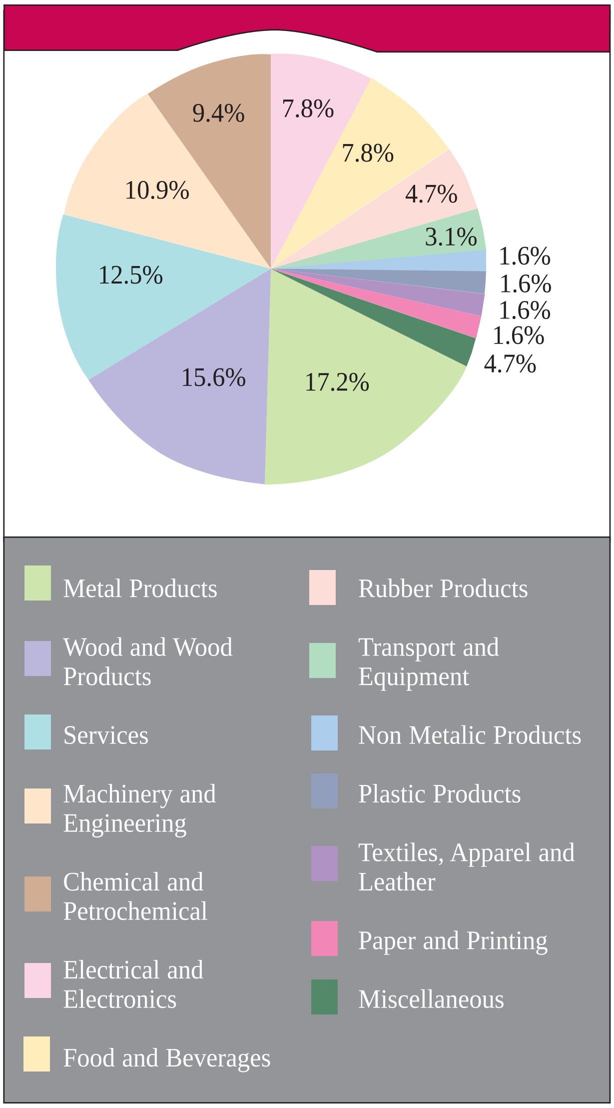
As an effort to encourage SMEs to relocate their operation from a non-designated industrial area to an approved industrial site,

Chart 6.1:
Soft Loan Approvals, 2004



Source: Small and Medium Industries Development Corporation

Chart 6.2 :
Soft Loan Approvals by Sector, 2004



Source: Small and Medium Industries Development Corporation

SMEs are assisted with the Soft Loan for Factory Relocation (SLFR). In 2004, five applications were approved with total loans valued at RM4.5 million.

The Soft Loan For ICT Adoption (SL ICT) was introduced to assist SMEs in acquiring the Enterprise Resource Planning (ERP) software, and designing software such as Computer Aided Design/ Computer Aided Manufacturing (CAD/CAM) and Computer Aided Engineering (CAE). In 2004, a total of 12 applications were approved, valued at RM2.1 million. The soft loan schemes are managed by the Malaysian Industrial Development Finance Berhad (MIDF).

Grant Schemes

The grant schemes implemented by SMIDEC are to assist SMEs in the areas pertaining to:

- business planning and development;
- product and process improvement;
- productivity and quality improvement and certification; and
- market development.

In 2004, a total of 906 projects were approved under these grant schemes. Majority of the applications were for the Market Development Grant (MDG), with 725 projects approved, amounting to RM4.8 million. This was followed by the Grant for Productivity and Quality Improvement and Certification, with 142 projects, valued at RM3.6 million.

In terms of approvals by state, Selangor recorded the highest uptake with 419 projects (46.2 per cent), followed by Wilayah Persekutuan with 134 projects (14.7 per cent) and Pulau Pinang, 107 projects (11.8 per cent).

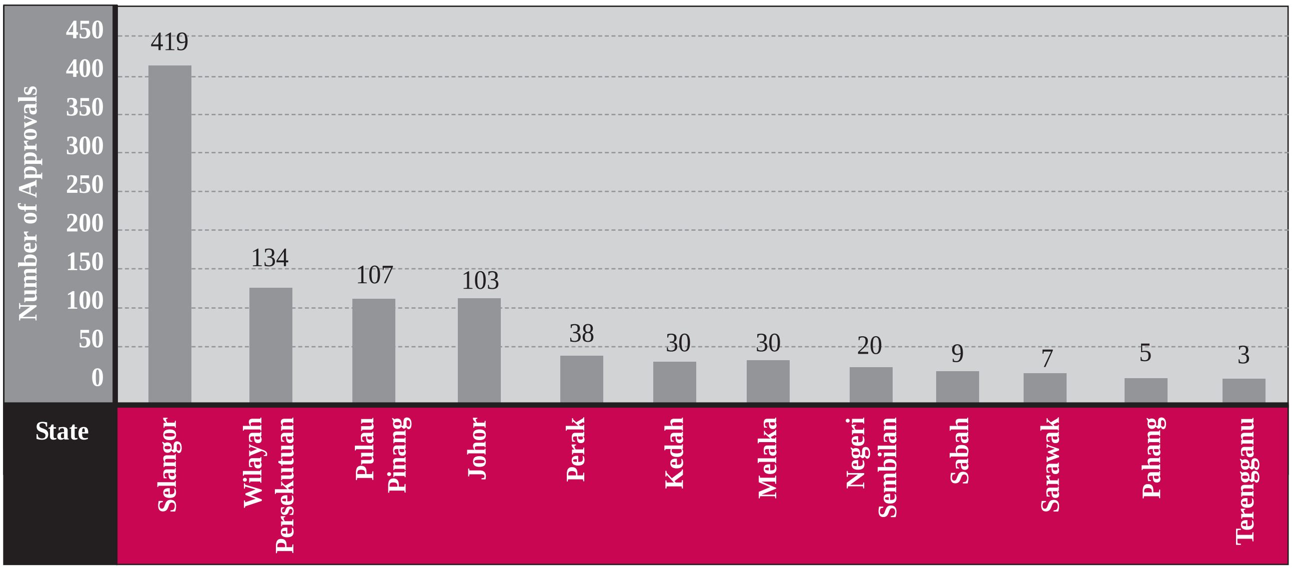
Analysis by industry, showed that wood and wood products sector recorded the highest number of approvals for the various grant schemes with 162 projects (17.9 per cent), followed by the E&E sector with 130 projects (14.5 per cent) and the food and beverages sector with 126 projects (13.9 per cent).

The Grant for Productivity and Quality Improvement and Certification Scheme, assists SMEs in meeting international quality standards and certification.

A total 142 applications were approved with grants amounting to RM3.6 million. The highest approvals were from the food and beverages sector, with 52 projects (36.6 per cent), followed by the transport equipment sector with 23 projects (16.2 per cent) and the plastic-based products sector with 16 projects (11.3 per cent).

In terms of approvals by state, Selangor recorded the highest number of approvals with

Chart 6.3:
Grant Approvals by State, 2004



Source: Small and Medium Industries Development Corporation

72 projects (50 per cent), followed by Wilayah Persekutuan with 21 projects (14 per cent) and Johor 19 projects (13 per cent).

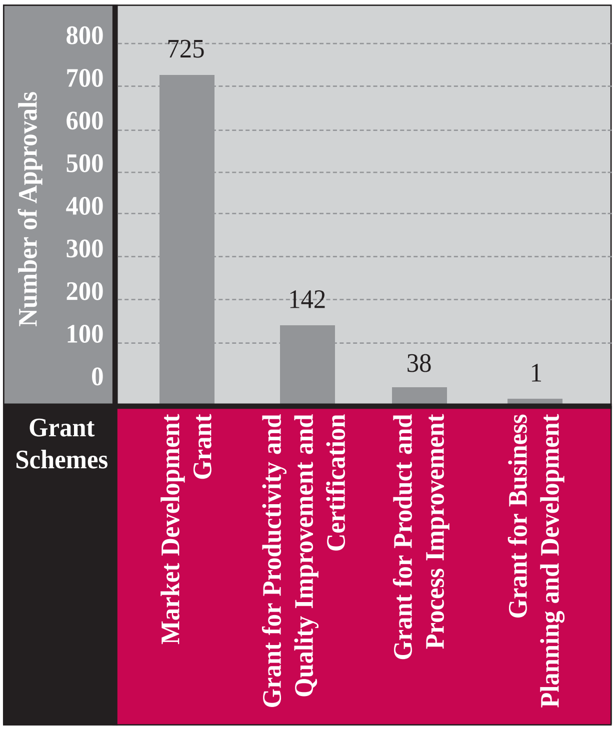
To encourage SMEs to upgrade their technological capabilities, the Government provides matching grants for product and process improvement.

Under the Grant for Product and Process Improvement, a total of 38 applications were approved with grants amounting to RM2.6 million in 2004. Of these, the highest number of approvals were from the chemical and petrochemical sub-sector (eight approvals) followed by transport equipment, E&E and plastic products with five approvals each.

In 2001, the Government allocated RM5 million for local E&E companies to implement the RosettaNet Standard, a system which enables companies to communicate with their trading partners and conduct business electronically through common codes for sourcing of parts and components.

In 2004, a total of 17 applications, valued at RM660,161 were approved. Out of these, three applications were approved under the RosettaNet Enterprise Model, and 14 for the RosettaNet ASP Model.

Chart 6.4:
Grant Approvals, 2004

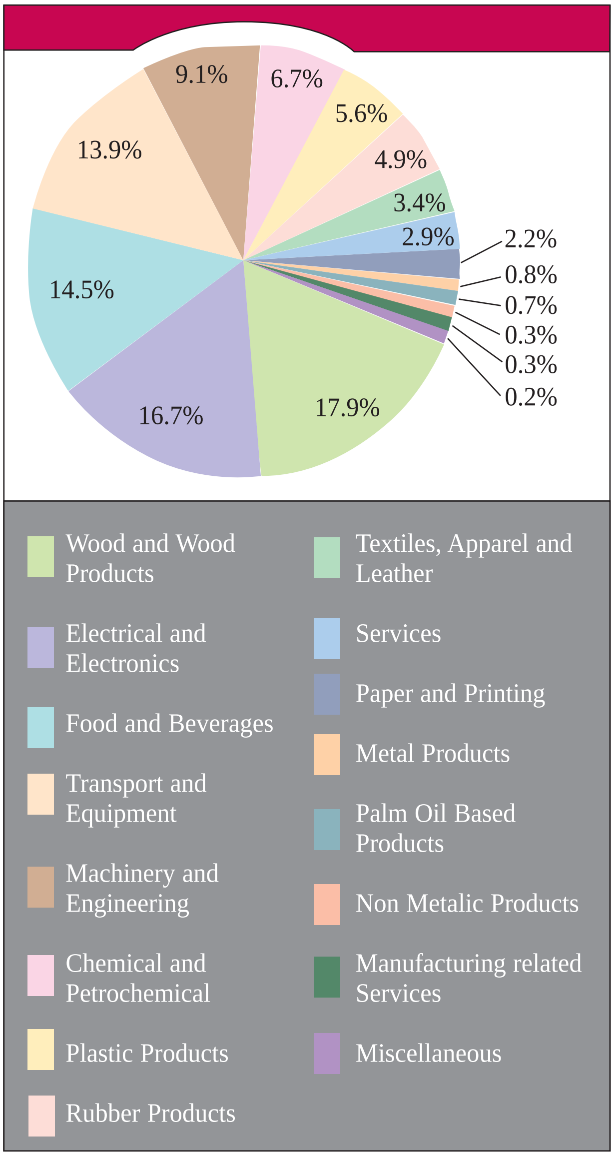


Source: Small and Medium Industries Development Corporation

Special Assistance Scheme for Women Entrepreneurs

To encourage participation of women entrepreneurs in the economy, the Special Assistance Scheme for Women Entrepreneurs enables them to have greater access to finance.

Chart 6.5 :
Grant Schemes Approvals by Sector, 2004



Source: Small and Medium Industries Development Corporation

Under this scheme, apart from manufacturing activities, the sector coverage has been expanded to allow greater flexibility and accessibility to include services such as IT-related services, designing and packaging, R&D and tourism.

In 2004, a total of 18 women entrepreneurs received assistance from SMIDEC's schemes, which amounted to RM3.9 million. Out of these, 11 projects were approved under the grant schemes valued at RM 0.5 million, and seven approvals were for the soft loan schemes, valued at RM3.4 million.

SERVICES SECTOR

Development of SMEs

The National Small and Medium-Scale Enterprises Development Council (NSDC) defined SMEs in the services sector including ICT and primary agriculture as enterprises with annual sales turnover not exceeding RM5 million or full-time employees not exceeding 50. According to the Department of Statistics (DOS) there are a total of 192,527 establishments in the services sector. Based on the NSDC definition of the total services establishments, 186,428 or 96.8 per cent are SMEs.

The services sub-sectors which have been identified to be included under SMIDEC’s support programmes are the distributive trade, logistics and professional management services.

The focus of SMEs development in these sub-sectors will be on capacity building. SME development in the services sector will include programmes in enhancing access to markets, adoption of ICT, and access to financing.

Access to Market

SMEs in the distributive trade will be provided assistance to up-grade their services so that they can move into up-market shopping complexes and identified tourists areas. In addition, support programmes will also be provided to promote the export of relevant professional management services such as architectural, engineering and construction services to ASEAN and other developing countries.

Adoption of Information and Communications Technology

Assistance will be provided to encourage the adoption of ICT among SMEs and to enable them to integrate ICT into their business processes. For example, the productivity of SMEs in the retail and wholesale business could be enhanced through the adoption of Point of Sales

System, while the efficiency of haulage operators could be improved by using appropriate tracking software.

Access to Financing

The existing scope of the programmes and soft loan schemes implemented by SMIDEC has been expanded to include SMEs in the services sector.

Upgrading of Skills and Competencies

Relevant courses for services sector in the areas of distributive trade, logistics and professional management services have been identified. The courses included:

- Retail and material management;
- Customer Relationship Management (CRM);
- Window display; and
- Accounting skills.

Market Opening Measures

SMEs in the services sector are also eligible for assistance under the Market Development Grant (MDG), which enables them to obtain a matching grant of up to RM100,000 per company on the approved costs of the eligible activities. This is an increase from RM60,000 under the 2005 Budget. The activities include participation in trade missions and trade fairs, preparation of promotional items, as well as additional activities such as establishment of representative offices overseas and expenditure of local professionals participating in trade missions. This scheme is implemented by MATRADE.

Table 6.3:
Establishments of SMEs in Services Sector

Sector	Total Establishments	SMEs	(%)
Total	**192,527**	**186,428**	**96.8**
Educational & Health	8,558	8,438	98.6
Professional Services	5,548	4,840	87.2
Selected Services	4,146	3,844	92.7
Transportation & Communication	3,908	3,473	88.9
Computer Industry Services	283	186	65.7
Distributive Trade	170,046	165,640	97.4
Telecommunication	38	7	18.4

Source: Department of Statistics, Malaysia

OUTLOOK

The success of SME development programmes entails a close working relationship among the Government, financial institutions, and trade and industry associations. With the establishment of the NSDC, SME development will be more coordinated. As SMEs have the potential to contribute to the economy, the Government will continue to review and improve programmes for SME development. The process of reviewing and developing appropriate programmes can be more effectively managed with the availability of accurate data. In this respect, the Government will undertake a baseline census on SMEs across all sectors in 2005.

Chapter 7

Productivity: Manufacturing Sector

OVERVIEW

Malaysia's economy registered a productivity growth of 3.4 per cent to RM25,495 in 2004 from RM24,652 in 2003. Malaysia's productivity growth was higher than a number of Organisation for Economic Cooperation and Development (OECD) countries, such as Italy, Germany, Canada, New Zealand, Australia, France, the United Kingdom (UK), Japan, Republic of Korea (ROK) and the United States of America (USA). The productivity growth of these countries ranged from -0.5 per cent to 3.3 per cent.

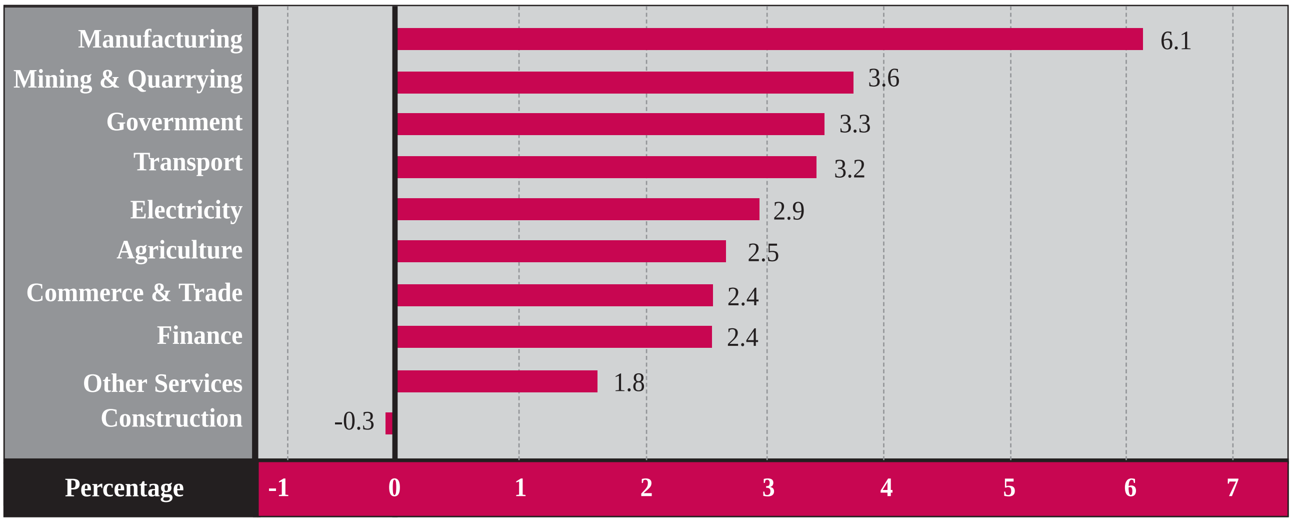
The manufacturing sector remained an important contributor to the economy, accounting for 31.6 per cent of the country's GDP, compared with 30.8 per cent in 2003. The sector recorded high capacity utilisation in 2004, as both domestic and external markets strengthened. In line with this favourable economic environment, the manufacturing sector achieved a productivity growth of 6.1 per cent. The industries that recorded improved productivity growth were machinery, iron and steel, other chemical products, industrial chemicals, rubber products and wood products sectors.

INTERNATIONAL COMPARISON OF PRODUCTIVITY PERFORMANCE

Malaysia's productivity growth of 3.4 per cent in 2004 was higher than selected OECD countries including Italy, Germany, Canada, New Zealand, Australia, France, the UK, Japan, ROK and the USA. Productivity of the USA grew at 3.3 per cent, while Italy declined by 0.5 per cent. Among ASEAN member countries, Malaysia's productivity growth was higher than that of Thailand, the Philippines and Indonesia.

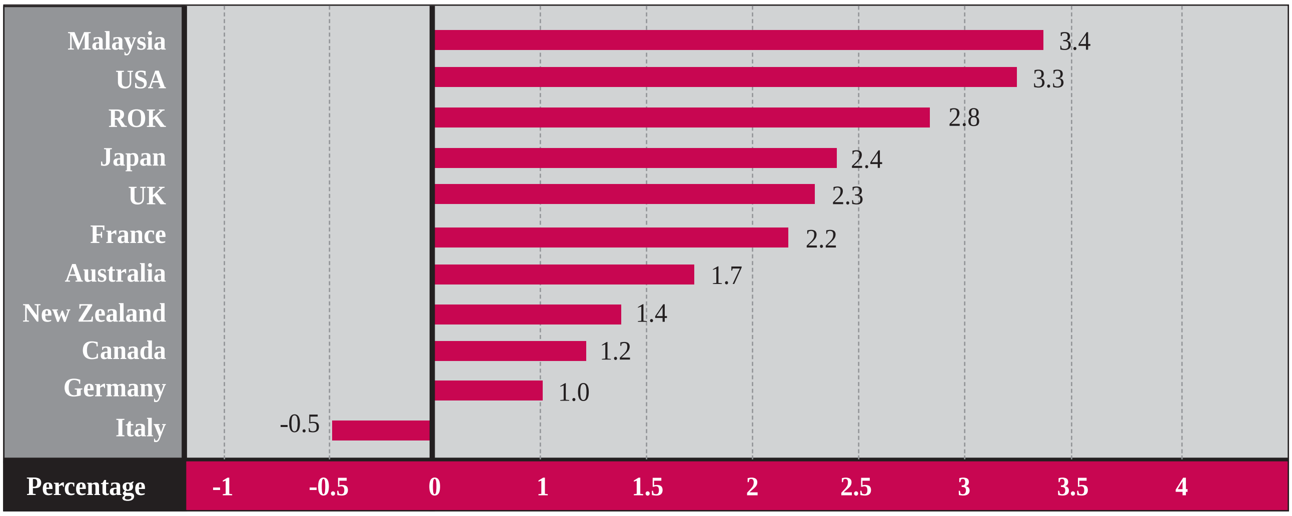
The manufacturing sector of the ROK registered a high productivity growth of 11.3 per cent, mainly as a result of high value-added products as well as intensive R&D. Singapore and Taiwan also recorded high manufacturing sector productivity growth of 9.7 per cent and

Chart 7.1:
Productivity Growth by Sectors, 2004



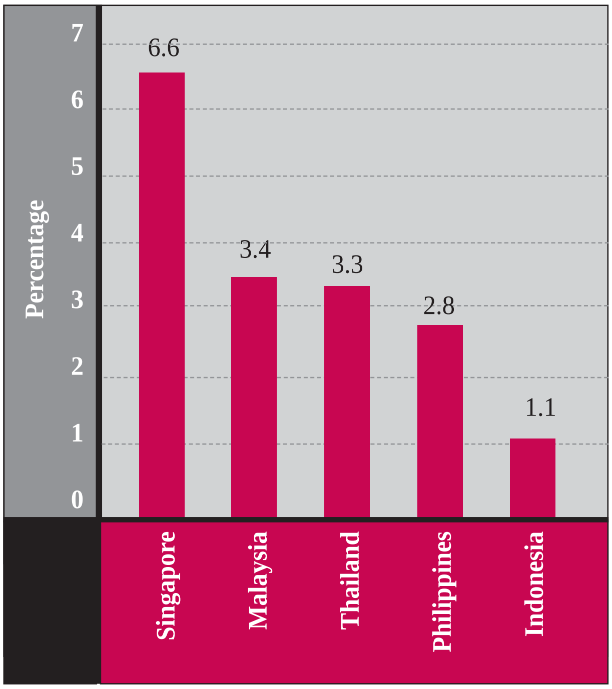
Source: National Productivity Corporation

Chart 7.2:
Productivity Growth for Selected OECD Countries, 2004



Source: National Productivity Corporation
Computed from: Economic Report, Ministry of Finance,Malaysia, various issues, OECD Economic Outlook, Dec 2004, Vol. 76; National Accounts of OECD Countries, Detailed Tables 1991-200; Country Data, The Economist Intelligence Unit; Market Indicators & Forecast, The Economist Intelligence Unit

Chart 7.3:
Productivity Growth for Selected ASEAN Countries, 2004



Source: National Productivity Corporation
Computed from: Economic Report, Ministry of Finance, Malaysia, various issues; Key Indicators 2004, Asian Development Bank; Country Data, The Economist Intelligence Unit; Market Indicators & Forecast, The Economist Intelligence Unit; Directorate-General of Budget, Accounting & Statistics, Executive Yuan, Rep. of China; World Economic Outlook, 2004

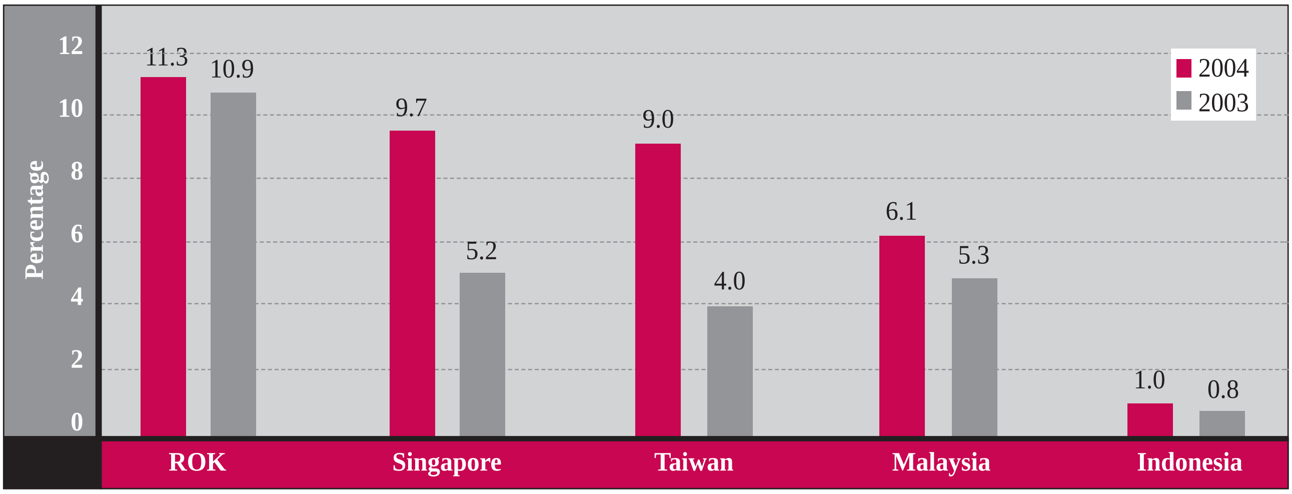
9 per cent, respectively. Singapore recorded improved productivity performance in biomedical manufacturing, transport engineering and electronics sectors, while Taiwan's productivity growth in the manufacturing sector was driven by the IT industries.

Manufacturing Sector Performance

The Malaysian manufacturing sector has been able to maintain consistent productivity growth. Productivity was broad-based with all sectors, except the construction sector, registering positive growth. In terms of output per employee, the 6.1 per cent growth of the manufacturing sector, compared with 5.3 per cent in 2003, reflected strong external demand, particularly for semiconductor and related chemical products.

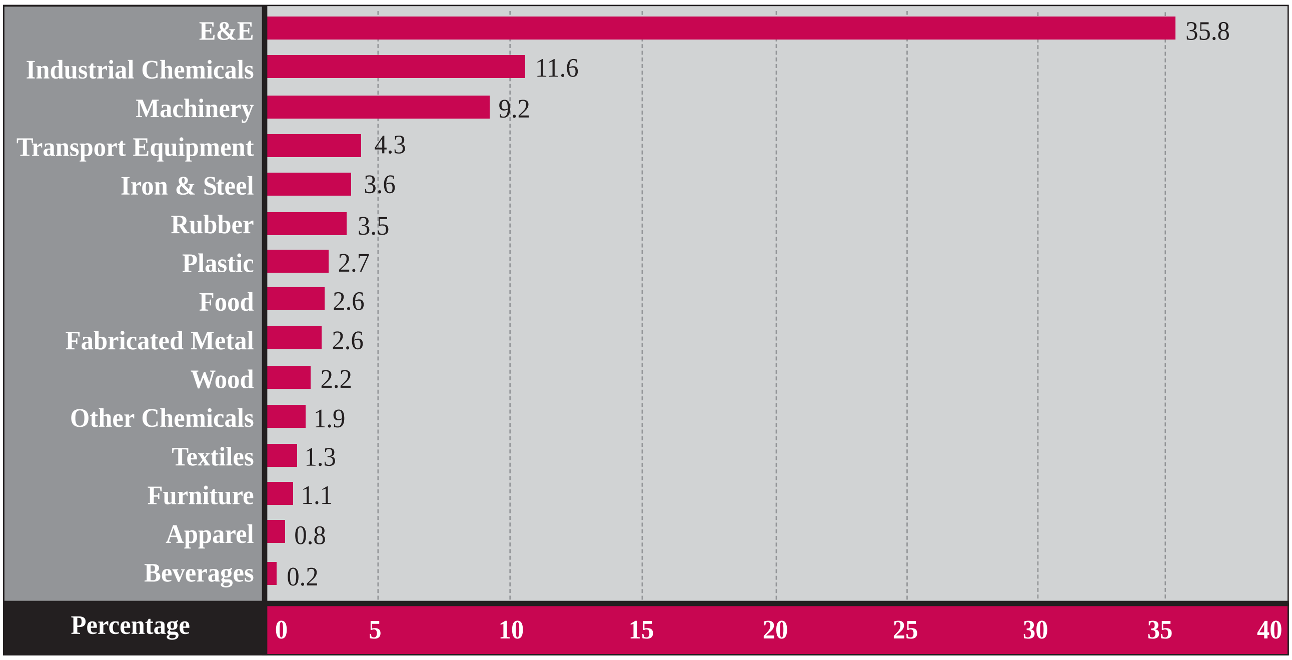
Productivity in the manufacturing sector as defined by sales value per employee increased to RM401,404 from RM342,369 in 2003. The increase of 19.7 per cent in sales value, compared with 3.1 per cent in employment growth, contributed to the sector's productivity performance. Higher prices for resource-based manufacturing products, as well as increased demand from both domestic and overseas markets contributed to the increase in sales value.

Chart 7.4:
Productivity Growth of the Manufacturing Sector



Source: National Productivity Corporation
Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
Directorate-General of Budget, Accounting & Statistics, Executive Yuan, Rep. of China
Ministry of Trade & Industry Singapore
The Bank of Korea; Korea National Statistical Office
Biro Pusat Statistik Indonesia & Bank Indonesia

Chart 7.5:
Sub-sectors' Contribution to Total Manufacturing Output, 2004

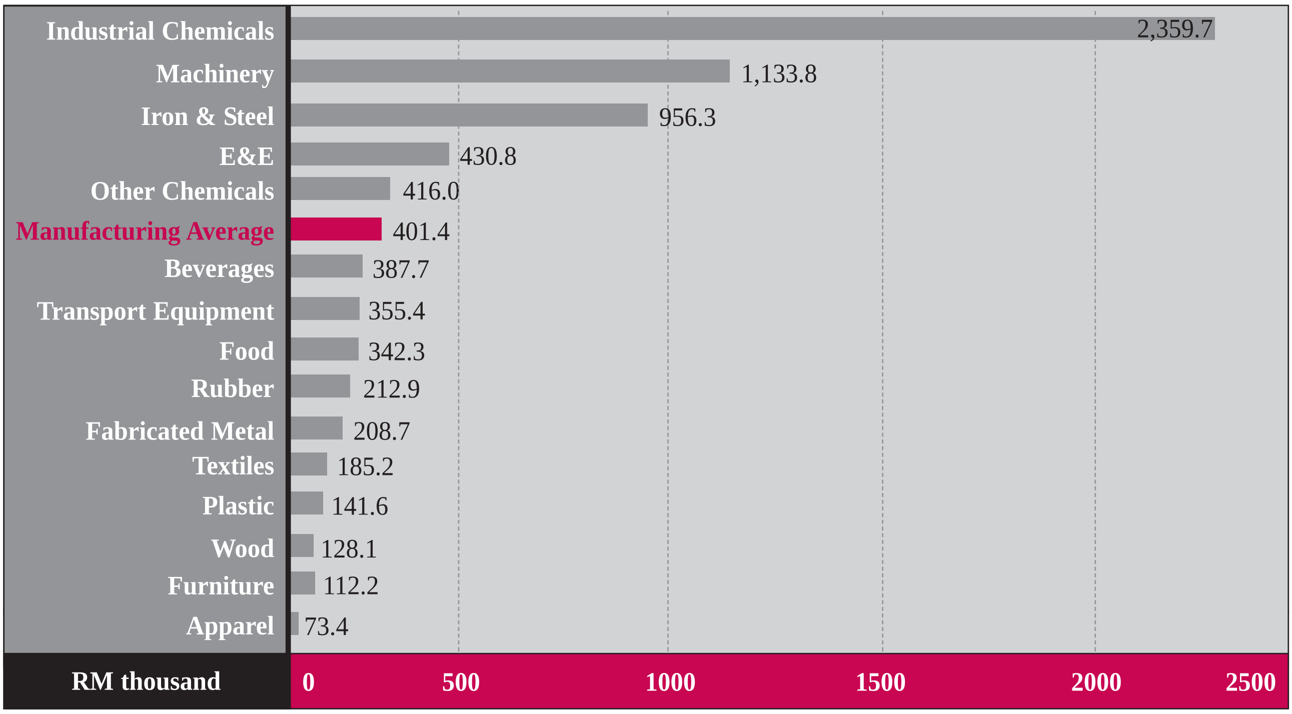


Source: National Productivity Corporation

Industries which recorded higher productivity growth than the manufacturing average were industrial chemicals, machinery, iron and steel, E&E and other chemical products. Industries that recorded productivity lower than the manufacturing average were beverages, transport equipment, food, rubber products, fabricated metal, textiles, plastic products, wood products, furniture and apparel.

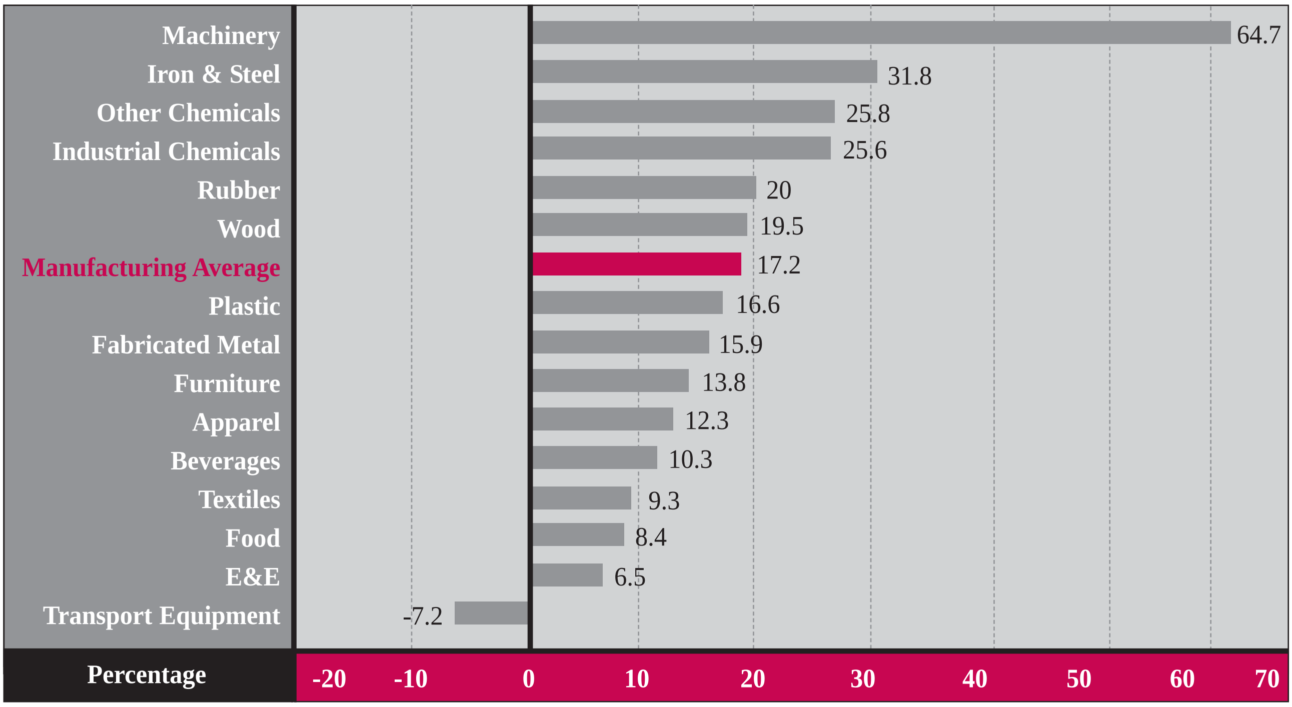
The productivity of the manufacturing sector as measured by sales value per employee,

Chart 7.6:
Productivity, 2004



Source: National Productivity Corporation

Chart 7.7:
Productivity Growth, 2004

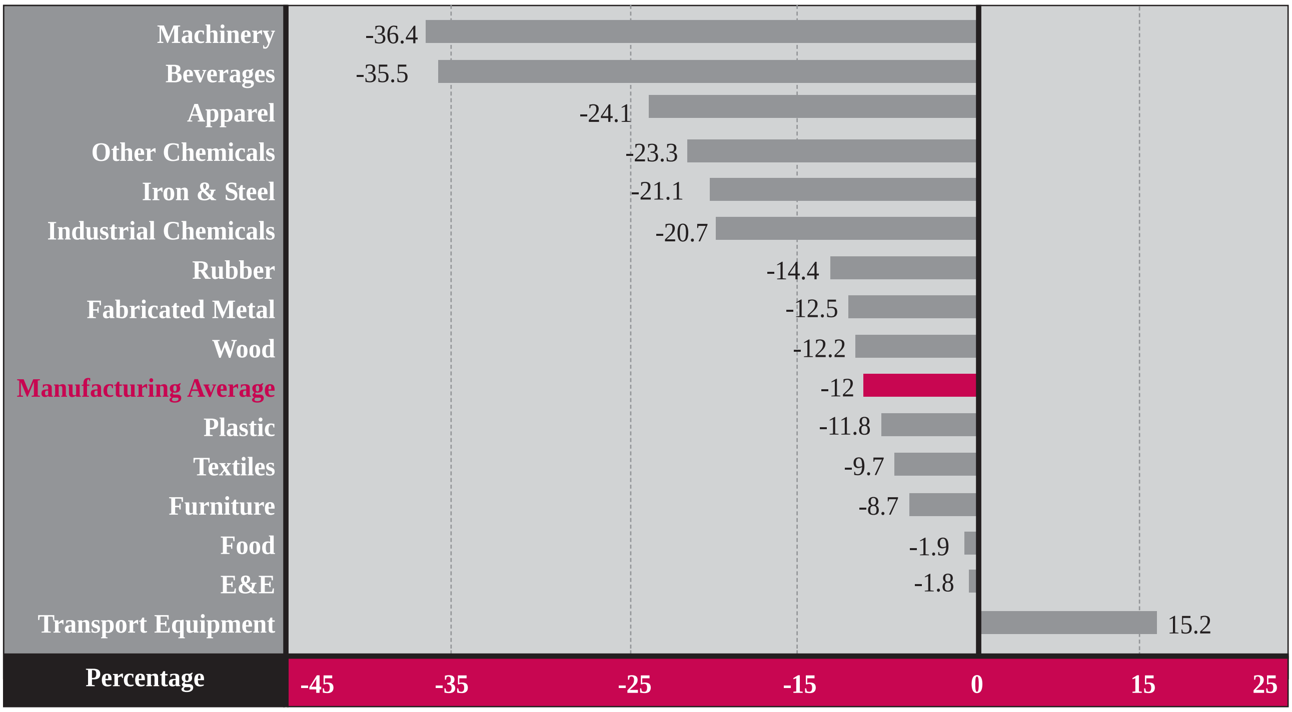


Source: National Productivity Corporation

registered a growth of 17.2 per cent compared with 8.1 per cent in 2003. The performance was driven by high capacity utilisation to meet the increased demand. Capacity utilisation for the export oriented and domestic oriented industries were at 81 per cent and 75 per cent respectively. Investments in technology and human resource development have also boosted efficiency of production and quality of products. The increased application of quality systems also contributed to product improvement.

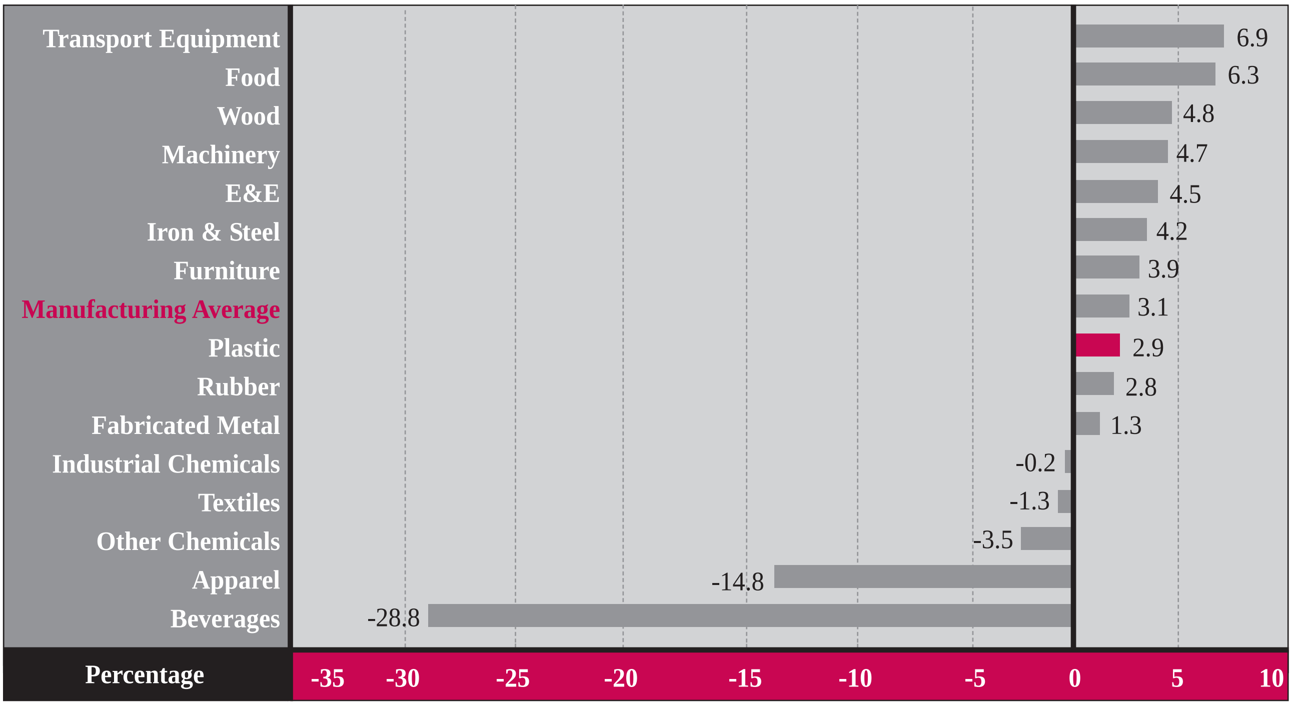
Industries that recorded productivity growth lower than the manufacturing average of 17.2 per cent were plastic products, fabricated metal, furniture, apparel, beverages, textiles, food, E&E and transport equipment. In the E&E industry, the manufacture of household appliances experienced slower growth because of global competition, especially from the

Chart 7.8:
Changes in Unit Labour Cost, 2004



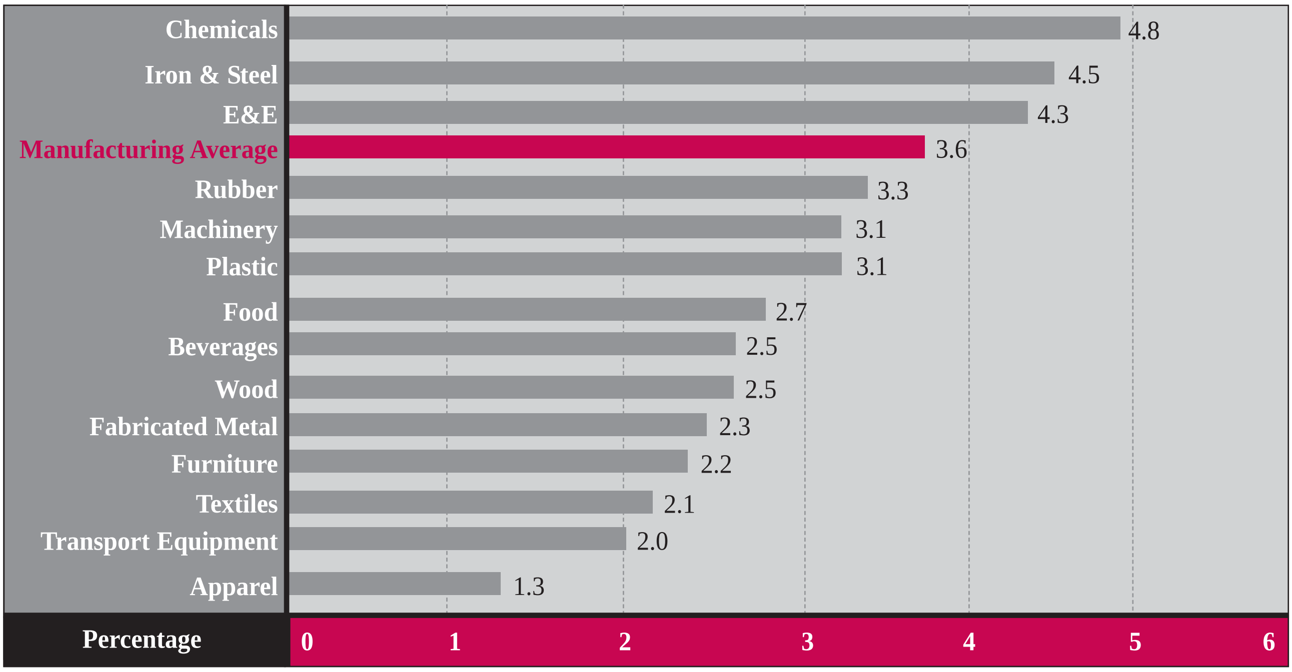
Source: National Productivity Corporation

Chart 7.9:
Growth in Labour Cost per Employee, 2004



Source: National Productivity Corporation

Chart 7.10:
TFP Growth for Manufacturing Industries, 1999-2004



Source: National Productivity Corporation

ROK and the PRC. In the transport equipment industry, investments in new plants have increased installed capacity but as production has not increased proportionately, productivity has been affected.

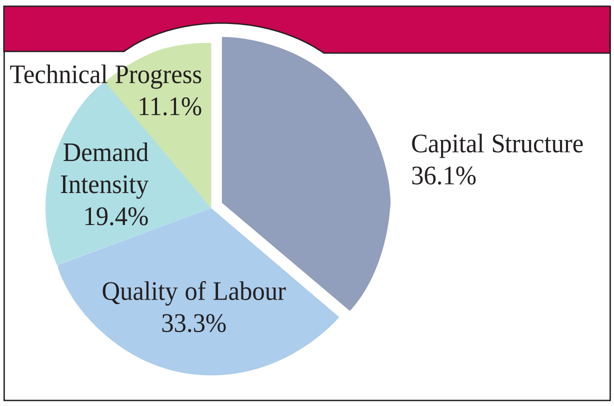
The manufacturing sector recorded an improvement in labour cost competitiveness. The average wage rate, measured by labour cost per employee, grew by 3.1 per cent and was lower than the productivity growth of 17.2 per cent, indicating an improvement in the sector's competitiveness. Labour cost competitiveness is reflected in a decline in unit labour cost, showing that it is cheaper to produce a unit of output.

Sub-sectors that recorded high growth in labour cost per employee were machinery, iron and steel, transport equipment, food, rubber, E&E, furniture, plastic, fabricated metal products and wood. Industries which recorded improvements in competitiveness were machinery, beverages, apparel, other chemicals, iron and steel, industrial chemicals, rubber, wood, plastic, furniture and fabricated metal products.

TOTAL FACTOR PRODUCTIVITY

Total Factor Productivity (TFP) measures the quality of capital and labour, and the efficiency within which these are managed to generate productivity growth. TFP captures the effects of qualitative improvements that allow output to increase without any use of additional inputs. It also refers to the additional output generated through enhancement in efficiency arising from advancements in knowledge and skills upgrading, efficient management

Chart 7.11:
Contribution to TFP Growth, 1999-2004



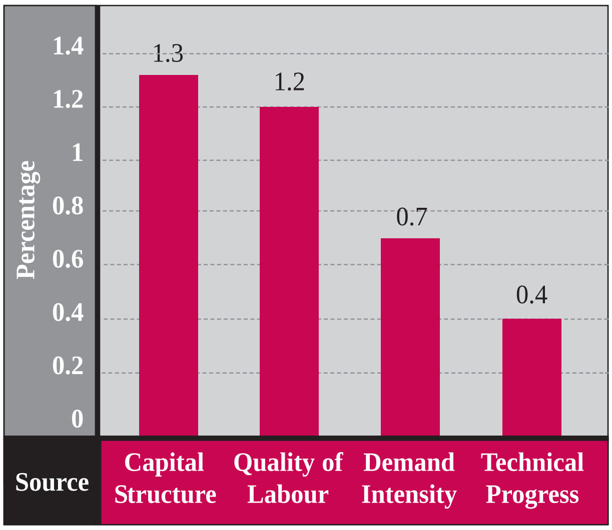
Source: National Productivity Corporation

techniques and know-how, best practices and specialisation, new technology and innovation and the effective use of ICT.

During the period 1999-2004, the manufacturing sector recorded a TFP growth of 3.6 per cent. Industries with high TFP growth were chemicals (4.8 per cent), iron and steel (4.5 per cent), and E&E (4.3 per cent). Higher investments in ICT, training and development of human capital, and improvement in production processes, have contributed to the higher TFP growth in these industries.

The 3.6 per cent TFP growth in the manufacturing sector was contributed by four sources: capital structure, quality of labour, demand intensity and technical progress. Capital structure is the investment in productive capital that enhances production efficiency, such as machinery and equipment,

Chart 7.12:
Sources of TFP Growth, 1999-2004



Source: National Productivity Corporation

which yields immediate returns. For the period 1999-2004, capital structure grew by 1.3 per cent. Quality of labour grew by 1.2 per cent through training and skills upgrading.

Demand intensity indicates the extent to which the productive capacity of the sector is utilised, and is reflected in sales performance. For the period 1999-2004, demand intensity grew by 0.7 per cent. Technical progress relates to the effective and efficient utilisation of technology and innovation. It also reflects positive work attitude and best practices. For the period 1999-2004, technical progress grew by 0.4 per cent.

Capital structure contributed 36.1 per cent to TFP growth, quality of labour, 33.3 per cent, demand intensity, 19.4 per cent and technical progress, 11.1 per cent. Continuous human resource development, intensifying the application of technology and efficient allocation of resources with improvements in organisational and managerial efficiencies contribute to the achievement of sustained growth.

OUTLOOK

In 2005, the economy is expected to maintain its productivity performance and the manufacturing sector will continue to lead productivity growth. However, industries need to continue with their productivity and quality enhancement initiatives. Productivity improvement initiatives will be enhanced through initiatives in training and skills upgrading of the employees, the implementation of quality systems including benchmarking, increased investment in new technology and production of high value-added products and R&D.

Chapter 8 World Trade Organisation

OVERVIEW

The priority of the World Trade Organisation (WTO) in 2004 was to put negotiations of the Doha Development Agenda (DDA) back on track, following the setback at the Fifth Ministerial Conference in Cancun in 2003, where no decision was taken on the Doha Work Programme.

In early 2004, the General Council (GC) revived all negotiating groups and set July as the target date for an agreement on a framework for negotiations. On 1 August 2004, the GC agreed for a package, known as the 'July Package', that inter alia adopted the framework for negotiations on modalities in agriculture and non-agriculture market access (NAMA), and commenced negotiations on trade facilitation. The GC also agreed that members who have not submitted initial offers on services, do so as soon as possible. Further, revised offers would have to be tabled by May 2005. In addition, members are required to intensify their efforts to conclude negotiations on General Agreement on Trade in Services (GATS) Article VI:4 (Domestic Regulation), Article X (Emergency Safeguard Measures), Article XIII (Government Procurement) and Article XV (Subsidies).

As part of the 'July Package', members also agreed to drop the three contentious issues of investment, competition policy and transparency in government procurement from the DDA. Malaysia was among the group of developing countries that argued for the exclusion of these issues from the DDA. The 'July Package' had, in effect, extended the original deadline for completion of DDA, from 1 January 2005 to the Sixth WTO Ministerial Conference (sixth MC), scheduled to be held in December 2005, in Hong Kong.

Notwithstanding the focus on the DDA, the WTO carried out its regular work on accession negotiations, trade policy reviews, dispute settlement proceedings and monitoring of implementation of WTO obligations.

DOHA DEVELOPMENT AGENDA

'July Package'

The collective determination of members to ensure that 2004 would not be a lost year for negotiations, set the pace for progress towards the 'July Package'. Malaysia declared in an open letter to members, as well as the Director General of WTO, its position on important issues. These were related to reduction in agriculture subsidies, NAMA and development issues. Malaysia also urged members to drop the contentious new issues that did not have consensus of the wider membership.

Other key members of the WTO also indicated their stand on outstanding issues. Both the European Union (EU) and the United States of America (USA) showed their willingness to move on critical issues in agriculture, such as the reduction in domestic support and setting an end date for elimination of export subsidies. They also acknowledged that there was no consensus to proceed on investment, competition policy and transparency in government procurement.

The GC achieved consensus on a work programme on key areas under the DDA, including:

- a Framework for Establishing Modalities in Agriculture for reducing domestic subsidies, setting a credible end date for elimination of export subsidies and providing principles for substantial improvement in market access;

- a Framework for Establishing Modalities in NAMA that provided for further negotiations on elements related to unbound tariffs, sectoral liberalisation and flexibilities for developing countries;

- modalities for Negotiations on Trade Facilitation, which allowed commencement of negotiations to improve and strengthen Article V (freedom of transit of goods), Article VIII (fees and formalities connected with importation and exportation), and Article X (publication and administration of trade regulation) of the General Agreement on Trade and Tariff (GATT), while providing special consideration to capacity building and technical assistance needs of developing countries;

- expeditious completion of work on the DDA mandate to operationalise and make more effective the Special and Differential (S&D) provisions in the WTO Agreements; and

- continuation of work in both market access and rules on services, including the submission of initial offers as soon as possible, and revised offers by May 2005.

Overall, the issues of concern and interest to Malaysia were adequately addressed in the 'July Package'. Malaysia, Brazil, India, the USA and the EU were instrumental in forging consensus among both developed and developing countries on the issue of trade facilitation. The decision to drop investment, competition policy and transparency in government procurement from the DDA was welcomed by many developing countries.

Agriculture

Negotiations post-July were held between October and December 2004, to establish modalities for agriculture. However, the deliberations have not progressed beyond technical clarification, with members continuing to push for inclusion, in the modalities, specific elements of their respective interests.

Malaysia continued to insist on substantial reduction in high tariffs as they pose a barrier to palm oil exports in a number of markets. Malaysia also has interest in seeing substantial reduction in domestic and export subsidies, particularly, those provided by developed countries such as the EU and the USA. As a member of the Cairns Group, Malaysia supported further liberalisation of the agriculture sector to remove distortions in the global market that pose unfair competition to Malaysia's export.

Malaysia's participation in the agriculture negotiations is guided by the need to substantially reduce all market distortions, to level the playing field so that benefits from global liberalisation can be realised. Opening up markets of developing countries which are potential export destinations for Malaysian products, remain an important objective in the negotiations.

Non-Agriculture

The NAMA Framework, adopted by the GC in July, provided for further negotiations on elements that did not have the consensus of members. In the post-July negotiations, members focused on technical issues pertaining to the formula for tariff reductions, special and differential treatment, and flexibilities for developing countries. The developed countries continued to push for substantial tariff reductions and sectoral tariff eliminations, while developing countries opposed commitments that go beyond their capacity.

Malaysia's interest is to seek opportunities for market opening, in both developed and developing countries. As a major exporter of manufactured goods, Malaysia is keen on addressing high tariffs, tariff peaks and tariff escalation in both developed and developing markets. For example, in the USA, tariffs for some footwear products are at 48 per cent, while in Japan, tariffs for some of its leather products are as high as 30 per cent. E&E products face bound duties that are as high as 40 per cent in India, 35 per cent in Columbia and 30 per cent in Jordan.

Services

The mandate for the current round of negotiations is to achieve a progressively higher level of liberalisation. While GATS aims for an early achievement of progressive liberalisation, the DDA has reiterated the need to take into account the development dimension in these negotiations. This entails, inter alia, recognising the right of members to regulate supply of services to achieve national policy objectives and giving developing countries the flexibility to liberalise fewer sectors.

Negotiations are based on the requests and initial offers by members. The deadline for the submission of revised offers was May 2005. To date, 47 countries, including Malaysia, have tabled their initial offers. Malaysia's initial offer in December 2004, contains not only improvements to offers made in the Uruguay Round but also new commitments. Malaysia's offer encompasses six sectors (i.e. architectural services, construction and related engineering services, computer and related services, telecommunications services, health and social services and higher education services).

Malaysia will continue to ensure that rule-making moves in tandem with market access discussions, so as to achieve a balanced outcome in the current round of negotiations. Rule-making in areas such as the emergency safeguard measures (ESM), subsidies, government procurement and domestic regulations have not progressed due to the reluctance of members to openly discuss sensitive issues and areas impinging on sovereign rights.

Trade Facilitation

Members agreed to commence negotiations on trade facilitation to strengthen and improve:

- Article V of GATT 1994, on freedom of transit of goods;

- Article VIII of GATT 1994, on fees and formalities connected with importation and exportation; and

- Article X of GATT 1994, on publication and administration of trade regulation.

The discussions under the Negotiating Group on Trade Facilitation chaired by Malaysia, focused on clarification of the terms of reference for the agreed modalities. Multilateral organisations such as the International Monetary Fund (IMF), Organisation for Economic Cooperation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), World Customs Organisation (WCO) and World Bank, contributed to the process by sharing information on tools which can assist members in this respect.

The issues to be negotiated include adequate technical assistance, capacity building and Special and Differential (S&D) treatment for developing and least developed countries (LDCs). The principle of S&D treatment would not only allow for longer transition periods, but would also take into account the capacities of developing countries and LDCs to implement commitments.

Special and Differential Treatment

The Committee on Trade and Development (CTD) continued with work on the review of all specific proposals on S&D treatment. The CTD is tasked to expeditiously complete all outstanding work, with clear recommendations on the proposals, for a decision by July 2005.

A total of 88 proposals on how to operationalise and make more effective the S&D provisions in WTO agreements are being considered. Some of these proposals were aimed at making the provision of technical assistance and capacity building mandatory, instead of as a best endeavour as is currently provided for in the agreements.

OTHER DDA ISSUES

The respective Negotiating Groups continued technical discussions with a view to producing an outcome by the sixth MC.

Agreement on Trade-Related Aspects of Intellectual Property Rights

Among the issues pursued in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Council were:

(a) Establishment of A Multilateral System of Notification and Registration of Geographical Indications for Wines and Spirits

The Doha Declaration mandated that negotiations be carried out to establish a multilateral system of notification and registration of geographical indications for wines and spirits. Negotiations have focused on procedures, the legal effects and the cost of establishing a multilateral system of notification and registration of geographical indications (GI) for wines and spirits.

There is a divergence of views between major wine producers such as the USA, Australia, the EU and Switzerland. The EU and Switzerland have proposed an elaborate system of notification and registration with legal effects on members. Such a system requires members to protect any GI that is registered under this system. The USA, Australia, Canada and Argentina proposed the multilateral system to be simple, with no legal effects, or no new obligations and no undue cost impact.

Malaysia and other non-producers of wine also are concerned about the legal implications of having a multilateral system of notification and registration. Malaysia is also of the view that the system should be simple and not burdensome to implement.

Arising out of the additional protection accorded to wines and spirits, other members want to propose the extension of this additional GI protection to products other than wines and spirits. Many members object to this proposal to grant similar protection to other products, as this will impose restrictions on the use of trademarks for businesses. Malaysia has similar concerns that additional GI protection would add costs for implementation, and also restrict efforts to promote the use of international brand names and trademarks.

(b) Doha Declaration on TRIPS and Public Health

Negotiations focused on implementation of the Public Health Declaration, which mandated that members with insufficient or no manufacturing capacity, be allowed to make effective use of compulsory licensing (CL) in the pharmaceutical sector. The solution to use CL was agreed due to worldwide recognition of the HIV/AIDS epidemic in African states.

Members, however, continued to debate whether the TRIPS Agreement itself should be amended in line with this decision. The African member states want an amendment to the TRIPS agreement that would provide the security of a permanent solution to their needs. Consultations are still on-going.

(c) Review of the TRIPS Agreement

In the review of Article 27.3(b) on patentability of plants and animals, the TRIPS Council has directed members to examine the relationship between TRIPS and the Convention on Biological Diversity (CBD), protection of traditional knowledge and folklore.

Current discussions indicate no consensus on the proposals to amend the TRIPS Agreement to provide for disclosure requirements in patent applications, including the source of genetic resources, and associated traditional knowledge.

Trade and Environment

The Committee on Trade and Environment (CTE) continued with the negotiations as mandated in Doha. The Doha declaration provided for negotiations, without prejudging the outcome, on:

- the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs);

- procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status; and

- the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.

On the relationship between existing WTO rules and specific trade obligations (STOs) in MEAs, there continues to be strong divergence of views between members as to what constitutes STOs in the MEAs. For example, some members wanted to identify and debate whether the mandatory prohibition of waste export to countries under the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, constitute a specific trade obligation. Others wanted a macro approach of examining principles to govern the relationship between MEAs and WTO rules. Malaysia supports a phased approach to negotiations, which enhances understanding of what constitutes specific trade obligation and MEAs.

With regard to the issue of information exchange with MEA Secretariats, Malaysia proposed that the process need not be institutionalised. Formalising information exchange sessions may commit WTO members to more meetings and would be a strain on resources of smaller delegations. On observer status of participants, views differed on criteria for participation. The current practice of inviting MEA Secretariats to the CTE on an ad hoc basis should be continued to ensure relevancy of their participation to issues being discussed.

There are divergent views between developed and developing countries on the reduction/elimination of tariffs and NTBs for environmental goods and services. Members could not agree on the definition of environmental goods, i.e., whether they should be based on the end use of the product or on the production process and method which do not contribute to environmental degradation. Members, particularly the developing countries, are concerned that besides the difficulties in identification of goods based on production and processes, this could become a measure for protectionist purposes.

Arising out of the discussion in the CTE, it appears that there is more interest on the issue of environmental goods and market access. Although developing countries had voiced their concerns in developing the environmental goods and services list, the main proponent, the EU, wants to focus mainly on the issue of market access rather than the mandate of examining the relationship between specific trade obligations and MEAs.

WTO Rules

The Negotiating Group on Rules continued with the technical discussions, as mandated in the 'July Package', including:

(a) Anti-Dumping (AD) and Subsidies and Countervailing Measure (SCM) Negotiations

Some of the issues discussed under AD included the proposal on conduct of verifications, and requirement to provide detailed and written reports by the Investigating Authority. Other proposals were on clarification of definitons such as 'like product', 'material injury' and 'domestic industry'.

On fisheries subsidies, there was a proposal by the USA for a comprehensive elimination of all fisheries subsidies. Malaysia and other developing countries continued to support the need for S&D treatment to ensure that elimination of subsidies does not affect development programmes for the fish industry in developing countries.

(b) Regional Trade Agreements (RTAs)

The Chair of the negotiating group produced an informal proposal on the elements for a more transparent process on RTAs. Some of the issues highlighted were on the procedures covering notification, review and the adoption of RTAs. Substantive issues discussed in the group included early announcement of RTAs and the type of information or data to be provided to the WTO.

In view of the proliferation of FTAs, the discussions on the procedural and substantive aspects of RTA rules would provide a better understanding of FTA negotiations. The procedure for an early announcement on RTAs would benefit non-members of FTA as it could provide advanced information that would be useful for market strategy and planning.

(c) Dispute Settlement Understanding (DSU)

The GC on 1 August 2004, took note of the report by the Dispute Settlement Body, and reaffirmed commitment to progress the negotiations in line with the Doha mandate. The proposals on the review of the DSU focused on improving compliance with panel decisions, participation of developing countries and enhancing third party rights in dispute settlement proceedings.

Proposals by members for the improvement of the DSU can be divided into three categories, namely, to:

- tackle structural deficiencies of the DSU;
- streamline affected principles and procedures; and
- fine-tune the modalities of the dispute settlement process.

The DSU process can take up to three years before any resolution. In the interim, serious harm or injury can be caused to the complainant's industry. As such, the concept of 'preventive measure' would provide temporary relief, which would protect, and simultaneously prevent further injury. Malaysia submitted a preliminary proposal for the Introduction of Preventive Measures Mechanism in the WTO Dispute Settlement system in January 2004. This proposal and similar others are being considered by the DSB.

OTHER WTO WORK

Dispute Settlement Understanding

The number of cases brought before the Dispute Settlement Body (DSB) continued to increase. From 1995 to October 2004, a total of 317 cases were filed, of which panels were formed for 129 cases covering 159 disputes. The majority of DSB cases involved industrialised countries, where they were complainants in 204 and respondents in 191. There were 136 cases involving developing countries as complainants and 122 as respondents. The trend indicates the growing awareness of developing countries as regard their rights and obligations under the WTO.

The areas of complaints centered on provisions under the GATT 1994. A total of 240 requests for dispute settlement covered National Treatment (NT), Most Favoured Nation (MFN) Treatment and Quantitative Restrictions (QRs). Other complaints were on subsidies (57 requests), agriculture (52 requests) and anti-dumping (54 requests).

Anti Dumping Cases under the Dispute Settlement Understanding

One important anti-dumping case considered by the WTO Appellate Body (AB) was brought by the EU and seven other countries (Japan, Brazil, Canada, Chile, India, the ROK and Mexico) against the USA. The complainants requested the WTO to allow sanctions to be imposed on the USA for non-compliance of an earlier AB ruling to repeal their Byrd

Amendment (*the US Continued Dumping and Subsidy Offset Act 2000*). Following the decision by the AB to allow for sanctions, the EU has decided to impose retaliatory measures on goods from the USA to the value of US$150 million.

However, the complainants have stated that they will hold off sanctions but are using the threat of retaliation in the hope that the USA will repeal its law. Up until May 2005, the USA remained resolved to defend its anti-dumping law.

Subsidy Cases under the Dispute Settlement Understanding

There were two major cases on agriculture subsidies involving challenges to the US cotton subsidies and the EU's sugar regime. The cotton subsidy challenge was brought by Brazil against the USA. Brazil had alleged that subsidies paid to the US cotton farmers from 1999-2000 and those authorised in the 2002 Farm Bill, contravened WTO rules on the Agreement on Subsidies and Countervailing Measures, and the Agreement on Agriculture. Brazil argued that the USA was responsible for driving down world cotton prices, consequently causing harm to Brazilian farmers, while increasing the US share of the global cotton market. The dispute settlement panel found that the US cotton subsidy schemes illegally distort world prices.

The sugar dispute was brought by Brazil, Australia and Thailand against the EU. The panel found that the EU had violated the provisions under the Agreement on Agriculture, and Agreement on Subsidies and Countervailing Measures, as its support for domestic producers was contingent on export performance. The EU's appeal to the AB in April 2005 was dismissed.

Accession to the WTO

As of 31 December 2004, there were 148 members of the WTO. In 2004, Working Parties have been established to consider the application for accession by Afghanistan, Iraq and Libya. In addition, countries that are currently negotiating accession are Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia Herzegovina, Cape Verde, Ethiopia, Kazakhstan, Lao PDR, Lebanon, Russian Federation, Samoa, Saudi Arabia, Serbia, Montenegro, Seychelles, Sudan, Tajikistan, Tonga, Ukraine, Uzbekistan, Vanuatu, Viet Nam and Yemen.

Iran requested for WTO Membership in 1996 and was turned down by some WTO members. Malaysia and several OIC members of the WTO requested that Iran's accession be taken up in the General Council.

The accession process involves an examination of the trade regime of the country seeking accession. The acceding countries have also to undertake bilateral negotiations with WTO members to seek better market access. The Working Party would then establish the terms and conditions to be agreed by all members before the applicant is granted membership.

TRADE POLICY REVIEWS

In 2004, trade regimes of 15 WTO members were examined under the Trade Policy Review (TPR) mechanism, a periodic review of individual WTO Member's trade policies and practices. They were Gambia, Sri Lanka, Singapore, Benin, Burkina Faso, Mali, Belize, Suriname, the ROK, Rwanda, Norway, the EU, Brazil, Liechtenstein and Switzerland.

The TPR process is useful in providing members with the opportunity to scrutinise consistency of members' policies with WTO rules. This process includes assessment on potential market interests, trade policies and practices, including non-tariff barriers and the possible effects of regional arrangements (RTAs) on Malaysia. Malaysia took the opportunity in the TPR process to raise issues that impact our exports to these countries.

TECHNICAL ASSISTANCE

In 2004, Malaysia participated in eight technical assistance programmes organised by the WTO. Of these, three were conducted in Malaysia:

- Seminar on Rules of Origin (ROO), 22-23 September 2004, to discuss implications of multilateral rules on ROO;

- Seminar on Trade Facilitation (TF), 29-30 September 2004, to discuss on the current developments of negotiations on TF; and

- Seminar on Domestic Regulations, 8-9 December 2004, to update domestic regulatory bodies of current negotiations on rules regarding services.

The technical assistance programmes provided by WTO enhances the capacity of developing countries in fulfilling their obligations under the multilateral trading system. The aim is to improve the overall capacity in order to respond to the challenges and opportunities offered by the multilateral trading system.

OUTLOOK

The sixth MC in December 2005, is expected to agree on modalities for agriculture and NAMA. Negotiations are not expected to be easy and would involve compromises on issues that are sensitive to both developed and developing countries. However, due to the positive engagement by members, there is a fair chance that all work can be completed by 2005, so that the DDA negotiations can be concluded in 2006.

It is important for Malaysia to continue to engage in WTO negotiations, not only to achieve better market access, but also to ensure that the WTO remains a rules-based organisation that is non-discriminatory, with an effective dispute settlement mechanism.

Chapter 9

ASEAN Economic Cooperation

OVERVIEW

In 2004, the Association of South East Asian Nations (ASEAN) formalised two measures towards the realisation of an ASEAN Economic Community (AEC) by 2020. These were Agreements and Protocols for the accelerated integration of 11 priority sectors, and the Protocol on Enhanced ASEAN Dispute Settlement Mechanism. Apart from these two new major developments, there was on-going progress made under the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA), the ASEAN-Dialogue Partner FTAs, and the ASEAN business sector collaboration.

As an integral part of realising the AEC, ASEAN is working towards the integration of the 11 priority sectors, aimed at combining the economic strengths of individual member countries, for regional advantage and competitiveness. The sectors, which account for more than 52.7 per cent of intra-ASEAN trade, are rubber-based products, textiles and apparel, agro-based products, wood, automotive, fisheries, electronics, e-ASEAN, healthcare, air travel and tourism. Among the measures that will be implemented are:

- tariff elimination on 85 per cent of the products by 2007 (ASEAN-6) and 2012 (new member countries);
- liberalisation of the services sectors covering e-ASEAN, healthcare and tourism by 2010; and
- cooperation activities aimed at reducing impediments to trade and promotion of intra-ASEAN trade and investments.

ASEAN has also strengthened the dispute settlement process by establishing an advisory, consultative and adjudicatory mechanisms to resolve disputes. The Enhanced Protocol on Dispute Settlement Mechanism (DSM) signed by the ASEAN Economic Ministers on 29 November 2004, in Vientiane, Lao PDR, replaced the Protocol on ASEAN Dispute Settlement Mechanism signed in 1996. The Enhanced DSM has been aligned with the provisions of the World Trade Organisation (WTO) DSM, and provides for a shorter time frame to resolve disputes. Other components of the dispute settlement process include the establishment of:

- a legal Unit at the ASEAN Secretariat to provide advisory services;
- the ASEAN Compliance on Trade, an internet-based system to address issues related to concessions under the CEPT Scheme; and
- the ASEAN Compliance Body, to provide advisory decisions on disputes.

The new member countries continued to make progress under the CEPT Scheme for AFTA, with the inclusion of 79.1 per cent of their products into the Scheme. Of these, 69.9 per cent are at duties of 5 per cent and below. AFTA has been effectively realised for Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand, with the inclusion of 98.9 per cent of the products into the CEPT Scheme. Malaysia has also completed its obligations on automotive products with the inclusion of Completely Built-Up (CBU) and Completely Knocked Down (CKD) motor vehicles into the CEPT Scheme, beginning 1 January 2005.

ASEAN continued to make progress in other areas of economic interests, including completion of the Fourth Package of services liberalisation, implementation of cooperation activities to facilitate investment flows under the ASEAN Investment Area Agreement, development of ASEAN Single Window to facilitate clearance of trade documents, and cooperation in standards.

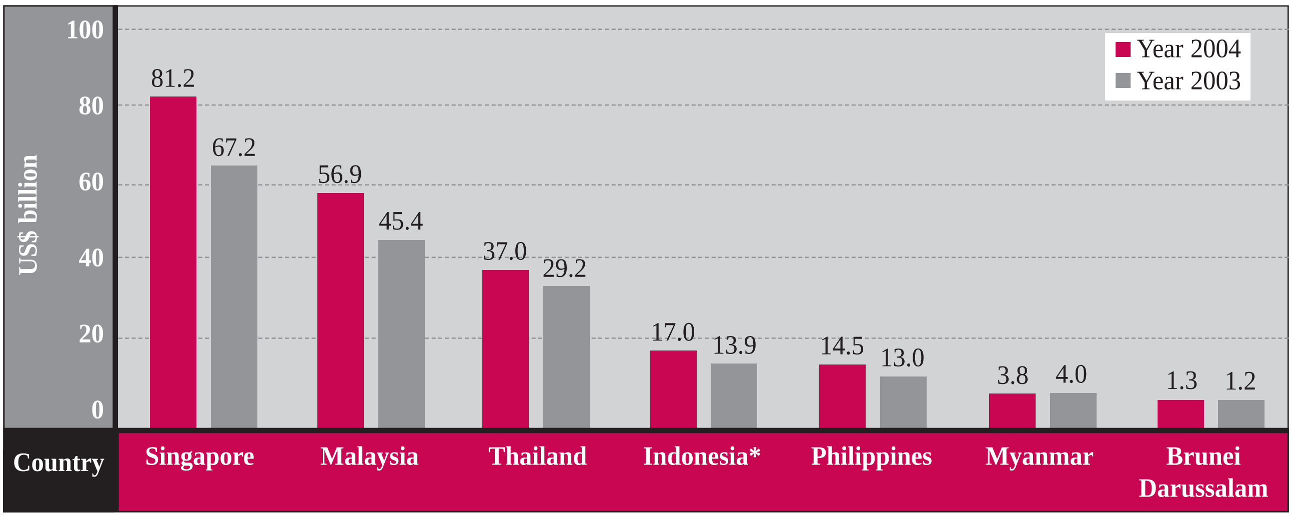
The Agreement to realise the ASEAN-China Free Trade Area (ACFTA) was signed on 30 November 2004, in Vientiane, Lao PDR. The FTA in goods will be fully implemented by the People's Republic of China (PRC) and ASEAN-6 by 2010, and the new members by 2015. Beginning 1 July 2005, ASEAN and the PRC will work towards realisation of the world's largest FTA of 1.6 billion people, by eliminating tariffs on 40 per cent of the products. The Early Harvest Programme has been implemented since January 2004.

ASEAN also continued negotiations to establish the ASEAN-India and ASEAN-Japan FTAs. In addition, at the 10th ASEAN Summit, 29-30 November 2004, agreement was reached for the commencement of negotiations towards realisation of the ASEAN-Korea FTA, ASEAN-Australia and New Zealand FTA, and the establishment of an Expert Group to study and propose the viability of the East Asia FTA.

The ASEAN private sector, through the ASEAN-Business Advisory Council (ASEAN-BAC), convened the Second ASEAN Business and Investment Summit in Vientiane, Lao PDR, during the 10th ASEAN Summit. To date, the activities undertaken by the ASEAN-BAC include, identifying projects under the ASEAN Pioneer Projects Scheme (APPS), which involves industrialisation of the agriculture sector, supply of ASEAN food products to global markets, and collaboration of ASEAN budget airlines and ASEAN budget hotel chains. Other work-in-progress include, establishing the ASEAN-BAC website, meetings with other business councils, such as the US-ASEAN Business Council and Nippon Keidanren to exchange views, establishing a permanent ASEAN-BAC Secretariat and forming ASEAN-BAC corporate entity, to implement projects and raise funds.

To promote cooperation among the private sectors in ASEAN and the PRC, Japan and the Republic of Korea (ROK), the East Asia Business Council (EABC) was established in 2004. Malaysia is the current Chair of this Council and the PRC, the Vice-Chair. The EABC projects in 2004, included East Asia Business Travel Card, participation in the ASEAN-China Expo in Nanning, the PRC, and the upcoming 2005 World Exposition in Japan.

Chart 9.1:
Intra-ASEAN Trade



Source: ASEAN Secretariat
*Note: * The figures are for the period of January-October*

Table 9.1:
Intra-ASEAN Trade, 2003-2004

Country	Exports				Imports			
	2004 (US$ mil)	2003 (US$ mil)	Change		2004 (US$ mil)	2003 (US$ mil)	Change	
			US$ million	%			US$ million	%
Total	**115,850.0**	**96,709.5**	**19,140.5**	**19.8**	**95,941.8**	**77,342.7**	**18,599.1**	**24.1**
Singapore	43,611.6	36,003.4	7,608.3	21.1	37,568.8	31,224.9	6,343.9	20.3
Malaysia	31,737.1	25,932.2	5,804.9	22.4	25,191.7	19,500.2	5,691.5	29.2
Thailand	21,170.0	16,583.0	4,587.0	27.7	15,834.6	12,616.3	3,218.3	25.5
Indonesia	9,004.3*	7,916.1*	1,088.2	13.8	7,965.7*	6,018.5*	1,947.2	32.4
Philippines	6,838.5**	6,581.7	256.8	3.9	7,675.1**	6,398.1	1,277.0	20.0
Myanmar	2,898.4	3,060.2	(161.9)	(5.3)	951.1	967.8	(16.7)	(1.7)
Brunei Darussalam	590.0	632.9	(42.9)	(6.8)	754.8	616.9	137.9	22.4

Source: ASEAN Secretariat
The Statistical Authority of ASEAN member countries
*Note: * The figures are for the period of January-October*
*** Estimated figures*

As a step towards furthering economic integration between ASEAN and East Asian countries of the PRC, Japan and the ROK, the Leaders of ASEAN and these countries, agreed in Vientiane, in November 2004, to convene the First East Asia Summit in Kuala Lumpur, in December 2005.

TRADE

Intra-ASEAN Trade

The intra-ASEAN trade involving seven member countries, namely, Singapore, Malaysia, Thailand, Indonesia, the Philippines, Myanmar and Brunei Darussalam recorded a significant increase of 21.7 per cent to US$211.8 billion, from US$174.1 billion in 2003.

Thailand experienced the highest increase of 26.7 per cent, followed by Malaysia (25.3 per cent), Indonesia (21.8 per cent), Singapore (20.8 per cent), the Philippines (11.8 per cent) and Brunei Darussalam (7.6 per cent). Myanmar, however, experienced a contraction of 4.4 per cent, in 2004.

Total intra-ASEAN exports increased by 19.8 per cent to US$115.8 billion, from US$96.7 billion in 2003. During the same period, total intra-ASEAN imports increased by 24.1 per cent to US$95.9 billion, from US$77.3 billion.

ASEAN Free Trade Area

Common Effective Preferential Tariff

As at 1 January 2005, Malaysia had included 99.3 per cent of its products into the CEPT Scheme. Effective from this date, Malaysia has transferred the CBU and CKD motor vehicles into the CEPT Scheme. The import duty under the CEPT is 20 per cent for CBU vehicles and duty free for all CKD vehicles. The import duty for the CBU vehicles will be reduced to 5 per cent on 1 January 2008. Malaysia has permanently excluded from CEPT, alcoholic beverages, and arms and weapons, which are placed in the General Exception List.

Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) continued to expand the coverage of products in the CEPT Scheme in 2004. These countries have included 79.1 per cent of their products into the Scheme, of which 69.9 per cent are at duties of 5 per cent or below.

Viet Nam has completed the transfer of all products into the Inclusion List (IL) of the CEPT Scheme, with duties ranging from 0 to 5 per cent, with the exception of those in the Sensitive and Highly Sensitive List of Unprocessed Agricultural Products. Lao PDR and Myanmar will complete their transfer of products into the IL in 2005, and Cambodia, in 2007.

ASEAN-6 have integrated 99.2 per cent of the products into the CEPT Scheme, with the transfer of products in the Highly Sensitive List, and products that were previously temporarily excluded, beginning 1 January 2005.

Exports under CEPT

Malaysia's exports under the CEPT Scheme in 2004 increased by 54.1 per cent to RM8.1 billion, from RM5.2 billion in 2003. Considerable increases were recorded for exports to all the ASEAN member countries, except Brunei Darussalam. Thailand remained Malaysia's largest export destination under the CEPT, with total exports amounting to RM3,572.3 million, an increase of 58.3 per cent, compared with RM2,257.2 million in 2003. There were also significant increases in exports to the Philippines (52.1 per cent), and Indonesia (96.3 per cent). The increase in the exports to the new ASEAN member countries was attributed to more products offered for CEPT concessions by these countries, particularly Viet Nam.

The major export items under the CEPT were electrical machinery and equipment, organic chemicals, iron and steel, plastics and machinery and mechanical appliances.

Malaysian companies are increasingly taking advantage of tariff concessions and benefits offered under the Scheme. In 2004, a total of 81,792 applications for Form D were received, an increase by 27.3 per cent, compared with 64,266 applications received in the previous year. However, despite the increase in the utilisation of Form D, the value of exports under the CEPT were still relatively low, representing only 6.7 per cent, or RM120.6 billion of Malaysia's total exports to the region in 2004. The main reason is that exports to Singapore do not attract any import duty, and therefore, Form D is not required, except for re-export arrangements. In addition, some imports, especially that of intermediate or raw materials, into some ASEAN countries are exempted from import duties under their various incentive schemes, thus Form D is not required.

Table 9.2:
Products in the CEPT Scheme Inclusion List for ASEAN-6

Country	Total Products	Products in the Inclusion List	
		No. of Products	Percentage
Average			**99.2**
Singapore	10,705	10,705	100
Thailand	11,029	11,029	100
Philippines	11,061	11,015	99.6
Malaysia	12,034	11,953	99.3
Indonesia	11,153	11,028	98.9
Brunei Darussalam	6,492	6,337	97.6

Based on ASEAN Harmonised Tariff Nomenclature (AHTN)
Source: ASEAN Secretariat

Table 9.3:
Malaysia's Exports under CEPT

Export Destination	RM million		Change (%)
	2004	2003	
Total	**8,091.7**	**5,249.8**	**54.1**
Thailand	3,572.3	2,257.2	58.3
Viet Nam	1,247.2	903.3	38.1
Philippines	1,366.6	898.6	52.1
Indonesia	1,274.3	649.0	96.3
Singapore	614.9	531.1	15.8
Brunei Darussalam	3.9	6.0	-35.0
Myanmar	12.5	4.6	171.7
Cambodia	neg.	neg.	neg.
Lao PDR	neg.	neg.	neg.

Source: Ministry of International Trade and Industry
Notes: neg. - negligible

ASEAN Integration System of Preferences

The CLMV countries continued to expand exports under the ASEAN Integration System of Preferences (AISP), which provides duty free access for selected products from Cambodia, Lao PDR, Myanmar and Viet Nam to the markets of ASEAN-6. Malaysia implemented the AISP Scheme on 1 January 2002. To date, Malaysia has offered a total of 553 products to the CLMV: 89 products to Cambodia, 12 to Lao PDR, 282 to Myanmar, and 170 to Viet Nam. The products include agriculture, E&E, wood, plastics, and ceramics products, and articles of iron and steel.

In 2004, Malaysia's imports under the AISP from CLMV totalled RM91.7 million, an increase of 94.7 per cent, compared with RM47.1 million in 2003.

Malaysia has received request to include additional products from Cambodia (142 products), Lao PDR (86 products), Myanmar (41 products) and Viet Nam (119 products). These requests were being considered for offer in June 2005.

INVESTMENT

Investment Flows

ASEAN's resilience as a competitive investment destination is reflected in the increase in Foreign Direct Investment (FDI) inflows of 31.7 per cent to US$19.1 billion in 2003, from US$14.5 billion in 2002. This is despite the global slowdown in FDI flows. Inflows were mainly to Singapore, Malaysia, Brunei Darussalam, Thailand and Viet Nam.

Table 9.4:

Intra-ASEAN Investment Flows, 2003 (US$ million)

Source Country	Host Country										
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
Total	**36.8**	**-**	**383.9**	**2.9**	**251.1**	**28.6**	**175.1**	**420.0**	**670.0**	**100.4**	**2,068.9**
Singapore	15.7	-	300.7	neg.	162.5	8.4	164.4	-	637.0	21.3	1,310.0
Malaysia	16.8	-	84.8	0.1	-	8.2	8.0	207.9	18.0	55.0	398.8
Indonesia	4.2	-	1.0	-	2.7	2.4	neg.	213.9	4.0	-	228.2
Thailand	neg.	-	-2.6	2.4	85.0	9.6	2.7	-12.9	-	24.1	108.3
Brunei Darussalam	-	-	-	-	neg.	-	-	9.1	-	-	9.1
Myanmar	-	-	-	-	-	-	-	7.1	-	-	7.1
Cambodia	-	-	-	-	-	-	-	-	5.0	-	5.0
Viet Nam	-	-	-	0.4	-	-	-	4.5	-	-	4.9
Lao PDR	-	-	-	-	-	-	-	0.2	-	-	0.2
Philippines	0.1	-	-	-	0.9	-	-	-9.8	6.0	-	-2.8

Source: ASEAN FDI Database, ASEAN Secretariat

Notes: (1) Data compiled from respective ASEAN Central Banks and Central Statistics Offices. Unless otherwise indicated, the figures include equity and inter-company loans.

(2) Figures for Brunei Darussalam, Malaysia and Singapore include reinvested earnings.

(3) Figures for Indonesia, the Philippines, Singapore and Thailand for 2003 are preliminary.

(4) Cambodia's data by source countries are not available.

(5) Indonesia's figures for 2003 include privatisation and asset sales under Indonesia Bank Restructuring Agency (IBRA) programme.

(6) Myanmar's figures are in fiscal year which ends in March of the following calendar year

(7) Thailand's figures include capital fund of banking sector.

(8) neg. - negligible

(9) Indicates net outflows which include disinvestments of equity and repayment of inter-company loan.

In 2003, the UK was the leading source of investment into ASEAN, with inflows totalling US$3.4 billion, followed by the Netherlands with US$3 billion. The USA was the third largest source of FDI with US$2.9 billion, while investments from Japan totalled US$2.1 billion.

ASEAN Outward Investment

In 2003, ASEAN's outward investment increased by 32.2 per cent to US$7.8 billion, from US$6 billion in 2002. Outward investment flows were mainly from Singapore, which accounted for 70.5 per cent of the total flows. Malaysia's gross overseas investment decreased by 35.4 per cent to RM10.6 billion in 2003, from RM16.4 billion in 2002. The outward flows from Malaysia were mainly to the ASEAN countries (RM1.6 billion), the USA (RM994 million), Taiwan (RM666 million), Sudan (RM600 million), Hong Kong (RM520 million) and the UK (RM492 million).

Box 9.1: ASEAN Priority Integration

The ASEAN Economic Community (AEC) will allow for free flow of goods, services, investment, and a freer flow of capital by 2020. The objective is to transform this region into an attractive investment hub by forming a large single market and production base.

To achieve the goals of AEC, ASEAN needs to accelerate elimination of duties on goods and liberalise trade in services. Apart from liberalisation of trade in goods and services, ASEAN will also have to develop effective facilitation measures that will contribute to reducing business transaction costs and enhance competitiveness.

As an important step towards AEC, ASEAN has agreed to integrate 11 priority sectors: rubber based products, textiles and apparels, wood-based products, automotive products, agro-based products, fisheries, electronics, e-ASEAN, healthcare products, air travel and tourism.

To ensure effective implementation and to provide binding commitments, at the 10th ASEAN Summit in Vientiane, Lao PDR on 29 November 2004, ASEAN Leaders signed the Framework Agreement for the Integration of the Priority Sectors including 11 Sectoral Integration Protocols.

The agreement contains roadmaps for the 11 sectors. These roadmaps contain specific measures for liberalisation, facilitation and cooperation, and common measures that cut across all the priority integration sectors. Implementation of these measures covers the period beginning December 2004 to the year 2010. These measures have been developed taking into account the views of the private sector.

On liberalisation of goods, the roadmaps require the elimination of import duties for 85 per cent of the products under the priority sectors by 1 January 2007 for ASEAN-6, and 2012 for CLMV. Malaysia will eliminate import duties on 3,647 products in the priority sectors by 2007 or 85.3 per cent of the total priority products.

The roadmaps also require removal of limitations on all four modes of supply for the priority services sectors of e-ASEAN, healthcare and tourism. This involves member countries removing barriers to market access, national treatment and allowing for higher ASEAN equity ownership.

In terms of investment liberalisation, ASEAN is also accelerating within the context of the priority integration, the opening up of sectors currently placed in the Temporary Exclusion List and Sensitive List of the ASEAN Investment Agreement. This initiative involves, removing or progressively eliminating restrictive investment measures.

The roadmaps also provide equal emphasis on trade and investment facilitation, and promotion including the creation of a ASEAN Single Window for electronic processing of trade documents at the national and regional levels.

ASEAN is accelerating work on harmonisation of product standards and technical regulations as well as establishment of mutual recognition of test reports and certification.

Another key element of the priority integration to achieve AEC is to develop ASEAN agreements or mutual recognition arrangements to facilitate movement of business people, experts, professionals and talents within the region. A number of Mutual Recognition Arrangements (MRAs) are being currently worked out covering both products and services of interest to ASEAN.

Intra-ASEAN Investment

Intra-ASEAN investment amounted to US$2.1 billion in 2003. Singapore remains the largest source of outward intra-ASEAN investment flows, with investments totalling US$1.3 billion or 61.9 per cent of the total flows in 2003, followed by Malaysia, at US$398.8 million (19.3 per cent) and Indonesia, US$228.2 million (11.0 per cent).

Thailand continued to be the major recipient of intra-ASEAN investment, receiving US$670 million in 2003. The other major host countries for inward intra-ASEAN investment flows were Singapore (US$420 million), Indonesia (US$383.9 million) and Malaysia (US$251.1 million).

Malaysia's intra-ASEAN investment outflows were mainly to Singapore, which absorbed US$207.9 million of the investments, Indonesia (US$84.8 million) and Viet Nam (US$55 million). The investments were mainly in real estate, financial services, manufacturing and plantation sectors.

ASEAN Investment Area

ASEAN's effort in further enhancing the ASEAN Investment Area (AIA) initiatives, focused on three areas, namely, liberalisation, promotion and awareness, and cooperation and facilitation.

Under liberalisation measures, Malaysia phased out 12 activities/industries in manufacturing, agriculture, fisheries, mining and forestry, and services sectors incidental to these sectors. The initiative undertaken by Malaysia was in line with the liberalisation of the equity policy in the manufacturing and manufacturing-related services sector. Among ASEAN countries, Indonesia also improved the Sensitive List in these five sectors.

To further enhance the investment environment under the AIA framework, a Strategic Investment Action Plan (SIAP) 2004-2008, was formulated. SIAP includes measures and programmes to expedite investment liberalisation, facilitate and promote investments, and maximise benefits from the extra-ASEAN process. As part of SIAP, specific investment measures will be implemented for the 11 Priority Sectors (Box 9.1).

Investment promotion and facilitation activities undertaken include:

- Seminar on ASEAN Supporting Industries held on 31 May 2004, Bangkok, Thailand, to inform investors and businessmen of the development of ASEAN's supporting industries;

- Seminar on Understanding ASEAN and China Investment Regimes, 12-13 July 2004, Singapore, to facilitate exchange of experiences and views on investment data collection and reporting, and FDI policies of the PRC and ASEAN;

- annual review of the Individual Action Plans (IAPs), including elimination of investment impediments and simplification of investment procedures and processes;

- publication of the 'Guidebook for Investing in ASEAN: Update 2004'. The Guidebook aims to provide investors with latest investment information on legislation, policies, measures, procedures and conditions for investment in individual ASEAN member countries;

- production of the 'Statistics on Foreign Direct Investment in ASEAN, Sixth Edition 2004' in CD-ROM; and

- the First ASEAN-Japan Consultation on Investment Matters, 31 May 2004, Bangkok, Thailand. The consultation was held to exchange information on investment regimes and other investment-related issues.

In line with the proposals under the SIAP and the roadmaps for the integration of the 11 Priority Sectors, projects that will be implemented in 2005 are:

- Study on the Japanese Investment Trend in ASEAN to provide details on the relocation of Japanese FDI back to Japan and retain Japanese investment in ASEAN;

- Study on the AIA Plus Strategy: Building on FTA Agreements;

- Workshop/Seminar on Promotion and Facilitation Methods Towards Capacity Building for ASEAN Investment Promotion Agencies (IPA);

- ASEAN publications:

  - Facts and Figures: Cost of Investing and Doing Business in ASEAN;

  - ASEAN Investment Map; and

- Workshop/Seminar on Methodologies to capture FDI in real estate, financial services and plantation sectors.

ASEAN Industrial Cooperation Scheme

This Scheme, launched in 1996, is aimed at promoting resource sharing by ASEAN-based companies through industrial complementation activities across the region. The attractiveness of the ASEAN Industrial Cooperation (AICO) Scheme was further enhanced with the formalisation of a Protocol in April 2004, which requires Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore and Thailand, to accord zero tariffs for approved arrangements by January 2005, and Viet Nam by January 2006. The annual waiver of 30 per cent national equity requirement has also been extended to 31 December 2006.

As at August 2004, a total of 126 projects were approved by ASEAN countries, involving arrangements in the areas of automotive products (89.7 per cent), E&E products (4.8 per cent), food processing (3.9 per cent) and others (1.6 per cent). For the same period, Malaysia approved a total of 60 projects, with an estimated ASEAN total trade transaction of US$309 million. The projects are in the automotive, agriculture, food processing and E&E sectors.

SERVICES

ASEAN has progressed services liberalisation by completing the third round of negotiations, and signing of the Protocol to implement the Fourth Package of Commitments under the ASEAN Framework Agreement on Services on 3 September 2004. The Fourth Package further expands the depth and scope of services liberalisation among member countries beyond those undertaken under the General Agreement on Trade in Services (GATS). The offers by member countries involve better market access to service suppliers from the region in the areas of construction, information and communications technology (ICT), business, healthcare, telecommunication, maritime transport and tourism services.

The liberalisation package offers enhanced opportunities for Malaysian service providers to enter the markets of member countries. Currently, Malaysian companies are involved in implementing ICT-related projects in Myanmar and Cambodia, and development of infrastructure projects in Viet Nam and Myanmar. To further progress services integration in ASEAN, this fourth round of services liberalisation will begin in 2005, and be completed by end 2006.

Work has also been initiated on the development of a Mutual Recognition Arrangement (MRA) for professional services. The MRA on engineering services is being finalised for signing by the end of 2005. This MRA is aimed at facilitating mobility of engineers in the region, through the recognition of qualifications. Other areas in professional services where MRAs have been initiated are in architecture, accountancy, medical doctors and nursing.

Table 9.5:
Summary of Offers under the Fourth Package

Member Country	Coverage
Brunei Darussalam	• 50 per cent foreign equity participation in the supply of landscape services;· • Commercial presence with 55 per cent foreign equity in the supply of construction related services; and· • Commercial presence in the supply of telecommunication services, ICT, auditing, health and restaurant services.
Cambodia	• Commercial presence with 100 per cent foreign equity in the supply of architectural services, engineering, integrated engineering, landscape architectural, market research, leasing or rental of construction machinery and equipment with operator, construction-related services, ICT and hotel (3 star and above) services; and· • Joint-venture arrangement with foreign equity of 49 per cent in the supply of telecommunication services, international transport, storage and warehousing.
Indonesia	• Commercial presence with 100 per cent foreign equity in the supply of restaurant services; and· • Commercial presence in the supply of travel agent, and tour operator services and tour leader services.
Lao PDR	• Commercial presence with foreign equity not exceeding 40 per cent for urban planning and landscape architectural services; and· • Commercial presence with at least 30 per cent of the total equity in hotel lodging services and restaurant services.
Malaysia	• Commercial presence with up to 100 per cent foreign equity in the supply of ICT related services; • Commercial presence with up to 49 per cent foreign equity in the supply of construction services and telecommunication services (data and message transmission services, mobile data, mobile phone, telegraph, voice telephone and paging services); • Commercial presence, with foreign equity not exceeding 40 per cent in the supply of accounting, auditing and bookkeeping services and landscape architectural services; • Commercial presence, with foreign equity not exceeding 35 per cent in the supply of taxation services, market research services, research and experimental development services on economics and tourism services (hotel lodging and travel agency and tour operator services). • Commercial presence, with foreign equity not exceeding 30 per cent in the supply of leasing or rental services concerning construction machinery; • Commercial presence with 5 per cent foreign equity for multi-disciplinary services in architecture and 10 per cent in multi-disciplinary services in engineering; and • Commercial presence in the supply of services related to rental of cargo vessel with or without crew for international shipping.
Myanmar	• No limitation on foreign equity for commercial presence in the supply of food serving services; and • Commercial presence in the supply of telecommunication services through joint-venture arrangements.
Singapore	• No limitation on commercial presence in the supply of circus amusement park services, travel and tour operator, taxation, translation and interpretation, market research, dental, shipping agency, data processing, and shipping brokerage services; • Commercial presence with 74 per cent foreign equity in the supply of basic telecommunication services (facilities-based) and mobile services. No limitation on equity for commercial presence in the resale of these services; and

Continued ...

Member Country	Coverage
	• Commercial presence in the supply of health services, landscape architectural and architectural services.
Philippines	• No limitation on foreign equity in the supply of hotel lodging services; • Commercial presence with 100 per cent foreign equity for restaurant services and beverage serving services without entertainment, subject to paid capital of more than US$2.5 million; and • Commercial presence in the supply of leasing/rental of vessels without crew and maintenance and repair of vessels.
Thailand	• Commercial presence with 100 per cent foreign equity in the supply of accounting, auditing and bookkeeping services, taxation, research and development, rental/leasing services on construction machinery, market research, translation and interpretation, construction services and storage and warehousing services, ICT services and tourism services; • Commercial presence of 49 per cent foreign equity in supply of architectural services, landscape architectural services and engineering services; and • Commercial presence in the supply of passenger transportation (less cabotage) services, freight transportation, marine cargo handling, maritime agency and telecommunication services.
Viet Nam	• Commercial presence with up to 100 per cent foreign equity in the supply of construction services; • Commercial presence with up to 49 per cent foreign equity in the supply of international passenger transportation (less cabotage) services, ship broking, maintenance and repair of vessels, and tourism services; and • Commercial presence in the supply of architectural services, landscape architect, engineering, accounting, auditing and bookkeeping, and telecommunication services.

Source: ASEAN Secretariat

SECTORAL COOPERATION

Agriculture

In 2004, ASEAN cooperation in food, agriculture and forestry sectors were further strengthened and consolidated with the implementation of a number of measures including:

- establishment of the Endemic Pest List for five selected commodities, i.e., milled rice, citrus, mango, potato tuber and dendrobium orchid cut-flowers;

- endorsement of 86 Maximum Residue Limits (MRLs) for eight pesticides, namely, cyfluthrin, cyhalothrin, diflubenzuron, fenamiphos, fenitrothion, hexaconazole, tolclofos-methyl and vinclozolin. This is in addition to the 369 MRLs for 28 pesticides endorsed earlier;

- agreement on the ASEAN Standard Requirements for Canine Parvovirus Vaccine, to further promote the utilisation of animal vaccines, and trade in livestock and livestock products; and

- establishment of a Task Force to focus on the Joint Strategy to Control Bird Flu in ASEAN.

In the area of fisheries, ASEAN is in the final stages of developing the ASEAN Operationalised Guidelines on Responsible Movement of Live Food Fin Fish. New cooperation programmes in this area include:

- the establishment of the ASEAN Network on Cultured Shrimp Inspection Authority, for recognition of regulatory inspection and control system of antibiotic residues in cultured shrimp products in ASEAN; and

- the establishment of an ASEAN Task Force on Drug Residues in Shrimp Products, to work towards eliminating technical barriers to trade, and the use of newly developed analytical techniques, for detection of drug residues in shrimp products.

ASEAN has agreed to establish the ASEAN Experts Working Group on International Forest Policy Process, to serve as a dialogue mechanism for regional cooperation in the implementation of the international forest regime.

ASEAN also pursued cooperation projects in food, agriculture and forestry with dialogue partners, including:

- strengthening ASEAN Plant Health Capacity and Strengthening ASEAN Capability in Risk Assessment in Support of Food Safety Measures under the ASEAN-Australia Development Cooperation Programme (AADCP);

- ASEAN-China Training Course on Plant Pest Risk and Analysis, and on Mechanised Planting and Harvesting Technique of Paddy Production under the ASEAN-China Cooperation Fund (ACCF); and

- training course on Participatory Approach for Sustainable Agriculture and Rural Development Programmes for ASEAN Countries and Young Farmers Training Programme in Japan under the ASEAN+3 collaborative framework.

Finance

To further enhance regional cooperation in finance, the ASEAN Leaders launched the Vientiane Action Programme (2004-2010) in November 2004. The Programme incorporates interim milestones, in line with the longer-term Roadmap for Financial and Monetary Integration of ASEAN (Ria-fin). This will culminate in 2020 and cover financial sector liberalisation, capital account liberalisation, capital market development and currency cooperation. Other finance cooperation initiatives include capital flows monitoring, provision of greater liquidity support or reserve sharing and bond market development.

In the area of regional reserves sharing, 16 Bilateral Swap Arrangements (BSAs), amounting to US$36.5 billion, have been concluded under the Chiang Mai Initiative (CMI) with the PRC, Japan and the ROK. A review of the main principles and basic framework of the CMI is currently underway to improve its long-term efficacy.

Malaysia currently has access to a total of US$6 billion under the three BSAs with the PRC (US$1.5 billion), Japan (US$1 billion) and the ROK (US$1 billion) under the CMI, and another US$2.5 billion with Japan under the New Miyazawa Initiative.

The Asian Bond Markets Initiative (ABMI) is aimed at promoting regional financial cooperation among ASEAN+3 to utilise Asian savings for Asian investments as an alternative source of financing. Towards this end, efforts were focused on deepening local bond markets in the region, as well as promoting cross-border issuances and investments.

Several working groups are currently studying the establishment of bond markets, including work on asset-backed securities, issuance of locally-denominated bonds, credit guarantees, as well as the establishment of credit rating and settlement systems. As part of the on-going work on the ABMI, Malaysia hosted the Kuala Lumpur Bond Conference on 29 March 2004 which focused on the theme, "Financing Economic Growth in Post-Crisis Asia".

Information And Communications Technology

Under the e-ASEAN Agreement, efforts continued to be made to develop a broad-based and comprehensive action plan for the creation of an ASEAN e-space. An ASEAN e-space would create digital opportunities for ASEAN. e-ASEAN would cover the economy under e-commerce; society, under e-society; and government, under e-government.

Box 9.2: Vientiane Action Programme (VAP)

The Vientiane Action Programme (VAP) is the second in a series of action plans or programmes adopted by ASEAN, aimed towards achieving comprehensive regional integration by 2020.

The first plan, the Hanoi Plan of Action (HPA), covering the period 1998 to 2004, contributed significantly to the integration of the region in the last six years.

Noting the positive achievements in the implementation of the HPA, and taking into account the goals set forth in the Declaration of the ASEAN Concord II, the ASEAN Leaders adopted the VAP at the 10th ASEAN Summit in November 2004, in Lao PDR, as the successor plan to the HPA.

The Leaders also agreed to the establishment of an ASEAN Development Fund (ADF) to support the implementation of the VAP and future action programmes.

The VAP is built on two dimensions:

- broader integration of the ten ASEAN member countries into one cohesive ASEAN Community; and
- identification of new strategies to narrow the development gap within ASEAN, and to quicken the pace of integration.

The creation of the ASEAN Community involves three main pillars:

- ASEAN Economic Community (AEC);
- ASEAN Security Community; and
- ASEAN Socio-Cultural Community.

The VAP is the instrument that unifies and cross-links the strategies and goals of the three pillars of the ASEAN Community.

Economic cooperation under the VAP involves strengthening implementation of existing economic initiatives, accelerating regional integration in 11 priority sectors, facilitating the movement of business persons, skilled labour and talents, and strengthening the institutional mechanisms of ASEAN, including improving the existing ASEAN Dispute Settlement Mechanisms to ensure expeditious and legally binding resolution of any economic disputes.

Upon full implementation, the AEC is intended to transform the diversity that characterises the region into opportunities for business complementation. In turn, this will make ASEAN a more dynamic and stronger segment of the global supply chain, and enhance ASEAN's economic competitiveness.

Security and socio-cultural concerns must be addressed for the full realisation of the vision of an ASEAN Community. Security cooperation under the VAP involves enhancing ASEAN's political development, shaping and sharing of norms, conflict prevention, conflict resolution and post-conflict peace-building, by 2010.

ASEAN's socio-cultural programme under the VAP involves measures to promote social protection, cultural identity, conservation of natural resources and protection of the environment within the region.

As the process leading to the establishment of the ASEAN Community is continuously evolving, the list of activities to be implemented under the VAP is non-exhaustive and will be continually reviewed and updated.

The objectives of the e-ASEAN Work Programme are to develop, strengthen and enhance the competitiveness of the ICT sector; reduce the digital divide within and amongst ASEAN member countries; promote cooperation between the public and private sectors; and develop the ASEAN Information Infrastructure.

A database of National Information Infrastructure profiles has been created to encourage competition, rapid deployment of new technology and ICT investment in the region. The ASEAN Ministers of Telecommunications and IT have also agreed that all ASEAN member countries should develop and operationalise the national Computer Emergency Response Teams (CERTs) by 2005, in line with mutually agreed minimum performance criteria. At the same time, a virtual forum for ASEAN cyber security is being formed to develop a common framework to coordinate exchange of information, and establish standards and cooperation among enforcement agencies.

Transport

ASEAN continued to forge closer cooperation to chart an open, integrated and safe transport sector in ASEAN. To enhance the safety of the ASEAN Highway Network, ASEAN adopted the *Phnom Penh Ministerial Declaration on ASEAN Road* and *ASEAN Road Safety Strategy and Action Plan 2005-2010*, which provides the basis for broadening, deepening and promoting collective actions and interactions in the ASEAN transport sector. In addition, a multi-sector working group will be set up to coordinate and manage the implementation of the national and regional road safety action plans.

To provide the necessary transport infrastructure and logistics in support of the single market and production base under the ASEAN Economic Community (AEC), ASEAN endorsed the *Transport Agenda for the Vientiane Action Programme (VAP) 2004-2010* and *ASEAN Transport Action Plan (ATAP) 2005-2010*. These policy initiatives will be carried out through 48 strategic activities over the next six years, which include strengthening the existing infrastructure, modes and logistics to enable seamless cargo transportation.

ASEAN member countries also signed the *Protocol to Implement the Fourth Package of Commitments on Air Transport Services under the ASEAN Framework Agreement on Services*. The Package opens up further cross-border business opportunities in areas such as aircraft leasing without crew, aircraft repair and maintenance services, sales and marketing of air transport services and computer reservation system services.

Recognising the importance of expanding cross-border transport and transit facilitation in international trade, ASEAN is in the process of concluding the *ASEAN Framework Agreement on Multimodal Transport* and *Protocol on Designation of Transit Transport Routes and Facilities*, which is expected to be signed by the ASEAN Transport Ministers in 2005. These Agreements will facilitate the expansion of intra-ASEAN trade as well as provide greater access to the global markets.

To enhance transport security cooperation, ASEAN will implement plans to prevent, mitigate and contain transport security problems. These include the recovery and rehabilitation of critical transport infrastructures and facilities, as well as enhancing technical and regulatory capabilities of ASEAN member countries in support of international conventions and standards.

To further strengthen the ASEAN-China initiatives in transport, ASEAN and the PRC signed the *Memorandum of Understanding (MoU)* on Transport Cooperation during the ASEAN-China Summit on 27 November 2004, in Lao PDR. The MoU, among others, outlines medium and long-term cooperation, which include transport infrastructure construction, transport facilitation, maritime safety and security, air transport and human resource development.

Under the *ASEAN-Japan Transport Partnership Framework*, five new projects have been identified to be implemented in 2005, namely transport logistics improvement, airport and aviation security, road transport safety, use of alternative fuels for public transport, and transport information exchange.

In addition, ASEAN and the ROK are exploring the possibility of formalising transport partnership and to submit the recommendation at the ASEAN Transport Ministers (ATM) Meeting in 2005.

Tourism

Despite negative developments that impacted global travel in recent years, ASEAN has managed to consolidate its position as an attractive tourism destination with 44 million tourists by the end of 2004.

The ASEAN Tourism Forum (ATF) has continued to be a landmark annual tourism event. Since its inception in Malaysia in 1981, this annual event has gained increasing international recognition and importance, establishing itself as one of the industry's major tourism events, as well as a useful platform for the public and private sectors to work together and map out new strategies to market ASEAN to the world. In January 2005, Malaysia hosted the ATF 2005 in Langkawi, which brought more than 400 foreign tourism companies to explore business opportunities in tourism and 940 tourism service providers from ASEAN.

In 2004, as part of the third phase of the Visit ASEAN Campaign (VAC), the ASEAN Hip-Hop Pass was introduced. This is a value travel package offered by participating airlines, hotels and travel agents, for tourists travelling within ASEAN.

As tourism is a priority area for development of standards in services, ASEAN National Tourism Organisations (NTOs) are working on the development of tourism standards, starting with hotel and eco-tourism.

ASEAN is also working towards expediting the development of Minimum Common Competency Standards for Tourism Professionals in ASEAN and working towards concluding MRAs for key professionals for implementation in 2005. Competency standards for restaurants, bars, housekeeping, tours and travel agencies are also being developed. The realisation of competency standards will ultimately stimulate intra-regional investment and flow of human resources in the sector. This initiative will, at the same time, facilitate the conclusion of mutual recognition of qualifications in the tourism industry.

FACILITATION MEASURES

Standards

To facilitate the realisation of AFTA, all member countries have notified their participation in the ASEAN Mutual Recognition Arrangement for Electrical and Electronics Equipment (ASEAN EE MRA) in terms of acceptance of test reports and/or certification. Six member countries are participating in the arrangement on acceptance of both test reports and/or certification, namely, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Singapore and Myanmar. The remaining four members are participating in the arrangement on acceptance of test reports. The implementation of the ASEAN EE MRA would enhance trade in E&E products in ASEAN through lower compliance costs, shorter time for Customs clearance and higher certainty to market.

In order to facilitate the successful implementation of the sectoral MRAs, ASEAN has also agreed to develop a regular peer evaluation system, and is currently working on the details of the mechanism. In line with the integration of the 11 priority sectors, ASEAN will accelerate the harmonisation of regulatory regimes in all sectors, from 2010 to 2014, based on ASEAN EE MRA.

ASEAN member countries also completed the harmonisation of International Electro-Technical Commission (IEC) standards on safety requirement for 71 electrical products, and 10 IEC standards for Electromagnetic Compatibility (EMC) in July 2004. Following an earlier initiative to harmonise standards for 20 priority products, ASEAN has standardised 140 International Standards for home audio video equipment, IT equipment, electrical appliances, rubber products and EMC. This will enable protection of consumer interests, and facilitate market access not only within ASEAN, but also globally.

For cosmetics, ASEAN member countries are in the process of reviewing national legislation and transposing the *ASEAN Cosmetic Directive*, which was adopted in September 2003, into national law and regulations. ASEAN will use the technical assistance provided under the European Commission-ASEAN Regional Economic Cooperation Programme on Standards, Quality and Conformity Assessment.

For pharmaceuticals, ASEAN member countries will fully implement the ASEAN Common Technical Dossiers (ACTD) by 31 December 2008. During the transition period, member countries can still implement their own national system, and at the same time accept those products which meet the full requirement of the ACTD. ASEAN is also exploring harmonisation of the labelling requirements for pharmaceutical products to address the concerns of the industry. ASEAN is working towards the development of a post-marketing alert system for defective and unsafe pharmaceutical products. ASEAN also endorsed the *Guidelines on Stability Studies*, *Guidelines on Bioequivalence Study* and *ACTD on Quality*.

For measurement traceability, ASEAN agreed to adopt the *ASEAN Common Requirements for Pre-Packaged Products* based on the ASEAN minus X Formula by December 2008, to minimise the differences in the pre-packaged requirements of different member countries. ASEAN member countries also agreed to prioritise the harmonisation of *Legal Metrology Legislation and Administration in the Non-Weighing Automatic Instruments Class III* and *Liquid Fuel Dispenser*. To facilitate harmonisation, ASEAN endorsed two project proposals, namely, the Workshop on Importance of Accreditation in Legal Metrology, and the Workshop on the Harmonisation on the Verification of Measuring Instruments.

ASEAN also pursued cooperation projects on standards with dialogue partners, i.e., the ROK, Japan, the EU and the USA. These include:

- exchange of information on international standards development and technical requirement in the areas of cosmetics, medical devices, agricultural, food and livestock products; and

- proficiency testing programme for testing and calibration.

Malaysia is actively involved in regional standards cooperation, as the Chair for two Product Working Groups under the ASEAN Consultative Committee for Standards and Quality (ACCSQ), for rubber-based products and pharmaceuticals. Malaysia is also the Co-Chair for two other ACCSQ Product Working Groups, namely, medical device and equipment, and wood-based products. Malaysia is also the ACCSQ country coordinator for cooperation with Japan.

Customs

As of 1 April 2004, all member countries implemented the ASEAN Harmonised Tariff Nomenclature (AHTN). ASEAN established the *AHTN Technical Committee* and *AHTN Review Committee* to monitor, review and supervise the structure and implementation of the AHTN.

ASEAN has also adopted an action plan to establish the regional e-Customs including the implementation of the ASEAN *Single Window* to expedite Customs clearance. A regional Inter-Agency Task Force, comprising representatives from various agencies responsible for trade, health, agriculture, Customs and standards and conformance, has been formed to design and establish the ASEAN Single Window Model. The ASEAN Single Window aims to ensure the expeditious clearance of imports through the single submission of data, single data processing, and single decision-making for the release of goods.

In line with the provisions of the revised Kyoto Convention, ASEAN has begun simplifying and harmonising Customs procedures and practices. This includes the establishment of the ASEAN Post-Clearance Audit (PCA) for expeditious clearance at entry points. ASEAN also finalised the ASEAN Customs Valuation Guide (ACVG) in 2004. The initiatives in 2005 will focus on the implementation of the ACVG, Trainers' Training and Sharing Customs Value Database.

ASEAN endorsed the revised *Strategic Plan of Customs Development* (SPCD) for the VAP to further integrate the 10 regional economies. Each member country will develop specific programmes of activities for 15 areas identified by the SPCD, including tariff classification, Customs valuation, origin determination of goods and commodities, Customs clearance and Customs transit.

ASEAN continues to work together with its dialogue partners such as the PRC and Japan, in the areas of Customs integration and capacity building. Among projects identified are *Cargo Clearance Project for CLMV, Second Benchmarking Exercise and Training for Trainers on the ACVG*.

REGIONAL COOPERATION WITHIN ASEAN

ASEAN-Mekong Basin Development Cooperation

The ASEAN-Mekong Basin Development Cooperation (AMBDC) Initiative, with the objective of supporting and promoting the economic development of the Mekong Basin countries, has made much progress since its establishment in 1995. For Malaysia, the AMBDC framework is in line with the country's commitment to South-South Cooperation.

To date, 50 AMBDC projects have been drawn up, out of which 28 projects have been implemented at the cost of US$8.5 million. The remaining 22 projects would require funding support amounting to US$187.5 million, including US$100 million for the Singapore-Kunming Rail Link (SKRL) project which would connect Singapore to Kunming, the PRC, via Peninsular Malaysia, Thailand and other Mekong Basin countries. To ensure the realisation of the project, Malaysia has established a regional SKRL Secretariat at the Ministry of Transport, to monitor the progress on its implementation.

In addition, Malaysia is involved in two other AMBDC technical assistance projects, namely, HRD in Remote Sensing and Geographic Information System (GIS) for the Forestry Personnel of CLMV, and Training in Groundwater Resources Management for CLMV. Both projects will be implemented in 2005.

REGIONAL LINKAGES WITH DIALOGUE PARTNERS

ASEAN+3

The economic cooperation programmes under ASEAN+3 are mainly project-based. Of the 15 projects that have been approved, five have been completed, while 10 others are in various stages of implementation. These projects cover a range of areas including:

- ICT;
- small and medium size enterprises;
- environment;
- entertainment;
- logistics management; and
- standards and quality conformance.

The five completed projects are:

- Training Programme on Practical Technology for Environmental Protection;

- People-to-People Information Technology Transfer;

- Software Development in the Mekong Basin Project;

Table 9.6:
Malaysia's Exports to China under the Early Harvest Programme (EHP), 2004

Product Category	Exports of EHP Products (RM million)	No. of Form E Issued
Total	**514.1**	**2,046**
Animal/Vegetable Oil/Fats	246.3	181
Stearic Acid	180.4	985
Detergents	54.6	251
Cocoa and Cocoa Preparation	23.5	175
Fish and Crustaceans	6.5	106
Edible Fruits and Nuts	2.5	346
Erasers	0.1	2

Source: Ministry of International Trade and industry

- E-Commerce Training Programme; and
- Seminar on Economic and Technological Development Zone.

Two new projects were approved in September 2004, by ASEAN+3 Economic Ministers:

- Japan's proposal to host the Asian Contents Seminar in conjunction with the Tokyo International Film Festival, to be held in Autumn, 2005; and
- The PRC's proposal to set up an Expert Group to study the feasibility of the East Asia Free Trade Area (EAFTA).

The PRC hosted the first meeting of experts on the feasibility study on EAFTA in April 2005.

Malaysia hosted the second East Asia Forum in Kuala Lumpur from 6-7 December 2004, where former leaders, academics and professionals exchanged views on enhancing East Asia economic, political, security and financial cooperation. The convening of the Forum was timely since it was held after the conclusion of the ASEAN+3 Summit in November 2004, and generated considerable interest, particularly, among East Asian countries, keen on a more integrated region.

Malaysia will organise the ASEAN Business and Investment Summit, scheduled to be held in Kuala Lumpur, from 10-11 December 2005, as part of private sector events for the 11th ASEAN Summit to be hosted by Malaysia.

ASEAN-China

A significant development in ASEAN-China relations in 2004 was the signing of the ASEAN-China Free Trade Agreement in Goods on 29 November 2004, in Vientiane, Lao PDR. The tariff reduction commitments under the FTA will commence on 1 July 2005. Each member country, including Malaysia, will reduce tariffs to 0 to 5 per cent on the first tranche of 40 per cent of their products. The coverage will be expanded to cover 60 per cent of the products on 1 January 2007, and 100 per cent by 1 January 2010, with flexibility for some products in 2012. In order to enjoy the preferential tariff under the ASEAN-China FTA, qualifying products will have to meet the 40 per cent value-added criterion. Exports need to be accompanied by 'Form E'.

Tariffs on sensitive products will be reduced to 0 to 5 per cent by 2018 for ASEAN-6 and the PRC, and 2020 for CLMV. For highly sensitive products, tariffs will be reduced to 50 per cent by 2015 for ASEAN-6, and 2018 for the new members. The number of products in the sensitive and highly sensitive lists is limited to a maximum of 400 tariff lines. For Malaysia, the products in these lists are automotive, textiles and apparel, ceramics, chemicals, plastics, iron and steel, tobacco and poultry products.

The Early Harvest Programme (EHP) for the FTA was implemented beginning 1 January 2004. For the period between January to July 2004, the trade value of the EHP between ASEAN and the PRC reached US$1.1 billion, representing an increase of 42.3 per cent for the products in the list, compared with the same period in 2003. ASEAN's exports to the PRC totalled US$ 0.68 billion, an increase of 49.8 per cent over the previous period.

Malaysia's EHP package comprises 590 products, 503 of which are unprocessed agricultural products. The other 87 are specific products such as vegetable oils, cocoa products, detergents and glass envelopes. Since the inception of the EHP in January 2004, Malaysia's exports of EHP products to the PRC amounted to RM514.1 million (US$135 million). The five main export items were mixture/preparations of vegetable fats or oil, stearic acid, palm kernel oil, detergent and coconut oil.

To ensure compliance of commitments and provide certainty for businesses, the *Agreement on Dispute Settlement Mechanism between ASEAN and China* was signed by the Economic Ministers, on 29 November 2004, at the ASEAN-China Summit in Vientiane, Lao PDR. The Agreement provides a mechanism to settle trade and investment disputes under the scope of the ACFTA.

ASEAN and the PRC are also actively collaborating in other areas of economic cooperation including agriculture, ICT, human resource development, capacity building and the Mekong River Basin Development. A major project implemented in 2004 was the first ASEAN-China Expo (CAEXPO), held in Nanning, the PRC, from 3-6 November 2004. The objective of the Expo was to promote and enhance trade, investment and cultural relations between ASEAN and the PRC.

ASEAN-Japan

Following the signing of the Framework for Comprehensive Economic Partnership (CEP) between ASEAN and Japan on 8 October 2003, in Bali, Indonesia, both ASEAN and Japan are working on the approach and modalities to be adopted to establish an ASEAN-Japan FTA. These discussions cover principles, guidelines and criteria to determine cumulative rules of origin, liberalisation in goods and services and possible cooperation and facilitation measures for early implementation. The negotiations are expected to be completed by the end of 2006.

ASEAN-Korea

A positive development in the framework of the ASEAN-Korea dialogue is the endorsement by both Parties to commence negotiations on an ASEAN-Korea FTA in 2005 for completion within two years.

ASEAN and the ROK also agreed that both parties will realise the FTA by eliminating import tariffs on 80 per cent of their products by 2009. The remaining 20 per cent of the products will have a longer time frame for tariff elimination.

ASEAN-India

The ASEAN FTA with India is still in the process of negotiations. Both Parties are working towards a common understanding of the Rules of Origin, an integral part of the Agreement for Trade in Goods.

ASEAN-Australia and New Zealand

At the Summit in Vientiane, November 2004, ASEAN and the Closer Economic Relations countries (Australia and New Zealand) agreed to establish an FTA. The FTA will be comprehensive in scope, covering trade in goods and services, investment and economic cooperation. The objective of the FTA is to further deepen economic integration between the two regions through progressive elimination of all forms of barriers to trade in goods, services and investment. The negotiations on the FTA will commence in early 2005, to be completed within two years.

ASEAN-USA

There has been very little progress on the ASEAN-wide Trade and Investment Framework Agreement (TIFA) with the USA, since it was first discussed in November 2002.

ASEAN-EU

Since the launching of the Trans-Regional EU-ASEAN Trade Initiative (TREATI) in January 2004, various activities have been organised to further strengthen and deepen economic relations between the two regions.

Activities implemented include an informal workshop on TREATI held in March 2004, in Bangkok, Thailand, and a seminar on the EU's policy of Registration, Evaluation and Authorisation of Chemicals system (REACH) held in November 2004, in Singapore.

ASEAN-EU Economic Ministers agreed, in September 2004, to prioritise cooperation in six areas under TREATI, namely, sanitary and phyto-sanitary (SPS) measures on food and agro-based products, SPS issues on fisheries, technical barriers to trade (TBT) in electronics, regulatory measures on wood-based products, investment and trade facilitation. Four of the six sectors were selected to coincide with ASEAN's priority integration sectors.

OUTLOOK

ASEAN economies are expected to continue to register positive growth in 2005, supported by strong external demand and inflows of FDI. Regional trade relations will be expanded, with implementation of the measures to accelerate integration in the priority sectors, towards realisation of ASEAN Economic Community by 2020. These include activities to promote and facilitate intra-ASEAN trade, with emphasis on addressing impediments to trade, in particular, non-tariff measures.

Member countries' compliance with the various ASEAN agreements will be strengthened with implementation of the ASEAN dispute settlement process. These include the window for the private sector to lodge concerns on non-compliance on CEPT concessions through the ASEAN Compliance on Trade.

ASEAN's greater economic cooperation with the PRC, India, Japan, the ROK, Australia and New Zealand, is expected to enhance trade and investment liberalisation, and facilitation measures. These in turn will have a positive impact on economic growth in the region. Economic linkages with these countries also provide ASEAN with the necessary capacity building initiatives in specific areas, to address technical requirements in these markets, and undertake promotion and facilitation of investment flows.

The private sectors in ASEAN will continue to assume an important role to synergise market opening measures, as well as providing feedback on areas of concern. Further opportunities for the private sector to network and enhance business cooperation will be promoted with the hosting of the Business Summit in conjunction with the 11th ASEAN Summit in Kuala Lumpur, December 2005.

The ASEAN Summit will have comprehensive economic focus. As ASEAN Chair for 2005/2006, Malaysia will work towards further accelerating economic integration within the region, as well as with major trading countries through intensifying the various FTA negotiations.

Chapter 10

Development In Regional Groupings

OVERVIEW

Malaysia's participation in Asia Pacific Economic Cooperation (APEC) in 2004 continued to focus on economic cooperation and trade facilitation. In addition to consolidating on-going work to reduce business costs, new initiatives were launched to further expand trade across the Asia-Pacific region.

The main developments in other regional groupings such as Organisation of Islamic Conference (OIC), Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC), the European Union (EU) and North American Free Trade Agreement (NAFTA) were their engagement in Free Trade Agreements (FTA). These groupings either intensified their negotiations to conclude new arrangements or entered into negotiations to extend their linkages with other countries.

ASIA PACIFIC ECONOMIC COOPERATION

Malaysia's objective in APEC is to build capacity to participate more effectively in global trade, and further strengthen its domestic market and industries. Malaysia's main focus in APEC includes:

- trade and business facilitation, including programmes to reduce the cost of doing business, and address business concerns on impediments to cross-border trade; and
- capacity building initiatives and economic and technical cooperation (ECOTECH), particularly on secure trade, SME entrepreneurship, e-commerce and human resource development.

As a consultative economic forum with a diverse membership, APEC provides a forum for Malaysia to:

- articulate views on regional and global issues;
- consult member economies and foster greater understanding of individual concerns and positions;
- share experiences and learn from best practices and expertise of other member economies; and
- focus on economic cooperation, trade facilitation and measures to reduce cost of doing business across the Asia Pacific region.

Since its formation in 1989, APEC has made substantive progress in many areas of interest to Malaysia, including business mobility, e-commerce and paperless trading, Customs procedures, human resource and skills development, WTO confidence and capacity building, as well as secure trade. Malaysia has benefitted through the capacity building programmes, information exchange and best practices in all these areas.

In 2004, the APEC work programme was guided by the broad theme of 'One Community, Our Future', to reflect the ability of APEC's diverse membership to cooperate for mutual economic development and shared prosperity. The 16th APEC Ministerial Meeting (AMM) and the 12th APEC Economic Leaders' Meeting (AELM) held in November, 2004, in Santiago, Chile, reviewed the implementation progress of on-going APEC initiatives, and set the agenda for the 2005 work programme.

Key APEC 2004 Initiatives

Santiago Initiative for Expanded Trade in APEC

The AELM launched the *Santiago Initiative for Expanded Trade in APEC* to facilitate further growth of trade and investment in the Asia Pacific region. The *Santiago Initiative* provides the framework for the development of an APEC 2005 work programme to:

- identify and implement new measures to further liberalise trade and investment; and

- reduce business transaction costs by cutting red tape, enhancing automation in work processes, harmonising standards and eliminating unnecessary barriers to trade.

This work programme will be carried out in close consultation and cooperation with the business community. Malaysia is participating actively in the *Santiago Initiative* to ensure that its work programme addresses domestic business concerns and needs on facilitating cross-border movement of Malaysian goods and services, and reducing the cost of doing business.

Regional Trading Arrangements/ Free Trade Agreements

The work programme on Regional Trading Arrangements/Free Trade Agreements (RTAs/ FTAs) focused on enhancing transparency (information exchange) and business awareness on implications of the numerous RTAs/FTAs. Malaysia's view is that the proliferation of RTAs/FTAs in the APEC region, each with specific, different rules and regulations should not unnecessarily burden the business sector, particularly in rules-interpretation and transaction costs.

An important outcome was the development of a set of 'Best Practices for RTAs/FTAs in the APEC Region' as a benchmark towards achieving high standard FTAs. Malaysia contributed to the development of these best practices, which include key elements on transparency, comprehensiveness, rules of origin, cooperation and trade facilitation. RTAs/FTAs concluded, or currently being negotiated by Malaysia, are in line with these best practices.

To further improve business access to information on RTAs/FTAs in the APEC region, APEC has agreed to Malaysia's proposal for the development of a comprehensive database that contains information (including text of agreements) on RTAs/FTAs concluded by APEC economies. This RTA/FTA database, which is also linked to websites of member economies, was developed and completed by the APEC Secretariat in April 2005.

Securing Trade and Facilitating Cross-Border Business and Movement of Goods

September 11, 2001, tragedy compelled governments to enforce stringent, new measures to strengthen the supply chain security, covering cross-border movement of cargo, people mobility, security of seaports and airports, over-land transportation and Customs procedures.

Concurrently, APEC is committed to reducing transaction costs by 5 per cent by 2006 across the Asia Pacific region. APEC was thus confronted with the challenge of responding effectively to the demands of secure trade, as well as the necessity to facilitate the cross-border movement of goods and business people. The 5 per cent reduction target may be difficult to achieve in view of increasing security-related measures introduced to counter terrorist threats in the global trading system.

Malaysia has recommended that APEC focus on addressing cost increases associated with the implementation of new secure trade measures, in consultation with relevant stakeholders, including the business community, aviation, maritime and the logistics industries. Issues that need to be addressed include:

- identification of capacity building needs to facilitate compliance with new secure trade requirements of major trading nations;

- assessment of the extent to which implementation of secure trade measures are necessary to maintain attractiveness for foreign investors and traders;

- role of new and affordable technology and innovative approaches to mutually advance secure trade and business facilitation;

- evaluation of the extent to which imposed security measures significantly increase the cost of doing business and negate profitability; and

- the extent to which non-compliance will threaten or jeopardies a trading nation's position in a globally competitive multilateral trading system.

Malaysia has also recommended that APEC strengthen information dissemination, public outreach and feedback on the many APEC trade facilitation initiatives, secure trade programmes and capacity building projects. It is important that APEC's work on trade facilitation be highlighted, particularly to the business community. In response to this proposal, the APEC Secretariat is currently working on a multimedia information outreach programme on APEC's trade facilitation and secure trade activities.

Anti-Corruption and Transparency in the APEC Region

In 2004, APEC agreed to develop specific domestic actions to fight corruption. Malaysia supports an APEC anti-corruption plan that focuses on information exchange (transparency), capacity building and best practices in the implementation of domestic and international commitments. It is important that APEC addresses the corruption issue to both the public and private sectors, and undertakes capacity building projects to assist economies in implementing their international commitments. Malaysia shared information and experience with APEC economies on domestic measures and initiatives undertaken, and introduced to combat corruption. These included, the National Integrity Plan, establishment of the Malaysian Integrity Institute, and information on its legal infrastructure (Anti-Corruption Act 1997, Anti-Money Laundering Act 2001, and Mutual Assistance in Criminal Matters Act 2002).

Capacity Building and Economic and Technical Cooperation

The diversity of APEC economies and the wealth of available expertise and experiences across a broad range of issues have provided Malaysia with ample opportunities for information sharing, sourcing of new knowledge, and building capacity. The Ministry of International Trade and Industry has actively worked together with domestic agencies in developing project proposals and securing APEC funds to meet identified capacity building needs.

There is increasing recognition in APEC of Malaysia's leadership role in economic and technical cooperation and capacity building issues. Malaysia organised 11 APEC capacity building seminars and workshops throughout 2004. Local business, industry associations, government officials and academia participated in these activities.

Malaysia has also secured APEC funding for four capacity building projects, scheduled for implementation in 2005. These projects have been developed in close consultation with stake-holders, including business, industry and academia, to ensure that the outcomes meet their requirements. Malaysia has also collaborated with other APEC economies, and collectively obtained further funding to implement 14 joint projects in 2005. The collaboration includes identification of key issues, development of project proposals, sourcing of expertise, and subsequently, assessment of project performance. Economic and technical co-operations are key elements in the development and implementation of these projects.

Box 10.1: **APEC Capacity Building Projects in Malaysia**	
Projects	**Objective**
Policy Dialogue on Deposit Insurance	To share information and experiences on deposit insurance issues such as legal protection for employees of deposit insurers.
Policy Dialogue on Financial Disclosure	To exchange views on the structures, policies and practices required to achieve high quality financial disclosure, with particular focus on disclosure by financial institutions.
Training Programme on Competition Policy	To build capacity, technical cooperation and assistance in the area of competition policy and regulatory reform especially in developing economies.
Seminar on Market Supervision	To share experiences and knowledge in the areas of licensing market intermediaries, market surveillance, risk-based supervision and disclosure.
Seminar on Initiatives to Intensify the Implementation of Productivity-based Compensation	To exchange views and learn from other economies' experiences in implementing productivity-based compensation.
Seminar on Enforcement of Corporate Governance	To exchange views and experiences on enforcement issues related to regulatory agencies and the role of courts and the judiciary in corporate governance enforcement.
Multilateral Recognition Arrangement (MRA), Readiness Project in Environmental Management System (EMS) Certification(Phase 2)	To better understand and interpret requirements of International Organisation for Standardisation /International Electrotechnical Commission Guide and corresponding International Accreditation Forum Guidance as well as improving documentation, system and compliance to the accreditation of EMS programme.
Seminar on Globally Harmonised Systems (GHS) for Chemicals	To enhance awareness among chemical industries and SMEs on assessing costs, benefits and the potential impacts on GHS in facilitating international trade.
Second Life Sciences Innovation Forum	To exchange views and experiences among government, private sector and academia in order to develop a life sciences strategic plan.
Workshop on Document Security	To build capacity on document security. Workshop focused on both document manufacture and document examination.
Seminar on Creating a Positive Environment for Investment in Agricultural Biotechnology	To examine policies and economic factors that impacts the environment for investments in agricultural biotechnology.

Malaysia has benefitted substantially from the APEC capacity building programmes, particularly in research, training and information sharing. Malaysia will continue to participate actively in APEC economic and technical cooperation initiatives, and capacity building programmes as they will enable Malaysia to address challenges that impact directly on business facilitation and the cost of doing business.

Strengthening APEC

APEC is undertaking an on-going review to further strengthen and streamline its process, and make it more responsive to the rapidly-changing global trading environment and the needs of stake-holders, particularly business and industry. Some developed APEC economies are pushing to expand the APEC agenda beyond the current economic mandate to include security issues, such as proliferation of weapons of mass destruction and the elimination of terrorist groups.

Malaysia supports a review of the APEC process and recognises the necessity for APEC to address current global issues that impact trade and economic development. However, in addressing these new issues, APEC should not detract from its core business of trade facilitation, reducing the costs of doing business, and building the capacities of developing economies to participate more competitively in the global market.

Malaysia will continue to participate actively in the on-going APEC review process to ensure that its reform proposals are guided by specific principles:

- maintaining its economic focus, particularly on its core competencies of business and trade facilitation, and economic and technical cooperation for capacity building;

- implementing APEC initiatives on a best endeavour basis: maintain consultative process and build constituency when considering policy issues, without fear of peer pressure, and non-performance consequences;

- respecting the diversity of APEC membership. As developing economies have limited resources and do not have the capacity to pursue a wide-ranging, duplicative agenda, they should not be disadvantaged by resource constraints from reaping the benefits of APEC; and

- prioritising reform recommendations to address needs of the APEC business community.

Trade and the Digital Economy

As part of the trade liberalisation process, APEC agreed to propose to the WTO three information technology (IT) products namely, multi-chip integrated circuits, digital multifunctional machines, and modems, for possible tariff elimination. In 2005, APEC will continue to identify additional IT products for tariff liberalisation.

Structural Reform

APEC has agreed to undertake a work programme on structural reform in the areas of economic legal infrastructure, competition policy, corporate governance and public sector management. The main activities of structural reform work in APEC include, accelerating domestic efforts towards promoting structural reform, sharing of best practices and promoting capacity building. The Economic Committee of APEC will develop a comprehensive work programme on structural reform activities in 2005.

Life Sciences Innovation Forum

In 2004, APEC endorsed the Strategic Plan for Promoting Life Sciences Innovation which aims to help APEC economies reach their full potential in research, development and marketing of effective diagnostics, medical devices, and modern and traditional medicines, and to promote cooperation in developing effective services. The Strategic Plan was finalised during the Second APEC Life Sciences Innovation Forum held in Pulau Pinang, 16-17 September 2004. Key issues discussed include, sharing of best practices in the area of life sciences development and the creation of an effective mechanism comprising all stakeholders i.e., the government, industry, academia and the community, to further promote the life sciences sector.

Individual Action Plan

The Individual Action Plan (IAP) reflects the progress made by individual APEC economies towards the goals of free trade and investment. The unilateral liberalisation undertaken by members provides opportunities for businesses to gain improved access to existing and new markets.

The IAPs are regularly examined under the IAP Peer Review mechanism to enhance transparency, as well as monitor and assess progress in achieving the goal of free and open trade. Malaysia's IAP was reviewed in March, 2005, in Seoul, ROK.

Malaysia reported new liberalisation measures in its 2004 IAP, including:

- reduction of import duties on 118 tariff items and duty elimination on 27 items since 10 September 2004, for products such as surgical gloves, carpet, glassware and semi-finished components for the wood-based industry, selected raw materials for apparel, and herbicides;
- lifting of import prohibition on cocoa pods, *rambutan*, *pulasan* and *longan* effective January 2004;
- alignment of 50 per cent (1770 out of 3514) of Malaysian standards with international standards (39 per cent in 2003);
- granting of automatic approval for private placements of new shares of up to 10 per cent of issued capital of listed firms; and
- approval of Protection of New Plant Varieties Act 2004 by Parliament on 25 June 2004.

As the world's 18th largest trading nation, Malaysia will continue to undertake autonomous liberalisation and trade facilitation measures. The APEC IAP Peer Review process is an important mechanism as it allows Malaysia to also benefit from the overall trade and investment liberalisation and facilitation activities within APEC, which as a group accounts for 79 per cent of Malaysia's global trade.

Business Sector Participation

APEC has further expanded its outreach to the business community. Besides engaging the business people through the APEC Business Advisory Council and Government-Business Dialogues i.e., APEC Automotive Dialogue and Chemical Dialogue, a third Government-Business Dialogue, APEC Non-Ferrous Metals Dialogue (NFMD) has been established.

The primary goal of the NFMD is to bring together public and private sector representatives to promote cooperation and interaction in the area of trade-related regulatory policy, and facilitate non-ferrous metals trade, competitiveness and sustainable development of the industry, in the Asia-Pacific region. The Dialogue will discuss and identify priorities to foster industry, trade and development. This will be undertaken through the flow of information and sharing of best practice in using domestic and international regulatory mechanisms.

Malaysia hosted the second APEC Chemical Dialogue seminar on Globally Harmonised System (GHS) on 7-8 September 2004, in Kuala Lumpur, to enhance the safe handling of chemicals. Key recommendations included:

- APEC economies to appoint a national coordinating agency or form committees to oversee the implementation of GHS in their respective economies;
- APEC to conduct more technical training programmes to raise awareness on the importance of GHS among the government and private sectors, including SMEs;
- develop an APEC-wide Train-the-Trainers programme; and
- develop a reporting mechanism to monitor the progress of GHS implementation by APEC economies.

Malaysia has also benefitted through participation at the APEC Chemical Dialogue in the area of health, safety and environmental performance of chemical products and processes. In addition to the GHS, companies in Malaysia are committed to continuously improve and comply with regulations relating to health, safety and environment, through the responsible Care Initiatives and Programmes. As a result, chemical-based products from Malaysia were able to access international markets such as Japan, the USA and the EU, that have stringent requirements pertaining to environment.

Table 10.1:
Best Practices for RTAs/FTAs in APEC

Best Practices Elements	Description
Consistency with APEC Principles and Goals	• They address the relevant areas in Part I (Liberalisation and Facilitation) of the Osaka Action Agenda (OAA) and are consistent with its General Principles. In this way, FTAs help to ensure that APEC accomplishes the free trade and investment goals set out in the 1994 Bogor Leaders Declaration. • They build upon work being undertaken by APEC. • Consistent with APEC goals, they promote structural reform among the parties, through the implementation of transparent, open and non-discriminatory regulatory frameworks and decision-making processes.
Consistency with the WTO	• They are fully consistent with the disciplines of the WTO, especially those contained in Article XXIV of the GATT and Article V of the GATS. • When involving developing economies to which the Enabling Clause applies, they must be, whenever possible, consistent with Article XXIV of the GATT and Article V of the GATS.
Go beyond WTO commitments	• In areas that are covered by the WTO, they build upon existing WTO obligations. They also explore commitments related to trade and investment in areas not covered, or only partly covered, by the WTO. By so doing, APEC economies are in a better position to provide leadership in any future WTO negotiations on these issues.
Comprehensiveness	• They deliver maximum economic benefits to the Parties by being comprehensive in scope, and providing for liberalisation in all sectors. They therefore eliminate barriers to trade and investment between the Parties, including tariffs and non-tariff measures, and barriers to trade in services. • Phase out periods for tariffs and quotas in sensitive sectors are kept to minimum, and take into account the different levels of development among the Parties. Thus, they are seen as an opportunity to undertake liberalisation in all sectors as a first step towards multilateral liberalisation at a later stage.
Transparency	• By making the texts of RTAs/FTAs, including any annexes or schedules, readily available, the Parties ensure that business is in the best position to understand and take advantage of liberalised trade conditions. Once they are signed, agreements are made public, in English language, wherever possible, on the official website of the economies concerned, and on the website of the APEC Secretariat. • Member economies notify and report their new and existing agreements in line with WTO obligations and procedures.

Continued...

Best Practices Elements	Description
Trade Facilitation	• Recognising that regulatory and administrative requirements and processes can constitute significant barriers to trade, they include practical measures and cooperative efforts to facilitate trade and reduce transaction costs for business consistent with relevant WTO provisions and APEC principles.
Mechanisms for consultation and dispute settlement	• Recognising that disputes over the implementation of RTAs/FTAs can be costly and can cause uncertainty for business, proper mechanisms to prevent and resolve disagreements in an expeditious manner, such as through consultation, mediation or arbitration, avoiding duplication with the WTO dispute settlement mechanism where appropriate, have been included.
Simple Rules of Origin that facilitate trade	• To avoid the possibility of high compliance costs for business, Rules of Origin (ROOs) should be easy to understand and to comply with. Wherever possible, an economy's ROOs should be consistent across all of its FTAs and RTAs. • They recognise the increasingly globalised nature of production and the achievements of APEC in promoting regional economic integration by adopting ROOs that maximise trade creation and minimise trade distortions.
Cooperation	• Included commitments on economic and technical cooperation in the relevant areas reflected in Part II of the OAA by providing scope for the Parties to exchange views and develop common understandings, to ensure that these agreements have maximum utility, and beneficial to all Parties.
Sustainable Development	• Reflects the inter-dependence and mutually supportive linkage between the three pillars of sustainable development i.e. economic development, social development and environmental protection, whereby trade is an integral component, which reinforces the objectives of sustainable development.
Accession of Third Parties	• Consistent with APEC's philosophy of open regionalism and as a way to contribute to the momentum for liberalisation throughout the APEC region, they are open to the possibility for accession of Third Parties on negotiated terms and conditions.
Provision for periodic review	• Ensures full implementation of the terms of the agreement and ensure maximum economic benefit accruing to the Parties in the face of changing economic circumstances, and trade and investment flows. Periodic review helps to maintain the momentum for domestic reform and further liberalisation by addressing areas that may not have been considered during the original negotiations, promoting deeper liberalisation and introducing more sophisticated mechanisms for cooperation as the economies of the Parties become more integrated.

Source: APEC Secretariat

OTHER REGIONAL ARRANGEMENTS

Organisation of Islamic Conference

The Organisation of the Islamic Conference (OIC) is an inter-governmental grouping of 57 countries. The Standing Committee on Economic and Trade Cooperation (COMCEC), the economic arm of OIC, which meets annually, is responsible for coordinating and strengthening economic and trade cooperation among OIC member states.

Malaysia participated in the follow-up Committee Meeting of the Standing Committee for COMCEC, from 11-13 May 2004, and the 20th Ministerial Session of COMCEC, from 23-27 November, 2004, both held in Istanbul. The meetings, among others, discussed issues related to:

- progress of negotiations on the implementation of the Framework Agreement on Trade Preferential System among OIC member states (TPS-OIC);

- implementation of Gold-based Trade Payments Arrangements (GTPA) for the Promotion of Intra-OIC trade; and

- cooperation among the stock exchanges of the OIC proposed by the Istanbul Stock Exchange.

The TPS-OIC entered into force in 2003, following its ratification by the required number of member states. To date, 27 member countries have signed the TPS-OIC and 14 countries, namely, Malaysia, Bangladesh, Pakistan, Iran, Jordan, Libya, Lebanon, Uganda, Cameroon, Egypt, Guinea, Senegal, Tunisia and Turkey have ratified it. Malaysia signed and ratified the TPS-OIC on 30 June 2004.

Malaysia participated as an observer at the inaugural meeting of the first round of the Trade Negotiation Committee (TNC) of the TPS-OIC in April 2004, and as a member in the second and third meetings in September, 2004, and January, 2005 in Turkey. Discussions at these meetings focused on modalities to reduce tariffs and the implementation schedule of the Agreement.

Discussions are on-going to adopt a normal track and voluntary fast track approach for implementation. The normal track would initially cover 7 per cent of the total tariff lines. Under the proposed tariff reduction modality, duties above 25 per cent would be reduced to 25 per cent, duties above 15 per cent and up to 25 per cent to be reduced to 15 per cent, and duties above 10 per cent and up to 15 per cent would be reduced to 10 per cent. The tariffs would be reduced in four annual installments by developing countries, and in six installments by least developed countries. The voluntary fast track would provide the flexibility to countries, which are ready to offer a wider product coverage with deeper tariff concessions. This would enable participating countries to liberalise according to their own phase. The outcome of the first round of negotiations is expected to be considered and endorsed by the 21st COMCEC Ministerial Session by end 2005.

The TPS-OIC would enable Malaysian exporters to gain preferential tariff treatment for products in the markets of participating countries and gain competitive advantage over competing products originating from non-member countries.

To facilitate the implementation of GTPA, Malaysia proposed Multilateral Trading Credit Loan (MTCL) to complement the GTPA scheme, particularly for OIC member states that faced legal constrains in implementing the scheme.

The 20th COMCEC Ministerial Conference agreed that the Istanbul Stock Exchange organise a meeting of the representatives of the stock exchanges from member states to launch a framework of cooperation in this area.

Developing-8

Developing-8 (D-8) established in 1997, is an arrangement for development cooperation among Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. It aims to improve the position of member states in the world economy, diversify and create new opportunities in trade relations, enhance participation in decision-making at the international level, and improve the standard of living of its citizens.

On the economic front, D-8 aims to promote trade and investment relations between member countries. The proposal to establish D-8 Preferential Tariff Arrangement (PTA) was mooted at the D-8 Summit in Tehran, 14-15 February 2004. The D-8 established a High Level Expert Group which held its inaugural meeting during the Summit to conclude a D-8 PTA Framework Agreement.

The D-8 PTA aims to accord preferential tariff concession for goods among the participating countries. The High Level Expert Group had three meetings since the Summit in Tehran, to draft the D-8 PTA Framework Agreement. Issues discussed include, product coverage, tariff reduction schedule and timeframe for the elimination of non-tariff barriers.

Non-Aligned Movement

The XIV Ministerial Conference of the Non-Aligned Movement (NAM) was held in Durban, South Africa, from 17-19 August 2004. The Conference discussed issues concerning follow-up to XIII Kuala Lumpur Summit 2003; globalisation; international cooperation for development; international trade, particularly, WTO issues; promotion of foreign direct investment; and sustainable development.

The Meeting emphasised the importance of economic and technical cooperation among developing countries and people-centered development. It also highlighted the need for developing countries to participate effectively in international economic decision-making and norm-setting processes. NAM reiterated its opposition to the use of unilateral and extraterritorial laws in the form of labour standards, environment standards, social and human rights standards to restrict market access, or in multilateral trade negotiations.

NAM stressed that the final outcome of the Doha Work Programme must take into account the interests and concerns of developing countries, in a process that is transparent and inclusive. It also emphasised that it was imperative that developed countries provide greater access to their markets for agriculture and non-agriculture products of interest to developing countries, and take into account the concerns and special needs of the developing countries through operationalisation of Special and Differential treatment. NAM also reiterated the need to facilitate the accession of developing countries, particularly LDCs, into the WTO, with a more streamlined and non-discriminatory process of accession.

United Nations Conference on Trade and Development

The 11th Session of the United Nations Conference on Trade and Development (UNCTAD XI) was held in Sao Paulo, Brazil, 13-18 June 2004, with the theme of enhancing coherence between the national development strategies and global economic processes towards economic growth and development, particularly the developing countries. UNCTAD XI focus included:

- development strategies in a globalising world economy;
- building productive capacity and international competitiveness;
- assuring development gains from the international trading system and trade negotiations; and
- partnership for development.

The outcome of UNCTAD XI was the Sao Paulo Consensus, which, inter alia, reiterated the need to evaluate the trade-off between the benefits of accepting international rules and commitments, and the constraints posed by the loss of policy space due to the increasing interdependence of national economies in a globalising world.

The Sao Paulo Consensus also emphasised the importance of good governance at the country and the international levels, including transparency in financial, monetary and trading system, as well as full and effective participation of developing countries in global decision-making.

To ensure that developing countries get a fair share of global development, UNCTAD XI called on developed countries to refrain from taking any unilateral measures that would impede the full achievement of economic and social development of developing countries.

A special session of the Globalised System of Trade Preferences (GSTP) among developing countries was held at the Ministerial Level during UNCTAD XI. Ministers launched the third round of GSTP negotiations, which will commence in 2005, with the aim of increasing tariff preferences for developing countries.

Group of Fifteen

The Group of Fifteen (G-15) held two significant meetings in 2004, namely, the 12th Summit of the Heads of State and Governments, in Venezuela, in February 2004, and the 11th Annual General Body Meeting of the G-15 Federation of Commerce, Industry and Services (FCCIS), from 18-20 July 2004, in Tehran, Iran.

The FCCIS urged that the G-15 governments facilitate and maximise trade and investment opportunities by establishing preferential and other trade schemes; eliminate non-tariff barriers; conclude agreements on avoidance of double taxation; and harmonise trade Customs rules and regulations among G-15 members.

The 13th G-15 Summit Meeting will be held in 2005, in Algiers.

The European Union

In 2004, the EU continued its initiatives to strengthen trade and economic relations with its trading partners. The major initiatives included:

- agreement with Egypt which came into force in 2004, and a similar agreement with Algeria which is in the process of ratification;
- negotiations with Latin American Southern Cone Common Market (MERCOSUR) for a Cooperation Agreement that would include a free trade agreement (FTA);
- agreement to negotiate association agreement and free trade area with the Andean Community;
- commencement of joint assessment of regional market integration of the Central American countries, a pre-condition for the launching of an FTA between the two regions;
- negotiations for an EU-Gulf Cooperation Council FTA;
- working towards reaching an understanding with Canada on the Trade and Investment Enhancement Agreement (TIEA); and
- introducing the 'neighbourhood' policy, aimed at integrating countries in the Mediterranean with the EU economy.

On 1 May 2004, the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia acceded to the EU. With this enlargement, the membership of the EU increased from 15 to 25 member states.

The average GDP per capita of the 10 new member states is about half of the GDP per capita of the original 15 member states at 23,900. The new member states therefore, have to achieve higher GDP growth to catch up with the older member states. To facilitate this, the European Commission (EC) has allocated substantial development funds for these new member states. With this support, the new member states were expected to chart GDP growth of between 3 to 5 per cent per annum over the next few years, as compared with 1 to 2 per cent for the older members.

While the EU enlargement provides potential for increased trade with the new member states, in the short term however, traditional markets such as Germany, the Netherlands, the UK and France would continue to account for the bulk of Malaysia's exports to the EU.

In 2004, the EU also set the course for further enlargement of the Union with Bulgaria and Romania for membership in 2007, while Croatia and Turkey were offered candidate country status. Negotiations with Croatia and Turkey are expected to commence in April 2005 and August 2005, respectively.

In November 2004, a new Commission took office for a five year term until 2009. While trade policy in the EU is not expected to change, new personalities in the Commission may have different priorities that may impact the EU's focus on its trading partners. However, the new commission has reiterated plans to work towards strengthening economic cooperation with ASEAN through Trans-Regional EU-ASEAN Trade Initiative (TREATI).

The Euro continued to appreciate in 2004, particularly against the US dollar. Since its introduction in 2002, the Euro-US dollar exchange rate has appreciated by 66.7 per cent to US$1.35 at the end of 2004, from US$0.81 in 2002.

The UK, Denmark and Sweden have not reached a decision on their membership in the Euro-zone. The 10 new member states of the EU are working towards meeting the convergence criteria set by the European Central Bank, before qualifying to join the Euro-zone. These countries are expected to qualify as members of the Euro-zone in stages between 2007 and 2009.

The EC announced changes to the EU Generalised Scheme of Preferences (GSP scheme) in 2004, aimed at making the scheme simpler and transparent for its users. The new scheme which was expected to be implemented from April 2005 to December 2008 is still under consideration of the European Commission. Due to changes in the revised scheme for graduation, sectors, from Malaysia, which were previously graduated, namely, plastics, rubber, wood and consumer electronics would be reinstated into the scheme. For a product to be graduated under the proposed revised scheme, imports of that product from a country must not exceed 15 per cent of EU imports from all countries enjoying privilege, over three consecutive years. The draft proposal indicates that palm oil will remain graduated for Malaysia, when changes to the scheme are implemented.

The Asian avian flu in 2004, had affected Malaysia's exports of processed poultry products worth around US$2 million to the EU. Malaysia has only one establishment approved by the EC to export processed poultry products, and the exporter ceased exports in 2004 after the EU included Malaysia in the list of Asian countries restricted from exporting poultry and poultry-based products. Malaysia would collaborate with the EC to register Malaysian establishments for the export of poultry meat to the EU.

North American Free Trade Agreement

In 2004, North American Free Trade Agreement (NAFTA) completed 10 years of implementation. The creation of NAFTA has led to trade expansion among the member countries, with total trade more than doubling to US$737.8 billion in 2004, from US$306 billion in 1994.

Since its inception, all members of NAFTA have benefitted from trade liberalisation, with Mexico being the main beneficiary in terms of increased exports, as well as employment creation. Mexican exports to the USA rose nearly three-fold from US$56.1 billion in 1994 to US$165.1 billion in 2004, while Mexican exports to Canada grew from US$2.7 billion in 1994 to US$8.7 billion in 2004.

In 2004, individual members continued to pursue trade liberalisation efforts through bilateral FTAs. The USA concluded an FTA with Central America and bilateral FTAs with Australia, Bahrain and Morocco. It has begun negotiations with Panama and entered into collective FTA negotiations with the Andean countries of Columbia, Peru, Ecuador and Bolivia. The USA is currently in negotiations with five southern African countries, comprising, South Africa, Botswana, Namibia, Lesotho and Swaziland towards a US-Southern African Customs Union (SACU) FTA.

Canada has concluded the 10th round of FTA negotiations with El Salvador, Guatemala, Honduras and Nicaragua, known as the CA-4, while negotiations are still on-going on FTAs with Singapore and the European Free Trade Association (EFTA). Mexico has signed an FTA with Japan.

South Asian Association For Regional Cooperation

Members of the South Asian Association for Regional Cooperation (SAARC), namely, India, Pakistan, Sri Lanka, Bangladesh, Bhutan, Maldives and Nepal, signed the Agreement on South Asian Free Trade Area (SAFTA) on 6 January 2004 during the 12th SAARC Summit in Islamabad, Pakistan. The SAFTA will come into force on 1 January 2006.

The Agreement provides for the liberalisation of trade in goods which is scheduled for completion by 2016, where tariffs on products from the region will be progressively reduced to 0 to 5 per cent. Under the Early Harvest Programme, India, Pakistan and Sri Lanka will be reducing their Customs duties to 0 to 5 per cent by 1 January 2009, for products imported from the least developed member states of Bangladesh, Bhutan, Maldives and Nepal.

The signing of SAFTA is envisaged to provide the impetus for realising the objective of creating an integrated South Asian economy, with eventual realisation of a South Asian Economic Union (SAEU).

Latin American Southern Cone Common Market

In 2004, MERCOSUR's active pursuit of regional integration among South American countries continued with the acceptance of Venezuela and Mexico as associate members of the regional grouping. To date, the Common External Tariff (CET) under MERCOSUR covers 85 per cent of the 9,000 tariff lines, while, the remaining 15 per cent are expected to be phased into the CET by 2006. Export growth within the group expanded by 39.2 per cent, compared with MERCOSUR's exports to the world, which grew by 28.1 per cent in 2004.

MERCOSUR's FTA efforts outside the region are also expanding. The EU launched negotiations with MERCOSUR for a Cooperation Agreement that would include an FTA, but efforts towards achieving prospective agreement in 2004 have been complicated by sensitivities in negotiations in the agriculture sector. The MERCOSUR is also negotiating FTAs with India and South Africa, as well as exploring a possible FTA with the ROK.

Intra-regional trade flows, as well as existing extra-bloc trade flows with Canada and the USA have been expanding, while the trade flows with non-members have also increased. Intra-MERCOSUR exports grew by 25.1 per cent in 2003, and 39.2 per cent in the first 10 months of 2004. Extra-MERCOSUR exports grew by 18.6 per cent in 2003 and 28.1 per cent in the first 10 months of 2004.

The establishment of MERCOSUR does not seem to have resulted in significant trade diversions, and the impact of MERCOSUR on trade flows in Latin America have, on balance, been positive.

Such trends are also encouraging for non-members outside the Western hemisphere as enhanced economic integration in the participating countries have placed them in a more amenable position to pursue trade liberalisation with East Asian economies, notably Malaysia including the PRC and the ROK, and other regional blocs, such as SADC, the Andean Community and the Australia-New Zealand Closer Economic Relations (CER).

Indian Ocean Rim-Association For Regional Cooperation

The Fifth Indian Ocean Rim-Association for Regional Cooperation (IOR-ARC) Council of Ministers Meeting was held on 26-27 August 2004, in Colombo, Sri Lanka. Discussions at the meeting focused on the:

- status of the feasibility study on establishing Preferential Trade Agreement;
- progress of fisheries Support Unit project; and
- progress of updating trade and investment data on IORNET.

A Business Forum Meeting was held parallel to the IOR-ARC Ministerial meeting. The forum agreed to Malaysia's proposal that focus be on information sharing of business opportunities in the construction sector.

Highlighted in the forum were the opportunities for infrastructure and residential development in IOR-ARC member states. As many member countries lacked technical and managerial expertise and other pre-requisites in the area of construction, they agreed to leverage on each other's strength to undertake construction activities. Based on Malaysia's proposal, the IOR-ARC agreed to:

- bring together focal points from both the public and private sectors;
- share experiences in managing projects;
- share experiences in implementing projects;
- identify projects and undertake visits;
- identify construction business opportunities and facilitate participation in construction projects; and
- promote business matching activities.

Malaysia will be hosting a seminar on construction in 2005.

APPENDICES

Appendix 1 Organisations And Groupings - Membership

Organisation/ Grouping	Member Countries/Economies
APEC	Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Taiwan, Thailand, United States of America and Viet Nam.
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, The Philippines, Singapore, Thailand and Viet Nam.
ASEAN-CER	ASEAN, Australia and New Zealand.
CEFTA	Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia.
COMMONWEALTH	Antigua and Barbuda, Australia, Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei Darussalam, Cameroon, Canada, Cyprus, Dominica, Fiji Islands, Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, 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, People's Republic of China, Japan and Republic of Korea.
ECO	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.
EU	Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and United Kingdom.
G-15	Algeria, Argentina, Brazil, Chile, Colombia, 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 and Uruguay.
NAFTA	Canada, Mexico and United States of America.

Continued ...

Organisation/ Grouping	Member Countries/Economies
NAM	Afghanistan, Central African Republic, Algeria, Angola, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Chad, Chile, Colombia, Comoros, Congo, Cote d'Ivore, Cuba, Cyprus, Democratic Republic of Congo, Djibouti, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kenya, Democratic People's Republic of Korea, Kuwait, Lebanon, Lesotho, Liberia, Libya, Lao PDR, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Peru, The Philippines, Qatar, Rwanda, Saint Lucia, Sao Tome and Principe, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Somalia, South Africa, Sri Lanka, Sudan, Suriname, Swaziland, Syria, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Yugoslavia, Zambia and Zimbabwe.
OECD	Austria, Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America.
OIC	Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalam, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Guyana, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen.
SAARC	Bangladesh, Bhutan, India, Republic of Maldives, Nepal, Pakistan and Sri Lanka.
SADC	Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
WTO	Albania, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Central African Republic, Chad, Chile, People's Republic Of China, Colombia, Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic Republic of the Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, European Community, Fiji, Finland, Former Yugoslav Republic of Macedonia, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea Bissau, Guinea, Republic of Guyana, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Republic of Korea, Kuwait, Kyrgyzstan, Latvia, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macau, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, The Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, The Philippines, Poland, Portugal, Qatar, Romania, Rwanda, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Singapore, Slovakia, 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, Zambia and Zimbabwe.

Appendix 2

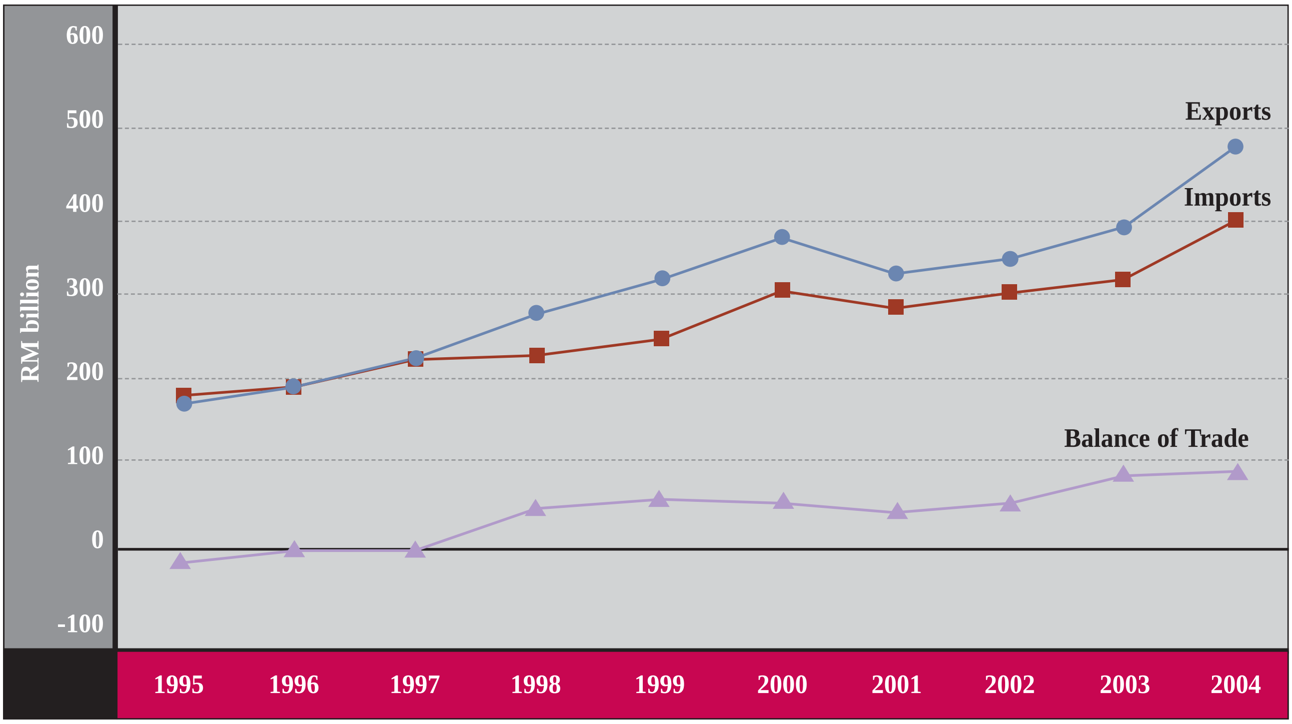
Statistical Tables - Trade

Table 1:
Annual Trade, 1995-2004

Period	Total Trade (RM million)	Exports (RM million)	Imports (RM million)	Balance of Trade (RM million)
2004	880,817.2	480,740.3	400,076.8	80,663.5
2003	714,422.2	397,884.4	316,537.9	81,346.5
2002	660,520.5	357,430.0	303,090.5	54,339.6
2001	614,512.9	334,283.8	280,229.1	54,054.7
2000	684,729.2	373,270.3	311,458.9	61,811.4
1999	570,036.4	321,559.5	248,476.8	73,082.7
1998	514,687.6	286,563.1	228,124.5	58,438.7
1997	441,825.9	220,890.4	220,935.5	-45.0
1996	394,305.9	197,026.1	197,279.8	-253.7
1995	379,331.0	184,986.5	194,344.5	-9,358.0

Compiled by: Ministry of International Trade and Industry

Chart 1:
Annual Trade, 1995-2004



Compiled by: Ministry of International Trade and Industry

Table 2 :

Trade with Major Trading Partners, 2003-2004

Country	2004							2003						
	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	**880,817.2**	**100.0**	**480,740.3**	**100.0**	**400,076.8**	**100.0**	**80,663.5**	**714,422.2**	**100.0**	**397,884.4**	**100.0**	**316,537.9**	**100.0**	**81,346.5**
USA	148,061.5	16.8	90,181.5	18.8	57,880.0	14.5	32,301.5	126,588.9	17.7	77,872.2	19.6	48,716.7	15.4	29,155.5
Singapore	116,653.4	13.2	72,176.4	15.0	44,477.0	11.1	27,699.5	99,630.1	13.9	62,488.4	15.7	37,141.6	11.7	25,346.8
Japan	112,289.4	12.7	48,552.5	10.1	63,736.9	15.9	-15,184.4	96,545.1	13.5	42,506.6	10.7	54,038.5	17.1	-11,531.9
PRC	71,438.2	8.1	32,148.5	6.7	39,289.7	9.8	-7,141.2	53,421.7	7.5	25,791.3	6.5	27,630.4	8.7	-1,839.2
Thailand	44,950.3	5.1	22,953.9	4.8	21,996.5	5.5	957.4	31,997.4	4.5	17,505.2	4.4	14,492.1	4.6	3,013.1
Hong Kong	39,545.9	4.5	28,685.8	6.0	10,860.1	2.7	17,825.7	34,231.5	4.8	25,723.4	6.5	8,508.1	2.7	17,215.2
Taiwan	37,413.6	4.2	15,763.0	3.3	21,650.7	5.4	-5,887.7	29,993.4	4.2	14,324.0	3.6	15,669.4	5.0	-1,345.3
ROK	36,706.4	4.2	16,838.7	3.5	19,867.7	5.0	-3,029.0	28,858.3	4.0	11,554.7	2.9	17,303.7	5.5	-5,749.0
Germany	28,355.5	3.2	10,485.4	2.2	17,870.1	4.5	-7,384.7	23,796.8	3.3	9,130.5	2.3	14,666.3	4.6	-5,535.8
Indonesia	27,613.3	3.1	11,677.2	2.4	15,936.2	4.0	-4,259.0	19,261.6	2.7	8,086.4	2.0	11,175.2	3.5	-3,088.9
Australia	22,575.9	2.6	15,782.8	3.3	6,793.2	1.7	8,989.6	14,729.1	2.1	9,923.9	2.5	4,805.3	1.5	5,118.6
Netherlands	19,194.6	2.2	15,759.8	3.3	3,434.8	0.9	12,325.0	15,162.0	2.1	13,010.2	3.3	2,151.8	0.7	10,858.4
Philippines	18,072.7	2.1	7,362.3	1.5	10,710.4	2.7	-3,348.0	17,275.0	2.4	5,466.7	1.4	11,808.3	3.7	-6,341.7
United Kingdom	17,195.7	2.0	10,556.3	2.2	6,639.4	1.7	3,916.8	14,840.2	2.1	8,845.3	2.2	5,995.0	1.9	2,850.3
India	16,307.8	1.9	11,410.5	2.4	4,897.3	1.2	6,513.1	12,192.3	1.7	9,642.2	2.4	2,550.1	0.8	7,092.0
France	12,624.5	1.4	7,081.1	1.5	5,543.4	1.4	1,537.7	11,254.1	1.6	6,672.9	1.7	4,581.2	1.4	2,091.8
UAE	7,619.7	0.9	5,903.1	1.2	1,716.6	0.4	4,186.5	5,380.5	0.8	4,235.9	1.1	1,144.6	0.4	3,091.3
Viet Nam	6,538.4	0.7	4,333.9	0.9	2,204.6	0.6	2,129.3	4,526.1	0.6	3,138.2	0.8	1,387.8	0.4	1,750.4
Italy	6,530.2	0.7	2,914.4	0.6	3,615.7	0.9	-701.3	4,717.4	0.7	2,354.3	0.6	2,363.1	0.7	-8.8
Saudi Arabia	5,574.4	0.6	1,830.7	0.4	3,743.7	0.9	-1,913.0	3,759.9	0.5	1,548.8	0.4	2,211.2	0.7	-662.4
Canada	4,770.1	0.5	3,011.1	0.6	1,759.0	0.4	1,252.2	3,646.9	0.5	2,277.9	0.6	1,369.0	0.4	908.8
Switzerland	4,511.6	0.5	660.0	0.1	3,851.5	1.0	-3,191.5	3,764.3	0.5	706.1	0.2	3,058.1	1.0	-2,352.0
Sweden	3,717.5	0.4	743.8	0.2	2,973.6	0.7	-2,229.8	1,946.4	0.3	646.2	0.2	1,300.3	0.4	-654.1
Ireland	3,687.9	0.4	1,443.8	0.3	2,244.1	0.6	-800.3	3,601.8	0.5	1,101.6	0.3	2,500.1	0.8	-1,398.5
Belgium	3,655.8	0.4	2,118.5	0.4	1,537.3	0.4	581.1	3,306.5	0.5	1,944.3	0.5	1,362.2	0.4	582.1
Russia	3,328.0	0.4	1,545.7	0.3	1,782.3	0.4	-236.6	1,691.4	0.2	966.8	0.2	724.6	0.2	242.2
South Africa	3,092.6	0.4	1,816.7	0.4	1,275.9	0.3	540.8	2,102.8	0.3	1,250.0	0.3	852.9	0.3	397.1
Spain	3,079.1	0.3	2,257.8	0.5	821.3	0.2	1,436.5	2,290.4	0.3	1,547.2	0.4	743.2	0.2	804.0

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Country	2004							2003						
	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)
Mexico	3,004.2	0.3	2,493.6	0.5	510.6	0.1	1,983.0	2,506.9	0.4	1,991.1	0.5	515.8	0.2	1,475.4
New Zealand	2,982.1	0.3	1,687.4	0.4	1,294.7	0.3	392.7	2,506.4	0.4	1,355.1	0.3	1,151.4	0.4	203.7
Pakistan	2,870.9	0.3	2,664.9	0.6	206.0	0.1	2,458.9	2,707.7	0.4	2,537.4	0.6	170.4	0.1	2,367.0
Brazil	2,510.5	0.3	1,213.0	0.3	1,297.5	0.3	-84.5	1,627.8	0.2	734.1	0.2	893.6	0.3	-159.5
Hungary	2,411.7	0.3	2,277.8	0.5	133.9	neg.	2,143.9	812.4	0.1	687.0	0.2	125.4	neg.	561.6
Iran	2,296.6	0.3	1,314.3	0.3	982.3	0.2	332.0	1,613.7	0.2	1,246.1	0.3	367.6	0.1	878.5
Oman	1,781.6	0.2	271.5	0.1	1,510.1	0.4	-1,238.6	1,971.3	0.3	199.0	0.1	1,772.4	0.6	-1,573.4
Finland	1,754.5	0.2	1,063.1	0.2	691.4	0.2	371.6	1,275.6	0.2	865.6	0.2	410.0	0.1	455.6
Turkey	1,722.5	0.2	1,511.8	0.3	210.7	0.1	1,301.0	1,366.0	0.2	1,209.4	0.3	156.6	neg.	1,052.8
Argentina	1,683.2	0.2	252.9	0.1	1,430.3	0.4	-1,177.4	869.2	0.1	174.9	neg.	694.3	0.2	-519.3
Egypt	1,505.7	0.2	1,388.6	0.3	117.1	neg.	1,271.5	1,814.4	0.3	1,727.6	0.4	86.8	neg.	1,640.8
Jordan	1,474.8	0.2	1,305.9	0.3	168.9	neg.	1,136.9	412.9	0.1	300.5	0.1	112.4	neg.	188.1
Bangladesh	1,448.8	0.2	1,384.1	0.3	64.8	neg.	1,319.3	1,273.9	0.2	1,216.7	0.3	57.2	neg.	1,159.5
Austria	1,435.2	0.2	900.2	0.2	535.0	0.1	365.2	1,304.5	0.2	872.6	0.2	431.9	0.1	440.7
Sri Lanka	1,338.2	0.2	1,311.0	0.3	27.2	neg.	1,283.8	1,177.5	0.2	1,155.9	0.3	21.6	neg.	1,134.2
Brunei Darussalam	1,256.7	0.1	1,202.8	0.3	53.9	neg.	1,148.9	1,222.5	0.2	1,204.8	0.3	17.7	neg.	1,187.1
Denmark	1,151.9	0.1	612.3	0.1	539.6	0.1	72.7	1,025.7	0.1	595.6	0.1	430.1	0.1	165.5
Myanmar	973.6	0.1	567.5	0.1	406.1	0.1	161.5	837.7	0.1	532.8	0.1	304.8	0.1	228.0
Portugal	926.8	0.1	308.4	0.1	618.3	0.2	-309.9	318.9	neg.	218.4	0.1	100.5	neg.	117.9
Chile	883.0	0.1	361.1	0.1	521.9	0.1	-160.8	496.9	0.1	221.1	0.1	275.8	0.1	-54.8
Costa Rica	870.0	0.1	144.9	neg.	725.1	0.2	-580.2	962.1	0.1	48.5	neg.	913.6	0.3	-865.1
Iraq	820.0	0.1	229.3	neg.	590.8	0.1	-361.5	47.7	neg.	47.6	neg.	0.1	neg.	47.5
Czech Rep.	786.2	0.1	576.7	0.1	209.4	0.1	367.3	592.0	0.1	452.7	0.1	139.3	neg.	313.5
Poland	722.6	0.1	435.3	0.1	287.3	0.1	147.9	471.9	0.1	282.7	0.1	189.2	0.1	93.5
Kuwait	666.7	0.1	410.2	0.1	256.5	0.1	153.7	544.9	0.1	339.9	0.1	205.0	0.1	134.9
Syria	568.4	0.1	566.6	0.1	1.7	neg.	564.9	587.8	0.1	586.2	0.1	1.5	neg.	584.7
Yemen	539.0	0.1	422.2	0.1	116.7	neg.	305.5	1,201.7	0.2	397.0	0.1	804.7	0.3	-407.7
Ukraine	479.4	0.1	286.5	0.1	192.9	neg.	93.7	317.8	neg.	155.0	neg.	162.8	0.1	-7.8
Norway	432.3	neg.	194.8	neg.	237.5	0.1	-42.8	398.4	0.1	187.6	neg.	210.8	0.1	-23.2
Greece	431.3	neg.	401.0	0.1	30.3	neg.	370.7	334.6	neg.	310.2	0.1	24.4	neg.	285.8
Bahrain	429.0	neg.	131.6	neg.	297.4	0.1	-165.8	292.0	neg.	126.8	neg.	165.3	0.1	-38.5
Azerbaijan	396.4	neg.	396.2	0.1	0.2	neg.	396.1	298.7	neg.	298.3	0.1	0.4	neg.	297.9
Cambodia	349.0	neg.	317.5	0.1	31.5	neg.	286.0	277.6	neg.	246.0	0.1	31.6	neg.	214.4

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

Table 3 :
Major Export Destinations, 2003-2004

Country	Exports				
	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**
USA	90,181.5	18.8	15.8	77,872.2	19.6
Singapore	72,176.4	15.0	15.5	62,488.4	15.7
Japan	48,552.5	10.1	14.2	42,506.6	10.7
PRC	32,148.5	6.7	24.6	25,791.3	6.5
Hong Kong	28,685.8	6.0	11.5	25,723.4	6.5
Thailand	22,953.9	4.8	31.1	17,505.2	4.4
ROK	16,838.7	3.5	45.7	11,554.7	2.9
Australia	15,782.8	3.3	59.0	9,923.9	2.5
Taiwan	15,763.0	3.3	10.0	14,324.0	3.6
Netherlands	15,759.8	3.3	21.1	13,010.2	3.3
Indonesia	11,677.2	2.4	44.4	8,086.4	2.0
India	11,410.5	2.4	18.3	9,642.2	2.4
UK	10,556.3	2.2	19.3	8,845.3	2.2
Germany	10,485.4	2.2	14.8	9,130.5	2.3
Philippines	7,362.3	1.5	34.7	5,466.7	1.4
France	7,081.1	1.5	6.1	6,672.9	1.7
UAE	5,903.1	1.2	39.4	4,235.9	1.1
Viet Nam	4,333.9	0.9	38.1	3,138.2	0.8
Canada	3,011.1	0.6	32.2	2,277.9	0.6
Italy	2,914.4	0.6	23.8	2,354.3	0.6
Pakistan	2,664.9	0.6	5.0	2,537.4	0.6
Mexico	2,493.6	0.5	25.2	1,991.1	0.5
Hungary	2,277.8	0.5	231.6	687.0	0.2
Spain	2,257.8	0.5	45.9	1,547.2	0.4
Belgium	2,118.5	0.4	9.0	1,944.3	0.5
Saudi Arabia	1,830.7	0.4	18.2	1,548.8	0.4
South Africa	1,816.7	0.4	45.3	1,250.0	0.3
New Zealand	1,687.4	0.4	24.5	1,355.1	0.3
Russia	1,545.7	0.3	59.9	966.8	0.2
Turkey	1,511.8	0.3	25.0	1,209.4	0.3
Ireland	1,443.8	0.3	31.1	1,101.6	0.3
Egypt	1,388.6	0.3	-19.6	1,727.6	0.4
Bangladesh	1,384.1	0.3	13.8	1,216.7	0.3
Iran	1,314.3	0.3	5.5	1,246.1	0.3
Sri Lanka	1,311.0	0.3	13.4	1,155.9	0.3
Jordan	1,305.9	0.3	334.5	300.5	0.1
Brazil	1,213.0	0.3	65.2	734.1	0.2
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3
Finland	1,063.1	0.2	22.8	865.6	0.2
Austria	900.2	0.2	3.2	872.6	0.2
Sweden	743.8	0.2	15.1	646.2	0.2
Switzerland	660.0	0.1	-6.5	706.1	0.2
Denmark	612.3	0.1	2.8	595.6	0.1
Czech Republic	576.7	0.1	27.4	452.7	0.1
Myanmar	567.5	0.1	6.5	532.8	0.1
Syria	566.6	0.1	-3.3	586.2	0.1
Poland	435.3	0.1	54.0	282.7	0.1
Yemen	422.2	0.1	6.4	397.0	0.1
Kuwait	410.2	0.1	20.7	339.9	0.1

Compiled by: Ministry of International Trade and Industry

Table 4 :
Major Sources of Imports, 2003-2004

Country	Imports				
	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**
Japan	63,736.9	15.9	17.9	54,038.5	17.1
USA	57,880.0	14.5	18.8	48,716.7	15.4
Singapore	44,477.0	11.1	19.7	37,141.6	11.7
PRC	39,289.7	9.8	42.2	27,630.4	8.7
Thailand	21,996.5	5.5	51.8	14,492.1	4.6
Taiwan	21,650.7	5.4	38.2	15,669.4	5.0
ROK	19,867.7	5.0	14.8	17,303.7	5.5
Germany	17,870.1	4.5	21.8	14,666.3	4.6
Indonesia	15,936.2	4.0	42.6	11,175.2	3.5
Hong Kong	10,860.1	2.7	27.6	8,508.1	2.7
Philippines	10,710.4	2.7	-9.3	11,808.3	3.7
Australia	6,793.2	1.7	41.4	4,805.3	1.5
UK	6,639.4	1.7	10.8	5,995.0	1.9
France	5,543.4	1.4	21.0	4,581.2	1.4
India	4,897.3	1.2	92.0	2,550.1	0.8
Switzerland	3,851.5	1.0	25.9	3,058.1	1.0
Saudi Arabia	3,743.7	0.9	69.3	2,211.2	0.7
Italy	3,615.7	0.9	53.0	2,363.1	0.7
Netherlands	3,434.8	0.9	59.6	2,151.8	0.7
Sweden	2,973.6	0.7	128.7	1,300.3	0.4
Ireland	2,244.1	0.6	-10.2	2,500.1	0.8
Viet Nam	2,204.6	0.6	58.8	1,387.8	0.4
Russia	1,782.3	0.4	146.0	724.6	0.2
Canada	1,759.0	0.4	28.5	1,369.0	0.4
UAE	1,716.6	0.4	50.0	1,144.6	0.4
Belgium	1,537.3	0.4	12.9	1,362.2	0.4
Oman	1,510.1	0.4	-14.8	1,772.4	0.6
Argentina	1,430.3	0.4	106.0	694.3	0.2
Brazil	1,297.5	0.3	45.2	893.6	0.3
New Zealand	1,294.7	0.3	12.4	1,151.4	0.4
South Africa	1,275.9	0.3	49.6	852.9	0.3
Iran	982.3	0.2	167.2	367.6	0.1
Spain	821.3	0.2	10.5	743.2	0.2
Costa Rica	725.1	0.2	-20.6	913.6	0.3
Finland	691.4	0.2	68.6	410.0	0.1
Portugal	618.3	0.2	515.2	100.5	neg.
Iraq	590.8	0.1	*	0.1	neg.
Denmark	539.6	0.1	25.5	430.1	0.1
Austria	535.0	0.1	23.9	431.9	0.1
Chile	521.9	0.1	89.2	275.8	0.1
Mexico	510.6	0.1	-1.0	515.8	0.2
Myanmar	406.1	0.1	33.2	304.8	0.1
Bahrain	297.4	0.1	79.9	165.3	0.1
Poland	287.3	0.1	51.8	189.2	0.1
Kuwait	256.5	0.1	25.1	205.0	0.1
Norway	237.5	0.1	12.7	210.8	0.1
Turkey	210.7	0.1	34.6	156.6	neg.
Czech Republic	209.4	0.1	50.4	139.3	neg.
Pakistan	206.0	0.1	20.9	170.4	0.1

Compiled by: Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 5 :
Trade with ASEAN, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
ASEAN	**120,601.1**	**25.1**	**22.2**	**98,677.3**	**24.8**	**95,816.5**	**23.9**	**25.5**	**76,359.8**	**24.1**	**24,784.5**	**22,317.5**
Singapore	72,176.4	15.0	15.5	62,488.4	15.7	44,477.0	11.1	19.7	37,141.6	11.7	27,699.5	25,346.8
Thailand	22,953.9	4.8	31.1	17,505.2	4.4	21,996.5	5.5	51.8	14,492.1	4.6	957.4	3,013.1
Indonesia	11,677.2	2.4	44.4	8,086.4	2.0	15,936.2	4.0	42.6	11,175.2	3.5	-4,259.0	-3,088.9
Philippines	7,362.3	1.5	34.7	5,466.7	1.4	10,710.4	2.7	-9.3	11,808.3	3.7	-3,348.0	-6,341.7
Viet Nam	4,333.9	0.9	38.1	3,138.2	0.8	2,204.6	0.6	58.8	1,387.8	0.4	2,129.3	1,750.4
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3	53.9	neg.	204.1	17.7	neg.	1,148.9	1,187.1
Myanmar	567.5	0.1	6.5	532.8	0.1	406.1	0.1	33.2	304.8	0.1	161.5	228.0
Cambodia	317.5	0.1	29.1	246.0	0.1	31.5	neg.	-0.4	31.6	neg.	286.0	214.4
Lao PDR	9.5	neg.	9.2	8.7	neg.	0.6	neg.	22.1	0.5	neg.	9.0	8.3

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

Table 6 :
Trade With NAFTA, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
NAFTA	**95,686.2**	**19.9**	**16.5**	**82,141.2**	**20.6**	**60,149.6**	**15.0**	**18.9**	**50,601.5**	**16.0**	**35,536.6**	**31,539.7**
USA	90,181.5	18.8	15.8	77,872.2	19.6	57,880.0	14.5	18.8	48,716.7	15.4	32,301.5	29,155.5
Canada	3,011.1	0.6	32.2	2,277.9	0.6	1,759.0	0.4	28.5	1,369.0	0.4	1,252.2	908.8
Mexico	2,493.6	0.5	25.2	1,991.1	0.5	510.6	0.1	-1.0	515.8	0.2	1,983.0	1,475.4

Compiled by: Ministry of International Trade and Industry

Table 7:
Trade With EU, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
EU	**60,387.6**	**12.6**	**20.9**	**49,929.0**	**12.5**	**48,030.6**	**12.0**	**27.4**	**37,700.7**	**11.9**	**12,356.9**	**12,228.3**
Netherlands	15,759.8	3.3	21.1	13,010.2	3.3	3,434.8	0.9	59.6	2,151.8	0.7	12,325.0	10,858.4
United Kingdom	10,556.3	2.2	19.3	8,845.3	2.2	6,639.4	1.7	10.8	5,995.0	1.9	3,916.8	2,850.3
Germany	10,485.4	2.2	14.8	9,130.5	2.3	17,870.1	4.5	21.8	14,666.3	4.6	-7,384.7	-5,535.8
France	7,081.1	1.5	6.1	6,672.9	1.7	5,543.4	1.4	21.0	4,581.2	1.4	1,537.7	2,091.8
Italy	2,914.4	0.6	23.8	2,354.3	0.6	3,615.7	0.9	53.0	2,363.1	0.7	-701.3	-8.8
Hungary	2,277.8	0.5	231.6	687.0	0.2	133.9	neg.	6.8	125.4	neg.	2,143.9	561.6
Spain	2,257.8	0.5	45.9	1,547.2	0.4	821.3	0.2	10.5	743.2	0.2	1,436.5	804.0
Belgium	2,118.5	0.4	9.0	1,944.3	0.5	1,537.3	0.4	12.9	1,362.2	0.4	581.1	582.1
Ireland	1,443.8	0.3	31.1	1,101.6	0.3	2,244.1	0.6	-10.2	2,500.1	0.8	-800.3	-1,398.5
Finland	1,063.1	0.2	22.8	865.6	0.2	691.4	0.2	68.6	410.0	0.1	371.6	455.6
Austria	900.2	0.2	3.2	872.6	0.2	535.0	0.1	23.9	431.9	0.1	365.2	440.7
Sweden	743.8	0.2	15.1	646.2	0.2	2,973.6	0.7	128.7	1,300.3	0.4	-2,229.8	-654.1
Denmark	612.3	0.1	2.8	595.6	0.1	539.6	0.1	25.5	430.1	0.1	72.7	165.5
Czech Republic	576.7	0.1	27.4	452.7	0.1	209.4	0.1	50.4	139.3	neg.	367.3	313.5
Poland	435.3	0.1	54.0	282.7	0.1	287.3	0.1	51.8	189.2	0.1	147.9	93.5
Greece	401.0	0.1	29.3	310.2	0.1	30.3	neg.	24.2	24.4	neg.	370.7	285.8
Portugal	308.4	0.1	41.2	218.4	0.1	618.3	0.2	515.2	100.5	neg.	-309.9	117.9
Slovakia	85.2	neg.	42.2	59.9	neg.	62.4	neg.	680.4	8.0	neg.	22.9	51.9
Malta	84.2	neg.	-37.3	134.3	neg.	127.3	neg.	38.0	92.3	neg.	-43.1	42.1
Estonia	69.9	neg.	56.9	44.6	neg.	8.3	neg.	50.4	5.5	neg.	61.6	39.0
Cyprus	54.4	neg.	13.1	48.1	neg.	17.3	neg.	1.1	17.1	neg.	37.1	31.0
Lithuania	43.6	neg.	94.9	22.4	neg.	30.5	neg.	68.1	18.2	neg.	13.1	4.2
Latvia	41.4	neg.	11.7	37.0	neg.	1.5	neg.	-55.6	3.4	neg.	39.9	33.7
Slovenia	39.0	neg.	120.6	17.7	neg.	27.3	neg.	2.3	26.7	neg.	11.7	-9.0
Luxembourg	34.0	neg.	23.2	27.6	neg.	30.7	neg.	98.4	15.5	neg.	3.3	12.1

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

Table 8:
Trade With APEC, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
APEC	**377,119.9**	**78.4**	**20.6**	**312,632.1**	**78.6**	**321,426.7**	**80.3**	**25.2**	**256,780.1**	**81.1**	**55,693.2**	**55,852.0**
USA	90,181.5	18.8	15.8	77,872.2	19.6	57,880.0	14.5	18.8	48,716.7	15.4	32,301.5	29,155.5
Singapore	72,176.4	15.0	15.5	62,488.4	15.7	44,477.0	11.1	19.7	37,141.6	11.7	27,699.5	25,346.8
Japan	48,552.5	10.1	14.2	42,506.6	10.7	63,736.9	15.9	17.9	54,038.5	17.1	-15,184.4	-11,531.9
China	32,148.5	6.7	24.6	25,791.3	6.5	39,289.7	9.8	42.2	27,630.4	8.7	-7,141.2	-1,839.2
Hong Kong	28,685.8	6.0	11.5	25,723.4	6.5	10,860.1	2.7	27.6	8,508.1	2.7	17,825.7	17,215.2
Thailand	22,953.9	4.8	31.1	17,505.2	4.4	21,996.5	5.5	51.8	14,492.1	4.6	957.4	3,013.1
ROK	16,838.7	3.5	45.7	11,554.7	2.9	19,867.7	5.0	14.8	17,303.7	5.5	-3,029.0	-5,749.0
Australia	15,782.8	3.3	59.0	9,923.9	2.5	6,793.2	1.7	41.4	4,805.3	1.5	8,989.6	5,118.6
Taiwan	15,763.0	3.3	10.0	14,324.0	3.6	21,650.7	5.4	38.2	15,669.4	5.0	-5,887.7	-1,345.3
Indonesia	11,677.2	2.4	44.4	8,086.4	2.0	15,936.2	4.0	42.6	11,175.2	3.5	-4,259.0	-3,088.9
Philippines	7,362.3	1.5	34.7	5,466.7	1.4	10,710.4	2.7	-9.3	11,808.3	3.7	-3,348.0	-6,341.7
Viet Nam	4,333.9	0.9	38.1	3,138.2	0.8	2,204.6	0.6	58.8	1,387.8	0.4	2,129.3	1,750.4
Canada	3,011.1	0.6	32.2	2,277.9	0.6	1,759.0	0.4	28.5	1,369.0	0.4	1,252.2	908.8
Mexico	2,493.6	0.5	25.2	1,991.1	0.5	510.6	0.1	-1.0	515.8	0.2	1,983.0	1,475.4
New Zealand	1,687.4	0.4	24.5	1,355.1	0.3	1,294.7	0.3	12.4	1,151.4	0.4	392.7	203.7
Russia	1,545.7	0.3	59.9	966.8	0.2	1,782.3	0.4	146.0	724.6	0.2	-236.6	242.2
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3	53.9	neg.	204.1	17.7	neg.	1,148.9	1,187.1
Chile	361.1	0.1	63.4	221.1	0.1	521.9	0.1	89.2	275.8	0.1	-160.8	-54.8
Peru	205.8	neg.	142.4	84.9	neg.	33.5	neg.	61.3	20.8	neg.	172.3	64.1
PNG	156.0	neg.	4.3	149.5	neg.	68.1	neg.	144.7	27.8	neg.	88.0	121.7

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

Table 9:
Trade with Major Countries in NAM, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
NAM	**157,969.1**	**32.9**	**22.3**	**129,178.5**	**32.5**	**113,867.4**	**28.5**	**29.5**	**87,916.0**	**27.8**	**44,101.7**	**41,262.5**
Singapore	72,176.4	15.0	15.5	62,488.4	15.7	44,477.0	11.1	19.7	37,141.6	11.7	27,699.5	25,346.8
Thailand	22,953.9	4.8	31.1	17,505.2	4.4	21,996.5	5.5	51.8	14,492.1	4.6	957.4	3,013.1
Indonesia	11,677.2	2.4	44.4	8,086.4	2.0	15,936.2	4.0	42.6	11,175.2	3.5	-4,259.0	-3,088.9
India	11,410.5	2.4	18.3	9,642.2	2.4	4,897.3	1.2	92.0	2,550.1	0.8	6,513.1	7,092.0
Philippines	7,362.3	1.5	34.7	5,466.7	1.4	10,710.4	2.7	-9.3	11,808.3	3.7	-3,348.0	-6,341.7
UAE	5,903.1	1.2	39.4	4,235.9	1.1	1,716.6	0.4	50.0	1,144.6	0.4	4,186.5	3,091.3
Viet Nam	4,333.9	0.9	38.1	3,138.2	0.8	2,204.6	0.6	58.8	1,387.8	0.4	2,129.3	1,750.4
Pakistan	2,664.9	0.6	5.0	2,537.4	0.6	206.0	0.1	20.9	170.4	0.1	2,458.9	2,367.0
Saudi Arabia	1,830.7	0.4	18.2	1,548.8	0.4	3,743.7	0.9	69.3	2,211.2	0.7	-1,913.0	-662.4
South Africa	1,816.7	0.4	45.3	1,250.0	0.3	1,275.9	0.3	49.6	852.9	0.3	540.8	397.1
Egypt	1,388.6	0.3	-19.6	1,727.6	0.4	117.1	neg.	35.0	86.8	neg.	1,271.5	1,640.8
Bangladesh	1,384.1	0.3	13.8	1,216.7	0.3	64.8	neg.	13.2	57.2	neg.	1,319.3	1,159.5
Iran	1,314.3	0.3	5.5	1,246.1	0.3	982.3	0.2	167.2	367.6	0.1	332.0	878.5
Sri Lanka	1,311.0	0.3	13.4	1,155.9	0.3	27.2	neg.	25.7	21.6	neg.	1,283.8	1,134.2
Jordan	1,305.9	0.3	334.5	300.5	0.1	168.9	neg.	50.2	112.4	neg.	1,136.9	188.1
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3	53.9	neg.	204.1	17.7	neg.	1,148.9	1,187.1
Myanmar	567.5	0.1	6.5	532.8	0.1	406.1	0.1	33.2	304.8	0.1	161.5	228.0
Syria	566.6	0.1	-3.3	586.2	0.1	1.7	neg.	12.6	1.5	neg.	564.9	584.7
Yemen	422.2	0.1	6.4	397.0	0.1	116.7	neg.	-85.5	804.7	0.3	305.5	-407.7
Kuwait	410.2	0.1	20.7	339.9	0.1	256.5	0.1	25.1	205.0	0.1	153.7	134.9
Chile	361.1	0.1	63.4	221.1	0.1	521.9	0.1	89.2	275.8	0.1	-160.8	-54.8
Algeria	345.7	0.1	20.9	285.9	0.1	0.5	neg.	-91.5	6.3	neg.	345.2	279.6
Cambodia	317.5	0.1	29.1	246.0	0.1	31.5	neg.	-0.4	31.6	neg.	286.0	214.4

Compiled by: Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 10 :
Trade with Major Countries in the OIC, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
OIC	**34,964.2**	**7.3**	**27.6**	**27,401.6**	**6.9**	**26,555.9**	**6.6**	**42.0**	**18,701.1**	**5.9**	**8,408.3**	**8,700.5**
D-8	**20,149.8**	**4.2**	**23.1**	**16,368.3**	**4.1**	**17,533.1**	**4.4**	**45.9**	**12,019.7**	**3.8**	**2,616.7**	**4,348.7**
Indonesia[1]	11,677.2	2.4	44.4	8,086.4	2.0	15,936.2	4.0	42.6	11,175.2	3.5	-4,259.0	-3,088.9
UAE	5,903.1	1.2	39.4	4,235.9	1.1	1,716.6	0.4	50.0	1,144.6	0.4	4,186.5	3,091.3
Pakistan[1]	2,664.9	0.6	5.0	2,537.4	0.6	206.0	0.1	20.9	170.4	0.1	2,458.9	2,367.0
Saudi Arabia	1,830.7	0.4	18.2	1,548.8	0.4	3,743.7	0.9	69.3	2,211.2	0.7	-1,913.0	-662.4
Turkey[1]	1,511.8	0.3	25.0	1,209.4	0.3	210.7	0.1	34.6	156.6	neg.	1,301.0	1,052.8
Egypt[1]	1,388.6	0.3	-19.6	1,727.6	0.4	117.1	neg.	35.0	86.8	neg.	1,271.5	1,640.8
Bangladesh[1]	1,384.1	0.3	13.8	1,216.7	0.3	64.8	neg.	13.2	57.2	neg.	1,319.3	1,159.5
Iran[1]	1,314.3	0.3	5.5	1,246.1	0.3	982.3	0.2	167.2	367.6	0.1	332.0	878.5
Jordan	1,305.9	0.3	334.5	300.5	0.1	168.9	neg.	50.2	112.4	neg.	1,136.9	188.1
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3	53.9	neg.	204.1	17.7	neg.	1,148.9	1,187.1
Syria	566.6	0.1	-3.3	586.2	0.1	1.7	neg.	12.6	1.5	neg.	564.9	584.7
Yemen	422.2	0.1	6.4	397.0	0.1	116.7	neg.	-85.5	804.7	0.3	305.5	-407.7
Kuwait	410.2	0.1	20.7	339.9	0.1	256.5	0.1	25.1	205.0	0.1	153.7	134.9
Azerbaijan	396.2	0.1	32.8	298.3	0.1	0.2	neg.	-58.0	0.4	neg.	396.1	297.9
Algeria	345.7	0.1	20.9	285.9	0.1	0.5	neg.	-91.5	6.3	neg.	345.2	279.6
Oman	271.5	0.1	36.5	199.0	0.1	1,510.1	0.4	-14.8	1,772.4	0.6	-1,238.6	-1,573.4
Iraq	229.3	neg.	381.9	47.6	neg.	590.8	0.1	*	0.1	neg.	-361.5	47.5
Togo	222.2	neg.	66.1	133.8	neg.	9.6	neg.	60.9	6.0	neg.	212.6	127.8
Nigeria[1]	209.0	neg.	-39.4	344.8	0.1	16.0	neg.	173.4	5.9	neg.	193.0	339.0

[1]: Member of Developing 8 (Muslim Countries), (D8)
Compiled by: Ministry of International Trade and Industry
Note: neg. -negligible
** not meaningful*

Table 11 :

Trade with OECD, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
OECD	**240,977.5**	**50.1**	**21.0**	**199,216.7**	**50.1**	**203,961.4**	**51.0**	**20.8**	**168,863.5**	**53.3**	**37,016.2**	**30,353.2**
USA	90,181.5	18.8	15.8	77,872.2	19.6	57,880.0	14.5	18.8	48,716.7	15.4	32,301.5	29,155.5
Japan	48,552.5	10.1	14.2	42,506.6	10.7	63,736.9	15.9	17.9	54,038.5	17.1	-15,184.4	-11,531.9
ROK	16,838.7	3.5	45.7	11,554.7	2.9	19,867.7	5.0	14.8	17,303.7	5.5	-3,029.0	-5,749.0
Australia	15,782.8	3.3	59.0	9,923.9	2.5	6,793.2	1.7	41.4	4,805.3	1.5	8,989.6	5,118.6
Netherlands	15,759.8	3.3	21.1	13,010.2	3.3	3,434.8	0.9	59.6	2,151.8	0.7	12,325.0	10,858.4
United Kingdom	10,556.3	2.2	19.3	8,845.3	2.2	6,639.4	1.7	10.8	5,995.0	1.9	3,916.8	2,850.3
Germany	10,485.4	2.2	14.8	9,130.5	2.3	17,870.1	4.5	21.8	14,666.3	4.6	-7,384.7	-5,535.8
France	7,081.1	1.5	6.1	6,672.9	1.7	5,543.4	1.4	21.0	4,581.2	1.4	1,537.7	2,091.8
Canada	3,011.1	0.6	32.2	2,277.9	0.6	1,759.0	0.4	28.5	1,369.0	0.4	1,252.2	908.8
Italy	2,914.4	0.6	23.8	2,354.3	0.6	3,615.7	0.9	53.0	2,363.1	0.7	-701.3	-8.8
Mexico	2,493.6	0.5	25.2	1,991.1	0.5	510.6	0.1	-1.0	515.8	0.2	1,983.0	1,475.4
Hungary	2,277.8	0.5	231.6	687.0	0.2	133.9	neg.	6.8	125.4	neg.	2,143.9	561.6
Spain	2,257.8	0.5	45.9	1,547.2	0.4	821.3	0.2	10.5	743.2	0.2	1,436.5	804.0
Belgium	2,118.5	0.4	9.0	1,944.3	0.5	1,537.3	0.4	12.9	1,362.2	0.4	581.1	582.1
New Zealand	1,687.4	0.4	24.5	1,355.1	0.3	1,294.7	0.3	12.4	1,151.4	0.4	392.7	203.7
Turkey	1,511.8	0.3	25.0	1,209.4	0.3	210.7	0.1	34.6	156.6	neg.	1,301.0	1,052.8
Ireland	1,443.8	0.3	31.1	1,101.6	0.3	2,244.1	0.6	-10.2	2,500.1	0.8	-800.3	-1,398.5
Finland	1,063.1	0.2	22.8	865.6	0.2	691.4	0.2	68.6	410.0	0.1	371.6	455.6
Austria	900.2	0.2	3.2	872.6	0.2	535.0	0.1	23.9	431.9	0.1	365.2	440.7
Sweden	743.8	0.2	15.1	646.2	0.2	2,973.6	0.7	128.7	1,300.3	0.4	-2,229.8	-654.1
Switzerland	660.0	0.1	-6.5	706.1	0.2	3,851.5	1.0	25.9	3,058.1	1.0	-3,191.5	-2,352.0
Denmark	612.3	0.1	2.8	595.6	0.1	539.6	0.1	25.5	430.1	0.1	72.7	165.5
Czech Republic	576.7	0.1	27.4	452.7	0.1	209.4	0.1	50.4	139.3	neg.	367.3	313.5

Compiled by: Ministry of International Trade and Industry

Note: neg. -negligible

Table 12:
Trade with Major Countries in the Commonwealth, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
Commonwealth	**124,768.5**	**26.0**	**20.5**	**103,540.7**	**26.0**	**68,460.0**	**17.1**	**25.6**	**54,495.3**	**17.2**	**56,308.5**	**49,045.4**
Singapore	72,176.4	15.0	15.5	62,488.4	15.7	44,477.0	11.1	19.7	37,141.6	11.7	27,699.5	25,346.8
Australia	15,782.8	3.3	59.0	9,923.9	2.5	6,793.2	1.7	41.4	4,805.3	1.5	8,989.6	5,118.6
India	11,410.5	2.4	18.3	9,642.2	2.4	4,897.3	1.2	92.0	2,550.1	0.8	6,513.1	7,092.0
United Kingdom	10,556.3	2.2	19.3	8,845.3	2.2	6,639.4	1.7	10.8	5,995.0	1.9	3,916.8	2,850.3
Canada	3,011.1	0.6	32.2	2,277.9	0.6	1,759.0	0.4	28.5	1,369.0	0.4	1,252.2	908.8
Pakistan	2,664.9	0.6	5.0	2,537.4	0.6	206.0	0.1	20.9	170.4	0.1	2,458.9	2,367.0
South Africa	1,816.7	0.4	45.3	1,250.0	0.3	1,275.9	0.3	49.6	852.9	0.3	540.8	397.1
New Zealand	1,687.4	0.4	24.5	1,355.1	0.3	1,294.7	0.3	12.4	1,151.4	0.4	392.7	203.7
Bangladesh	1,384.1	0.3	13.8	1,216.7	0.3	64.8	neg.	13.2	57.2	neg.	1,319.3	1,159.5
Sri Lanka	1,311.0	0.3	13.4	1,155.9	0.3	27.2	neg.	25.7	21.6	neg.	1,283.8	1,134.2
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3	53.9	neg.	204.1	17.7	neg.	1,148.9	1,187.1
Ghana	211.5	neg.	19.0	177.8	neg.	91.2	neg.	23.1	74.1	neg.	120.3	103.7
Mauritius	209.0	neg.	9.7	190.6	neg.	6.4	neg.	-33.3	9.6	neg.	202.6	180.9
Nigeria	209.0	neg.	-39.4	344.8	0.1	16.0	neg.	173.4	5.9	neg.	193.0	339.0
Kenya	163.0	neg.	137.1	68.8	neg.	21.5	neg.	-9.4	23.7	neg.	141.5	45.0
PNG	156.0	neg.	4.3	149.5	neg.	68.1	neg.	144.7	27.8	neg.	88.0	121.7
Maldives	138.3	neg.	67.2	82.7	neg.	0.6	neg.	-88.3	5.0	neg.	137.7	77.7
Tanzania	87.8	neg.	-12.5	100.4	neg.	41.6	neg.	241.6	12.2	neg.	46.3	88.2
Malta	84.2	neg.	-37.3	134.3	neg.	127.3	neg.	38.0	92.3	neg.	-43.1	42.1
Fiji	77.4	neg.	29.9	59.6	neg.	0.3	neg.	-78.0	1.4	neg.	77.1	58.3

Compiled by: Ministry of International Trade and Industry
Note: neg. -negligible
** not meaningful*

Table 13:
Trade with Major South Countries, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
South Countries	**122,474.0**	**25.5**	**28.0**	**95,675.7**	**24.0**	**112,856.0**	**28.2**	**38.5**	**81,467.7**	**25.7**	**9,617.9**	**14,208.0**
PRC	32,148.5	6.7	24.6	25,791.3	6.5	39,289.7	9.8	42.2	27,630.4	8.7	-7,141.2	-1,839.2
Thailand	22,953.9	4.8	31.1	17,505.2	4.4	21,996.5	5.5	51.8	14,492.1	4.6	957.4	3,013.1
Indonesia	11,677.2	2.4	44.4	8,086.4	2.0	15,936.2	4.0	42.6	11,175.2	3.5	-4,259.0	-3,088.9
India	11,410.5	2.4	18.3	9,642.2	2.4	4,897.3	1.2	92.0	2,550.1	0.8	6,513.1	7,092.0
Philippines	7,362.3	1.5	34.7	5,466.7	1.4	10,710.4	2.7	-9.3	11,808.3	3.7	-3,348.0	-6,341.7
UAE	5,903.1	1.2	39.4	4,235.9	1.1	1,716.6	0.4	50.0	1,144.6	0.4	4,186.5	3,091.3
Viet Nam	4,333.9	0.9	38.1	3,138.2	0.8	2,204.6	0.6	58.8	1,387.8	0.4	2,129.3	1,750.4
Pakistan	2,664.9	0.6	5.0	2,537.4	0.6	206.0	0.1	20.9	170.4	0.1	2,458.9	2,367.0
Mexico	2,493.6	0.5	25.2	1,991.1	0.5	510.6	0.1	-1.0	515.8	0.2	1,983.0	1,475.4
Saudi Arabia	1,830.7	0.4	18.2	1,548.8	0.4	3,743.7	0.9	69.3	2,211.2	0.7	-1,913.0	-662.4
South Africa	1,816.7	0.4	45.3	1,250.0	0.3	1,275.9	0.3	49.6	852.9	0.3	540.8	397.1
Egypt	1,388.6	0.3	-19.6	1,727.6	0.4	117.1	neg.	35.0	86.8	neg.	1,271.5	1,640.8
Bangladesh	1,384.1	0.3	13.8	1,216.7	0.3	64.8	neg.	13.2	57.2	neg.	1,319.3	1,159.5
Iran	1,314.3	0.3	5.5	1,246.1	0.3	982.3	0.2	167.2	367.6	0.1	332.0	878.5
Sri Lanka	1,311.0	0.3	13.4	1,155.9	0.3	27.2	neg.	25.7	21.6	neg.	1,283.8	1,134.2
Jordan	1,305.9	0.3	334.5	300.5	0.1	168.9	neg.	50.2	112.4	neg.	1,136.9	188.1
Brazil	1,213.0	0.3	65.2	734.1	0.2	1,297.5	0.3	45.2	893.6	0.3	-84.5	-159.5
Brunei Darussalam	1,202.8	0.3	-0.2	1,204.8	0.3	53.9	neg.	204.1	17.7	neg.	1,148.9	1,187.1
Myanmar	567.5	0.1	6.5	532.8	0.1	406.1	0.1	33.2	304.8	0.1	161.5	228.0
Syria	566.6	0.1	-3.3	586.2	0.1	1.7	neg.	12.6	1.5	neg.	564.9	584.7
Yemen	422.2	0.1	6.4	397.0	0.1	116.7	neg.	-85.5	804.7	0.3	305.5	-407.7
Kuwait	410.2	0.1	20.7	339.9	0.1	256.5	0.1	25.1	205.0	0.1	153.7	134.9
Chile	361.1	0.1	63.4	221.1	0.1	521.9	0.1	89.2	275.8	0.1	-160.8	-54.8
Algeria	345.7	0.1	20.9	285.9	0.1	0.5	neg.	-91.5	6.3	neg.	345.2	279.6

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

Table 14 :

Trade with Major Asian Countries , 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
Asia	**292,465.5**	**60.8**	**20.5**	**242,749.7**	**61.0**	**265,967.2**	**66.5**	**27.1**	**209,205.4**	**66.1**	**26,498.3**	**33,544.4**
North East Asia	**142,108.4**	**29.6**	**18.5**	**119,949.9**	**30.1**	**155,448.4**	**38.9**	**26.2**	**123,159.9**	**38.9**	**-13,340.0**	**-3,209.9**
Japan	48,552.5	10.1	14.2	42,506.6	10.7	63,736.9	15.9	17.9	54,038.5	17.1	-15,184.4	-11,531.9
PRC	32,148.5	6.7	24.6	25,791.3	6.5	39,289.7	9.8	42.2	27,630.4	8.7	-7,141.2	-1,839.2
Hong Kong	28,685.8	6.0	11.5	25,723.4	6.5	10,860.1	2.7	27.6	8,508.1	2.7	17,825.7	17,215.2
ROK	16,838.7	3.5	45.7	11,554.7	2.9	19,867.7	5.0	14.8	17,303.7	5.5	-3,029.0	-5,749.0
Taiwan	15,763.0	3.3	10.0	14,324.0	3.6	21,650.7	5.4	38.2	15,669.4	5.0	-5,887.7	-1,345.3
Asean	**120,601.1**	**25.1**	**22.2**	**98,677.3**	**24.8**	**95,816.5**	**23.9**	**25.5**	**76,359.8**	**24.1**	**24,784.5**	**22,317.5**
West Asia	**12,744.4**	**2.7**	**36.6**	**9,330.9**	**2.3**	**9,471.5**	**2.4**	**38.5**	**6,840.8**	**2.2**	**3,272.9**	**2,490.1**
UAE	5,903.1	1.2	39.4	4,235.9	1.1	1,716.6	0.4	50.0	1,144.6	0.4	4,186.5	3,091.3
Saudi Arabia	1,830.7	0.4	18.2	1,548.8	0.4	3,743.7	0.9	69.3	2,211.2	0.7	-1,913.0	-662.4
Iran	1,314.3	0.3	5.5	1,246.1	0.3	982.3	0.2	167.2	367.6	0.1	332.0	878.5
Jordan	1,305.9	0.3	334.5	300.5	0.1	168.9	neg.	50.2	112.4	neg.	1,136.9	188.1
Syria	566.6	0.1	-3.3	586.2	0.1	1.7	neg.	12.6	1.5	neg.	564.9	584.7
Yemen	422.2	0.1	6.4	397.0	0.1	116.7	neg.	-85.5	804.7	0.3	305.5	-407.7
Kuwait	410.2	0.1	20.7	339.9	0.1	256.5	0.1	25.1	205.0	0.1	153.7	134.9
South Asia	**16,949.5**	**3.5**	**15.6**	**14,666.4**	**3.7**	**5,198.6**	**1.3**	**85.3**	**2,806.1**	**0.9**	**11,750.8**	**11,860.4**
India	11,410.5	2.4	18.3	9,642.2	2.4	4,897.3	1.2	92.0	2,550.1	0.8	6,513.1	7,092.0
Pakistan	2,664.9	0.6	5.0	2,537.4	0.6	206.0	0.1	20.9	170.4	0.1	2,458.9	2,367.0
Bangladesh	1,384.1	0.3	13.8	1,216.7	0.3	64.8	neg.	13.2	57.2	neg.	1,319.3	1,159.5
Sri Lanka	1,311.0	0.3	13.4	1,155.9	0.3	27.2	neg.	25.7	21.6	neg.	1,283.8	1,134.2
Central Asia	**62.1**	**neg.**	**-50.4**	**125.1**	**neg.**	**32.1**	**neg.**	**-17.1**	38.8	neg.	30.0	86.4
Kazakhstan	38.2	neg.	-66.7	114.5	neg.	24.3	neg.	37.7	17.7	neg.	13.9	96.9

Compiled by: Ministry of International Trade and Industry

Note: neg.- negligible

Table 15 :

Trade with Major Countries in the Americas, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
Americas	**98,885.9**	**20.6**	**17.5**	**84,124.3**	**21.1**	**64,475.8**	**16.1**	**20.2**	**53,650.7**	**16.9**	**34,410.2**	**30,473.7**
North America	**93,192.6**	**19.4**	**16.3**	**80,150.0**	**20.1**	**59,639.0**	**14.9**	**19.1**	**50,085.7**	**15.8**	**33,553.6**	**30,064.3**
USA	90,181.5	18.8	15.8	77,872.2	19.6	57,880.0	14.5	18.8	48,716.7	15.4	32,301.5	29,155.5
Canada	3,011.1	0.6	32.2	2,277.9	0.6	1,759.0	0.4	28.5	1,369.0	0.4	1,252.2	908.8
Central America	**3,086.4**	**0.6**	**30.5**	**2,364.5**	**0.6**	**1,297.7**	**0.3**	**-15.3**	**1,531.9**	**0.5**	**1,788.7**	**832.6**
Mexico	2,493.6	0.5	25.2	1,991.1	0.5	510.6	0.1	-1.0	515.8	0.2	1,983.0	1,475.4
Panama	275.2	0.1	14.8	239.6	0.1	2.6	neg.	-94.6	48.3	neg.	272.6	191.3
Costa Rica	144.9	neg.	198.8	48.5	neg.	725.1	0.2	-20.6	913.6	0.3	-580.2	-865.1
Honduras	66.8	neg.	217.8	21.0	neg.	0.1	neg.	-96.5	4.0	neg.	66.7	17.0
Guatemala	42.1	neg.	81.6	23.2	neg.	53.3	neg.	8.0	49.4	neg.	-11.2	-26.2
El Salvador	40.3	neg.	9.6	36.8	neg.	1.4	neg.	406.8	0.3	neg.	38.9	36.5
South America	**2,271.8**	**0.5**	**61.5**	**1,406.3**	**0.4**	**3,399.8**	**0.8**	**75.3**	**1,939.1**	**0.6**	**-1,128.0**	**-532.8**
Brazil	1,213.0	0.3	65.2	734.1	0.2	1,297.5	0.3	45.2	893.6	0.3	-84.5	-159.5
Chile	361.1	0.1	63.4	221.1	0.1	521.9	0.1	89.2	275.8	0.1	-160.8	-54.8
Argentina	252.9	0.1	44.6	174.9	neg.	1,430.3	0.4	106.0	694.3	0.2	-1,177.4	-519.3
Peru	205.8	neg.	142.4	84.9	neg.	33.5	neg.	61.3	20.8	neg.	172.3	64.1
Colombia	89.0	neg.	48.4	60.0	neg.	7.1	neg.	16.9	6.0	neg.	81.9	53.9
Venezuela	63.6	neg.	16.5	54.6	neg.	11.0	neg.	-12.7	12.6	neg.	52.6	42.0
Ecuador	34.2	neg.	118.9	15.6	neg.	4.2	neg.	42.8	2.9	neg.	30.1	12.7
Uruguay	32.0	neg.	-37.2	50.9	neg.	69.3	neg.	371.7	14.7	neg.	-37.3	36.2
Caribbean	**335.1**	**0.1**	**64.7**	**203.5**	**0.1**	**139.2**	**neg.**	**48.2**	**94.0**	**neg.**	**195.9**	**109.5**

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

Table 16 :

Trade with Major European Countries, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
Europe	**65,410.9**	**13.6**	**21.1**	**54,010.7**	**13.6**	**54,385.9**	**13.6**	**29.2**	**42,094.3**	**13.3**	**11,025.0**	**11,916.5**
EU	**60,387.6**	**12.6**	**20.9**	**49,929.0**	**12.5**	**48,030.6**	**12.0**	**27.4**	**37,700.7**	**11.9**	**12,356.9**	**12,228.3**
Other Europe	**5,023.3**	**1.0**	**23.1**	**4,081.7**	**1.0**	**6,355.2**	**1.6**	**44.7**	**4,393.5**	**1.4**	**-1,331.9**	**-311.8**
Russia	1,545.7	0.3	59.9	966.8	0.2	1,782.3	0.4	146.0	724.6	0.2	-236.6	242.2
Turkey	1,511.8	0.3	25.0	1,209.4	0.3	210.7	0.1	34.6	156.6	neg.	1,301.0	1,052.8
Switzerland	660.0	0.1	-6.5	706.1	0.2	3,851.5	1.0	25.9	3,058.1	1.0	-3,191.5	-2,352.0
Azerbaijan	396.2	0.1	32.8	298.3	0.1	0.2	neg.	-58.0	0.4	neg.	396.1	297.9
Ukraine	286.5	0.1	84.8	155.0	neg.	192.9	neg.	18.4	162.8	0.1	93.7	-7.8
Norway	194.8	neg.	3.8	187.6	neg.	237.5	0.1	12.7	210.8	0.1	-42.8	-23.2
Georgia	138.6	neg.	-58.4	333.1	0.1	3.1	neg.	-18.4	3.9	neg.	135.4	329.2
Romania	113.8	neg.	14.4	99.5	neg.	28.0	neg.	-35.2	43.2	neg.	85.8	56.3
Bulgaria	85.3	neg.	49.9	56.9	neg.	22.2	neg.	25.7	17.7	neg.	63.1	39.2
Croatia	38.9	neg.	20.3	32.3	neg.	3.5	neg.	25.5	2.8	neg.	35.4	29.5
Yugoslavia	26.1	neg.	26.6	20.6	neg.	14.2	neg.	250.8	4.0	neg.	11.9	16.6
Iceland	8.4	neg.	16.1	7.2	neg.	1.2	neg.	481.0	0.2	neg.	7.2	7.0
Albania	6.0	neg.	321.1	1.4	neg.	0.5	neg.	198.6	0.2	neg.	5.5	1.3
Armenia	4.3	neg.	131.8	1.8	neg.	neg.	neg.	-92.0	0.3	neg.	4.2	1.6
Monaco	3.0	neg.	*	0.3	neg.	0.2	neg.	-39.3	0.4	neg.	2.8	-0.2
Macedonia	1.1	neg.	5.9	1.0	neg.	0.1	neg.	*	neg.	neg.	1.0	1.0
Montenegro	0.8	neg.	512.8	0.1	neg.	0.1	neg.	-98.8	4.2	neg.	0.8	-4.1
Belarus	0.5	neg.	-6.5	0.5	neg.	0.5	neg.	286.7	0.1	neg.	neg.	0.4
Liechtenstein	0.4	neg.	-5.1	0.4	neg.	0.1	neg.	*	neg.	neg.	0.3	0.4
Moldova	0.4	neg.	-45.9	0.7	neg.	neg.	neg.	175.2	neg.	neg.	0.4	0.7
Bosnia-Herzegovina	0.3	neg.	-80.7	1.5	neg.	1.5	neg.	-45.4	2.8	neg.	-1.3	-1.3

Compiled by: Ministry of International Trade and Industry

Note : neg.- negligible

** not meaningful*

Table 17 :
Trade with Major African Countries, 2003-2004

Country	Exports					Imports					Balance of Trade	
	2004			2003		2004			2003		2004	2003
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**	**80,663.5**	**81,346.5**
Africa	**5,895.4**	**1.2**	**11.6**	**5,280.8**	**1.3**	**2,078.1**	**0.5**	**67.7**	**1,239.5**	**0.4**	**3,817.3**	**4,041.3**
South Africa	1,816.7	0.4	45.3	1,250.0	0.3	1,275.9	0.3	49.6	852.9	0.3	540.8	397.1
Egypt	1,388.6	0.3	-19.6	1,727.6	0.4	117.1	neg.	35.0	86.8	neg.	1,271.5	1,640.8
Algeria	345.7	0.1	20.9	285.9	0.1	0.5	neg.	-91.5	6.3	neg.	345.2	279.6
Togo	222.2	neg.	66.1	133.8	neg.	9.6	neg.	60.9	6.0	neg.	212.6	127.8
Ghana	211.5	neg.	19.0	177.8	neg.	91.2	neg.	23.1	74.1	neg.	120.3	103.7
Mauritius	209.0	neg.	9.7	190.6	neg.	6.4	neg.	-33.3	9.6	neg.	202.6	180.9
Nigeria	209.0	neg.	-39.4	344.8	0.1	16.0	neg.	173.4	5.9	neg.	193.0	339.0
Kenya	163.0	neg.	137.1	68.8	neg.	21.5	neg.	-9.4	23.7	neg.	141.5	45.0
Sudan	148.9	neg.	-5.3	157.2	neg.	1.5	neg.	-64.7	4.2	neg.	147.4	153.1
Tunisia	126.6	neg.	54.4	82.0	neg.	24.6	neg.	-20.7	31.1	neg.	102.0	50.9
Libya	117.0	neg.	49.1	78.5	neg.	23.7	neg.	617.8	3.3	neg.	93.2	75.1
Morocco	103.6	neg.	47.7	70.1	neg.	25.8	neg.	4.6	24.7	neg.	77.8	45.5
Tanzania	87.8	neg.	-12.5	100.4	neg.	41.6	neg.	241.6	12.2	neg.	46.3	88.2
Mauritania	83.6	neg.	56.7	53.3	neg.	10.6	neg.	41.7	7.5	neg.	73.0	45.9
Angola	82.6	neg.	54.9	53.3	neg.	neg.	neg.	*	neg.	neg.	82.6	53.3
Mozambique	60.9	neg.	-6.4	65.0	neg.	0.3	neg.	*	neg.	neg.	60.5	65.0
Gambia	57.3	neg.	70.7	33.5	neg.	6.3	neg.	375.2	1.3	neg.	50.9	32.2
Djibouti	50.9	neg.	5.1	48.4	neg.	neg.	neg.	*	neg.	neg.	50.8	48.4
Benin	45.0	neg.	-45.7	82.9	neg.	6.6	neg.	229.7	2.0	neg.	38.4	80.9
Namibia	40.1	neg.	-26.7	54.6	neg.	12.1	neg.	47.8	8.2	neg.	27.9	46.4
Madagascar	36.2	neg.	34.0	27.0	neg.	14.9	neg.	160.8	5.7	neg.	21.3	21.3
Ethiopia	33.8	neg.	52.5	22.1	neg.	8.7	neg.	381.3	1.8	neg.	25.0	20.3
Senegal	30.9	neg.	17.1	26.4	neg.	0.1	neg.	*	neg.	neg.	30.8	26.4
Reunion Islands	29.1	neg.	3.4	28.2	neg.	5.1	neg.	*	neg.	neg.	24.1	28.2
Zimbabwe	27.8	neg.	16.1	24.0	neg.	6.3	neg.	-36.6	9.9	neg.	21.5	14.0
Niger	25.4	neg.	80.7	14.0	neg.	0.9	neg.	*	0.1	neg.	24.5	14.0
Cameroon	25.1	neg.	37.1	18.3	neg.	169.2	neg.	*	6.3	neg.	-144.1	12.0

Compiled by: Ministry of International Trade and Industry
Note : neg.- negligible
** not meaningful*

Table 18 :
Major Exports of Manufactured Goods to Top Ten Destinations, 2003-2004

Products	2004			2003		
	Country	RM million	Share (%)	Country	RM million	Share (%)
Total		**480,740.3**	**100.0**		**397,884.4**	**100.0**
Manufactured Goods		**376,822.9**	**78.4**		**316,222.5**	**79.5**
Electrical & electronic products	**Total**	**241,483.1**	**50.2**	**Total**	**210,724.0**	**53.0**
	USA	68,717.7	14.3	USA	60,642.3	15.2
	Singapore	40,862.7	8.5	Singapore	37,672.8	9.5
	Hong Kong	21,559.2	4.5	Hong Kong	19,945.1	5.0
	Japan	17,876.3	3.7	Japan	16,215.2	4.1
	PRC	12,699.0	2.6	PRC	10,113.5	2.5
	Netherlands	9,299.5	1.9	Taiwan	8,398.2	2.1
	Thailand	9,215.8	1.9	Netherlands	7,821.8	2.0
	Taiwan	7,390.8	1.5	Thailand	7,801.3	2.0
	Germany	6,734.2	1.4	Germany	5,765.5	1.4
	United Kingdom	5,689.6	1.2	France	5,446.9	1.4
Chemicals & chemical products	**Total**	**24,942.8**	**5.2**	**Total**	**18,906.2**	**4.8**
	PRC	3,919.5	0.8	PRC	2,849.1	0.7
	Japan	2,499.7	0.5	Singapore	1,873.9	0.5
	Singapore	2,264.8	0.5	Japan	1,765.9	0.4
	Thailand	2,184.7	0.5	Thailand	1,610.7	0.4
	Indonesia	2,135.4	0.4	Indonesia	1,453.1	0.4
	Hong Kong	1,687.5	0.4	Hong Kong	1,416.8	0.4
	Taiwan	1,244.2	0.3	USA	973.7	0.2
	ROK	1,120.6	0.2	Taiwan	895.1	0.2
	India	1,064.0	0.2	India	841.1	0.2
	USA	915.8	0.2	ROK	726.2	0.2
Machinery, appliances & parts	**Total**	**15,569.5**	**3.2**	**Total**	**12,126.4**	**3.0**
	Singapore	3,155.7	0.7	Singapore	2,707.6	0.7
	Thailand	1,352.8	0.3	Japan	1,007.5	0.3
	USA	1,329.1	0.3	USA	997.7	0.3
	Indonesia	1,124.7	0.2	Thailand	988.5	0.2
	PRC	1,046.4	0.2	PRC	983.6	0.2
	Japan	940.3	0.2	Indonesia	857.6	0.2
	Hong Kong	581.6	0.1	Hong Kong	458.7	0.1
	Taiwan	547.6	0.1	Australia	305.4	0.1
	Australia	456.1	0.1	Taiwan	283.7	0.1
	Spain	386.2	0.1	ROK	265.8	0.1
Wood products	**Total**	**14,074.3**	**2.9**	**Total**	**11,300.3**	**2.8**
	Japan	3,763.4	0.8	Japan	2,869.6	0.7
	USA	3,011.4	0.6	USA	2,338.7	0.6
	United Kingdom	934.4	0.2	ROK	737.8	0.2
	ROK	690.3	0.1	United Kingdom	717.6	0.2
	Australia	683.2	0.1	Singapore	535.0	0.1
	Taiwan	542.8	0.1	Australia	518.7	0.1
	PRC	507.7	0.1	PRC	420.7	0.1
	UAE	428.0	0.1	Taiwan	384.4	0.1
	Singapore	413.7	0.1	UAE	302.4	0.1
	Canada	239.4	neg.	Hong Kong	204.7	0.1

Continued...

Products	2004			2003		
	Country	RM million	Share (%)	Country	RM million	Share (%)
Optical & scientific equipment	**Total**	**11,567.3**	**2.4**	**Total**	**9,155.9**	**2.3**
	USA	2,429.2	0.5	USA	1,982.7	0.5
	Singapore	2,203.1	0.5	Singapore	1,752.1	0.4
	Japan	2,106.1	0.4	Japan	1,379.8	0.3
	Netherlands	877.1	0.2	Netherlands	642.1	0.2
	PRC	567.6	0.1	PRC	450.8	0.1
	Hong Kong	452.3	0.1	Hong Kong	438.6	0.1
	Germany	397.8	0.1	Germany	404.9	0.1
	Thailand	295.7	0.1	Thailand	244.1	0.1
	Philippines	292.0	0.1	Taiwan	225.3	0.1
	Taiwan	290.4	0.1	United Kingdom	203.7	neg.
Textiles & apparel	**Total**	**9,689.1**	**2.0**	**Total**	**8,467.9**	**2.1**
	USA	2,937.4	0.6	USA	2,677.0	0.7
	United Kingdom	528.0	0.1	Singapore	607.3	0.2
	Japan	523.9	0.1	United Kingdom	548.8	0.1
	Singapore	506.6	0.1	Japan	454.5	0.1
	Hong Kong	454.4	0.1	Hong Kong	345.3	0.1
	Turkey	397.1	0.1	Turkey	294.4	0.1
	PRC	373.8	0.1	Germany	263.1	0.1
	India	283.8	0.1	PRC	252.0	0.1
	Germany	270.0	0.1	Viet Nam	243.1	0.1
	Syria	246.0	0.1	India	193.3	neg.
Manufactures of metal	**Total**	**9,621.6**	**2.0**	**Total**	**7,212.0**	**1.8**
	Singapore	2,405.0	0.5	Singapore	1,755.5	0.4
	Japan	1,054.7	0.2	Japan	877.9	0.2
	USA	675.6	0.1	USA	629.4	0.2
	Thailand	644.0	0.1	Thailand	427.9	0.1
	PRC	491.4	0.1	Hong Kong	353.4	0.1
	Hong Kong	435.8	0.1	PRC	335.6	0.1
	Indonesia	343.5	0.1	Indonesia	287.0	0.1
	Australia	336.6	0.1	Australia	263.2	0.1
	Taiwan	331.1	0.1	Philippines	234.5	0.1
	Philippines	265.0	0.1	Taiwan	221.5	0.1
Iron & steel products	**Total**	**7,235.9**	**1.5**	**Total**	**4,648.9**	**1.2**
	Viet Nam	777.2	0.2	PRC	685.9	0.2
	Singapore	731.9	0.2	Viet Nam	560.6	0.1
	Thailand	698.9	0.1	Singapore	558.0	0.1
	USA	668.9	0.1	Italy	333.6	0.1
	Australia	665.9	0.1	Georgia	330.1	0.1
	PRC	438.2	0.1	Azerbaijan	293.7	0.1
	Russia	412.8	0.1	ROK	214.5	0.1
	Azerbaijan	393.7	0.1	Australia	160.7	neg.
	ROK	377.2	0.1	Indonesia	157.3	neg.
	Canada	297.3	0.1	USA	149.4	neg.

Continued...

Products	2004			2003		
	Country	RM million	Share (%)	Country	RM million	Share (%)
Rubber products	**Total**	**6,183.6**	**1.3**	**Total**	**5,196.4**	**1.3**
	USA	1,919.0	0.4	USA	1,709.1	0.4
	Japan	361.0	0.1	United Kingdom	317.4	0.1
	United Kingdom	343.7	0.1	Japan	300.3	0.1
	Germany	266.1	0.1	Australia	239.5	0.1
	Australia	263.4	0.1	Hong Kong	223.4	0.1
	Italy	261.8	0.1	Italy	214.9	0.1
	Hong Kong	228.0	neg.	Germany	206.9	0.1
	PRC	175.5	neg.	PRC	176.8	neg.
	Thailand	174.9	neg.	France	160.2	neg.
	France	173.2	neg.	Singapore	159.6	neg.
Processed food	**Total**	**6,054.0**	**1.3**	**Total**	**4,960.3**	**1.2**
	Singapore	1,032.0	0.2	Singapore	957.4	0.2
	USA	558.1	0.1	Indonesia	592.0	0.1
	Indonesia	557.4	0.1	USA	451.8	0.1
	Australia	287.5	0.1	Australia	238.4	0.1
	Thailand	247.7	0.1	Thailand	209.0	0.1
	Hong Kong	237.9	neg.	Hong Kong	207.1	0.1
	Japan	221.7	neg.	Philippines	167.9	neg.
	Philippines	215.0	neg.	Brunei Darussalam	147.7	neg.
	PRC	181.9	neg.	Japan	147.1	neg.
	Netherlands	177.5	neg.	Netherlands	143.1	neg.

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

Table 19 :

Major Imports of Manufactured Goods from Top Ten Suppliers, 2003 - 2004

Products	2004 Country	2004 RM million	2004 Share (%)	2003 Country	2003 RM million	2003 Share (%)
Total		**400,076.8**	**100.0**		**316,537.9**	**100.0**
Manufactured Goods		**344,275.0**	**86.1**		**276,907.6**	**87.5**
Electrical & electronic products	**Total**	**182,100.4**	**45.5**	**Total**	**159,742.1**	**50.5**
	USA	35,854.3	9.0	USA	33,709.1	10.6
	Japan	25,063.3	6.3	Japan	23,731.6	7.5
	PRC	23,615.7	5.9	Singapore	16,577.0	5.2
	Singapore	18,083.7	4.5	PRC	16,181.0	5.1
	Taiwan	12,771.8	3.2	ROK	11,543.0	3.6
	ROK	12,153.0	3.0	Philippines	10,701.3	3.4
	Philippines	9,189.2	2.3	Taiwan	9,395.6	3.0
	Germany	9,126.5	2.3	Germany	8,029.2	2.5
	Thailand	8,448.9	2.1	Hong Kong	5,851.1	1.8
	Hong Kong	6,437.6	1.6	Thailand	5,571.1	1.8
Machinery, appliances & parts	**Total**	**32,894.6**	**8.2**	**Total**	**24,833.2**	**7.8**
	Japan	8,436.0	2.1	Japan	6,492.0	2.1
	USA	5,213.1	1.3	USA	4,186.0	1.3
	Germany	3,089.3	0.8	Germany	2,392.7	0.8
	PRC	2,505.2	0.6	PRC	1,780.1	0.6
	Singapore	2,234.9	0.6	Singapore	1,766.7	0.6
	Taiwan	1,996.9	0.5	Taiwan	1,397.3	0.4
	Thailand	1,411.8	0.4	Thailand	955.4	0.3
	Italy	1,151.3	0.3	United Kingdom	805.8	0.3
	ROK	1,041.2	0.3	ROK	771.4	0.2
	United Kingdom	903.7	0.2	Italy	699.7	0.2
Chemicals & chemical products	**Total**	**29,917.5**	**7.5**	**Total**	**21,184.1**	**6.7**
	Singapore	4,467.3	1.1	Japan	3,485.6	1.1
	Japan	4,052.1	1.0	Singapore	3,198.4	1.0
	USA	3,030.0	0.8	USA	2,440.8	0.8
	Thailand	2,457.4	0.6	Thailand	1,350.3	0.4
	PRC	1,799.4	0.4	PRC	1,058.8	0.3
	ROK	1,675.2	0.4	ROK	1,008.7	0.3
	Indonesia	1,654.0	0.4	Indonesia	975.3	0.3
	Taiwan	1,358.2	0.3	Taiwan	936.6	0.3
	Germany	1,251.4	0.3	Germany	933.5	0.3
	United Kingdom	716.7	0.2	United Kingdom	585.2	0.2
Transport equipment	**Total**	**16,586.8**	**4.1**	**Total**	**10,758.2**	**3.4**
	Japan	6,625.8	1.7	Japan	5,075.7	1.6
	USA	2,773.0	0.7	ROK	1,443.7	0.5
	Thailand	1,475.8	0.4	Germany	828.5	0.3
	ROK	1,328.4	0.3	Thailand	697.7	0.2
	Germany	1,094.5	0.3	United Kingdom	616.6	0.2
	United Kingdom	402.5	0.1	USA	475.8	0.2
	Indonesia	395.4	0.1	Singapore	261.7	0.1
	Singapore	374.0	0.1	Indonesia	192.3	0.1
	PRC	249.7	0.1	PRC	176.4	neg.
	India	221.7	neg.	Taiwan	168.5	neg.

Continued...

Products	2004			2003		
	Country	RM million	Share (%)	Country	RM million	Share (%)
Iron & steel products	**Total**	**16,096.8**	**4.0**	**Total**	**10,596.3**	**3.3**
	Japan	5,295.4	1.3	Japan	4,138.7	1.3
	Taiwan	1,541.7	0.4	Taiwan	843.1	0.3
	PRC	1,393.5	0.3	ROK	841.4	0.3
	ROK	1,384.8	0.3	USA	534.0	0.2
	USA	852.3	0.2	Thailand	452.9	0.1
	Thailand	657.6	0.2	United Kingdom	406.0	0.1
	United Kingdom	652.0	0.2	PRC	391.4	0.1
	South Africa	507.7	0.1	Germany	325.1	0.1
	Australia	403.3	0.1	Australia	292.0	0.1
	India	375.1	0.1	Italy	291.6	0.1
Manufactures of metal	**Total**	**15,660.9**	**3.9**	**Total**	**10,916.5**	**3.4**
	Japan	3,632.4	0.9	Japan	2,680.7	0.8
	Australia	1,524.0	0.4	Australia	1,028.7	0.3
	USA	1,324.6	0.3	USA	1,012.5	0.3
	Singapore	1,204.2	0.3	Singapore	1,009.0	0.3
	PRC	1,187.0	0.3	PRC	761.2	0.2
	Taiwan	914.4	0.2	Indonesia	651.6	0.2
	Indonesia	839.5	0.2	Taiwan	565.6	0.2
	ROK	799.5	0.2	ROK	545.0	0.2
	Germany	471.5	0.1	Germany	410.8	0.1
	Thailand	457.9	0.1	Thailand	288.0	0.1
Optical & scientific equipment	**Total**	**13,532.6**	**3.4**	**Total**	**9,764.0**	**3.1**
	USA	3,434.1	0.9	Japan	2,544.3	0.8
	Japan	3,338.1	0.8	USA	2,352.9	0.7
	Singapore	1,690.0	0.4	Singapore	1,421.8	0.4
	Hong Kong	1,230.9	0.3	PRC	608.0	0.2
	PRC	831.0	0.2	Hong Kong	499.9	0.2
	Germany	781.5	0.2	Germany	435.0	0.1
	United Kingdom	354.2	0.1	United Kingdom	250.9	0.1
	Switzerland	265.9	0.1	Switzerland	225.6	0.1
	Thailand	226.0	0.1	Taiwan	221.5	0.1
	Taiwan	213.4	0.1	Thailand	201.4	0.1
Processed food	**Total**	**5,910.3**	**1.5**	**Total**	**4,636.6**	**1.5**
	Thailand	1,192.3	0.3	Australia	933.3	0.3
	Australia	1,065.3	0.3	Thailand	916.2	0.3
	New Zealand	706.1	0.2	New Zealand	539.6	0.2
	USA	432.6	0.1	PRC	317.0	0.1
	PRC	329.0	0.1	Netherlands	241.5	0.1
	Netherlands	325.7	0.1	USA	235.1	0.1
	Indonesia	286.7	0.1	Indonesia	229.7	0.1
	Singapore	248.3	0.1	Singapore	204.7	0.1
	Philippines	169.2	neg.	Philippines	109.0	neg.
	United Kingdom	100.9	neg.	Brazil	100.8	neg.

Continued...

Products	2004			2003		
	Country	RM million	Share (%)	Country	RM million	Share (%)
Manufactures of plastics	**Total**	**5,004.1**	**1.3**	**Total**	**4,009.6**	**1.3**
	Japan	1,196.0	0.3	Japan	943.4	0.3
	Singapore	799.1	0.2	Singapore	719.4	0.2
	USA	674.3	0.2	USA	549.9	0.2
	PRC	577.0	0.1	PRC	400.6	0.1
	Taiwan	328.2	0.1	Taiwan	261.6	0.1
	Thailand	322.5	0.1	Thailand	183.2	0.1
	Indonesia	208.1	0.1	Hong Kong	140.9	neg.
	ROK	165.8	neg.	Indonesia	136.8	neg.
	Hong Kong	134.5	neg.	Germany	131.2	neg.
	Germany	102.2	neg.	ROK	129.8	neg.
Paper & pulp products	**Total**	**4,996.3**	**1.2**	**Total**	**3,652.3**	**1.2**
	Indonesia	856.2	0.2	Indonesia	626.3	0.2
	Japan	625.0	0.2	Japan	450.5	0.1
	USA	404.4	0.1	USA	326.0	0.1
	Taiwan	392.0	0.1	Singapore	266.0	0.1
	Thailand	390.4	0.1	Thailand	222.6	0.1
	Germany	327.8	0.1	Taiwan	218.3	0.1
	Singapore	227.4	0.1	Germany	195.0	0.1
	ROK	208.9	0.1	ROK	190.4	0.1
	PRC	207.5	0.1	United Kingdom	169.6	0.1
	Finland	204.9	0.1	PRC	164.8	neg.

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

Table 20 :

Exports of Top Ten Products to Selected Destinations, 2003-2004

Products	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**480,740.3**	**100.0**	**20.8**	**397,884.4**	**100.0**
Manufactured Goods	**376,822.9**	**78.4**	**19.2**	**316,222.6**	**79.5**
Agricultural Goods	**41,105.7**	**8.6**	**13.4**	**36,263.0**	**9.1**
Mining Goods	**55,314.1**	**11.5**	**37.8**	**40,141.3**	**10.1**
ASEAN	**120,601.1**	**25.1**	**22.2**	**98,677.3**	**24.8**
Manufactured Goods	**97,138.5**	**20.2**	**19.4**	**81,351.5**	**20.4**
Agricultural Goods	**5,046.2**	**1.0**	**12.9**	**4,471.4**	**1.1**
Mining Goods	**15,758.9**	**3.3**	**45.8**	**10,808.3**	**2.7**
Electrical & electronic products	55,698.0	11.6	12.2	49,653.4	12.5
Chemicals & chemical products	8,302.9	1.7	33.3	6,228.5	1.6
Refined petroleum products	7,833.2	1.6	39.5	5,613.3	1.4
Crude petroleum	7,345.0	1.5	47.3	4,988.0	1.3
Machinery, appliances & parts	6,446.4	1.3	24.7	5,170.0	1.3
Manufactures of metal	3,988.3	0.8	38.4	2,882.5	0.7
Optical & scientific equipment	2,968.2	0.6	33.9	2,216.2	0.6
Transport equipment	2,756.7	0.6	178.6	989.4	0.2
Iron & steel products	2,669.6	0.6	75.9	1,518.0	0.4
Processed food	2,306.2	0.5	6.9	2,156.7	0.5
USA	**90,181.5**	**18.8**	**15.8**	**77,872.2**	**19.6**
Manufactured Goods	**85,333.2**	**17.8**	**14.1**	**74,799.8**	**18.8**
Agricultural Goods	**2,197.7**	**0.5**	**67.8**	**1,309.4**	**0.3**
Mining Goods	**2,038.1**	**0.4**	**50.8**	**1,351.8**	**0.3**
Electrical & electronic products	68,717.7	14.3	13.3	60,642.3	15.2
Wood products	3,011.4	0.6	28.8	2,338.7	0.6
Textiles & apparel	2,937.4	0.6	9.7	2,677.0	0.7
Optical & scientific equipment	2,429.2	0.5	22.5	1,982.7	0.5
Rubber products	1,919.0	0.4	12.3	1,709.1	0.4
Machinery, appliances & parts	1,329.1	0.3	33.2	997.7	0.3
Palm oil	1,108.7	0.2	40.8	787.5	0.2
Crude petroleum	1,105.6	0.2	37.8	802.2	0.2
Chemicals & chemical products	915.8	0.2	-5.9	973.7	0.2
Manufactures of metal	675.6	0.1	7.3	629.4	0.2
EU	**60,387.6**	**12.6**	**20.9**	**49,929.0**	**12.5**
Manufactured Goods	**51,697.7**	**10.8**	**20.7**	**42,825.8**	**10.8**
Agricultural Goods	**7,383.7**	**1.5**	**19.3**	**6,188.7**	**1.6**
Mining Goods	**483.5**	**0.1**	**65.2**	**292.7**	**0.1**
Electrical & electronic products	35,263.9	7.3	20.2	29,335.2	7.4
Palm oil	3,905.8	0.8	18.3	3,302.6	0.8
Optical & scientific equipment	1,917.2	0.4	5.4	1,818.9	0.5
Machinery, appliances & parts	1,896.8	0.4	40.6	1,349.4	0.3
Textiles & apparel	1,732.4	0.4	7.4	1,612.9	0.4
Crude rubber	1,707.0	0.4	41.7	1,204.6	0.3
Wood products	1,652.9	0.3	29.4	1,277.0	0.3
Rubber products	1,580.8	0.3	16.9	1,352.8	0.3
Chemicals & chemical products	1,538.0	0.3	26.1	1,219.5	0.3
Saw logs & sawn timber	1,052.1	0.2	4.7	1,004.4	0.3

Continued...

Products	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Japan	**48,552.5**	**10.1**	**14.2**	**42,506.6**	**10.7**
Manufactured Goods	**31,702.0**	**6.6**	**17.1**	**27,068.8**	**6.8**
Agricultural Goods	**2,610.3**	**0.5**	**15.0**	**2,269.4**	**0.6**
Mining Goods	**13,552.1**	**2.8**	**6.3**	**12,745.1**	**3.2**
Electrical & electronic products	17,876.3	3.7	10.2	16,215.2	4.1
LNG	10,212.3	2.1	8.9	9,376.0	2.4
Wood products	3,763.4	0.8	31.1	2,869.6	0.7
Chemicals & chemical products	2,499.7	0.5	41.6	1,765.9	0.4
Optical & scientific equipment	2,106.1	0.4	52.6	1,379.8	0.3
Refined petroleum products	1,880.9	0.4	3.4	1,819.1	0.5
Crude petroleum	1,274.9	0.3	-11.5	1,440.7	0.4
Palm oil	1,105.2	0.2	22.8	899.8	0.2
Manufactures of metal	1,054.7	0.2	20.1	877.9	0.2
Saw logs & sawn timber	967.2	0.2	4.6	925.1	0.2
PRC	**32,148.5**	**6.7**	**24.6**	**25,791.3**	**6.5**
Manufactured Goods	**21,400.3**	**4.5**	**23.3**	**17,361.8**	**4.4**
Agricultural Goods	**7,458.5**	**1.6**	**28.0**	**5,826.0**	**1.5**
Mining Goods	**2,910.7**	**0.6**	**20.2**	**2,421.5**	**0.6**
Electrical & electronic products	12,699.0	2.6	25.6	10,113.5	2.5
Palm oil	5,292.9	1.1	22.7	4,313.1	1.1
Chemicals & chemical products	3,919.5	0.8	37.6	2,849.1	0.7
Crude petroleum	1,573.7	0.3	-13.8	1,825.6	0.5
Crude rubber	1,357.6	0.3	72.0	789.5	0.2
Refined petroleum products	1,229.9	0.3	123.1	551.4	0.1
Machinery, appliances & parts	1,046.4	0.2	6.4	983.6	0.2
Saw logs & sawn timber	608.1	0.1	3.9	585.2	0.1
Optical & scientific equipment	567.6	0.1	25.9	450.8	0.1
Wood products	507.7	0.1	20.7	420.7	0.1

Compiled by: Ministry of International Trade and Industry

Table 21 :
Imports of Top Ten Products from Selected Sources, 2003-2004

Products	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**400,076.8**	**100.0**	**26.4**	**316,537.9**	**100.0**
Manufactured Goods	**344,275.0**	**86.1**	**24.3**	**276,907.6**	**87.5**
Agricultural Goods	**16,805.4**	**4.2**	**39.6**	**12,038.0**	**3.8**
Mining Goods	**26,330.7**	**6.6**	**48.6**	**17,718.9**	**5.6**
ASEAN	**95,816.5**	**23.9**	**25.5**	**76,359.8**	**24.1**
Manufactured Goods	**71,267.0**	**17.8**	**20.3**	**59,237.7**	**18.7**
Agricultural Goods	**7,839.2**	**2.0**	**48.2**	**5,289.2**	**1.7**
Mining Goods	**14,452.1**	**3.6**	**44.4**	**10,008.0**	**3.2**
Electrical & electronic products	38,648.9	9.7	8.6	35,603.4	11.2
Refined petroleum products	11,076.6	2.8	31.9	8,398.7	2.7
Chemicals & chemical products	8,737.7	2.2	53.9	5,676.6	1.8
Machinery, appliances & parts	4,419.7	1.1	34.3	3,289.7	1.0
Manufactures of metal	2,747.6	0.7	30.7	2,101.9	0.7
Transport equipment	2,372.5	0.6	96.5	1,207.6	0.4
Optical & scientific equipment	2,063.6	0.5	15.3	1,790.0	0.6
Processed food	1,984.5	0.5	31.4	1,510.8	0.5
Palm oil	1,869.7	0.5	132.2	805.1	0.3
Paper & pulp products	1,490.6	0.4	29.5	1,151.3	0.4
Crude rubber	1,406.7	0.4	11.5	1,261.8	0.4
Japan	**63,736.9**	**15.9**	**17.9**	**54,038.5**	**17.1**
Manufactured Goods	**60,629.2**	**15.2**	**17.0**	**51,816.9**	**16.4**
Agricultural Goods	**69.8**	**neg.**	**62.7**	**42.9**	**neg.**
Mining Goods	**164.7**	**neg.**	**23.7**	**133.1**	**neg.**
Electrical & electronic products	25,063.3	6.3	5.6	23,731.6	7.5
Machinery, appliances & parts	8,436.0	2.1	29.9	6,492.0	2.1
Transport equipment	6,625.8	1.7	30.5	5,075.7	1.6
Iron & steel products	5,295.4	1.3	27.9	4,138.7	1.3
Chemicals & chemical products	4,052.1	1.0	16.3	3,485.6	1.1
Manufactures of metal	3,632.4	0.9	35.5	2,680.7	0.8
Optical & scientific equipment	3,338.1	0.8	31.2	2,544.3	0.8
Manufactures of plastics	1,196.0	0.3	26.8	943.4	0.3
Non-metallic mineral products	741.5	0.2	65.0	449.5	0.1
Paper & pulp products	625.0	0.2	38.7	450.5	0.1
USA	**57,880.0**	**14.5**	**18.8**	**48,716.7**	**15.4**
Manufactured Goods	**55,362.2**	**13.8**	**18.0**	**46,917.5**	**14.8**
Agricultural Goods	**981.7**	**0.2**	**23.8**	**792.7**	**0.3**
Mining Goods	**526.7**	**0.1**	**254.2**	**148.7**	**neg.**
Electrical & electronic products	35,854.3	9.0	6.4	33,709.1	10.6
Machinery, appliances & parts	5,213.1	1.3	24.5	4,186.0	1.3
Optical & scientific equipment	3,434.1	0.9	46.0	2,352.9	0.7
Chemicals & chemical products	3,029.4	0.8	24.1	2,440.8	0.8
Transport equipment	2,773.0	0.7	482.8	475.8	0.2
Manufactures of metal	1,324.6	0.3	30.8	1,012.5	0.3
Iron & steel products	852.3	0.2	59.6	534.0	0.2

Continued...

Products	2004			2003	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Manufactures of plastics	674.3	0.2	22.6	549.9	0.2
Processed food	432.6	0.1	84.0	235.1	0.1
Paper & pulp products	404.4	0.1	24.0	326.0	0.1
EU	**48,030.6**	**12.0**	**27.4**	**37,700.7**	**11.9**
Manufactured Goods	**45,453.9**	**11.4**	**26.4**	**35,947.7**	**11.4**
Agricultural Goods	**616.1**	**0.2**	**41.0**	**437.0**	**0.1**
Mining Goods	**408.3**	**0.1**	**126.0**	**180.7**	**0.1**
Electrical & electronic products	20,966.5	5.2	20.1	17,456.6	5.5
Machinery, appliances & parts	7,027.1	1.8	28.9	5,449.5	1.7
Chemicals & chemical products	4,957.7	1.2	36.2	3,640.7	1.2
Iron & steel products	2,162.9	0.5	48.5	1,456.9	0.5
Transport equipment	2,056.5	0.5	13.0	1,819.4	0.6
Optical & scientific equipment	1,655.2	0.4	48.0	1,118.7	0.4
Manufactures of metal	1,432.4	0.4	36.0	1,053.6	0.3
Paper & pulp products	1,244.5	0.3	44.9	859.0	0.3
Processed food	883.5	0.2	37.3	643.4	0.2
Manufactures of plastics	400.1	0.1	4.1	384.5	0.1
PRC	**39,289.7**	**9.8**	**42.2**	**27,630.4**	**8.7**
Manufactured Goods	**36,465.0**	**9.1**	**49.2**	**24,448.5**	**7.7**
Agricultural Goods	**1,463.0**	**0.4**	**-25.5**	**1,964.9**	**0.6**
Mining Goods	**445.0**	**0.1**	**-9.9**	**493.8**	**0.2**
Electrical & electronic products	23,615.7	5.9	45.9	16,181.0	5.1
Machinery, appliances & parts	2,505.2	0.6	40.7	1,780.1	0.6
Chemicals & chemical products	1,799.4	0.4	69.9	1,058.8	0.3
Textiles & apparel	1,397.6	0.3	43.3	975.0	0.3
Iron & steel products	1,393.5	0.3	256.0	391.4	0.1
Manufactures of metal	1,187.0	0.3	55.9	761.2	0.2
Optical & scientific equipment	831.0	0.2	36.7	608.0	0.2
Non-metallic mineral products	594.4	0.1	58.9	374.1	0.1
Manufactures of plastics	577.0	0.1	44.0	400.6	0.1
Vegetables, roots & tubers	525.5	0.1	34.6	390.5	0.1

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

Appendix 3

Bilateral Agreements On Trade And Investment

Trade Agreements as at December 2004

No.	Country	Date of Signing
	ASEAN	
1.	Cambodia	04.02.1999
2.	Indonesia	16.10.1973
3.	Lao PDR	11.08.1998
4.	Myanmar	09.06.1998
5.	Thailand	06.10.2000
6.	Viet Nam	11.08.1992
	CER	
1.	Australia	26.08.1958
	(New Agreement)	20.10.1997
2.	New Zealand	03.02.1961
	(New Agreement)	17.10.1997
	SOUTH ASIA	
1.	Bangladesh	01.12.1977
2.	India	11.10.2000
3.	Pakistan	05.11.1987
	EAST ASIA	
1.	PRC	01.04.1988
2.	Japan	10.05.1960
3.	North Korea	09.06.1979
4.	ROK	05.11.1962
	AFRICA	
1.	Algeria	11.08.2003
2.	Burkina Faso	23.04.1998
3.	Egypt	08.01.1977
4.	Ethiopia	22.10.1998
5.	Ghana	03.12.1995
6.	Guinea	11.10.1999
7.	Libya	18.01.1977
8.	Malawi	05.09.1996
9.	Mali	16.11.1990
10.	Morocco	10.03.1997
11.	Namibia	12.08.1994
12.	South Africa	07.03.1997
13.	Sudan	14.05.1998
14.	Swaziland	12.10.1998
15.	Tunisia	25.11.1992
16.	Uganda	16.04.1998
17.	Zimbabwe	09.07.1993

No.	Country	Date of Signing
	WEST ASIA	
1.	Iran	19.03.1989
2.	Iraq	17.02.1977
3.	Jordan	02.10.1994
4.	Lebanon	23.03.1995
5.	Syria	17.08.2003
6.	Turkey	13.02.1977
7.	UAE	26.02.1962
8.	Yemen	11.02.1998
	NORTH AMERICA	
1.	USA (TIFA)	10.05.2004
	SOUTH AMERICA AND THE CARIBBEAN	
1.	Argentina	01.07.1991
2.	Brazil	26.04.1996
3.	Chile	21.06.1991
4.	Colombia	14.08.1995
5.	Cuba	26.09.1997
6.	Peru	13.10.1995
7.	Suriname	25.05.1998
8.	Uruguay	09.08.1995
9.	Venezuela	26.11.1991
	EASTERN EUROPE	
1.	Albania	24.01.1994
2.	Bosnia- Herzegovina	26.10.1994
3.	Bulgaria	20.05.1968
4.	Croatia	26.10.1994
5.	Macedonia	11.11.1997
6.	Romania	01.03.1991
7.	Ukraine	19.08.2002
8.	USSR (Russia)	03.04.1967
	COMMONWEALTH OF INDEPENDENT STATES	
1.	Kazakhstan	27.05.1996
2.	Kyrgyzstan	20.07.1995
3.	Turkmenistan	13.05.1994
4.	Uzbekistan	06.10.1997

Source : Ministry of International Trade and Industry

Bilateral Payment Arrangements/Agreements as at December 2004

No.	Country	Date of Signing
	IRANIAN MODEL	
1.	Iran	08.08.1988
2.	Mozambique	27.04.1991
3.	Botswana	06.06.1991
4.	Fiji	12.10.1991
5.	Bosnia-Herzegovina	13.11.1996
	ALADI MODEL	
6.	Venezuela	03.08.1990
7.	Mexico	24.09.1990
8.	Romania	20.05.1991
9.	Zimbabwe	07.06.1991
10.	Chile	21.06.1991
11.	Peru	13.11.1991
12.	Algeria	31.01.1992
13.	Seychelles	21.09.1992
14.	Tunisia	25.11.1992
15.	Viet Nam	29.03.1993
16.	Uzbekistan	28.06.1993
17.	Argentina	03.12.1993
18.	Albania	24.01.1994
19.	Lao PDR	16.04.1994
20.	Turkmenistan	30.05.1994
21.	Philippines	20.05.1999
22.	Kyrgyzstan	05.08.2002
23.	Thailand	20.09.2002
24.	Indonesia	18.06.2004
	REVOLVING CREDIT	
25.	Sudan	04.01.1992
	(New agreement)	18.12.1993

Source : Bank Negara Malaysia

No.	Country	Date of Signing
	POCPA	
26.	Algeria	14.06.1992
27.	Pakistan	06.08.1992
28.	Iraq	28.02.1993
	(New agreement)	28.02.1995
29.	Myanmar	21.01.1994
30.	Iran	08.02.1994
31.	Bosnia-Herzegovina	13.11.1996
32.	Cuba	26.03.1998
33.	Sudan	23.07.1999
34.	North Korea	20.12.2000
	(New agreement)	15.04.2002
35.	Russia	10.07.2002

Note:

1. *Iranian Model:- Under this model, the central banks are not involved in the settlement of financial claims arising from trade. The central banks will guarantee its own importers i.e. if foreign importers do not pay, counter party central bank will pay the Malaysian exporters and vice versa.*

2. *ALADI Model:- Under this model, the central banks will guarantee payments to their respective exporters in domestic currency and settle, on a period basis, the net amount due to each other in an agreed currency.*

3. *Revolving Credit:- Under this model, Malaysia extends a two-year credit period on a deferred payment basis to a foreign country for the importation of Malaysian products.*

4. *POCPA:- Under this scheme, developing countries would be able to import palm oil from Malaysia on deferred payment terms for a period of two years. With effect from August 2001, the POCPA fund has been converted into a revolving fund.*

Agreements on the Avoidance of Double Taxation as at December 2004

No.	Country	Date of Signing
	EUROPE	
1.	Sweden	21.11.1970
	(New agreement)	28.02.2002
2.	Denmark	04.12.1970
	(Protocol)	03.12.2003
3.	Norway	23.12.1970
4.	UK	30.03.1973
	(New agreement)	10.12.1996
5.	Belgium	24.10.1973
	(Protocol)	21.11.1995
6.	Switzerland	30.12.1974
7.	France	24.04.1975
	(Protocol)	31.01.1991
8.	Germany	08.04.1977
9.	Poland	16.09.1977
10.	Romania	26.11.1982
11.	Italy	28.01.1984
12.	Finland	28.03.1984
13.	Russia	31.07.1987
14.	Netherlands	07.03.1988
	(Protocol)	04.12.1996
15.	Hungary	24.05.1989
16.	Austria	20.09.1989
17.	Albania	24.01.1994
18.	Malta	03.10.1995
19.	Czech Republic	08.03.1996
20.	Ireland	28.11.1998
21.	Croatia	18.02.2002
22.	Luxembourg	21.11.2002
	ASIA	
23.	Singapore	26.12.1968
	(Supplementary)	06.07.1973
	(New agreement)	05.10.2004
24.	Japan	30.10.1970
	(New agreement)	19.02.1999
25.	Sri Lanka	16.09.1972
	(New agreement)	16.09.1997
26.	India	25.10.1976
	(New agreement)	14.05.2001
27.	Thailand	29.03.1982
	(Protocol)	10.02.1995
28.	ROK	20.04.1982
29.	Philippines	27.04.1982
30.	Pakistan	29.05.1982
31.	Bangladesh	19.04.1983
32.	PRC	23.11.1985
33.	Indonesia	12.09.1991
34.	Iran	11.11.1992
	(Protocol)	22.07.2002
35.	Sudan	07.10.1993
36.	Turkey	27.09.1994
37.	Jordan	01.10.1994
38.	Mongolia	27.07.1995
39.	Viet Nam	07.09.1995
40.	UAE	28.11.1995
41.	Kuwait	06.04.1997
42.	Egypt	14.04.1997
43.	Uzbekistan	06.10.1997
44.	Kyrgystan	19.11.2000
45.	Myanmar	09.03.1998
46.	Bahrain	14.06.1999
47.	Morocco	02.07.2001
48.	Lebanon	20.01.2003
	OCEANIA	
49.	New Zealand	19.03.1976
	(Protocol)	14.07.1994
50.	Australia	20.08.1980
	(2nd Protocol)	28.07.2002
51.	PNG	20.05.1993
52.	Fiji	19.12.1995
	NORTH AMERICA	
53.	Canada	16.10.1976
	SOUTH AMERICA	
54.	Chile	03.09.2004
	AFRICA	
55.	Mauritius	23.08.1992
56.	Zimbabwe	28.04.1994
57.	Namibia	28.07.1997
58.	Seychelles	03.12.2003
	RESTRICTED AGREEMENT (with respect to taxes on income on air transport and shipping)	
59.	Saudi Arabia	18.07.1993
60.	USA	18.04.1989
61.	Argentina	03.10.1997

Source : Ministry of Finance

Investment Guarantee Agreements as at December 2004

No.	Country	Date of Signing
	CENTRAL AND EASTERN EUROPE	
1.	Albania	24.01.1994
2.	Bosnia- Herzegovina	16.12.1994
3.	Croatia	16.12.1994
4.	Czech Rep.	09.09.1996
5.	Hungary	19.02.1993
6.	Macedonia	11.11.1997
7.	Poland	21.04.1993
8.	Romania	25.06.1996
	WESTERN EUROPE	
1.	Austria	12.04.1985
2.	Belgium - Luxembourg	22.11.1979
3.	Denmark	06.01.1992
4.	Finland	15.04.1985
5.	France	24.04.1975
6.	Germany	22.12.1960
7.	Italy	04.01.1988
8.	Netherlands	15.06.1971
9.	Norway	06.11.1984
10.	Spain	04.04.1995
11.	Sweden	03.03.1979
12.	Switzerland	01.03.1978
13.	UK	21.05.1981
	CENTRAL AND SOUTH AMERICA	
1.	Argentina	06.09.1994
2.	Chile	11.11.1992
3.	Cuba	26.09.1997
4.	Peru	13.10.1995
5.	Uruguay	09.08.1995
	ASEAN	
1.	ASEAN	15.12.1987
2.	Cambodia	07.08.1994
3.	Indonesia	22.01.1994
4.	Lao PDR	08.12.1992
5.	Viet Nam	21.01.1992
	COMMONWEALTH OF INDEPENDENT STATES	
1.	Kazakhstan	27.05.1996
2.	Kyrgyzstan	20.07.1995
3.	Turkmenistan	30.05.1994
4.	Uzbekistan	06.10.1997

Source : Ministry of International Trade and Industry

No.	Country	Date of Signing
	SOUTH ASIA	
1.	Bangladesh	12.10.1994
2.	India	03.08.1995
3.	Pakistan	07.07.1995
4.	Sri Lanka	16.04.1982
	NORTH AMERICA	
1.	Canada	01.10.1971
2.	USA	21.04.1959
	EAST ASIA	
1.	PRC	21.11.1988
2.	Mongolia	27.07.1995
3.	North Korea	11.04.1988
4.	ROK	04.02.1998
5.	Taiwan	18.02.1993
	WEST ASIA	
1.	Bahrain	15.06.1999
2.	Iran	22.07.2002
3.	Jordan	02.10.1994
4.	Kuwait	21.11.1987
5.	Lebanon	26.02.1998
6.	OIC	30.09.1987
7.	Saudi Arabia	25.10.2000
8.	Turkey	25.02.1998
9.	UAE	11.10.1991
10.	Yemen	11.02.1998
	AFRICA	
1.	Algeria	27.01.2000
2.	Botswana	31.07.1997
3.	Burkina Faso	23.07.1998
4.	Djibouti	03.08.1998
5.	Egypt	14.04.1997
6.	Ethiopia	22.10.1998
7.	Ghana	11.11.1996
8.	Guinea	07.11.1996
9.	Malawi	05.09.1996
10.	Morocco	16.04.2002
11.	Namibia	12.08.1994
12.	Senegal	11.02.1999
13.	Sudan	14.05.1998
14.	Zimbabwe	28.04.1994
	OCEANIA	
1.	PNG	27.10.1992

Appendix 4

Import Licensing

2005

No.	Product	Approving Authority
1.	Poultry (fowls, chicks, ducks, geese, turkeys, guinea fowls and pigeons) alive or dead or any part thereof	Veterinary Department
2.	Fresh or preserved meat and offal (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 padi, including rice flour, rice polishings, rice bran and rice vermicelli	Ministry of Agriculture and Agro-based Industry
5.	Sugar	MITI
6.	Natural barium sulphate (Barytes)	MITI
7.	Acetyl bromide	Ministry of Health
8.	Acetic anhydride, acetyl chloride	Ministry of Health
9.	Fireworks including fire crackers	Police Department
10.	Magnetic tape webs for video and sound recording	MITI
11.	Explosives, including: - propellent powders; - prepared explosives, other than propellent 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 (cyclotrimethylenetrinitramine).	Police Department
12.	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
13.	Safety helmets, except as worn by motorcylists or motor-cycle pillion riders	MITI
14.	Rice milling machinery including parts thereof	Ministry of Agriculture and Agro-based Industry

Continued ...

No.	Product	Approving Authority
15.	Automatic cassette or cartridge loaders	MITI
16.	Parts of automatic cassette or cartridge loaders	MITI
17.	All single colour copying machines, including Canon PC-10, Canon PC-25, Canon NP 150, Canon NP 155, Mita DC 142RE, U-BIX 1800z, Xerox Copier RX 1025, all multi-colour copying machines including Rank Xerox 6500, Canon NE Colour T and Ricoh Colour 5000 and colour toner cartridges	MITI
18.	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
19.	Apparatus or equipment to be attached to or connected to a public telecommunication network or system.	SIRIM Berhad
20.	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 communications 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
21.	Motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those under heading No. 87.11): Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 87.02), including station wagons and racing cars (excluding go-karts and ambulances) falling within subheading Nos: 8703.10 100, 8703.10 900, 8703.21, 8703.22, 8703.23, 8703.24, 8703.31, 8703.32, 8703.33, 8703.90 Motor vehicles for the transport of goods falling within heading No: 87.04 Multi sourcing parts falling within subheading Nos: 8708.99 111, 8708.99 112, 8708.99 113, 8708.99 114, 8708.99 115, 8708.99 121, 8708.99 122, 8708.99 123, 8708.99 124, 8708.99 131, 8708.99 132, 8708.99 133, 8708.99 134, 8708.99 135, 8708.99 140	MITI
22.	Chassis fitted with or without engines, for motor vehicles of heading Nos: 87.02, 87.03, 87.04 or 87.05 and parts thereof For motor vehicles falling within subheading Nos: 8703.21 321, 8703.21 322, 8703.22 321, 8703.22 322, 8703.23 321, 8703.23 322, 8703.23 323, 8703.23 324, 8703.23 331, 8703.23 332, 8703.23 333, 8703.23 334, 8703.24 321, 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	MITI

Continued ...

No.	Product	Approving Authority
	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, 8704.32 220, 8704.32 210, 8704.32 220, 8704.90 210, 8704.90 220	
23.	For machinery falling within heading Nos: 87.04, 84.27, 84.29 and 84.30	MITI
24.	Parts suitable for machinery falling within heading No: 84.31	MITI
25.	Bodies (including cabs), for motor vehicles falling within heading Nos: 87.02, 87.03, 87.04 or 87.05 For ambulance For motor vehicles falling within subheading Nos: 8703.21 221, 8703.21 222, 8703.21 321, 8703.21 322, 8703.21 400, 8703.22 221, 8703.22 222, 8703.22 321, 8703.22 322, 8703.22 400, 8703.23 221, 8703.23 222, 8703.23 223, 8703.23 224, 8703.23 231, 8703.23 232, 8703.23 233, 8703.23 234, 8703.23 321, 8703.23 322, 8703.23 323, 8703.23 324, 8703.23 331, 8703.23 332, 8703.23 333, 8703.23 334, 8703.23 400, 8703.24 221, 8703.24 222, 8703.24 321, 8703.24 322, 8703.24 400, 8703.31 221, 8703.31 222, 8703.31 321, 8703.31 322, 8703.31 400, 8703.32 221, 8703.32 222, 8703.32 223, 8703.32 231, 8703.32 232, 8703.32 233, 8703.32 321, 8703.32 331, 8703.32 332, 8703.32 333, 8703.32 400, 8703.33 221, 8703.33 222, 8703.33 231, 8703.33 232, 8703.33 321, 8703.33 331, 8703.33 332, 8703.33 400, 8703.90 221, 8703.90 222, 8703.90 223, 8703.90 224, 8703.90 225, 8703.90 231, 8703.90 232, 8703.90 233, 8703.90 234, 8703.90 235, 8703.90 310, 8703.90 331, 8703.90 332, 8703.90 333, 8703.90 334, 8703.90 335, 8703.90 341, 8703.90 342, 8703.90 343, 8703.90 344, 8703.90 345, 8703.90 400 For motor vehicles falling within subheading Nos: 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122, 8702.90 900 For motor vehicles falling within subheading Nos: 8704.10 211, 8704.10 219, 8704.10 311, 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 For motor verhicles falling within subheading 8703.10	MITI
26.	Motorcycles, autocycles and cycles fitted with an auxiliary motor	MITI
27.	High speed duplicators, including master electronics control, master playback, with or without loop bin and slave recorders, medicine making machines and CD master machines	MITI

Continued ...

No.	Product	Approving Authority
28.	Film or tapes for magnetic recording commonly known as 'pancakes', excluding those in cassettes or cartridges	MITI
29.	Parts of high speed duplicators, including master electronic control, master playback and slave recorders	MITI
30.	Arms and ammunition as defined under the Arms Act 1960, other than personal arms and ammunition imported by a bona fide traveller	Police Department
31.	Saccharin and its salt	Ministry of Health
32.	Unmanufactured tobacco; tobacco refuse	Ministry of Plantation Industries and Commodities
33.	Road tractors for semi-trailers completely built-up, old	MITI
34.	Special purpose vehicles falling within heading No. 8705	MITI
35.	Parabolic antenna for outdoor use	SIRIM Berhad
36.	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
37.	Acesulfame K	Ministry of Health
38.	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	MITI

Continued ...

No.	Product	Approving Authority
	Annex B to the Protocol:	
	Group I:	
	CFC-13 Chlorotrifluoromethane	
	CFC-111 Pentachlorofluoroethane	
	CFC-112 Tetrachlorodifluoroethane	
	CFC-211 Heptachlorodifluoropropane	
	CFC-212 Hexachlorodifluoropropane	
	CFC-213 Pentachlorotrifluoropropane	
	CFC-214 Tetrachlorotetrafluoropropane	
	CFC-215 Trichloropentafluoropropane	
	CFC-216 Dichlorohexafluoropropane	
	CFC-217 Chloroheptafluoropropane	
	Group II:	
	CCI Carbon tetrachloride (tetrachloromethane)	
	Group III:	
	CHCCI Methyl Chloroform 3 3 (1,1,1 Trichloroethane)	
39.	Liquid milk in any form including flavoured milk recombined or reconstituted	MITI
40.	Liquid sterilised flavoured milk including flavoured milk recombined or reconstituted	MITI
41.	Cabbage (round)	FAMA
42.	Coffee, not roasted	FAMA
43.	Cereal flours: of wheat or meslin (including atta flour) in packings not exceeding 5 kg	MITI
44.	Activated clay and activated bleaching earth	MITI
45.	Billets of iron or steel	MITI
46.	Bars and rods (including wire-rods), of iron or steel, hot-rolled, forged, extruded, cold-formed or cold-finished (including precision made); hollow mining drill steel: Wire-rod Bars and rods (excluding wire rods) not further worked than hot-rolled or extruded: round Bars and rods, cold-formed or cold-finished (including precision made): round	MITI
47.	Alloy steel and high carbon steel in the form mentioned in heading Nos: 72.06 to 72.17 Wire rod of high carbon steel, of stainless or heat resisting steel and of other alloy steel Bars and rods (excluding wire rods) and hollow mining drill steel of high carbon steel, of stainless or heat resisting steel and of other alloy steel	MITI
48.	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

Continued ...

No.	Product	Approving Authority
49.	Insulated (including enamelled 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
50.	All goods from Serbia, Montenegro and Israel	MITI
51.	Flat-rolled products of iron or non-alloy steel of a width of 600mm or more, clad, plated or coated - 72.10	MITI
52.	Flat-rolled products of iron or non-alloy steel of a width less than 600mm, clad, plated or coated.- 72.12	MITI
53.	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
54.	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
55.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	MITI
56.	Tubes, pipes and hollow profiles, of cast iron - 7303.00 000	MITI
57.	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel-73.04	MITI
58.	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.- 73.05	MITI
59.	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel.	MITI
60.	Toxic chemicals and their precursors covered under the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction 1993 (CWC).	Ministry of Foreign Affairs

Appendix 5

Temporary Exclusion And Sensitive Lists For Investment Under The ASEAN Investment Area Agreement

Manufacturing Sector

BRUNEI DARUSSALAM

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture of garments of categories 338, 339, 638 and 639 - for US market.
No more approval given.

Industries Open with Restriction to Foreign Investors
Industries utilising local resources, domestic market access and government facilities or the manufacturing of food-related products.
Foreign investment must have at least 30% local participation. However, full foreign ownership is allowed if 100% of the product is exported with exception of the manufacturing of food related products and use of local resources.

Industries Closed Only to Foreign Investors
Manufacture of cement.
Manufacture of drinking water either from tap or from local resources.
Subject to control.

CAMBODIA

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture/processing of cultural items.
Subject to prior approval from relevant Ministries.

Sawn timber, veneer, plywood, wood-based products utilising local logs as raw material.
No new licence 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

Continued ...

Subject to prior approval from Ministry of Health for these psychotropic substances:
- Amfetamine, Dexamfetamine, Fenetylline, Levamfetamine, Mecloqualone, Metamfetamine, Methaqualone, Methylphenidate, Phencyclidine, Phenmetrazine, Metamfetamine Racemate, Secobarbital, Amobarbital, Allobarbial, Alprazolam, Amfepramone, Barbital, Benzfetamine, Bromasepam, Buprenorphine, Butalbital, Butobarbital, Cathine, Camazepam, Chlordiazepoxide, Clobazam, Clonazepam, Clorazepate, Clorazepam, Cloxazolam, Cyclobarbital, Delorazepam, Diazepam, Estazolam, Ethchlorvynol, Ethinamate, Etilamfetamine, Fencamfamine, Fenproporex, Fludiazepam, Flunitrazepam, Flurazepam, Gluthethimide, Halazepam, Haloxazolam, Ketazolam, Lefetamine, Loflazepate Ethyl, Loprazolam, Lorazepam, Lormetazepam, Mazindol, Medazepam, Mefenorex, Meprobamate, Methylphenobarbital, Methyprylon, Midazolam, Nimetazepam, Nitrazepam, Nordazepam, Oxazepam, Oxazolam, Pemoline, Pentazocine, Pentobarbital, Phendimetrazine, Phenobarbital, Phentermine Pinazepam, Pipradrol, Prazepam, Pyrovalerone, Secbutabarbital, Temazepam, Tetrazepam, Triazolam, Vinylbital.

Manufacture/processing of narcotic drugs.
Prohibited.

Manufacture of weapons and ammunitions.
National defense policy.

Manufacturing of firecrackers and fireworks.
Subject to control.

Manufacturing related to defense and security.
National defense policy.

Industries Open with Restrictions to Foreign Investors
Manufacture of cigarettes.
Only for export (100% export).

Alcohol.
Movie production.
Subject to prior approval from relevant ministries.

Exploitation of gemstones.
Bricks made of clay (hollow, solid) and tiles.
Rice mill.
Manufacture of wood and stone carving.
Silk weaving.
Subject to local equity participation.

INDONESIA

Temporary Exclusion List

<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.

Continued ...

Plywood.
Only in Papua.

Clove cigarettes (with automatic machines).
Ratio of production manually and machinery.

Fire crackers and fire works.
Manufacturing of ammonium nitrate for explosive purposes.
National security.

Food and drink:
- Industries preparing shredded meat, boiled and then fried, and jerked meat; Industries preparing pickled/sweetened fruit, vegetables and eggs; Industries preparing salted/pickled fish and other, marine biota; Industries making bread, cookies, and the like; Industries making brown/coconut palm sugar; Industries making fermented bean paste used as condiment; Industries making bean cake; Industries making bean curd; Industries making crisp, thin chip made of flour and peanut, shrimp or small fish/crispy chips of banana, potato, bean cake, etc.; Industries making peanut snacks (fried peanuts with out covering, salted peanuts, large white beans, onion beans); Industries making chips made of flour flavoured 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; 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.

Continued ...

Industries making handicraft tools:
- trowels; wooden planes; planes; *Beugel-beugel* (traditional tools); *kasut pleste* (traditional tools for plaster); spatulas; clamps; handsaw; hammers (of a small type); chisels; and *pangut* (traditional cutter).

Industries for maintenance and repair (workshops, including special workshops):
- small workshops including roving small workshops, tire repair, upholstery workshops, railway workshops, workshops for ships maintenance, air filling/air pumps, traditional car body repair and the like, without modern instruments.

Industries for maintenance and repair (workshop including special workshops):
- repair of electrical devices for household purposes.

Business reserved for small-scale enterprises.

Industries making electrical devices and other components:
- various kinds of clamps; motor armature and track armature.

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 material; handicraft using animals as raw material; imitation flowers and decorations; handicrafts from mollusks and the like; handicrafts made of precious stone and marble; and household equipment made of bamboo and rattan.

Business reserved for small-scale enterprises.

Raw rattan processing
On condition of partnership with small-scale enterprises.

Traditional medicine product and medical instruments for non-medic.
Traditional Indonesian musical instruments.
Business reserved for small-scale Enterprises.

<u>Industries Open with Restriction to Foreign Investors</u>
Food and drink:
- milk processing industries/dairy product; fish flour industries (animal feed); tea processing industries; soy sauce industries; processing industries: pepper; gnetum gnemon; cinnamon; vanilla; cardamon; nutmeg; and cloves; and granulated sugar industries.

Industries of rubber products for industrial purposes.
- rubber rolls.

Industries manufacturing agricultural machinery.
- threshers; reapers; hydrotillers; and corn removers.

Industries manufacturing fluid machinery.
- hand operated water pumps.

Bicycles-making industries:
- industries making bicycle equipment

Industries making silver crafts.
Processing and canning of fruits.

Various palm essence industry:
- sago palm essence.

Rice milling and threshing.
Copra industry.
Silk yarn spinning industry
Downstream industry of pepper.
On condition of partnership with small-scale enterprises.

Continued ...

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 environmental and society.

Manufacture of pharmaceuticals.
Manufacture of alcohol of all types.
Manufacture of motor vehicles of all types.
Subject to local equity participation and/or export or high ratio of local content.

Continued ...

MALAYSIA

Sensitive List

<u>Industries Closed for Both National and Foreign Investors</u>
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 Both Foreign and National Investors.</u>
Fabrics and Apparel of Batik.
Ordinary Portland Cement (Integrated Projects).
Maximum foreign equity ownership allowed is 30%.

<u>Industries Open with Restrictions to Both Foreign and National Investors.</u>
Explosives, pyrotechnic products, propellant powders, detonating or safety fuses and the like.
Weapons and ammunition.
Prior approval is required from Ministry of Home Affairs.

Continued ...

MYANMAR

Temporary Exclusion List

Industries Closed for Both National and Foreign Investors
Manufacturing of pulp of all kinds.
Value-added product policy.
Manufacture of paper is required.

Industries Open with Restrictions to Foreign Investors
Production and marketing of basic construction material, furniture, parquet, etc. using teak extracted and sold by the State-owned economic organisation.
Only for export of high value-added wood-based products.

Sensitive List

Industries Closed for Both National and Foreign Investors
Distilling, blending, rectifying, bottling, and marketing of all kinds of spirits, beverages or non-beverages.
Manufacture of wines.
Manufacture of malt and malt liquors, beer and other brewery products.
Manufacture of soft beverages, aerated and non-aerated products.
Manufacture of cigarettes.
Manufacture of monosodium glutamate.
Manufacture of corrugated galvanized iron sheets.
No new permit to be issued.

Manufacture of refined petroleum products.
Reserved for the State sector.

Manufacture of weapons and ammunition.
National Defense Policy.

Industries Closed Only to Foreign Investors
Sawmilling and planing 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.

Continued ...

PHILIPPINES

Sensitive List

Industries Open with Restrictions to Foreign Investors
Domestic market enterprises with paid-in equity capital of less than US$200,000.*
Foreign equity is restricted to maximum 40%.

Domestic market enterprises which involve advanced technology or employ at least fifty (50) direct employees with paid-up capital of less than US$100,000.*
Foreign equity can be more than 40% if firm exports at least 60% of total production output.

Industries Closed Only to foreign Investors
Cooperatives*
No foreign equity allowed.

* No ISIC Code since this cuts across all sectors

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Chewing gum, bubble gum, dental chewing gum or any like substance.
Production prohibited for safety and social reasons.

Firecrackers.
Match sticks.
Production prohibited for safety reasons.

Industries Open with Restrictions to Foreign Investors
Publishing and printing of newspapers.
Foreign equity is subject to approval by relevant Ministry.

Beer and Stout
Water conservation.

Reproduction of recorded media (e.g. CD, CD-ROM, VCD, DVD-ROM).
Intellectual Property Rights enforcement.

Pig iron and sponge iron.
Rolled steel products.
Steel ingots, billets, blooms and slabs.
Limited local steel scrap.

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.

Continued ...

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 licence 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% of 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 licence 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%.

Continued ...

Single superphosphate fertiliser.
Production of H_2SO_4, H_3PO_4 , LAS, industrial gasses, acetylene.
Common use paint.
Motorcycle and bicycle tyres and tubes; automotive tyres and tubes up to 450 mm.
Plastic water pipes used in agriculture, rubber gloves, labour sanitary boots.
Subject to export and quality requirements.

Consumer plastics.
Detergent, shampoo, soaps, washing liquid.
Zn, Mn batteries (R_6, R_{14}, R_{20}).
Subject to export requirements.

Paper production.
In conjunction with development of local raw material resources.
Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirement.

Fruit juice.
Subject to utilisation of local raw material and export requirements.

Electro-mechanical and refrigeration equipment.
Household electric appliances.
Subject to technology and export requirements.

Processing of aqua-products, canned sea food.
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.

Continued ...

Production of NPK fertiliser.
Construction glass.
Fluorescent tubes and bulbs.
Fishing net production.
Lubrication oil, grease.
No new licence 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 participation 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.

Continued ...

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 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.

Continued ...

INDONESIA

Sensitive List

Industries Closed to Both National and Foreign Investors

Agriculture

- estate crops: medical herbs, except ginger; plantation of pepper, belinjo, cinnamon, candlenut, vanilla, "kapulaga" (amomum cardamomum), nutmeg, "siwalan",sugar palm and leaf ("lontar"), clove, Pogostemon Catlin Benth, Uncaria gambir.

On condition of partnership with small-scale enterprises.

Livestock

- native chicken.

Business reserved for national small-scale enterprises.

Fishing

Catching of marine ornamental fish, catching area < 12 miles

Business reserved for national small-scale enterprises

Hatchery

Aquaculture

- freshwater fish hatchery.

Business reserved for national small-scale enterprises.

Forestry

- contractors of logging.

Environmental protection.

- Apiculture exploitation.
- Exploitation of sugar palm, sago, rattan, candlenut tree, bamboo and cinnamon plant forest.
- Exploitation of swallow nests in the nature.
- Exploitation of tamarind estates by small holders (tamarind seeds collection and processing).
- Exploitation of charcoal producing plant forest.
- Exploitation of tree sap producing plant forest.
- Exploitation of atsiri oil producing plant forest (pine oil, lawang oil, tengkawang oil, cajuput oil, kenanga oil, fragrant root oil, and other)

Business reserved for national small-scale enterprises.

General Mining

- radioactive minerals (uranium, etc.)

national security.

- small-scale mining.

On condition of partnership with small-scale enterprises. All foreign investments should be carried out under contract of works. Conservation Forest Area is prohibited for all mining. Preserve Forest is prohibited for open cut mining.

Industries Closed Only to Foreign Investors

Agriculture

Genetic resources (bio-diversity).

Environmental protection.

Aquaculture

Grow-Out

- freshwater fish culture.

Business reserved for national small-scale enterprises.

Continued ...

Forestry
- utilisation of naturally growing forest;
environmental protection.

- utilisation of forest based on HPH (forest exploitation right).
- community forest utilisation right.
reserved for local people.

- genetic resources (bio-diversity).
environmental protection.

<u>Industries Open with Restrictions to Foreign Investors</u>

Agriculture
- Food crops; Cassava,
On condition of partnership with the local farmers located in production center of food crop concerned

Traditional herbal plantation.
- estate crops: oil palm; rubber; sugar; coconut; cocoa; coffee; tea; cashewnut; cotton; castor oil; ginger; fibre plants; (jute; kenaf; rami; stevia; and rosela). areca-palm; banana of manila (Musa textilis); medical plants; fragrant root *(akar wangi);* palm; tamarind *(asam jawa)*; indigo; brass; kaempferia galanga *(kencur)*; almond; turmeric; coriander; benth (pogostemon catlin); tobacco; fragrant grass ("sereh wangi"); sesame seed; and herb (panzolzia zeylanica benn), *(urang-aring).*
On condition of special partnership programs and the need to have recommendation from the Ministry of Agriculture.

Aquaculture
Hatchery
- brackishwater shrimps hatchery.
On condition of partnership with national small-scale enterprises.

Grow-Out
- aquaculture of eel, escargot and crocodile.
On condition of partnership with small-scale enterprises.

Forestry
- Utilisation of Industrial Plantation
On condition of partnership with small-scale enterprises.

LAO PDR

Temporary Exclusion List

<u>Industries Open with Restrictions to Foreign Investors</u>
Mining and agglomeration of hard coal
Mining and agglomeration of lignite
Extraction and agglomeration of peat
Extraction of crude petroleum and natural gas
Service activities incidental to oil and gas extraction excluding surveying

Mining of iron ores
Mining of non-ferrous metal ores, except uranium and thorium ores
Mining of chemical and fertiliser minerals
Extraction of salt
Other mining and quarrying
Subject to agreement with the Government and processing.

Continued ...

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 is negotiated on a case-by-case basis and the Production Sharing Contracts will adhere to rules and regulations stipulated by the Malaysian Government with regards to the award of contract etc.

MYANMAR

Temporary Exclusion List

<u>Industries Closed to Both National and Foreign Investors</u>

Forestry
Extraction of hardwood and sale of the same
National policy on forestry

Continued ...

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.

<u>Industries Open with Restrictions to Foreign Investors</u>

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

<u>Industries Closed Only to Foreign Investors</u>
People's Small-scale mining programme.
Mining activities which rely heavily on manual labor using simple implements and methods and do not use explosives or heavy mining equipment.
Maximum area of 20 hectares.
Investment not to exceed P10.0 million.
Ratio of labor cost to equipment utilisation cost is greater than or equal to 1.0 (based on 1 metric ton of ore).
No foreign equity allowed.

<u>Industries Open with Restrictions to Foreign Investors</u>

Forestry
Mining (other than small-scale mining).
Deep sea fishing.
Agriculture in public land.
Foreign equity is restricted to a maximum of 40%.

Continued ...

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Pig farming
Quarrying
No more licences 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 licence 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, helding not less than 40% of registered capital. However, Minister of Commerce with approval of Cabinet, may reduce said requirement to not less than 25%.*
- *Shall have Thai nationals helding at least two-fifths of total directors; or*
- *Shall receive promotion under Investment Promotion Law, or must obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than three million Baht.Shall apply for licence 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).

Continued ...

VIET NAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

Manufacture of cultivation processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.

Subject to export, technology and quality requirement.

Paper production.

In conjunction with development of local raw material resources. Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirements.

Fruit juice.

Subject to utilisation of local raw material and export requirements.

Refrigeration equipment.

Subject to technology and export requirements.

Processing of aqua-products; canned sea foods.

joint-venture form, subject to material, technology requirements and export at least 80%.

Assembly of marine engines.

Subject to technology requirement.

Production and processing of wood.

Dairy processing.

In conjunction with development of local raw material resources.

Cane sugar production.

Vegetable production and processing.

In conjunction with development of local raw material resources and subject to export requirement.

Tanning.

In conjunction with development of local raw material resources and subject to environmental protection requirement.

Sensitive List

Industries Closed Only to Foreign Investors.

Fishing.

Foreign investment shall not be licensed.

Exploitation of gemstones

Fishing-net production.

No new licence will be issued.

Industries Open with Restrictions to Foreign Investors

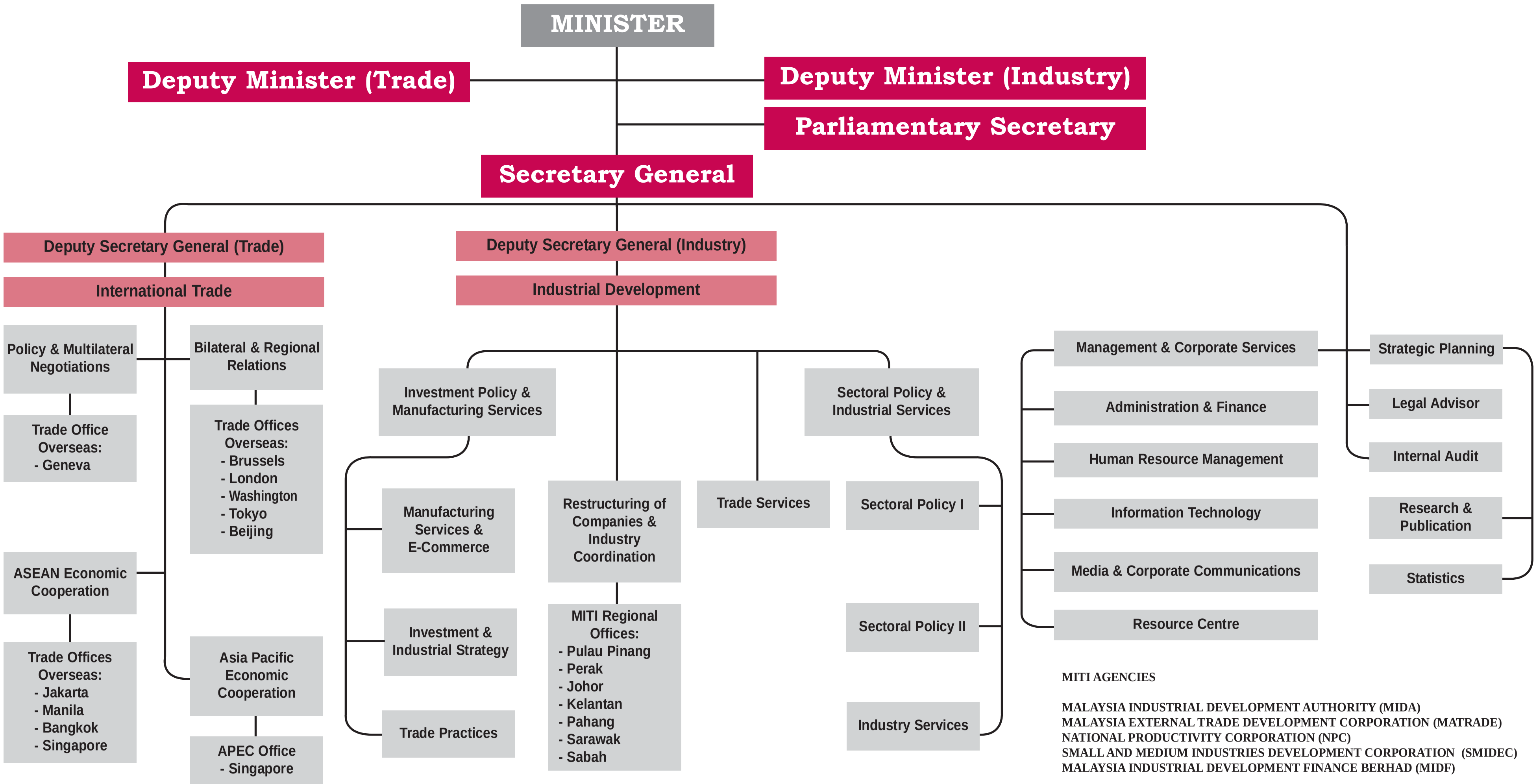
Exploitation, processing of rare and precious minerals, raw material, exploitation of clay for production of exportation of high-quality sand for production of construction and technical glasses.

Subject to planning of the Government.

Appendix 6

MITI And Its Agencies-Organisation Charts And Addresses

MITI ORGANISATION CHART



MITI AGENCIES

MALAYSIA INDUSTRIAL DEVELOPMENT AUTHORITY (MIDA)
MALAYSIA EXTERNAL TRADE DEVELOPMENT CORPORATION (MATRADE)
NATIONAL PRODUCTIVITY CORPORATION (NPC)
SMALL AND MEDIUM INDUSTRIES DEVELOPMENT CORPORATION (SMIDEC)
MALAYSIA INDUSTRIAL DEVELOPMENT FINANCE BERHAD (MIDF)

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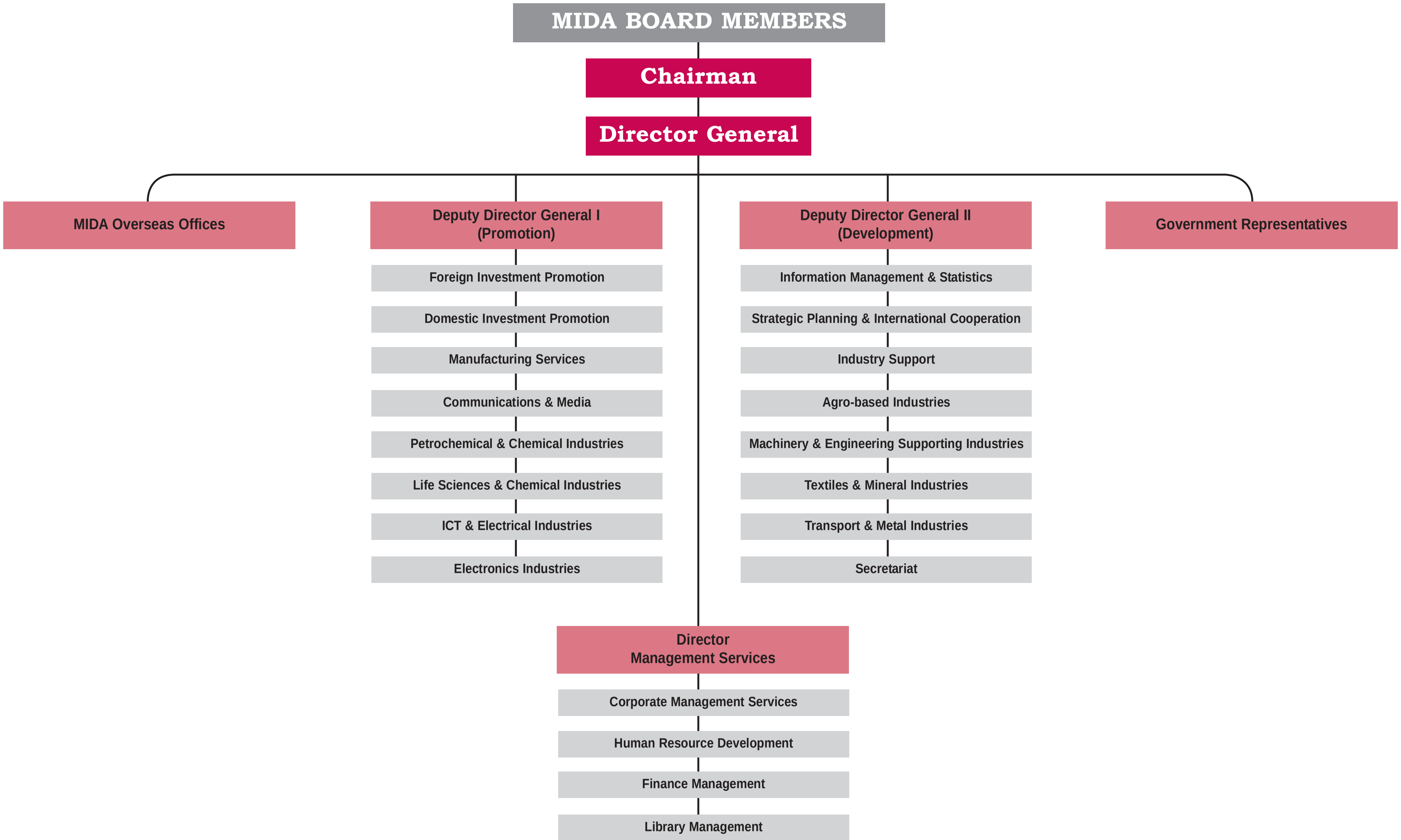
MIDA ORGANISATION CHART



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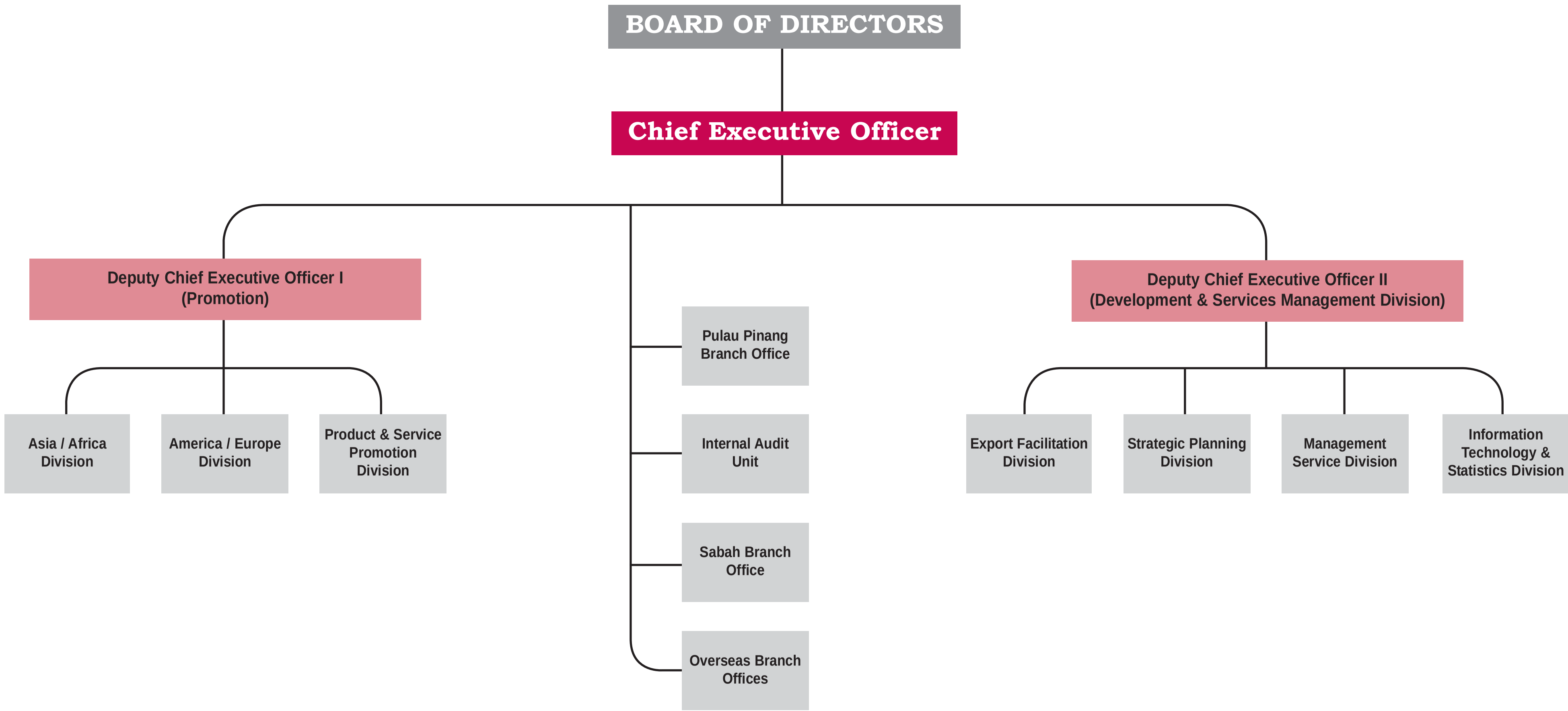

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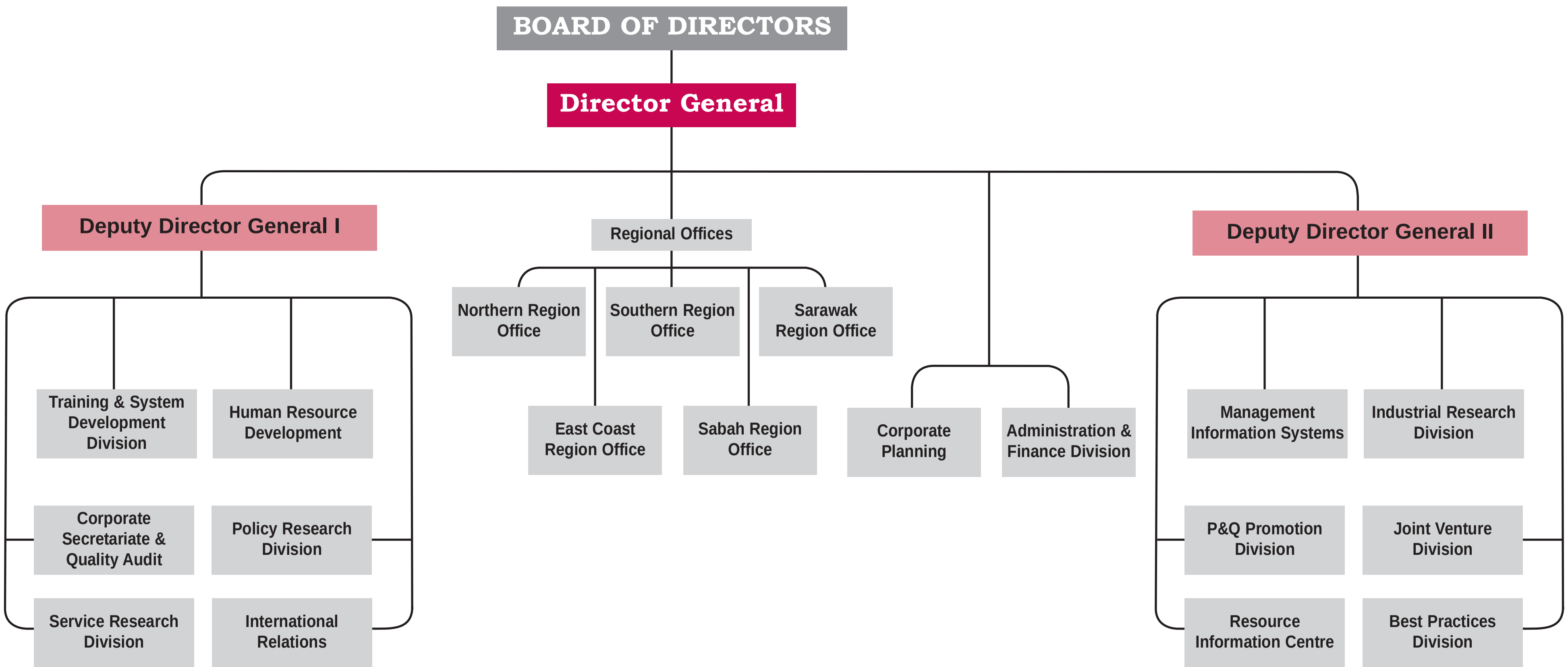
NATIONAL PRODUCTIVITY CORPORATION ORGANISATION CHART



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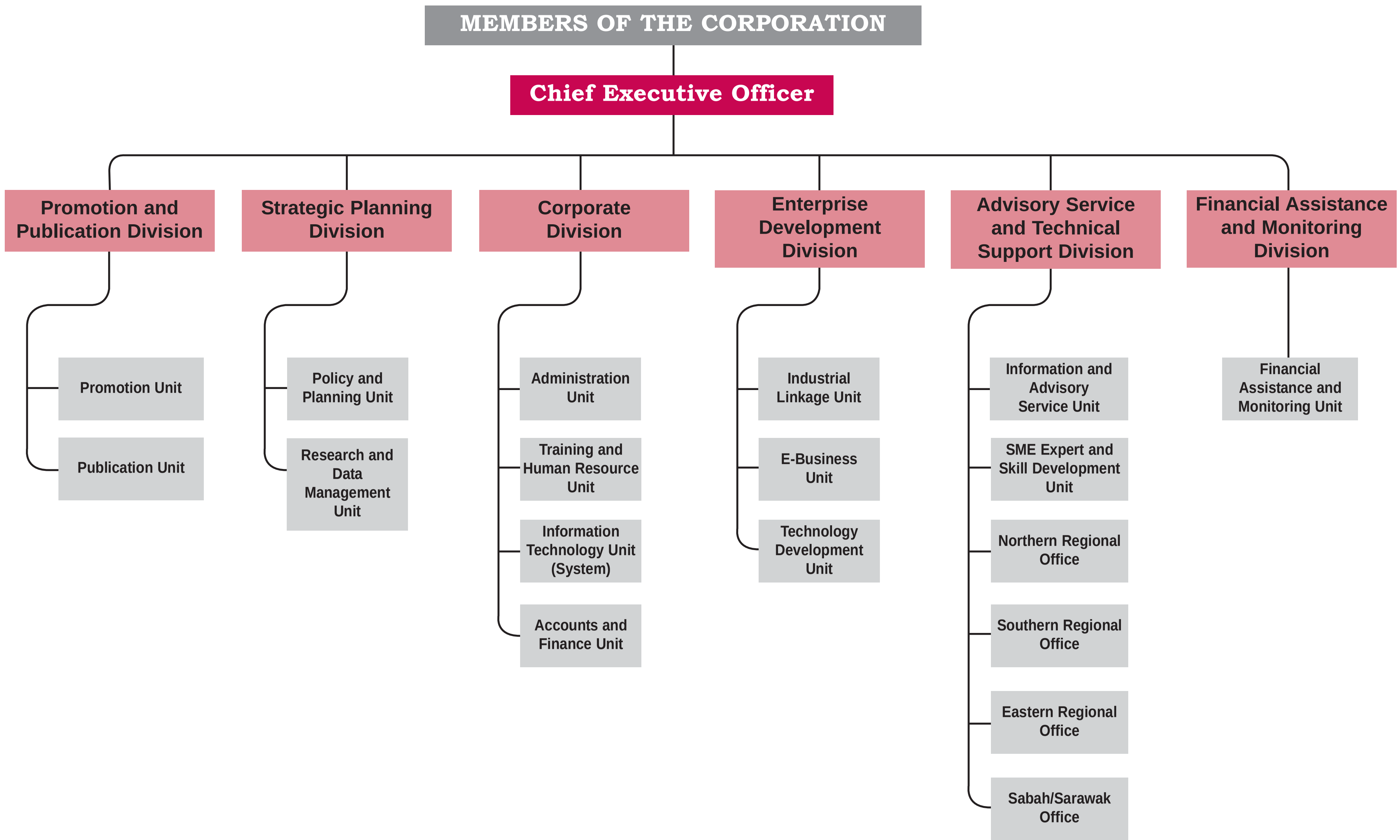

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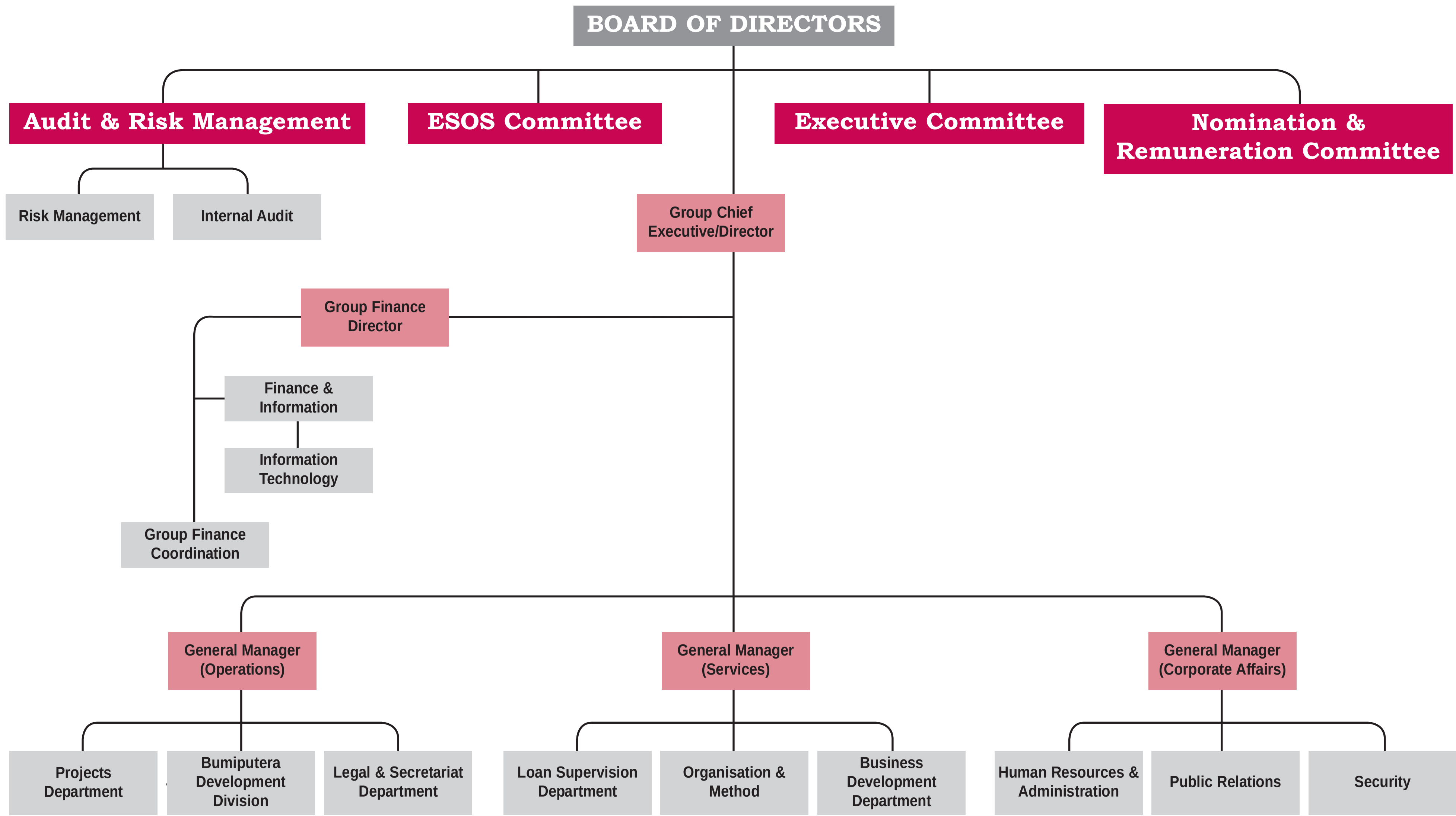

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Appendix 7

Abbreviations And Acronyms

AADCP	ASEAN-Australia Development Cooperation Programme
AB	Appellate Body
ABMI	Asian Bond Markets Initiative
ACCF	ASEAN-China Cooperation Fund
ACCSQ	ASEAN Consultative Committee for Standards and Quality
ACFTA	ASEAN-China Free Trade Area
ACTD	ASEAN Common Technical Dossiers
ACVG	ASEAN Customs Valuation Guide
AD	Anti-Dumping
ADF	ASEAN Development Fund
AEC	ASEAN Economic Community
AELM	APEC Economic Leaders' Meeting
AFM	Automotive Federation of Malaysia
AFTA	ASEAN Free Trade Area
AHTN	ASEAN Harmonised Tariff Nomenclature
AIA	ASEAN Investment Area
AISP	ASEAN Integration System of Preference
AMBDC	ASEAN-Mekong Basin Development Cooperation
AMM	APEC Ministerial Meeting
APBSD	ASEAN Policy Blueprint on SME Development
APEC	Asia Pacific Economic Cooperation
APEC IT/HRD	Asia Pacific Economic Corporation Information Technology / Human Resource Development
APPS	ASEAN Pioneer Projects Scheme
AQIS	Australian Quarantine Inspection Service
AQSIQ	Administration of Quality Standard, Inspection and Quarantine
ASEAN	Association of South East Asian Nations
ASEAN - 5	Indonesia, Malaysia, The Philippines, Singapore and Thailand
ASEAN - 6	ASEAN - Brunei Darussalam, Indonesia, Malaysia, The Philippines, Singapore and Thailand
ASEAN - BAC	ASEAN-Business Advisory Council
ASEAN EE MRA	ASEAN Mutual Recognition Arrangement for Electrical and Electronic Equipment
ATAP	ASEAN Transport Action Plan
ATC	Agreement on Textiles and Clothing
ATF	ASEAN Tourism Forum
ATM	ASEAN Transport Ministers
BCJ	Builders,Carpentry and Joinery
BPG	Brand Promotion Grant
BSAs	Bilateral Swap Arrangements
CAD/CAM	Computer Aided Design/Computer Aided Manufacturing
CAE	Computer Aided Engineering

CAEXPO	ASEAN - China Expo
CBD	Convention on Biological Diversity
CBP	Customs and Border Protection
CBU	Completely Built-Up
CCNC	Cabinet Committee on National Competitiveness
CECA	Comprehensive Economic Cooperation Agreement
CEP	Comprehensive Economic Partnership
CEPT	Common Effective Preferential Tariff
CER	Closer Economic Relations
CERTs	Computer Emergency Response Teams
CET	Common External Tariff
CGCs	Credit Guarantee Corporations
CIDB	Construction Industry Development Board
CIPE	Capital Investment per Employee Ratio
CKD	Completely Knocked-Down
CL	Compulsory Licensing
CLMV	Cambodia, Lao PDR, Myanmar and Viet Nam
CMI	Chiang Mai Initiative
COMCEC	Committee for Economic and Commercial Cooperation
CPKO	Crude Palm Kernel Oil
CPO	Crude Palm Oil
CRC	Cold Rolled Coils
CRDF	Commercialisation of Research and Development Fund
CRM	Customer Relationship Management
CSA	Canadian Standards Association
CSI	Container Security Initiatives
CTD	Committee on Trade and Development
CTE	Committee on Trade and Environment
C-TPAT	Customs Trade Partnership Against Terrorism
CWC	Chemical Weapons Convention
D&D	Design and Development
D-8	Group of Eight Developing Countries
D-8 PTA	Eight Developing Countries Framework Agreement
DAGS	Demonstrator Applications Grant Scheme
DDA	Doha Development Agenda
DOSM	Department of Statistics, Malaysia
DRI	Direct Reduced Iron
DSB	Dispute Settlement Body
DSM	Dispute Settlement Mechanism
DSU	Dispute Settlement Understanding
DVD	Digital Video Devices
DVD-R/RW	Digital Versatile Disc-Recordable/Rewritable
DWT	Dead Weight Tonnes
E&E	Electrical and Electronics
E50	Enterprise 50 Award Programme
EABC	East Asia Business Council
EAFTA	East Asia Free Trade Area
ECOTECH	Economic and Technical Cooperation
EFTA	European Free Trade Association
EHP	Early Harvest Programme

EIA	Environment Impact Assessment
EMC	Electromagnetic Compatibility
EMS	Environmental Management System
ERP	Enterprise Resource Planning
ESM	Emergency Safeguard Measures
EU	European Union
FCCIS	Federation of Commerce, Industry and Services
FCS	Forest Stewardship Council
FDI	Foreign Direct Investment
FIC	Foreign Investment Committee
FPC	Flexible Printed Circuit
FPX	Financial Process Exchange
FTA	Free Trade Agreement
G-15	Group of Fifteen
GATS	General Agreement on Trade in Services
GC	General Council
GDP	Gross Domestic Product
GHS	Globally Harmonised System
GI	Geographical Indications
GIS	Geographic Information System
GRG	General Rubber Group
GSP	Global Supplier Programme
GSP Scheme	Generalised Scheme of Preferences
GSTP	General System of Trade Preferences
GTPA	Gold-based Trade Payments Arrangements
HACCP	Hazard Analysis Critical Control Point
HBI	Hot Briquetted Iron
HICOM	Heavy Industries Corporation of Malaysia
HPA	Hanoi Plan of Action
HRC	Hot Rolled Coils
HRD	Human Resource Development
HRDB	Human Resource Development Berhad
HRDF	Human Resource Development Fund
IAP	Individual Action Plan
IBS	Industrialised Building System
ICs	Integrated Circuits
ICT	Information and Communications Technology
IEC	International Electro-Technical Commission
IGS	Industry Research and Development Grant Scheme
IL	Inclusion List
ILP	Industrial Linkage Programme
IMF	International Monetary Fund
IMP2	Second Industrial Master Plan
IMTGT	Indonesia-Malaysia-Thailand Growth Triangle
INOKOM	Industri Otomotif Komersil
IOR-ARC	Indian Ocean Rim-Association for Regional Cooperation
IPCs	International Procurement Centres
IPI	Industrial Production Index
IRA	Import Risk Analysis
IRB	Inland Revenue Board

IRG	Industrial Rubber Group
IRPA	Intensification of Research in Priority Areas
IT	Information Technology
ITA	Investment Tax Allowance
ITTO	International Tropical Timber Organisation
JAKIM	Department of Islamic Development, Malaysia
JAMA	Japan Automotive Manufacturers Association
JAPIA	Japan Auto Parts Industries Association
JAS	Japanese Agriculture Standards
JIS	Japanese Industrial Standards
KLIA	Kuala Lumpur International Airport
KPI	Key Performance Indicators
LCD	Liquid Crystal Display
LDCs	Least Development Countries
LED	Light Emitting Diodes
LNG	Liquified Natural Gas
LVB	Laminated Veneer Cross Band
LVL	Laminated Veneer Lumber
LVS	Laminated Veneer Sandwich
M&As	Mergers and Acquisitions
M&E	Machinery and Equipment
MATRADE	Malaysian External Trade Development Corporation
MDC	Multimedia Development Corporation
MDG	Market Development Grant Scheme
MDI	Mandatory Deleted Items
MEAs	Multilateral Environmental Agreements
MEMS	Micro Electro-Mechanical Systems
MERCOSUR	Latin American Southern Cone Common Market
MEWC	Ministry of Energy, Water and Communications
MFN	Most Favoured Nation
MFPC	Malaysian Furniture Promotion Council
MGCCI	Malaysian German Chamber of Commerce and Industry
MGS	Multimedia Super Corridor Research and Development Grant Scheme
MIDA	Malaysian Industrial Development Authority
MIDF	Malaysian Industrial Development Finance Berhad
MIHAS	Malaysian International Halal Showcase
MITI	Ministry of International Trade and Industry
MJEPA	Malaysia-Japan Economic Partnership Agreement
MMC	Mitsubishi Motor Corporation
MNC	Multinational Corporation
MoU	Memorandum of Understanding
MPOB	Malaysian Palm Oil Board
MRA	Mutual Recognition Arrangement
MRO	Maintenance, Repair and Overhaul
MRS	Manufacturing-Related Services
MS	Malaysian Standard
MSC	Multimedia Super Corridor
MTB	Malaysian Truck and Bus Berhad
MTC	Malaysian Timber Council
MTCC	Malaysian Timber Certification Council

MTCL	Multilateral Trading Credit Loan
MTOP	MATRADE Trade Outreach Programme
MW	Megawatts
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NAMA	Non-Agriculture Market Access
NBP	National Broadband Plan
NFMD	Non-Ferrous Metals Dialogue
NPC	National Productivity Corporation
NSDC	National Small and Medium-Scale Enterprises Development Council
NT	National Treatment
NTMs	Non-Tariff Measures
NTOs	National Tourism Organisations
NVTC	National Vocational Training Council
OAA	Osaka Action Agenda
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturers
OHQs	Operational Headquarters
OIC	Organisation of Islamic Conference
OTC	Over the Counter
PBT	Polybutylene Terephthalate Resins
PCA	ASEAN Post-Clearance Audit
PCB	Printed Circuit Board
PERODUA	Perusahaan Otomobil Kedua Sdn. Bhd.
PIA	Promotion of Investment Act
PICU	Project Implementation Coordinating Unit
PRC	People's Republic of China
PROTON	Perusahaan Otomobil Nasional Berhad
PS	Pioneer Status
PSDC	Penang Skills Development Centre
PTA	Preferential Tariff Arrangement
PTP	Port of Tanjung Pelepas
PUSPATRI	Johor Skills Development Centre
QRs	Quantitative Restrictions
R&D	Research and Development
RAMET	Rasa Machinery and Equipment Technology Centre
RDCs	Regional Distribution Centres
REs	Representative Offices
REACH	Registration, Evaluation and Authorisation of Chemicals
RFID	Radio Frequency Identification Devices
ROs	Regional Offices
ROK	Republic of Korea
ROO	Rules of Origin
RTAs	Regional Trade Agreements
S&D	Special and Differential
SAARC	South Asian Association for Regional Cooperation
SACU	Southern African Customs Union
SAEU	South Asian Economic Union
SAFTA	South Asian Free Trade Area
SBC	Small Business Corporation

SEAP	SME Experts Advisory Panel
SHRDC	Selangor Human Resource Development Centre
SIAP	Strategic Investment Action Plan
Sixth MC	Sixth WTO Ministerial Conference
SKRL	Singapore-Kunming Rail Link
SLICT	Soft Loan for ICT Adoption
SLFR	Soft Loan for Factory Relocation
SLSME	Soft Loan for Small and Medium Enterprises
SME WG	SME Working Group
SMEs	Small And Medium Enterprises
SMG	Standard Malaysian Glove
SMIDEC	Small and Medium Industries Development Corporation
SPCD	Strategic Plan of Customs Development
SPOs	Special Project Officers
SPS	Sanitary and Phyto-Sanitary
STOs	Specific Trade Obligations
TBT	Technical Barriers to Trade
TF	Trade Facilitation
TFP	Total Factor Productivity
TFT/LCD	Transistor-Liquid Crystal Display/Liquid Crystal Display
TIEA	Trade and Investment Enhancement Agreement
TIFA	Trade and Investment Framework Agreement
TNC	Trade Negotiation Committee
TPR	Trade Policy Review
TPS-OIC	Trade Preferential System - Organisation of Islamic Conference
TREATI	Trans-Regional EU-ASEAN Trade Initiative
TRIMs	Trade Related Investment Measures
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
VAC	Visit ASEAN Campaign
VAP	Vientiane Action Programme
WCO	World Customs Organisation
WTO	World Trade Organisation

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